

# Rural Transport Training Materials

## Module 2:

### Planning, Design, Appraisal and Implementation

A comparison of four contractor development programmes:  
Case studies from 4 countries

#### Session 2.5

#### Part 2

Presentation 2.5b



# 1. Introduction

## Learning Objectives

**This session enables participants to:**

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

# Session Overview

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

## 2. Exploring the range of initiatives

- © Ghana
- © Lesotho
- © South Africa
- © Tanzania

# Increasing private sector contracting capability



## Case study exercise

- 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

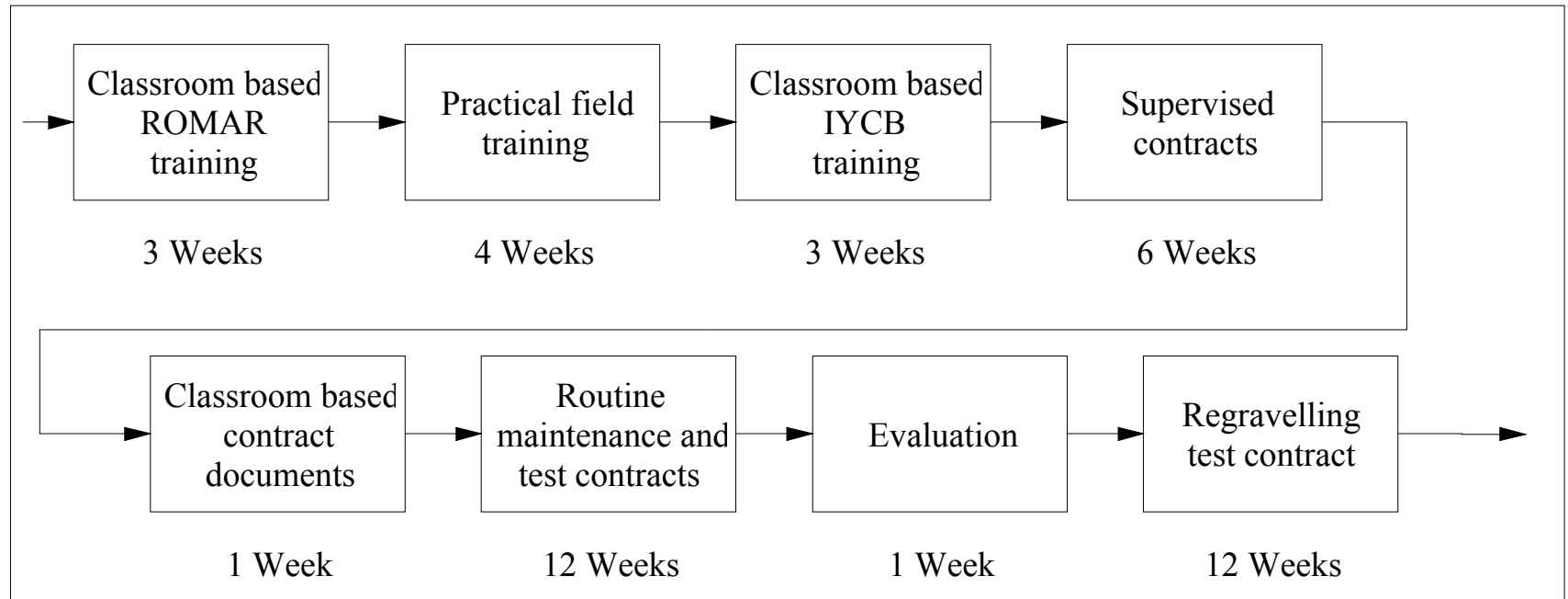
## © 1992: a 30 month programme

- 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

- ③ No definitive answer to the design of a contractor development programme
- ③ 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