TOWARDS GUIDELINES FOR LABOUR-BASED CONTRACTING

A framework document

Edited by Derek Miles

MART Working Paper No.1

in association with
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<tr>
<td>AGETIP</td>
<td>Agence d'execution des travaux d'interet public contre le sous emploi</td>
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<tr>
<td>ASIST</td>
<td>Advisory, Support, Information Services and Training</td>
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<tr>
<td>CSIR</td>
<td>Council for Scientific and Industrial Research (RSA)</td>
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<tr>
<td>DSR</td>
<td>Department of State Roads</td>
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<tr>
<td>EB</td>
<td>Equipment-based</td>
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<tr>
<td>GTZ</td>
<td>Deutsche Gesellschaft fur Technische Zusammenarbeit</td>
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<tr>
<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
</tr>
<tr>
<td>ICE (UK)</td>
<td>Institution of Civil Engineers (UK)</td>
</tr>
<tr>
<td>IHE</td>
<td>International Institute for Infrastructural, Hydraulic and Environmental Engineering (Delft)</td>
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<tr>
<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>ITDG</td>
<td>Intermediate Technology Development Group</td>
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<tr>
<td>IYCB</td>
<td>Improve Your Construction Business</td>
</tr>
<tr>
<td>LB</td>
<td>Labour Based</td>
</tr>
<tr>
<td>MART</td>
<td>Management of Appropriate Road Technology</td>
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<tr>
<td>NGO</td>
<td>Non-governmental organization</td>
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<tr>
<td>ODA</td>
<td>Overseas Development Administration</td>
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<td>POL/DEV</td>
<td>Policy and Development Branch (ILO)</td>
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<tr>
<td>RMI</td>
<td>Road Maintenance Initiative</td>
</tr>
<tr>
<td>ROMAR</td>
<td>Road Maintenance and Regravelling (Handbook and Workbook)</td>
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<tr>
<td>SAACE</td>
<td>South African Association of Consulting Engineers</td>
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<tr>
<td>SAFCEC</td>
<td>South African Federation of Civil Engineering Contractors</td>
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<tr>
<td>SAICE</td>
<td>South African Institution of Civil Engineers</td>
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<tr>
<td>SKAT</td>
<td>Swiss Centre for Development Cooperation in Technology and Management</td>
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<td>SAMAT</td>
<td>Southern Africa Multi-disciplinary Advisory Team (ILO)</td>
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<tr>
<td>SC</td>
<td>Small Contractor</td>
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<tr>
<td>SS</td>
<td>Small Scale</td>
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<td>SSC</td>
<td>Small Scale Contractor</td>
</tr>
<tr>
<td>SSE</td>
<td>Small Scale Enterprise</td>
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<tr>
<td>TA</td>
<td>Technical assistance</td>
</tr>
<tr>
<td>TOR</td>
<td>Terms of Reference</td>
</tr>
<tr>
<td>TRL</td>
<td>Transport Research Laboratory</td>
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<tr>
<td>WB</td>
<td>World Bank</td>
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<tr>
<td>WITS</td>
<td>University of Witwatersrand</td>
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</table>
ACKNOWLEDGEMENTS

We wish to acknowledge the contribution made by all the workshop participants listed below and particularly by the facilitator Mr H. Moinuddin and Ms Monica Dombo, Project Secretary, ILO/ASIST, who was responsible for documentation and workshop administration. We are also grateful to Peter Bentall and Monica Dombo for compiling the draft workshop report upon which this document is based.

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The active cooperation of the ASIST personnel under the direction of David Stiedl enabled the effective planning, organisation and successful outcome of the workshop in conjunction with the MART team.
INTRODUCTION

This framework document on labour-based contracting for the roads sector in low income countries represents a collaborative effort between the UK-based Management of Appropriate Road Technology (MART) initiative and the International Labour Organization (ILO). It is intended to provide a useful set of checklists for practitioners, but also forms a preparatory stage in securing funding for the production of a comprehensive manual to assist policy makers, programme designers and those responsible for the implementation of these projects.

Both MART and the ILO have an interest in promoting this work. MART is already contractually committed to prepare basic guidelines on the institutional aspects of contractor development as part of its ODA-supported research project, while ILO appreciates the need for more comprehensive and detailed guidelines in view of the increasing demand for advice and assistance in the private sector execution of labour-based infrastructure works. The two parties accordingly agreed to sponsor a joint workshop at Mazvikadei, Zimbabwe during the period 27 November to 1 December 1995.

The purpose of the workshop was to bring together 30 international specialists on this topic, and agree a detailed framework for the preparation of detailed guidelines covering both strategic and operational issues. Participants were carefully chosen, both to represent an international spectrum of labour-based contracting experience, and to provide an assurance of success based on previous working relationships in similar meetings. The overall objective of the workshop was to secure detailed recommendations and a realistic action plan by:

- Reviewing and consolidating experience
- Defining and agreeing issues
- Drawing up an outline Table of Contents
- Defining target audience/users
- Defining the scope of work in each section of the “Table of Contents”
- Identifying potential resource persons, responsibilities and cost estimates
- Discussing applicability to sectors other than labour-based roads.
- Identifying immediate follow-up steps required to implement the action plan.

The workshop programme is attached as Annex 1, and the initial expectations of the participants are attached as Annex 2. After explanations of the respective objectives and roles of ILO/ASIST and MART, the workshop considered a number of introductory papers and presentations. Discussion commenced with the preparation of a list of issues to be

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1 The MART initiative is based on ODA Technology Development and Research Project R6238, led by the Construction Enterprise Unit, Institute of Development Engineering, Loughborough University, U.K. in collaboration with specialist consultants Intech Associates and I.T. Transport.
2 The provisional title is “Guidelines on Enabling Small-Scale Contracting for Labour-Based Road Works”.
addressed (Annex 3). General issues which arose during the course of plenary discussion are listed in Annex 4, and a list of issues of specific concern to contractors are set out in Annex 5.

Plenary discussion helped to polarise the positions of those who saw the priority of the proposed Guidelines as aiming to promote a better understanding of the principles which underlie the process of developing labour-based contracting systems and those whose priority would be a practical “Users Handbook”. This dichotomy was recognised by separating the Guidelines into two components (which may result in one or two volumes depending on editorial and funding considerations), Part A for institutional issues and Part B for operational issues.

<table>
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<th>OUTLINE TABLE OF CONTENTS</th>
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<td>A2 Investment and Market Profiles</td>
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<td>A3 Enabling Environment</td>
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<td>A4 Contracting Development Policies</td>
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<td>A6 Capacity Building for Delivery Systems</td>
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<td>Part B: Operational Issues</td>
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<td>B1 Introduction</td>
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<td>B2 Delivery Systems</td>
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<td>B3 Technologies</td>
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<td>B4 Contractor Identification</td>
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<td>B5 Contract Procedures</td>
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<td>B6 Access to Resources</td>
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<td>B7 Equipment Maintenance/Management Systems</td>
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<td>B8 Control and Monitoring Capacity</td>
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<td>B9 Labour Issues</td>
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<td>B10 Training Programmes</td>
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The proposed detailed contents for the Guidelines are set out in the following two sections\(^8\), which form checklists on institutional and operational issues respectively. Each section starts with a group of chapters which aim to assist the reader to understand the system, and is

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8 *See Annex 7 (page 31) for suggested sources of information in the various topics*
followed by advice on how to design projects and programmes that will implement the system economically and effectively. The framework is illustrated on the following page, and provides a route map for those readers seeking a checklist on a specific topic.

The final section describes the format envisaged for the full guidelines and the scope of work likely to be involved in their preparation, and is supported by suggested sources of information (Annex 7), suggested terms of reference for selected chapters (Annex 8),
estimated costs for preparation (Annex 9) and an outline work plan for implementation (Annex 10).
CHECKLIST OF INSTITUTIONAL ISSUES

A1. FOCUS

1.1 Preface
- Why Small-scale Contracting (Stock/de Veen paper)
- Why roads?
- Why regional bias?

1.2 Scope
- Roads
- Urban/Rural
- Paved/Unpaved
- Maintenance/Rehabilitation/New works
- Private sector involvement
- Related markets

1.3 Why the Private Sector
- Potential/Perceived efficiency
- Flexibility
- Rationalisation
- Innovation
- Increasing capacity
- Better financial management and accountability
- Cost savings through competition (Economics)

1.4 Why Small-scale Contracting
- Small firms create more employment
- Small firms more likely to use LB methods
- Capital constraints
- Low overheads and mobilisation costs
- Market flexibility
- Inter-sectoral flexibility
- Good entry point for small entrepreneurs
- More efficient for small works
- Less risk
- Local resources utilization
- Targeting of aid
- Economic empowerment (disadvantaged communities)
- Reduced heavy equipment imports (forex saving)
- Better access to the disadvantaged rural areas

1.5 Benefits of LB Technology
- Cost-effective for certain tasks
- Less investment in capital equipment
- More employment
- Job creation in targeted groups
- Local communities can cope with future maintenance
- Reduced need for specialist skilled workers
- Reduced capital repatriation
- Reaching disadvantaged communities
- Better utilisation of local resources
- Stimulates local economy (cash injection)
- Environmentally friendly
1.6 Range of Objectives
- Employment creation
- Economic empowerment
- Cost-effective execution of road works
- Skills transfer
- Small-scale contractor development
- Development of new capacity
- Community participation
- Make whole industry more competitive
- Cost reductions
- “Level playing field” for disadvantaged group(s)
- Improved capacity for routine maintenance
- Attract donor funding

1.7 Targets/Indicators
- How to weight options

A2. INVESTMENT AND MARKET PROFILES
2.1 Defining the road sector market: the actors and their respective roles, objectives and policies
- The market
- The actors roles and objectives interaction
- Existing market shares
- Equipment-based vs Labour-based
- Small vs Large
- Force account vs Private sector (Definitions)

2.2 Other related markets with potential for small contractors
- Issues under A2.1 to be addressed for agriculture, building, civil works and so on, where potential exists for synergy

2.3 Options for change
- Potential impact
- Links between labour-based and equipment-based small contracting development programmes
- Decentralization of decision-making
- Contracting out of operational activities
- Increased maintenance funding
- Local resource policy by funding agencies
- Coordination with other relevant markets/sectors

A3. ENABLING ENVIRONMENT
3.1 Government commitment and policy framework
- Role as agent of change
- Enabling environment for:
  Contractors
  Small Contractors
  Small Contractors Road Sector
  LB-SSC - Road Sector
- Adapting client role/ attitudinal change
- Local resources utilization
- Decentralization
- Education and professional development
- Community involvement
- Inter-sectoral planning and coordination

3.2 Government legislation key issues
- Contractors Associations
- Anti Cartel
- Labour Issues, Standards, Unions
- Community compacts and by-laws
- Equipment lease and hire purchase
- Consultant sector
- Fiscal, financial audit, procurement

3.3 Fiscal Regime
- Taxes
- Import duties
- Subsidies
- Levies

3.4 Clients financial administration
- Secure Funding
- Dedicated Road Fund Board: Stakeholders
- Financial planning and management
- Timely payment
- Effective audit

3.5 Management Framework
- Autonomous Roads Authority
- Performance contracts
- NGOs
- Communities
- Realistic remuneration and career development
- Competent and motivated staff
- Competent specialist consultants
- Continuity in personnel and funding
- Internal co-ordination and collaboration

3.6 Procurement procedures/policy
- Practices
- Decentralization
- Contract packaging
- Contractor classification
- Capacity (local) building
- Development of standards involving stakeholders
- Appropriate technical standards (involve community)
- Local supply of appropriate tools and equipment

3.7 Donor Policy
- Practices and experience
- Sector related coordination by government
- Collaboration
- Technical assistance (if required)
- Continuity

A4. CONTRACTING DEVELOPMENT POLICIES
4.1 Client
- Institution building
- Capacity building
- Training and related measures
- Realistic remuneration
- Reserved market for LB-SS Contractors
- Simplified tendering procedures
- Pricing policy:
  - Set rates
  - Negotiated rates
  - Competitive rates
- Simplified contract procedures
- Quality assurance and accountability
- International information exchange

4.2 Agents
- Define agents:
  - Consultants
  - AGETIPs
  - NGOs
- Issues listed under “client” above
- Competent technical staff

4.3 Contractor
- Contractors Association
- Development
- Contractor prequalification
- Training and related measures
- Equipment issues
- Selection of appropriate tools and equipment

A5. FUNDING MECHANISMS
5.1 Objectives
- Adequate programme funding
- Access to tools and equipment
- Timely payment

5.2 Funding sources
- Construction/Rehabilitation
  - External loan/grant
  - Local development budget
- Maintenance
  - External development, training
  - Local, Ministry of Finance, road fund
- Consultants
  - For: training, advisors, design, monitoring, supervisors
  - Foreign consultants - external
  - Local consultants - external/local
- Equipment and Tools
  - External loan/grant
  - Local
  - Private

5.3 Disbursement
- Donor disbursement procedures and constraints
- Use of local banks
- Revolving funds
- Special accounts
- Government disbursement procedures and constraints
- Delegating authority for payments

5.4 Successful Roadfund (Ghana, Sierra Leone, Zambia)
Mechanisms
Use of Local Bank for credit of tools/equipment (Mexico,
Lesotho, Ghana, Sierra Leone)
Revolving funds (Ghana - equipment)
Special accounts (USAID/DANIDA Ghana, World Bank/KfW
Uganda, World Bank Lesotho)
Decentralized payment of Routine maintenance/labour-based
contracts (Ghana, Uganda, Mexico)

A6. CAPACITY BUILDING
6.1 Actors and their roles (general responsibilities)
1. Clients/government departments
2. NGO (AGETIP)
3. Consultants
4. Contractors
5. Sub-contractors
6. Communities
7. Beneficiaries/road users
8. Parastatals

6.2 Models
Note: Numbers in country examples refer to Actors
6.1 above
- Ghana/Uganda/Lesotho 1 + 4
- Senegal 1 + 2 + 3 and 4
- Malagasy-Maintenance 2 + 4 + 6 + 7
- RSA 1 + 3 + 4 + 5 and 6
- Indonesia 1 + 3 + 4
- Philippines 1 + 4 + 5
- Mexico 1 + 6
- India 1 + 4 + 5
- Tanzania a) 1 + 4 assisted by 8
  b) 1 + 2 + 3 + 4 assisted by 8

6.3 Comparing characteristics of models
- Country characteristic matrix
- Control and monitoring
- Use of consultants and technical assistance
- Risk sharing
- Necessary capacity for effective delivery
- Role of actors in relation to models
- Development of database for inter-active model analysis?

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CHECKLIST OF OPERATIONAL ISSUES

B1. INTRODUCTION (If in two volumes)
1.1 Overview
1.2 Scope
1.3 Focus on implementation

B2. PROJECT DELIVERY SYSTEMS
2.1 Contract
   Contract Classification (LB):
   Classification and Strategy
   - New Works/Rehabilitation/Maintenance
   - Define time, contract sum, technical complexity
   - Only Minor (small scale), or Micro (formerly petty)
     i) Unforeseen risks minimized
     ii) No responsibility for design
     iii) Minor risks/Reduced sureties

   Contract Strategies:
   - Client’s capacity
   - Management contracting capacity
   - Appropriateness
   - Procurement procedures
   - Scale of project and nature of work

   Design/Supervision/Facilitation arrangements:
   - Turnkey (Design/construct)
   - Public Sector: Private Sector: NGOs
   - Responsibility within delivery systems
   - Function and Relationship

2.2 Prime (main) contracting with/without technical support

2.3 Construction management with/without risk (Agent of client)

2.4 Management contractor

2.5 Community contracting

<table>
<thead>
<tr>
<th>Issues for items 2.2 to 2.5</th>
<th>General Issues</th>
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<tbody>
<tr>
<td>Delivery systems (Various):</td>
<td>Time/cost/quality</td>
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<tr>
<td>Roles, rights, risks, functions and obligations of participants</td>
<td>Health and safety</td>
</tr>
<tr>
<td>Advantages/disadvantages</td>
<td>Obligations</td>
</tr>
<tr>
<td>Where used, (opportunities/constraints)</td>
<td>Cost structuring</td>
</tr>
<tr>
<td>How issues raised are addressed</td>
<td>Access to capital</td>
</tr>
<tr>
<td>Overview of appropriate documentation</td>
<td>Bridging finance</td>
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<tr>
<td></td>
<td>Clients responsibilities including land rights and compensation</td>
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</tbody>
</table>

B3. TECHNOLOGIES

9General Issues
3.1 State of the art
Types of technologies:
- roads; bases/surfaces
- culverts
- bridges
- linings to drains
- other technologies
Sources of information, description of technologies, where used, state of development

3.2 Choice of Technology
- Economic viability
- Technical feasibility
- Matching of technology to project objectives/resources/constraints
- Local resources
- Level of local development of industry

3.3 Appropriate standards
(materials/construction)
- Review of design criteria, parameters and loadings
- Simple test to regulate standards
- Geometrics
- Materials requirements
- On site manufacture of materials
- Levels of compaction

3.4 Tools and Equipment
- Economic life
- Availability
- Sustainability
- Quality
- Local manufacture
- Productivity
- Maintenance and spares

B4. CONTRACTOR IDENTIFICATION
4.1 Contractor Profile
- Overview of existing contracting capabilities of the industry
- Level of resources (staffing/equipment/skills/financial/experience/assets/qualification)
- Targeting of existing contractors/new entrants/communities
- Targeting by gender/ethnic/regional/population
- Entrepreneurs/government employees
- Nature of work (level of expertise required)

4.2 Selection procedures
- Transparency/fairness

- Surfaced/unsurfaced - Maintenance/Rehabilitation
- New works - Appropriate structures
- Labour management systems - Productivity/Costing
- Forecasting - Haulage
- Scale of work - Supporting literature
4.3 Contractor registration

Reasons for:

Advantages/disadvantages
- Individuals/companies
- Classification for LB Contractors?
- Criteria for registration
- Certification vs registration
- Positive measures
- Responsibility for registration

General Issues
- Needs assessment
- Priority to “Entrepreneurs”
- Targeting

B5. CONTRACTING PROCEDURES

5.1 Appropriate contract documentation
- Fitness for purpose
- Focused
- Appropriate to local conditions
- Compatible with national/recognised standards and institutionalisation of documentation.
- Appropriate general conditions/ specifications/ measurement/pay items/special conditions/drawings
- Technical/legal implications and completeness
- “Method” vs “Performance” specifications
- Critical items to be covered:
  Adjudication criteria/settlement of disputes
  Financial reliefs and escalation
  Prequalifications
  Concessions/waivers
  Restrictions on use of equipment
  Determination procedures
  Penalties
  Peculiarities to Delivery Systems
  Risks/Rights/Rewards

5.2 Tendering Procedures
- Open/restricted
- Fixed/competitive/partially competitive/negotiated/guide rates
- Prequalification
- Procedure details and time frame
- Tendering training: Client/consultant/contractor/community
- Role of Contractors Association
5.3 Tender adjudication
- Responsibility adjudication/ recommendations/acceptance
- Transparency and fairness
- Evaluation criteria
- Role of Tender Board/delegated authority
- Awarding of tenders
- Time frame

5.4 Appointment of support/professional services/material suppliers. Training providers
- Internal/external (need for TA)
- Terms of Reference
- Policies of client
- Compatibility with delivery systems
- Critical issues to be addressed in terms of appointment
- Standard formats to allow upgrade

5.5 Contract administration
- Responsibilities/Obligations
- Procedures
- Technical Auditing
- Certification for Contract Compliance
- Bridging financial arrangements
- Delegated authority
- Size of contract (funds central/ decentralised)
- Control and monitoring

5.6 Payment procedures
- Financial arrangements
- Accounting procedures
- Delegated authority
- Financial audit
- Procedures for payment
- Flow of funds
- Time frames
- Compensation for delayed payments

5.7 Reporting
- Design/relevance/interactive nature of reports
- Baseline reporting/pre-contract
- Progress reporting
- Internal (Contractor) reporting
- Close out (terminal) report
- Target Audience

B6. CONTRACTOR’S ACCESS TO RESOURCES
6.1 Access to Credit
- Role of Banks and Credit Agencies
- Overdrafts
- Advances
- Factoring -Client specific
- Mobilization payment
- Labour payment advances
- Suppliers’ credit
6.2 Access to Tools, Equipment and Spares
- Supply contracts for equipment
- Commercial plant hire
- Contractor Association (Cooperative) plant pools
- Access to forex
- Government Plant Pools
- Hire Purchase and leasing
- Subsidized purchases
- Local manufacture of tools
- Tools advances by client
- Second-hand equipment

6.3 Access to Materials
- Supply contracts for materials
- Bulk purchases

6.4 Access to Human Resources
- Purchase expertise on open market
- Training:
  - Informal (on the job)
  - Formal (Programmes)
  - Technical Assistance (Aid/secondment)

B7. MANAGEMENT OF TOOLS AND EQUIPMENT
7.1 Maintenance options
(self, private garage)
- Contractor’s own staff
- Contractor’s equipment maintenance training programme
- Contractor buys maintenance services
- Supplier’s maintenance contract

7.2 Efficient utilization of equipment and tools
- Training on efficient equipment utilization
- Planning and monitoring equipment utilization
- Problems with hiring between contractors
- Maintenance of hand tools
- Equipment/tools selection and specification

7.3 Replacement and continuity issues
- Costing plant for replacement
- Compensating for inflation

B8. CLIENT CONTROL AND MONITORING CAPACITY
8.1 Financial aspects of work
- Internal/External auditing
- Simplified measurement procedures that can be used by less qualified staff
- Systems to ensure that money for payments is available
- Systems to ensure timely payment
- Decentralization of financial authority and responsibility

8.2 Quality of work
- Develop/use simple testing equipment
- Establish testing procedures
- Internal/external auditing
- Realistic quality standards
- Foolproof progress reporting systems

8.3 Legal obligations - Simplified measurement procedures
- Simplified dispute settlement options

8.4 Market regulation - Clear roles and responsibilities for the actors
- Managing the transition from force account to contracting

B9. LABOUR ISSUES

9.1 Setting wages - Optimum wage for contractor (acceptable productivity and profit)
- Wage rates to ensure LB project sustainability (from client’s view point)
- Existing wage regulations
- Scope for negotiations as “special” project
- Incentive schemes

9.2 Setting conditions of work - Review and amend labour law to suit LB works
- Appropriate safety regulations

9.3 The role of the Trade Unions - Establish dialogue with Trade Unions where applicable
- Establish dialogue with Contractors Associations
- Establish dialogue with community (where applicable)
- Gender issues
- Recruitment and seasonal fluctuation

9.4 Application of labour standards - Highlight relevant labour standards, sections

B10. TRAINING PROGRAMME

10.1 Identification of Target Groups - Training requirements: “Who is to be trained and for what”?
- Community awareness training
- Client staff training
- Consultant training
- Contractors and their staff

10.2 Training Preparation - Identification of training objectives
- Training facilities
- Available training material identified
- Training material to be produced
- Training material to be adapted
- Incentives for participation

10.3 Training Design - Assessment of training needs
- Design of feedback and follow-up methodology (from site)
- Training methodology/approach
- Design selection criteria for trainees
- Schedule of training
- Trainee performance assessment

10.4 Training Financing
- Participation fees - link to sustainability
- Training levy as a means of raising funds
- Trainees’ commitment/options for payment by participating contractor

10.5 Training Providers
- Local, national and international
- Skills transfer to local institutions
FORMAT AND SCOPE OF WORK

It is envisaged that the Guidelines will be produced in A5 format (bound so as to lay flat when opened) and will be indexed. The book will contain about 340 pages or 130,000 words. The main text must be consistent throughout with graphics and illustrations and should contain working annexes. The World Road Association (PIARC) will be approached with a view to involvement in publication, in view of the successful experience with the International Road Maintenance Handbook.

A substantial initial print run of the order of 5,000 copies is foreseen, and it may be advisable to achieve a two-tiered price structure to ensure access to readers in developing countries.

The main target groups will be:

- **Policy Makers** - who need to be persuaded that labour-based technology in the private sector has social, economic and technical advantages worth serious consideration. They would primarily use Part A of the Guidelines.
- **Programme Designers** - who are a key target group needing a full appreciation of both Parts A and B of the Guidelines to ensure that agreed policy is translated into workable programmes.
- **Implementers** - those who need the day-to-day Users Handbook represented by part B, to be able to understand the practical issues in the operation of these programmes.

Other potential users are:

- Contractors
- Contractor Associations
- Donor/Funding Agencies
- Consultants
- Teaching Institutions
- Professional Institutions
- Centres of Excellence
- NGOs
- Ministries/Road Agencies/Institutions
- National Planning Authorities
- Trainers/Training Institutions
- Local Financial Institutions

As far as possible participants identified known sources of available information for the various sub-headings and issues to which authors could/should refer when compiling their contributions (Annex 7). Outline Terms of Reference for selected chapters were produced by the Groups for the guidance of contributing authors and the coordinating editor of the Guidelines (Annex 8). After reviewing the scope of the inputs required for each Chapter, estimates were made of the workdays needed to produce the various contributions. This was then completed by estimating the overall costs involved, which came to around $225,000 for 426 days of input (Annex 9).

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10 Basis for estimating the total length is: 17 sections, each with an average of 5 sub-sections, making a total of 85 items. If 4 pages per item, total 340 pages.
There was general agreement that this is of the right order of magnitude (although it was judged by some to be on the low side, but on the other hand there may be some duplication within the various chapters). A tentative work plan for implementation is attached as Annex 10.

In order to achieve consistency it is essential that there should be a single editor for the Guidelines (the Workshop suggested that Derek Miles should take on this role). Assuming that the guidelines are prepared as a joint venture between the ILO and MART, the Workshop suggested that it might be appropriate to establish a three member Editorial Review Panel (with one nominee each from the ILO and MART and one independent member)\(^\text{11}\). In such a case, it was envisaged that a range of specialists might be called upon to contribute to specific sections.

There was some discussion about the methodology to assess the success of the published Guidelines. One point made strongly was that the Guidelines should not be given away freely since they would be less well regarded and used than if they had to be bought (by institutions or individuals). Suggested Indicators were as follows:

- An increase in the number of small-scale contractors operating?
- The number of dropouts being no greater than an agreed percentage?
- The number of "successful" SSC (able to operate autonomously in a competitive environment)?
- The number of clients capable of contract supervision?
- The document in use with systems and procedures in place with a number of Institutions in a defined number of countries.
- Are SSC implementing contracts competitively i.e. more cost effective and affordable?
- Are bids from SSC within a narrow range of price differential and near Engineers’ estimate without cartels operating?
- Number of copies of the Guidelines sold?

The present document sets out the results of these deliberations, as a basis for soliciting the additional resources that would be required to meet the needs identified by the participants. Sections A2, A3 and A4 (investment and market profiles, enabling environment and contracting development policies) will in any event help to guide MART in producing the basic set of guide-lines to meet its commitment to the ODA.\(^\text{12}\)

\(^\text{11}\) Tentative suggestions for individuals who could be approached to serve as Panel members (assuming they are not major contributors) were:

- ILO nominees: de Veen, Edmonds, Stiedl, Tessem.
- MART nominees: Ellis, Guthrie, Thriscutt.
- Independent: Goris, Henriond, Hertel, Karlsson, Lantran, McCutcheon, Ravenscroft.

\(^\text{12}\) It was also noted that ODA would need to agree the modification to the original MART proposal in which more modest guidelines were envisaged.
## WORKSHOP PROGRAMME

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<td>• Contractor Development in AGETIP Programmes (Claes Andersson)</td>
<td>• Discussion of ILO-World Bank Paper</td>
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<td>• MART Objectives and Role (Derek Miles)</td>
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ANNEX 2

EXPECTATIONS OF WORKSHOP PARTICIPANTS

- Consolidate Pilot Project Experiences
- Fresh insights - Sustainable Programmes
- Consensus Guidelines for Labour-based Small-scale Contracting
- “New Light”, wider perspective
- Cement various views - consensus
- Transfer experiences into academic sector
- Influence Government expansion of LB Contracting
- Clear working direction for guideline implementation
- Guidelines of assistance to Kenyan Small Scale Contractors
- Practical investment policies for LB Works
- Institutional framework and facilitation of Contracting Sector
- Enabling environment for Small Scale Contractors.
- Guidelines ensuring continuity of work for contractors
- Clear guidelines on sustainable programme implementation
- 100s of thousands of contractors working on LB contracts
- Share experiences and get objectives in a practical direction
- Guidelines ensure sustainable environment for contractors to operate in
- Positive input in the requirements for LB projects
- Clear guidelines on how to start sustainable programmes
- Achieve set objective of outlining Guidelines
- Learn other people’s experiences
- Come up with appropriate guidelines (clear)
- Share experience
- Recommendations to focus on practical aspects
- Benefit from the seminar in implementing LB Contracting (Small Scale) in Zimbabwe.
ANNEX 3

LIST OF ISSUES TO BE ADDRESSED

Questions raised in the first plenary session of the workshop following presentations of papers

- What level of detail is required for different target groups?
- What level of detail is needed for Guidelines?
- Contractor Associations - how can they be made active?
- What are the most feasible market segments for S.S. LB contractors?
- Is the problem not the forcing of American/European technology (contracting systems) on African countries?
- How to make progress in contracting out of force account operations as fast as possible?
- Can force account units and contractors be managed by the same organization?
- Is it possible to force donors to stop harassing receiving governments with their procurement policies/rules?
- Should donors prescribe equipment suppliers to contractors/recipient governments?
- Does small scale contracting require a simplified arbitration procedure?
- Are “ordinary” contract specifications suitable for labour-based works?
- At what stage of development are contractors ready to “face the market”? How can donors positively assist/influence small scale development contracting?
- How to create markets for small scale contractors?
- Are Government Institutions capable of training small scale contractors?
- Should private sector and government personnel be trained together?
- Should governments be involved in the procurement of equipment for contractors?
- How to organize proper training programmes for LB works for small scale contractors?
- Contractors want profit, but how to avoid worker exploitation?
- Barriers of entry to S.S.Es - Would you add ...
  (a) “Lack of self-confidence”?
  (b) Pressure from dominant groups?
- Production arrangement “consulting firm” model. If this is used exclusively, is there a danger that SSCs not employed on projects will be neglected with regard to training?
- How small is S.C.? Is there need for regional classification?
- How do we confirm client goodwill during donor assistance and later when donor leaves? Change?
- How do we assure continuity of work until payment for equipment completed. Ghana example?
- Marginalised small scale contractors! International standardized way of assistance and management.
- Data gathering; there must be a better way than sending out questionnaires to small scale contractors. Particularly in the informal sector.
- How should training needs be assessed? Should there be a country analysis, or community level analysis?
- Feedback from trainees is of no use unless it is immediately acted upon for the improvement of training programmes. How should this be structured?
- Is improving capacity in selected universities and other institutions enough to make LB programmes sustainable?
- Are we only taking stock of ILO/ASIST experience or are we casting our net wider?
- MART Inception Report p.6.1. - Can we define “Centres of Excellence”?
- What are the National Economic and Social costs of not developing LB-SC Contracting?
- “Forcing” contractors to use LB methods. ...How can this lead to “Sustainability”?
- Should we be talking to governments regarding tax and write-down arrangements for equipment and tax breaks for L-B contractors?
- Are the small contractors we are targeting competing with the big contractors yet?
- How does 50% unemployment get addressed by the “market”?
- Leveling of "playing field" necessary
- Incentives for LB works to be adopted by governments
- How do we stop the free import of equipment in tied aid programmes?
- How to promote greater involvement of local consultants?
- Can communities become maintenance clients and/or increase client capacity?
- How to utilize funding and implementation mechanisms of social funds?
• Can contractors afford to restrict themselves to roadworks only?
• Does equipping the contractor tie him to roadworks?
• How to focus emphasis on maintenance? “very small contractors”; challenge clients attitude; visibility profile of maintenance
• Has any attempt been made to document and understand those cases where L-B contracting has occurred spontaneously, without project intervention? What should be the selection criteria of participants for small scale contracting?
• Should contractors associations be involved in the procurement of equipment for contractors?
ANNEX 4

MAJOR DISCUSSION POINTS

• The importance of the creation of an “enabling environment” if small-scale contracting is to be sustainable; and an analysis of “the market”.
• “Protection” for small-scale contractors, its advantages and disadvantages, and the ultimate objective of releasing them into the free market, competitive environment.
• The concentration on the roads sector as being the major potential market at present, but also the importance of enabling contractors to move freely into other appropriate fields to avoid a continuing “one Client” situation.
• The importance of the contractors having a “voice” through well established Contractors Associations.
• Many initiatives are only “project” oriented and this is one reason for the failure of any significant expansion of “a contracting market” in labour-based construction work.
• What is the justification (or otherwise) for “affirmative action” (e.g. in South Africa) to promote labour-based contracting?
• What is the role of Academic and Professional Institutions (“Centres of Excellence”) in achieving sustainability?
• The critical importance of sustainable maintenance strategies.
• The lack of any serious initiative to develop any local “consulting” capacity in most countries.
• The lack of data from elsewhere to match the “African” experience.

Other comments
• Generally 50% of emerging small businesses fail but this has not been reflected in labour-based contracting projects to date, which have seen extremely few “failures”. Are we being too protective?
• How do we judge “success” both of projects, which may achieve their immediate objectives but lead apparently nowhere, and the “Guidelines” (number of copies sold)?
• Maintenance has almost always been the neglected component in favour of the more “visible” and rewarding rehabilitation and/or reconstruction (exception Uganda).
• The issue of motivational disbursement of non-reimbursable funds is an ever present consideration.
ANNEX 5

ISSUES OF CONCERN TO CONTRACTORS

1. **Definition of Small-Scale Contractors**
   There is a need to have a clear definition:
   What about the "self-made ......?"
   Country specific!
   Classification is a must!
   Special class for lb contractors

2. **How to survive as a SSC?**
   Start to operate
   Registration - Trade license
   Classification
   Management ability
   Have facilities
   Have bank account
   Marketing ability
   Job continuity through association for SSC
   Understanding the Government's budget cycle

3. **How to get Contracts?**
   Assured job by the client
   Know what work is available (Media, Association, "Word of Mouth", relatives?)
   Provide quality work within scheduled time and budget
   Know who to lobby with
   A good record with claim resolution
   Good Tendering

4. **Crucial Problems**
   Late payment by client
   Irregular payment by client
   Lack of skills by contractors staff and difficulty to retain staff
   Lack of access to training
   Lack of credit facilities
   Unsuitable contract documents
   Loose business partnership
   Compensation for late payment automatic, in the same way as liquidated damages is applied
   Lack of job continuity
   Lack of good contract administration by client
   Unrealistic specifications

5. **Access to Training**
   Prohibitive costs of training
   Need to balance technical lb, business, contract management training
   Lack of relevant courses
   Lack of good trainers

A number of points of principle and detail were raised in the discussion session on this paper. These are summarised as follows:

- include a definition of labour-based methods to avoid misunderstanding and identify the scope of works, (paved/unpaved: rural/urban etc.)
- failure of expansion to date may stem from lack of “vision” and self-confidence of local engineers (which can often be suppressed by TA personnel)
- models given in the paper are “shallow” and not comprehensive. One (franchising) is only an example not a model. Two others, at least, come to mind; private investment in public roads and Community clients (e.g. Uganda before the elections)
- the paper does not consider any “development impact” in its five stated aims
- there will be “cultural” issues to be considered in trying to expand the methods
- RSA Framework Agreement should talk of Civil Engineering not Housing
- examples (Lancaster to Carlisle railway) should be identified and explained in context (e.g. Victorian Britain)
- an increasing number of international opportunities are available for staff with labour-based expertise and this represents a real incentive for local staff to join labour-based projects.
- Continuity of workload is important for contractors who have financial liabilities for equipment repayments (not simply timely payments)
- concern about including the AGETIP model as something like an “ideal”. Do not give the model that heading.
- labour-based technology produces better drainage systems than equipment based through more attention to detail (e.g. ditch gradients)
- in Appendix 6 it should be noted that the BHC interest rate of 20% to the contractors was imposed by the World Bank in the project agreement. The first two paragraphs could be rewritten more positively with other experience besides only one from Ghana.
- Parastatal models (not AGETIP which relies on donor funds) need further discussion
- plant hire is another option for equipment supply and could be discussed
- the advantages (or risks) of using existing contractors as against not using them needs further discussion. (e.g. establishing retrenched civil servants as contractors?)
- several factual corrections, additions and omissions were noted

Participants unanimously agreed that a modified version of the paper will contribute to the overall objective of expanding labour-based contracting by targeting the issues at the policy and decision making level.
## SUGGESTED SOURCES OF INFORMATION

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<td>- ASIST Database (ASISTDOC)</td>
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<td>- WB Book on Construction Industry</td>
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<td>- National plans and investment surveys</td>
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<td>- Selected donor country studies and reports</td>
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<td>- WB 1994 Report on Infrastructure</td>
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<td>- Mini Case Studies (from projects)</td>
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<td>- Foundations for Change (Edmonds/Miles)</td>
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<td>- Model Community Agreements South Africa, Nepal, Cambodia</td>
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<td>- Model Contractor classification systems e.g. Tanzania, South Africa, Ghana</td>
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<td>- RSA Procurement Reform</td>
</tr>
</tbody>
</table>
### INFORMATION SOURCES (continued)

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Available Information</th>
</tr>
</thead>
</table>
| B5      | - ILO/ASIST (Study Team, Data etc)  
- Country Specific  
- RSA Procurement Forum  
- NEC (UK)  
- ICE (UK): Minor Works Contracts  
- SAICE/SAACE/SAFCEC  
- WITS University/Pretoria |
| B6.1    | - ILO (Sierra Leone/Ghana/Lesotho)  
- IYB  
- SBDC (RSA)  
- Coopers & Lybrand  
- IYCB |
| B6.2 & 3| - WB "Contracting Out Road Maintenance Activities"  
- John Howe "Tools and Equipment"  
- ASIST |
| B6.4    | - UST (Ghana)  
- NGOs  
- Donor Agencies  
- ASIST  
- ILO Geneva |
| B7      | - ASIST  
- MART |
| B8      | - National construction and material standard  
- TRL (Testing equipment)  
- WB (Decentralisation)  
- Norconsult material Kenya  
- B8.3 not identified  
- ROMAR (Planning/reporting)  
- AGETIP (Reporting)  
- CSIR (RSA)  
- WB (Settlement disputes)  
- (Measurements/specifications) |
| B9      | - Tajgman ILO Harare  
- Rugege ILO Harare  
- ILO  
- ROMAR (Incentive Scheme?)  
- IYCB |
| B10     | - ROMAR  
- IYCB  
- Training Contractors for Results  
- Promatra/Khuphuka (RSA)  
- Wits University  
- Delft  
- Loughborough University  
- ASIST |
The following table sets out a brief checklist for the TOR for preparing chapters A5 and A6.

<table>
<thead>
<tr>
<th></th>
<th>Chapter A5</th>
<th>Chapter A6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Background</td>
<td>- Privatisation/domestic construction &lt;br&gt;- Small scale contractors &lt;br&gt;- Studies carried out &lt;br&gt;- Harare workshop results &lt;br&gt;- Structure of guideline &lt;br&gt;- Writing team &lt;br&gt;* MART - co-ordinating &lt;br&gt;* ILO - contributing &lt;br&gt;* Consultant - funding mechanisms/capacity building</td>
<td>- Privatization/domestic construction &lt;br&gt;- Small scale contractors &lt;br&gt;- Studies carried out &lt;br&gt;- Harare workshop results &lt;br&gt;- Structure of guideline &lt;br&gt;- Writing team &lt;br&gt;* MART - co-ordinating &lt;br&gt;* ILO - contributing &lt;br&gt;* Consultant - funding mechanisms/capacity building</td>
</tr>
<tr>
<td>2. Scope of services</td>
<td>- Write draft chapter Funding Mechanisms &lt;br&gt;- Suggested subheadings: &lt;br&gt;(i) Objectives &lt;br&gt;(ii) Items and sources of funds &lt;br&gt;(iii) Disbursement mechanisms &lt;br&gt;(iv) Successful mechanisms</td>
<td>- Write draft chapter on capacity building for delivery systems &lt;br&gt;- Suggested sub-heading: &lt;br&gt;• Actors &lt;br&gt;• Models &lt;br&gt;• Comparison of characteristics of models. &lt;br&gt;Specific work items &lt;br&gt;- Refer to cards describing contents of chapter sub-headings</td>
</tr>
<tr>
<td>3. Facilities/information provided</td>
<td>- Logistics &lt;br&gt;- Information</td>
<td>- Logistics &lt;br&gt;- Information</td>
</tr>
<tr>
<td>4. Duration</td>
<td>- 21-23 working days</td>
<td>- 46 days</td>
</tr>
<tr>
<td>5. Reporting schedule</td>
<td>- Submit first draft to coordinator (week 6) &lt;br&gt;- Discuss draft and comments &lt;br&gt;- Prepare final draft (week 8)</td>
<td>- Submit first draft to coordinator (week 6) &lt;br&gt;- Discuss draft and comments &lt;br&gt;- Prepare final draft (week 8)</td>
</tr>
<tr>
<td>6. Payment Schedule</td>
<td>(i) Advance mobilization (10%) plus travel and miscellaneous &lt;br&gt;(ii) 40% fees on submission of first draft &lt;br&gt;(iii) 50% fees on acceptance of final draft</td>
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</tr>
</tbody>
</table>
The following table provides brief terms of reference for Part B.

| B2, Delivery Systems | To detail at project level contract strategies and various delivery systems available, setting out the strengths and weaknesses relating to each option and their suitability and appropriateness in specific circumstances. In describing each system, attention must be paid to:  
• setting out the roles, rights, risks, functions, responsibilities and obligations of the participants  
• referencing where the systems have been implemented  
• demonstrating how the issues raised are addressed  
• highlighting the opportunities and constraints presented thereby  
• referencing appropriate documentation such as forms of agreements, conditions of contracts, implementation manuals and the like which are available in support of such systems  
• presenting examples and case studies to illustrate aspects of the systems.  
• aspects such as audit trace and accountability |
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>B3, Technologies</td>
<td>Present an overview of the current labour-based technologies within the road sector (rural/urban; surfaced/unsurfaced) with particular reference to choice of technology; appropriate standards and tools and equipment, highlighting the issues which need to be addressed.</td>
</tr>
<tr>
<td>B4, Contractor Identification</td>
<td>Present the procedures which need to be followed to establish contractor profiles, identify the range of options for contractor selection and overview the strengths and weaknesses of contractor registration and articulate the issues surrounding registration.</td>
</tr>
</tbody>
</table>
| B5, Contracting Procedures | To review the critical aspects of contracting procedures with particular reference to:  
• appropriate contract documentation  
• tender procedures  
• tender adjudication  
• appointment of support structures, professional services, materials suppliers, training providers and the like  
• contract administration  
• pay procedures  
• reporting  
In the review particular attention must be paid to:  
• the assigning of risks, rights and obligations to the various parties  
• describing the nature, quantity and quality of the works that is to be expected  
• recommendations on standardisation  
• recommended procedures  
• addressing the issues raised |
| B6 - B10 | Background:  
Problem, history, current situation, previous studies and guidelines, this workshop  
**General Assignment:**  
- Outline of the editorial process/layout and style  
- Headings (Described as above)  
+ other relevant issues  
**Detailed Tasks:**  
Issues (Described as above)  
- Collate  
- Review and analyze  
- Interface with other authors  
- Write  
- Edit |
## ESTIMATED COSTS

<table>
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<tr>
<th>Chapter</th>
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<th>Total Cost US$</th>
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<tr>
<td>A3</td>
<td>Research Writing</td>
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<td>A4</td>
<td>Research Writing</td>
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<tr>
<td>A5</td>
<td>Fees + Reimbursement</td>
<td>21-23</td>
<td>15,000</td>
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<tr>
<td>A6</td>
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<td>32,000</td>
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<tr>
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<td>Fees + Contingencies</td>
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<td>B5</td>
<td>Fees + Contingencies</td>
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### SUMMARY OF TIME/COSTS

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<thead>
<tr>
<th>Reference Number</th>
<th>Estimated Time (days)</th>
<th>Estimated Cost (USD)</th>
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<tbody>
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<td>A 2/3/4</td>
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<td>23</td>
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<tr>
<td>Sub-Total A</td>
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<tr>
<td>B2-5</td>
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<td>B6-10</td>
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<td>Sub-Total B</td>
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<td><strong>TOTAL</strong></td>
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<td><strong>223,500</strong></td>
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</table>

Note: No cost/time estimate was made for A1 and B1, and the cost of overall editing and co-ordination was not quantified.
ANNEX 10

IMPLEMENTATION WORK PLAN

The following briefly summarises the organisation and approach for the production of the Guidelines suggested by the workshop.

1 Implementation process

- Write proposal for required extra resources - MART + ILO
  - ILO approach SDC, SIDA, Norway
  - MART approach EU, (others through) PIARC
- ODA to approve modification of approach to co-fund expanded guidelines
- Appoint Review Panel (ILO/MART)
- Decide detailed size/format + submit inception report (co-ordinator). Review panel approves.
- Co-ordinator contracts outside contributors
- Produce/edit Part B + start Part A
- Panel reviews Part B
- Same process (5, 6 and 7) will apply to part A which may start simultaneously with part B or slightly later depending on editorial resources.

2. Time Frame (assuming intermittent production process)

- Co-ordinator - 25% of time within the next year
- Part A - 6 months to complete the writing and editing process
- Part B - 6 to 8 months to complete the writing and editing process
- Publishing - 4 to 6 months

Maximum time frame, with the two sections produced consecutively = 20 months

Maximum time frame, with the two sections produced concurrently = 10 months

Provisional working papers will be available for distribution after approval by the Review Panel.

The process will not start until sufficient funding secured and ODA has approved the modified approach to the MART proposal.