

contracts and commerce in

WATER SERVICES

in UGANDA

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New Rules, New Roles: Does PSP benefit the poor?



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Contracts and Commerce in Water Services: The Impact of Private Sector Participation on the Rural Poor in Uganda

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Acronyms

DRA	Demand responsive approach
DLC	District Local Council
EDF	European Development Fund
HIPC	Highly Indebted Poor Country
NGO	Non-government organisation
PAF	Poverty Action Fund
PEAP	Poverty Eradication Action Programme
PSP	Private sector participation
RUWASA	Rural Water and Sanitation Programme
SNV	Netherlands Development Organisation
SSPs	Small-scale providers, or village entrepreneurs
UNICEF	United Nations Children's Fund
WES	Water, environment and sanitation – a sector in Uganda's civil service

I. Executive Summary of the Synthesis Report

Governments, both northern and southern, have rightly placed themselves under much pressure to achieve better water and sanitation coverage. The Millennium Development Goals aim to halve the proportion of people without access to water and sanitation services by 2015. Millions die every year from lack of access to safe water and adequate sanitation. On one hand there is an undeniable urgency about these issues that makes prolonged discussion frustrating and a questionable use of resources. But on the other, the risk of the blanket promotion of one debatable method of reform is an unnecessary waste of scarce resources.

Most southern governments have consistently failed to deliver affordable and sustainable water and sanitation to the poor. It is difficult to summarise the causes for this failure as each situation is different and complex. However, some broad problems cut across many public utilities and municipal services: bad financial management, low funding priority, lack of staff experience and qualifications, absent or weak customer service orientation, political interference, little or no independent regulation and an absence of civil society consultation. Many of these problems have been described as attributable to weak government capacity – equally acute in urban and rural contexts.

Our research shows that the policy of private sector participation (PSP) does not comprehensively tackle the underlying causes of water utilities' failure to serve the poor. In four key areas capacity building, community participation, finance and institutional reform, major problems persist, making it unlikely that the multinational private sector is going to play any significant role in achieving the Millennium Development Goals.

Currently the pursuit of a policy of PSP generally undermines local and national government capacity. For one, it limits the ability of the public sector to take services back should PSP fail or when contracts end. Private sector contracting must not result in irreversible dependence on private companies, and there must be clauses in contracts to prevent this dependence.

Without adequate government capacity, no reform processes can be successful. The private sector cannot be contracted without tackling failing government. The government's role to facilitate, monitor and regulate is as much an essential element in PSP as in public and user-managed utilities. Yet, it seems that this requirement is being practically ignored in the rush to establish PSP. It is essential that donors refocus efforts to building government capacity at local and central levels.

The involvement of local communities is often lacking in PSP reform programmes. Where PSP has failed to deliver the promised gains, the case often is that the poor are seen mainly as recipients, rather than contributors to development. Whether projects involve large or small-scale PSP, the focus is on giving contracts or concessions to the private sector. Social mobilisation and community participation, proven time and again as prerequisites for sustainable development, are seen as burdens and non-essential components of the task. Failure to consult communities means that the interests of the poor are often not being represented. It results in a lack of ownership over projects and an absence of accountability between users and service providers. It seems that the lack of community involvement that led to previous failures is continuing, raising serious doubts over the sustainability of PSP projects.

Cost recovery and capital cost contributions are in most cases necessary for water services to be sustainable. However, there are problems in the application of these principles, which often results in denying the poor access to services. Expensive technology choices and a failure to consider the non-cash contribution of the poor are widespread in PSP contracting. Donors are guilty of promoting an approach that is narrow and mechanistic, allowing for little flexibility and absence of perspectives incorporating community action and considering the complexities of poverty.

Changing the role of government, by effectively reducing its capacity through reductions at central level, but not increasing personnel at local government levels, erases benefits that could be gained from decentralisation per se (such as responsiveness to people's needs, greater accountability etc.). Weak decentralised agencies cannot be expected to quickly learn about tenders or forms of contracting and keep track, monitor and supervise the activities of contractors fanning beyond provincial capitals.

In the rural areas that were studied, reduced government roles had a detrimental impact as work was often sub-standard leaving the communities with a costly and unreliable service. The rural case studies also show that there are, so far, no improvements in accountability. In some respects, accountability was compromised in the dilution of responsibilities that accompanied the change in roles. Because projects are between governments and contractors (communities are typically not a party in the contract), the supposed beneficiaries are in no position to seek redress for sub-standard work. Accountability is lost in the commercial/ contractual, quick-fix arrangements of private sector involvement.

Political interference has been seen as contributing to the failure of many public utilities to deliver to the poor. In established democracies there is 'interference' in the running of utilities but this is seen as government exercising its duty to keep institutions to account. There is a fine line between 'interference' and the need for accountability, the difference seems to be the depth and strength of democratic institutions in individual countries.

Civil society working to strengthen the hand of government through, for example, commenting on tender documents prepared by external advisors, increases the likelihood that reforms will further the concerns of the poor. It is in the interests of government to involve a broad constituency, especially one that represents the interests of the poor and poor people themselves in the shaping of privatised basic services. Pro-active openness and transparency by government in reform processes lessens the possibility of civil strife.

With these findings, we are opposed to donors pressuring developing countries to accept PSP in water services as a condition of aid, trade or debt relief. To promote a policy regardless of specific contexts increases the likelihood of failure especially when the likelihood of success of that policy is intensely contested. Furthermore, the enforcement of PSP as the central policy reform limits the options for governments and civil society to improvise and innovate using the best possible arrangements. We believe rather that policies should be used to ensure that in any reform process the poor will be protected, their access to services increased, and the process itself actively seeks the opinion of civil society.

This does not mean that we are rejecting private sector involvement. The private sector has a role that should not be denied. But, where there is corruption and/or political resistance to serve the poor, the private sector can do very little and can, in fact, compound the problem. Where there is lack of information, participation and democratic processes, the situation is thrown wide open to opportunistic behaviour from the private sector. However, given a situation with stable rules, enough political commitment to address the underlying causes, good governance and an informed and active citizenry, the private sector can be a responsible partner in development and an important player in reforming and improving water services.

In order to move forward on this contentious issue, a multi-stakeholder review should be undertaken. We believe that it is only through such a review (similar to the World Commission on Dams) that the final, authoritative word can be made on whether PSP benefits the poor. We also believe in the necessity of building the capacity of civil society actors to influence privatisation processes and to hold governments and the private sector to account. This needs to start with improving their knowledge and understanding of the issues surrounding failing water services, and enabling civil society groups around the world to learn from each other's experiences of intervention in privatisation processes.

II. Case Summary

Uganda has adopted a series of structural adjustment programmes that put privatisation at the heart of its public services reforms. In the water sector, this has paid off well. Huge amounts of money have been made available to the country resulting from increased donor confidence. However, because private companies are not expected to engage or invest in community mobilisation, there are doubts about the long term sustainability of the projects. The government needs to address this by providing incentives for private firms to develop community participation. Donors and the government also need to invest in community capacity.

Uganda, a landlocked country in eastern Africa with an estimated population of 21 million of which some 88 percent live in rural areas, is a highly indebted poor country (HIPC). In 1995 it had the lowest life expectancy in the world at 41 years. Adult literacy is also low at 62 percent, with most of the workforce employed in agriculture. Like most African nations, since its independence (from the UK) in 1962, Uganda suffered from chaos and mismanagement throughout the 1970s and 80s. The National Resistance Movement came to power in 1986, and has since then adopted structural adjustment programmes demanded by the International Monetary Fund. A key aspect was the privatisation of government institutions, alongside public sector reforms. Because of its poverty, Uganda has qualified for debt relief amounting to more than US\$2 billion. Since 1999, there has been a dramatic increase in private sector participation (PSP) in Uganda's water and sanitation services.

The form of PSP that has emerged in Uganda involves the implementation of a multitude of village-level water supply projects by private contractors on a massive scale across the country. The government reports that from 1998 to 2001, one million people have been connected to wells, hand pumps and protected springs,

some 913 people connected per day. The rate of access to safe water improved from 40 percent in 1997 to 50 percent in 2000. With current funds, the government reckons it can reach 58 percent of the rural population by May 2005. The government could not have achieved these outcomes alone. But despite these positive outcomes, research by WaterAid uncovered a number of problems with PSP contracting in Uganda:

Emphasis on hardware. The private sector's contracts covered construction and materials, but no provision was made for community participation, management training, sanitation or hygiene. Contractors were interested in making money and moving on, not setting up mechanisms for sustainable development of projects.

Doubtful technical competence. A large number of companies put together proposals and tenders for contracts, even when they had no capacity or experience to do the work. There were numerous cases of companies winning tenders without having ever done any construction activity.

Poor supervision. The people employed to supervise their projects often had no technical expertise. This raised concerns that some private companies may not actually have the capacity to supervise construction operations.

Low government capacity. Local council leaders are expected to monitor the implementation of projects, yet they are usually not given access to contract information, and there is little support given to them in this role.

Repair and quality problems. In theory companies were contracted to do repairs at their own expense, if systems broke down within six months. But there is reason to believe this procedure was not followed in a great number of cases. There is also doubt about the ability of government to enforce guarantees.

Structure of water privatisation

Funding for water and sanitation is mainly derived from the Poverty Action Fund (PAF) of central government, which bankrolls the Poverty Eradication Action Programme (PEAP), a development plan which put water and sanitation as a main priority. PAF funds are channelled from central government to district assemblies as grants solely for water and sanitation projects. Districts then re-distribute those funds to local councils, but have to demonstrate to central government they are being spent correctly. Local councils, which are in constant touch with communities, identify projects, but they are ultimately decided upon by the districts. Projects are only approved for those communities that are able to raise 10 percent of the costs themselves.

Private companies, not government bodies, are contracted to do the actual work of constructing the projects, for which they get paid. There is no formally organised private sector, and many NGOs are included as 'private companies' which can bid for construction work. They are contracted through local government tendering processes, which have built in anti-corruption mechanisms. Private firms are paid to carry out work including construction, maintenance, supply of goods, designs and studies, and training, but crucially they are not expected to carry out community consultation either prior to, during or following construction. Local government keeps 10 percent of the price of the project back for six months, as a guarantee in case the system fails or needs repair.

Lack of transparency. A key concern was the lack of openness in the selective tendering process, which involves a lot of discretion by the decision-makers in the selection of contracts.

Effects on the community

Despite the numerous good-practice policies, what emerges from our investigation at the community level is something that appears to be the opposite of the intended outcomes:

Community awareness of PSP is extremely low. There is a great lack of understanding of the PSP process. Only one of 15 communities interviewed could actually identify the contractor that was awarded the project for constructing a waterpoint.

There is a failure of community participation in decision making. Communities do not appear to know they are entitled to the projects which they identify, and because they are not clear about this, they are in no position to articulate demand. Often site-selection for projects is being done with no community involvement.

Mechanisms to ensure sustainability of the projects are weak. Communities are discouraged from contributing to repairs which could prevent breakdown because they have no investment in the system, and there is an absence of transparency about how money is spent.

Because communities do not know the details of the contractor or the contract, there are constraints on how they can call for implementation of the contract's provisions. They do not know if contractors are liable for the cost of repairs or not, for example. Supervisors lack guidelines on which to base their supervision.

The very poorest communities appear to be excluded from schemes with PSP. If they fail to raise the required 2-10 percent contribution, private sector companies move where the money can be raised.

Sanitation and hygiene promotion are not priorities for the private sector firms. There may be a rush for hygienic construction projects, like latrines in public buildings, but there is no accompanying education programme on maintaining healthy and safe environments.

Conclusion

Uganda's PSP in rural water and sanitation has been a very useful policy tool in expanding coverage. Government would not have been able to achieve the connecting of one million Ugandans to a relatively safe water source on its own. But communities are not being properly consulted, they are unable to invest significantly

in the progress of projects, and there is a huge problem with responsibility for repairs. As a result, the achievements of PSP in Uganda are unlikely to be sustainable. They will also tend to leave poor communities unserved. A number of reforms are therefore recommended:

- 'Software' building among the communities is just as important as hardware construction.
 - Communities need to play a greater role in contractual relationships. They should become customers to whom the private contractors are responsible.
 - Communities need to be sensitised to their right to identify their need for projects, and to demand them.
 - Private companies need to be sensitised to the important developmental role communities play. Incentives must be put in place for the private sector to do community mobilisation work.
- There is a need to create effective monitoring mechanisms of projects, at a local level.
 - Flexibility should be factored in to community contributions for projects, and recognition is needed of contributions 'in kind' from communities, such as labour and local materials.
 - Donors and the Ugandan government should prioritise capacity-building, and funding should be provided, so communities can fulfil their new roles in the PSP system.

III. Introduction

This study aims to examine the impact of private sector participation (PSP) in water services on the poor in rural Uganda. It is part of the wider PSP Learning, Advocacy and Research Project that has been facilitated by UK based organisations WaterAid and Tearfund. This research has been carried out by staff from WaterAid-Uganda.

The form of PSP that has emerged in Uganda involves the implementation of a multitude of village-level water supply projects by private contractors on a massive scale across the country. Hundreds of projects are awarded to contractors through local government tenders at the district and sub-county level. To date, this policy mechanism appears to be achieving coverage targets. The government has reported that, since the funding increases in 1998 until 2001, about one million people have been connected to wells, handpumps and protected springs (Ministry of Finance, 2001). This is roughly equal to some 913 people being connected each day, an achievement that the government could not have done alone. Under various policies, the government has transformed itself from being the direct implementer of these projects to being the facilitator, regulator and monitor of small-scale rural water supply projects implemented by private firms.

The expansion of coverage of water supply projects, the decrease in government burden and the relative cost-effectiveness and efficiency of private sector delivery are indeed reasons for rejoicing. Yet, there are reasons for worry that grow louder by the day. Initially, WaterAid was concerned about quality issues - that the rapid pace at which water supply projects are constructed may result in sub-standard infrastructure. There was suspicion that the majority of the companies competing in the tendering process were inexperienced. Also, the mechanisms to ensure transparency have not yet completely settled in to be effective. These concerns grew bigger, especially when it became evident that physical coverage targets are being achieved at the expense of community mobilisation and participation in decision-making - the essential components for sustainability.

WaterAid thus presents a critique of the particular form of PSP that has emerged in Uganda. It argues that while PSP has been a particularly useful policy tool for improving coverage targets, its achievements are unlikely to be sustainable. Most importantly, it will tend to leave the poorest communities unserved. Serious problems emerge at both the contracting and implementation stages. The emphasis of this form of PSP is on the construction of physical infrastructure (hardware) while community participation and social mobilisation (software) are neglected. There is a danger that without the software mechanisms in place, the hardware will break down easily within six months to two years from construction. Already, evidence from the ground has started to confirm this. But sustainability is not the only issue. The other equally important concern is that the poorest communities may be left unserved. Innovation and flexibility - which are essential when dealing with the more difficult situations in the poorest communities - are typically lost not only in the competition amongst contractors, but also when the administration of funds becomes more bureaucratic. Certain conditions under the PSP arrangements tend to exclude the poorest - such as when contractors shy away from communities unable to provide the 2-5 per cent cost contributions and when technical options are limited to the most convenient, not necessarily the more sustainable. There appears an absence of specific programmes to address the needs of the poorest communities.

Some of these problems are caused by the pressure that is on government to spend the large amount of money it has received through the debt relief process. Other problems are caused by the failure of government to properly monitor and facilitate the contracting and implementation. This is due in large part to a lack of capacity as central and local governments adapt to new roles.

The limitations of the PSP policy therefore need to be identified and discussed. These are presented in this case study, not to deny what

has been achieved, but in order that appropriate responses may be developed while there is still time, and most importantly, money, to initiate changes. Uganda presently benefits from funds obtained from debt relief and poverty reduction programmes. It is a rare opportunity for any struggling, developing country that huge amounts of development funds are readily available. It is important that these funds are not simply spent, but wisely used for development projects that are more sustainable and which will work as well for the poorest communities. WaterAid's critique is meant to start discussions and redirect thinking and policy-making towards wiser spending and more sustainable changes.

At the contracting stage, we found six areas for concern:

- The emphasis is on hardware
- Doubtful technical competence of private companies
- Lack of supervision of projects
- Lack of capacity-building in government to perform new roles
- Repair and quality problems
- Absence of transparency in selective tendering

There emerged six PSP issues with regards to implementation which are closely connected to problems at the contracting stage:

- Community awareness of private sector activity is extremely low
- There is a failure of community participation in decision-making
- Mechanisms to ensure sustainability remain weak
- There are many constraints on the monitoring of private sector activity by local leaders
- The poorest communities tend to be left out in the allocation of projects
- Sanitation and hygiene promotion are not accorded the priority they deserve

A background is first presented to familiarise readers with the social, economic and political milieu of rural Uganda. The drivers of PSP are then discussed, followed by the institutional framework within which it is implemented. The process of private sector contracting is then described, followed by an enumeration of problems in this contracting process. Life in the communities is then described. Finally, an enumeration and discussion of the six PSP issues is presented. This case study concludes that a number of changes are needed; a menu of recommendations is presented. Hopefully these will be considered and reflected upon by the concerned policy-makers.



Photo by: WaterAid/Caroline Penn

IV. Methodology

WaterAid bases its argument on a study it conducted in the second half of 2001 in 15 villages distributed across the districts of Mukono, Kabarole, Mpigi and Wakiso. These districts were selected because of the relatively advanced state of private sector implementation of water and sanitation projects. This research is largely qualitative. Focus group discussions were held to get the views of the water users and water committees (where they exist). Focus group discussions were also conducted with randomly selected water user groups divided between men and women. The groups had sizes of eight to ten persons, and a topic guide was used in all the discussions. Interviews were conducted with district officials, representatives of private companies and local village leaders. Informal discussions were conducted with sub-county officials. Observations were carried out on the use and maintenance of water sources. Observation sheets were completed using indicators of cleanliness, date of construction and type of facility.

Three consultative stakeholder workshops were held to prepare for the fieldwork. Stakeholders in each district - district officials, private companies, and local leaders at the sub-county and parish level - participated in this workshop, where the goals and

objectives of the research were presented to facilitate access for the interviews and to generate support in organising the focus group discussions. Fieldwork was undertaken by WaterAid researchers. Field activities lasted at least ten days in each district. Information was collected on eight particular issues, namely:

- Regulation and monitoring of projects
- Maintenance of water sources
- Access to water and sanitation services
- Community participation and decision-making
- Hygiene implementation
- The tendering process
- Private contractors

In total, the research conducted 12 focus group discussions (three in each district) which involved 156 male participants and 140 female participants. Interviews were conducted with 16 local village leaders, 11 district officials, 12 representatives of private companies and 9 sub-county officials. The researchers interacted with a total of 346 individuals.

V. Background

Facts and figures on Uganda

Uganda is a landlocked country in eastern Africa covering a total area of 236,580 square kilometres. One-sixth of its area consists of lakes, rivers and wetlands. It is predominantly on an elevated basin, averaging 1000-1300 metres above sea level. It has a current population estimated at 21 million, of which some 88 per cent live in rural areas. Despite its rural nature, Uganda is a densely populated country by African standards. It has a high growth rate of 2.5 per cent annually. Life expectancy at birth is 42 years. Uganda's adult literacy rate is 62 per cent. Its main exports are coffee, tobacco, sugar and cotton. Some 80 per cent of the

workforce is employed in agriculture. There are 40 clearly distinguishable ethnic groupings. The main languages are English, Luganda, Swahili and Arabic. English has become the lingua franca and the language of government (WaterAid, 1999).

Uganda achieved independence from the United Kingdom in 1962. The President is the head of state, government and armed forces. Each constituency is represented by an elected Member of Parliament. Since 1986, a non-party political system was instituted under the leadership of President Yoweri Museveni and his National Resistance Movement. Uganda

has since then held two presidential elections, with Museveni being re-elected in 2000. In October 1995 an interim 284-member Constituent Assembly was convened to promulgate a new constitution that confirmed the present political system (CIA, 2001).

Uganda is a highly indebted poor country (HIPC). In 1995 it had the lowest life expectancy in the world (41 years). Life expectancy is likely to worsen as a result of the AIDS epidemic gripping sub-Saharan Africa. Diseases related to poor water supply, hygiene and sanitation account for 50 per cent of child deaths in Uganda. There have been recent outbreaks of cholera, prompting the creation of a National Cholera Task Force. In 1998 it was estimated that water supply coverage in the rural areas was 42 per cent and in the urban areas 60 per cent. The proportion of households with latrines is estimated at 47 per cent (WaterAid, 1999).

Like many other African countries, Uganda suffered from chaos and mismanagement in the 1970s and 80s. Although still desperately poor, great progress has been made since the National Resistance Movement came to power in 1986 and inherited an economy that had virtually collapsed. Uganda's turnaround is generally regarded by the international community as impressive, although economic and political liberalisation remains fragile. There are also regional stability problems, the most serious of which is the conflict in Congo as well as the ongoing conflict in Sudan. Uganda has its own insurgency problems in the north, northwestern and western parts of the country (UNICEF, 2000).

Since the late 1980s Uganda has adopted the International Monetary Fund's structural adjustment reforms and a divestiture programme that has involved the privatisation of government institutions alongside public service reforms. The restructuring of public enterprises, particularly utilities, was meant to introduce PSP and competition to improve the delivery of services. In 2000, Uganda qualified for the enhanced HIPC debt relief worth US\$1.3 billion, and the Paris Club debt relief worth US\$145 million. Combined with resources received from the original debt relief in 1998, the country has now received more than US\$2 billion for its anti-poverty programmes (CIA, 2001). Most of these development funds are conditional on forms of PSP being implemented.

The drive for privatisation has resulted mainly from the inefficiency of public enterprises. In the post-independence period, the economy was nationalised to provide goods and services through the fair distribution of wealth. The nationalisation strategy was further accelerated in 1972 when Idi Amin declared an "economic war" and privately owned enterprises fell into government control. These became loss-making institutions that imposed a huge burden on the public. By the 1980s only one out of 156 public enterprises was making a profit. The debts owed by these failed enterprises continue to be burdens today. In 1992 their debts amounted to US\$569 million, nearly a third of Uganda's total debts. In 1994 government subsidies to these public enterprises amounted to US\$122 million, which was eight per cent of gross domestic product and five and half times the government's expenditure on health.

The privatisation and divestiture carried out under Public Enterprise Reform was implemented hand in hand with Public Service Reform, which was aimed at reducing the size and structure of the civil service, strengthening control systems and monitoring, enhancing skills and introducing pay reform. Public Service Reform reduced the civil service by at least one sixth, but the programme was criticised for being implemented so quickly that government was unable to pay retrenchment packages on time. Also, it reduced government capacity as retrenchment created gaps while there was a ban on recruitment.

Prior to privatisation of water and sanitation services to the community (1989-95), planning was done at the centre. The Directorate of Water and Sanitation had a drilling unit which had bases and skilled staff in every region. These worked hand in hand with United Nations Children's Fund (UNICEF) which operated in northern, western and central Uganda, and the Rural Water and Sanitation Programme (RUWASA) which operated in the central region.

Communities identified their problems and notified the sub-county. The reports of the sub-

county then made up the overall district plan for water and sanitation services.

Drivers of private sector participation

Uganda was the first poor country to qualify for debt relief (1997). Under the HIPC initiative, the government will continue to implement PSP macroeconomic structural adjustment policies, with emphasis being placed on PSP. The civil service's Water, Environment and Sanitation (WES) sector is affected by these reforms, having been restructured under the Public Enterprise Reform and Public Service Reform programmes. The roles and responsibilities of public servants in this sector changed from direct implementation of projects to quality assurance, regulation and contract management, while the private sector took over the gap left by this change in roles.

Consequently since 1999, a dramatic increase in PSP in the provision of water and sanitation services was seen. The rural water sector was opened up to private companies, which took over the role previously carried out by the Directorate of Water Development and partner non governmental organisations (NGOs). Prior to this change, private sector involvement was considered inappropriate given the public good and basic need characteristics of water and sanitation. But by this time, the PSP policy became easier to implement in the WES sector as it has already taken effect in other sectors such as agriculture, education, finance and industry. For water and sanitation, the government saw the private sector as a viable resource to be tapped, especially in design and construction, operation and maintenance, training and capacity-building, and commercial services (Republic of Uganda, 1999).

The decentralisation process also has had a major impact on the roles and relationships between and within the different levels of public administration (see Appendix 2 for government structures relating to water). For instance, it was under decentralisation that district level staff were freed from the time-consuming chores of direct implementation, and allowed to concentrate on providing support and capacity-building for the sub-counties and the private sector (National Water Policy, 1999).

With privatisation in place, huge amounts of funding were made available for water and sanitation projects. About US\$800 million has been budgeted for investment in rural water supplies over the long term. Some US\$670 million is to be spread out over the years until 2015, with a coverage target of 75 per cent (Republic of Uganda, 1999). For its 2001/2002 budget, the national government increased its own allocation from US\$20 million to US\$30 million. Of the amount allocated for 2001/2002, US\$14 million is to be directly disbursed to the districts through the district rural water and sanitation development conditional grant (*Ibid.*).

The funding for water and sanitation is mainly derived from the Poverty Action Fund (PAF) of the central government. PAF bankrolls the Poverty Eradication Action Programme (PEAP), a development plan drafted in 1997 where water and sanitation was identified as one of the priorities. The PAF was established in 1998/1999 as a mechanism to mobilise additional resources from debt relief and donors for expenditure in the social sector. Amounts in the PAF are divided between government (35 per cent), HIPC debt relief initiative (34 per cent) and donor support (31 per cent) (Ministry of Finance, 2000). Funds budgeted for PAF programmes are likely to be guaranteed over the coming years. This means that even without debt relief and donor support, government spending on water and sanitation as a poverty priority would have risen substantially.

Other sources of funding for water and sanitation include local revenue collection by the districts, local community contributions, and donor funding to the districts through NGOs.

The government estimates that about one million people have gained access to safe water since the increases in expenditure in 1998. Overall, rates of access to safe water improved from 40 per cent in 1997 to 50 per cent in 2000. Construction activities have focused on boreholes and the protection of natural springs. Water development activities have been carried out in 80 small towns and cities, while water tanks and latrines have been provided in primary schools. The target is that

safe water should be within easy reach by 65 per cent of the rural population and 80 per cent of the urban population by 2005 (Ministry of Finance, 2000). With current available funds, the government believes it can reach 58 per cent of the rural population by May 2005. More funds are being sought to reach the 65 per cent target in rural areas by 2005.

The institutional framework

There are a number of policies and approaches that are followed in the implementation of water and sanitation projects funded under the PAF. Under the decentralisation scheme (Local Government Act, 1997), local governments become responsible for delivering services to the communities. Hence, PAF funds are channelled from the central government to the district assemblies as conditional grants - funds that could not be used for any purpose other than to pay for water and sanitation projects. Before releasing the funds, the districts must show an accounting of expenditures in addition to the recruitment of relevant and competent staff.

Districts are required to submit a quarterly request for funds to the central government in the form of quarterly work plans and to report every quarter's progress. They will specify the actual activities carried out, along with the expenditure on those activities. The districts are guided by national water and sanitation policies in the planning, implementation and monitoring of the projects. The most important are the National Water Policy (1999), the Water Statute (1995), and the National Water and Sewerage Corporation Statute (1995). Also guiding the districts' work is the broad national policy on poverty alleviation - the Poverty Eradication Action Plan (1997).

Local councils - the basic unit of government in constant touch with the communities - are charged with identifying the projects. They submit annual requests for projects to the sub-county government, which then passes it on to the district assembly. The district government then forms its own work plan, which includes these projects in its allocations, depending on its own internal policies for the distribution or the prioritisation of projects. As such, it is the district government that ultimately

decides on projects to be funded, while the central government provides support and sets the standards of service for local councils.

Under the Demand Responsive Approach (DRA) followed by donors (especially the World Bank) projects are funded and implemented based on the demand articulated by the community. As such, it is incumbent on local government units to consult communities. The results of those consultations, where needs are identified, are one expression of demand, but the most important expression of demand is the community's contribution of 10 per cent to the costs of construction. Projects are thus approved only for those communities that are able to raise the 10 per cent contribution. The idea is that when there is demand, communities put a stake in the project and hence develop a sense of ownership of the project. This, in theory, is a most important ingredient for development projects to be sustainable. Also, for the lower levels of government, this allows freedom to plan and design realistic work plans which are responsive to specific local needs and priorities.

The next policy in the institutional framework is of course PSP. Private companies, not government bodies, do the actual work of constructing the projects for which they get paid. An anti-corruption mechanism instituted in this regard, to ensure that the funds are not misused or embezzled, is that projects are awarded only through tenders at the district and sub-county level. In this way contracts are awarded based on efficiency and cost-reductions rather than discretionary political decision-making. Contractors are selected on an annual basis, and implemented activities are reported quarterly within each financial year. The district office receives quarterly reports on installed facilities from the sub-county office.

Communities are expected to undertake the monitoring of private sector implemented activities and report through the sub-counties to the districts. Community leaders at village level are expected to undertake day-to-day monitoring during construction to ensure that

work is done to their satisfaction. Sub-county health assistants are expected to assist communities to form water user committees before any construction activity is started, and provide guidance on the selection of water sources.

At user level communities are not required to pay for water. However, communities have the responsibility of showing demand by contributing 10 per cent to the costs of construction. Another 10 per cent of construction costs are provided by the sub-county government. The community is also expected to contribute to the preventive maintenance and repairs of the water source. The contractor contributes the remaining amount as indicated in the contract documents, and charges this to the district government.

In summary, a cocktail of policies guides good practice in the implementation of projects funded by the PAF.

Contracting the private sector

PSP is not yet clearly defined in operational terms. It comprises a whole range of operations of both small local and big foreign companies. There is also general reference to NGO operations as 'private sector'. Many district officials hold the view that NGOs fall within the "private sector". There is no specific policy that defines or classifies different types of contractor, and which type can access funds from local government to implement water and sanitation activities. NGOs have thus become contractors as well and are awarded contracts if they submit bids in the tender process.

Private companies that are contracted through the local government tendering process are generally restricted to the following projects:

- Construction of water supply and sanitation facilities
- Supply of goods, eg training materials, pumps, pipes etc
- Repair and maintenance of water supply facilities
- Provision of consultancy services ie socio-economic reviews, hydrogeological studies, designs, construction supervision

- Implementation of training and production of promotional materials

A number of private companies are engaged in other business operations such as hardware shops and building construction. They compete for tenders in water and sanitation as an additional business opportunity. A number of companies have operated in various districts under contract from individuals, organisations such as churches, or local government programmes like the RUWASA. Private companies have also been contracted by NGOs to do work on water facilities or latrines. Among such NGOs are the Eastern Centre (Kayunga) and Save the Children (Kawempe). WaterAid has contracted private companies to do work in its pilot projects in Katakwi. In these NGO projects, community groups typically initiate the terms and conditions of work for the contractor.

There are two types of tendering: open and selective bidding. The open bidding process consists of publicly announced tender invitations, preparation of bids, and announcement of winning bidders. Selective bidding differs in that the tender board invites only a select number of companies to bid. The open bidding process goes through the following:

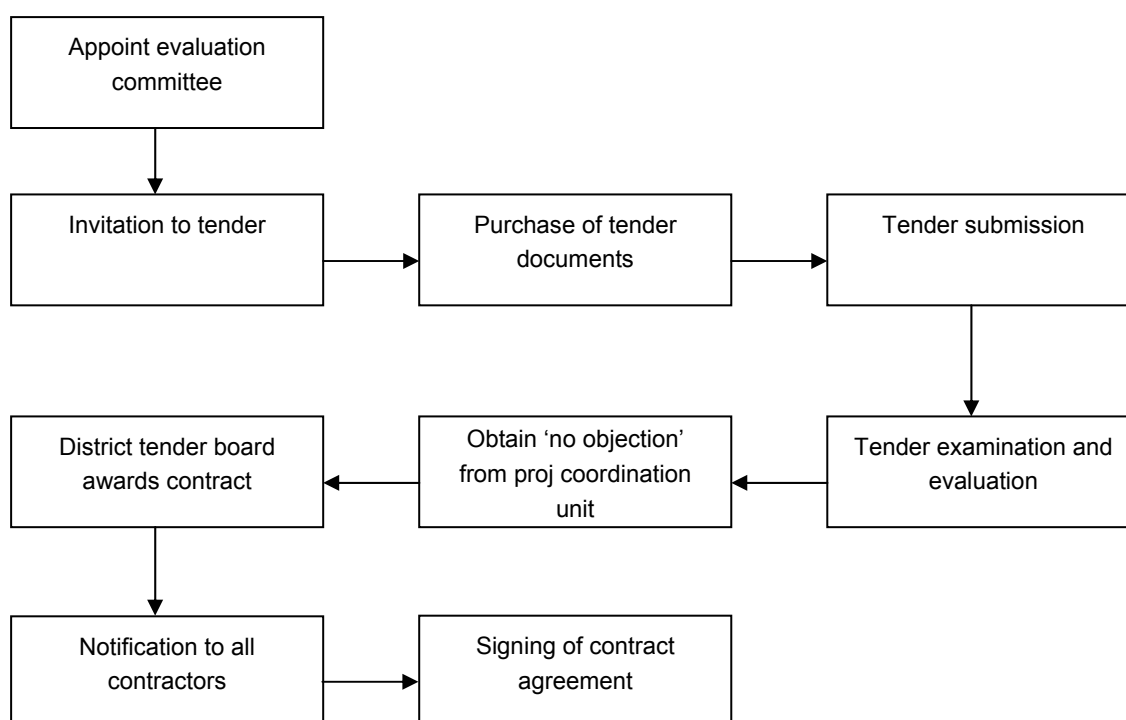
- Public notification of the intent to franchise the defined services to the private sector
- Distribution of relevant information by the potential contractors
- A formal process for pre-qualifying potential bidders
- A formal public process for presenting proposals, and evaluating and selecting a winner

Each contract usually involves the building of a number of facilities within the district. After a contract is awarded, the district prepares a quarterly work plan and allocates the facilities to be constructed among the different sub-counties. Hence, each contractor is given a number of projects to construct in each quarter, but they should finish one project before

proceeding to the next. Contractors are paid after the completion of each project. A typical protected spring or shallow well takes an average of two weeks of two weeks to finish. Sanitation projects usually take longer. The district keeps a 10 per cent

retention fee for six months after payment: this is used as a guarantee in case the project fails within the six-month period during which the contractor is responsible for repairs.

Table 1 – Process of Procurement and Contracting



Local private companies are generally owned by individual shareholders who undertake administrative and supervisory roles. They submit the bids for district and sub-county tenders. Local private companies also work for donor-funded programmes, like the gravity-fed piped scheme by the European Development Fund (EDF) of the European Union in Kabarole district that contracted PEAK Engineering Works. Supervision under donor funded programmes is carried out by private consultants who give reports to the districts. Such programmes have a separately established procedure for the selection of contractors, which includes interview sessions. Interview sessions are important as a way of validating a company's claims of competence. In the case of the EDF project, a project implementation committee was set up, composed of representatives from Netherlands Development Organisation (SNV) (a Dutch NGO)

and selected district officials. At least one company was found implementing a project won through a local government tender in one district, and simultaneously implementing another project in another district under donor funding. This company intends to register as an NGO as well in order to take on further implementation activities.

There are also private small-scale providers (SSPs) - typically water vendors - who collect water and transport it to the communities for a fee. The fees are set by the vendors themselves, although customers can negotiate rates which are most often based on the distance travelled. The vendors are paid in cash. Water vending in the areas covered in this research is not a full-time job. The vendors' investment is minimal, usually limited to

bicycles and jerry cans to transport water. Water vendors were found in Mukono, Wakiso and Kabarole districts. They have emerged in rural growth centres far from water sources - urbanising centres where no formal water connections or supply systems exist. They typically collect water from the nearest source, even when these are not protected. Customers have no choice over the quality of water supplied by vendors.

In one community (Kyebando Village) the water vendors are involved in the management of the water sources. They are responsible for ensuring cleanliness of water sources, and make monthly contributions for their maintenance.

Life in the rural communities

About 100 households constitute a village community with six or seven people per household. Households are often linked by family relations and usually own the land on which they live. Water sources are located on individual or communal land and community members share water sources.

The location of water sources is determined by terrain; households in hilly areas have limited access to water as well as communities in water-scarce areas. Often, they have to walk longer distances to access water in the neighbouring villages. It is common to have a single well serving two neighbouring villages. Kabarole district is located in the Western part of the country and lies within the rift valley, which runs through a chain of lakes. In Mukono, Mpigi, and Wakiso, open water sources are usually absent.

Households in rural growth centres, however, tend to depend on water sellers. These households are more involved in petty trade than farming. Often, they have migrated from the periphery of the villages to the centre, where they can take advantage of links with the towns. Collection of water is a domestic task and is largely done by women and children.



Photo by: WaterAid/Caroline Penn

VI. The problems of PSP contracting

A number of problems with PSP contracting became evident in the course of the research. These were found in the course of interaction with the stakeholders - district and sub-county officials, private company representatives, local council leaders and community water users.

Emphasis on hardware

Perhaps the most serious problem that emerged was that private sector contracts exclusively cover “hardware” components of water supply, and do not include provision for community participation, management training, or sanitation and hygiene. This is a defect that leads to further problems in the sustainability of the projects. The situation on the ground remains supply-driven and top-down, rather than demand responsive. This seems to be driven by the fact that there is money to spend, and waste. Most contractors are not interested in setting up mechanisms for sustainable development, but rather in simply constructing projects and making money out of them. District planning reinforces this emphasis on hardware. There appears to be little appreciation that building participatory community mechanisms, sensitising communities to PSP and development issues, and making communities aware of their entitlements are essential components of development work.

Doubtful technical competence of private companies

During the tendering process, contractors directly engage with the local government. A struggle ensues to comply with the technical specifications. A large number of companies put together proposals and tender for any contract, even when they do not have the capacity or the experience to do the necessary work. The tender process accepts companies that may not have a track record in construction, as long as they submit relevant documents that prove their capacity to undertake the work. There are numerous cases of companies that have never undertaken any construction activity successfully tendering and winning contracts without undergoing interviews. In contrast, directly donor-funded and administered

programmes provide more stringent conditions for the award of contracts. For example in Kabarole, under the Universal Primary Education programme for the construction of latrines, the Tripartite Construction Company was interviewed prior to the award of the contract.

Problems with the supervision of projects

Companies generally rely on part-time hired personnel to work on contracts they win.

In most private companies, staffers with supervisory roles for construction activities are not necessarily technicians. Most company staffers that the researchers met in the field were non-technical persons who handle administrative and supervisory work. This raises concerns that some private companies may not actually have the capacity to supervise construction operations. Most of the companies in the study were formed as recently as 1999. Half of the companies in the study started construction activities for the first time through the district tenders within a few months of their formation. One of the companies interviewed explained that as long as personnel to do the work are available, companies can apply for tenders in different districts at the same time. This further raises the question of the capacity of contractors to undertake proper supervision of projects simultaneously implemented. Districts do not enquire whether a contractor is being considered for an award is already committed to another contract elsewhere.

Low government capacity

Local council leaders are expected to monitor the implementation of projects, yet they are usually not even given access to contract information. They do not know the amount of stock that should be in inventories. There is little support to train them for this role. Equally, there are district staff who have not even seen the construction of a well making decisions about which design is technically better.

Capacity is a big problem that relates to and cuts across many of the other issues listed in this section. Government has changed its role from implementation to facilitation, however there does not seem to have been much preparation for this new role. The need for government officials to do an effective job has not changed; the success of reform ultimately depends on them.

Repair and quality problems

Another problem involves repairs. In theory, companies guarantee to repair projects that break down within six months at their own expense. This is to ensure the quality of their work. Furthermore, the district retains a 10 per cent fee for six months to which the cost of repair is charged should the original contractor fail to do it. But there is reason to believe that this procedure is not followed in a great number of cases. In Wakisi village, two villagers explained that they contributed for repairs of a handpump that broke down three times within two months of construction. In Mwibaale village, the company JESE did not repair the protected spring at all. This also raises questions about the ability of government to enforce guarantees.

The problem of repairs reflects a more important issue - quality of work done. Throughout the fieldwork, the most consistent complaint voiced during the focus group discussions was the quality of the work done by inexperienced contractors.

The local government clearly does not have the experience or inclination to ensure that the contractors have the right qualifications.

Lack of transparency in selective tendering

A key concern involves the transparency of tendering under the selective tendering process, whereby the tender board identifies and selects a few private companies and invites them to apply for contracts. Selective tendering involves a lot of discretion by the decision-makers in the selection of contractors. The tender board officials explained that this type of tendering is done when activities are of an urgent nature. The research team encountered difficulty determining which projects were under selective tendering, although all the private companies in the study said that the projects they had were tendered through open bidding.

Sub-counties have no tendering board and are independent of the district tendering board, but they contract through the selective bidding procedure. In Mukono district and Kabarole district, the companies USEP and JESE were contracted under the selective bidding procedure. Sub-counties only submit to tender activities that do not cost above US\$290.

VII. Research findings from the communities

In July 2001, residents of Kiwumu-Kalambi in the Wakiso district near Kampala woke to the sound of vehicles arriving in their village. The pick-ups were from a construction firm, Horden Company, and they arrived to start building for a protected spring. This village of about 100 households had relied on a natural spring for their domestic water needs. Horden was given a contract by government to develop that spring and build the necessary infrastructure. The villagers were bewildered by this sudden, unannounced arrival of a contractor for a project they had not asked for. But they are not complaining - after all, in a poor, poverty-stricken village like theirs, who would say no to the

development of a water source? Rural PSP, Uganda-style, was seen that morning in Kiwumu-Kalambi.

Across Uganda, this village's experience is being replicated many times. With development funds from debt relief and poverty reduction programmes pouring in to the local district assemblies, a rush of construction projects build up each day.

Under the cocktail of decentralising, demand-driven and anti-corruption policies to ensure good practice, contracts are awarded to the

private sector through local government tenders at district and sub-county level. Hence it has become commonplace to find villages being surprised by projects. Ostensibly, this is something to rejoice about. Uganda is perhaps one of a few, if not the only country, where development funding is actually available. The irony is that for such a poor country, the immediate problem is how to spend this money fast via the implementation of projects. Ironically this pressure is itself a contributor to some of the problems we have identified.

Despite the numerous good-practice policies, what emerges from our investigation at the community level is something that appears to be the opposite of the intended outcomes. For example, local councils tasked with identifying the projects from consultations with the villages are supposed to express demand. But whether it is really that demand which gets a response or whether it is demand-driven projects that are implemented is not at all clear. The experience of Kiwimu-Kulambi and the surprise the people there got that morning shows this. While grassroots communities are supposedly being consulted, they remain largely detached from the process. In many cases, community demand appears to be a myth.

This research, primarily focused on the implementation of the policy of private sector participation, has found a wealth of evidence that warns of long-term problems in Uganda's overall anti-poverty campaign, particularly in water and sanitation. While project targets are being met, ie one can count the rapidly increasing number of wells, pumps and spring protection being constructed at such a rapid pace, a serious problem of sustainability is emerging. Kiwimu-Kulambi may now have its protected spring - the physical infrastructure or hardware is in place - but whether it will last long enough without the social

infrastructure - the community mechanisms or software that are essential for sustainability - is something that cannot be determined with certainty. This research has been undertaken in only 15 villages that were purposively selected and which in no way can be representative of the whole of Uganda. It nevertheless argues that the emphasis on the hardware is not only unsustainable, it also has the tendency to achieve growth that leaves the poor behind. The policy of PSP, as implemented today in the rural water sector in Uganda, tends to sustain this hardware-oriented approach. Its limitations need to be shown and properly addressed by the appropriate bodies.

The following sections describe the limitations and failures of PSP implementation in the water sector in rural Uganda. It lists the issues and shows how these are reflected by evidence collected during the community interviews, focus group discussions and informal conversations with local government staff. By breaking up this critique of PSP implementation into these issues, it is hoped that the search for alternative solutions is better served.

Some of the problems are common to all providers and therefore one cannot blame the private sector in particular. Yet, some of the problems are specific to the private sector as the table below shows. The fact that some of these problems are common to different service providers calls into question the effectiveness of the PSP policy. The private sector is being promoted as an alternative provider to the public sector because it can overcome problems associated with the public providers, yet it seems as if the same causes of failure persist.

TABLE 2: Problems associated with the provision of water and sanitation services

PROBLEM	PRIVATISATION	NON-PRIVATISATION
Too much emphasis on hardware (at the expense of software)	✓	✓
Lack of competence of contracting company	✓	
Problems in the supervision of project implementation	✓	✓
Decline in capacity-building capability of government	✓	
Breakdown and repair before 6 months expire	✓	
Breakdown and repair after 6 months expire	✓	✓
Lack of transparency	✓	
Failure to prioritise sanitation and hygiene	✓	✓
Exclusion of the poorest due to 10% charge	✓	✓
Lack of community participation in decision-making	✓	

Community awareness of private sector activity is extremely low

In general, there is a lack of basic awareness in the 15 villages of the whole development process. In particular, there is an even greater lack of understanding of the private sector process, and of what the community's relationship should be with contractors doing contracted implementation roles.

Out of 15 villages visited and interviewed, in only one can the community actually identify the contractor awarded the project for constructing a waterpoint. For the rest, contractors are nearly-anonymous entities probably accountable to some government body. For sure, contractors do not just drop in unannounced, especially when they need local help for the work they do. In such cases they consult with local council leaders. At least three out of ten local council leaders in the villages studied revealed they were aware of the contractors before construction activities began. But many of them do not share this information with community members. Contractors implementing NGO-initiated projects were better known, largely because the NGOs introduce these contractors first through the community mobilisation activities that are set up to educate on operation and maintenance tasks.

Except in a few cases where the contractors' names were inscribed on the waterpoints, sub-county government staff and local council leaders had difficulty in identifying who they were. Although the sub-counties are supposed to receive copies of letters of award to contractors, information on contractors is not always available. The research team was often referred to the district government for information.

A number of problems have emerged from this lack of awareness. First, it makes it impossible for effective monitoring to be done (discussed below in detail). Secondly, community ownership of these projects dissipates, which in turn creates other problems. For instance, the DRA states that communities should contribute to the costs of a project, so that they have a stake in it and therefore develop a sense of ownership. But private contractors who worked in the 15 villages reported they had difficulty getting the communities to pay these costs. The communities reasoned that the contractors were already paid by government to do the work and that the contractors were making more money out of them. In Mukono, Ppaappaati village, male respondents said they were already making a contribution through

taxes. They were willing to provide labour for maintenance activities such as cleaning, but not to contribute money for the costs of construction, rehabilitation and maintenance.

Communities reported that when they delay or fail to raise their community contribution, contractors provide all the required materials. Contractors confirmed this, explaining that in such situations, they claim the ten per cent community contribution from the local government. Some respondents attributed the failure to raise contributions to the fact that communities are not given prior notification of the construction date. The communities resented how contractors "bump into us, and expect automatic mobilisation of contributions." Furthermore, in many rural communities income is seasonal. They won't be able to pay contributions during the lean months when they are waiting for crops to ripen.

Communities have to submit their requests to the sub-counties, which in turn sends them to the district governments for funding allocation and for contracts to be drawn up. A further indicator of lack of awareness is that most of the respondents are not aware of the planning process through which PSP activities are implemented, and hence have lost out by missing deadlines for the submission of requests.

Failure of community participation in decision-making

A greater concern that emerges is that the lack of awareness of private sector activity seems to be a function of a more fundamental problem - that the communities do not know they are actually entitled to projects that they themselves identify, and which can get funding fast. Because they have little knowledge of their roles and are largely unaware of their entitlements they are in no position to articulate demand. This eventually leads to the implementation of a de facto supply-driven rather than demand-responsive approach.

Only the villages of Kyakataama and Makyobyoyo in Kabarole district reported that they participated in consultations wherein they identified projects they wanted. The determination of needs is being done with minimal community input. In Kyebando Central in Wakiso district, the local council leaders

reported that a pump was constructed more than a year after they applied for it. Hence they were not sure whether the service was provided in response to the request they made, or from something else. Again, it should be stated that the community did not question the service because simply getting it was good enough for them.

In practice, site selection is being done on the day construction activities are started, with no prior community mobilisation. Community members who are available on the day of construction guide the contractors around the village to identify suitable sites. Site selection is therefore not established via community consensus. Five of the fifteen communities said they identified the site on the day of construction. Four others said that no consultations were made with community members.

Communities are also generally not involved in the selection of the appropriate technology, or are not given a full understanding of the implications of the technology provided. In Bukuuko village, the community preferred springs to handpumps. Handpumps break down frequently and old people and children could not use them. Despite raising US\$47 and promising to pay the remaining amount of US\$11 and contributing sand, stones, and bricks, the contractor went directly to the water source they were preparing for spring development and installed a handpump, without consulting them. This was because the district government had already contracted out the construction of a handpump.

Site selection and technology choices may seem like purely technical issues. After all, engineers will have the final say on where wells and pumps can be located, based on water availability, safety and other technical considerations. Also, contractors and technical people are presumed to know what is more appropriate for communities. But there are problems that emerge when community consultations on site selection and technology choices are disregarded. First, the interests of women who are usually involved in domestic

work and do most of the family's water collection duties are automatically excluded. Secondly, politics takes over as the process for selecting sites - local leaders and politicians will put the waterpoints in their favoured sites. In the case of Bukuuko, what the community wanted was quite evident, yet it was the contractor and not the community that ultimately had its way.

Private contractors believe that organising community consultations is not their task. Hence, failures in community mobilisation appear to be a problem for the local councils and sub-counties to resolve. This needs to be explained further. Capacity at the lowest local government levels is often low. Community participation in decision-making is often seen as a non-essential component of implementing projects - it is something that local governments do in performing their 'facilitation' roles. Furthermore, the contracting process is a relationship between the government and the private sector to provide a service for the community. This creates accountable relationships between the government and the private sector, but not between community and the private sector. It also excludes community inputs. The community is clearly not the customer from which the private sector takes orders. The government places the orders and awards the contracts to the private sector: the communities are mere recipients - passive beneficiaries - who are detached from and not parties to the actual contract making. Usually, no community/contractor relationships are provided for in the contracts.

As such, the success of having community concerns addressed depends on what the government will do on communities' behalf. Where government does not follow-up on contractors, community concerns are easily ignored. Contractors are also able to ignore the community as long as their set work is completed, and since there is no contractor terms and conditions that specify any contractor role that encourages community participation.

Mechanisms to ensure sustainability remain weak

The lack of awareness of private sector roles and activities, along with failures in community decision-making, inevitably weaken the mechanisms that

ensure the sustainability of water supply and hygiene projects. For instance, communities are generally responsible for maintenance and repairs. However, they are discouraged from contributing to preventive repairs because of the absence of transparent mechanisms they can trust that will make proper use of the money collected. Only the water committee of Ppaappaati village was collecting contributions for preventive repairs. In all of the other villages they collect repair money only after the water sources break down. The Kyebando water committee was reluctant to collect contributions because they will have to keep the money themselves - putting it in a bank will entail high transport costs and bank procedures make it difficult for them to do this.

There are two civil servants at the sub-county level - the community development assistant and the health assistant - who perform the crucial role of supervising and overseeing the establishment of community mechanisms. For instance, before a water project is implemented, the community development assistant takes charge of organising the community consultations. The difficulty is that there is a lack of these civil servants in the areas covered by the research. Mpigi district, for example, has 17 sub-counties that oversee 793 villages. In order to do their work properly, especially in the crucial stages before construction work, we estimate that a community development assistant should at most supervise activities in 10 villages. At the moment, each health and community development assistant in Mpigi is supervising an average of 47 villages. Also, work often needs to be done simultaneously in tens of villages. Then, some of these sub-counties share only one health or community development assistant owing to the lack of qualified people. Hence community mechanisms remain weak.

When these sub-county assistants or "social mobilisers" do not reach the communities to provide them with the needed guidelines, water sources are bound to be in a poor state. Hence, water committees taking over the work they do is essential. Only nine out of the 24

water sources in the 15 villages covered in this research had functional water committees. Of these, only three were formed before construction, contrary to stated policy. The establishment of water committees, however, does not always result in good work. Some villages with water committees had water sources in the worst condition. These committees reported that they met once every two months to, among other things, clean the water source. But the bad condition of the water source shows that there has been a failure of follow-up and monitoring.

The sub-county assistants, furthermore, can serve as a source of information on fees charged for repairs or the market prices of spare parts. Without this knowledge, the communities are unable to gain a good bargaining position when negotiating with masons and pump mechanics for repairs to be undertaken.

Another mechanism for sustainability is female participation. There is a relatively high number of women - 27 out of the 63 members (43 per cent) - sitting on water committees. At least nine hold the position of treasurer. Women are also willing to be involved in construction activities, but women's involvement remains constrained by traditional/cultural beliefs. Some respondents believed that women are forbidden to step in water during construction activities. Women members of water committees consulted for site selection were not included in the consultations. Their roles in construction activities are stereotyped - they do the cooking and collection of materials. There is a need for further mobilisation on specific gender issues before undertaking construction activities.

Constraints on monitoring

Since most communities do not even know the name of the contractor, there is an absence of awareness on implementation provisions in the contracts. One key provision for instance, is the warranty - the defects liability period within which if breakdowns occur, all repair costs are to be incurred by the contractor. Communities bear the costs of repair of substandard work done by the contractors.

Community leaders in Mwibaale village reported, "We were told to supervise materials, but we have

no knowledge of the stored materials and we are not given an audience by the contractors. If we query what they do, we are simply told they know what they are doing. We can not ascertain whether the specifications have been followed". Community leaders are expected to take an active role in supervising and monitoring construction, but lack guidelines and information that will make them effective.

Monitoring is further constrained by the absence of a monitoring structure through which information flows from villages to districts. The process is still top-driven. Communities have not fed back their own assessment of the contractor's work - information that could be crucial in processes to select contractors for future projects. Repairs are held up. In Kyebando Central, the protected water source failed after only four days of construction. Three months later, it still had not been repaired despite reports to the sub-county officials. In Kabarole, the local council chairman reported that he was able to follow up on repairs only when he went straight to the contractor, rather than to the sub-county. In Mwibaale, community members did not wait for government action after the old water source on which a handpump had been installed by a contractor dried up -- they immediately dug an alternative source.

Exclusion of poorest communities

Overall, there appears to be a very positive increase in access to safe water supply services, with 12 of the 15 villages confirming that they now have, for the first time, protected sources delivered by private contractors sent by government. Only three villages had water sources that were provided by the old RUWASA and NGO programmes. One village had constructed a spring purely on its own initiative.

However, evidence has come out of the interviews with sub-county staff as well as private contractors that the poorest may be left out in the scheme of using the private sector for contracted implementation roles. Some private contractors reported that when communities fail

to raise the required 10 per cent contribution to the costs of construction activities, they demand to transfer construction to another location where the village can quickly mobilise contributions. Such transfer is apparently accepted by sub-county officers to promote the demand-driven procedure.

This poses a serious problem. The policy of DRA states that communities can only secure a service as long as they are able to share the costs of construction as well as maintenance. The 10 per cent contribution is supposedly the expression of demand. Communities who cannot raise this 10 per cent contribution, for whatever reason, miss out on the service, even if they are the poorest who really cannot afford the cost sharing.

Most sub-counties demand that the 10 per cent contribution be paid in cash. For costly technologies (as may be dictated by terrain) like borehole drilling, the 10 per cent contribution would amount to US\$700 which is too much for a community to raise.

A closer investigation of some of those who were able to make the 10 per cent contribution reveals that the money did not actually come from the pockets of community members, but from the local council treasury. In Makoby village and Kyebando Central, the money came from revenues remitted by the sub-county to the local council. The Kyebando water committee reported this was an easier and more reliable approach collecting community contributions. Local council funds, after all, should be able to supplement the community's needs. As a result, they were able to access three water sources in one year, compared to other villages that got only one. "If the Council's income improves, we will continue to demand for more water sources," they said. In contrast, neighbouring Bujuko village has had continuous delays in the completion of one water source, because of their failure to raise the required contribution.

Another factor that limits the poor's access to water services is that privately contracted projects tend to limit the technical options. Hence, communities that are disadvantaged by the terrain in their locality - where more expensive technical options are required - are unlikely to benefit from PSP projects. And often, it is the poorest communities that are

disadvantaged by terrain. Contracts to the private sector avoid expensive deep drilling operations. Hence site selection is determined by where water can be accessed without deep drilling, even when these are far from households. In all communities visited the construction by contractors of protected water sources did not reduce the distance travelled by users to collect water.

There is also an apparent lack of consideration of environmental issues in PSP projects. Communities reported that when handpumps are installed next to open wells, the open wells dry up. Where protection structures are set up on old water sources, the old water sources tend to dry up. As such when the handpump or the new protected structure breaks down, the communities are unable to access their old water sources. In Mwibaale, residents had to walk long distances to the next village when two protected sources dried up. The protected water source dried up within six months of installation; the pump broke down after four days of installation, and the natural spring experienced reduced flows within a few months of construction until it eventually became non-functional.

Sanitation and hygiene promotion are not priorities

Latrine construction is generally a responsibility of households. Hence, sanitation activities implemented by contractors are limited to the construction of latrines in institutions like schools, health centres and other public places. However, hygiene education is a different matter. While there is a rush of projects for the physical construction of water supplies, there is no similar rush for hygiene education. Hygiene education is implemented by the health assistants and community development assistants under the Community Health Education Programme. This programme focuses on health education at household level and on water source management. All villages covered by the research reported that they never had health education or hygiene promotion sessions. The focus group discussion was the first time they had an

opportunity to share experiences in water and sanitation. Four villages reported receiving some kind of training, but these were delivered by NGOs.

Therefore, poor hygiene practices are seen at the water sources: dirty water containers, silting trenches, dirty sources and overgrown bushes

around the waterpoints. Private sector construction activities, which NGOs often transform into a learning experience where critical issues on health and sanitation can be addressed, are aimed primarily at installation and nearly nothing else.

VIII. Conclusion and Recommendations

A number of indicators - the problems in PSP contracting and community issues on PSP - have been enumerated to demonstrate that the way water and sanitation services have been delivered under PSP is unsustainable and tends to exclude the poorest communities.

Problems with PSP contracting include undue emphasis on hardware that leads to a supply-driven approach. The competence of many companies bidding for projects that require technical skills is doubtful. Some companies take on too many projects at the same time, bringing up issues of supervision. Local government too has capacity and supervision problems. But some of these emerge from a lack of access to contract information. Repair and quality issues are one a concern. Sanitation and hygiene promotion are not given the priority they deserve. Finally, there are worries about the lack of transparency in the selective tendering process.

Communities lack awareness and are not involved in decision-making. Community mobilisation is often seen as a non-essential component of project implementation - more of a burden rather than a central task. Community concerns tend to be disregarded, they are after all not parties to the contracting process. Accountabilities are in place between the government and the private sector, but not between the communities and the private sector. The proper monitoring of projects is therefore severely constrained. Communities do not even know who the contractors are, much less have access to contract information. Privately constructed projects tend to discriminate against the poor, and there is no clear demand-driven approach emerging from the grassroots. Sanitation and hygiene promotion activities do not attract the

same funding support as private-sector delivered water supply projects.

Some of these problems are old, associated with government-implemented projects as much as the private sector. Some of the problems are specific to the private sector. Many of the failures can be attributed to low government capacity to regulate, monitor and facilitate as well as a general lack of accountability that exists between contractors, communities and government. This shows that despite the reform that has taken place, the underlying causes of lack of access to water and sanitation persist.

Despite all these problems, it needs to be pointed out that Uganda's PSP in rural water and sanitation has been a very useful policy tool in expanding coverage. Government would not have been able to achieve the connecting of one million Ugandans to relatively safe water sources on its own. Furthermore, the institutional relationships that emerge from PSP are essential for achieving efficiency. The private sector clearly has a definite role in development work and in achieving anti-poverty targets.

As such, it can be concluded that while PSP has been particularly useful in improving coverage targets, its achievements are unlikely to be sustainable and will tend to leave poor communities unserved.

A number of reforms are therefore recommended. Below is a menu of ideas addressing the problems presented in this study.

1. Software building is as important as hardware construction. This importance should be reflected in funding priorities. More resources need to be devoted to community mobilisation within approved projects. The private sector needs to carry some of the responsibilities for community mobilisation, with support from the community development officers.
2. Communities need to play greater roles in contractual relationships, so that they become customers to whom the private sector is responsible. One way of doing this is to devolve the role of district water officers to the communities. Private contractors will be paid only when the water user committee signs its completion of project report.
3. Community resource packs that may be used by social mobilisers in sensitising the communities not only to issues around PSP, but also to their fundamental entitlement to identify the projects, need to be supported. Programmes around the dissemination and discussion of these resource packs in the communities need to be implemented.
4. If the communities need to be sensitised to their entitlements, the private companies need to be sensitised as well to the issues in the communities and the development roles they play. Incentives must be put in place for the private sector to do community mobilisation work. Contracts can be awarded to those private sector companies that can not only construct good quality physical infrastructure, but also develop healthy relationships with the communities.
5. There is a need to create monitoring structures at the community level. Water user committees need to have access to tender and contract information. They need to be informed about what they should look out for and what to monitor when checking the work being done by private contractors.
6. Flexibility should be factored into the community 2-5 cent cash contribution to capital costs. Cash contributions are difficult to realise especially for costly technologies (which may be dictated by terrain) like borehole drilling. Contributions in kind may account for even more than 10 per cent in terms of labour, logistics and local materials.
7. Donors and the Ugandan government should prioritise capacity-building and ensure that substantial funds are spent on building the capacity of local and central government to adequately fulfil their new roles.

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Appendix 1: Information about water sources and villages

Village	Type of facility	Date of Construction	Comments/Other Observations
Namayuki	1 Hand Pump	23 Jan 2001 HAW/PAF/521	<ul style="list-style-type: none"> • Unattended to • No water committee
Busero	1 Hand Pump	2001 / PAF	<ul style="list-style-type: none"> • Unattended to • Water committee formed after construction
Masaka	2 Hand Pumps	2001/PAF	<ul style="list-style-type: none"> • No water committee • Unattended to
Wakisi 1 Dekabusa	1 Protected Spring	1999	<ul style="list-style-type: none"> • Old spring by USEP (WaterAid funded) dried up • District built hand pump after source dried up • Water committee formed after construction
Wakisi 2	1 Hand Pump	4/6/2001	<ul style="list-style-type: none"> • Overcrowding (used by school) • Water committee formed after construction • Unattended to
Ppaappaati	1 Hand Pump		<ul style="list-style-type: none"> • Fenced • Functional water committee formed before construction • Clean
Nyanja	2 Protected Springs	2000	<ul style="list-style-type: none"> • 1 spring has no fencing • Fairly clean • Water committee formed after construction
Bujuuko	1 Hand Pump		<ul style="list-style-type: none"> • Incomplete • No water committee
Bwotansimbi	1 Hand Pump	30/4/2001	<ul style="list-style-type: none"> • Very clean • Functional water committee
Kiwesa- Serugoye	1 Hand Pump 1 Protected Spring	May/2001 4/1/2001	<ul style="list-style-type: none"> • Unattended to • No water committee
Kiwumu- Kalambi	1 Protected Spring 1 Protected Spring	7/1/2001 11/1/2001	<ul style="list-style-type: none"> • 1 water committee for all sources • Unattended to • Non-functional • Unattended to
Kyebando	1 Hand Pump	8/5/2001	<ul style="list-style-type: none"> • 1 water committee for all sources (existed before) • Non-functional
	1 Hand Pump		<ul style="list-style-type: none"> • Water committee • Attended to

Appendix 2: Organisational structure for water resources and services management

