

# Developing Citizen Capacity in the Face of Globalisation and Foreign Competition

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## Abstract

The construction sector not only provides the infrastructure so vital to the economic development of any nation, it is also, and perhaps even more importantly, a source of employment for the large pools of unskilled labour that so characterises developing nations. The construction industry is therefore a major player in the socio-economic upliftment of developing nations.

This paper acknowledges that the construction industry has to date been largely dominated by multi national construction companies operating on a global scale, and suggests that, much like in the political sphere, full participation by citizens in the construction industry is a necessity to ensure adequate attention to local environment issues, national sensitivities, as well as full ownership of the development projects by those they are intended for. This paper will be premised on;

- *the notion that it is desirable and it is indeed an objective of TG29 to develop and nurture the development of citizen capacity to enable their full participation in the construction industry; and*
- *that full citizen participation can only be achieved through the adoption of a national strategy developed specifically for this purpose*

The paper finds that there is general consensus on the desirability and support for the development of citizen capacity, including by WTO as well as international lending and development agencies. Botswana's vision for the future, *Vision 2016 – Towards Prosperity for All* is also found to be fairly unwavering in its commitment to developing citizen capacity.

The paper concludes by giving examples of how in Botswana, near full citizen participation has been achieved in the public and the mining sectors through a targeted training program coupled with the *localisation plan* - a policy aimed at governing and guiding the employment of foreigners to ensure full citizen participation in formal employment.

The paper also gives the example of Malaysia, and through the example demonstrate that preference and work reservation schemes are capable of delivering the desired goals, and are policies which are aimed at correcting a *social ill* that the markets are of themselves not able to rectify.

## INTRODUCTION

Construction is an essential sector of any economy. It is especially so in the case of developing countries, as it is responsible for provision of infrastructure; roads, bridges, water, sewerage, electricity, telecommunications and even shelter. A well-known cliché of development economics says '*provide the necessary development infrastructure and economic activity will follow*'.

The construction sector is also a major player in employment creation. It will be important to mention that the contribution of the construction sector ranged from 8.5% in 1997 to 11.5% in 1999. This is a significant contribution to the provision of employment in this country.

A particular characteristic of construction is that, unlike other sectors of the economy, construction activity is not limited to the urban centres only, as construction projects are scattered right through the country. The construction sector therefore provides employment opportunities in the rural areas, where unemployment is at its highest. Further, the construction sector is also known for the ability to adopt labour intensive methods, thereby providing employment opportunities to the least skilled of any society.

The construction sector also makes a significant contribution to the Gross Domestic Product of most developing nations, over 5% in the case of Botswana. The construction sector is therefore a major player in the socio-economic upliftment of developing nations, and it is therefore a key industry. Full participation and control by citizens are therefore essential, much like in the political sphere, if adequate attention to national sensitivities, local environmental issues, as well as ownership of development projects is to be achieved.

## **THE NEED TO DEVELOP CITIZEN CAPACITY**

The development of capacity to enable the achievement of control as well as full participation by citizens at all levels of the construction sector is one of the major challenges facing the construction industry in developing countries, and it is generally accepted that it is desirable for all countries, especially developing countries, to nurture the development of citizen capacity. This is clear from a number of authoritative sources.

### **Botswana: Vision 2016**

The Long Term Vision for Botswana - Vision 2016 (1997), is the authoritative document guiding the aspiration of the nation, and it states that "*Botswana will nurture and develop the creative elements within its society, and will be actively contributing to the scientific and technological civilisation of the future*".

Vision 2016 further states "*The economic growth will come from sources that generate jobs for ordinary Botswana. Equitable distribution of resources will have eliminated the needs and given control and management to the people*".

### **FIDIC**

Another authoritative source on the development of citizen capacity, in particular, with respect to the construction sector is Fédération Internationale des Ingénieurs-Conseils (FIDIC), based in Switzerland. FIDIC founded in 1913, is an international body with member associations from high, middle and low-income countries. The objective of forming the federation were to promote in common the professional interests of the member associations, and to disseminate information of interest to members of its component national associations. Today FIDIC membership has reached 66 countries from all parts of the globe, and the federation represents most of the independent practising consulting engineers in the world.

FIDIC acknowledge technology transfer as a key requirement in the development of citizen capacity. According the FIDIC (1995), "*the result of more than 40 years of development aid is a discouraging story of lost opportunities. The gap between the rich and poor is increasing, and the rate of environmental degradation in low income countries is accelerating*". And whilst FIDIC acknowledges that there is no simple solution to these problems, it recognises that the key to sustainable development is "*the building of local skills and transfer of known-how to enable the low and middle income countries of the world to activate their stagnant economies and move closer towards achieving the advantages enjoyed by the richer industrialised nations*".

Technology transfer is also included as a key element of Agenda 21, the blue print for global partnership aimed at reconciling the twin requirements of a high quality environment and a healthy economy for all.

### **Lending agencies**

Finance institutions and lending agencies in international development also acknowledge and recognise the need for the development of citizen capacity in borrowing countries.

The World Bank in their guide to international business opportunities in projects funded by the World Bank (World Bank, 1997), states with regard to preferences; *“Qualified firms from each member country must have equal access to information, equal opportunity to bid for contracts, and a fair and impartial construction for award, independent of national origin. However, to promote the development of local industries within the borrowing country, the Bank permits the borrower to give a margin of preference to locally manufactured goods, plant and civil works contractors, where they are competing against foreign suppliers or contractors”*. In the case of civil works the margin of preference is 7.5%.

In a special report in November 1999 by the Financial Times (UK), on the World trade Organisation (Williams, 1999) it reported that *“almost all countries, including the poorest, have actual interest in exporting services, from tourism and construction to software and insurance. In recognition of this, the WTO’s General Agreement on Trade in Services, allows countries to liberalise at their own pace, subject of course to bargaining with trading partners. The article goes further to state categorically that “countries are thus not obliged to open up the services sector to foreign competition”*. Whilst this is not the position advocated by this paper, it is acknowledgement by even the WTO that it is essential to nurture the development of citizen capacity.

### **Benefits**

There is, therefore, general consensus on the desirability of developing citizen capacity to enable their full participation in the construction sector, as indeed in other sectors of the economy. Whilst the benefits would be many and varied, the following is a schedule of some benefits pertaining to the construction sector. [5].

- Increase in the knowledge base and expertise available and needed in the country in the long term.
- Availability of long-term technical support and moral commitment to projects and programmes.
- Availability of citizen expertise for the implementation of security sensitive projects and projects of national prestige.
- Provision of affordable and long-term sustainable services under any possible future economic scenario.
- Promotion and retainment of citizen expertise within the country.
- Increased retainment of development funds within the country through re-capitalisation and re-investment.
- Potential to earn foreign revenue through the development of an export dimension in the professional services sector.
- Creation of meaningful employment and sustained development of entrepreneurship amongst citizens.

## **THE NEED FOR A NATIONAL STRATEGY FOR DEVELOPING CITIZEN CAPACITY**

It must be accepted that the development of citizen and the achievement of full citizen participation within the construction sector, as indeed in any sector of the economy, can only be achieved through the adoption of a national strategy developed specifically for this purpose, and fully supported by all stakeholders.

Vision 2016 is fairly direct in this regard and states the goals of the vision cannot be met without concrete strategies that spell out the direction of actions and policies. It further states *“Botswana needs bold*

*strategies to grow into the future. The conservation and modesty of the past have served the country well, but the time has come to take calculated risks and aim at higher targets”.*

The major departure should however, not only be in the strategies adopted, but more importantly be in how strategy is viewed.

In business, the simple meaning of strategy is that of thinking through what today’s business is, and having considered all the threats and opportunities, envisioning what tomorrow’s business should be, and then devising a plan to get there. A more meaningful view of strategy however goes beyond this and considers how a business can leverage its current resources to reach seemingly unattainable goals. Strategy should be viewed as the management of advantages.

This view of strategy is inline with the new direction advocated in vision 2016, and it is the view of strategy adopted in this paper.

## **ESSENTIAL ELEMENTS OF THE NATIONAL STRATEGY FOR DEVELOPING CITIZEN CAPACITY**

It is the vision of this nation to have full and meaningful citizen participation in all sectors of the economy by 2016. The benefits of this are well known and have been articulated previously. Further, there is general consensus on its desirability including by both lending and developments agencies.

The task now is to formulate the essential elements of the national strategy for developing citizen capacity. The fundamental principle of which should be to leverage current resources to reach the desired goal.

### **Education and Training**

Education and training are the basic elements of any effort to maximise citizen participation in the economy.

Fortunately, Botswana, as many other developing nations, has not spared any effort in this regard, and the education system has over the last 30 years produced enough trained personnel for the different sector of the economy such that citizens currently account for up to 95% of the total workforce. Table 3.

The education and training system has also been able to produce a significant number of citizen entrepreneurs, who have now ventured into the private sector.

These are advantages that should be managed and leveraged to achieve the desired aim of full citizen participation in the construction sector. The following are some of the essential elements to leverage this aspect.

- It is notable that the 5% of the workforce that is non-citizen is largely in the specialised areas of technology, business, finance and management. For meaningful participation, it is essential that these areas are reinforced within the current education system, to enable citizens to assume leadership roles in these fields.
- To date, the products of the education system have been aimed at a lifetime of employment, largely in the public sector. For a sustainable and diversified economy, as envisioned, more citizens will have to venture into the private sector. It is therefore, essential that education and training include elements of enterprise development, management and finance.
- It is also essential to develop an infrastructure of training facilities that is aimed at assisting citizen entrepreneurs. In accordance with Vision 2016, *“measures should be taken to strengthen the private sector business centres or to create polytechnics or business schools that are able to contribute towards the national capacity in business related skills”.*

## **An enabling environment**

It is essential that measures be put in place to encourage and nurture the participation of citizens in the construction sector, by the introduction of regulatory mechanisms. In this regard, the resource to be leveraged for the achievement of the stated aim is the existing strong regulatory system in the construction sector in Botswana. The following are some of the essential elements of the strategy;

- The existing public procurement system and tendering processes should be amended such that the registration of citizen companies is not only encouraged, but is speeded up, and any existing regulatory impediments are scrutinised closely and relaxed or removed completely.
- Measures should be put in place to improve citizen access to capital, through guarantee schemes, development funds, etc.
- Financial support should be made available for citizen trade associations, which should be encouraged to include professionalism, ethics and maintenance of standards amongst their members as a primary objective.
- A committee constituted to implement, monitor and to review the strategy for development of citizen capacity should be put in place (ACDC, 1999). The duties of the committee would in addition to the above, include dissemination of information regarding the strategy, and the establishment of the needs and factors affecting the strategy.

## **Development of specific proposals**

It is essential to recognise and acknowledge that citizen firms are already significant players in the construction industry, in most developing countries, including Botswana. The strategy to be adopted should therefore nurture and develop this further.

The primary vehicle for the achievement of this aim is the public procurement system, and the resource to be leveraged is the strength of the economy and the resulting activity in the construction sector. In this regard, it is important to recognise the importance of foreign firms and their role in technology transfer. It is further important to realise that this can only take place in the face of an active construction sector, whereby foreign firms will be attracted into participation. This is the prevailing situation within the construction sector in Botswana.

Education and training produce the skilled personnel necessary for participation, and an enabling environment will allow the formation of citizen enterprises in the construction sector. However, without on the *'job training'* which comes through active participation in the market, all these efforts would come to naught. It is essential therefore for the national strategy on the development of citizen capacity to recognise this.

FIDIC also recognise this and are of the opinion that courses and seminars are of limited value unless combined with practical experience. FIDIC therefore recommend that *"an effective transfer of technology through development projects will hardly be possible, unless the receiving party plays a meaningful role in the project"*.

The national strategy on the development of citizen capacity should therefore include at least the following proposals in the terms of reference of each and every project.

- Adequate provisions for the transfer of technology, by making citizen participation compulsory through joint ventures, sub consulting agreements, etc., with non-citizen firms.
- Reward tenderers for the level of citizen participation and control, including the appointment of citizen partners into leading roles whenever appropriate.
- Request for foreign firms to demonstrate experience and ability at technology transfer, and successful previous joint participation in development projects.

- Appointment of an observer, nominated by the National Strategy Committee, to assist not only in the fair selecting of the contractor, but also to monitor that technology transfer does take place.

## **PRECEDENCE**

In drawing up the proposals for the national strategy on the development of citizen capacity precedence, is noted as follows;

### **Localisation policy**

The aim of the localisation policy in Botswana is to govern and guide the employment of foreigners to ensure the achievement of a national goal of full employment for all qualifying citizens before employment can be offered to a non-citizen.

The localisation policy derives its strength from the Employment of Non-Citizens Act, which states that, *“No non-citizen shall engage in any occupation for reward or profit unless, he is a holder of a work permit issued to him under this act”*. In the regulations accompanying the Act, details are given of the conditions necessary for award of a work permit. These include the requirement for an understudy, as well as a training program for the understudy. The aim of the policy is therefore clear and the results are impressive. Currently localisation has reached up to 95% in the public and mining sectors.

This is clear illustration of Government leveraging the employment opportunities that are available in the country to ensure technology transfer to citizens and the attainment of full citizen participation within the formal employment sector.

### **The case of Malaysia**

In recognition of the imbalances and disparities that existed between the different population groupings with the Malaysian nation, the government came up with the National Economic Plan (NEP) as part of the second Malaysian Plan (1971-1975), with two aims. *“To eradicate poverty irrespective of race, and to restructure the Malaysian society to reduce and eventually eliminate identification of race with economic function.”*

The Government proclaimed aim was that by 1990 (Searle, 1999), *“at least 30 per cent of the total commercial and industrial activities in all categories and scales of operation should have participation by Malaysian and other indigenous people in terms of ownership and management. The objective is to create over a period of time, a viable thriving Malaysian industrial and commercial community which will operate on a par and in effective partnership with non-Malaysian in the modern sector”*.

Through this policy, which was refined and amended in successive plans, the Government of Malaysian had by 1990 fairly well achieved its target, save some minor arguments regarding the actual estimates.

This is another clear illustration of leveraging existing resources to achieve a specific goal. In this case, the strong Malaysian economy was leveraged to empower a certain section of the population, and to ensure their full participation in the economy of the country.

## **CONCLUSION**

The construction sector not only provides the infrastructure to support economic activities in a nation, it is also a source of employment for large pools of unskilled labour that characterise developing nations. In Botswana, the construction sector contributes between 8.5-11.5% of the GDP.

However, to develop capacity for full citizen participation in the construction industry, which is a necessity for maximum benefit from the industry, Botswana needs to adopt a national strategic plan developed specifically for this purpose and fully supported by all stakeholders. The strategy is to be based on a comprehensive training program for technical skills and enterprise development, and is to be complemented with the incorporation of specific preference and work reservation policies into the public procurement system.

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