



Module 2: Planning, Design, Appraisal and Implementation
**A comparison of four contractor
development programmes:**
Session: 2.5
Part 2 – Case Study

Presentation: 2.5b

1. Introduction

Learning Objectives

By the end of the session participants will be able to:

- ③ Describe four approaches developed to increase private sector contracting capability
- ③ Develop lessons from the case studies that may be applied to other regions

Session Overview

- ③ Exploring the range of initiatives
- ③ Summary of experiences and lessons learnt

2. Exploring the range of initiatives

4 projects:-

🌀 Ghana

🌀 Lesotho

🌀 South Africa

🌀 Tanzania

Increasing private sector contracting capability



Case study activity (4 projects)

- A. Describe the design of the project.*
- B. What added value does the project bring to the process of contractor development?*
- C. What are the potential draw backs of the approach used by the project?*

3. Summary of experiences and lessons learnt

Ghana

Lesotho

South Africa

Tanzania

Ghana

🌀 Project started in 1986

- mainly funded by UNDP and the World Bank

🌀 Objectives of the Labour-Based Programme

- to improve rural accessibility
- increase contracting capacity
- create rural employment

🌀 Progress

- 93 contractors have been trained to work on labour based road rehabilitation and maintenance contracts
- rehabilitation of 1400 km of rural roads at a cost of \$14 million

- ③ The programme is promoted to contractors by a newspaper advertisement campaign
- ③ Selection is based on
 - education
 - previous experience
 - locality of business

Training is in 3 stages:

- ③ Stage 1 = 20 weeks of classroom & fieldwork training
 - Followed by a set of equipment worth \$150,000
 - Loan repaid over 4 years – 35% interest (Ghana rates)
- ③ Stage 2 = 4 months trial contract of 5 km. carried out under supervision
- ③ Stage 3 = 4 year development with on-site training undertaking a 20 km. contract per annum

- ◎ To ensure that contractors can repay their loans
 - the DFR guarantees contracts for the first 4 years after training
- ◎ Each contract
 - lasts approximately one year
 - a value of \$240 000
- ◎ The project attempted to operate these contracts under a competitive tendering system
 - but cartels forced the Department of Feeder Roads to adopt a schedule of rates for the initial 4 year period
- ◎ Following the repayment of the equipment loan
 - contractors competed for work through competitive tendering in an open market

Lesotho

© 1977 - Labour Construction Unit (LCU)

© Aim

- 'to promote and propagate the use of efficient labour intensive methods and create as much gainful employment as possible in the country'

© Enterprise Development for Labour-based Road Maintenance Contractors Project

- sponsored by the World Bank
- managed by the LCU, with technical input from the ILO

© Progress

- increasingly responsible for the development and maintenance of the country's 2300 km. earth and gravel road network

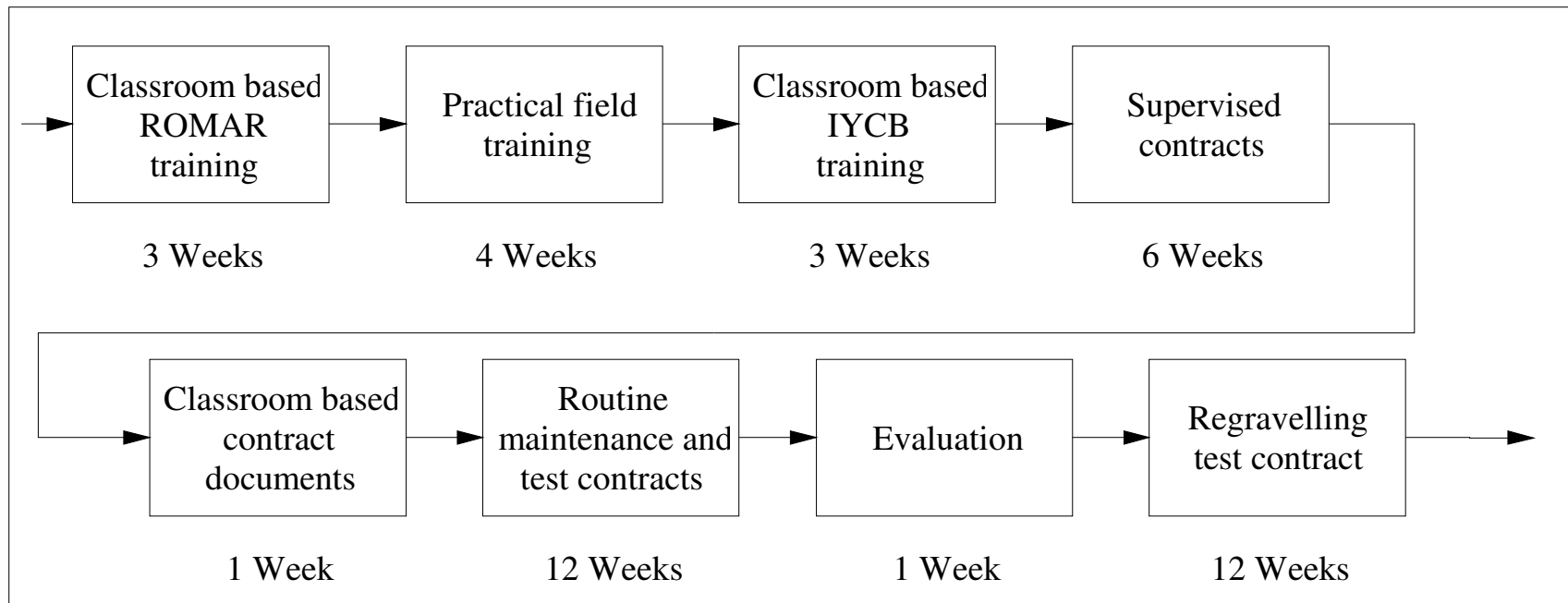
© 1992: a 30 month programme

- to train local contractors to maintain the road network
- technical and managerial skills of the contractor
- retraining of the LCU staff for their new contract supervisor role

© The contractor training programme

- developed the Road Maintenance and Re-gravelling (ROMAR) package
- utilised the Improve Your Construction Business (IYCB)
 - designed to meet the business training needs of small scale contractors

Contractor training programme



- ③ All costs met by the project in the training period
- ③ Six month trial contract period consisted of 2 contracts
 - a routine maintenance contract awarded at a fixed price
 - re-gravelling contract - tendered by the contractor
- ③ The contractors were given a basic set of hand tools worth \$6670 at the beginning of their trial contracts,
 - paid for during the trial contract period
 - offered the opportunity of hire purchase agreements on vibrating pedestrian rollers
 - expected to hire any further equipment/ buy equipment using a lease financing arrangement set up with a national bank

South Africa

- © 1993 - Reconstruction and Development Programme
- © Many projects
 - aimed to develop the employment and business prospects of the indigenous population

Two Projects

Soweto Contractor Development Programme (CDP)

Winterveld Presidential Project

- © The objectives of both projects
 - employment creation
 - transfer of marketable skills
 - improving the infrastructure in the area

Soweto Contractor Development Programme (CDP)

🌀 Development Team

- contractor is assigned construction managers, engineers and materials managers who assist with administration of the contract, technical training and the engagement of specialist subcontractors

🌀 Managing Contractor

- a large contractor administers the contract
- training and supplying materials to a labour-only subcontractor

🌀 Mentorship

- use for more experienced contractors, who employ consultants (mentors) to assist with tender preparation and business management

Winterveld Presidential Project

© Phase 1

- project specific
- enables contractors to submit realistic bids for the Winterveld contracts

© Phase 2

- utilises the IYCB training material
- provide contractors with the skills that would be needed to compete in the open market

Both programmes had a tiered tendering structure with progressively more testing level of contract:

- ✓ contractors progressed to higher levels as they gained experience
- ✓ prevents more experienced contractors dominating the small contract market

The Winterveld Presidential Project tiered contract structure

Level	Assessment of Skills and Experience	Maximum Contract Value in Rand (\$ 1.00 = R 3.65)	Performance Guarantees
A	Some ability to organise. Limited artisan skill.	Cost of labour component, including contractor's mark-up and profit, to a maximum value of R 10,000.	Not required
B	Established artisan. Civil engineering ganger, charge hand, gang boss.	Cost of labour component, including contractor's mark-up and profit, to a maximum value of R 40,000.	Not required
C	Advanced gang or trade managerial ability.	Total contract price, to a maximum value of R 250,000.	Not required
D	Advanced general management ability. Commercial experience.	Total contract price, to a maximum value of R 850,000.	5 per cent of contract price.
E	Advanced construction management ability. Marketing skills. Credibility with financial institutions.	Total contract price, to a maximum value of R 2,500,000.	10 per cent of contract price

Tanzania

© 1992 - The Labour Based Road Contractor Training Project (LBRCTP)

© Objective

- establish a labour based contracting capacity

© Progress

- trained 24 contractors in two regions of Tanzania
- each have an annual turnover of \$60,000
- employ approximately 70 workers

Approach

- 3 Supervisors from each contractor receive 6 weeks classroom teaching followed by 14 weeks fieldwork training
- 6 month trial contracts to maintain a 5 km section of road
- the directors of the contracting firms undertake a course in contract management with the aim of improving their business skills

© Contract work is undertaken with hired equipment

- available on the open market
- contractor receives a mobilisation payment equal to 30% of the contract sum
 - to procure the equipment to carry out the work
- 15% goes directly into the contractor's bank account
- 15% is paid directly to a plant hire company as an advance against the plant hire costs.

Concluding remarks

- © No definitive answer to the design of a contractor development programme
- © Experience in designing programmes is fragmented and poorly documented

Concluding remarks

- ◎ The Department for International Development (DFID) supports the Management of Appropriate Road Technology (MART) initiative
 - research project
 - aims to achieve sustainable improvements in road construction and maintenance through:
 - optimum use of local resources and skills
 - effective use of the private sector
 - application of good management practices