



Managing the Transition from Force Account Road Maintenance to Contracting

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DFID

Funding & Management of Study



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Study Report: Transforming Force Account Road Maintenance to Contracting, World Bank Transport Paper 11, 2006



Linkage to Previous Presentations

- **Outsourcing**
- **Low salaries**
- **Strategic Planning**
- **Monitoring**

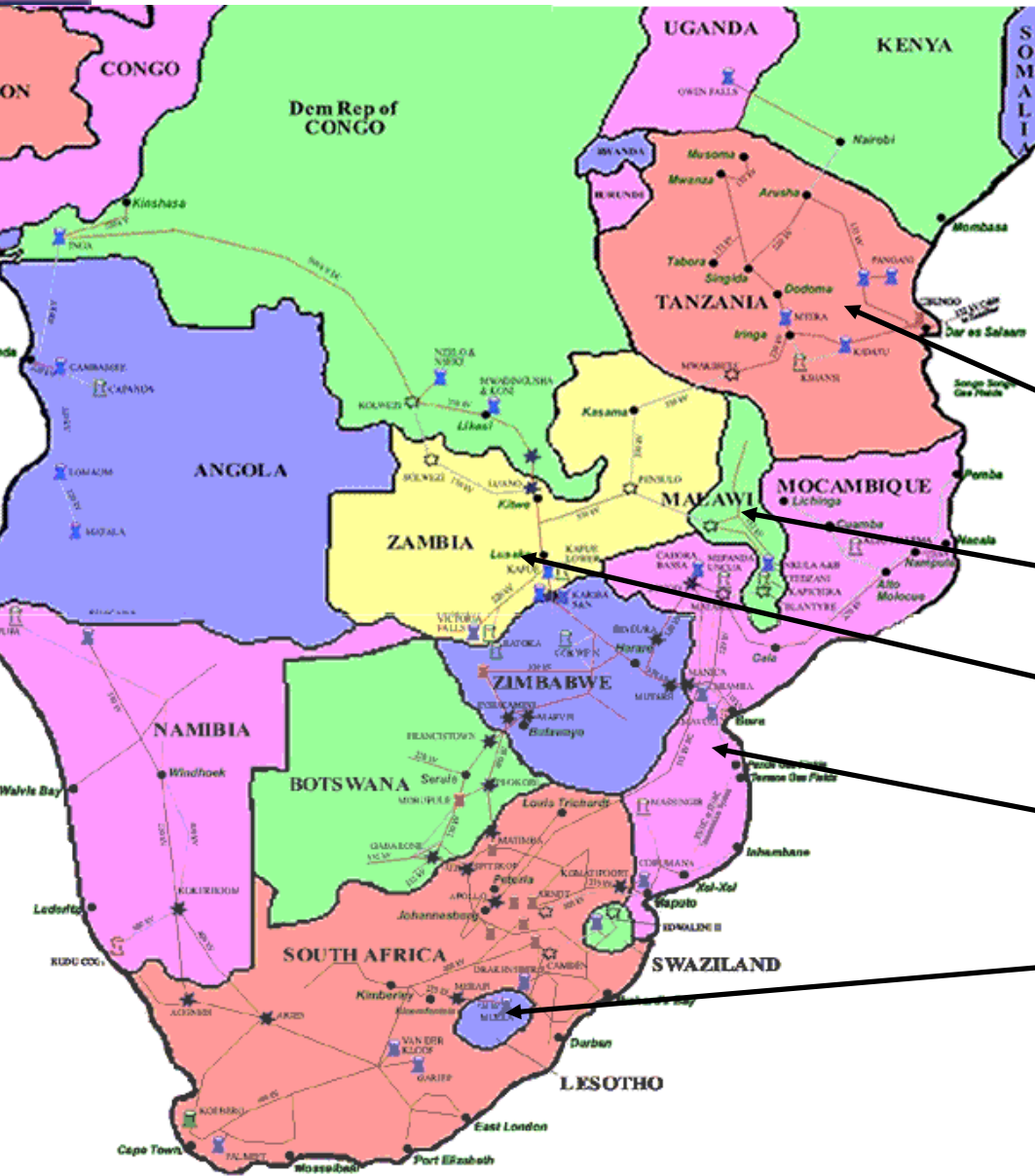


TWO PARTS TO PAPER

A. Case Studies

B. Guidelines

A. Case Studies



Countries:

Tanzania

Malawi

Zambia

Mozambique

Lesotho

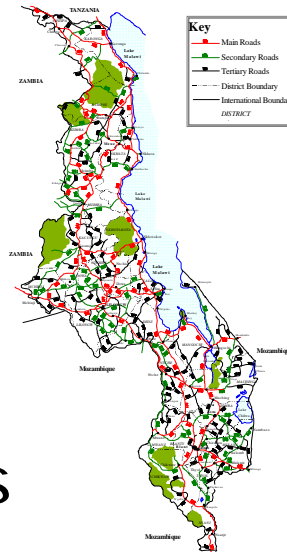
Case Study

- Prior to 1993 road maintenance done by force account
- 1994 contractor training program started
- Today there are more than 105 contractors
- Other countries now visiting Lesotho on study tours to view this training program
- Routine maintenance of paved roads still done by force account
- Unpaved road works done by labor based contractors



Case Study Malawi

- Transformation commenced in 1995
- Structures to absorb laid off workers not in place
- No pre-planned organisation for Ministry staff
- Role of Director of Roads not clearly defined in NRA Act
- Roads training declined for around 5 years
- Mixed performance by contractors
- Force account still popular in some quarters



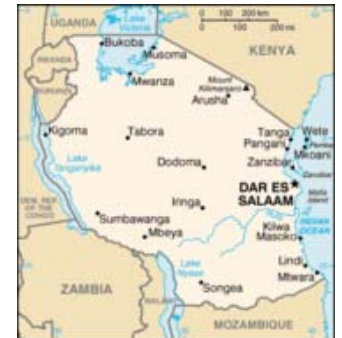
Case Study Mozambique

- Prior to 1983 100% of works were done by force account, now zero
- In 1980s 10 state owned companies created (ECMEPs) then merged into 3
- Initially only way of working due to civil war
- Initially ECMEPs guaranteed contracts plus subsidies but now open competition
- ECMEPS payroll greatly exceeds income and unsustainable
- One large state contractor privatized and now successful (was formed from nationalised firms)



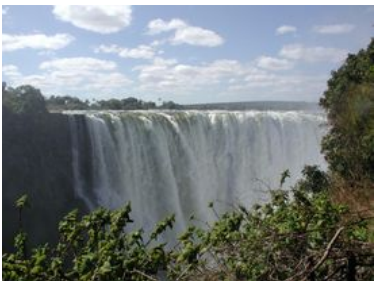
Case Study Tanzania

- National Construction Council created 1979 and Contractors Registration Board in 1998
- Change to contracting started in 1991 with RMI and creation of Road Fund
- Force Account system failed in Regions
- 1995 Tanzania Contractors Ass. created
- 1998 Road Fund Board Appointed
- 2000 Tanroads created
- Industry Development funds being set up



Case Study Zambia

- Donors supported Force account in 1980s
- 1993 Government introduced public sector reform
- 1993 force account ceased abruptly
- 1995 National Road Board established
- 1998 NCC created
- Public Roads Act 2002 created NRFA, RDA & RTSA
- Sector centralised now although Act allows for decentralised Local Road Authorities
- Greenhouse contracts E. Province 1996-2001



Lessons Learned (1)

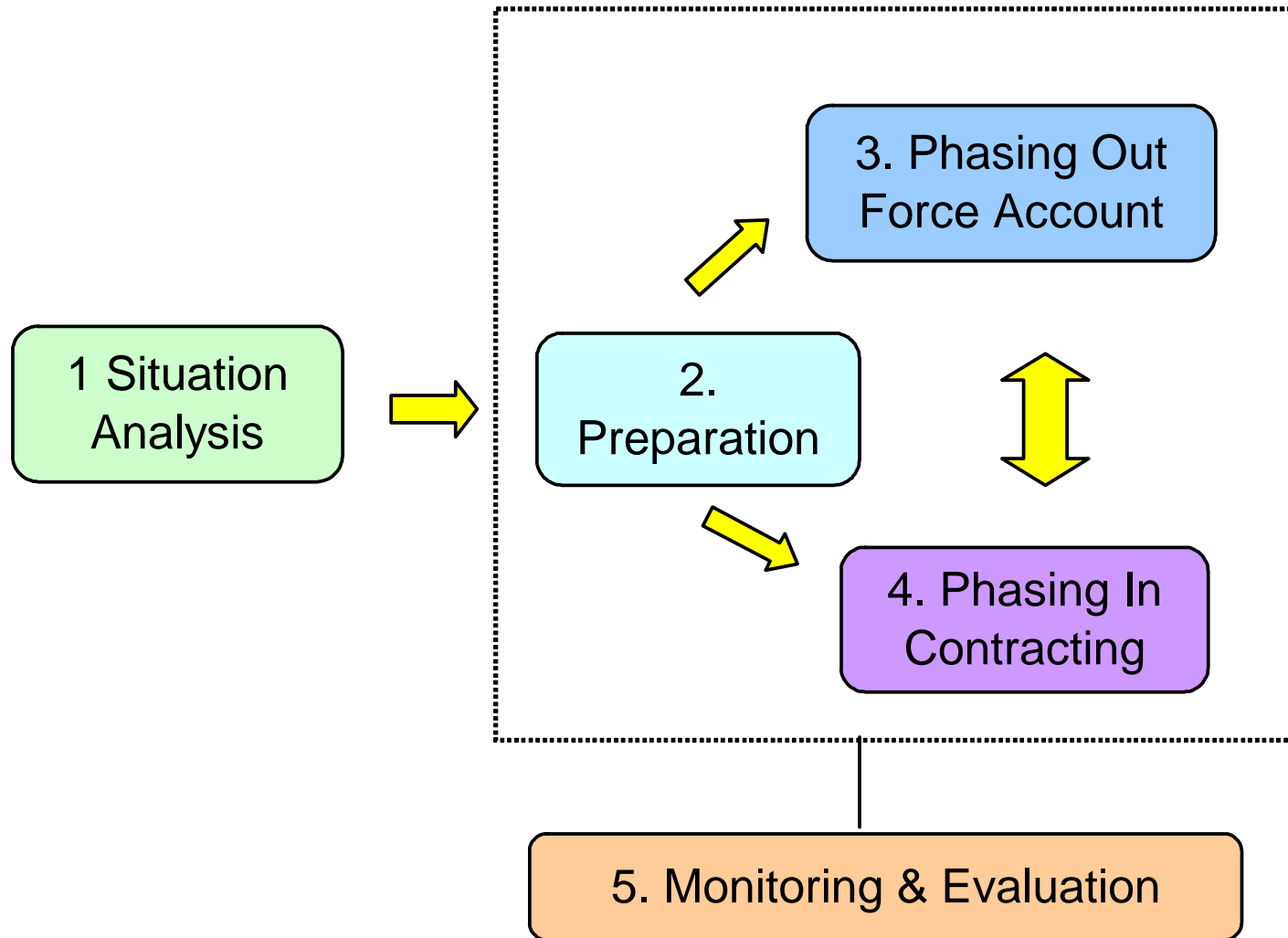
- Systematic Approach Required
- Avoid do nothing option
- Carefully define public sector role in new environment
- Avoid centralisation of road management
- Avoid losing experienced road staff. Often resultant surplus central government staff can be transferred to local government



Lessons Learned (2)

- Construction councils beneficial in developing contractors
- Maintain domestic market share
- Some initial protection for emerging companies may be necessary
- New contractors need training in commercial skills
- Industry human resource development still requires management

B. Guidelines



1. Situation Analysis

Public Road Sector

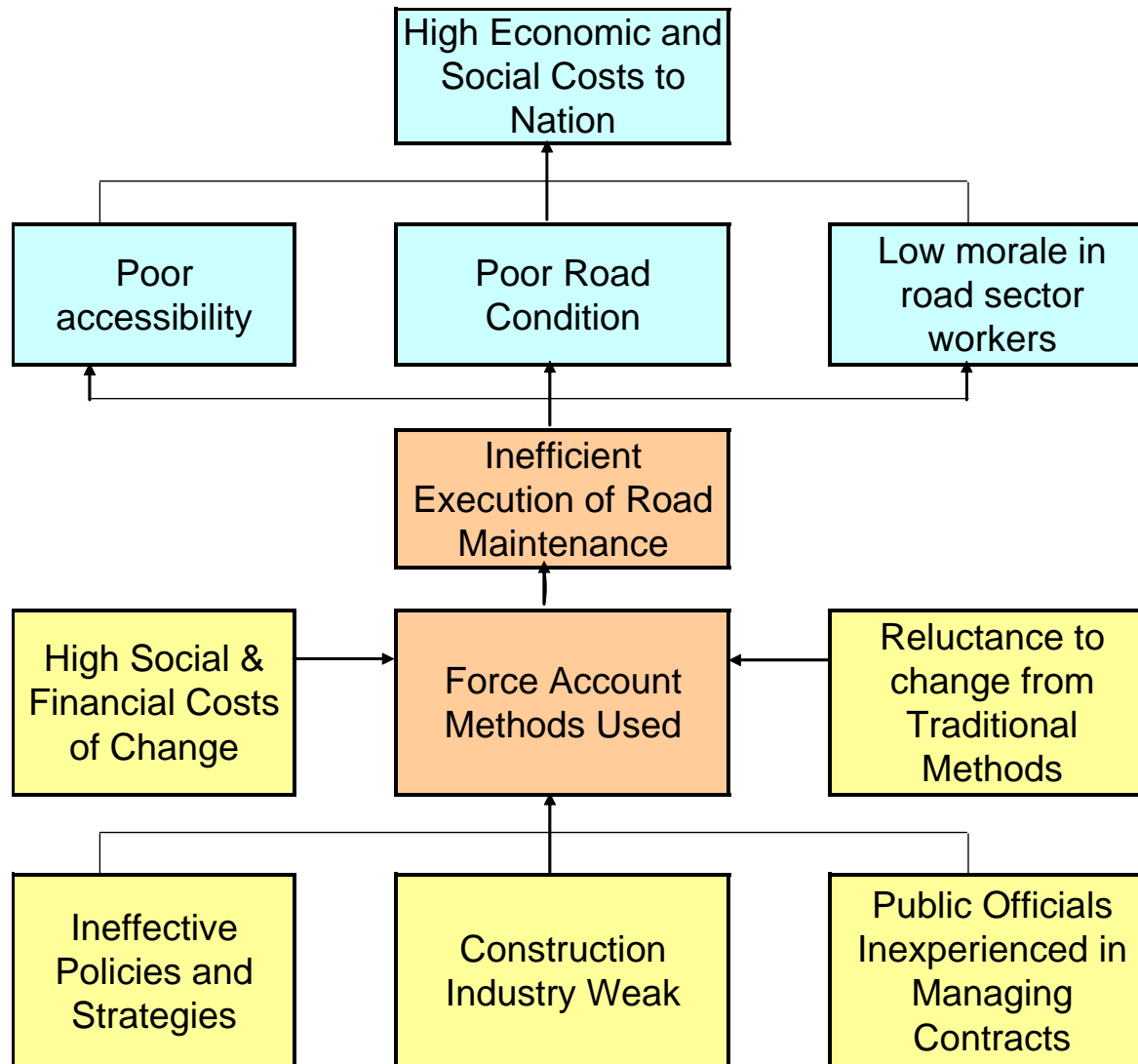
Legal Framework	G
Transport Policy	M
Road Maintenance Strategy	E
Institutional Structure	P
National Construction Council	G
Leadership	E
Central Capacity - skills/numbers	G
Local Capacity - skills/numbers	P
Adequacy of Funding for Roads	P
Financial Control	M
Governance & Transparency	M
Personnel Management	P
Road Management Systems	M
Autonomy of Road Agencies	P

Private Road Sector

Construction Industry Policy	E
Contractor Registration System	G
Contractor Training Program	M
Contractors Associations	G
Credit Availability	P
Bonding & Contractual Environment	P
Capacity of Large Contractors	G
Capacity of Medium Contractors	M
Capacity of Small Contractors	P
Quality of Work	M
Volume of Work	G
Regularity of Work/Payments	P
Availability of Equipment	M

Excellent E
 Good G
 Mediocre M
 Poor P

Problem Analysis



2. Preparation

- **Set up Transformation Team**
- **Identify which functions should be assigned to public and private sectors, e.g.**
 - Planning
 - Procurement
 - Design
 - Supervision
 - Human resource development
- **Agree strategy for private sector participation, e.g.:**
 - Concessions
 - Build, Operate, Transfer
 - Design, Build, Finance Operate
 - Performance contracts
 - Unit rate contracts
- **Prepare Transformation Plan**

Possible Action Plan

Year	1	2	3	Budget \$m
Preparation Phase				
Appoint Transformation Steering Committee	█			
Appoint Transformation Team	█			
Develop Mission and Objectives Statement	█			0.1
Analyse constraints & identify options				0.1
Prepare Cabinet Paper				0.1
Draft legislation or regulations		█		0.1
Assemble road sector data	█			0.3
Procure & Manage Transformation Consultancy(ies)	█			0.5
Phasing Out Force Account				
Design new public sector organisation(s)				0.1
Prepare Personnel Transfer/Retrenchment Scheme		█		0.1
Establish new institutional framework		█		1.0
Train Staff for new role		█	█	0.5
Transfer/retrench staff		█	█	3.0
Prepare privatization scheme for Materials Lab		█		1.2
Transfer/Sell Plant & Equipment	█			-3.0
Phasing in Contracting				
Set up (or strengthen) National Construction Council				1.0
Establish contractors registration scheme		█		0.3
Package contracts horizontally & vertically		█	█	0.1

3. Phasing Out Force Account

- Institutional reform (e.g. create road agencies, merge ministries)
- Transfer staff to autonomous road agencies
- Transfer staff to a government formed road contractor or contractors.
- Second government staff to contractors or consultants (This has worked in a pilot project in South Africa)
- Transfer staff from central government to local government
- Privatize or commercialize particular elements of the organization such as Training Schools or Materials Laboratories.



Options for Dealing with Redundancies

- Voluntary redundancy.
- Retrenchment.
- Natural wastage
- Temporarily reduced retirement age.
- Training support - in particular for unskilled staff, may enable some staff to get other jobs.
- Attrition or do nothing (not recommended)

4. Phasing in Contracting

- Appropriate Packaging of contracts
- Set up contractor registration system
- Create contractors associations
- Contractor training
- Greenhouse contracts
- Technical competitive tendering
- Appropriate specifications

5. Monitoring Indicators

- Timeliness of contract procurements and payments
- Overall value and numbers of contracts performed grouped by contractor class and contract value
- Volume of force account works being carried out in terms of expenditure and coverage of network
- Road Asset Value
- A Unit maintenance costs for selected key activities
- The number of bidders for contracts
- Transparency



Thank You