

## **Potential Benefits from the Use of Local Firms**

Local consultants and contractors have the potential to be more effective and efficient than government organizations and foreign firms. If carefully encouraged, local firms would be better suited to finding technical solutions appropriate to local skills and resources, and to manage the work within local commercial, social and political constraints. This depend upon creating an enterprising, problem solving, management culture, in which management practices were carefully aligned with the local commercial, social and political environment

In moving towards the use of local contractors, three quite distinct factors must be considered:

- the transfer of work from government ministries and agencies to private firms - "the efficiency factor";
- the replacement of foreign firms by local ones - "the national development factor"; and
- changing designs and construction methods to suit local needs, skills and resources - "the employment and economic growth factor".

### ***The efficiency factor***

It is generally recognized that the administration of road systems in developing countries by government ministries and agencies is comparatively ineffective and inefficient. There are many reasons for this, but as a generalization government road agencies are over-staffed, provide little real incentive for their staff to perform well, work to a fairly rigid set of rules, and ignore or resist local needs and representation, rather than responding to them. Obviously, this does not apply to all roads organizations, but it is a fair generalization.

It can be argued that the fundamental structure of such organizations is inappropriate. Usually conceived and structured along the lines of similar organizations in developed countries, they may lack the managerial characteristics which are essential if good results are to be achieved in poor developing countries: flexibility of approach, a positive and innovative problem solving management culture, and the incentives to "do more with less". Perhaps more fundamental even than organization structure are organizational objectives. One of the factors that has worked against the development of effective road maintenance institution is that most road authorities have conflicting objectives and functions and therefore operate under incompatible incentives.

By contrast, the generalized view of the private firm is one which has simple objectives (survival, profit, growth), recognizes the need to motivate its staff to perform well (and has the means and flexibility to do it), and - being market orientated - is used to responding to local needs, provided that response is commercially realistic. Again, this is a fair generalization.

Thus, given the technical characteristics of road maintenance described above, it is likely that local contractors and consultants could do a better job than government organizations and directly employed labor. It is clear that flexibility of action, and the ability to respond in a specifically relevant way to the problems at hand, may well produce better results than inflexible governmental organizations trying to satisfy a diversity of influences. In short, the private firm is motivated to succeed, and therefore is likely to find imaginative ways to overcome obstacles to success, whereas the governmental organization may be principally concerned with the application of standard procedures, so avoiding taking risks and making mistakes.

***The national development factor:***

The arguments for replacing foreign firms with local ones are more clear-cut, and less controversial. Firstly, it is a simple matter of national development, encouraging national professional and industrial growth. Strengthening the professions is one of the key factors in increasing the use of local contractors and consultants. Professionally qualified people are a very scarce resource in Africa. Governments and aid agencies devote much time, effort and money to education and training programs to relieve this shortage. Unless those who benefit from such programs find stimulating and challenging work at home, they will either perform ineffectively (perhaps finding ways of using their talents outside of the workplace) or they will find work abroad, leaving their countries more dependent upon foreign expertise.

Secondly, and equally important, local firms are likely to be more effective technically - effectiveness being judged on the basis of producing an adequate solution to road maintenance problems with a minimum consumption of scarce resources (such as plant and equipment, imported materials, and skills possessed only by a small minority), while promoting the use of local people and materials. By contrast, foreign firms may be constrained by market forces to apply standard solutions, designing and building to codes of practice chosen because their technical staff are familiar with them, rather than because they are appropriate to the job in hand.

***The employment and economic growth factor:***

The main thrust of this argument is the prodigious capacity of construction work to create low-skilled employment. The International Labor Office has been one of the leading organizations in promoting this approach to construction, through the implementation of labor-based road construction projects, and by producing informative publications. This factor will be one of the main themes of another paper to be given at this seminar, "Appropriate Use of Available Resources and Technology", so will not be pursued further here.

In summary the potential benefits are likely to be:

- Political: a clear commitment to national development, promoting economic growth, professional development and employment, and reducing dependency on imported goods and services;
- Economic: the economic benefits stemming from the above political commitment, plus the inherent benefits that accrue from a better road system; and

Cultural: stimulation of education and training, and the development of professions and professional institutions.