

Contracting development — Key issues

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INTRODUCTION

Through its study initiatives in early 1970's the World Bank and ILO spearheaded the technology change from predominantly equipment-based construction to a labour-based emphasis. The first targets were government direct-labour (force account) operations in rural road maintenance with the Kenya Rural Access Roads Programme (KRARP) being one of the first full-scale implementations. With a growing realisation that most direct-labour organisations lacked the economic and technical effectiveness to achieve the desired and urgently needed improvements in the road network condition, proposals were made to move into private sector operations. To this end a labour-based contractor component for feeder roads rehabilitation was included in the Fourth Highway Project for Ghana, which commenced in 1986, based in the Department of Feeder Roads and with a Technical Assistance team provided by ILO (funded by UNDP). Based on its initial success and the experience of other early projects (eg Madagascar) not only was the Ghana programme expanded rapidly but other projects in Africa and Asia quickly followed. Several of these were established on the Ghana model while others included modifications and variations. They were focused still at rural road rehabilitation and/or maintenance and all included some component of contractor training. Most also had an initial input of Technical Assistance, in much of which ILO had some involvement.

As part of the efforts to disseminate the ideas and the lessons being learned from the various projects the ILO initiated the Regional Seminars, the first one being held in Mbeya, Tanzania in 1990. Papers and discussions on small-scale labour-based contracting and the associated interests in tools, equipment, and contract procedures have been regular features of subsequent Seminars, of which this one in Lusaka is the seventh.

In 1995 ILO commissioned a six-nation Africa study of fact finding and data collection to look at the various similarities and differences within the contractor development programmes, with the objective of highlighting common issues and problems. For the first time this included a visit to South Africa where the development of labour-based technology in construction had already taken a prominent place in the country's policy directives, with moves towards targeted procurement.

The study was intended to be the first phase of an overall objective to produce a 'Guidelines' document to assist and encourage those who are involved in this technology and in the development of the private sector. At a Workshop in Zimbabwe towards the end of 1995 a decision was taken to proceed (subject to available funding) with what was proposed to be a two-volume document covering (i) institutional issues and (ii) operational issues. In the event funds to produce the document in the way it was envisaged were not forthcoming and it was eventually decided to try to consolidate the findings of the original study into a single *Guidelines* volume which concentrated more on the practical issues drawing widely from the experience of the many projects in Africa, Asia and Central America. Its publication follows that of 'Employment-Intensive Infrastructure Programmes: Labour policies and practice'(ILO 1998) and it is seen as a companion volume with some common material.

OVERVIEW OF PROJECT EXPERIENCE

With no previous experience available the Ghana project was established on the principle of selecting small locally-based contractors, preferably with some previous involvement in civil construction or building work, for training (together with 3 or 4 supervisors each) in labour-based technology and contracting management. Having few, if any, resources themselves, the project provided sets of appropriate equipment (value \$150,000) for the contractors to acquire over a 4-year period under a financial agreement with the local construction bank. Work was guaranteed to the contractors, who proved competent in their trials, to enable these financial obligations to be met, based on the work undertaken under fixed rate contracts, which included full allowance for the equipment costs. The roadworks consisted of the full rehabilitation of rural gravel roads in the cocoa growing areas. This clearly was a very contractor-supportive approach which did not necessarily appeal to the 'free market forces' purists who believe that the realities of the contracting world should be applied at the earliest stage. In fact the failure to introduce competitive bidding after the initial project period in Ghana led to the withdrawal of World Bank support (though several other donors were happy to see existing arrangements continue).

Some subsequent projects followed a similar pattern with variations. Most tried to reduce the financial commitment for the equipment and in Tanzania initially it was (mistakenly) decided to rely on the open market for plant hiring arrangements. One project in Uganda (Ministry of Works) was established for petty contractors carrying out routine maintenance only whereas the Ministry of Local Government later decided upon a modified Ghana model with 14 contractors commencing training in 1995. Zambia (UNCDF funded) followed in 1996 with a similar approach after initially formulating the project as equipment-based. Both have equipment funding schemes operating.

After nearly 20 years as a very successful direct labour operation the Labour Construction Unit in Lesotho turned to the private sector with a phased training approach. Only contractors themselves were instructed in road maintenance activities with the idea that the most successful would return later to complete a course on rehabilitation (ROMAR followed by ROCAR). They were to be responsible for the site training of their own supervisors, and could opt to buy some basic equipment but without any guarantee of work continuity, since a form of competitive bidding was introduced immediately.

In Kenya the contractors chosen were some who were already well established as equipment-based operators and for whom, therefore, success as labour-based contractors was not essential for their future survival, as it was in some other countries. In Zimbabwe, in 1991, after a sudden change of heart in favour of a labour-based approach, the initial (Danida) project was operated by force account units. This has converted to the private sector comparatively recently (1997), again largely based on the Ghana model. Both full rehabilitation works and single-person maintenance contractors are involved in the programme. An equipment loan arrangement has been set up based on a five year repayment period.

In western Sudan seven local contractors are being trained for the construction of a 86km national rural highway, again based on the Ghana training model, and in this case local consulting engineers have been engaged as the Project Engineer with ILO technical assistance. Eight small-scale contractors are engaged on a widely spread programme in the Zambezia province of Mozambique based on similar principles although with international consultants providing the technical assistance.

In some francophone countries a different approach has been used - AGETIP (Agences d'Exécution des Travaux Publics pour l'Emploi) which was first established in 1989 in Senegal as a non-profit NGO. Its objective is to act as the 'owners representative' for programmes of small to medium sized labour-based public works, managing all aspects of the projects. Major funding is channelled through the Agency rather than normal government organisations and staff operate under private sector conditions. In general AGETIP has used already established contractors rather than training emerging ones and, with one objective being an increase in employment, the effective and productive use of labour has not been a main priority. Being also outside the formal government structure there are concerns about the sustainability of the arrangements, but they have certainly been successful in project implementation. A fuller critical analysis of the approach is given in a World Bank Technical Paper 347¹.

More has been done at the political level in South Africa than elsewhere with the decision to use public sector procurement as an instrument of social policy. The use of labour-based technology is encouraged and supported wherever possible through specific measures of targeted procurement which aims 'to provide employment and business opportunities for marginalised individuals and communities.... On small contracts direct preferences are accorded to targeted enterprises to tip the scales in their favour. On the larger contracts tenderers compete on the basis of both the product and the process with resource specifications being used to define social objectives and their associated acceptance criteria'². Even in its early stages this policy is proving successful in correcting uneven wealth distribution and in addressing poverty alleviation and job creation. More importantly it has gained wide acceptance within the construction industry and it has moved labour-based technology from a project orientation to a national programme basis.

This overview is necessarily brief and only illustrative and for fuller descriptions and details of most ongoing projects the ASIST Bulletins provide an excellent reference. Even these, however, are by no means comprehensive and it remains a sad fact that few project experiences are written up and publicised in a way which will convert the political decision makers or even some of the more traditionally minded technocrats.

KEY ISSUES

With the accumulated experience of this variety of projects the key issues concerning labour-based contracting have been summarised in the *Guidelines* document, as perceived by the authors to be the current position. Inevitably any publication relating to an ongoing and continuously evolving situation is dated and quickly superseded by new events, but until there is a major shift from so much 'project-based' implementation to a 'national policy' approach most of the key issues will remain relevant. They are discussed fully in the *Guidelines* and illustrated with as much project experience as possible. This paper can only summarise the most important (in the view of the author), as being,

Political Will

This remains the single most important issue. Most countries (with the notable exception of South Africa) are still only paying political lip-service to the

¹ Expanding labour-based methods for road works in Africa. Elizabeth A. Stock; Jan de Veen, 1996

² The use of public sector procurement as an instrument of social policy. Ron Watermeyer, 1998

expansion to its full potential of labour-based contracting with all its economic and social benefits. Most activity is still project orientated rather than being part of a national programme.

Enabling Environment

The construction industry has a major role to play in the economic development of all countries and labour-based technology needs to be seen as a viable, integral part of the industry and not, as is so often the case, as a specialised, separate activity confined to 'minor' works.

Client Capacity

There is still very much a 'one Client' situation (while the technology operates almost entirely in rural roads), and the capacity, and traditional (force account orientated) attitudes, of Client organisations are a serious constraint to the wider development of labour-based contracting.

Donor Attitudes

So much of the development implementation remains donor-funded which has associated conditionality, such that government officials often appear to be ruled by donor demands. In some cases, it is suggested, this is because governments themselves have no agreed, established policy on issues such as labour-based construction which donors can readily support.

Engineers' Training

Traditional training for engineers at the higher learning institutions has generally been slow to adapt to the wider 'appropriate technology' approach and many senior engineers remain sceptical of this 'primitive' technology, with its 'colonial' overtones.

Role of Local Consultants

There has been a major emphasis to date on contractor development and training programmes with little attention being given to the need to assist local consultants. Client organisations are being 'downsized' and restructured to 'Road Agency' operations, and the role of the local consultants will become increasingly important. Funding agencies, too, still show great reluctance in using the services of many experienced and knowledgeable local consultants, preferring the expatriate technical assistance which has often proved to be of doubtful quality.

Expanding the Work Base

Despite its potential for involvement in many areas of development labour-based technology has remained primarily in the rural roads sector. Some urban infrastructure; irrigation; agriculture; and forestry inventions have been attempted but the horizons need to be expanded through innovation and imagination. VTTP (Village Travel and Transport Programmes) may be a possible example.

Contractor Support

Views of the level of support needed by small-scale contractors within the development programmes vary. Areas for discussion include,

- contractor selection (established or newly emerging)
- access to credit/tools and equipment/continuity of work
- competitive bidding and the open market

- contract documentation (traditional or appropriately written) including issues of bonds/guarantees
- `technology-neutral' design and construction approach
- targeted procurement policies
- labour policies and practices

Training Interventions

Most of the contractor development projects have included a heavy investment in formalised training using at least a 3-phase approach. There are other views which suggest that the private sector should take care of its own training needs and that the task of government is to create the environment in which enterprises can flourish. Labour-based technology is still largely seen as a specialist activity for the few rather than one of the necessary construction skills of the many.

SOME CONCLUSIONS

A few general conclusions have been noted from the project experience within the study period,

- Labour-based contractor development had a successfully encouraging start and initially there was an expansion of activity through many sub-Saharan African countries and into Asia.
- However, although many of the subsequent projects were based on the initial approach, lessons and experience learned from previous projects have not always been applied. Many `pilots' have been formulated to prove the possible viability of using small-scale contractors, when this has been well established for years.
- Training materials and manuals have often been written `from scratch' when so much already exists.
- Individuals and external consultants making up the technical assistance components have a tendency to promote their own favourite approach to practical implementation without sufficient emphasis on changing the political climate and creating the enabling environment.
- There is a need to concentrate on `selling' the labour-based concept. This subject is addressed in the companion paper.