

Policies, Reforms and Interventions

The prime concern of any attempt to foster the development of local contracting industry is to create organizations which have determined, enterprising, and problem-solving management cultures. Logically, this must begin with the development of the market.

Market Development

Work must be made available to these firms in a form that they can do without undue strain, within an acceptable level of risk, and within the knowledge, information, skills and resources available to them. This has technical implications, requiring a move towards smaller projects (or the subdivision of large ones), based on local technology, and using appropriate construction techniques.

Unless and until the market for road maintenance becomes stable, with a sufficient and forecastable annual demand, it would not be prudent for firms to concentrate solely on maintenance work. For most firms some diversification into related forms of construction activity will be necessary, so the program must take a broader view. Maintenance work should be seen only as a good basis for new firms to establish themselves and existing firms to develop.

External support for the program should be aimed at stimulating enterprise, rather than protection. In the context of the market, the introduction of stabilizing measures would reduce the risks. For example, funding that would provide an assurance that an adequate number of projects would be available regularly over a substantial period of time, with timely payments.

However, given the difficulties that local firms face in getting finance and credit, some form of assistance will be necessary. This need not be in the form of subsidies, grants or soft loans, but simply a system of making finance and credit easier to obtain.

One of the main problems is that construction is perceived (frequently, correctly) by most commercial banks as a high-risk business. Inherently, routine road maintenance contracts should offer a lower risk entrepreneurial opportunity than new construction, since the work content and hence the cost should be more predictable. It is in the interest of clients to ensure that these financial risks are minimized by committing themselves to prompt and regular payments to consultants and contractors, since they will suffer if the pool of committed and technically competent enterprises is diminished. Careful thought therefore needs to be given to devising equitable methods of calculating payments due and, even more important, ensuring that maintenance contracts are let only when there is a reasonable guarantee that adequate funds will be available to honor payment applications promptly.

Measures to Secure Effective Control

Where road maintenance is executed on a force account basis, control structures are largely internal to the ministry (or other public sector organization) itself. They will be responsible for both setting the task and carrying it out, within the limits of broad technical standards and funds available. When private consultants and contractors are brought in as additional actors, the scenario automatically becomes more confused. The potential for an improved and more economical service will almost certainly be increased, but this will only be achieved if simple but effective control procedures are in place. This implies both the development of appropriate forms of contract, because these effectively set "the rules of the game", and re-orientation, motivation and training of supervisory staff such as clerks-of-works and inspectors to ensure that the game is played according to these desired rules.

A program of research and development into appropriate contract forms is crucial. The World Bank has been particularly active in this area, emphasizing fair contract procedures and its willingness to encourage "slicing and packaging" of larger projects. Nevertheless, road maintenance is intrinsically different from new construction and further innovation is necessary, in order to formulate a system of contract administration which sets objectives that are easy to perceive and results can be easily measured. A move towards performance specification would perhaps stimulate this, in which the client specifies the final ride surface required, leaving the contractors free to use their skills to achieve the required result. Strategies of this type would eliminate much of the difficulty of specification and measurement, and would stimulate more responsible attitudes to national development. This concept could be extended to encourage design consultants and contractors to cooperate to form firms which would offer a complete design-restore-and-maintain service, eliminating the traditional adversarial triangle.

Facilitating Organizational Change

The development of local consultants and contractors must result in a reduction in size of government organizations. In many cases, these organizations employ most of the technically skilled staff available, so this re-organization must be managed with great care. The extent to which this valuable technical resource can be transferred in a motivated condition will have a profound effect on the success of the program.

One of the difficulties is the transition period, and this may have a fairly long time scale. There are two distinct elements: the "efficiency factor" indicating a transfer of emphasis from government to private firms; and the "national development factor" indicating the substitution of foreign firms by local ones. It may be impractical to work on both these at the same time, in which case a decision on priorities will have to be made.

During the past few years, the need to study the social and cultural dimensions of development programs has become widely accepted. In the case of this proposed program, which aims to mobilize local business, this element will be vital. In order to design a program, it will be necessary to discover what are the principal motivators of consultants and contractors, what risks they are prepared to take, how do they attract, motivate and control their staff, and so on.

Equally careful and thorough studies will have to be done in order to design schemes for the transfer of staff from the government to the private sector, in order to promote the efficient use of this scarce resource.

Institution Building

Action plans in this area are the counterpart to the fourth area of problems - those of time-scale. Given an indefinite time-scale, strategic measures in market development, control and organizational change might well achieve good results. However, in practice the period of transition would prove wasteful and unsatisfactory. It is prudent therefore to examine the scope for institution building measures to encourage accelerated growth of local contracting and consulting firms which have the resources and technical and managerial capacity to respond to the newly developed market for road maintenance services.

The contribution of local institution would include:

- Research and development projects on appropriate methods of design and construction, leading to more realistic design and better control;
- providing information, advice, and skills through consultancy;
- devising and running effective and practical training programs; and
- forming a focus for professional development, which would have a beneficial effect on attitudes to personal conduct and quality;

An institution-building program should also seek to work with and through trade associations. These are an important means whereby local firms can exercise their influence on government and others, and can also stimulate technical and professional development.