



Local and Regional Economic Development (LRED) at UCBP

Concept

1. Background

The Ministry of Capacity Building and the Ministry of Education are guiding and funding the University Capacity Building Program (UCBP). GTZ IS has been commissioned by the Ethiopian Government as the project management and implementation agent to ensure the construction of 13 universities on 15 sites at a competitive cost.

The construction of the 13 universities in all regions of Ethiopia with a capacity between 4.500 and 12.000 students each, will not only strengthen the educational system as a whole, but will also have significant economic impact within the concerned locations and regions in terms of purchasing power, innovative potential and growth. Using those factors and turning the emerging universities into incubators of local and regional economic development are main objectives of the UCBP.

Capacity Development, enhancing technical and managerial skills of individuals and organizational processes, is an integral part of the project implementation and represents the second program component of the UCBP.

UCBP Capacity Development aims to modernize the Ethiopian Construction Sector (architecture firms, construction enterprises, engineering and management consulting companies) throughout the country, working not only with companies based in Addis Ababa, but also with local construction related enterprises (like sanitary, electricity, masonry, metal and wood work enterprises) in all UCBP regions.

Capacity development in the UCBP aims to: "Improve competitiveness in a market driven environment of the construction, architect & engineering, construction management consulting and local small and medium enterprises (SME) that will be selected for the realization of the university construction program."

It is conducted along four tiers which are considered to represent the elements of the construction sector value chain:

Construction Management Companies,
Architects and Engineering Companies,
Construction Companies and
Local construction related enterprises in UCBP regions.

Involving and developing local/regional construction related small and medium enterprises and thereby improving economic development in these regions is one of UCBP's main objectives.

By combining sub-contracting and capacity development for local and regional SMEs, UCBP expects to contribute to the enhanced competitiveness of the construction sector as a whole and to boost local economic development.

Worldwide, small and medium enterprises form the base of economies and play an important role in reducing poverty, generating employment and sustaining local economic development. The construction sector is considered an effective engine for local economies.

2. Promoting local economies by creating and strengthening local and regional enterprises and cooperatives

By involving local small and medium enterprises that are related to the construction sector, the UCBP aims to create and grow sustainable, market-oriented local construction companies and cooperatives, thereby increasing employment and income in the regions of UCBP sites.

However, many local enterprises outside of Addis Ababa struggle with managerial and technical standards as well as sustainable financial viability. Furthermore, few of local enterprises have experience in cooperating with General Contractors coming from Addis Ababa.

Therefore, the UCBP will focus on strengthening existing local/regional enterprises and encouraging the formation of new ones, through:

Developing a system for involving local/regional enterprises through subcontracting by the general contractors (with a target of subcontracting 25% of construction work in phase I, and 40% in phase II);

Providing entrepreneurial and managerial skill training for business sustainability;

Conducting practical training on-the-job to upgrade the skills of technical staff in main trades such as masonry, metal works, carpentry, electricity and plumbing, as well as

Cooperating with the local “Technical and Vocational Education and Training – TVET” colleges, offering internships to their students to get practical experiences in their respective trades and “Start - up business” - training to graduates interested to create their own construction related enterprises.

At all sites, the UCBP Site manager, with support from their respective SME officers, will implement the project concept efficiently.

2.1 The overall objective:

Better performing local/regional construction related enterprises enhance their contribution to economic development in UCBP regions.

2.2 The project objective:

Creating and strengthening local construction related enterprises/cooperatives in UCBP regions.

To achieve the above objectives, the UCBP will increase the number of businesses as well as the number of employees in the local and regional construction sector. For achieving a sustainable impact, efforts will also focus on increasing the number of construction related enterprises organized under institutions, such as Offices of Trade & Industry and Chambers of Commerce & Sectorial Associations.

2.3 The target groups:

Owners, managers, administrative and permanent skilled technical staff of local and regional construction related enterprises and cooperatives.

Professionals and TVET graduates planning to create construction related enterprises and cooperatives in UCBP regions.

Management of General Contractors.

2.4 The results:

2.4.1 Sub-contracting System successfully implemented:

The SME Unit will ensure the ambitious target of achieving a 25% sub-contracting rate in Lot 1 A and 1B and 40% in Lot 2 A by creating and implementing an effective subcontracting system on all sites.

This system will support the General Contractors in identifying appropriate local and regional enterprises in several ways including the establishment of a SME Data Bank.

Various training activities are offered to all concerned parties, such as preparing local enterprises for the tendering process and clarifying subcontracting management to general contractors. Appropriate consulting services by UCBP construction consultants will be offered at HQ as well as on site.

Both parties, General contractors from Addis Ababa and local subcontractors will be supported in the negotiations, fostering fruitful partnerships.

All major stakeholders (like the Offices of Trade & Industry, Chambers of Commerce & Sectorial Association etc.) will be involved as closely as possible and their support mobilized. For that purpose, cooperation agreements with all Regional Offices of Trade & Industry will be signed.

In addition, the SME Unit will develop and improve alternative contracting systems, such as limited schemes to allow GTZ IS to directly contract local enterprises (e.g. for temporary construction measures or even infrastructure).

2.4.2 Entrepreneurial and management training program successfully conducted:

Management and entrepreneurial training aims to build up the competencies of local enterprises and cooperatives as sub-contractors, safeguarding the timely delivery of works, material and services to the general construction contractors at a high quality level.

The training program will enhance the personal and professional competences, which are critical for the entrepreneurs, managers and permanent administrative staff of such enterprises and cooperatives. This applies to enterprises that have already been subcontracted as well as those who hope to win subcontracting contracts in the future.

The preferred tools for implementing this strategy are:

The use of the CEFE – Competency based Economies through Formation of Enterprises” approach (for entrepreneurial aspects);

Short management tools based on thorough needs assessment (for management aspects) and

ISO training for advanced enterprises and cooperatives concerning quality improvement of the process itself.

In addition, professionals and TVET graduates planning to create a construction related enterprise or cooperative will be offered “Start - up Business” trainings/ These trainings use the CEFE approach to enhance entrepreneurial skills and teach participants how to design business plans, and organize and manage small businesses.

The CEFE training method, which is used by GTZ worldwide to stimulate entrepreneurial skills and also applied in UCBP, is based on an action learning approach. It trains participants in how to design business and production plans, and teaches them about marketing, organization, management and financial planning.

2.4.3 Technical skill upgrading successfully implemented:

In order to increase the technical skills of local small and medium construction related enterprises/cooperatives, which are often insufficient, and for the purpose of safeguarding a timely and quality-wise satisfactory implementation of the sub-contracts as well as to qualify for sub-contracting, a series of technical skill upgrading activities will be conducted.

German master craftsmen and foremen will train national skill up-graders for each of the six major trades on all 15 sites. Consequently, German and national Skill up-graders working together will then train skilled and semi-skilled workers of local and regional enterprises in their respective trade on all sites and prepare them to pass the finale examination.

These activities will as well involve a significant number of TVET colleges, their graduates and students on UCBP sites.

In UCBP, enhancing the technical skills of sub-contracted local enterprises/cooperatives as well as the skills of SMEs with a potential to be subcontracted is a major priority.

Technical skill-upgrading will enable the local enterprises to perform more effectively and efficiently and thus produce better quality outputs, in a timely manner and at a competitive price.

Technical skill-upgrading training will mainly focus on on-the-job training to improve, in particular, the technical quality of the work of skilled and semi-skilled workers from local enterprises and cooperatives.

2.4.4 Regional/local public + private sector institutions are involved in UCBP/SME activities and their capacity in economic development is strengthened:

The GTZ approach on local/regional economic development (LRED) is building on existing strengths and potentials of relevant stakeholders. The SME unit, as a cross-cutting device within the UCBP, will support local partners to find ways that the construction sector, enhanced by UCBP's capacity building activities, might function as a catalyst to the development of regional and local economic growth and to the enhanced competitiveness of the respective localities.

The provision of study facilities for more than 120.000 students at 15 sites implies an enormous economic potential for each of new university site and the surrounding region. Municipalities and the local societies shall be prepared to develop local economic development plans considering these challenges and opportunities

Therefore the SME Unit will strengthen local and regional stakeholders such as Municipalities, Offices of Trade & Industry, Chambers of Commerce & Sectorial Associations, TVET colleges etc. to work together with UCBP's Site Manager and the respective General Contractors to achieve clearly defined activity plans based on their voluntary commitments. For this purpose a series of periodical stakeholder meetings will be conducted.

In addition well described bilateral agreements with all regional Bureaus of Trade & Industry will complement these efforts.
