

# COMING CLEAN

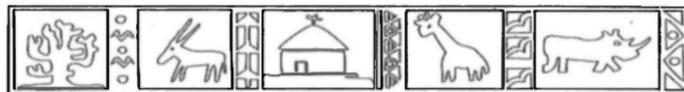
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/ Coming Clean: Creating Transparency --



## CREATING TRANSPARENCY IN DEVELOPMENT FUNDING IN SOUTH AFRICA

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## CREATING TRANSPARENCY IN DEVELOPMENT FUNDING IN SOUTH AFRICA



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Based on research for the Department of Welfare

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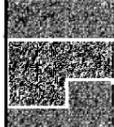
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This book forms part of the Rural-Urban Studies Unit's continuing investigation into the development role of institutions in civil society. It is our sincere belief that community based structures have an important role to play in development projects.

The authors would like to thank the Community Development section of the Department of Welfare, which commissioned the original research project on which the book is based, for giving us the opportunity to examine the potential role civil society organisations can play in controlling funding available for development.

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Lastly, we would like to acknowledge and thank the various people from communities and from development and funding agencies who gave their time to speak to us.

Without the contributions of these people, this book would not have been possible.

**1****THE CONTEXT FOR  
FUNDING TRANSPARENCY**

In the start up phase of the Reconstruction and Development Programme (RDP), one of the most pressing problems confronting South Africa is financing development initiatives.

Government, donors and major non-governmental organisations are trying to provide black communities with a developmental infrastructure so as to deliver a decent standard of life for people disadvantaged under apartheid.

At the same time, urban and rural communities are struggling to come to grips with the needs of local government as well as control of finances. Available funds are far less than what is needed and a successful policy is vital.

The environment for such policy is complex, with both great opportunities and baffling problems. The top down planning methods of the 1960s and 1970s are being replaced by partnership arrangements. This is partly in response to the crisis of development funding, as well as to a recognition of the need to build capacity.

The first critical consideration is adequate control over development resources. Problems with control of resources have become urgent.

Infrastructure and service delivery are the most acute developmental demands facing the new Government. Disadvantaged communities must be involved in the funding of development initiatives. Participation is vital to legitimate development, as well as to build local government capacity.

It is essential to replace suspicion with trust and to establish working connections between the central state and communities on the ground, which enable the business of community development to take place.

From the standpoint of communities, a major consideration is the lack of transparency associated with allocating funding for development. This shortfall is closely involved with the lack of access by communities to the process which puts in place physical and social development initiatives intended to help them.

To date, the top down nature of interventions has severely eroded their legitimacy in the eyes of community members. Important development work has sometimes become contentious, sparking off violence. The first consideration in redressing this confusion and suspicion, is attention to the decision making and allocation processes.

However, problems with community involvement in funding decisions and spending have not been limited to a top down approach from sponsoring agencies. Due accountability and financial control is the second major issue.

In addition to political struggles on the ground, many if not most communities are divided in terms of interest groups and income levels. Few genuinely representative institutions with real organisational capacity have been available to deal with problems of allocating and controlling funds.

In many cases, routing development funds to local institutions accountable only to central government has resulted in fraud and mismanagement. Non-governmental organisations have also been subject to cross-pressures, unclear goals and a lack of necessary accountability.

Some black communities have established the organisational capability to enter into negotiations relating to community development. But at present many urban communities in South Africa have only emergent popular organisations standing in for local government. They are still trying to find their feet and have experienced problems in putting forward community positions.

In other communities the situation is even more problematic. In some, little effective organisation of any kind exists. In others, contending political groups and social violence make coherent action almost impossible. In many rural areas existing local government structures are experiencing legitimacy problems which affect their capacity.

To deal with the difficulties of effectively financing community development, appropriate procedures and standards are needed. They must be both technically viable and mutually acceptable. Procedures need to be located in a context of organisational development and capacity building.

Fundamental to the RDP is a reorientation of development undertakings to think of development as a new product - empowerment - rather than as countable units of infrastructure.

Experience shows that development bodies do not yet know how to deal with this change. In trying to promote community empowerment, progressive funders have taken a lead from Kagiso Trust and have tried to direct development funds straight to communities rather than to development agencies or intermediaries.

Kagiso Trust's initiative went badly and was probably premature in capacity terms, but the problem remains. Impoverished communities in this country will not obtain capacity to engage the outside world successfully, until they are able to interrogate the process of funding and to control and pay out their own development funds.

At present, the development process flows into communities, usually leaving behind some infrastructure, but then ebbs out again. It leaves communities with no control over events vital to them, and fails to break down the barrier of isolation and helplessness which shuts them off from larger society.

This investigation tries to contribute to the debate, to identify dynamics surrounding reorientation of the development process, and to make suggestions.

### **Focus**

The work this book is based on comes out of a major policy research programme initiated by the Community Development Directorate of the Department of Welfare in January 1993.

The purpose was to obtain input from research organisations into an appropriate policy regarding empowerment and the role of communities in development.

The brief was to investigate the issue of transparency: that is, to determine the extent to which community members have access to information about development processes taking place where they live.

The issue was transparency in relation to development funding. We hypothesised that control of funding and access to information about funding was one of the crucial areas where people concerned exert influence over development projects.

The model of development finance for disadvantaged communities which has received the greatest attention in South Africa in recent years is the

one where the organisation administering funding helps the community establish an intermediary body which can take responsibility for holding and disbursing funds (Reynolds 1993). The intermediary body can then be approached by local people or organisations requiring access to development funds.

The sponsor may also assist the community, through its representative structures, to establish procedures and priorities for development spending. The aim is to ensure that resources are directed to where they are most needed, are best able to help and can involve all legitimate interests.

To develop the most sound and generally acceptable approach to development funding, the strengths and weaknesses of this and other procedures must be examined thoroughly and critically. Relevant criteria include effectiveness of access, relative efficiency and financial probity (Yaron 1992; Klitgaard 1992). Assessment procedures involve defining existing models of community financial involvement, with emphasis on those already in operation.

The brief to the research team was to collect data on:

- The openness of developers to inputs from communities towards decision making procedures regarding the allocation and control of development funds.
- Routes through which funds are transmitted and disbursed and their transparency to communities.
- Involvement in and problems with development funding experienced by ground level representative structures which are, or should be, involved in funding decisions and spending.
- Problems experienced by ground level development providers in establishing successful community involvement.
- The extent to which the problems of each group are perceived and understood by the other.
- Obstacles to obtaining funding as understood by community organisations.
- Perceptions by both sides of bottlenecks in the funding decision and allocation process.

- The extent to which funding is spent directly on development, or goes to salaries and overheads, or is subject to misappropriation.
- Training needs relative to helping communities develop the capacity to participate effectively in funding decisions.

The book documents important trends which emerged out of analysis of the data collected. This chapter introduces the project and offers a summary of important findings.

Chapters Two and Three lay the empirical base of the report. Four existing models for funding community development projects are presented, and there is a summary of findings from two case studies of development projects in KwaZulu-Natal, regarding the issues of transparency and community involvement in the development process.

Chapter Four examines the political economy of funding. It defines the major role players in community development projects, and suggests that the development process needs to be understood in terms of the conflicting motivations of different categories of participants. Specific obstacles to transparency, created by contests for control over development, are discussed.

Chapter Five discusses specific points of friction between people involved in delivering development and recipient communities, and Chapter Six summarises the results and offers recommendations to policy makers.

### **A base for findings**

Our argument is based on several case studies of development initiatives, which were done in depth but anonymously. The data comes from a literature search and a series of in depth interviews, lasting several hours each, conducted with about 60 respondents.

The respondents were drawn from both the professional developer community, and from rank and file community members and community leadership structures in urban and rural KwaZulu-Natal communities where development projects had either recently been undertaken or were still underway.

Most respondents from the professional developer community were directly involved in development projects themselves. Several interviews, however,

were conducted with experts on the funding and development process who were capable of giving a wide overview of the issues involved. Strict anonymity was guaranteed to enable respondents to report fully on sensitive topics.

In addition, two case studies of ongoing development projects were compiled. Cases selected were an urban shack upgrading project and a semi-rural service delivery initiative. The case studies were based on interviews with major parties involved in the projects. Interviewees included members of development agencies involved, as well as ordinary community members and members of community based structures. The case studies are reported on below.

The initial results of the interview phase were analysed and draft findings developed for validity testing at a workshop. The workshop involved presentations from the research team and commentary from three sub-consultants with extensive experience of community involvement in development, community oriented approaches to development planning and public finance issues relating to development projects.

The objective was to obtain feedback from communities and development organisations. An enthusiastic response from the workshop seemed to indicate that the results had validity in the eyes of both community workers and development practitioners. For further details of the methodology, see the appendix at the end of the book.

### **Transparency and contestation**

The book suggests that the major factor in the continuing marginalisation of communities from funding is the struggle for control among parties involved in development.

The struggle comes about partly because of inherited fault lines between government and civil society, and partly because of real contradictions between the institutional needs of communities and the operational needs of funders, development bodies and intermediaries.

Contention takes the form of an underground war to control the flow of information, where transparency receives general acknowledgement but little actual support from bureaucratic organisations (Klitgaard 1992; Uphoff 1992).

Until relatively recently, much of the large literature on organisations and management dealt in depth with communications inside firms or

government (Koontz, Donnell and Weirich 1980; Nigro and Nigro 1994), but gave less attention to the relation of organisations to clients. The tide has now turned, with client relations internationally exalted as vital for the 1990s (Kearns and Nadler 1992; Nadler, Gerstein and Shaw 1990; Gouillart and Kelly 1995).

Applying this principle successfully in development delivery for communities is equally central but may be a special case. Unequal access to information by communities, by community leaderships, by developers and by sponsors present a serious barrier, as the Kagiso initiative may have suffered. Development delivery therefore may be a special case and needs to be looked at more closely.

Perhaps the most important single factor is whether or not funders at the top see the product they are funding as capacity or physical infrastructure. Empowerment only occurs when funders treat the ability of communities to deal with the outside world as the main outcome of successful development.

Failing this vision, the force of interest politics from powerful actors tends to push communities out of the loop, in favour of standardised development on scale. At present, few funders hold this vision in depth or are forcing it on their delivery agents.

Support for mass delivery by the least complex path is also strong in funding circles. This is particularly true in the case of the parastatal funder mentioned in the second case study, but applies to the first case study as well. The delivery on scale of development benefits is taking place in communication with development committees, but in a fashion which appears not to be empowering the community rank and file.

One root problem is perceptions of development. The views of the government-funders-developers alliance are so far apart from the views of communities that the two sides can rarely communicate without help. Funders and developers prioritise standard procedures, impersonal pre-planning and units delivered. Community members prefer an informal, flexible and negotiated process and human values.

The need is to empower neglected and marginalised communities so that they can interrogate the development process being carried out by others for their benefit, and to put them in a position to carry out their own development as far as possible.

Communities are capable of significant development work, but the RDP calls for rapid, cost effective bulk provision of housing and services. To achieve this, more capacity building will be needed.

The present feeling around service delivery is one of anxiety, hope and suspicion. Apartheid's legacy of distrust and marginalisation created hostility against the old government and still promotes suspicion against funding bodies seen as allied to the old regime.

These may include most of the government bureaucracy and the parastatal development agencies, as well as the major development operations linked to big capital - the bodies which control the funding and delivery of development in South Africa.

### **Non-governmental organisations**

Some suspicion is also falling on non-governmental groups which offered communities assistance during the apartheid years (Cullinan 1994). Many of their operations have been very expensive, employing large numbers of staff at great cost but providing little development. Most have had a primarily political agenda and are now trying to change their mission.

With the RDP directing attention to development funding processes, both informed community members and the new Government have started questioning whether the services intermediaries provide are worth what they cost, or whether the money could be better spent elsewhere.

Structuring effective contact between the parties is a problem. Community agendas are less formalised than bureaucratic agendas. The relationship of community leaderships to constituencies is still taking shape in the new democracy. For development delivery, the format for contact and consultation is not well defined and is still changing rapidly.

### **Consultation**

Under the old Government's model for development, consultation was with identified leaders: in most cases, with chiefs and community councillors sponsored by the Government. One public meeting might have been held, where few questions were asked (Haines et al 1994).

The procedure tried to minimise community contact and restrict consultation. A surprising percentage of development agencies still seem to use some form of this top down contact model to start development delivery.

In the first case study, for example, consultation between the development non-governmental organisation (NGO) and community based development committees substitutes for direct consultation with community members. There is reliance on the little known and weakly structured development sub-committees to act as channels of information between grassroots community members and development NGOs.

Similarly, the second case study involves some level of consultation with community leadership through the development committee structure, followed by public meetings to brief community members. Consultation with rank and file community members is excluded on the grounds that the civics which serve on the development committee are representative, without any attempt being made to determine whether or not this is true (see Mayekiso 1993; Swilling 1993).

With such brief and ineffectual consultation procedures, shortfalls of information at the grassroots can be severe. The gap creates the need for intermediation, with NGOs, service organisations and advocacy groups helping communities question providers and obtain influence.

The developers may offer a few concessions, trying to protect their schedules and their bottom lines as the intermediaries try to get some degree of control. Often contestation empowers the intermediaries rather than communities. In the instance of the second case study, this appears to have happened.

### **Secrecy**

Transparency is difficult in this situation. The principle of broad disclosure goes against the way bureaucratic and delivery strategies have been conceived in the past. Bureaucratic organisations tend to develop a culture of secrecy to protect staff from accounting for mistakes and failures.

Funders and delivery agents left to themselves, tend to lock up total control of the funding process bureaucratically: they establish sealed bureaucratic systems that provide no outside accountability at all (Matthews 1983; Van der Vyver 1983; Gomersall 1983; Klitgaard 1992). Where civil institutions are weak, bureaucracies may manage to institutionalise and legalise the lock up factor.

The incident referred to in the first case study below, where the development NGO acted defensively towards attempts to understand the payment of water kiosk operators, illustrates the point.

Evidence of secrecy is also provided in the second case study, where information about changes in the funding mechanism were not revealed to communities. That was partly to protect the private sector development agency from accusations of indecisiveness, and partly to protect senior national managers from the embarrassment of having local project managers reject a funding formula developed higher up. What suffered most was the principle of accountability.

In South Africa under the former government, marginalised communities had no power to resist bureaucratic blocking of information. Similar dynamics are also found in other countries where the government has used bureaucracy to control civil society. In Africa, development initiatives and state provision have often been used by administrators to enforce government priorities on the ground (Meyer, Roberts and Williams 1981).

As South Africa emerges from this phase of its history, probably most of civil society supports the democratic movement, whose social thinking stresses transparency. Bureaucracy is on the retreat in regard to shaping policy, but at the same time its contribution is vital to the reconstruction effort.

Attempts to restructure the government process are beginning to look at bureaucratic structure and practice. Transformation will be difficult, but is in process at the moment. For communities, a great deal depends on the results.

### **Important findings**

The project was originally framed with the idea that the form of the funding delivery instrument would be the major factor determining the extent to which development was transparent to community based structures, especially regarding corruption and the disappearance of funds.

In other words, it was assumed that community control over funding was chiefly a financial process.

Instead, what was found was that organisational behaviour dominates: the relative interests of different actors in the development process play out first in terms of power and conflict. This finding - one of four counter-intuitive preliminary findings reported at the 1994 workshop - indicates that community involvement in funding is an arena process, one where different agents compete for control of the development process.

The political economy of funding works out through hidden conflict over information flow. Corruption and the funding instruments appear to be less significant than originally assumed.

The second major counter-intuitive finding was that, although corruption does occur, it is the unwise allocation of funds - often involving honest mistakes - which most critically influences the success or failure of development initiatives (Klitgaard 1993).

Although many respondents were able to name cases where individuals and even entire institutions involved in development projects had been guilty of misappropriation of resources, the major problem seemed to lie rather in the misapplication of scarce development resources.

The third major finding has already been suggested. Although the delivery of services and social goods is an important component of community development and often a useful measure of how well a development process is performing, it is the delivery of empowerment to communities that has become critical.

This suggests that product driven approaches to development need to be reviewed. It is process driven approaches which are more effective, since they prioritise forming empowered and non-dependent communities, members and institutions of civil society over the delivery of quantifiable units of development benefits.

The final major finding was that although bureaucratic procedures regarding planning and implementing development projects are seen by developers as essential, effective development is likely to occur in a situation of greater innovation and creativity in relationships with communities.

Recipient communities for development projects are historically under-institutionalised, with the forming of civil society organisations having been frustrated by past policies. By contrast, state and private sector development agencies are over-institutionalised. They possess a bureaucratic tradition of habitual procedures, expressed in legalistic language and sophisticated and technical terminology which is often unclear to disempowered communities with low levels of education.

The research suggests that, while some aspects of this organisational behaviour may have its roots in agencies' needs to operate efficiently, other aspects may represent traditional and convenient ways of behaviour which

frustrate community development processes which need to be flexible and adaptive.

Against this background, transparency is generally seen as an ikon or as an object of contention, something to be superficially accepted but covertly resisted. Given appropriate policy guidelines, transparency is really what enables a process of development to take place that is healthy for all parties.

Transparent funding models exist where communities have decision making power over the allocation and use of development funds. Given the dominance of interest politics in the contested development field, these models are not widely used. This book attempts to show some of the reasons why.

### **Capacity**

The issue of capacity needs to be confronted. The argument is often made that it is difficult or impossible to bring communities into the funding process, or even to be fully transparent in regard to funding, because of the shortage of capacity in communities or their leadership (Xaba and Coovadia 1994).

This line of reasoning notes that development funding processes are often highly complex, technical and difficult to explain effectively to community participants who do not have advanced training.

Several development professionals interviewed argued that communities do not care where money comes from as long as services arrive on schedule. Implicit in this view is the belief that communities should accept what developers give, and that it is difficult or impossible to give communities the technical knowledge needed to assess or participate in funding decisions.

As the case studies illustrate, it cannot be denied that funding for development projects is often complicated, and the processes of getting and spending it are not easily accessible. In addition, the coherence and sophistication of community leadership varies widely.

Many communities have only new, emergent or weak leadership and others have authoritarian leaders who are not accountable to constituents. Either way, neither leaders nor constituents are usually experienced in the technical aspects of development.

However, the cumulative findings of the project strongly suggest that arguments that communities lack capacity to become involved in either funding processes or control over development decisions are not conclusive. Such arguments often owe more to other constraints affecting developers than to the capabilities of communities or the objective limits of possible dialogue.

Against this view, findings point to the communication process between communities and developers as the major agent in promoting capacity at ground level.

In the past, South African communities have perhaps developed mobilisation and organisational capacity mainly through rallying to resist unwanted government interventions such as forced removals. At present, it appears that involvement in development gives disadvantaged groups the most effective opportunity to build social awareness and organisational skill in dealing with the outside world.

Some communities appear to feel that they already have considerable capacity, but are not being given access to relevant information. Likewise, communities with little confidence can often develop a working knowledge of the development process if attention is given to communication and capacity building as a goal of the project (Xaba and Coovadia 1994; Mayekiso 1993).

This kind of learning-promoting interaction can either be open and informative, easing the development process, or closed and hostile. Ironically, a new version of the earlier process of developing capacity through political resistance happens when communities rally to demand changes and concessions from developers whose work or plans they are rejecting.

Present results illustrate the point that development is difficult and success is not in any way guaranteed, but that the most effective broad solution for funders, developers and beneficiaries appears to be open communication and mutual control. Transparency regarding funding decisions is the central factor.

However, to obtain this outcome communities have to be offered genuine information and some degree of real control. Relatively few projects are designed with effective community interaction as a real priority.

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The struggle comes about partly because of inherited fault lines between government and civil society, and partly because of real contradictions between the institutional needs of communities and the operational needs of funders, development bodies and intermediaries.

Contention takes the form of an underground war to control the flow of information, where transparency receives general acknowledgement but little actual support from bureaucratic organisations (Klitgaard 1992; Uphoff 1992).

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Applying this principle successfully in development delivery for communities is equally central but may be a special case. Unequal access to information by communities, by community leaderships, by developers and by sponsors present a serious barrier, as the Kagiso initiative may have suffered. Development delivery therefore may be a special case and needs to be looked at more closely.

Perhaps the most important single factor is whether or not funders at the top see the product they are funding as capacity or physical infrastructure. Empowerment only occurs when funders treat the ability of communities to deal with the outside world as the main outcome of successful development.

Failing this vision, the force of interest politics from powerful actors tends to push communities out of the loop, in favour of standardised development on scale. At present, few funders hold this vision in depth or are forcing it on their delivery agents.

Support for mass delivery by the least complex path is also strong in funding circles. This is particularly true in the case of the parastatal funder mentioned in the second case study, but applies to the first case study as well. The delivery on scale of development benefits is taking place in communication with development committees, but in a fashion which appears not to be empowering the community rank and file.

One root problem is perceptions of development. The views of the government-funders-developers alliance are so far apart from the views of communities that the two sides can rarely communicate without help. Funders and developers prioritise standard procedures, impersonal pre-planning and units delivered. Community members prefer an informal, flexible and negotiated process and human values.

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Communities are capable of significant development work, but the RDP calls for rapid, cost effective bulk provision of housing and services. To achieve this, more capacity building will be needed.

The present feeling around service delivery is one of anxiety, hope and suspicion. Apartheid's legacy of distrust and marginalisation created hostility against the old government and still promotes suspicion against funding bodies seen as allied to the old regime.

These may include most of the government bureaucracy and the parastatal development agencies, as well as the major development operations linked to big capital - the bodies which control the funding and delivery of development in South Africa.

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Some suspicion is also falling on non-governmental groups which offered communities assistance during the apartheid years (Cullinan 1994). Many of their operations have been very expensive, employing large numbers of staff at great cost but providing little development. Most have had a primarily political agenda and are now trying to change their mission.

With the RDP directing attention to development funding processes, both informed community members and the new Government have started questioning whether the services intermediaries provide are worth what they cost, or whether the money could be better spent elsewhere.

Structuring effective contact between the parties is a problem. Community agendas are less formalised than bureaucratic agendas. The relationship of community leaderships to constituencies is still taking shape in the new democracy. For development delivery, the format for contact and consultation is not well defined and is still changing rapidly.

### **Consultation**

Under the old Government's model for development, consultation was with identified leaders: in most cases, with chiefs and community councillors sponsored by the Government. One public meeting might have been held, where few questions were asked (Haines et al 1994).

The procedure tried to minimise community contact and restrict consultation. A surprising percentage of development agencies still seem to use some form of this top down contact model to start development delivery.

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With such brief and ineffectual consultation procedures, shortfalls of information at the grassroots can be severe. The gap creates the need for intermediation, with NGOs, service organisations and advocacy groups helping communities question providers and obtain influence.

The developers may offer a few concessions, trying to protect their schedules and their bottom lines as the intermediaries try to get some degree of control. Often contestation empowers the intermediaries rather than communities. In the instance of the second case study, this appears to have happened.

### **Secrecy**

Transparency is difficult in this situation. The principle of broad disclosure goes against the way bureaucratic and delivery strategies have been conceived in the past. Bureaucratic organisations tend to develop a culture of secrecy to protect staff from accounting for mistakes and failures.

Funders and delivery agents left to themselves, tend to lock up total control of the funding process bureaucratically: they establish sealed bureaucratic systems that provide no outside accountability at all (Matthews 1983; Van der Vyver 1983; Gomersall 1983; Klitgaard 1992). Where civil institutions are weak, bureaucracies may manage to institutionalise and legalise the lock up factor.

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Evidence of secrecy is also provided in the second case study, where information about changes in the funding mechanism were not revealed to communities. That was partly to protect the private sector development agency from accusations of indecisiveness, and partly to protect senior national managers from the embarrassment of having local project managers reject a funding formula developed higher up. What suffered most was the principle of accountability.

In South Africa under the former government, marginalised communities had no power to resist bureaucratic blocking of information. Similar dynamics are also found in other countries where the government has used bureaucracy to control civil society. In Africa, development initiatives and state provision have often been used by administrators to enforce government priorities on the ground (Meyer, Roberts and Williams 1981).

As South Africa emerges from this phase of its history, probably most of civil society supports the democratic movement, whose social thinking stresses transparency. Bureaucracy is on the retreat in regard to shaping policy, but at the same time its contribution is vital to the reconstruction effort.

Attempts to restructure the government process are beginning to look at bureaucratic structure and practice. Transformation will be difficult, but is in process at the moment. For communities, a great deal depends on the results.

### **Important findings**

The project was originally framed with the idea that the form of the funding delivery instrument would be the major factor determining the extent to which development was transparent to community based structures, especially regarding corruption and the disappearance of funds.

In other words, it was assumed that community control over funding was chiefly a financial process.

Instead, what was found was that organisational behaviour dominates: the relative interests of different actors in the development process play out first in terms of power and conflict. This finding - one of four counter-intuitive preliminary findings reported at the 1994 workshop - indicates that community involvement in funding is an arena process, one where different agents compete for control of the development process.

The political economy of funding works out through hidden conflict over information flow. Corruption and the funding instruments appear to be less significant than originally assumed.

The second major counter-intuitive finding was that, although corruption does occur, it is the unwise allocation of funds - often involving honest mistakes - which most critically influences the success or failure of development initiatives (Klitgaard 1993).

Although many respondents were able to name cases where individuals and even entire institutions involved in development projects had been guilty of misappropriation of resources, the major problem seemed to lie rather in the misapplication of scarce development resources.

The third major finding has already been suggested. Although the delivery of services and social goods is an important component of community development and often a useful measure of how well a development process is performing, it is the delivery of empowerment to communities that has become critical.

This suggests that product driven approaches to development need to be reviewed. It is process driven approaches which are more effective, since they prioritise forming empowered and non-dependent communities, members and institutions of civil society over the delivery of quantifiable units of development benefits.

The final major finding was that although bureaucratic procedures regarding planning and implementing development projects are seen by developers as essential, effective development is likely to occur in a situation of greater innovation and creativity in relationships with communities.

Recipient communities for development projects are historically under-institutionalised, with the forming of civil society organisations having been frustrated by past policies. By contrast, state and private sector development agencies are over-institutionalised. They possess a bureaucratic tradition of habitual procedures, expressed in legalistic language and sophisticated and technical terminology which is often unclear to disempowered communities with low levels of education.

The research suggests that, while some aspects of this organisational behaviour may have its roots in agencies' needs to operate efficiently, other aspects may represent traditional and convenient ways of behaviour which

frustrate community development processes which need to be flexible and adaptive.

Against this background, transparency is generally seen as an ikon or as an object of contention, something to be superficially accepted but covertly resisted. Given appropriate policy guidelines, transparency is really what enables a process of development to take place that is healthy for all parties.

Transparent funding models exist where communities have decision making power over the allocation and use of development funds. Given the dominance of interest politics in the contested development field, these models are not widely used. This book attempts to show some of the reasons why.

### **Capacity**

The issue of capacity needs to be confronted. The argument is often made that it is difficult or impossible to bring communities into the funding process, or even to be fully transparent in regard to funding, because of the shortage of capacity in communities or their leadership (Xaba and Coovadia 1994).

This line of reasoning notes that development funding processes are often highly complex, technical and difficult to explain effectively to community participants who do not have advanced training.

Several development professionals interviewed argued that communities do not care where money comes from as long as services arrive on schedule. Implicit in this view is the belief that communities should accept what developers give, and that it is difficult or impossible to give communities the technical knowledge needed to assess or participate in funding decisions.

As the case studies illustrate, it cannot be denied that funding for development projects is often complicated, and the processes of getting and spending it are not easily accessible. In addition, the coherence and sophistication of community leadership varies widely.

Many communities have only new, emergent or weak leadership and others have authoritarian leaders who are not accountable to constituents. Either way, neither leaders nor constituents are usually experienced in the technical aspects of development.

However, the cumulative findings of the project strongly suggest that arguments that communities lack capacity to become involved in either funding processes or control over development decisions are not conclusive. Such arguments often owe more to other constraints affecting developers than to the capabilities of communities or the objective limits of possible dialogue.

Against this view, findings point to the communication process between communities and developers as the major agent in promoting capacity at ground level.

In the past, South African communities have perhaps developed mobilisation and organisational capacity mainly through rallying to resist unwanted government interventions such as forced removals. At present, it appears that involvement in development gives disadvantaged groups the most effective opportunity to build social awareness and organisational skill in dealing with the outside world.

Some communities appear to feel that they already have considerable capacity, but are not being given access to relevant information. Likewise, communities with little confidence can often develop a working knowledge of the development process if attention is given to communication and capacity building as a goal of the project (Xaba and Coovadia 1994; Mayekiso 1993).

This kind of learning-promoting interaction can either be open and informative, easing the development process, or closed and hostile. Ironically, a new version of the earlier process of developing capacity through political resistance happens when communities rally to demand changes and concessions from developers whose work or plans they are rejecting.

Present results illustrate the point that development is difficult and success is not in any way guaranteed, but that the most effective broad solution for funders, developers and beneficiaries appears to be open communication and mutual control. Transparency regarding funding decisions is the central factor.

However, to obtain this outcome communities have to be offered genuine information and some degree of real control. Relatively few projects are designed with effective community interaction as a real priority.

On examination, it appears that some projects which state participation as a goal and try to set up development structures on the ground, in fact hold back significant information and tend to retain control over decisions.

While there are a number of obstacles involved, weakness of design regarding human interaction is a major reason for capacity problems identified by developers, funders and service organisations. Partly as a result, the community learning process around development is often a hostile and expensive one.

### **Representation and accountability**

These issues are directly related to questions of representation and accountability. There is general agreement at planning level on the urgent need for transparency and accountability, but it is less clear how to deal with the accompanying issues of control, or how far to go.

Accountability - the principle that delivery agents should be responsible to the people who need delivery - is not the same as transparency, which is the principle that the development process should be open and public.

Participation - the principle that communities should be involved in setting up delivery initiatives - does not necessarily imply control, a situation where communities actually make central decisions. Although Kagiso Trust's original initiative was aimed at giving control to communities, few development delivery operations appear to look to this kind of outcome (Commission on Development Finance 1994).

Findings from the study suggest that it is difficult to establish the first three - transparency, accountability and participation - without providing in principle and practice some degree of control. Short of providing communities with a degree of actual power to enforce accountability, the usual result appears to be that genuinely open and accountable process is sacrificed and developers merely go through the motions.

Since the process of delivering development and infrastructure is central to the emergence of self aware civil society in disadvantaged communities, failure could entrench patronage and elite control.

This is not to imply that all communities will achieve empowerment easily. Case material shows clearly that some communities are too divided to be able to manage development money assigned to them. Others will struggle

to succeed, and some communities may come out of the process more splintered than when they began.

But the burden of the evidence seems to show that when communities take control over development financing, a key step is made on the road to self awareness and self reliance. It seems that for most, the potential benefits are far greater than the risks.

Much depends on the extent of representation at local level and on social relations and power dynamics within communities. Communities are different. Some have unrepresentative institutions and many are divided along social and economic lines. The possibility of transparency and accountability being achieved by a development initiative therefore depends largely on local circumstances.

For local level projects, transparency, accountability and community control are usually possible, but for development projects which are carried out on scale, involving a number of communities with separate leaderships, it is much harder.

It is necessary to build in community liaison from the start and to ensure that the project is flexible regarding what it is delivering. The ranked needs expressed by individual communities differ greatly according to what has already been provided (Bekker and Wilson 1990).

But throughout there is a need for at least transparency and accountability to be provided, in addition to as much control as possible.

### **Local government**

How far the installation of representative local government structures will resolve tension over transparency is not yet clear. What comes out of local government depends on what goes in, and good frameworks do not necessarily guarantee good results. People already in leadership positions are likely to move into new structures. Not all present local leaderships are effective and representative (Clark and Bekker 1994).

Although strengthening the rules of government and holding elections will be a vital step towards accountability and social justice, international experience shows many cases where undemocratic or corrupt leaders continue to dominate communities despite formally accountable and democratic local government being set in place (Klitgaard 1993).

Such cases appear to occur where civil society has not mobilised. Where patronage is the rule, funding processes can cause conflict over control of development between unrepresentative leaders or organisations, instead of promoting the formation of representative structures.

In this kind of situation, people on the ground are likely to continue to be kept in the dark regarding development, if they do not become victims of conflict. The need is to ensure that development initiatives are thoroughly discussed at local level to obtain local suggestions.

It is clear that legitimate executive decision making through local government is likely to be needed to facilitate delivery on scale. At the same time, it is important to avoid reproducing patronage and clientelism as well as promoting passivity, dependency and the culture of entitlement.

Civil society's role in development accountability will be important. Transparency is not easy to achieve in turbulent areas accustomed to being marginalised. Although local government will be an important means of clearing channels, it may not be safe to assume that it will guarantee a development information process.

If so, local government alone will not be able to control the misunderstandings which trigger community resistance to development interventions. Participative information pipelines for development decision processes should incorporate not only community meetings, but also thorough briefing and debate.

Much of the burden of involving the grassroots in development funding may remain with the development process itself, together with local civil organisations. In other words, open development funding and delivery may depend on elected local project committees or community based organisations, as well as on formal local government.

It is also important for local organisations to be in a position to form links across social or political lines, in the way discussed by Castells (Lowe 1986).

Development models along these lines have been used in India (Prasad 1994), with community based structures at neighbourhood level working with development professionals in local government structures to get funding and intermediary support for development projects identified at grassroots level.



## MODELS IN DEVELOPMENT DELIVERY

This chapter examines four existing models of development funding, showing how funds are transmitted and disbursed. The models provide an empirical base for considering the issue of transparency.

Although all the agencies discussed accept the need for accountability, most funding delivery processes prevent full community participation. The degree of community involvement in each case depends to some extent upon the design of the funding process, and to a greater extent on the organisational culture of the participating actors.

To help secure anonymity, no citations to specific secondary sources are made in either the models which follow or the case studies described in the next chapter.

### MODEL 1: THE HOUSING SUBSIDY FORMULA OF A PARASTATAL FUNDING AGENCY

#### ⇒ Rationale

In relation to housing delivery and subsidy, the parastatal funding agency acknowledges that the Government has a responsibility to provide aid to assist poor people acquire adequate shelter. It is involved in a major funding initiative.

The reasoning is that if the Government were to meet all the costs of housing the poor, it would increase the burden on the national budget and would also discourage the involvement of the private sector, which would not be able to compete with the state.

Government subsidies through the private sector allow the state to fulfil its obligation without becoming the provider of completed housing products. Not only does this reduce the burden on the national budget, but it also allows the private sector to compete with the state in the housing market.

The resulting initiative relies heavily on the private sector and individual initiative and promotes freehold tenure. From the standpoint of beneficiaries, transparency and accountability are not necessarily provided.

#### ⇒ **The model**

The model offers a fixed subsidy of several thousand rand per housing product - either an upgraded shelter or serviced site - which is paid to the provider of the service by the parastatal funding agency. The agency aims to provide socio-economic upliftment to South Africa's poor by providing subsidies for basic goods and services.

The aim of the subsidy scheme is to provide a standard subsidy for housing to people who are currently unhoused or are in low quality dwellings. The subsidy formula thus involves both greenfields site-and-service schemes and in situ upgrading of existing informal settlements.

The formula also involves a 'consolidation' phase. During this phase housing is upgraded from informal to formal structures, infrastructure is improved, community facilities are provided (both public and private sector), commercial enterprises are established, and community skills aimed at increased income generation are improved. In short, during the consolidation phase both the physical and socio-economic environments are upgraded.

The amount of R7 500 at the time of the study, was based on a standard level of servicing. Each 300 square metre site should have waterborne sewerage; a metered water point; should be accessible by tarred main roads and graded smaller access roads, both types of roads being serviced by unlined stormwater drains; and freehold title to the sites should be transferred to the head of the household living on the site.

The subsidy is paid directly to the provider of the service. Should the service cost be less than the subsidised amount, the balance of the subsidy should be paid towards the consolidation process.

All projects supported by the parastatal funding agency are required to operate on the basis of full cost recovery, as it is believed that any 'hidden subsidies' will undermine the willingness of private sector initiatives to participate. For this reason, there are 'hidden costs' to the end user, in the form of the costs of consolidation.

Only individuals qualify to benefit. Groups in communities are excluded as recipients of subsidies. The subsidy may not be applied to a project, although projects which deliver subsidised housing units utilising the formula may apply for support, as long as the subsidy is awarded to the individual head of a household. Individual, private ownership is the only non-negotiable tenure option.

#### ➤ **Client contact and selection**

The parastatal funding agency does not make direct contact with the beneficiary - the owner of the subsidised housing product. Rather, developers identify tracts of land or settlements as suitable sites for subsidised schemes and may approach the parastatal funding agency with a proposal for funding.

It is important to note that the subsidy is applied not to a household but to a site. Sites may be proposed to receive the subsidy by all those who wish to participate in development, including commercial developers, utility companies, community based housing agencies, community organisations, non-governmental organisations, local authorities, provincial authorities etc.

Only sites being sold for the first time, or which carry no other state sourced subsidies, are eligible. Other criteria, however, do apply to the recipient of the subsidised housing product. The site purchaser must be 21 years or older, must have dependants who live with him or her, have a maximum income including benefits of R1 000 a month, must be a first-time property owner and, with the exception of housing benefits from the state as an employer, must be receiving no other housing subsidy. The site purchaser's dependants must also fulfil these conditions.

#### ➤ **Financial management**

The money is managed by the parastatal funding agency, which has sole discretion over the approval of projects for subsidies.

The beneficiary - the owner of the subsidised housing product - does not receive the money directly, but benefits because the purchase price on the site is reduced. The developer only receives the money once the housing product is completed.

This implies that the developer must be able to put up the capital amount of several thousand rands per housing product. It also means that the

parastatal funding agency keeps the subsidy amount and the interest earned on it during the time that it takes to plan the project. This results in a loss of about R100 a month from the value of the subsidy as a result of inflation.

### ⇒ **Community participation**

The parastatal funding agency emphasises that community participation in development projects is a condition for success. The agency will only fund projects where there is a definite process of community participation.

But there is no clear definition offered of what the parastatal funding agency understands by community participation. It appears that the agency considers that any project where the community is more than a passive recipient of development benefits, is participatory.

Many commentators have questioned, on the basis of the parastatal funding agency's performance, whether or not the projects it funds are participatory. A frequent theme of this criticism is that the agency, by setting the standard level of services to be subsidised, has imposed its own vision on the communities. The parastatal funding agency also insists that deviations from the standard it determines will not be encouraged by the subsidy scheme.

It is argued that despite its insistence on community participation, the parastatal has designed a standard product. This procedure assumes that all communities will come to the same conclusions about what they want, irrespective of where they are located, their culture, level of knowledge and the demand for sites.

It is argued by critics that community participation is only possible if the community is trusted to come up with its own policies: in other words, that participation is not effective unless there is a degree of real control by the recipients.

In the absence of a clear definition of community participation, developers interpret it in different ways. Communities involved in projects funded through the subsidy formula may be involved in any of the following ways:

- Only in the identification of benefits, through community meetings, consultation with community leadership or, more rarely, through a needs' assessment process.

- As labour in the production of development benefits. Included in this level is the involvement of community members in minor managerial capacities, for example as paymasters or heads of work crews.
- As equal participants with developers in the process. This level of involvement is extremely rare.

At the lower levels, community involvement falls short of actual community control. The standardised nature of the development benefits delivered by the subsidy formula are such that community control of the development process cannot be achieved.

#### ⇒ **Transparency**

The subsidy formula is not transparent to the end user. All financial transactions occur between the parastatal funding agency and developers. Beneficiaries of the subsidy formula have to approach these organisations for information. No specific provision is made to enable communities to access information.

But for the interests of both the parastatal funding agency and the developer, maximum accountability and transparency are provided. Financial statements detailing expenditure must be submitted to the funding agency by the developer, before the subsidy amount is reimbursed.

#### ⇒ **Sustainability**

The parastatal funding agency stresses that 'ongoing viability' is a criterion for determining whether or not a project will be funded. International experience has shown, however, that similar subsidy formulas do not usually serve the interests of the poor, as intended.

The housing products subsidised for consumption by the poor, will transfer to wealthier households when the poor struggle to meet the hidden costs of consolidation. This will result in 'downward raiding', with a resultant displacement of the poor - who will no longer be able to qualify for the subsidy, having been 'home owners' already.

## MODEL 2: RURAL DEVELOPMENT THROUGH PARASTATAL FUNDED PUBLIC WORKS

### ⇒ Rationale

The same parastatal funding agency also operates a programme for rural development through public works, which operates on a very different basis. The rural public works programme is based on three premises:

- The need to shift responsibility for the delivery of basic services away from the state: public works should not be conceived of as 'state expenditure' but as something undertaken by unserved communities in financial partnership with the state.
- The need to deploy grant funding available for development in a way that creates employment and increases the assets available to the community.

The mechanism is designed to reduce the potential for patronage, and to empower communities to become involved at all levels in the delivery of public works.

- The need to create capacity on the ground by giving organisations established by communities the chance to hold budgets and deliver services.

Project staff emphasise the importance of building community capacity to deal with future funding needs. Community based organisations are expected to approach the funding market independently to sustain capacity and keep development moving.

The financial instrument is designed to meet these premises.

### ⇒ The model

The rural public works programme secures services for unserved areas by using labour intensive techniques which provide employment and skills training for the unemployed and the unskilled. The approach is essentially Keynesian, although it is foreseen that the state and the private sector will both be important players.

The terminology used by the parastatal funding agency refers to matching various fundamental rights, for example the right to work, with various practical programmes. The public works programme will be firmly based in communities, and in this sense differs from the parastatal funding agency's subsidy formula.

The financial instrument is a budget which is provided to a recipient community by the rural public works programme. The budget - the only thing not decided by the community - is simply a stated amount of money available for public works projects, rather than a detailed schedule of costs.

Communities must decide for themselves how to spend the money. There seems to be no mechanism for controlling community corruption. However, the rural public works programme does operate in an advisory capacity, helping communities look beyond the question of their own needs to see how they can make the best use of resources available to them.

The proposal is that the rural public works programme should be financed out of both grant and loan funds, with the loan funds coming from private sector financial institutions. When studied, the programme was mostly grant based, but the loan component comprised 20% of the total budget and was intended to rise to 40% in the forthcoming year.

The existing grant component, and the proposed loan component, are both made to groups in the community rather than to individuals. The terms of repayment for the loan component depend on the partner institutions of the parastatal funding agency, including several other parastatals and private sector financial institutions.

Verbal reports from researchers monitoring the programme state that the default rate of repayment of the loan element is very low. The parastatal funding agency does not loan money and thus does not concern itself with repayments.

#### ← **Client contact and selection**

The rural public works programme contacts its own clients, although clients should be able to approach the programme for assistance. An assessment is made of the number of households in a community who have no regular income. On this basis an offer of membership of the programme is compiled, comprising a budget and an explanation of the rules governing member communities of the programme.

Client communities are therefore first of all communities with low numbers of households with a regular income. The idea is to provide regular income by creating employment on rural public works programmes, and to increase the assets - in the form of infrastructure - belonging to the community.

#### ⇒ **Financial management**

The recipient community manages the money on a draw-down basis in terms of the budget determined by the rural public works programme. Accountancy services are provided by the sponsors but are open to examination by the community.

The rules which accompany the budget specify that the funds be used for labour intensive public works and for related training to build community capacity and provide local skills. The community decides how this is to be done.

The stated intention of the rural public works programme is to reduce the role of intermediaries. Communities can apply for support directly to the programme, without having to rely on local government, NGOs or other parties to represent them. But the programme is not a delivery agency, and third parties may provide technical assistance to community based organisations implementing projects funded by it.

It is stated that the rural public works programme helps communities 'understand their environment'. This seems to mean understanding the funding and development environment. The programme may run the risk of becoming an intermediary between communities and the providers of the technical assistance which they wish to access.

#### ⇒ **Community participation**

In many respects, the rural public works programme follows the idea of community participation. It is important to stress that it allows communities to make their own decisions about how funds are to be spent.

There are two areas of concern. The first is that the programme, by granting funding to communities only for labour intensive public works programmes, is again imposing on these communities a model of what is needed, rather than allowing communities to decide for themselves. However, future independent applications to the general funding market can be for any fundable purpose and will be wholly decided by the community.

The second concern is that the rural public works programme is allowed to decide how much money is to be allocated to each budget: much the same probably holds for any funding agency involved in development. This financial instrument promotes community participation but does not provide full community control.

#### → **Transparency**

In terms of the transparency of funding instruments, the rural public works programme is quite transparent and accountable. It seems successful in putting control of money granted by the parastatal funding agency into the hands of community members.

But the absence of mechanisms for controlling misconduct at community level may be a problem. Repayment rates for the loan component are reported by people involved in the programme to be extremely good, but at the time of reporting it was not clear how much experience there had been with loans.

#### → **Sustainability**

It is too early in the programme's history to tell whether or not it will be sustainable, although the loan element is said to be viable on a revolving credit basis. Although the aim is to reduce the dependence of recipient communities on NGOs, local government and the like, there is a danger that they may become dependent on the rural public works programme itself.

Avoiding dependence on government depends on empowering communities with skills and organisation to return to the funding market and obtain further funding in their own right. How successful this aspect of the instrument will be in the long term is not yet clear.

The rural public works programme has declared one of the potential sources for future development funding to be the private financial capital sector. As has been argued, this may not be to the advantage of communities (Bond 1990).

### **MODEL 3: FUNDING FROM PRIVATE SECTOR AND A PARASTATAL FOR UPGRADING**

#### **⇒ Rationale**

The third model is that of a loan agreement between a large private sector financial institution and the housing association of an informal settlement in a non-metropolitan town located in a former homeland.

The project was conceptualised by a major parastatal funder of development projects as creating a model funding instrument which would enable informal settlement residents to access private sector financial capital for upgrading their residences, while the development parastatal would provide security in the form of a loan guarantee.

The model was designed to allow for community participation in the management of the loan. Upgrading is in the form of a self build scheme.

#### **⇒ The model**

The private sector financial institution loans the housing association funds which are intended for on-lending to members of the housing association. The repayment of the loan to the private sector financial institution is guaranteed by the development parastatal.

The amount of the loan to each member of the housing association depends on the member's personal financial circumstances. The source of the finance is the large private sector financial institution, which enters into an agreement with the housing association.

This loan is made available to individuals, although they must be members of a legally constituted body, the housing association. Loans have been at the financial institution's prime interest rate plus 1%: around 21% per annum.

In the event of a default, the development parastatal has agreed to pay back the full amount borrowed from the private sector financial institution, plus interest for the 13 month period between the 'call date' and the date of payment by the development parastatal. However, members of the housing association borrow money over a five year period.

According to the loan agreement between the housing association and the financial institution, the development parastatal guarantee cannot be invoked until 15% of the total amounts advanced by the private financial institution to the housing association are in default. But sections of the loan agreement do not provide for this.

The government of the former homeland where the informal settlement is situated was obliged to reimburse the development parastatal for amounts that might be paid by the parastatal in terms of the financial institution guarantee. Whether or not this responsibility has now passed to the government of the province where the informal settlement is located is unknown.

#### ⇒ **Client contact and selection**

A set procedure must be followed in order to qualify for the loan. First, the client needs to become a member of a housing association. This means he or she must enter into a lease agreement with the municipality of the non-metropolitan town, which then approaches a local NGO to help in drawing up a site plan, along with schedules of materials and costs.

The client must then obtain approval of the site plan from the municipality. Next the client must apply through the housing association to the private sector financial institution for a loan. The housing association must assess the application for the loan based on the amount required measured against the client's income.

The maximum loan amount is based on the client's earnings and ability to make repayments. If the housing association approves the loan, the application is sent to the private financial institution. If the private financial institution approves the loan, their approval is sent to the housing association.

Once the client signs the agreement, he or she has accepted the loan and becomes a member of the housing association. The only formal requirement seems to be that the client should be able to meet the requirements of loan repayment.

#### ⇒ **Financial management**

The money is managed by the loans committee of the housing association, which assesses loan applicants to determine whether they will be able to pay back the loan. It also determines the size of loans, gives preliminary

approval of loans and monitors their repayment. Final approval of the loan rests with the private financial institution.

#### ⇒ **Community participation**

The project appears to involve only partial participation by some members of the community at some levels. Membership of the housing association does not depend only on either the applicant or the association. It also involves outside intermediaries and decision makers in the private sector and municipality.

The management of funding, and its disbursement and repayment, are controlled by the housing association, which is a community based body. Since they do not have final approval of loans or membership, the housing association's role seems to centre on chasing non-payment for the funders.

Similarly, it is not clear how far the housing association is representative of the community. This appears doubtful, in the light of reports that influential people have been able to gain access to sites and houses, according to one of the authors who worked on the project. This suggests that the housing association may have been taken over by influential people.

#### ⇒ **Transparency**

The instrument is transparent to the members of the housing association, a community constituted body which retains some control over the funding, in that it may decide against a client's loan application. On the other hand, loans must also be approved by the private financial institution.

At this level, control of the funds is not in the hands of the community but rather of the financial institution. Given that the process of accessing a loan is relatively complicated, the process is inaccessible. How far it can be controlled by members of the target community is doubtful, and the community never sees the entire process clearly.

Some potential for corruption exists, as is suggested by reports that members of the homeland government were able to secure houses in the informal settlement before the programme was implemented. The government members acquired parastatal-backed and private sector-supplied loans for upgrading shacks into good quality housing, out of a project aimed at upgrading the houses of the marginalised poor.

### ➤ Sustainability of the project

The issue of sustainability does not seem central to the project, which is aimed at a once-off improvement of housing conditions. Doubts are, however, being expressed about the ability of the end users of loans to meet repayment, given the interest rates. There are reasons to suspect that this initiative may result in foreclosure on homes.

## MODEL 4: COMMUNITY CONTRACTING FOR INFRASTRUCTURE

### ➤ Rationale

The fourth model is one which is being tried by a leading civil engineering company which has extensive experience in infrastructural development projects in KwaZulu-Natal. The firm is trying to restructure funding instruments which it previously used in infrastructural delivery projects so that the community controls the development process and funding.

Previously, the private sector company approached chiefs and tribal authorities and channelled development benefits through them. After working with the World Bank, the firm began to design a new approach to development funding, emphasising the importance of community participation in successful development projects. They began to develop a new model for managing development funding.

A concern which spurred the civil engineering company to formulate the model was the expense of delays in the development process, whether caused by natural events such as flooding after heavy rains or by failures of communication between communities and the developers resulting in resistance and disruption.

The model is based on the idea that community structures should accept responsibility and liability for their own development. This helps the engineering firm to avoid or hand over some of its risks to the community.

The instrument involves transferring development funds through a designated intermediary to a community based structure which is then legally responsible for the entire community development process.

The delivery process continues much as before, except that the profit margin for the contractors is re-directed towards community liaison, allowing community members to develop skills and enabling insurance to be arranged.

The contractors and all other parties involved in delivery are accountable not to the source of funding but to the client, which is the community. This gives communities transparent access to funding and allows them to face up to the liabilities and responsibilities which come with financial management of development projects.

#### ⇒ **The model**

The model evolved during a development project in the informally settled areas of a formal township in the western periphery of the Durban metropole. According to the civil engineering company the recipient community, working through a community trust, approached a local state agency concerned with funding infrastructural development projects.

The local state funding agency provided funding for the project to a private sector housing delivery firm, which holds the budget and provides an accountancy service to the community. It seems that the engineering firm advises the community on how to go about development and what risks need to be insured.

The essential features of the model which arose out of the development intervention are:

- The recipient community must work through a community based structure, such as a tribal authority or a trust, which holds legal responsibility.
- The community based structure decides and pays out the budget for infrastructural delivery projects.
- The community based structure may arrange for contractors to undertake delivery, or may undertake the contracting itself with the assistance of consultants.
- Consultants and contractors are paid by the community based structure and are therefore accountable.

- The community based structure is liable for whatever goes wrong in a development project, unless it hands on the liability to a contractor or insurer.

In the pilot project reported the private housing delivery agency, not the community based structure, holds the budget and releases funds as needed to the community or its agents, as decided by the community. The kinds of project being funded in this manner include water supply projects, road building projects and similar infrastructural developments.

#### ⇒ **Client contact and selection**

The pilot project for this instrument was initiated by the community, and it is foreseen that communities seeking to control development finance through this mechanism would approach funders, who might refer them to the consultant engineers or other agents they might require. Approaches are often also made direct to the engineers in the field, as they work for other communities.

#### ⇒ **Financial management**

The budget is developed by the community based structure with assistance from the private civil engineering company and the local state funding agency. Funding from the agency goes directly into an account held by the private housing delivery company.

The housing company holds the budget for the community based structure and provides an accountancy service. The community structure draws down funds from the budget as and when they are needed.

The community structure has full discretion over the budget and related information. The private housing delivery agency, the private civil engineering firm, and any contractors hired by the community based structure may advise it on how money should be spent. There may be problems ensuring that the consultants' advice is entirely disinterested and honest.

#### ⇒ **Community participation**

Community participation occurs at three important levels in the project:

- The community based structure makes inputs into the drafting of the funding proposal.

The community structure manages the funds with the assistance of the private housing delivery agency, the private civil engineering firm and consultants.

The community based structure may itself act as a contractor on the project if it so chooses.

The project design is undertaken by the private civil engineering firm, which works as the agent of the community and is accountable to them.

If the community based structure acts as contractor itself, it retains the services of an employee from the civil engineering firm to advise it on how to execute a project. The community buys materials and provides its own labour and supervision, overseen by civil engineers.

This form of operation subtracts the contractor totally from the proceedings unless the community brings contractors back to undertake specific tasks for them. The community and/or community liaison work can take the entire share of the money which would usually go to the contractor.

The money can be used to pay community members working on the project; it is important, however, that some of it be used to cover the costs of securing insurance against things going wrong.

It is not clear from interviews exactly how the share of the project budget which would normally be paid to a contractor is actually used. It could be used to cover training of community members, insurance against floods or other problems, or for community liaison.

The private civil engineering company advises the community to hire contractors to buy materials, train community members in the skills necessary for delivery, act as project overseers and ensure that the standard of completed work is adequate. Who is responsible for making sure the community takes out enough insurance is not entirely clear.

In cases where the community hires its own people to do the work, the component of a budget for community liaison in a development project is reported to run extremely high: if liaison is done properly, up to 25% of the total budget may be involved.

The private engineering firm off-sets this against the costs of hiring a contractor to actually do the job, which could run up to 30% of the total budget.

#### Transparency

The evaluation of the civil engineering firm is that this system is a completely open and transparent, and that it volunteers information to communities about every aspect of the development process. Communities are also fully able to examine the system to find out about the state of funding for the project.

It is not clear to what extent the community based structure is transparent to the community at large. Nor is it clear what happens to interest accrued on the money held by the private housing delivery agency. It may go to the community, or it may be kept by the private housing delivery agency to pay for its services.

#### Sustainability

The mechanism is designed to be sustainable in the long term, though the initial short term costs may be high. It is anticipated that an infrastructural project will take longer and will result in lower standard of finish if the community does undertake the work itself.

Communities may not give the work to the best qualified workers, but rather to the most needy. This will create a need for more training. While it will be expensive and slow moving in the short term, training will have long term social pay-offs in the transfer of skills to the community. The private civil engineering company also insists that safety standards should be comparable if the oversight function is carried out properly.

It is also argued that this mechanism is cost effective in the long run. It is anticipated that community dissatisfaction with different aspects of the development process will be avoided later on, which will prevent the kind of delay that forces costs up.

Nor is this the only reason for the private civil engineering company adopting this approach. The management sees it as being a profitable and efficient way to do business, which reduces consultants' risk liability by transferring it to the community.

Though crises cannot always be avoided, the instrument does appear to save on 'quick fix' solutions to problems. However, for communities to take on exposure to the normal risk liabilities of construction work may have serious consequences which need to be fully explained, debated and provided against.

### Summary of models

The following important lessons emerge from the four models of development funding:

- Despite commitments to transparent and participatory development processes, important development interventions frequently still limit community involvement to cooption of community members into development projects. These projects remain unclear and non-accountable to community members on the ground.
- Where community based structures are involved in funding and development processes, important decisions about funding may still be located outside communities in the intermediary sector, or intermediaries may hold important influence over community based structures.

The two case studies of development funding and delivery which follow examine the problems of successful community involvement and the openness of decision making procedures for allocating and controlling development funds.

They illustrate the delivery process in action and look at how far communities have control over development interventions through the control of funding.

#### **Community development in action**

Two case studies were identified involving projects which attempt to bridge the gap between financial planning and communities on the ground. The two case studies chosen were:

- ❑ A community development project in near rural KwaZulu-Natal.
- ❑ A service delivery and upgrading scheme in collaboration with the private sector in a dense informal settlement in metropolitan KwaZulu-Natal.

The first case highlights the role of a well run local non-government organisation which is playing a very active role in promoting development and service delivery for a region under rural forms of organisation.

As the organisation has moved into service delivery, its role has expanded from that of an intermediary or service body to that of the principal development provider, raising its profile in the eyes of client communities. For communities, the results have been questionable.

The second case reviews the history of a major infrastructure project where the local office of a national initiative has been attempting to deliver services to weakly organised local communities within a framework of changing head office policy. Communications with communities have broken down more than once, requiring an outside intermediary to take a central role between communities and funders and deliverers.

In both cases service delivery is moving ahead on scale, pushed past serious obstacles by the best efforts of the deliverers. However, in neither case has capacity on the ground been mobilised effectively, despite efforts by project staff to promote counterpart organisation in the beneficiary communities.

The principle of financial accountability to communities has not been part of the approach in either case, and the communities have been largely excluded from the information loop involved with complex delivery process.

In both cases, a degree of suspicion, apathy or resistance has been part of the reaction at ground level. In the first case the NGO structure is close to the ground, and negative reactions such as suspicion of corruption have been sporadic. The main problems resulting from exclusion from funding involvement have been passivity and dependency.

In the second case large scale funding and delivery activities are involved, with decisions taken far from the ground. From the community, suspicion of corruption has been intense and public. Broken communications at one point stopped the entire initiative for more than a year and caused major staff changes. The price of avoiding collapse has been passing a large degree of control to an outside organisation.

Whether the outcome has been dependency or resistance, both cases highlight the negative results for all parties of neglecting mechanisms for funding accountability to communities.

In both case studies, documentation was made available to the authors on the understanding that it would not be cited, thereby making it impossible to identify the case study. For this reason, there are no citations to secondary sources in the sections which follow.

### **CASE STUDY ONE HOLISTIC COMMUNITY DEVELOPMENT IN NEAR RURAL KWAZULU-NATAL**

The following case illustrates one way that capacity building for communities can be frustrated by the long term involvement of an effective development agency in the development and funding process.

Despite the commitment of the community development project to promoting capacity building, and the involvement of representative

community based structures in the development and funding process - and despite the fact that the staff of the NGO have demonstrated remarkable commitment to these tasks - community based structures appear to be dependent on the development project for their links to the outside world (Qualitative interviews).

### ➤ Introduction to the project

The aim of the project has changed over time. It started out aiming to promote welfare in communities in a near rural region on the perimeter of metropolitan KwaZulu-Natal, and from there expanded to provide agricultural development. The project has since come to focus on providing general socio-economic upliftment to local communities through sub-projects which deliver services and promote employment.

The sub-region concerned is densely populated, but local densities vary enormously with location. Settlement patterns include areas where the density of dwelling structures and the nature of services delivered are quite urban in character, as well as areas of sparse settlement where few urban services are available.

The denser settlements are close to the main road and rail links to Durban and Pietermaritzburg, and are some of the longest standing settlements in the region. Since the 1960s, the proximity of the area to an expanding industrial and commercial centre has resulted in increasing in-migration.

Much of the population flow has been from more remote areas of the study region. The result is that the population is differentiated by area, with dense concentrations and more prosperous people in the quasi urban areas closer to the road, and lower concentrations of more impoverished households in quasi rural areas further out.

More than 40 years ago, a primary health care clinic was established on the main road into the sub-region. The clinic initiative has expanded to become the nucleus of a broad based development NGO, which now mediates most development in the local district.

Several sub-projects consistent with this overall aim are under way. These include water reticulation to standpipes, road construction, vocational skills training, organic vegetable cultivation, electrification of sites, school construction, and house building.

The interventions are aimed specifically at the local population, although people travel from across South Africa to receive training in development related skills at the premises of the development NGO (Qualitative interviews).

The parties involved in the project are:

- The communities living in the region and community based structures.
- Funding agencies from the local, regional and national state, as well as from the parastatal and private sectors.
- Delivery agencies including private sector development agencies, service organisations and utility companies.
- State bodies which act as delivery and funding agencies.
- Intermediaries in the development process, including NGOs and private sector consultants.

#### ⇒ **Aims of the project**

The original founder of the project from which the present development NGO has grown saw public welfare problems in the region in terms of a wide range of social and economic factors which contributed towards illness. These included:

- Income
- Shelter
- Production activities
- Access to potable water and sanitation
- Energy consumption
- Transport.

Therefore the development NGO followed a holistic strategy. The first sub-projects aimed at addressing development related to welfare were a series of community gardens established in the 1960s. These community gardens were intended to allow residents to move towards self sufficiency in regard to vegetable production, but originally had relatively little impact.

Further sub-projects aimed at improving the quality of housing, construction of roads, reticulation of water and electrification, construction and servicing of pit latrines and generating income were introduced in the 1970s and 1980s, and in most cases are ongoing.

Two declared features of the approach used by the current sub-projects need to be noted:

- They are based on the principle of creating temporary employment by using community members as labour, rather than using labour from outside the community or capital intensive techniques.
- They are based on the principle of transferring skills to the community, so that the community is able to share the skills and use them in similar sub-projects.

The development NGO has therefore been sensitive to the need to establish a participative structure for community based development. In addition, it has tried for years to help establish development committees throughout the area as counterpart community based organisations able to handle ground level development work, and eventually to expand and take on major development decisions. These attempts have been only semi-successful (Qualitative interviews).

Sub-projects handled by the main project are funded through grants to the development NGO by a wide range of private, parastatal and state sources. In addition, the NGO has a number of donors who contribute directly to its operating budget.

The NGO assists community based development committees in drafting budgets for community identified projects, and provides funding from its funding base to the projects. It is anticipated that development committees will eventually be able to apply directly to funding sources for support.

There are some projects which are ongoing and funded differently. Their budgets were compiled by the NGO some years ago and are administered without assistance from development committees.

#### ⇒ **Parties involved**

This section discusses some of the key institutional actors in the community development project, and examines the extent of their involvement in funding.

#### ⇒ **The communities and community based structures**

The communities are not homogeneous. They include members of local elites who have been able to find well paid formal wage earning jobs in Durban and more profitable informal sector jobs, and middle income residents who survive through incomes earned in the lower paying formal and informal sectors.

They also include the poor and destitute, who often reside in remote areas of the sub-region and usually have no reliable and adequate source of income. These people mostly access basic needs by providing casual labour to their neighbours or to labour intensive development sub-projects carried out by the development NGO.

Institutions of civil society are well established. Informal trader groups, study groups, church groups, choir groups, farmers' associations and other similar community based structures have existed throughout the area for some time. Their activities are funded by subscriptions from members, and they do not have access to other funding sources.

The sub-region within which the project is taking place falls under five tribal authorities, but interviews report that the authorities are not strong.

One of the most important interest groups to form a civil association is women. Each of the five tribal authority areas has at least one women's group, and they are affiliated to an umbrella body associated with national women's interest groups.

Youth movements in the sub-region were destabilised during violence in the late 1980s and early 1990s, and many young people were killed, fled or were expelled. The development NGO recently encouraged local young people to form youth movements with a specific development function.

There are expected to be five youth movements, one for each tribal authority area, under an umbrella body affiliated to national youth movements. Development roles for youth may include running a mail delivery service to the area, and their development activities will be funded directly by the NGO through its budget for promoting civil society institutionalisation.

Other community based structures have emerged as a result of a programme initiated by the development NGO to promote institutions of civil society. In each tribal authority area there is one development

committee, and each committee comprises several sub-committees. The development committees have been active for some time.

Their sub-committees deal with issues such as water, sanitation, roads, electrification, and education. They are in close contact with people on the ground and serve as channels of communication between the grassroots and the development committees.

Community members stand for positions on the development committees and sub-committees, and are elected by community members present at development committee meetings. The committees work together with the NGO to identify projects and assist in their management. They are not presently involved in securing funding independently of the NGO.

#### ⇒ **Funders**

It is expected that community based development committees will identify projects and draft budgets in conjunction with the development NGO and apply directly to funders for support. To obtain support they will use information which the NGO will supply about organisations most likely to fund specific projects.

In practise, the development committees approach the NGO with projects, and it compiles budgets and secures funding. As a key player in a well known and successful development project, the NGO has been able over the past four decades to build up an impressive list of sponsors and funders. The funding links passing through the NGO are complicated, and may be difficult to explain and easy to misinterpret.

Public sector funding agencies include the Joint Services Board for the region, and major state and parastatal development funding agencies. Private sector funders include large financial institutions and the corporate social responsibility programmes of major mining and commercial concerns.

Agricultural and construction companies have donated funding and expertise towards specific sub-projects in these sectors, while international funding agencies include major United States funding bodies from both the private and the public sectors.

#### ⇒ **Delivery bodies**

The NGO itself is a key delivery agency, and most of the development benefits which flow into target communities do so through it. The NGO

contributes to local health services and has a team of civil engineers responsible for sub-projects which deliver bulk infrastructure to communities.

It also provides trainers who offer courses to community members in a wide range of skills, such as block making, brick laying, pit latrine construction, forming small business, and arable cultivation. These activities are funded by grants made directly to the NGO, and the community is not involved in the funding process relating to these activities.

In addition, the NGO has worked with a range of other development organisations which help with a wide range of services. Low income housing construction firms in the private sector have assisted with upgrading shelters and the construction of community facilities.

Other private sector agencies supply a wide range of services to the area, from 'hot-box' and solar powered cooking equipment to prefabricated housing.

Additional training for income generating activities comes from state departments which provide training and from parastatal training bodies. In parts of the sub-region, a public utility company has delivered water to public standpipes, while the local government has delivered electricity to some sites through its municipal engineering department.

Funding for these projects usually bypasses the NGO and development committees, which work together to determine which service provider is best able to meet a need identified by the committees and the NGO. These delivery initiatives have been facilitated by the NGO, and again the organisational connections are complex and unclear.

#### ⇒ **State agencies**

Several local authorities in the Durban metropolitan area are involved in the sub-region, including some as bulk service deliverers. Electrification, for example, is provided by Durban. Service charges are covered entirely by end users in the recipient communities.

The regional authority has been involved in some service delivery to the area, and in education. The national government is involved as a funder of some development sub-projects and a supplier of skills training. The supply of these services was identified by the development committees as a need and arranged by the NGO.

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Although the area falls outside the boundary of the metropole, the communities have had non-statutory status on a local government negotiation forum set up to establish a framework for metropolitan local government.

The implications of possible incorporation of the area into a metropolitan local government are not clear, but it is likely that the NGO will continue to mediate service delivery to the area from the local authority in the manner it does at present.

### ⇒ Intermediaries

When channels of communication between delivery bodies, funders and recipients fail, or when the procedures for disempowered communities to claim goods and services do not deliver, a gap is created. Third parties may move into this gap to help with communication.

Different levels of intermediation occur in this project. On the one hand, there are intermediaries which have emerged out of the communities because of the NGO. On the other hand private sector consultants, national political movements and advocacy bodies have also played a part.

It is important to look at the circumstances under which forms of intermediation have arisen.

The community based development committees and sub-committees are a form of intermediation between the NGO, sources of funding and communities. They were formed to promote civil society organisations with a specific developmental function, and are intended to become key players in the funding and delivery process.

The NGO is trying to transfer control over development sub-projects to the development committees. The NGO later expects to act as a resource base which can help the committees carry out sub-projects which they have identified. How far the committees represent grassroots interests is unclear: in the late 1980s they were known to be run by local elites (Qualitative interviews).

At another level, the NGO acts as a link between projects and the outside world. When the NGO's resources are not sufficient to meet needs identified by development committees, they draw on outside assistance from the NGO, state and private sectors.

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The NGO becomes a channel for either the services of delivery bodies or the technical skills of consultants who advise on issues such as skills training, housing construction, community facilities, roads, electrification, sanitation and water reticulation.

Service delivery bodies involved may hire their own consultants. For example, the public utility company which delivers water to the area has sub-contracted research and some technical skills to private sector agencies.

The recent history of violence in the area resulted in another level of intermediation, when national political bodies helped put an end to an outbreak of conflict. Before the violence, youth mobilisation in the area had largely replaced the role of the tribal authorities in most local governance for much of the district.

The emergence of a local woman warlord, with control over the youth of one tribal ward, caused a crisis in the area which was only resolved when a political movement intervened. The result of the violence, as noted, was collapse of the youth movements. By default, the tribal authorities emerged again to take charge of the area (Qualitative interviews).

Another form of intermediation seems to be emerging through the involvement of local communities in the metropolitan negotiation initiative, which links the semi-rural communities with the economic and political interests of Durban.

This might also signal the introduction to the area of political advocacy groups which sometimes help to represent disempowered communities. On the other hand, it now looks possible that tribal areas will be left out of the metropolitan structures altogether.

#### ⇒ **Development and funding**

During the early days of the project, the development process was characteristically paternalistic. The development NGO's earliest initiative was community vegetable gardens.

A budget was drawn up by the NGO for skills training in organic cultivation techniques, the costs of inputs and salaries paid to community members working on the project. A community meeting was called and the proposed sub-project was put to the community. Volunteers interested in working on the sub-project were recruited.

During this early phase delivery was essentially top down. The identification of community needs, the design of a way to meet these needs, the handling of funding and the management of the sub-project were all located in the NGO. Community involvement was limited to labour, so people remained passive recipients.

This pattern of service delivery was standard for nearly three decades. It was not open to questioning by communities and little if any information about the process was volunteered to them.

During the 1980s, this approach was modified as a result of two important factors:

- ❑ A change in the approach favoured by major international funders saw fewer donors willing to fund projects which did not involve community participation in their planning and implementation.
- ❑ Increased political mobilisation in the area led sectors of the community to reject the paternalistic attitude of the NGO and favoured the involvement of communities in the development process.

The new approach tried to involve communities in the process of assessing needs and of designing sub-projects intended to satisfy needs. Communities were still involved as labour, but also became involved in lower levels of management.

For example, tribal authorities identified a need for better access to potable water. With assistance from the NGO, the tribal authorities identified water kiosks as a way of satisfying this need.

Although the budget and technical planning for installing water kiosks was undertaken by the NGO, community members were involved as labour and in some aspects of managing the sub-projects as foremen, paymasters of work crews and operators of the water kiosks.

Problems with the transparency of this community development process were confirmed by community members, one of whom managed a water kiosk. The woman concerned had been promised a sum of money for operating the kiosk, but was being paid far less.

This created the suspicion that the NGO was guilty of corruption and misconduct. It appears in fact that the original estimate of how many people

would buy water was far higher than the actual demand. As a result the revenue generated by water sales was lower than anticipated, which cut the wages earned by water kiosk operators. In this case, the NGO was reluctant to inform people about the reasons for the wage shortfall (Qualitative research).

The recent third phase began as community members became more involved in the development process. A perception emerged that development benefits needed to be channelled into communities through community based structures.

This led to the formation of the sub-project aimed at capacity building in community based institutions in civil society. The creation of the five development committees is seen as the first step towards a new development process.

The development committees are to identify needs, design ways to meet these needs and manage the procurement of funding as well as the implementation and maintenance of the sub-project. The NGO will continue facilitating and assisting contacts with consultants. It also acts as a gatekeeper and prioritises proposed sub-projects.

What is not clear from this model is the role of existing tribal authorities and the actual extent of participation. At present, any project undertaken in a tribal authority area requires the support of both the tribal authority and the development committee.

Respondents from the community who are employed by the NGO report that the tribal authorities are reluctant to devolve or share powers relating to development benefits with the committees. There is already some conflict between the two institutions.

In addition, community residents identify an institutional gap regarding negotiating development. Neither the tribal authority nor the development committees are reported from grassroots to be active and effective bodies for dealing with community priorities at present (Qualitative interviews).

#### ⇒ **Transparency**

In the first and second phases of the evolution of the development process, the development NGO alone controlled information regarding sub-projects. During the earliest phase, the communities' only sources of information

about the sub-project were public meetings at which people would be told collectively about decisions made by the NGO.

Similarly, during the second phase the only community members who had access to information about the project were tribal authority members and a small number of elite individuals drawn into low levels of project management.

Present hopeful statements from the NGO that the development committee structure allows greater access to information for all community residents do not seem to be borne out by rank and file community members. While the development committee and sub-committee structures pass information from the grassroots upwards, there is little evidence that information flows downwards.

Rank and file community members still rely for the most part on development committee meetings, on word of mouth and on rumours for information about sub-projects in the area. In particular, information about the financing of development projects remains inaccessible to the community rank and file.

There is concern that committee meetings do not allow small groups in the community to state their points of view. In this sense the process may be opaque to minority groups in highly differentiated communities.

Although most people in the area appear highly satisfied with the NGO, more and more pointed questions are starting to be asked about the sources and use of funds. So far there have been few answers.

The same applies to information and decision making about what kind of interventions to make, and about funding processes. The NGO has begun trying to open up this process to the scrutiny and direct participation of development committees, but the committees still complain that there is not enough information about funding processes to empower them and let them become completely independent of the NGO.

The de facto gatekeeper role of the development NGO also appears not to be transparent. In particular, the NGO's procedures in prioritising sub-projects remain opaque to community members (Qualitative interviews).

The present development process seems to have expanded transparency to embrace a wider group of people - members of the development committees

and sub-committees. However, it has still to deliver to the community at large information about decision making and funding that the wider community would need to make an input into its own development management.

Research in the area indicates that development committees have not been able to build support or promote grassroots mobilisation around the development process. The low level of mobilisation is striking in relation to the very high priority of development delivery issues for community members interviewed, and the general depth of institutionalisation in the area.

#### ↳ Consequences of intermediation

The most important intermediary in the project is the NGO. This role has had important consequences for the success of development sub-projects. The most important consequence appears to be the failure of development committees to develop effective capacity.

The NGO has learned from experience and has become an extremely effective structure for development delivery. The NGO plays such a powerful role in the community development process in the area that development committees seem to have become dependent upon it.

Though it no longer dictates specific sub-projects to communities, its broad competence and influence maintain its function as a gatekeeper, allowing it to veto sub-projects which it does not feel are in communities' interests.

Despite lip service paid to the idea that development committees will eventually take over the delivery functions of the NGO, this does not look likely to happen in the foreseeable future.

The development process in the area appears to be an arena in which the NGO, community based development committees and, to a lesser extent, tribal authorities are all competing for control of delivery.

The NGO controls the arena by acting as a broker for contact between development committees and the outside world: in effect the NGO's position cuts off direct contact between development committees, communities and the outside world. This perpetuates the non-capacity of civil society, despite the high degree of civil institutionalisation and relatively little intervention from the tribal authorities.

### → Lessons to be learned

There are three important lessons to be learned from the case study:

- ❑ Long term commitment by an outside development agency can have a positive effect on the quality of life of a community. There is no doubt that the NGO in question has made a major positive impact. Infrastructural development is visible in the sub-region.
- ❑ Long term commitment also makes obtaining development funding from outside sources much easier. The NGO has become a useful concentration of human and technical resources, which serves not only the target communities but also many other communities throughout the country.
- ❑ Powerful intermediaries can create an institutional vacuum on the ground. Concerns arise about the long term likelihood of local organisation in civil society being able to move out from under the powerful influence of the NGO.

So strong is its influence that development committees and other organs of civil society are unlikely to be able to establish independence or popular support. Since the tribal authorities are also relatively weak, real grassroots development capacity has not been established.

- ❑ The project looks likely to continue for some time without promoting the real empowerment of community members.

Attempts to obtain participation by facilitating counterpart structures may not be effective. The committee structures were formed with the specific aim of facilitating the flow of information from the grassroots to the NGO, rather than promoting a mutual flow of information.

While community rank and file members are able to input into the decision making process, feedback from the process does not make its way back down to the grassroots level with anything like the same degree of ease.

The result is to perpetuate the marginalisation of vulnerable sectors of the community. The project is highly effective in delivering services and basic needs, but contributes only a little to empowerment.

## **CASE STUDY TWO PRIVATE SECTOR DELIVERY AND UPGRADING IN METROPOLITAN KWAZULU-NATAL**

The problems resulting from non-transparency are clear in this case study. The objectives of the project were determined by top level policy makers of development agencies and funding bodies rather than by the recipient community.

Consequences have included a long and expensive work stoppage on the project and community suspicions, probably unfounded, that project management was guilty of mismanagement and misappropriation.

### **⇒ Introduction to the project**

The project involves on site upgrading of three dense informal settlements in the urban periphery of metropolitan Durban, with an estimated population of 60 000 people. The settlements are part of a very large, dense complex of informal settlement located around two formal townships established in the 1960s and 1970s.

A third township was developed as a pilot site and service scheme in the early 1980s. This complex of informal settlement developed on freehold land and on land held by the South African Development Trust. By the 1970s it was one of the largest informal settlements in South Africa.

The settlements involved in the project are among the densest in the entire area. They are located close to main roads linking them to the metropolitan centre, and began receiving settlement in the 1960s. By the early 1980s conditions in all of them were a matter for concern. Shelter quality was poor, access to clean water was limited and sanitation standards were low (Cross, Bekker, Clark and Richards 1992).

During the late 1980s the entire informal settlement complex went through severe violence, focused mostly on affluent members of the communities. The collapse of rental tenure as landowners were driven out of the area left a power vacuum.

New institutions of civil society such as civic associations were slow to move into the gap, largely because they were still in a formative stage. Land invasions were common and new entrants began to pour into the area.

The pilot site and service scheme next to the project communities was developed by a private sector development agency working with a government department to demonstrate the value of site and service as an option for urbanising areas.

By the late 1980s, the agency was also trying to demonstrate the validity of in situ upgrading as a development option for urban areas which were already densely settled. Two pilot projects were decided on, and the present case study was one. This is the main project referred to below, but other sub-projects have been implemented in line with this overall goal.

#### ⇒ **Aims of the project**

The project has never identified meeting community needs as its principal aim. Instead its aim has always been to demonstrate the validity of several different approaches to development.

#### ⇒ **Phase one: *in situ* upgrading**

The project has been through three phases in its history. During the first, the goal was to show the validity of in situ upgrading. To do this, the private sector development agency delivered water kiosks and installed some community facilities, using grant funding from a parastatal funding source.

Water supply and community facilities were identified as two major priorities by the agency, but a secondary aim was to create, through the delivery of these services, enough momentum in the community for community bodies to take control of basic needs delivery. Other priorities which were to be met as the project unfolded included internal road provision, stormwater control, electrification and improved housing.

Although the agenda for the project was decided at national level, the local project management wanted it carried out in a manner that would empower community members as much as possible within parameters set by the agency's national structure.

Consequently, they formulated an approach to development with three important principles:

□ Since there was no nearby vacant land to which people could be moved while development took place, the sub-projects were to cause minimal displacement of households.

- All sub-projects would employ labour based construction methods.
- In situ upgrading was to be undertaken in ways which would empower communities. Attempts at crystallising community based development organisations to carry forward the sub-projects therefore became an important component of the development project.

#### ⇒ Phase two: proving the subsidy formula

In the second phase of the project, the aim prioritised by national management shifted from proving the worth of in situ upgrading to proving that a specific subsidy formula could be applied on a large scale. The parastatal funding agency changed the nature of its funding support, precipitating a crisis in the project management.

The shift in the funding formula had major implications. Firstly, it focused the project on the delivery of housing units which complied fully with the requirements of the subsidy formula. This meant that greater effort went into service delivery than into the broader social goals agreed on by the local project management. It also required the transfer of freehold tenure to resident households.

This is a complicated legal procedure under the best of circumstances. It is particularly difficult in this case, where the tenure situation is complicated: apart from a large number of government and private title holders, the legal tenure system is further confused by the recent history of land invasions, the collapse of rental tenancy institutions in the area and the very high density of shack settlement.

For these reasons, the local project management had originally proposed a series of tenure options, including communal tenure, to be shared by all residents on tracts of land where it was difficult to register individual tenure.

The transfer of freehold tenure demanded by the new funding formula has reportedly consumed much of the funding, and reduced the amount of money left to provide other subsidised development benefits to end users.

Applying the new funding formula to the project was opposed by the local management, but they were overruled by the agency's national structure. Senior management of the agency had been commissioned by the parastatal funding agency to draft the new formula, and they were concerned that the reluctance of the local management to implement it would be embarrassing.

As a result of being overruled, several members of the development agency involved in managing the project resigned.

### → **Phase three: a new start**

The third phase began when the new funding environment made it difficult for the private development agency to continue the project as originally conceptualised. Residents were informed that many of the development benefits originally offered to them during the first phase would not be provided.

Communities were not informed of the change in funding mechanisms. Consequently, from the community viewpoint it looked as if the development agency was suddenly claiming that it would only be able to deliver freehold title deeds, and few infrastructural benefits.

The result of this unexpected change was to raise suspicions that members of the project management who had resigned had actually absconded with project funds, and that the agency was covering up on their behalf. A work stoppage resulted on all sub-projects.

The private development agency appointed a community liaison officer, but by that stage a community linked advocacy group had been brought in to provide the communities with active, forceful representation. The advocacy group clashed with the community liaison officer, which resulted in his leaving the project.

After nearly a year a meeting was set up to mediate between the communities, the advocacy group and the agency. New community structures acceptable to both the project management and the communities were set up to run the project with the development agency. Since then the advocacy group has been active in advising the present project management on behalf of the communities, and has taken on a very strong overall role.

### → **Parties involved**

This section discusses some of the key institutional actors in the community development project. They are:

- Communities living in the area and community based structures.
- Funding agencies including parastatal, state and private sector funding agencies.

- Delivery agencies, mostly in the private sector but some from the local, regional and national state.
- State bodies, particularly those which own or control land in the area.
- Intermediaries in the development process, including private sector financial institutions and political advocacy bodies.

⇒ **The communities and community based structures**

The communities of the three informal settlements covered by the project have class structures. A small local elite has been able to access employment in the formal economic sector or run profitable businesses. Most residents are often unable to get formal jobs, and many rely on informal sector activity to earn a living.

Poverty is widespread, but the destitute are a relatively small component of the population. Because of its access to transport routes to town the area as a whole is relatively better off than some settlements nearby: the percentage of the population which is destitute is less than half that of at least one nearby settlement.

The three settlements all have committee type civic associations which have emerged relatively recently. Although disciplinary committees were established in the area after violence in the mid-1980s, the area was reportedly under warlord control until the end of 1989.

The late 1980s was a period of intense conflict between opposing political forces for control of the entire informal settlement complex and the adjacent formal townships. By the time the project commenced, warlords said to be in control of the three settlements had either been killed or driven out, or had changed political allegiance.

Political control of the area changed hands from one side to the other. The still forming civic associations in the three communities were trying to establish themselves in the context of apparent attempts by civic associations of neighbouring townships to exercise control over their settlements.

One consequence was the emergence of a number of interest groups as separate committees or sub-committees, including women's groups, youth movements, disciplinary committees, unemployed peoples' groups and even criminal gangs.

Sub-communities within each community remain divided against one another, and links between them are poor. Links between the civic associations and wider civic structures operating in the sub-region still seem to be tentative.

Faced with a highly fragmented civic structure, the private sector development agency tried during the early stage of the project to crystallise stronger community based structures which could participate in it. This initiative took the form of a community development trust which administered funding for the project, but which subsequently collapsed.

A development committee comprising the project management and the civic associations has now been set up to administer the project. This committee is not involved in the management of funding, but helps in decision making about the types of development benefits being delivered.

Sub-projects such as a sewing project and a small furniture manufacturing enterprise are controlled by committees drawn from community members. These sub-committees receive funding negotiated by the development committee, and administer the payments.

#### ⇒ Funders

Initial funding for the project came from two main sources. The first was the local authority responsible for the area, which funded a communal water supply sub-project. The second was a major parastatal funding source which funded the main infrastructural development projects in the area, including the construction of community facilities. The following year, however, the parastatal funding source changed its approach.

Because the funding agent will not pay out the developer until the transfer of freehold tenure to the residents takes place, the private development agency has been forced to approach a private financial institution for bridging finance to meet project overheads. The only people in the community who knew about the entry of private sector financial institutions were members of the development committee.

Additional funding for various other sub-projects has come from a number of sources. The local authority responsible for the area has funded training in urban agriculture. The national Government's community development departments have funded sewing projects and a small furniture manufacturing enterprise. The private sector has sponsored entrepreneurship development training.

Community involvement in the funding of these sub-projects is at two levels. The development committee is involved in seeking funding and in administering these funds, and the sub-project committees are involved in the spending of funds.

#### ⇒ **Delivery bodies**

The most important delivery body is the private sector development agency, which has been responsible for managing the in situ upgrading of housing and public amenities in the three communities. Two construction companies, both subsidiaries of the agency, have also been involved in constructing housing in the project.

Private civil engineering firms have been involved in delivering bulk infrastructure such as roads and water pipelines. They have worked closely with the engineering staff of the private development agency. Reticulation of water is provided by a private utility company, while electricity is provided by the municipal engineering section of the local authority responsible for the area.

The costs of all these services are covered by loan finance negotiated from a private sector financial institution by the development agency. The agency will be re-imbursed by the parastatal funding agency once freehold titles have been transferred to the residents on upgraded sites, at which point the financial institution will be repaid.

#### ⇒ **Government agencies**

The local authority responsible for the area has been involved as a bulk service deliverer, and members of the local authority's housing department have been involved in monitoring and as intermediaries. In addition, the local authority owns some of the land where the settlements are built.

The provincial government is involved in a similar capacity: it is the administrator of land formerly under the South African Development Trust. The provincial government has also contributed to the project through the skills of its urban planning and community development sections.

The national government is a minor landowner - some of the land embraced by the project is national road reserve land - and its major contribution has been supporting sub-projects aimed at income generating activities.

## **Intermediaries**

In this large project with its complicated history, intermediation has been complex. A number of the actors mentioned are also involved as intermediaries.

The staff of the private sector development agency involved in managing the project have increasingly taken on an intermediary role between the communities and the parastatal agency funding the main project, as well as between the communities and various consultants who have worked on the project.

The agency has also had to seek intermediation between itself and the delivery bodies. One result has been the financial institution's involvement in providing bridging finance.

Extremely important forms of intermediation came out of the crisis caused by the change in the funding formula, with the entry of the advocacy group as a mediator between the communities, funders and the development agency. Contention centred around changes in the level and type of development benefit the project was aiming to deliver, and the allegations of bad faith and corruption among the project management.

One consequence of new actors becoming involved has been the establishment of the new intermediation body, the project development committee. The committee includes members of civic associations from the three communities, project managers from the agency and members of both the advocacy group and an NGO closely associated with it.

The project is therefore now being run by a body which includes members who do not belong either to the communities or to the agency responsible for the project.

Minor intermediaries include a number of consultants assisting the private sector development agency and the development committee.

These include an NGO with a primary health care focus which has helped with health care issues; a private sector urban planning consultancy with a reputation for community oriented planning, which has provided urban planning services to the project; and a civil engineering consultant with a background in community liaison who has been hired by the development agency.

### ⇒ **Development and funding**

Because the project aims and structure have always been determined by agendas from outside the community, the development process has never been wholly transparent. Obscurity increased throughout the first phase of the project.

The initial development process was conducted in a paternalistic way, partly because there were no stable community based structures to provide representation, and partly because the development agency had worked out a solution even before identifying the community where the solution would be employed.

Initial needs assessment was carried out by the private sector development agency, while the design of the intervention was dictated by a policy decision to carry out development by in situ upgrading.

This appears to have put the local project management in a difficult position. As individuals, all had strong personal commitments to the idea of participatory development and believed that the project management should be accountable to communities on the ground. As managers, they were held back in how far they could do this by the way the project was seen by the national management.

Community members were brought into management of the process through the incorporation of the civic associations of the three areas into the community development trust set up to administer the funding. This form of representation was in line with the stated aim of promoting community empowerment through in situ upgrading.

Community members were also directly involved as labour and in minor project managerial positions, particularly as foremen on work crews. The private development agency did the day to day management, obtained materials, hired consultants and submitted expenditure accounts to the parastatal funding agency.

With the change in the funding formula, the community development trust collapsed and was replaced by the community development committee. The committee allows the civic associations to make inputs into the planning and delivery of development: like the trust which preceded it, the committee also allows the civic associations joint control - along with the project management and community advocacy group - over paying out funds.

The change in the funding mechanism to one requiring complete freehold title delivery before the deliverers were paid has several important implications for the actual delivery process.

Firstly, it made bridging finance necessary to obtain materials and to pay for the services of consultants. This was not done in a transparent fashion. Secondly, communities did not know why the development benefits originally offered them by the project management became unavailable.

Thirdly, when a community liaison officer was appointed, allegations of corruption made it difficult for him to work closely with communities, particularly when the political advocacy group came in as an intermediary. Reports suggest that the present forms of intermediation still do not always communicate adequately with the rank and file community members.

The involvement of financial capital in providing bridging finance to the project has important implications.

Firstly, it involves private capital in the project, though not directly with the community. The bridging finance agreement is a private one between the development agency and the financial institution. Although no attempt has been made to conceal this fact from communities, the details of the agreement are not known to them.

Secondly, given the fact that the parastatal funder only transfers money to the developer after the transfer of freehold title to the end user, it is necessary for the developer either to have substantial funds at its disposal to meet project costs, or to access loan finance.

This makes it extremely unlikely that community based development structures will be able to access the parastatal funding source directly. Transferring the funding of development projects to community based structures is unlikely under this formula.

Finally, the bridging finance is provided to the private sector development agency on a loan basis. The repayment of the loan with interest is likely to cut further into the value of the subsidy to the end user.

#### ☞ **Transparency**

From the initial conceptualisation of the project, transparency of the process from the community viewpoint has been given low priority.

The project appears to have been presented to communities as a sincere attempt to meet their needs, without laying out the agency's agenda of testing the in situ upgrading approach for South African urban development.

This inconsistency was later made worse when the project was reworked as an exercise in demonstrating a funding formula on scale. The needs of the community have remained somewhat peripheral, while the obscurity of the process has meant that communities do not know the history and reasoning behind their own development project, or how the funding mechanisms which have shaped the outcome of the project operate.

This lack of information is demonstrated by interviews with the rank and file community members, which show confusion about the actual nature of the problems the project has experienced. Ordinary community members reproach the agency for misleading them about the project and about the development benefits which they could expect from it.

During the early phase of the project, most community members expected to be delivered good quality housing units and important bulk services such as water. They now report disappointment that all they will receive is the title deed to their sites.

This indicates a development process which is not transparent or accountable, and which has failed to communicate to communities the results of the shift in the funding formula. Lack of transparency and accountability have led to an atmosphere of suspicion.

The only members of the communities who have access to information about the design and funding of the project are members of the civic structures. The development process has been designed to be transparent to the civics and to draw them into the process. This has been an important part of the project since the early project management made its first contacts with the community.

There seems, however, to be little efficient communication between civics and their constituents. Residents maintain that civics are representative of the broader community, but also express a wish to be directly involved in the consultation and design phases of the development project.

There appears to be a certain wariness towards civics. Residents do not want to be seen to be in opposition to them by supporting the interests of

specific groupings in the community. As a result, even when individual residents feel that decisions taken by civics go against their own interests, they are unwilling to challenge them.

A minority viewpoint holds the civics indirectly responsible for the perceived failure of the project to deliver what it promised. This view holds that the members of civics are not trying to act in the best interests of communities, but are rather seeking their own prestige. They therefore remain indifferent to the failure of the private development agency to deliver the benefits it originally offered to communities.

The funding formula set up by the parastatal funding source conflicts with transparency in important ways. A standardised product is delivered, but it is not open to examination by community members.

Most importantly, the insistence that individual, private ownership is the non-negotiable tenure option has worked against transparency. Attempts to communicate this change and its implications for the benefits for community members appear to have had little success. The result is that community members have been further marginalised from the delivery process.

Another important result of lack of transparency has been the suspicion of misconduct by the original project management. These allegations appear to be unsubstantiated, and result from imperfect information among community members.

#### ⇒ **Intermediation**

The forms of intermediation which have occurred in the project may be characterised in a number of ways. There are intermediaries who have lent their technical skills to the project but have not contributed to empowerment of the communities.

Most of the consultants from the private sector appear to have worked this way, possibly as a result of pressure placed on the delivery process, by the shift in funding mechanisms, to be as quick and cost efficient as possible.

However, the most significant form of intermediation which has taken place has been the entry into the project management structures of the political advocacy group. This organisation maintains close contacts with community based structures but is not itself rooted in the community.

Conflicting reports have been received about the effect of this form of intermediation. It is claimed on one side that the result has been to strengthen the position of civic associations involved in managing the project, and that they have benefited from the capacity and experience of the advocacy group when they work with developers and funders.

On the other side it is reported that the advocacy group is playing a gatekeeping role, and by doing this it keeps the community based civic associations from controlling the process. It has even been suggested that the advocacy group is attempting to control the development process to suit its own ends. It would seem that the entry of such groups into the community development process is a double edged sword.

These forms of intermediation have therefore not allowed communities to enter directly into dialogue with the complexities of the funding process themselves, or to be involved in the funding process. The consequence has been serious delays in the project, and the creation of suspicion towards the development agency and project management.

#### ⇒ **Lessons to be learned**

The case study demonstrates four important lessons:

- Funding instruments can compromise development as well as cut off transparent accountability. Although the subsidy formula currently employed in the project was conceptualised with the best interests of communities in mind, it is too inflexible for application to the present project.
- Community members were not drawn into the process of determining what the best funding mechanism to employ would be, and so the funding process remains obscure and unaccountable.
- There is apparent conflict between the project management's attempts to create a flexible process tailored to specific local conditions and the parastatal funding agency's rigid funding instruments. This conflict was in fact a manifestation of the conflict between head office and satellite projects on the ground: the parastatal funding agency's instrument was in fact designed by the private sector development agency's head office.

The organisational culture and the structure of the private development agency may have worked in the long run against the interests of the

project. It has marginalised communities by not involving them in the debates over the forms of funding and land tenure which are most suitable to the project.

Lack of transparency and consultation within the agency itself has several times paralysed delivery, and ultimately transferred control to an outside mediator.

- The project has never prioritised the needs of communities, of which the need for empowerment and the right to conceptualise their own development are probably most important.

For this reason, although the project has had some degree of success in delivering development products to communities, it has not yet been able to deliver empowerment. In the final analysis, it remains - despite lip service to the goal of community empowerment - a technicist and top down development programme.

- New forms of community aligned intermediation have affected the process. While the involvement of outside activist groups may be motivated out of a sincere desire to assist disempowered and fragmented community structures to claim the development benefits to which they are entitled, it may also work in the long run against the communities.

Leaving aside the possibility that these interest groups may take over control of the process, there is the problem that dependency among community based structures on outside intermediation may be created.

It is too early in the process to see whether or not this intermediation has promoted genuine building of capacity among community based structures, but this particular case study seems to carry serious implications for projects in which intermediaries intervene on behalf of divided and vulnerable local institutions of civil society.

### **Summary of models and cases**

A number of issues emerge from the empirical models outlined in the previous chapter and the case studies presented in this chapter.

#### **• Community control of funding**

In the models of development funding presented, draw-down funding for community driven development projects is shown to operate successfully.

Communities take responsibility for constructing the budget, establish development priorities and select project personnel. Accounting services and professional advice and training are supplied externally in the models by consultants and contractors. No case was encountered where communities had yet taken up all these functions themselves.

#### ⇒ **Capital intensive delivery**

The capital intensive delivery process which is the standard for community development projects would seem faster than the labour intensive, community driven delivery processes which communities seem to want.

However, these processes are also subject to periodic severe delays due to resistance from communities. As the second case study shows, resistance may take as severe a form as the complete breakdown of a project, which is able to stop a large scale initiative in its tracks for as long as a year, multiplying the costs.

#### ⇒ **Community driven delivery**

The community driven delivery process is assessed by experienced practitioners as feasible and cost effective in the long run, but likely to take longer in the short run. Communities will have to learn to install their own infrastructure and may choose personnel on grounds of equity rather than efficiency grounds.

The community driven delivery process does not eliminate crises, but the cost advantage comes from avoiding major breakdowns and 'quick fixes' which paper over the cracks but do not resolve the real causes of delivery problems.

#### ⇒ **National agendas and local delivery**

Interviews with development practitioners and communities suggest that the rigid structuring of delivery and contact processes from the top are not uncommon, but the case studies indicate that this is a risky approach.

The agendas of the higher level concern may travel badly to the grassroots; may not match the conditions which prevail on the ground and may ever be changed for reasons having nothing to do with communities. The consequences can be catastrophic, as the second case study demonstrates.

### ⇒ **Different roles**

The local project staff may often play a difficult intervening role between the demands of policy driven high level processes and the needs and situations of communities on the ground. Reconciling community agendas with those of head office is difficult.

Although local project staff are usually concerned and often efficient and dedicated, they are subject to pressure from their superiors and risk their careers if they are too flexible. They are therefore often unable to agree to, or insist on, full transparency to communities.

### ⇒ **Organisation and capacity**

One area where the case studies suggest it is particularly difficult to reconcile developer needs and community aspirations is in regard to counterpart organisations emerging in communities to engage with the developers. Counterpart organisations cannot be window dressing added to a project to satisfy the needs for community participation specified by funding agencies.

Unless they convey real responsibility, attempts by funders and deliverers to develop counterpart structures at grassroots level often fail, or produce only weak organisation without real support. Such structures usually lack the capacity to deliver mobilisation. There seems to be no substitute for accountability and a real measure of control over the development process.

### ⇒ **Community liaison: a major priority**

The funding models and case studies also suggest that community liaison in a community driven funding process is a major phase of the project. It must be fully designed, incorporated into the project and assigned priority from the start. It also requires a significant budget, a major deterrent from the developer standpoint.

However, as the fourth model for development funding shows, this budget may be fully recovered in the project design, out of money otherwise allocated as profit to consultants who become unnecessary. Attempts to save time and money by minimising liaison at the design phase may in fact run a serious risk of unpredictable, major confrontations later in the project.

### ⇒ Open delivery and expectations

Communities have high expectations of the development process and are themselves subject to internal pressures, often resulting in a breakdown of relations with delivery bodies and intermediaries. An open delivery process promotes more stable interaction, but can only minimise and not eliminate friction. Some communities seem to be too divided to hold a budget or fully direct a development process.

The instances of community driven infrastructure development studied appear to need many forms of intermediary support:

- The participation of civil engineers.
- The participation of members of communities.
- A funding body which is flexible enough to grant funds to community based structures and is not too prescriptive about how the funds are to be spent.
- Legal and technical advice.
- Supervision and training functions, which can be supplied either by paid contractors or by intermediary bodies in the voluntary sector, depending on what is being delivered. The intermediary and/or contractor may scale down involvement as the project proceeds, depending on how the initiative is structured.

The normal financial risks associated with construction work are serious when seen from the community standpoint. Risks such as flood damage to infrastructure or injury to workers are not necessarily insured by a developer in a community driven process.

There is a need for full briefing on the risks of injury, of non-delivery and of damage to existing facilities such as powerlines. These risks need to be fully explained and provided against in the liaison and set up phases of the project.

Technical quality standards in regard to safety are fully provided if a community driven project is properly structured, but the standards of the external finish are likely to be lower than those of professionally delivered facilities.

Fear of delays is the major factor holding back changes in the direction of a more open procedure. It appears that developers, perhaps without fully intending to do so, engage in a kind of roulette process.

In effect, they bet that communities will passively accept whatever development they offer, rather than challenging for control of the process or mounting a major resistance effort. Rather than change their customary process, agents gamble on obtaining the planned outcome. Despite public professions about accountability and transparency, funders rarely insist on a more open process.

The rest of the book examines processes around resistance and delays from the points of view of various stakeholders.

## THE POLITICAL ECONOMY OF FUNDING

The problems with development and funding delivery found in the case studies seem to centre on conflicts of interest and confusion in the delivery process, due to a lack of accountability and transparency. Organisations with talent and expertise are not necessarily able to deliver empowerment.

Many of the problems identified are located in the notorious sociology of organisations and relate to the new institutional economics, which focuses on interests, incentives and the costs of change in process terms.

The ideas expressed here are influenced by this new international literature on the role of bureaucracy in development. The role is not simple. It is strongly affected by the interests of bureaucracy as well as by concern for whoever is selected as the beneficiary.

'Bureaucracy' in this sense can refer broadly to any structure, not only the national state but also local government, big development firms, large funding bodies and even the bigger non-governmental organisations. The common elements are hierarchical administration and hierarchical authority (Liddle 1992; Montgomery 1987; Thomas and Grindle 1990).

In addition, the older development literature points to two important principles. Firstly, development organisations working under humanitarian goals of public responsibility tend in practice to behave as if they are responsible first to whatever party provides their funding. Responsibility to communities becomes subordinate (Lissner 1977).

Secondly, formal development organisations dealing with communities tend to become caught up in procedures and routine. They do not become effective until they open up to innovation and make responsiveness a priority (Korten 1985).

Finally, recent thinking on development sees successful intervention as depending heavily on information flow, particularly on access by communities to information about the development initiatives in which they are involved (Klitgaard 1992; Uphoff 1992; Nugent 1993).

Taken together, the literature provides models for seeing the provision of development as a struggle for control between parties who express similar goals but have very different individual agendas. Successful development provision depends especially on information flow to communities, and is held back by bureaucratic self protection and inactivity.

Beyond a general consideration of the roles of bureaucracy, communities and intermediaries regarding development funding, analysis can be advanced by a closer look at the interests of the parties, both recognised and unrecognised.

### **Development actors**

At present, South African development is a complex interplay between actors with changing missions. The state and the private sector are each trying to relate to the Reconstruction and Development Programme.

Provincial political processes and local government initiatives will determine the shape of the arena. The range of intermediaries operating between communities and funding and delivery bodies have been receiving heavy criticism and are reorienting their work.

With the RDP coming into operation, contemporary development involves the interests and interventions of a number of actors:

Communities	Community based organisations Local elites The poor Interest groups	Leadership, official and informal Middle income residents The destitute Political alignments
Funders	Public Private Parastatal International	
Deliverers	Public Private Parastatal	
Government	Local Provincial National	
Intermediaries	Development NGOs Service organisations Political advocacy groups Consultants	

In broad outline, the capacities and basic interests of these actors are clear.

## **Communities**

The object of development interaction from the community standpoint is to get real improvements in quality of life. This usually takes the form of services and infrastructure, but may also show itself as a need to establish contact with the outside world, particularly in the case of remote and extremely disempowered communities.

These improvements subjectively represent recognition of dignity and humanity, and respect for the validity of a community's worldview. Interviews with community members repeatedly turn up resentment of their marginality.

Community based organisations involved with development work in these terms are handicapped by limited resources and experience. In most cases they are still trying to structure themselves. For community leadership, there is likely to be the additional goal of building unity and mobilisation, by being seen to deliver genuine benefits to constituents.

Against this background, communities want to obtain the best benefits they can and are sensitive to what can be seen as inferior standards.

Within this process, individuals want recognition and social or political advancement. This is achieved through successful exercise of leadership and caring as part of local daily life.

For many less reputable leaders, the use of personal power and influence may also be a large part of the picture. For some, especially those in or near the warlord category, personal gain is a major factor.

## **Government and major institutional actors**

The immediate objective of the Government is to be seen as legitimate, to gain support in the form of votes, but most importantly, to avoid criticism for failure to deliver to those in need. Similar logic applies to other major institutional actors, including large parastatals and big NGOs and funding organisations as institutions.

Once below the level of national government, there seems to be a conceptual split between funders and implementors with wide goals and experience, who tend to see their interest in the funding and delivery process as capacity building and empowerment, and as those with a narrower and more

technical view. The technician category of developers defines its interest in development in terms of concrete things, such as units installed on the ground.

### **Individual development workers**

Working within institutional programmes are individuals who link their personal security and advancement to providing their organisations with what they want, either in terms of organisational policy or immediate requirements.

The first aim for workers in bureaucratic organisations in general is to hold onto jobs and/or to advance their careers. This is done by achieving successful delivery in terms of measurable units, while avoiding career harming identification with failure at any point. The latter is more urgent and dominates organisational behaviour.

For bureaucracy's employees, in most cases, avoiding personal career risk is more immediate and important than achieving results. In government bureaucracy particularly, earnings are related to seniority and depend only indirectly on a positive performance, while career safety depends directly on avoiding negative performance.

This principle holds somewhat less strictly for private sector implementation workers, like contractors and engineers. However, the main outlines in regard to job safety and incremental advancement probably still apply.

Most of these employees are not entrepreneurial in their behaviour, and risk avoidance has a high priority. Not being linked with responsibility for failure is a major objective, for which the basic principle is going by the rules. Emphasis falls on following fixed procedures without being caught using initiative.

Initiative may pay off if successful but runs a high risk of backfiring if something goes wrong, with disastrous career results. Interviews with development practitioners consistently show anxiety over failing to deliver on target. This pressure toward following procedures and routine leads to the well known reluctance of bureaucracies to take decisions, especially any that push the limits of procedure.

At an individual level, it tends to produce project personnel who try to find routine responses to new situations and client demands. These routine

responses often include avoidance of accepting personal responsibility, or even reluctance to be individually identified by beneficiary communities.

#### **Community and bureaucracy relations**

Conflict in organisational and individual perception affects the process of development, particularly the chances for transparency. All organisations and individuals involved know that their credibility and survival depend on delivering results which their constituencies accept.

Within these institutional priorities, all the actors are tempted by either public credit or private gain whenever the process starts to become confused. Loss of focus and demoralisation can easily lead to misconduct.

The consequences of these conflicting sets of motivation are problems in the path of communication and decisions between the main parties and communities on the one hand, and the government, funders and implementors on the other.

Both sides want to establish control of the process in terms of their specific priorities. Given the history of development in South Africa, developers and bureaucracy have been the stronger side and usually succeed in setting the agenda.

Funding and implementing bodies follow bureaucratic institutional processes. Most pay attention to technical and numerical information before social and interactive processes. If 'soft' factors are noted, their acceptance tends to be reluctant and partial. Social information tends to be devalued.

Decision processes are still relatively centralised and inflexible, with planning closed off as early and completely as possible. Large projects tend to try for a uniform delivery process over the entire area of the operation. A common result is reactive behaviour and unresponsiveness.

If communities and their advocates attempt to intervene in funding and delivery, project staff may respond with offers and tactics meant to delay or wear down resistance, while at the same time going ahead with planned development in a way which ignores community viewpoints.

Communities and their leaders have a different set of priorities. Community structures are trying to deal with the funding process in terms of obtaining

maximum benefits for their own local mobilisation process. Probably most local leaderships are not attached to hierarchical structures. Where they are, these structures are probably political rather than bureaucratic.

It appears that individual community leaderships tend to try separately to maximise benefits for their own communities. Communities see social and political payoffs as the final outcome of development, and they are rarely given anything more than partial access to the rules of the delivery process.

While communities often acknowledge the importance of numerical planning information, few have the ability to interpret it in detail and most give greater attention to social and political considerations. Their institutional behaviour and decision processes are not technical, carry high uncertainty and cannot be dealt with in formalised bureaucratic terms.

Where communities try to challenge bureaucratic and planning decisions, they do so usually from a very limited information base. Working in the dark they may try to challenge in political terms, or otherwise by using indirect tactics of the type Scott (1984) described as 'weapons of the weak'.

Communities may try to use individual issues, questions about interaction or personality factors to hold up delivery, capture the decision process or upgrade the standard of the installation or service in question. Developers usually see this kind of tactic as obscure and unreasonable, and try to avoid or smooth over the issue so they can go ahead as planned.

A gap is then created for intermediary institutions and actors to move into. Most communities have significant organisational and development capacity of their own, but may need help to interpret messages to and from funders and implementors. They frequently need outside expertise in various technical fields.

In their effort to develop control over funding and delivery, they also need contacts in the hierarchical networks of communication and authority associated with development projects. In addition, they may need support from outside constituencies and broader alliances to give weight to their representations. This intermediation process risks coming to dominate the interaction between communities and development providers.

### **Intermediaries**

Intermediation may take the form of organisations from outside the community which intercede on behalf of the community, or it may take the

form of community based structures which emerge to mediate the development process for grassroots community members.

NGOs may act as intermediaries. So may consultants who come in to offer technical skills to parties involved in development processes. A third category of intermediaries is political advocacy groups which try to operate as alternative claiming systems for disempowered communities.

### **NGOs and service organisations**

Work goals for NGOs and service organisation workers relate to justifying a personal worldview and/or increasing institutional and personal reputation by helping to deliver what communities are identified as wanting or needing.

Service organisations are often badly underpaid, and pay-offs to workers tend to be in terms of what has been identified as altruism or a social ideology rather than in terms of money, position or power. Power is usually placed second to reputation, and job satisfaction related to making a difference seems to be the main factor.

If this altruistic personal satisfaction drops critically through being exposed to reality and experience, despair and envy may result. NGO careers offer few other pay-offs to compensate, and demoralisation can lead to misconduct.

### **Outside consultants**

Work objectives for consultants outside the formal structure of the implementing institution, focus on getting ahead professionally by gaining recognition and working at progressively higher levels.

With less structured career paths, consultants try more than bureaucrats to demonstrate success. Their frame of reference is more entrepreneurial and more directly tied to earning opportunities than to power. A major objective, much more so than for bureaucracy, is earning high salaries and fees.

Consultants can be more procedurally innovative than government bureaucracy, but since their individual careers are still threatened by failure, they do not necessarily want to take up positions as contact people for unhappy beneficiaries.

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### **Advocacy and political structures**

Some of the considerations relevant to NGOs also apply to advocacy groups which try to take a mediating role or operate in the space between communities and developers to help communities claim benefits. There are few rewards apart from a sense of helping the disadvantaged to obtain justice and a sense of implied power.

Criteria here for satisfactory career progress are subjective, fairly obscure and highly unstable, making them hard to monitor. Like some service organisation workers, advocacy group members may try to use their work to contribute toward later political careers, with pay-offs in terms of networking and influence.

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### **Arena processes and accountability**

The interaction that results between funding bodies, developers or implementors, different intermediaries and communities, is often assumed by outsiders to be an entirely altruistic process of mutual help and assistance. The reality is different. As all actors quietly recognise, the real interests of the different parties diverge more often than they run in parallel.

Throughout, the object of funders and developers is to put benefits on the ground in tangible form so as to justify their role and secure their future. Development providers constantly fear public, visible negative reactions from client communities, which upset schedules and threaten organisational standing and individual careers.

To avoid this kind of outcome, developers sometimes try to tranquilise communities, attempting to ease them through the delivery process without triggering outbursts that may force them to confront points of disagreement which have not been acknowledged.

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### **Obstacles to transparency**

From the standpoint of communities, the entire process of development funding is chaotic and confusing. Results indicate that it rarely happens that the main body of community members clearly know who they are dealing with, or where the final say lies.

Reports from the grassroots are characteristic:

"...they only came once, there was a meeting, they said they were coming to give us toilets and roads. They listened when we said we wanted houses, but they didn't change what they said, which was toilets and roads - we didn't ask questions because we were afraid they'd go away and we wouldn't get anything at all.

"...the toilets are pit type, the roads are too narrow for vehicles to get in when it rains, but they're better than nothing, and that's all we know. We don't know who they were exactly..."

The result of this top down process for communities on the ground is marginalisation. Both case studies illustrate the extent to which development processes which are supposedly participatory have in fact empowered a few individual community members who serve on project structures, but have disempowered and further marginalised rank and file community members.

The following section examines several areas where the development processes being followed work against transparency, and therefore result in disempowerment for communities.

### **Interaction with communities**

The minimum consultation model referred to, often used by the old government and its development consultants, destroyed the legitimacy of the development process. It also led to a politicisation of development as communities and their allies struggled to pull the process into an arena where they had some backing.

Further, it led to the partial institutionalisation of a number of indirect resistance tactics which the powerless use to gain influence against people in power. Development interaction under apartheid led to suspicion and mistrust between development providers and the communities they were trying to help. Anger, frustration and alienation on the part of communities now need to be dealt with.

Emerging from this political and social history, a community meeting intended to legitimise dialogue and start the project intervention phase therefore may, or may not, result in real consultation and legitimacy, depending on how much real participation there has been in the process structuring the formal decision.

Evidence from the literature survey is not encouraging, and in the case of the second case study the formal decision was made outside the community at the level of national urban policy making.

The community meeting was intended to approve a plan for development decided on outside the community. Despite this, the community took the overture of the meeting seriously enough to be angered when the parastatal funding agency subsequently shifted the goal posts.

One reason for the problems which arise during hasty contact procedures is that communities try to gain influence from a weak position by attempting to establish contact and to personalise the process. When communities see developers as reluctant to meet them or provide information, confusion and resentment are created on the ground.

Suppressed hostility sometimes contributes to attempts to take control of the delivery process, to hold up work for further negotiation or to raise the standards of services or infrastructure being provided above what deliverers originally budgeted. Anger sometimes carries through into non-payment or vandalism, and costs escalate.

For developers, these processes look dangerous to the organisation and to careers. Responses tend to be reactive or superficial, withdrawing from contact rather than engaging. Contact staff are the one point where communities can put pressure on the delivery process.

Individual developers exposed to interaction with communities have reported feeling themselves at risk of being singled out and pushed into difficult positions. This was the factor which led to the resignations of several important members of the project management staff in the second case study.

Results from the present project also suggest that very few developers and not many NGOs actually volunteer information beyond the minimum during the set up phase of projects. Volunteering information is widely recognised as a goal but is not often observed.

Risks to delivery targets as well as to individual careers seem to be involved in cutting down participation in planning. Problems due to lack of information during the set up phase of development initiatives may only be recognised later in the process with delivery of unwanted, high cost goods or services, in quality standards and with procedures.

The problem concerning the wages of water kiosk operators in the first case study is a good example. The second case study illustrates how poor communication about the relationship between the funding mechanism and type and level of development benefit can cause a crisis which brings a project to a halt.

Major stumbling blocks for an interactive process between communities and developers therefore include:

- Long and expensive consultation processes.
- Planning uncertainty maintained over an extended period.
- Lack of fast, firm, and final decision capability at community level.
- Unfamiliarity with bureaucratic procedures on the part of grassroots organisations.
- Unfamiliarity with communications channels on the part of grassroots organisations.
- Unfamiliarity with community decision procedures and criteria on the part of delivery bodies.
- Unwillingness to expose planning decisions to outside scrutiny.
- Preferences on both sides for personal management and responsibility, as opposed to working requirements for group decisions.

### **Development intermediaries**

What comes out of the study is a picture of conflicting and partly unrecognised interests, in a framework of very complicated, unwieldy and unworkable institutions. In this context communities are the weakest party and partly divided against themselves. Communities are not identical and include a range of income levels and interest groups.

Concerned commentators point out that communities are so inserted into the development process that present institutional structures, including committees, civics, trusts and similar bodies, are likely to give control to skilled elites.

Held back by lack of information and the wide gap between their understanding and that of development agents and funders, communities' attempts to deal with development become effective mainly when they obtain alliances with intermediaries. These mediators have some ability to sort out the institutional complexity and put pressure on deliverers.

Intermediaries then become important actors in the process, both in relation to how much information reaches communities and who in the community it reaches. Intermediaries are often in the position to actually act for communities as well as to interpret events or channel information. In these respects, they deal with access to benefits, as well as to information.

The role of intermediaries is not simple or clear. Intermediaries such as service organisations are able to ask effective questions, interpret what information is available and put pressure on delivery organisations.

The same intermediaries may also act as consultants or developers, or hold development funds for communities. In this role they may take over responsibility and act for communities, or end up as decision makers and/or gatekeepers. The community linked advocacy group which intervened on behalf of communities in the second case study has taken on just such a gatekeeping role.

Many intermediaries have a history of political activism and resistance, and have become expert at using the courts and the media to expose initiatives obscured by the culture of secrecy. However, media involvement can displace decisions to the public arena, which can further marginalise communities while empowering the intermediaries.

Intermediation is therefore a necessary but dangerous process. Together with obstacles within bureaucracies and communities, many of the problems of the whole delivery and empowerment process are found in intermediation.

Development intermediaries include NGOs, advocacy groups and consultants, and mediators usually range between helpful and selfless. At the same time, some organisations are not effective and some individuals are untrustworthy.

In principle, it might be best to provide training and adjust procedures so as to avoid the widescale need for intermediation, but in practice there seems to be little chance of eliminating the need for development intermediaries.

For intermediaries in general, the principle is becoming recognised that any organisation will basically see itself as responsible to the people who provide the money. This concern for funders may override the interests of beneficiaries or clients, the people who are supposed to be helped.

Communities are often so desperate to gain access to the funding and delivery process that they make use of any available contacts in an intermediary role. At the same time, they may be suspicious of the mediation agents.

Part of the intermediary problem is highlighted by accusations made at the workshop held in connection with the project on which this book is based. There community members echoed the national debate in arguing that service organisations were refusing to deliver the necessary skills for communities to be able to control funding.

In addition, intermediaries are often accused of holding other agendas - political, social, financial or others - above the direct and immediate interests of their community clients. In the first case study, the increasing intermediary role played by the development NGO is of concern for precisely this reason.

The presence of the highly effective development NGO may be preventing sustainable and independent community based development structures from emerging.

It is unclear the extent to which this arises from an unacknowledged agenda - the development NGO needs to justify its role and funding and would find its position less clear and certain if communities became able to access funding directly - or alternatively is an unintended consequence of its long standing and strong position in the area.

This book has identified the issue of intermediation as one that needs to be systematically considered in relation to funding transparency. Intermediaries are vital and perform a real service, but there are problems involved. There seems to be a need for publicly debated rules and standards which are general in scope and widely understood.

### **Development bureaucracies**

Bureaucracy in South Africa has grown like weeds, often without clear structure, and the involvement of private sector firms and consultants has

complicated matters. It is difficult to make this complex process either accountable or transparent. Interviewees in the state bureaucracy have reported that they themselves sometimes do not know who has final responsibility for a project, and have asked to be rescued.

The 'no questions asked' standardised delivery procedure favoured by state and private developers tends to supply as little information as possible, so as to avoid negotiations that may mean changes of plan. Funding questions are especially sensitive.

Community public meetings were described as a mess by some respondents, something to be avoided at all costs. In short, transparency and accountability are paid lip service, while they are perceived as threats to the safety and security of individuals in bureaucratic development structures.

These perceptions are unlikely to change without incentive. This book identifies an urgent need to look at existing bureaucratic incentive structures, especially in relation to the old state structures. Long established procedures and targets from the last government are still in place and blocking changes in priorities, regardless of how anxious individual workers may be to change.

The problem is not limited to state bureaucracies. In both case studies, individual workers with communities complained that formal operating procedures made it difficult for them to risk being innovative. Despite personal commitments to greater degrees of transparency, workers found in the long run it was more in their personal interests to avoid transparency and withhold information.

Structural reform to clear channels and give accountability is also needed. More broadly, a reward structure needs to be established for employees in any development bureaucracy who work successfully with community level development initiatives, including fast track promotion and encouragement to experiment.

### **Conflicting agendas**

The conflicts of the essential interests highlighted lead to conflicting agendas, with each party trying to look after its own interest. Incompatible expectations around procedures are a major factor. Differences in the agendas of the main parties are compounded by the influence of intermediaries and the intermediation process.

Bureaucracies and large organisations tend to want processes and procedures that leave them in control and that accept only limited input from the popular level. This kind of approach is usually slow and technicist during the planning phase, but ensures fast delivery once all the planning is in place. It is usually totally obscure from below.

Community representatives seem to want thorough consultation that is usually slow, then rapid and effective delivery. Throughout, they want simple procedures that are open to influence from the grassroots. Communities often want a final say over what is delivered, but rarely seem to want to assert complete control.

Initiatives in which communities actually hold the money and control budgeting and hiring are strongly resisted by delivery agencies on grounds of delivery efficiency and cost effectiveness. The underlying reasoning is that delivery will not be efficient and will become more expensive if the delivery organisations do not retain control of planning and financing.

Problems then centre around how much community control and when. Once the process is advanced, the delivery organisations are unable or unwilling to accept sudden changes which will affect the bottom line and make delivery too expensive for their budgeted terms of contract. As a result, they work to get procedural outlines in place early.

In contrast, communities are unable to see the entire process fully in advance, have difficulty in communicating with developers and have trouble anticipating all the problems that may crop up. The result is they want flexibility to make major changes late, or to transform or call off the whole process.

From the planning standpoint this outcome represents near disaster, since decisions and commitments carrying organisational capital are already in place. Disregarding these commitments will have career costs for whoever is held responsible, if the deliverers have to accept late changes or other factors creating delay.

Much of the difficulty with transparency seems to relate to the funding implications of providing full information to communities in the light of what seems to be structural conflict between developer and community agendas. Research interviews suggest that many or most developers see an open information process as asking for trouble, in the form of delays, or as unreasonable demands from ill prepared communities.

The underlying fear is that communities will use any information they receive as an opportunity to raise difficulties or make changes in developers' plans. Alternatively, the extra time and cost involved in giving information to beneficiaries' satisfaction will seriously raise costs over budget limits.

From the community side it seems that these risks actually relate mainly to the lack of information available. This leads representatives to use any available means to show constituents they are trying to put across their priorities and get maximum benefits. The accusations of corrupt practice made against project management in the second case study illustrates this process at work.

While it is easily shown that the introduction of the parastatal agency's funding formula accounts for the change in development benefits provided by the project, the accusation of misconduct allowed the communities to restructure the project in a way which they hoped would allow them greater access to the decision making process.

Under the pressure of urgent delivery, both sides try to position their own set of constraints as final in structuring the process. In other words communities, through their leaders, advance micro-level needs and expectations, while bureaucratic organisations push organisational procedures.

Both community leaders and deliverers tend, as individuals, to hold hidden agendas of career safety. These agendas are usually incompatible even when the nominal goals of the process in terms of infrastructure or service delivery are superficially the same for both sides. A number of respondents drew attention to the lack of a public, general structure of rules governing the process of infrastructure and service delivery.

Part of the reason for incompatible aims is the problem with making planning and delivery constraints clear and accessible to non-bureaucrats. Procedures are difficult constraints to substantiate to people outside the formal organisational context. Communities approach getting things done in a more personalised framework and often do not accept procedures as reasons, even if they are willing to accept rules as rules.

Several respondents on the delivery side noted communities' preference for getting around the facelessness of bureaucracy by identifying one individual from delivery organisations who can be assigned or attributed responsibility for the operation. At the same time, delivery bodies also try to deal with a

single individual or small leadership group as representative of communities.

However, since communities usually have very much less information and control in relation to delivery, individuals occupying the contact role can be exposed to considerable pressure from the community side, and especially from communities' more streetwise allies, as the communities compete to establish some control over the project.

Partly to get around the risks of having their senior people exposed to career threatening risks in a contact role, developers hire community liaison officers.

The responsibilities of liaison officers are vital in maintaining contact with beneficiaries and ensuring that projects go forward, but as Gwagwa has pointed out (1994), they are often treated as low level employees or borderline professionals. In some cases, interviews suggest they may be hired mainly to act as lightning rods for the resentment of development beneficiaries.

Community liaison officers are rarely given the authority or attention they need from management to bridge the gap between communities and developers and bring about a meeting of minds.

With these typically weak links between communities and delivery and funding organisations, the process of liaison is very important but dangerous. The procedural open ground between the community and deliverers is often an exposed 'no man's land', with interaction across it charged with risk and anger. Both sides' decision operations are usually impenetrable and unpredictable to the other, leading to mutual frustration and suspicion.

The efforts of intermediary organisations and consultants may help to make matters clear, but frequently result in only partial communication and sometimes only complicate the issue. When accusations of corruption and mismanagement occur, they often seem to reflect community misunderstanding or frustration over delays or standards.

But in a minority of cases, community suspicions may accurately identify 'under the table' deals taking place, where adequate supervision and accounting procedures have not been applied to contact people or intermediaries involved in liaising and setting up funding agreements.

Control over liaison processes is vital for many reasons, but a number of delivery organisations seem to avoid spending time ensuring accountability and eliminating the possibility of kickbacks or skimming.

### **Summary**

The following are thus important obstacles to transparency:

- Developers and sponsors want fast, uninterrupted delivery, on scale and within budget, so as to protect careers and institutional agendas.
- Intermediaries want to help communities through a slow custom tailored decision process, which plans slowly for maximum benefit to the individual community.
- Communities want fast results but also want be able to shape the process, to make late changes and to have their position recognised.
- Competing priorities result in each group of players trying to control the amount of information about the development process which is available to other actors.
- Development bureaucracies and delivery agents seek to supply as little information as possible, so as to avoid negotiations that risk changes of plan. Transparency may be perceived as a potential threat to development projects and to individual job security.
- Intermediaries are sometimes necessary to ask effective questions, interpret what information is available and put pressure on delivery organisations, but intermediaries may also obscure the very processes they are seeking to mediate for communities.

This situation triggers friction between different actors in the development process. The following chapter attempts to identify some of these conflicts.

## 5

## FRICION POINTS AND TRANSPARENCY

Given the balance of forces and interests in the struggle between communities and developers, some actual and potential areas of conflict can be identified. Issues affecting community access to the funding process include:

- Information dissemination.
- Leadership, representation and intermediation.
- Location of decisions, intermediation and accountability.
- Corruption and patronage.
- Time frame for intervention.
- Capacity and sustainability.
- Technical standards.

### Information dissemination

The root cause of the funding problem lies in low levels of education and little streetwise understanding of the organisational process in beneficiary communities. Few community members have the experience to identify the likely limits of the development process. The social education needed for the groundwork becomes difficult without the right framework of understanding.

Most development agents avoid a participative process of communicating how development works. Organisations which try this are usually in the NGO and advocacy sectors, with some parastatal operations. One service organisation with a good record reported taking two years to enable a single community to ask the right questions, and was very happy with this result.

Results from interviews suggest that few commercial firms try to undertake a broad based information process. Their reasoning is not usually explained. It seems that the main considerations are the high cost factor, the lengthy time frame and an awareness that intervention requires soft communication skills of a kind looked down on in their hardnosed approach.

Very few commercial developers and state bureaucracies recognise the need to equip their ground level staff, and particularly engineers, with the skills to interact effectively with communities and help them identify appropriate choices. At the same time, the education process used by service intermediaries seems too extensive to be repeated or delivered on scale.

Since communities are unable to inspect information on development funding, most development agents in all sectors remain reluctant to volunteer information. Lack of transparency inevitably follows and the case studies illustrate the unfortunate results of this failure.

In the first case study, the NGO does not empower communities to the extent that they are able to examine funding information of their development projects. This results in the formation of organisations in the community which are unable to operate independently of the development NGO.

The development committees established by the NGO become the community's means of access to the outside world. This access is however, indirect, since it is the NGO that negotiates with the outside world for them. This does not empower either the communities or their representative structures.

### **Leadership and representation**

The lack of information about the funding process causes problems regarding how the community should be represented, so as to contribute towards development. When communities have problems gaining access to their own development, the process of intermediation becomes strained.

Information is then diverted from the beneficiaries to various identified groups who control the information process. Decisions move away from the popular level, and are sometimes taken outside the control of either the community or the developers and funders. This happens when information shortages combine with political processes in the community.

Recent research shows that community leaderships believe they should make the development decisions, with community input at best (Cross 1995, forthcoming). Most leaders recognise that major decisions should be referred back to their constituency for formal approval, whether or not the community has been informed before this decision is taken.

However, it also seems that very few leaderships expect to refer back in any effective sense once the legitimating decision has been obtained. The actual procedure is one where the recognised leader then takes over daily management of the development interaction process.

In Durban's informal settlements, local ANC aligned leaders are reminded to hold frequent constituency meetings to maintain public support if development delivery is slow, as frequently happens. Although the community is encouraged to contribute, actual decisions are seen to rest with leaders, acting with the support of community members.

There is little indication that decisions are actually referred back to the community at large. In many cases, leaders appear to proceed without maintaining any structured contact with constituents. In IFP supporting areas, less thought seems to be given to obtaining community support and input. Decisions made after the initial go ahead appear to be seen as part of the social mandate of recognised leaders.

It seems to be generally the case that the broad constituency in most communities receives very little information after the first public meeting, if any public meeting is held at all. Instead, management of the development process from the community side appears to be treated as a leadership issue.

For leaders, an important reason for this is the process of leadership itself. Impoverished communities tend to be divided internally by interest groups, income levels, factionalism, politics and other processes. In an atmosphere that continually threatens violence, harmony is a necessity more than a goal. Both leaders and followers recognise loyalty to leaders as a requirement for achieving and maintaining unity.

Local tensions and divisions do, however, threaten this process unless leaders have clear benefits to offer constituents. With both urban and rural communities demanding services and infrastructure, local leaders and members see development as the central benefit which leaderships are obliged to deliver in order to validate their standing.

Leaders who are seen to provide development can mobilise relatively easily around constituency relations. Those who fail face divisions and dissatisfaction and may be replaced or even killed. In this light, leaders can regard their control over negotiations concerning funding and delivery as essential to successful mobilisation.

Local leadership uses the development process to form and position itself. At the same time, unrealistic expectations place leaders under severe pressure.

Keeping constituents uninformed may be seen as a condition for mobilising their support, by highlighting leadership achievements. This also offers important opportunities for patronage, which is commonly used to ensure support.

The information gap created by the needs of local leaders is reinforced by the equally strong preference of developers for dealing with identifiable spokespeople who can ensure their constituents' agreement. Developers' reluctance to become caught up in formless and uncertain processes of public consultation also undermines the democratic process in relation to development delivery.

Contemporary developers tend to regard their operating procedure as democratic if they are in touch with local committees. In practice, this approach represents a new version of the apartheid model of consulting chiefs instead of explaining proposals to communities.

The isolation process is completed when developers successfully avoid informing residents through public meetings, and when a community which has never been fully briefed shows no interest in feedback. There are cases where community members have no idea what they are said to be demanding, until a breakdown occurs and the process suddenly stops.

These dynamics place representation in the communication process in such a way as to ensure a lack of clarity and insulate communities from actual control over development funding. The second case study provides an example of the results of the failure of community leadership to provide transparency to its constituency:

"Our leadership is ineffective... Some white officials had told us that we would have good quality houses like those in an adjacent township, and that they would be subsidised by the funders... Later we were told that

this subsidy money had been used to buy us the residential sites on which our houses stand. This was a complete reversal of what we were told would happen, but the civic structures took no action to rectify the situation."

In this instance, the civic structures were themselves the victims of an unclear information process, but they failed to inform their constituency of their helpless position. This failure may exacerbate their difficult situation. This is a cause for concern given the area's history of fractured and fragile civil institutions.

### **Intermediation and accountability**

Limited information flow through leaders contributes to the need for intermediation, where either outside experts or advocacy groups offer support for uncertain leaders or representatives.

If civil society on the ground has no clear grasp of the basis and limits of development, there is not much opportunity to hold either leaders or intermediaries accountable.

In addition, leaders may have difficulty relating what is happening, if they themselves do not understand the problems that arise. The second case study provides a good example. If development negotiations become turbulent or are taken up by the media, both communities and developers can lose control of decisions if intermediaries shift the arena outside the original decision structures.

Under the past government, this diversion was frequently a necessary last resort for communities disadvantaged under the law and under the administrative conditions of the time. A number of service and advocacy groups became skilled at using courts and the media to expose closed bureaucratic processes which institutionalised injustice and deprivation.

In the process, these groups inevitably increased their own role in decision making. Media access sometimes caused intermediaries to act as gatekeepers, able to make access and allocation decisions on behalf of communities.

Service organisations find a role in the development process because of their capacity, their contacts, and their strong conceptual grasp of the politics of development interaction. The most effective intermediary organisations in

the service and political sectors developed strategies around community issues in the context of political resistance to the apartheid state.

This approach was necessary since it delivered significant rights and benefits. In many cases it also helped develop very real and lasting community capacity through involvement in successful struggles, when no other capacity building process was available. Under the new government, the need for this kind of intervention has not disappeared.

When development is closed and obscure, in keeping with bureaucratic preferences, outside help with institutional influence is often still essential because of the unequal balance of power between developers and communities. The intermediation of the advocacy group in the second case study appears to have been necessary to break the blockage caused by the change in funding mechanism.

However, intervention by service intermediaries can be very expensive and hard to replicate without the substantial resources which were provided to oppose the apartheid government. Where resources are still flowing in, as in the case of the development NGO involved in the first case study, they are often directed at expanding the capacity of the intermediary, not communities.

In regard to transparency, intermediaries' use of the media sometimes reduces communities' control over vital decisions, by displacing such decisions into public politics.

Intermediaries need to refocus on their original goals of empowering the communities they are trying to help. It seems many NGOs have not considered interactive information processes directed into communities rather than outward into the public arena.

Interviews with experts and with NGOs show clearly that very few make a habit of freely volunteering information to communities or their representatives, especially in regard to control of finances. In this critical area, expressed commitments to transparency and democracy are not being carried through into practice.

### **Corruption**

It is important to recognise that all participants including community members are subject to temptation relative to the process of controlling

money. Everyone is afraid that this will run out of control. Organisations or local leaders tagged with corruption charges face disastrous consequences in terms of lost credibility.

Several kinds of corrupt practice can affect community control over development funds. These include:

- Outright corruption, as in theft of entrusted money.
- Corrupt use of funds through temporarily appropriating project money with the intention of returning it later.
- Patronage in access to project work and sub-contracts.
- Patronage in preferential access to project benefits.

From the community standpoint, the most critical are clientelism and patronage. These hazards seem to be given little recognition by funders and delivery agents.

Results from interviews suggest that the real problem for development funding is ill advised spending, rather than outright theft or corrupt handling of money. However, the fear of theft of development funds remains. Where theft or misconduct occurs, several informed interviewees argue that the most serious problem more often lies with intermediaries than with communities.

Dishonesty among community members was described as small scale and easily detected. Issues such as excessive petrol bills and unauthorised vehicle use are involved. To succeed with substantial misappropriation of funds, experience with handling money is needed.

People in NGOs, service organisations and other groups representing the intermediaries sometimes become discouraged by their difficult task. Nearly all start out with real altruism, but their job is frustrating and badly rewarded. If service workers fail to obtain enough recognition for their dedication, they may become demoralised and corrupt. The problem escalates when dishonest consultants are employed by bureaucracy, some of whom are allegedly in the business for money.

In general, development policy must recognise funders' responsibility to put in place good accounting and accountability procedures which limit opportunities for temptation in poor communities. Not all South African

development projects are well structured to keep control of expenditure. Corruption emerges when employees can obtain money without its use being documented or checked.

Obvious precautions include requiring two signatories when project workers need to draw money quickly, insisting on petrol receipts, and regularly checking the pattern of expenditure across individuals and across categories. International funders have relevant experience, and there are international sets of 'due diligence' guidelines for successfully funding poor communities.

These could provide models applicable to South Africa. Given an idea of these procedures, communities seem to be able to deal with budgets and spending effectively and honestly within the limits of local political structure and interest group politics.

It is also vital to recognise the difference between corruption and unwise spending. Large amounts of development money have been lost through bad expenditure decisions.

One project nearly lost its funding because of the disappearance of money assumed by the developers to be stolen. Most of the missing funds turned out to have been honestly spent on poorly conceived project work. Several similar cases were referred to by other respondents.

For funders, the results of corruption and unwise spending are fairly similar in terms of embarrassment and potential career damage. In some cases developers may prefer to blame funding shortfalls on theft and corruption, rather than on misdirected spending for which they may be held directly responsible.

The problem of effective use of funds highlights the need to recognise and upgrade the function of community liaison. Trained liaison personnel to advise and inform communities must be provided. Results indicate a capacity problem at this level, located with developers more than with communities. This shortfall underlines the need for interactive community education around the development process.

Large scale corruption happens when people with the necessary skills tamper with the project to divert money, instead of being accountable to the community. This usually means either administrators, developers or intermediaries are responsible. Any of these agents can try to set up or

restructure projects to provide opportunities to skim off funds, either individually or in collusion with corrupt consultants.

Marginally honest consultants sometimes obtain funding by budgeting for soft areas, such as travel and petrol accounts, that can be treated as slush funding. The same applies to frustrated service workers determined to claim something for their perceived wasted months or years. There have recently been major government scandals around development funding and the awarding of contracts, as well as funding unnecessary work.

Corruption at these levels involves significant amounts and is more difficult to detect. When discovered, it is often covered up and not effectively punished. Under the previous government, one result was the institutionalisation of corrupt practice in some state departments dealing with development, most notoriously the former Department of Development Aid.

Failure to identify and expose official corruption before it becomes institutionalised has serious implications. These practices spread like a cancer, and corrupt members of the old state bureaucracy seem to have transferred certain skills to some urban community leaders they dealt with in the course of service delivery and development.

Communities suffer most when these practices become established. There appears to be some danger of a culture of corruption spreading again from this source. The most immediate need to regulate dishonesty probably concerns state spending as it descends through both state and private deliverers and intermediaries.

Transparent procedures are the most important factor in preventing corruption spreading. Strict enforcement of accountability and a commitment from government to expose and act on perpetrators are also vital. This commitment needs to be established and maintained despite embarrassment to the organisation and possible damage to the careers of others who may not have been directly involved.

The impulse of bureaucracy confronted with the risk of scandal is to enforce the culture of secrecy. This became entrenched under the previous government and resulted in press revelations of misconduct preceding the April 1994 elections. Principles for dealing with corruption have been explored and are well known internationally (Klitgaard 1991). It is more difficult to achieve state commitment to apply them.

In addition, project interviews provide several case histories which show communities successfully handling funds on a draw-down basis. Accounting services are provided by the funder or developer, but the community draws up, allocates and spends the budget.

This model places decisions on the ground and locates technical accounting services at the next level up, and appears most effective in setting up financial control for communities entering the funding process. It also monitors payments for signs of corruption and unwise spending. The Independent Development Trust's drought relief scheme is a case in point. These projects require effective but not impossible preparation.

### Patronage

Other forms of corruption are more prevalent, harder to prevent, and less often referred to. If development funds do not actually disappear, the effects can be serious for the community but seem less likely to compromise the project's continuation or place careers at risk. Respondents discussing corruption tended to confine their comments to theft of funds.

For the minority who did consider other forms of corruption and particularly patronage, the consensus was much less encouraging. Likewise, it appears from similar recent research that patronage or clientelism in both forms has been a common characteristic of development work at community level (Cross 1995, forthcoming).

Nearly all respondents denied that communities see corruption differently from those in developed economies. Communities, practitioners and experts believe that theft of funds is as dishonest at community level as anywhere else. However, community views of other forms of corruption were not as clear. Other research suggests that communities are aware of clientelism and believe it is illegitimate, but recognise that it is common and may have to be tolerated (Ward and Chart 1987).

The most effective means of limiting patronage is preventing local leadership from becoming entrenched long enough to establish clientelist networks. Unfortunately, local leadership elections on a regular basis are uncommon and conflicts around leadership struggles are often bloody and destructive for community members.

Once communities have reasonable leaders in place, they may be stubbornly supportive of leaders known to be practising patronage, for fear

of worse. Institutionalising accountable local government is a major need in this regard. On the other hand, it is not clear that new local government initiatives will entirely dispose of the problem.

Some community respondents remarked on the prevalence of bribery for either money or political support. Personal networks are also used to control who gains access to development benefits supposedly available to all. One experienced black commentator disgustingly characterised bribery as a near universal requirement.

Others remarked on how often leadership figures tended to tap development funds by demanding a sub-contract or preferential piece of the project for themselves or their connections. Another common practice is for leaders to demand control over who receives work, or other income generating resources.

These forms of patronage are often used by less democratic leaders to establish support networks and maintain themselves in power relations. It also appears common for project workers to 'eat money', or covertly take out funds to be repaid later, in the form of a secret personal rotating credit facility. This practice is perhaps least condemned at grassroots.

These practices, and particularly patronage, control access to development for personal or group benefit. They can occur around a delivery initiative without funders or developers being aware of them or, alternatively, developers need not acknowledge them. This upsets any real attempt to promote empowerment or democracy through development. In the worst cases, patronage supports warlords, thereby contributing to violence.

Most responsible intermediaries and sponsors have worked hard to eliminate or minimise clientelism and ensure full public access to development.

However, since patronage need not directly drain project resources, many larger developers see these practices as unimportant or normal, ignoring them if they become aware of them at all. A few larger development operations have been willing to deal with authoritarian leaders because of the convenience of avoiding a drawn out public consultation process.

Dealing with clientelism is difficult, since community leaders may be unpaid or badly paid and believe they are entitled to some return for their efforts. Both leaders and constituents sometimes think in terms of the old man

model, where chiefs and headmen originally were not paid but instead received gifts for their services from the people they were assisting.

Similarly, funders, developers and intermediaries may have invested in building up relationships with particular leaders whom they feel unable to disown for fear of having to begin their liaison process from the start.

Careful structuring of the funding instrument can deal with theft of money, but is likely to be less effective with patronage networks controlling access to the development process and its benefits. Patronage appears to be a product of situations where leaderships are able to keep constituents uninformed and where allocation criteria are not clear.

As far as possible, projects need to be structured so as to reduce potential theft and limit patronage opportunities from the outset. The single major point here is transparency, where the entire community has full access to information about the management of project funds and about the criteria for access to funding, work and benefits.

Clientelism and patronage flourish when communities are kept in the dark. If leaders restrict information and make allocation decisions privately, the chances for self interest and undemocratic manipulation increase. One funder commented that if consultation is transparent and all parties are informed, the process will work because civil society and the developers both understand the process and are accountable.

The alternative is increased risk of patronage and theft of funds. The prevalence of these practices in the past indicates that many funding and development agencies do not define their pay out process effectively, or acknowledge the leadership and constituency process which goes on around it. These development processes must also establish effective links to local government in ways that will reinforce transparency.

### **Intervention time frame**

Competition between developers and communities to establish their own priorities creates a problem with time frames in relation to expectations. Developers' expectations of detailed pre-planning followed by instant community approval and undisturbed delivery are unrealistic. The demands of some communities, such as flexibility even at an advanced stage of delivery, may also be unrealistic.

Equipping residents to negotiate with developers through a process of education and explanation, may take up to four years. The cost of this process in time and money is unrealistic, and provides no workable solution to the problem of capacity and communication. The need for real trade-offs is only now being confronted by a minority of development initiatives.

Conversely, developers seem oblivious to the problems they cause on the ground when delivery schedules are not met. The position of community leaders having to justify inexplicable delays is as sensitive as that of bureaucrats in the same situation. Leaders can lose all credibility. Typically, mobilisation grows with expectations only to fall apart as development is withheld.

The problem is complicated by what one development practitioner called 'project roulette'. Because the delivery bodies do not know at the start when the project is likely to run into trouble, the project staff attempting to include communities from the beginning cannot guarantee that this liaison will make things easier later on.

This makes it hard to motivate for the funding necessary for an intensive up front community liaison process. If there is no such liaison and trouble does result, the people who failed to liaise can be blamed. For deliverers, the cost of up front liaison is so high that they prefer to gamble on smooth delivery or try to survive the shocks if the process runs into difficulty.

### **Capacity and sustainability**

One of the consequences of involving only the community leadership in the development process is that it becomes harder to sustain interest or mobilisation if delivery is not immediate. Capacity building is therefore also at risk.

There is now growing recognition that legitimate leadership may not be easily identified. Many more than one meeting is probably needed to give ordinary community members the information they require to consider a development initiative and to accommodate a comprehensive decision making process.

A legitimate community decision making process follows a sequence to obtain a comprehensive structure that can be implemented. To begin, the process needs one of several alternate catalysts:

- An initial unstructured discussion process to define need.
- An approach from an agency to offer some particular benefit it can deliver.
- A nearby community successfully obtaining development benefits.

Once initial contact has been made and an initiative framed, community decisions about what to ask for and possible payment, then require:

- Meetings with development agents.
- Information fed in on possible services, costs and delays.
- Further ad hoc unstructured and public discussion.

Community thinking needs to be given a chance to grow through an interactive process. Developers usually need to help the community through a sequence of trade-offs to form a legitimate decision or social compact that can be implemented.

Once past this point, maintaining community interest and participation is a long, complicated process in which the quality of local leadership is critical. Existing institutions are usually too new and incomplete to allow routine delivery. If they do not participate, community members may lose control when a small group takes over, either deliberately or by confusion and default.

Alternatively, if leadership and mobilisation are lacking and no representative grouping is able to take control, a gap is created which requires intermediation. Either way, control is lost to the community as a collective. This entire process is chaotic and confusing to communities.

The present research indicates that it is rare for most community members to know exactly who they are dealing with, or where the final say lies. Final authority may be located in parties they are not in contact with, or with a party they dealt with without knowing their real role. Both commonly occur. In some cases, a number of state and private developers work at the same time in the same area without a clear chain of command.

When they are kept uninformed, communities frequently lose interest and become passive recipients. This result is often tacitly seen by developers as

the right outcome. However, the risk is that instead of accepting marginality and becoming passive, client communities may react with suppressed or overt anger.

Responses may range from obstructionism and obstinacy to outright hostility, vandalism or violence, derailing the entire project or multiplying its cost.

This kind of negative interaction is perhaps the main reason why relations between communities and developers break down. Communities may demand a change in developers between, or even in the middle of, each delivery initiative.

The suggestion here is that a decision from even a strong and legitimate leadership is not a substitute for a public information process. This principle applies with proportionately greater force to consultation processes that deal only with a designated leader or leadership.

If the new goal of development is correctly identified as empowerment, then a broadly based community role in directing and controlling money processes in the community's own development is essential. To date, research indicates that some development funding models are on offer which genuinely allow community participation and control.

So far, most models in use provide mainly lip service. The reasons for this state of affairs need to be addressed in policy in order to develop a more transparent, community based funding process which is able to establish empowerment.

### **Technical standards**

Possible disagreements over technical standards results from the failure to establish a transparent delivery process which allows residents to participate in decision making over the specific forms of development benefit to be delivered to meet their needs.

On the one hand, developers operate within a series of constraints which determine what the benefits will be. The most important of these constraints are financial and technical. Financial constraints are determined by the amount of money available in the budget. Certain kinds of development benefits are cheaper to deliver on scale than others.

For example, it is far cheaper to deliver ventilated pit latrines than reticulated sewage disposal. Ventilated latrines are consequently more frequently delivered by developers addressing sanitation, than are flush toilets.

Technical constraints usually reflect geophysical features of the project. For example, many of the projects examined in the course of the present study involve communities settled on geologically unstable land, to which the delivery of fixed foundation houses or reticulated sewage disposal would be difficult.

The ecca shale formations where many of the informal settlements of Durban are established, for example, usually prevent the installation of sewage pipes. Steep terrain is another factor which influences the technical standard of development benefits which can be delivered within budget and on time.

Often the technical and financial constraints on the technical standard of development benefits interact. Despite the geophysical features of areas, the installation of reticulated sewage disposal may be possible in many cases, but at a higher cost than the budget would allow.

In such instances, the technical expertise of the deliverers and the consultants is usually applied to the problem and a lower technical standard of service - pit latrines instead of flush toilets, or graded gravel roads instead of macadamed road surfaces - is decided upon as the most feasible solution.

Unless the community is brought into this discussion, they are likely to be dissatisfied. This will occur if the technical expertise needed to make an informed decision is allowed to outweigh the need for probably uninformed communities to participate in the decision making process.

Interviews with community members show that the decision making process in regard to technical standards still remains unclear. Complaints about pit latrines as opposed to flush toilets, narrow internal roads, and public standpipes as opposed to water reticulated to private taps even occur in communities where leaders participate in negotiations around service delivery issues.

This indicates the need for a more transparent and accountable delivery process. The procedure should first inform communities about technical

and financial constraints and then permit residents to participate in the decision making process.

An example of this process in action was given by a service delivery project where communities wanted better sanitation facilities. Budgetary constraints and steep terrain in the area prevented the immediate installation of water borne sewage. The developers outlined these constraints to the community at a public meeting, and proposed that ventilated pit latrines be installed.

The latrines would be regularly serviced to prevent seepage and overflowing, for which an affordable fee would be charged. It was also explained that the service charge was twice as much per household than the actual cost of servicing the latrines, but the excess money would go towards a trust fund which could be used to subsidise the installation of waterborne sewage. The community accepted this offer.

There are instances where community reservations about the technical standards of benefits are justified. Unscrupulous developers may install housing or services at a minimal cost, which suffer badly from wear in a short period of time. Houses that develop cracks within a few years are notorious.

The technical standards insisted on by developers may also be too high, particularly in regard to public facilities such as school buildings. Such standards are so high that they become difficult to install in a community except at great cost. A lower standard of product, while still of good quality, would enable development project budgets to deliver more benefits to more people.

There is a need to reconsider technical standards relating to the quality of finish, though not those relating to safety or durability. This is complicated by the scale of the project. Small service delivery initiatives could re-evaluate standards and commitments relatively easily. However, large scale delivery often requires uniform procedures over large areas.

**6****CONCLUSION  
ACHIEVING TRANSPARENCY**

Several points illustrate how the political economy of development takes forms that exclude communities from actively participating in funding their own development.

Lack of transparency is an information process, and intermediation should be examined broadly in order to achieve transparency. The root problem appears to be how funders and sponsors conceptualise development, and how priorities are passed down to delivery agents to effect interaction with communities.

Linked to conceptualisation are basic problems with bureaucratic priorities, and with institutionalisation. There is also an urgent need to change the structure of rewards and risks for development workers in bureaucratic organisations, and to involve both civil society and local government in development planning from the start.

Where funders see development as a standard process measured in physical units delivered, the effect is to place a narrow set of commercial efficiency considerations first. Planning locates as far from communities as possible, sealing off the delivery process from community inputs that are seen as a risk to planners' bureaucratic goals.

To ensure uninterrupted delivery, development agents also cut communication and information flow to a minimum. The image of development as a faceless and unapproachable process is confirmed, and community access to decisions narrows to a thin thread of communication through a designated leadership, meeting with liaison officers whose contributions are often devalued.

Lack of information and feedback to communities completes the loop. Excluded and frustrated, communities as a whole remain marginalised. All these processes depend on the combination of narrow efficiency goals and the bureaucratic preference for secrecy and control.

Reacting to powerlessness, community representatives use any influence available to show constituents they are attempting to communicate their

concerns. Problems follow with refusal to accept planned quality standards, unwillingness to provide maintenance, vandalism, nonpayment and attempts to pressure individual developers or to push disputes into the public's awareness through the media.

These reactions do not empower communities, and can paralyse development. The eventual cost of providing development through an unacceptable process endangers the entire undertaking.

The alternative is for funders to adopt the vision of development as a process intended to deliver capacity rather than physical products as its primary objective. The object of development becomes placing communities in a position to enter the mainstream of South African society.

Seeing the process in this way places interaction with communities first and raises the profile of the community liaison process. Making openness a priority clears the way for minimising both corruption in delivery bodies and patronage at community level.

Local government will have a critical role to play in this regard, but the case studies suggest strongly that opening up funding to community inspection is the critical factor.

Reaching this goal will require trade-offs. One limiting factor is likely to be transaction costs. The cost of training and support to enable one community to develop its own project budgets have so far been high. Likewise, there is not enough training capacity on the ground now to provide extended skills to all communities.

On the delivery side, a small minority of delivery bodies have been willing to pay the costs of training their implementation personnel in the skills of openness. Further, few funders appear to have made the commitment to train their staff to inspect and monitor delivery as it is implemented at ground level.

Trade-offs will also involve opportunity costs in delayed delivery to other communities making up the total constituency for bulk services and infrastructure.

Total government development spending is limited in terms of national and regional budgets. Additional funding for individual communities will affect funding available for communities further down the line.

The speed and quality of provision to all communities has to balance against the goal of delivering the best possible package of fully negotiated benefits to each involved community, including the benefit of capacity building.

To make this happen, there is a clear need for a better, faster development information process, so that communities can become familiar with funding. They would then be able to return to the funding market with their own project proposals. There is also a need to build on existing local capacity. Training local contractors and developers is a promising approach.

Communities are not empowered until they are able to interact with the outside world for their own benefit, with minimal assistance from intermediation. Reaching this goal means starting with procedures to establish community access to funding decisions before the design phase. It means reaching as many people as possible.

Key issues relative to funding transparency appear to be:

- Facing up to the real trade-offs required to achieve an open process in a financially acceptable time frame.
- Establishing a clear, well publicised national policy which can produce public criteria for decision making and allocation of resources.
- Overhauling bureaucratic procedures to promote and reward community contact, volunteering of information, innovation and acceptance of responsibility.
- Promoting the adoption of public information dissemination at community level.
- Establishing effective liaison between communities, developers and local government.
- Obtaining commitment from funders and the Government to enforce financial accountability and prosecute major offenders.

Given these points, it appears that the fundamental principle of transparent funding proposed by Kagiso Trust should be accepted and promoted as far as possible. With the right accounting safeguards, development funding should be directed to communities rather than to delivery agents or intermediaries.

These initiatives should involve local government, as well as civil society on the ground. Existing models can be built on, and there is scope for a broad educational process to lay the conceptual groundwork.

If this challenge is not taken up, development funds committed by the RDP to bring marginalised communities into the mainstream of South African life may be wasted.

### **Recommendations**

Empowerment is addressed here chiefly through promoting participation and information flow, and reconsidering the structure of rewards and incentives for bureaucracy. The contribution of intermediaries and community leaders is addressed in terms of public rules and standards for the conduct of development.

The following recommendations must be considered in a participatory framework by all state and non-state actors, including those involved with local government.

- 1 Establish a large scale public information programme aimed at informing civil society about how to examine development and related funding. The public vision of development needs to be positive, sustainable and capacity oriented. This programme should link to the RDP and involve the media extensively.
- 2 Develop standard sets of accessible training materials dealing with development funding. Funding processes are extremely complex and confusing, and many well meaning organisations struggle to provide accountability because the communications task is difficult.
- 3 Reconsider the rules and standards for delivery in the development field and publicise this information. Generally accepted standards for participative development are needed for communities and development workers to learn how to approach the process. Guidelines may include public information disclosure and criteria for allocating project work and benefits, incorporating accountancy standards.
- 4 Develop new incentive structures to encourage workers in bureaucracy and intermediary organisations to become involved with communities. These should reward successful interventions and volunteering of information. Fast track promotion should reward community contact

work, and management staff should be encouraged to obtain direct experience of work with communities.

- 5 Establish job protection standards for development workers prepared to take responsibility. Innovative methods of delivering funding could be tried so that bureaucratic penalties for failure are not disincentives to responsible engagement. Experimentation and flexible procedures are a goal, and making reasonable mistakes should not automatically destroy careers.
- 6 Develop a framework to evaluate intermediary roles. This should take into account both the difficult structural position of intermediaries and communities' concerns for their marginal standing. Doing this openly and responsibly will require public standards or guidelines for accountable development assistance.
- 7 Require that transaction costs for an open information process be itemised as part of all project budgets, so as to remove the profit disincentive to engagement with communities. Funding for community consultation must be provided and discounted as necessary in advance, so that it does not become a soft budget category likely to be eaten away by other demands.
- 8 Promote wider information flow to communities by requiring projects to publicise and hold regular public meetings involving project staff, intermediaries, and community leaders and representatives. These meetings would make funding and time schedules accountable. They might be supported by other information processes such as radio, posters and videos.
- 9 Canvass experience at all levels to produce materials for support project education initiatives for communities about to enter a funding process, or already engaged in one. Innovative learning approaches are needed. These make the development process accessible and empower communities to interpret relevant information as negotiations proceed.

In addition, project contact representatives with long term responsibility may be appointed, by both developers and communities. These people might be given ombudsman powers to deal with complaints, and could work as a team to facilitate transparency. Funders may also need to be brought more directly into the development delivery process at ground level.

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## APPENDIX ONE: RESEARCH METHODS

### Literature survey

In terms of the project proposal and the memorandum of agreement between the Rural-Urban Studies Unit and the Department of National Health and Population Development, it was agreed that a survey of local and international literature on development funding would be undertaken to establish the full range of approaches now in practice, together with their advantages and disadvantages.

The survey of the literature available on the financing of community development projects included articles from academic journals such as:

- 1.1 Urban Forum.
- 1.2 Savings and Development.
- 1.3 Development Southern Africa.
- 1.4 World Development.
- 1.5 African Review of Money, Finance and Banking.
- 1.6 Other academic literature, such as post-graduate dissertations.
- 1.7 Documentation from key figures in the community development environment such as the Independent Development Trust, the Development Bank of Southern Africa and the World Bank.
- 1.8 Publications by non-governmental organisations such as the Get Ahead Foundation and Planact.

Literature reviewed dealt with:

- 1.9 Various models of community development.
- 1.10 The viability of various financial instruments for development.
- 1.11 Alternative funding models, for example informal credit systems and non-interest loans.
- 1.12 Financial instruments which are tailored to the needs of specific interest groups, particularly women.
- 1.13 Specific case studies of community development projects, with an emphasis on the funding instruments used.
- 1.14 The need for capacity building and mechanisms to achieve this.
- 1.15 Differing perceptions of community participation.

- The theory of entitlement.
- The nature of claiming systems.
- Common problems which confront development projects, with particular emphasis on financial problems and problems relating to the capacity of community based organisations.
- Corruption and malfeasance.

The literature survey serves as the basis for the bibliography.

### **Preliminary review of funding mechanisms**

The literature search produced a first product in the form of a review of mechanisms for the disbursement of funds employed by several development initiatives. This short review is descriptive rather than critical, although it does indicate some of the problems with some funding disbursement instruments employed by development initiatives.

The work was instrumental in informing the first draft of the interview schedules. The review of funding mechanisms was also used to brief the public finance consultant (see below) in preparation for the workshop.

### **Identification of consultants**

In terms of the project proposal and the memorandum of agreement between the Rural-Urban Studies Unit and the Department of National Health and Population Development, it was agreed that, in order to obtain a multi-disciplinary perspective on funding allocation and disbursement in partnership with communities, the total research team would be set up to include a planner, a public finance specialist and a community consultant with qualifications in sociology or political science.

Suitable candidates were identified, and the consultants were briefed for their contribution to the workshop at which the preliminary findings were tabled (see below).

### **Interviews with practitioners and communities**

Three interview schedules were designed, tested in a pilot phase and amended. The interview schedules were aimed at three separate universes:

- Professional members of development agencies possessing a general overview of the community development and development financing environments.
- Staff members of development agencies who are actively involved in the implementation of development projects.

- Members of communities in which community development projects are being carried out.

A list of interview candidates from the funding and implementation environment was compiled, drawing firstly on community development bodies of whom the researchers and the three consultants to the project had personal experience. Interview candidates were also asked to name any other potential interview candidates. A list of possible case studies (see below) was compiled in a similar fashion.

Communities where development projects have been undertaken were identified by the researchers on the basis of previous research undertaken in areas of KwaZulu-Natal. Fieldworkers who were familiar with rank and file residents and leaders in the communities were briefed to obtain interviews from ordinary residents as well as from members of community based structures. Interview candidates included:

- State and local funders.
- State, municipal and private sector planners.
- Decision makers.
- Development firms.
- Service delivery agencies.
- Non-governmental organisations offering advice and assistance to communities.
- Non-governmental organisations involved in delivery of services.
- Community representatives.
- Rank and file community members.

The interview schedules were designed to elicit perceptions from these target communities in regard to such issues as:

- The source and use of funding.
- The mechanisms used to disburse funds for the project.
- Whether funding takes the form of a loan or a grant/subsidy.
- Whether the grant or loan is made to individuals or groups.
- Contact procedures.
- The role of intermediaries between the source of funding and end users.
- Perceptions of community participation, transparency and sustainability.
- The procedures whereby communities communicated their needs to developers.
- The community's perceptions of whether or not their expectations were fulfilled.
- Sources of community discontent with the development initiative.
- The community's perceptions of the levels at which community members were involved.

- ☛ The degree to which community members were informed about the financial aspects of the development project.
- ☛ Community perceptions of the development process as a result of their experience of development projects.

The April 1994 general election proved an obstacle to the fieldwork. Many members of the development agencies involved in KwaZulu-Natal were also involved in the electoral process as monitors, voter educators and in peace keeping duties.

For this reason, the intensive interviews - each lasted between an hour and a half and two hours - were often difficult to schedule. Pre-election violence in KwaZulu-Natal also made community interviewing difficult.

### **Identifying projects for case studies**

In terms of the project proposal and the memorandum of agreement between the Rural-Urban Studies Unit and the Department of National Health and Population Development, it was agreed that case studies would be undertaken of two projects which attempt to bridge the gap between financial planning and the communities on the ground, using both interviews and available written material.

Permission was obtained to deal with two suitable community development projects for case studies. These were:

- ☛ A service delivery and upgrading scheme in collaboration with the private sector in a dense informal settlement in metropolitan KwaZulu-Natal.
- ☛ A community development project in near-rural KwaZulu-Natal.

Negotiating permission to undertake the first case study proved a difficult and time consuming process. It was not enough to consult with project management. Consultation with community leaders, a difficult process at the best of times, also needed to be undertaken. Tensions in KwaZulu-Natal before the election further complicated the community liaison process.

### **Workshop to discuss preliminary findings**

A workshop was organised by the researchers to take place at the University of Natal, Durban, on Tuesday September 6, 1994. The purpose of the workshop was to present the draft report regarding communities and the funding process. Participants included the researchers, project consultants, members of development agencies and members of communities.

## **APPENDIX TWO: WORKSHOP PROCEEDINGS**

**Hosted by the Rural-Urban Studies Unit of the Centre for Social and Development Studies at the University of Natal, Durban.**

**September 6, 1994**

This summary is in three sections. The first deals with four important findings of the preliminary research phase, which are significant because they are counter intuitive. The second deals with problems of achieving accountability. The third summarises five areas where action may be taken to promote increased community involvement in the allocation, control and spending of funds for community development.

### **Four counter-intuitive findings**

The presentations by Catherine Cross and Craig Clark produced four important, counter-intuitive findings about factors which critically influence the success or failure of development initiatives. These are:

- ☞ Though funding arrangements are important to the development challenge, it is rather the differing interests and roles of different actors in the development process which are critical.
- ☞ Though corruption does occur, it is rather the unwise allocation of funds - typically involving honest mistakes - which is critical.
- ☞ Though development does involve service delivery - the delivery of goods - it is the delivery of empowerment which is critical.
- ☞ Though bureaucracy and planning are important to development interventions, it is innovation and creativity in relationships with communities that is critical.

These four counter-intuitive findings all impinge on the important issue of accountability, both between extra-community actors in the development process and recipient communities, and between community leadership and rank and file community members.

### **The politics of accountability**

Accountability may be defined as the extent to which the actors involved in a development project recognise that the decisions they make have to accord with

the wishes of rank and file members of the recipient community, and the extent to which communities are able to apply sanction against them if this does not transpire.

The question of accountability arises in relation to the need to counter the culture of secrecy which has long prevailed in development in South Africa, largely as a consequence of the development arena being dominated by state bureaucracies which sought to utilise development as a means of subjugation and control.

While state bureaucracies are moving towards utilising development for upliftment and empowerment, their operational procedures are more difficult to transform, and moreover have been adopted by private sector implementation bodies like contractors and engineers.

Both state and private sector bureaucracies often do not want to be held accountable to communities. Individual bureaucrats seek to hold onto their jobs and/or to advance in a career, and the best way to achieve this is by achieving successful delivery in measurable units, while avoiding career harming identification with failure at any level.

Because earnings in bureaucracies depend only marginally upon performance, career safety depends directly on the success or failure of delivery, and accountability may jeopardise a career path.

Bureaucrats are therefore not entrepreneurial in their behaviour and risk avoidance is a high priority. Not being held responsible for failure is a major part of organisational behaviour, for which the basic principle is 'playing by the rules': observing the strict letter of agreed procedures without using initiative, which may pay off if successful but which runs a higher risk of backfiring if something goes wrong, and may have disastrous career results.

For this reason, bureaucracies are notoriously reluctant to take decisions, especially decisions which may be in conflict with, or require an innovative application of, 'the rules'.

Similar constraints operate in regard to community leadership. While overall it is true that community members seek to improve the quality of their lives through getting tangible benefits, some individuals may also seek recognition and social or political advancement.

While community leaders may claim to articulate the needs of all community members, the extent to which they are capable of doing so in the absence of electoral procedures is questionable. Community leadership may therefore not be accountable to rank and file community members, and may oppose moves to establish accountability since this would jeopardise the influential position which the leadership has regarding the community.

Community leaders are therefore prone to act as gatekeepers in development projects, and inform communities only partially and serially of the decisions which are being taken and which impinge on the development of the community.

In order to achieve full accountability, it is necessary for information about the development process to flow freely between different categories of actor: that is, for the process to be transparent. However, transparency is often seen by the developers as slowing down the delivery process.

Between communities and development bodies, there are differing expectations of what can be delivered in the available time. The bureaucracy may assume that they are there to deliver a product as quickly and as cheaply as possible, while community members expect that they will be able to interrogate the process.

The challenge is to plan the right mix of roles for funders, deliverers, intermediaries and community members and leaders in the development process. In this process, appropriate time for consultation and negotiation before the project is launched needs to be found.

### **Areas for activity**

Five important recommendations flow from the preliminary findings of the study:

- ☛ It is important to include the transaction costs of a slow consultation process in the project budget, and this must be incorporated into the project proposal. The goal of the consultation process must be to identify ways of directing the flow of information about the project into the community so that they are able to participate fully in planning the project. The goal must be to promote the maximum degree of inclusiveness possible.
- ☛ Incentives must be developed for people who are willing and able to dissociate themselves from the state, funding and non-governmental organisation sectors and become involved in interacting with communities at the grassroots level. Rewards for these activities need to be extended beyond their narrow professional roles, and innovation which is unsuccessful should not be punished too severely.
- ☛ Members of bureaucracies need to develop experience at the community level of community experiences and expectations from and perceptions of the development process.
- ☛ The role of intermediaries in the development process needs to be evaluated, and standards for intermediary behaviour need to be developed.
- ☛ A public programme aimed at informing everyone of capacity building and the need for a mass based programme of sustainability needs to be promoted.

**What happens to money used in development projects?  
Are there better ways of spending it?  
Are people on the ground involved in deciding how  
money is spent?  
And what about the problem of corruption?**

**The idea of transparency in development - the notion  
that ordinary people are able to find out everything they  
want to know about development - is important to the  
success of the Reconstruction and Development  
Programme, South Africa's massive programme of  
social upliftment and infrastructural development.**

**But it is unclear to what extent ordinary community  
members have access to information about  
development projects happening in their communities.**

**This book suggests that one of the biggest problems  
facing the Reconstruction and Development Programme  
is conflicts of interests between developers and  
communities.**

**Transparency, particularly in regard to funding, may get  
in the way of developers, who want to deliver quickly  
and cost effectively. Communities want to be  
consulted, but information about development and  
funding is not being volunteered to community  
leadership. When it is, it is not handed down to people  
on the ground.**

**The book argues that transparency lies at the root of  
empowerment, and examines ways of empowering  
communities by improving their access to information  
about funding and development. Only by *Coming Clean*  
can all parties ensure that real development happens.**

**Indicator Press**

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