

Community Participation in Urban Water Services

Research Brief

Key words: Private Water Companies, Community Participation, Urban Water, Corporate Social Responsibility

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

Key findings:

- Extension of services to the urban poor will increasingly be a part of future business in the international utilities sector
- Community participation makes commercial sense
- Corporate social responsibility is becoming more and more important for private companies



Private sector investment in water and sewerage projects in developing countries has risen from virtually nothing in 1990 to a total of \$25 billion at the end of 1997 [Silva et al, 1998]. As this trend in infrastructure development continues, there are opportunities for extending benefits to the poor.

Participation encourages ownership and responsibility. Increasing participation in development activities by communities has led to more sustainable development and more effective projects. However, it is usually the case that the poor have no voice when it comes to private sector participation (PSP) in provision of utilities.

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

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

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

Expansion of Future Business

Extension of services to the urban poor will increasingly be a part of future business in the international utilities sector, so companies will need to be able to “do poor”. As more profitable municipal contracts are snapped up, expansion in the business will be into peri-urban and un-served areas, serving lower income populations. Also, as the private sector gains the confidence of donors, there is likely to be an increase in private sector involvement in direct-funded water and sanitation development projects. At the same



time, urban-focused non-governmental organisations (NGOs) are turning their attention to water issues, so both the private sector and NGOs will need to prepare themselves for entering into working partnerships.

Commercial Good Sense

Incorporating community participation into field operations makes commercial sense and has an effect on many areas of the business, such as:

- Alleviation of risk
- Quality control
- Cost effectiveness
- Corporate Social Responsibility

Community participation undertaken in an effective way will increase profits.

Participation throughout the project cycle

These are themes which crop up throughout the project cycle:

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

Participatory processes should ideally span the entire project cycle as part of long-term involvements with communities. Potential benefits at each stage include:

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

Corporate social responsibility

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

It has to be said that it is early days yet, and it is too early to come to conclusions on what will constitute best practice in this industry. Although community participation in utility operations can offer a win-win scenario, that is not to say it is easy to achieve. The full report of which this is only a summary contains guidelines and case studies concerning community participation to offer direction for the future.



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The full report is available to read at:
<http://tilz.tearfund.org/webdocs/Website/Campaigning/Policy%20and%20research/Community%20participation%20water%20report.pdf>

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