

Executive Summary University Capacity Building Program (UCBP) Project Cost Analysis 2005-2009

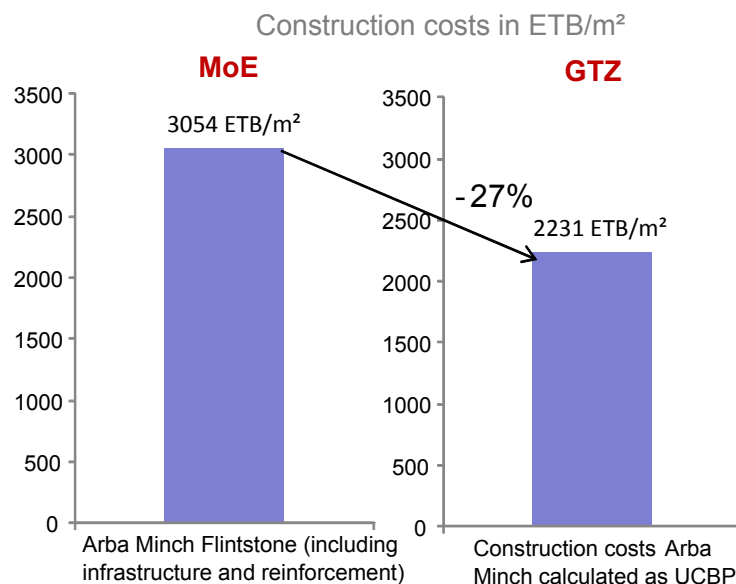
GTZ's unique capacity development approach has proven to deliver large scale construction projects with additional development value. But capacity development is not the only benefit of GTZ's involvement: the overall costs are lower than comparable projects without capacity development component.

This is the result of a detailed comparative study undertaken after five years of managing the design and the construction of 13 universities for 121,000 students in Ethiopia. The study proves the positive relationship between capacity development on the one hand and reduced construction and project costs on the other hand. It draws on data from the university project (UCBP) financed by Government of Ethiopia (GoE) and implemented by GTZ IS, and from the Arba Minch university construction project financed by GoE without GTZ IS involvement. The Arba Minch project utilized the same designs developed by the UCBP and was carried out in parallel.

Key results of the study

1. UCBP's capacity development approach lowers contractual construction costs by a quarter in comparison with identical governmental construction projects.

By building national expertise and capacity for using highly effective instruments and processes, the project succeeds in lowering the costs of construction. One of the most important factors has been the increase in the productivity of SMEs by skill upgrading.



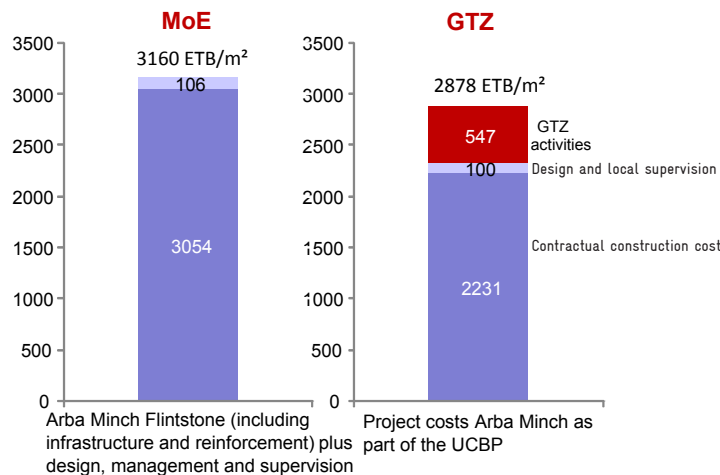
**UCBP approach is 27% less costly on a
 General Contractor (GC) contractual basis**

Sample analysis: Contractual construction cost comparison UCBP approach with Arba Minch University (Education Faculty)

2. Capacity development + construction is less costly than construction without capacity development

Investing in capacity development processes generates effective value for the client:

- Construction costs decrease massively
- Utilizing the acquired capacities will decrease construction costs for future projects
- Instruments and methodologies will be used again to decrease project costs further



GTZ approach with capacity development, management and steering is less costly than the approach without GTZ IS involvement

Sample analysis: Project cost comparison UCBP approach with Arba Minch University (Education Faculty)

The utilization of international expertise and methodologies is essential for successful capacity development. Despite the higher costs required for international GTZ IS experts, the investment directly pays off in the form of lower overall project costs.

3. Lowering construction and project costs is based on capacity development.

The UCBP approach consists of integrating construction with capacity development and capacity development with construction. The positive cost impact depends necessarily on the integration of these components.

Savings in one project can immediately be invested in capacity development activities for other construction projects, thus leading to a decrease in project costs for these projects as well.

4. Capacity development results in the sustainable development of the construction sector and the economy.

UCBP has generated multiple values for the Ethiopian construction sector by integrating all components from architects, engineers, craftsmen, unskilled labor, general contractors, and trade contractors into the program. The program focuses on institutional capacity development as well as the creation of local specialized trade SMEs, who have been given opportunities by making subcontracting to local SMEs mandatory for general contractors.

The construction management + capacity development approach for a large scale undertaking has been a new experience for Ethiopia. The relevance of the approach for the short and long term development of the Ethiopian construction sector has been proven by the substantial skill upgrading and capability generation in the regions and on a countrywide level.

Concluding remarks

The cost analysis is only one component of a successful construction project. Time and quality as the other key components are of equal interest to any client.

The UCBP approach has the following characteristics:

Time: Putting already completed components to use while at the same time designing and constructing further components is the most effective methodology for clients to benefit from the project. UCBP has shown significantly shorter overall timelines than comparable construction projects.

Quality: From the start, the UCBP project has implemented quality standards higher than those locally applied. With time, quality has increased up to the standard of developed countries.

By contracting and executing all works with national contractors, design consultants and supervision consultants, the UCBP approach has provided numerous work opportunities for the Ethiopian population and kept profits in the country.

The project cost analysis undertaken by GTZ IS illustrates the benefits of capacity development utilizing large scale construction projects. While each project is different, the present study indicates that the approach developed in Ethiopia by the UCBP can generate outstanding effective value for the client.

Addis Ababa, 17 August 2010