

# Management of Local Contributions in Rural Water Supply System Initiatives

## Review of Two Approaches for Including Local Contributions in Rural Water Supply Systems in Moldova

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The document is based on contributions from the multi-disciplinary ApaSan team and has been compiled by Matthieu Amos.

### I. Introduction

The Water and Sanitation Project in Moldova (ApaSan) (2008—2019) was funded by the Swiss Agency for Development and Cooperation (SDC), co-funded by the Austrian Development Cooperation (ADC) and implemented by Skat Consulting Ltd. (Skat). The ApaSan project combines policy influencing, institutional strengthening and support for infrastructure development, all with the aim of enabling Moldovan institutions at all levels to better respond to water supply and sanitation needs in rural areas of the country.

An important element from the water and sanitation infrastructure projects implemented within the ApaSan project was the systematic request from each beneficiary population (including local public authorities) to substantially contribute to construction costs. Bad prior experiences, however, caused many homeowners in Moldovan villages to be very reluctant to entrust their contribution to local public administrations. Thus, ensuring sufficient local contributions presented a somewhat significant challenge. This document describes two different management approaches that were used to secure the necessary local contributions.

### II. Types of Local Contributions

Initially, Skat considered three different ways for local communities to contribute to the initiatives:

1. **Individual financial (i.e. monetary) contributions:** – each interested household could provide direct financing (i.e. cash) as all or part of its contribution. Many village households, however, usually have only limited financial resources available, meaning that another kind of contribution had to be developed.
2. **Individual labor contributions** – each interested household could provide unskilled labor as part or all of its contribution<sup>1</sup>. Experience showed, however, that this kind of contribution often had a negative impact on the general quality of work and that the use of unskilled voluntary labor exposed contractors to work organization and work safety risks. Labor contributions also had the disadvantage of being hard to track and created accounting problems. For these reasons, the practice of accepting labor contributions was after few trials only
3. **Local public authority (LPA) contributions** – municipality-level (LPA-I) and district-level local public authorities (LPA-II) were also required to contribute an amount at least equal to the sum of all individual household contributions for each initiative.

In order to keep each required individual investment low, each household also was requested to dig and fill back the trenches on their own property as well as build the manhole for their own connections to the water supply system (WSS) (the

<sup>1</sup> Provided labor contributions were calculated according to a predetermined rate (e.g. MDL 100 /work day).

connection to the WSS, all piping and the water meter were installed by the construction company and included in the total cost of the project). Any piping after the water meter was each owner's responsibility and expense.

### III. Local Contributions

A minimum of 20% of the estimated costs for each initiative was requested as a local contribution, with the rest (including any unplanned expenses) covered by funds administered by Skat (and provided by SDC, ADA and, sometimes, other sources). Individual household contributions ranged in amount from 700 MDL to 3,500 MDL. Moreover, at least 75% of village households were required to take part in the project and provide a contribution<sup>2</sup>. Within the context of rural Moldova, such sums are both significant but also affordable; meaning that the contribution is viewed as an important yet bearable investment.

The remainder of the 20% for local contributions (in a sum not smaller than the total of the individual contributions) was contributed by LPA-I's and LPA-II's.

### IV. Management Approach 1

The initial approach used by Skat for managing local contribution consisted of the following steps:

1. Ensure the existence of a **suitable source of water**, in terms of both quality and quantity
2. **Gather connection pledges** from at least 75% of village households (completed by the LPA)
3. Sign a **contract of cooperation**<sup>3</sup> with the LPA and, sometimes, other stakeholders such as local non-governmental organizations (e.g. a water consumer association) that outlined each party's contributions.
4. **Gather the individual financial contributions (in money) in a limited amount of time** (completed by the LPA or non-governmental organization) in order to demonstrate the interest and motivation of local stakeholders and beneficiaries towards the initiative
5. **Transfer financial contributions to a special bank account** administered by the ApaSan project. Due to the international dimension and good reputation in Moldova of the ApaSan

project, local authorities and the population generally insisted in entrusting their contribution to ApaSan rather than to transfer it to a municipal account, fearing that the money could be used by the LPA for other purposes or even be stolen.

6. **Initiate technical designs** (generally initiated after contract signing) **and construction works** (generally initiated after local contributions were fully-collected and transferred to the ApaSan project)

### V. Management Approach 2

In 2015, Skat explored an alternative approach to manage local contributions that would reduce Skat's involvement in both the finances and organization of initiatives, giving a greater role and responsibility to WSS operators. This approach was supported with an **updated version of the contract of cooperation**<sup>4</sup>.

Under this approach, a **direct link between consumers and the WSS operator was created** during the first step of the initiative, with all **individual contributions collected directly by the operator** (in the form of an advance fee for establishing individual connections, which are later constructed by the operator). This relationship is between the consumer and the operator is formalized in a contract between the two parties (see Annex 3).

It is important to note that, under this approach, the operator must provide proof of at least 75% participation from each village as well as proof of the collected funds prior to construction works beginning.

In addition to increasing the role and responsibility of the operator, this approach also has the advantage of creating a first contractual and commercial exchange between consumer and operator, which serves to strengthen the trust between both partners. Moreover, it also increases the valuation of the household contribution as the operator is responsible for each individual connection and, thus, offers something visible and personalized to each consumer contributor.

<sup>2</sup> See the *Guidebook for the Implementation of Decentralized Water Supply Systems in Moldova* found at <http://apasan.skate.ch/water-supply-in-villages/> for more information

<sup>3</sup> See Annex 1 for an example

<sup>4</sup> See Annex 2 for an example

This approach was applied successfully for 4 WSS initiatives (covering 11 villages) in the Florești district. The existence of an experienced and trusted local or regional operator in the area is a precondition for the applicability of such an approach.

## VI. Conclusion

The ApaSan project used two different approaches to manage mandatory local contributions (as described above). The second approach, first used in 2015, proved to be the preferable approach as it establishes a relationship between consumers and

operators at the outset and gives greater responsibility (and ownership) to each community. Moreover, this approach can be replicated without the need of an external actor similar to Skat. However, this approach is only possible with a strong and trusted local or regional operator in place.

In the end, managing local contributions is not only a matter of creating a climate of trust between various stakeholders; it also serves to establish an adequate (and appropriate) level of community interest and participation within each community's cultural, social and economic context.

## VII. Annexes<sup>5</sup>

Annex 1: Contract of Cooperation (for Management Approach 1)

Annex 2: Contract of Cooperation (for Management Approach 2)

Annex 3: Consumer-Operator Contract (for Management Approach 2)

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<sup>5</sup> Available at <http://apasan.skat.ch/water-supply-in-villages/>