



Activity Sheet 28

Institutional Framework for Privatisation

Purpose

Various approaches have been developed in an attempt to address the issue of an insufficient framework to support the privatisation of the construction industry, including promoting the development of small contractors.

The purpose of this activity is to explore and draw on the experiences of four projects, focussing in particular on their approaches, and the advantages and limitations for enhancing the support framework, for the privatisation of the construction industry. The four projects are:

- ① Khuphuka - South Africa
- ① TACECA - Tanzania Civil Engineering Contractors Association
- ① ASIST - Advisory Support, Information Services and Training
- ① MART - Management of Appropriate Road Technology

Group Work

1. Your group needs to work on just ONE of the projects.
2. Read the attached paper, which provides details of the project your group is exploring,
3. Discuss the following points:
 - A. *Describe the essence of the approach being developed by the project.*
 - B. *What are the potential advantages and limitations of this approach?*
4. Prepare your findings on flipchart and elect a person from your group to present your findings to the plenary.



Case study 1

Khuphuka

Khuphuka was established in 1991 as a voluntary association by a group of community leaders who were concerned at the lack of economic opportunities available to the majority of people in KwaZulu-Natal, in South Africa.

Their objective was to set up an organisation that would, through *training linked to production*, provide people with an entry point to the economy, while strengthening community structures and promoting development. The priority target groups are 1) community groups who are engaged in development or about to engage in development, 2) unemployed young adults (especially women - at least 30 per cent), and 3) emerging and current entrepreneurs, such as micro manufacturers and building contractors.

The Khuphuka concept is that the interests of these three groups are complementary, in that community groups could provide a market for the contractors, and the contractors could provide local employment opportunities.

Instead of simply trying to provide short term (and probably unsustainable) employment opportunities, Khuphuka aims to create *employers*, who will in turn create employment. The prospective employers are members of local communities, who participate in the community development process as partners with Khuphuka and learn the skills of identifying and implementing project opportunities.

(Miles and Ward 1998)



Case study 2

Tanzania Civil Engineering Contractors Association (TACECA)

The Tanzania Civil Engineering Contractors Association was founded in 1996 with the aim to raise the capacity and capability of local contractors to a level where they can handle any construction project within the country. The vast majority of the membership is made up of Tanzanian contractors who range from large companies to small one-man enterprises. Each member pays an annual subscription, according to the type of work he undertakes, which provides the finance for the Association's activities. The main objective of the Association is to protect the interests and foster co-operation between its members enabling an enhanced participation in all construction programmes.

There are two activities currently undertaken by the Association which are particularly interesting as they highlight ways in which a contractors association are fulfilling roles that are usually provided by another organisation in the support framework (TACECA 97).

1. TACECA is actively encouraging joint ventures between large and small contractors. In these agreements the large contractor bids for and obtains large contracts. He will then pass some smaller parts of these contracts to the small contractors in his joint venture. In some cases the large contractor may also provide the construction materials and equipment for the whole project. The small contractors will be paid, by the large contractor for the work they have undertaken minus a percentage for his overheads (approx. 7%) and costs of any materials or equipment provided. This system benefits from the large contractors who have sufficient financial resources to manage large projects. The small contractors are effectively provided with the support framework through the large contractors of a banking system, equipment and material supplies and education and training by the large contractors staff. The large contractors support the scheme as they are able to bid for larger contracts and the management fee levied from the small contractor helps cover their overhead costs.
2. In partnership with the National Construction Council of Tanzania the TACECA is attempting to establish a construction industry development fund which will provide consultants and contractors with access to funds for working capital and procurement of tools and equipment. It is proposed that the fund will be established by a combination of grants from the government and donor agencies and shares bought by contractors and other stakeholders in the community. Following the establishment of a sufficient fund, loans would be offered to construction enterprises at preferential rates. This will maintain the fund and cover its operating costs but will not result in a large profit. The fund will in effect operate as a commercial bank which solely works in the construction industry.



Case study 3

ASIST (Advisory Support, Information Services and Training)

The ASIST project is operated under the auspices of the International Labour Organisation's (ILO) regional structure for Africa with technical support from the Development Policies Branch (POL/DEV) in Geneva, and in close cooperation with the ILO's Multi-Disciplinary Advisory Team in Harare, Zimbabwe.

The overall objective of ASIST is to achieve a wide-scale adoption of employment-intensive approaches in national transport and infrastructure investment policies and programmes. This is within the context of the ILO's programme to promote employment-intensive investment policies as a strategy to alleviate poverty. The immediate objective of ASIST is to increase use and efficiency of labour-based methods to carry out infrastructure, particularly road, construction and maintenance activities in Sub Saharan Africa.

In order to meet the immediate objective, the project was divided into three components, as implied by its acronym: advisory support (technical and policy advice, and project backstopping), information services (networking, technical enquiry service, publications, research), training (international courses for engineers, senior technicians and trainers).

ASIST works closely and effectively along side national authorities, road agencies and project staff in its region providing the services described above.



Case study 4

MART (Management of Appropriate Road Technology)

The Management of Appropriate Road Technology (MART) initiative (1995-1998) aimed to reduce the costs of constructing, rehabilitating and maintaining road infrastructure, and vehicle operations in developing countries. It was based on a research project funded principally by the British Department for International Development (DFID) under its Technology Development and Research (TDR) provision. The project, was led by the Construction Enterprise Unit of Loughborough University's Institute of Development Engineering, in association with two UK-based specialist consultants.

The MART programme drew together existing expertise in labour and intermediate equipment-based technology and the development of private construction enterprises, to produce a series of guidelines on the four priority topics of:

- hand tools;
- intermediate equipment;
- private sector development and institution building.

The MART initiative is strongly research-based, and both the DFID and the MART partners see its main impact as providing analysis and codification to support practical project initiatives. Thus much of the output is in the form of journal papers and other formal publications suitable as reference material and providing an independent and reliable record of the advancing state of the art. The MART project therefore assists the support framework by codifying international expertise from donors, consultants, projects and other research organisations and providing the information in a more useable form for government agencies and departments and centres of learning such as universities and learned societies.