

5 year Review

of the Construction Industry Development Board



February 2007

List of ABBREVIATIONS



ASGISA

Accelerated and Shared Growth Initiative
of South Africa

BEE

Black Economic Empowerment

CBE

Council for the Built Environment

CCC

Construction Contact Centre

CEO

Chief Executive Officer

CETA

Construction Education and Training
Authority

CHE

Council for Higher Education

cidb

Construction Industry Development Board

CII

Construction Industry Indicators

DPW

Department of Public Works (National)

IDIP

Infrastructure Delivery Improvement
Programme

JIPSA

Joint Initiative for Priority Skills Acquisition

NCDP

National Contractor Development
Programme

NHBRC

National Homebuilders Registration
Council

Nurcha

National Urban Reconstruction and
Housing Agency

SAQA

South African Qualification Authority

table of CONTENTS

3. EXECUTIVE SUMMARY

11. MAIN REPORT

25. FINDINGS AND RECOMMENDATIONS

39. WIDER ISSUES

41. CONCLUDING COMMENTS

42. ACKNOWLEDGEMENTS

ANNEXES

43. A Members of the Review Panel

45. B Extract from the CIDB Act 2000: Objects of the Board

47. C Stakeholders seen by the Panel

cidb RESPONSE

49. Response from the cidb Board and management, and comments and recommendations from the Reference Review Group



Executive SUMMARY



INTRODUCTION TO THE REVIEW

The Construction Industry Development Board (cidb) was established by the Construction Industry Development Board Act 2000¹. Section 14 of the Act requires a review of the activities of cidb at least once every five years. This report is the outcome of the first such review, which took place in the period 29th January 2007 to 2nd February 2007.

The review was conducted by a Panel appointed by the Minister of Public Works with the following Terms of Reference:

THE PURPOSE OF THE REVIEW IS TO PROVIDE:

- a review of the performance of the cidb and its activities in relation to:
 - the mandate and objects of the cidb as stated in the CIDB Act
 - the strategic and business plans of the cidb
- an assessment of the outcome and impact of the activities of the cidb and
- the governance and management of the cidb

THE EVALUATION AND REVIEW WILL BE UNDERTAKEN FROM THE FOLLOWING DIMENSIONS:

- a review of the efficiency and effectiveness of the establishment of the cidb

- a peer review, in which the quality of the programmes of the cidb will be assessed in terms of international best practice
- a stakeholder review, reviewing the performance of the cidb in relation to the mandate and objects of the cidb and
- a management performance review

The members of the Review Panel (further information in Annex A) were:

PROFESSOR DENNIS LENARD

Property and construction consultant, Sydney, Australia

MS NONYAMEKO MANDINDI

Chief Executive Officer, Intersite Property Management Services

MS EILEEN MEYER

Head, Technical Assistance Unit, National Treasury

PROFESSOR GEORGE OFORI

Head, Department of Building, School of Design and Environment, National University of Singapore

MR DAVE RENWICK

Project Co-ordinator, Strategic Projects Unit, eThekweni Municipality

A Review Reference Group appointed by the Board oversaw the review process.

cidb PROGRAMMES AND OUTPUTS

cidb is tasked with providing strategic leadership to stakeholders in the construction industry in order to stimulate sustainable growth, reform and improvement of the industry, for effective delivery and the industry's enhanced role in the country's economy. The mandate given to cidb by its Act (Annex B) includes the standardisation of public procurement of construction and the introduction of Registers of Contractors and of Projects. These actions had to be taken within three years of its establishment.

In order to fulfil its mandate, cidb has created four programmes, which also are the basis of its management structure. These are:

- Procurement and Delivery Management
- Construction Registers Service
- Industry Development
- Growth and Contractor Development.

Key outputs and other aspects of these programmes are:

PROCUREMENT AND DELIVERY MANAGEMENT

- Code of Conduct for all participants in construction procurement
- Library of Construction Procurement Best Practice
- Standard for Uniformity in Construction Procurement
- Compendium of Legislation affecting the construction industry
- The Toolkit Delivery Management System, which forms the basis of the Infrastructure Delivery Improvement Programme (IDIP).

Public bodies are now mandated by the Supply Chain Management Regulations to use cidb procurement prescripts.

CONSTRUCTION REGISTERS SERVICE

- Register of Contractors, launched in 2004 and now with 27500 registrations
- Register of Projects, launched in 2004
- i-Tender system for notifying contractors of tender opportunities by email and SMS (over 147000 notifications distributed).

Contractors are registered in five classes according to their specialist capabilities, and in nine grades according to the size of project for which they may bid. The number of Grade 1 firms (80% of the total) wishing to register far exceeded expectations, and there have been resulting delays in registration which will be reduced in the early months of 2007. The registers are already providing valuable data for targeting, and monitoring the impact of development initiatives.

INDUSTRY DEVELOPMENT

- Industry Status Report 2004, a comprehensive study of the South African construction industry and its delivery capacity
- Construction Industry Indicators, published since 2001 as a summary of industry performance
- Studies of demand and supply of skills

GROWTH AND CONTRACTOR DEVELOPMENT

This programme is under development. Its objective is to enhance the capacity and contribution to development of 10000 contractors by 2010. A National Contractor Development Programme will be launched in 2007, delivered through provincial Construction Contact Centres (ten in total, four to be established in 2007) in partnership with local stakeholders. Contractors' development will be recognised through enhancements to the Register. Training material on tender and contract management has been developed.

cidb is required by the Act to form a Stakeholders Forum which meets with the Minister annually. Other stakeholder communications have been through workshops and focus groups; more than 1000 workshops have been held to create awareness of cidb registers and procurement prescripts.

cidb's turnover in 2006/7 will be around R50 million and is expected to rise to R75 million in 2009/10.

STAKEHOLDER INPUTS TO THE REVIEW

The Panel held discussions with a wide range of stakeholders (Annex C). Without exception, they expressed strong support for the objectives of **cidb**. Generally, they recognised that **cidb** had achieved much in its first five years, even though many challenges lay ahead. Some large, specialised clients considered that **cidb** had not added significantly to their procurement functions and there were concerns from emerging contractors over aspects of the registers and the low level of developmental activity to date. This led some stakeholders to perceive **cidb** as primarily concerned with regulation and protection of the public sector. There were also concerns about the influence of consultants on **cidb** views and outputs. Overall, however, the Panel were encouraged by the good understanding of **cidb**'s mandate and activities shown by stakeholders and their appreciation of what had been achieved.

On the question of the influence of **cidb**, views varied. Local government client bodies considered it to have had substantial impact on procurement processes while other public clients were less positive. Contractor representatives recognised the impact of the registers. **cidb** had not yet impacted significantly on professional service providers. There was concern that **cidb** should demonstrate its ability to secure compliance with its prescripts, and should be seen to be influential with government departments; professional fee tendering was cited as an example of an issue which required **cidb** input on behalf of industry interests.

The picture on stakeholder communications was also mixed. Some claimed to have good access to the **cidb** Board but others commented that the Stakeholders Forum had not been as effective as it should have been (in part because it had not met in 2006). They considered **cidb** to be out of touch and noted that the Board was not representative of all major interests.

The individual programmes of **cidb** were generally considered to be of high quality with particular praise for the procurement documentation although there were some concerns that this might be too complex for small contracts. The Register of Contractors was seen as a powerful tool for structuring the industry, but there was concern at the present delays in registration and detailed comments on the criteria employed which were seen to disadvantage some emerging contractors. The Register of Projects was less accepted, clients seeing this as an administrative imposition without clear benefits for their organisations.



MANDLA NDLOVU (**cidb** BOARD MEMBER) AND NONYAMEKO MANDINDI OF THE **cidb** REVIEW PANEL.

Discussion of industry development focussed mainly on the issue of skills supply. Stakeholders wished **cidb** to take strategic leadership in this area, building on its surveys which had been useful contributions to the debate. The concerns covered both trade skills and professional capabilities. Representatives of emerging contractors wished to see much more emphasis on development in that sector, but also acknowledged that many Grade 1 firms had registered speculatively and that the market might not support them all.

FINDINGS AND RECOMMENDATIONS: STAKEHOLDER, ESTABLISHMENT AND PEER REVIEWS

The Stakeholder Review required an examination of the performance of **cidb** in relation to its mandate and objects. The Review Panel classified the objects as follows:

- Providing strategic leadership to construction industry stakeholders
- Establishing and promoting best practice in the procurement and delivery of construction projects
- Promoting industry development
- Providing advice on policies and programmes which impact on the construction sector.

STRATEGIC LEADERSHIP

A wide range of stakeholders look to **cidb** to provide strategic leadership and there is a great fund of goodwill for the Board. But it has needed to focus on meeting specific items in its mandate and not all parts of the industry have so far been impacted by **cidb**'s activities. In particular, professional service providers are only now coming into close contact, through consultations on the proposed register for this sector. **cidb** has successfully established a position from which it can exercise strategic leadership, but should broaden its reach.

Some stakeholders considered the Board of **cidb** to be out of touch with their interests and the Panel noted that it did not include members with a background in each significant sector. While retaining the present system of Ministerial appointments on the basis of individual qualities, attention should be paid to securing a Board that is more representative both of backgrounds and provinces.

The Stakeholders' Forum was perceived not to be as effective as it might be in facilitating two-way communications and the decision not to hold the Forum in 2006 was widely commented upon. The development and consolidation of **cidb**'s strategic leadership position will require more attention to stakeholder communications, and the active participation of Board Members.

Communications are crucial to **cidb**'s aim of 'development through partnership'. Many stakeholders have their own favoured communications channels, and neither printed matter nor the Web may be the best media for reaching some parts of the industry. **cidb** has put much effort into communications but should now develop a comprehensive strategy for two-way communications with stakeholders, taking maximum advantage of stakeholders' own channels.

Recommendations

1. **cidb** should now engage a wider range of stakeholders within the construction industry in order to broaden and consolidate its leadership role.
2. Board members should continue to be appointed as individuals, but more attention should be paid when making Board appointments to securing representation from a broad range of backgrounds, in terms both of industry experience and location.

3. **cidb** Board Members should play an active role in communications between the Board and stakeholders and in consultation processes.
4. The annual Stakeholders' Forum should be supplemented with provincial meetings and all Forum meetings should be designed to promote two-way communications.
5. **cidb**, in partnership with stakeholder organizations, should develop and implement a comprehensive communications strategy.

BEST PRACTICE IN PROCUREMENT AND DELIVERY

This encompasses the linked themes of procurement reform and the registration of contractors and projects. It has been the principal focus for **cidb** because the Act set timescales for outputs. **cidb** has met the requirements of the Act.

The documentation on procurement practice is of high quality and widely commended. Some issues remain to be addressed – notably whether simpler documentation might be developed for smaller contracts. There is a continuing need for promotion and training to raise competence in municipalities and more attention now needs to be paid to ensuring compliance.

The Register of Contractors has been widely welcomed. Many clients will have a need to maintain registers of suppliers and data exchange protocols should be developed. The present back-log in registrations is harming contractors' perceptions of **cidb** and needs to be reduced quickly. Alternative, simpler systems for registering Grade1 contractors would be helpful; these might involve other stakeholders. In contrast, at some levels more data would make the register more valuable. Local knowledge of performance might be employed and some modification of the criteria to enable past experience to be taken into account might be considered. The new Construction Contact Centres, by facilitating face-to-face contact, should be an asset both for administration and for enhancing the data.

The register at present is limited to contractors that wish to undertake publicly funded works. There are other important groups, such as home builders and contractors who only work in the private sector, whose needs should be taken into account when preparing development initiatives. The register should be progressively extended.

The challenge for the Register of Projects is to convince clients who provide the data of its value to them. This should be addressed through showing how the data are informing industry policies, such as on skills, and how the data can illuminate performance analyses through benchmarking.

Recommendations

6. *cidb* should continue to promote uniformity of procurement practice, but should be prepared to introduce some variants to meet specific needs and development goals.
7. *cidb* must, directly or through the Auditor General, ensure compliance with the new procurement prescripts.
8. *cidb* should explore means of reducing the administrative effort required to register Grade 1 contractors.
9. *cidb* should keep the registration criteria under review and continue to improve the registration process.
10. *cidb* should seek progressively to extend the coverage of the Register of Contractors.
11. *cidb* should develop analysis tools and outputs to enable suppliers to gain the maximum value from the projects register.

INDUSTRY DEVELOPMENT

With the registers and procurement prescripts now launched, there is an urgent need for more developmental action. The National Contractor Development Programme will be central but it will be important to set and monitor development goals. Larger contractors have a commitment to *cidb* and the Board should fully use their resources and the influence they can exert through their own procurement and joint venture relationships. As competent firms have their capabilities recognised through the Register of Contractors, there are opportunities for *cidb* to broker financial assistance and other benefits; the obligations put on banks by the Financial Services Charter are relevant.

The industry looks to *cidb* to give a strategic lead in development issues. Prime amongst these is the question of supply and demand for skills, at all levels. *cidb* will need to draw in a wide range of interests, particularly from higher education. Some issues are centred on the casualisation of the industry and might be addressed through procurement policies.

Another strategic issue within *cidb*'s mandate is research and innovation; *cidb* is uniquely placed to bring together interests to create and drive a research strategy for the industry.

Recommendations

12. *cidb* should implement the National Contractors Development Programme as expeditiously as resources permit, and should monitor its contribution to development goals.
13. *cidb* should explore with large contractors how they can best promote industry development in their medium-sized joint venture partners and sub-contractors.
14. *cidb* should examine the scope for a partnership with financial institutions in support of contractor development.
15. *cidb* should provide leadership in the formulation, implementation and monitoring of a comprehensive human resource development strategy for the construction industry.
16. *cidb* should establish a forum to develop a national research agenda and strategy for construction and the built environment. This should include funding, monitoring and evaluation, and dissemination of research outputs

Advice

The Panel were informed of instances where *cidb* had been instrumental in shaping government policy initiatives and received views from officials on the way it had presented advice. The Panel concluded that *cidb* has discharged this part of its mandate effectively.

CONCLUSIONS ON STAKEHOLDER, ESTABLISHMENT AND PEER REVIEWS

In conducting the Stakeholder Review, the Panel covered also issues relevant to the Establishment and Peer Reviews. Its overall conclusions from these are:

- *cidb* has made a very creditable start in discharging its mandate in relation to stakeholders. It met the specific targets set in the CIDB Act and has laid the foundations for much greater attention to developmental issues. It has not impacted on all parts of the industry, but those which have had the closest contact in this period are continuing to give strong support and this bodes well for the future.



- **cidb** has appropriately prioritised its activities and deployed its resources in the first five years and has developed programmes orientated to its main tasks that are both coherent and mutually supporting. It has been well led and managed during this period of establishment.
- **cidb's** outputs are of high quality, and have gained international recognition. Its programmes and publications can stand comparison with any in the

world aimed at construction improvement and it should be designated a Centre of Excellence in construction procurement.

FINDINGS AND RECOMMENDATIONS: MANAGEMENT PERFORMANCE REVIEW

The Panel were impressed by the calibre and commitment of the senior staff of *cidb* and underline the need to retain key managers as *cidb* expands its programmes. Consultants have, rightly, contributed significantly to its outputs; this should continue but with every effort made to transfer knowledge and skills to permanent staff. The use of consultants in the presentation of *cidb* views and proposals should also be reviewed.

cidb has shown sound financial management, with unqualified annual audits. Further expansion of its accommodation should be considered carefully against strategic decisions on the development and delivery of programmes and the role of partners in them.

cidb needs a strong planning framework as it moves into a phase where there are more choices over its use of resources. This should embrace both strategic and annual plans. Complementing this should be the development of a monitoring capability with an independent element, so that the impacts of *cidb* programmes may be assessed. This will underpin the case for continued public funding.

Overall, the Panel find that *cidb* has used its resources well but now needs a stronger planning capability.

Recommendations

17. *cidb* should review the ways in which consultants are used to ensure that these do not lead to perceptions that consultants have excessive influence on the Board or on *cidb* outputs.
18. *cidb* should introduce a strategic planning cycle and should develop a capability for monitoring the impact of its programmes which should include an independent element.

WIDER ISSUES

cidb is a public entity which provides strategic leadership for an important industry. This requires it to tread a careful path between an uncritical acceptance of industry views and over-sensitivity to government opinions and policies. The Panel consider that it would be helpful to all parties if there were a Shareholder Compact between the Minister and *cidb*; this would set



DAVE RENWICK (LEFT) OF THE *cidb* REVIEW PANEL AND RODNEY MILFORD OF THE *cidb*

out expectations and clarify the role of the Board. It would set down aims, targets and performance measures. The Compact might give *cidb* the lead role in the development of policies and programmes related to some of DPW's strategic goals.

cidb's mandate extends to the whole of the industry and it will in the future be impacting on a wider range of construction interests, for example, through the register of professional service providers. It will need to establish constructive relationships with other bodies which have their own roles in the industry, such as the Council for the Built Environment. The institutional structure for regulation and development of the industry might be examined in the light of the expanding role of *cidb*.

The Panel consider that government funding should continue to be the main source of funding for *cidb* although in time there should be a move towards a more equal funding partnership between industry and government. Self-funding should not be the aim.

The large number of contractors wishing to register in the entry level Grade 1 may be in part the outcome of some official statements that have encouraged people to see contracting as a route to additional income, without regard for their training or experience. This is not consistent with the need to raise quality and competence in the industry.

Recommendations

19. The Minister should establish a Shareholder Compact with cidb which includes a statement of its role in the achievement of the Department's strategic goals.
20. DPW, in conjunction with other relevant departments, should review the institutional structure for regulation and development of built environment stakeholders.
21. DPW should, following consideration of this Review, confirm future funding levels for cidb.
22. cidb and DPW should seek to establish a consistent approach in government statements on the employment and income opportunities offered by contracting

CONCLUDING COMMENTS

Overall, the Review Panel find that cidb has made a very encouraging start. It has committed senior management, enjoys strong support across the industry and has produced outputs of a high standard. It needs to strengthen its planning and monitoring capabilities and to make every effort to bring stakeholders into partnership in its programmes, in order to achieve maximum impact. Developments within the industry and within South African society are providing opportunities for cidb. The Review Panel are confident that cidb in its next phase of development will enhance its position of strategic leadership.



EILEEN MEYER (CENTRE) OF THE cidb REVIEW PANEL WITH STAKEHOLDERS HYLTON MCDONALD AND PHUMELELE SIPHAYI.

Main REPORT



INTRODUCTION

BACKGROUND

The Construction Industry Development Board (cidb) is a Schedule 3A statutory body established by Parliament through the Construction Industry Development Board Act 2000². It is tasked with providing strategic leadership to stakeholders in order to stimulate sustainable growth, reform and improvement of the construction industry, for effective delivery and the industry's enhanced role in the country's economy.

Section 14 of the Act requires that:

1. The Board must facilitate a review of its activities in relation to its goals and objects, at least once every five years.
2. A panel drawn from the public sector and the private sector and appointed by the Minister on the basis of expertise in relation to the functions of the Board must undertake the evaluation.
3. The panel must submit its report and recommendations to the Minister.

Accordingly, in November 2006 the Minister of Public Works appointed a Panel, including overseas experts, to conduct an Evaluation and Review of the first five years of cidb's operations. The review took place in

² Act 38 of 2000

the period 29th January 2007 to 2nd February 2007. This report presents the findings and recommendation of the Panel.

TERMS OF REFERENCE

The Terms of Reference given to the Panel were as follows:

‘THE PURPOSE OF THE REVIEW IS TO PROVIDE:

- a review of the performance of the cidb and its activities in relation to:
 - the mandate and objects of the cidb as stated in the CIDB Act
 - the strategic and business plans of the cidb
- an assessment of the outcome and impact of the activities of the cidb and
- the governance and management of the cidb

THE EVALUATION AND REVIEW WILL BE UNDERTAKEN FROM THE FOLLOWING DIMENSIONS:

- a review of the efficiency and effectiveness of the establishment of the cidb
- a peer review, in which the quality of the programmes of the cidb will be assessed in terms of international best practice
- a stakeholder review, reviewing the performance of the cidb in relation to the mandate and objects of the cidb and
- a management performance review

The Panel were also provided with guidance on the expected outputs, viz:

‘THE DELIVERABLES OF THE REVIEW PANEL WILL INCLUDE:

- on completion of the in situ reviews, the Review Panel will provide verbal feedback to the Review Reference Group;
- within two weeks of completion of the in situ reviews, the Review Panel will provide a final report to the Review Reference Group that includes an executive summary. The report should, inter alia, outline the following:
 - strengths, weaknesses and impact of the cidb and
 - efficient ways to reach objectives and improve on performance and impact of the cidb

PANEL MEMBERSHIP

The members of the Review Panel were:

PROFESSOR DENNIS LENARD

Property and construction consultant, Sydney, Australia

MS NONYAMEKO MANDINDI

CEO, Intersite Property Management Services (Pty) Ltd, South Africa

MS EILEEN MEYER

Head, Technical Assistance Unit, National Treasury, South Africa

PROFESSOR GEORGE OFORI

Head, Department of Building, School of Design and Environment, National University of Singapore

MR DAVE RENWICK

Project Co-ordinator, Strategic Projects Unit, eThekweni Municipality, South Africa

At the first meeting of the Panel, Professor Ofori was elected Chair of the Panel. Further information about the Panel members is provided in Annex A

The Panel were assisted by a Secretariat whose members were:

ROGER COURTNEY

Consultant in construction innovation, UK

ERIC MANCHIDI

CEO, PD Consulting, South Africa

REVIEW REFERENCE GROUP

A Review Reference Group was established by the Board. Its members were:

MS LYDIA BICI

Department of Public Works

MS TRACEY CHEETHAM

Department of Public Works

MR SPENCER HODGSON

Outgoing CEO, cidb

DR RODNEY MILFORD

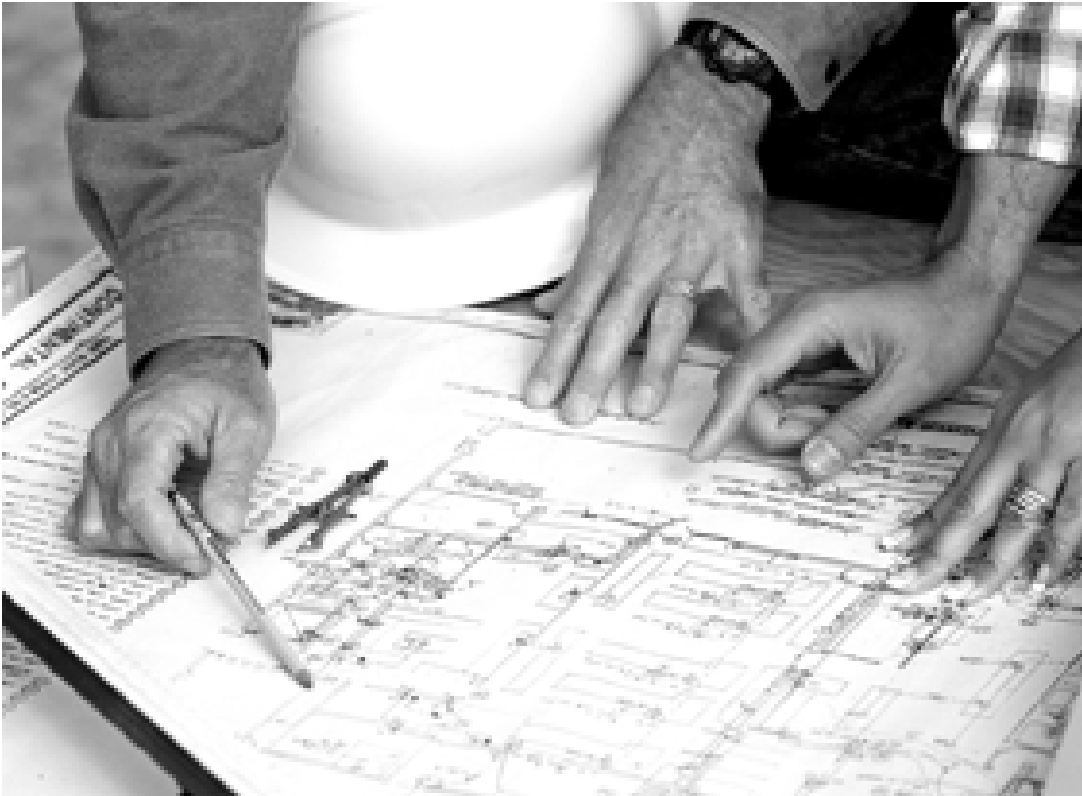
Programme Manager, cidb

PROFESSOR RAYMOND NKADO

Director, Letchmiah Daya Mandindi, Quantity Surveyors and cidb Board Member

MR PEPI SILINGA

CEO, Coega Development Corporation and Chair, cidb Board



SUMMARY OF cidb PROGRAMMES AND OUTPUTS

INTRODUCTION

Prior to the review, we received copies of important outputs from cidb and the Board's most recent Annual Reports and Business Plans. These provided an introduction to the achievements over the first five years. Each senior manager at cidb then made a presentation to the Panel which covered their responsibilities, how these were related to the mandate, the current programmes and future plans, and the challenges that they saw in going forward. Extensive and detailed discussion of each area then took place. This Chapter is based on these presentations and discussions. It summarises cidb's programmes and outputs and relates these to the mandate given in the CIDB Act 2000.

The objects of cidb, as stated in the Act, are shown in Annex B. To fulfil them, cidb has developed four programmes, which provide the framework for its operations and its internal management structure. In the order in which they were developed, the programmes are:

- Procurement and Delivery Management
- Construction Registers Service

- Industry Development
- Growth and Contractor Development.

This order was determined by specific requirements, with timescales, in the Act; these reflected a general strategy, stemming from the work of the Task Team that led to the creation of cidb, that construction industry development would be driven through clients' procurement and delivery practices. The first programme therefore focussed on clients as agents of change. However, there is great complementarity and mutual support across the programmes.

In the development and implementation of these programmes, cidb has engaged extensively with its stakeholders and devoted considerable resources to outreach and communications.

PROCUREMENT AND DELIVERY MANAGEMENT

The Procurement and Delivery Management Programme addresses Sections 5(3) and 5(4) of the CIDB Act. Section 5(3) requires cidb 'to advance uniform application of policy with regard to construction'. It must:

- promote such uniform application throughout all spheres of Government

- identify delivery constraints in the public sector and advise the Minister on policy, practice and procedural reform in relation to public sector clients' performance and public sector capacity improvements
- promote standardisation of the procurement process with regard to the construction industry in line with the framework of procurement policy of government

Section 5(4) requires the Board to 'promote uniform and ethical standards within the construction industry' It must 'publish a code of conduct for all construction related procurement and all participants involved in the procurement process' and may 'initiate, promote and implement programmes and projects aimed at the standardisation of procurement documentation, practices and procedures'.

In line with these requirements, the Procurement and Delivery Management Programme has objectives of:

- Construction procurement reform
- Public sector delivery management improvements
- Compliance and enforcement

PROCUREMENT REFORM

To promote construction procurement reform, **cidb** has produced and promoted the following products:

- A Code of Conduct for all participants in construction procurement, including clients, the professions and all service providers, published in October 2003
- The Construction Procurement Best Practice Library, which is comprised of best practice documentation covering, amongst other subjects: procurement procedures, procurement documentation, contracting strategies, alternative dispute resolution methods, sub-contracting arrangements and joint venture arrangements. It was first published in June 2003
- The Standard for Uniformity in Construction Procurement, which establishes: requirements for construction procurement that aim to promote standardisation and uniformity in procurement documentation, practices and procedures. For example, the number of recognised forms of contract was reduced to four. The Standard establishes minimum requirements which are consistent with the regulatory framework for supply chain management as set out in the Public Finance Management Act and Municipal Finance Management Act

Other outputs from the programme include:

- A Compendium of Legislation affecting the construction industry
- The 'Procure 2010' Manual produced in conjunction with the National Department of Public Works, National Treasury and the Director-General of 2010. This is aimed at assisting those cities which will be hosting the 2010 World Cup in procuring construction services
- Three Practice Notes, which provide guidance to assist clients to achieve their objectives in construction procurement and delivery. Practice Notes clarify certain aspects of the regulations
- An HIV/AIDS 'construction specification' which may form part of tender enquiry documentation

cidb has contributed to job creation by producing two sets of best practice manuals. First, **cidb**, working in collaboration with the Expanded Public Works Programme in the National Department of Public Works, and Engineers Against Poverty, developed specifications and labour-based technologies for optimising employment opportunities generated per unit of expenditure in construction projects. The four-part "Best Practice Guide: Labour-based Methods and Technologies for Intensive Construction Works" was developed in order to address the absence of adequate design information on labour-based technologies. These best practice guidelines published by **cidb** present current state-of-the-art practices in a wide range of labour-based construction methods, manufacturing methods and technologies which have been successfully utilised in South Africa. Second, the **cidb**, together with the CSIR and the International Labour Office (ILO), is developing best practice manuals to promote national, social and economic objectives, including labour absorption, in the construction industry. The five manuals on "Labour-based Construction and Upgrading of Low Volume Rural Roads" are currently at draft stage for public comment.

cidb's procurement prescripts form part of the Supply Chain Management regulations issued under the Public Finance Management Act and Municipal Finance Management Act, and are now mandatory on public bodies procuring construction works.

In developing and rolling out these documents, **cidb** has partnered with industry stakeholders such as the Free State Department of Public Works and the



NAZIR ALI (cidb BOARD MEMBER) AND PROFESSOR DENNIS LENARD OF THE cidb REVIEW PANEL.

Institute of Municipal Engineers of South Africa. Documents have been piloted and revised in the light of experience.

The new practices are being instilled in future practitioners through cidb procurement best practice being taught at one university and accredited as part of the continuous professional education by the Engineering Council of South Africa (ECSA). They are also included in the professional examination of the South African Council of Project and Construction Management Professions (SACPCMP).

The documentation has been made widely available through the cidb Website which has had 2.17 million hits, with over 0.5 million downloads of procurement documents from the best practice library.

DELIVERY MANAGEMENT

Public bodies have not been meeting their infrastructure objectives, with serious shortfalls in expenditure. To deliver the public sector delivery management improvement objective, a Toolkit Delivery Management System was developed. This assists public sector bodies in the effective design and delivery of public infrastructure capital and maintenance programmes. The Toolkit covers the full cycle of infrastructure delivery from needs identification, planning and budgeting through to procurement, construction, handover and maintenance.

The Toolkit forms the basis for the Infrastructure Delivery Improvement Programme (IDIP), which is an infrastructure delivery capacity enhancement programme arising out of a partnership between the cidb, National Treasury, National Department of Public

Works and the Development Bank of Southern Africa. IDIP was piloted in thirteen provincial departments (nine education, two health and two transport) and is being now rolled out in all provincial departments of health and education together with provincial departments of public works. It has also been piloted in the National Department of Public Works, Pretoria Regional Office with very significant improvement in expenditure performance.

COMPLIANCE

cidb has seen the initial priorities in procurement and delivery improvement as creating awareness among construction participants and building the necessary capacity within the public sector. However, now that the SCM regulations have been introduced, more attention will be paid to compliance and discussions have taken place with the Auditor-General's office.

CHALLENGES

Amongst the challenges to be addressed are:

- Public sector delivery capacity constraints
- Residual resistance to a regulated procurement environment
- Shortages of capacity and experience amongst built environment professionals and in workforce skills
- Constraints on cidb's capacity to respond to increasing demand for guidance and mentoring (the Construction Contact Centres - see below – will help to address this)
- Compliance and the enforcement of regulation; the appointment of a Compliance and Resolution Specialist will assist

CONSTRUCTION REGISTERS SERVICE (CRS)

Under Section 5(2) of the CIDB Act, the Board must establish and maintain a national Register of Contractors which categorises contractors in a manner that facilitates public sector procurement and promotes contractor development, and a national Register of Projects. It may establish other registers. Under later Sections, the timescale for establishing the contractors and projects registers is set at three years.

The Register of Contractors, with its classification system, assists clients by enabling them more accurately to target suitable contractors. It also structures the contracting sector. By providing statistical data, the register underpins decisions on a contractor development agenda and both registers contribute to a better understanding of demand and supply in the construction industry.

REGISTER OF CONTRACTORS

The Construction Register Services (CRS) programme was established and gazetted in June 2004, following a pilot phase of the Register of Contractors that was started in September 2003 in Limpopo Province and subsequently in eThekweni Municipality. Implementation of the CRS incorporated lessons learned from the pilot phase including improvements to the requirements for registration. The Register of Contractors was rolled out nationally, together with the Register of Projects (RoP), in phases over the period to November 2006.

All contractors wishing to tender for public works contracts are required to be registered; hence the register does not include:

- Contractors engaged only in home building. These are registered with the National Home Builders Registration Council (NHBRC) under the Housing Consumer Protection Measures Act
- Contractors who do not tender for or carry out work in the public sector
- Sub-contractors
- Labour-only contractors (ie contractors who undertake construction works contracts substantially consisting of the provision of labour, with materials mainly supplied by the client)
- (unincorporated) joint ventures.

Contractors can register in five classes of work: civil engineering, general building, mechanical

engineering, electrical engineering and specialist work. Nine grades, each covering a range of tender values, have been established; these run from Grade 1 for projects with a tender value of up to R200,000 to Grade 9 for tenders with a tender value range above R100 million.

The number of registered contractors has greatly exceeded expectations, principally because of the large number of Grade 1 contractors seeking registration. In December 2004, there were 1500 contractors on the register; by December 2005, this had increased to 7500. By December 2006, 27500 registrations had been processed (but some firms had registered in more than one Category). Around 80% of all applications have been from Grade 1 contractors. Registration is valid for three years and is renewed annually; the process of re-registering the firms that were first on the register will start shortly. Information on registered contractors is freely available on the *cidb* Website.

cidb has taken steps to ensure that the registration certificates and the processes are protected against fraud and illicit copying and has taken strong action on the (fortunately rare) occasions when any such malpractice has occurred.

The register is now providing data on ownership of firms by speciality and grade which can be a basis for contractor development initiatives. It also enables firms' development to be monitored. Thus there have been 1130 up-grades of which 85% have involved black-owned enterprises.

While the register in principle defines the level of work for which a contractor can tender, *cidb* has also introduced a provision whereby, in the framework of a targeted contractor development programme, a 'potentially emerging'(PE) contractor may be awarded a project at one level higher provided that the client offers support to enable the successful completion of the project.

Changes have been introduced as experience has been gained. For example, greater opportunities are being offered to entry level contractors by expanding the tender value ranges at that end of the spectrum. In Phase 2 of the register process, currently at development stage, a best practice contractor recognition scheme will be introduced, as required by the Act.

The large number of registrations has caused administrative problems, and the major challenge

facing **cidb** is to clear the resulting back-log. It has taken on extra staff and is changing its procedures with the aid of business process re-engineering. The proposed Construction Contact Centres (provincial outreach centres), where registration services will be provided, will assist the registration process, particularly for Grade 1 contractors.

REGISTER OF PROJECTS

The Register of Projects is described by the CIDB Act as a register which gathers information on the nature, value and distribution of projects. Currently, all public and private sector projects with a value above R200 000 and R3 million respectively must be registered, although not all public sector clients are yet compliant. The threshold for private sector projects is due to be reduced to R300 000 in 2007. Projects are registered when tenders are sought, and then when the contract is awarded the contractor's track record is automatically updated.

As a service to project owners, and to registered contractors, the i-Tender system was introduced in 2005. This alerts contractors to tendering opportunities, when projects are registered, through email or SMS. The tender information is also available on the **cidb** Website. The i-Tender system is gathering momentum, aided by a comprehensive national client support and training programme. By January 2007, 10830 contractors had received tender notifications. Over 14700 tender notifications had been issued, with 1856 tenders advertised and 823 projects registered. There were 61 clients using the service and a further 81 clients have registered as users. The system has attracted international interest.

In Phase 2 of the register, a best practice project assessment scheme will be introduced.

INDUSTRY DEVELOPMENT

Section 5(1) of the CIDB Act requires the Board to 'provide information to stakeholders on best practice, industry performance and improvement and generally on matters affecting the construction industry'. Section 5(6) says that to promote appropriate research, the Board may:

- 'develop, promote and update a construction industry research agenda that defines national development priorities.
- establish a knowledge centre through which industry and clients can access knowledge and experience on innovation and best practice'.

The Board's priority has been to meet its mandate in respect of public sector procurement and delivery management, and the registers. Thus this programme has not been as fully developed as the regulatory programmes. However, it has contributed significantly to the other programmes, viz:

- Procurement and delivery management - the development of the infrastructure maintenance strategy
- Growth and Contractor Development, through research on skills and preliminary work for the National Contractor Development Programme
- Construction Registers Service, through analysis of the register data.

The programme has also generated some notable products of its own. These include:

- The industry Status Report 2004 - a comprehensive survey of the South African construction industry reporting on growth, delivery and client performance, capacity in terms of employment and skills development and the position on Broad-Based Black Economic Empowerment
- Several studies on the demand for skills and current provision, including one on the implications of the public infrastructure investment programme for skills demand.

The programme has also developed the Construction Industry Indicators (CIIs) which since 2001 have been reported as indicators of the performance of the construction industry. These were based on the UK Key Performance Indicators and have included factors such as performance predictability in terms of time, cost, quality and client satisfaction.

A more developed concept of a Knowledge Centre is now under development and this will be made accessible through the Construction Contact Centres.

GROWTH AND CONTRACTOR DEVELOPMENT

With the establishment of the Register of Contractors, more effort can now be devoted to this programme. A National Contractor Development Programme (NCDP) is under development in conjunction with the National Department of Public Works and this will be rolled out from 2007. NCDP stemmed from a Sustainable Enterprise Development Workshop held in 2005 where stakeholders gave **cidb** a mandate to develop a uniform enterprise development programme.

The goal is to increase the capacity, equity ownership, sustainability, quality and performance of 10 000 registered contractors by 2010, raising the contribution of the construction industry to South Africa's economy and ASGI-SA.

The Programme will be linked to Phase 2 of the Register of Contractors, in which the capabilities of contractors will be recognised in the register, distinguishing those in a grade that have attained proficiency in some aspects of their work from those that have not.

In addition to the NCDP, the programme has:

- Secured access to finance for registered emerging contractors, through Nurcha
- Developed training material and workshops on the General Conditions of Contract
- Developed a Tender and Contracts Management system.

New Construction Contact Centres in each province will play a major part in delivery of the NCDP. Four Centres are to be established in 2007, with the remainder following. They will form partnerships with provincial and local organisations, some of which already have contractor development programmes.

COMMUNICATIONS WITH STAKEHOLDERS AND OTHERS

Section 13 of the Act requires the Board to establish a Stakeholders Forum, comprised of individuals with the necessary experience, expertise or skill and representing stakeholders in the industry. The Stakeholders Forum is to meet annually with the Minister.

cidb has held Stakeholder Forums each year except in 2006 when it was considered that stakeholders already had large demands on their time from the Construction Charter process. A new list of Forum members has been compiled for invitation to a meeting in 2007.

Focus groups and workshops have contributed significantly to the development of programmes and publications. To create awareness and provide instruction on the registers and procurement prescripts, more than 1000 workshops have been held with clients, consultants and contractors.

Other forms of communication have included:

- South Africa's first Construction Week: cidb played an important role in the conceptualisation and realisation of the week
- an annual postgraduate student conference on issues relating to the cidb mandate, sponsored and supported by cidb
- A conference for construction clients, with international contributors, sponsored by cidb in 2005.

The high level of hits on the cidb Website has been noted earlier.

RESOURCES

cidb's revenue in 2006/7 will be a little over R50 million of which income from public funds will be R44.5 million. Public income is expected to stabilise after 2007/8 but income from the registers is expected to grow, leading to a projected total income of around R75 million in 2009/10.

Currently, cidb has 46 full time equivalent permanent staff but these are supplemented by 20-30 temporary staff brought in to deal with the influx of registration applications (and by consultants). It is envisaged that the number of registry staff will remain level as renewal of registrations and extension of the registers take place. In addition, there will be 30 staff in the 10 Construction Contact Centres to be established in the provinces. Total staffing is projected to rise to 112.

cidb occupies accommodation on the Campus of the South African Bureau of Standards. The cost of refurbishment was met by cidb and in consequence cidb has had rent-free accommodation for five years.



SUMMARY OF STAKEHOLDER INPUTS

The Panel held discussions with representatives of a wide range of stakeholder interests. Inevitably, in the time available, some groupings could not be included but we believe that the discussions that we held enabled us to gain a good and balanced overview of the way that cidb is perceived by key stakeholders and very useful indicators for its future development. Our formal acknowledgement to the stakeholders who came to see us is in Chapter 8 but we would like to reiterate here that their contribution to this review was central and essential. Annex C lists the individuals and organisations that participated in the stakeholder discussions.

Overall, we were impressed by the high level of interest and understanding shown by all stakeholders in matters concerning the industry. They were aware of cidb's mandate and what it had done to fulfil it. They spoke frankly, and at no time did we have a concern that any of the stakeholders had been especially selected to express a particular point, or to paint a favourable picture of cidb.

We invited each stakeholder to give a view on the influence that they considered that cidb had had on the industry, and to give us a general appreciation of the way that it was viewed; the discussions then moved on to subjects of particular relevance to individual stakeholders. Some issues were raised

frequently while others received only a single mention and we considered it more useful to summarise the views received on each issue, rather than reporting each discussion. This chapter is therefore structured around different aspects of cidb's activities.

STAKEHOLDERS' VIEWS OF cidb

It was very encouraging to hear stakeholders, without exception, express strong support for the objectives of cidb and, generally, an appreciation that much had been achieved, although of course there was still much to be done, even in the areas where cidb had put most effort. Representatives of client, contractor and professional services communities, in varying ways, asserted that cidb was a 'vital' component of the institutional structure for construction in South Africa, that it was in a position to exert leadership in many ways – for example, through facilitating strategic studies and, more generally, interactions between industry supply interests and government - and that its outputs had been welcome and of high quality.

These views were not universal but even where there were reservations about cidb's outputs or aspects of its mandate there was still support for its objectives and continued existence. No stakeholder argued for its abolition or for a radically different form of body.

The reservations were principally of two kinds. First, some of the bodies with large procurement functions

³ cidb advised that these proposals had been dropped following discussions with DPW.

and a need for specialised services – in both the public and private sectors – considered that *cidb* did not add significant value to their operations; they were well able to appraise contractors and to carry out procurement efficiently, according to well-established procedures. In addition, the project register threatened to be a substantial administrative burden. But they still acknowledged that some of *cidb*'s outputs such as the industry Status Report had been useful contributions to the industry.

Secondly, representatives of emerging contractors considered that *cidb* had not so far made any effort to bring about development in this part of the industry and indeed that some of its registration requirements had disadvantaged their members. But this did not prevent them from expressing the hope that through *cidb* there would be benefits in the future.

Representatives of built environment professionals also expressed support, but at the same time made it clear that *cidb* had not impacted significantly on this sector of the industry.

Against this background of general support, it was clear that the stakeholders had different perceptions of *cidb*. Some stakeholders considered that its image was of a body principally concerned with defending the public sector's interest in construction; this stemmed from their perception that it had concentrated on regulatory matters such as the establishment of the Register of Contractors. Others considered that it was controlled by large, established contractors who were not interested in promoting competition, while another view, expressed by one stakeholder, was that *cidb*'s outputs were largely driven from CSIR. We report these views to illustrate that *cidb* has a continued challenge to put over to its stakeholders its objectives and how, progressively, it is addressing them.

One specific aspect of *cidb*'s 'image' was raised by a government representative and by representatives of emerging contractors. This concerned the role of consultants in the development and promotion of *cidb* outputs, particularly those relating to policy issues. The need for *cidb* to use consultants, who would bring expertise that *cidb* did not possess to its work, was accepted. But when consultants led the presentation of *cidb*'s views and outputs, there was a possible inference that they had excessive influence on the policies and functioning of the Board. This had occurred at a meeting called to discuss an issue affecting consultants, when the *cidb* view was put by a consultant.

INFLUENCE OF *cidb*

Views on whether *cidb* had influenced industry and client practice, or was capable of so doing, largely reflected the attitude of each stakeholder towards *cidb*. Thus public clients generally considered that it had been influential, and particularly now that the procurement prescripts were mandatory for public bodies. Stakeholders with specialised procurement requirements were less positive, with some indicating that it had not significantly changed their practices. Contractors considered the introduction of the registers to be a significant change in the industry, but not necessarily a universal benefit. As noted earlier, professional service providers had not yet been seriously impacted.

Several 'touchstones' by which *cidb*'s influence might be judged emerged in the discussions. The first – mentioned by several stakeholders – concerned procurement practice in the DPW. It was alleged that some of the Department's practices were not consistent with *cidb* guidance and that it wished to amend certain contractual procedures in the standard form of agreement approved by *cidb* in order to create a 'public sector' version. They looked to *cidb* to bring the Department into line³.

Secondly, public bodies that had complied with the *cidb*'s procurement prescripts were concerned that the laggards should be disciplined, and looked to *cidb* to promote uniformity of practice. We had been informed previously by *cidb* that they recognised this issue and were in discussion with the Auditor General on this point; undoubtedly it is a matter of concern in the public sector procurement community.

Thirdly, representatives of professional service providers expressed great concern over the introduction of competitive bidding for built environment professional services and considered that *cidb* should act on behalf of the interests of the whole industry in this area. We understand that discussions are in progress. Without making any comment on the merits of fee tendering, we would underline that this will be seen as a test of *cidb*'s ability to influence government policy and the outcome, whatever it is, will need very careful presentation if it is not to undermine either *cidb* or parts of government.

cidb's COMMUNICATIONS WITH STAKEHOLDERS

To make progress, cidb has had to make many detailed decisions – on registration criteria, procurement rules etc – which inevitably will not satisfy all stakeholders. It is natural for organisations whose views have not prevailed to feel that they have not been consulted sufficiently or that communication routes are not working as they should. We therefore approached this subject knowing that this would be the background to any concerns expressed.

Some stakeholders informed us of instances when concerns that they had raised with cidb had been addressed and resolved satisfactorily, several said that they had easy access to cidb senior staff and one professional body considered that communications had significantly improved in the last year. Overall, however, we found a level of concern about cidb's interactions with its stakeholders. This was particularly focussed on the role and effectiveness of the Stakeholders' Forum and on the fact that the Forum had not taken place in 2006; stakeholders commented on this as an illustration of poor communications with cidb. Some went on to comment that the Forums held in previous years had not been effective in facilitating two-way communication while others cited communications with senior staff and Board Members which in their view had not been given due consideration

Several stakeholders linked the issue of communication with that of Board representation. They considered that cidb was 'out of touch' or lacking in understanding of their concerns because there was no representation from their part of the industry on the Board. Several went further and sought direct representation, citing the NHBRC as an example of an industry body whose board was comprised of representatives of different organisations. One contractors' body suggested that the Board should have 50% of its members appointed in this way. The NHBRC Advisory Council was also mentioned as an example of a mechanism for promoting better interaction with stakeholders.

Since 'partnership for development' is the strap-line on cidb's logo, we asked stakeholders whether they considered that they and cidb were in partnership. The answers were not uniformly positive, reflecting a perception by some stakeholders that, while cidb was pursuing laudable objectives, its activities were undertaken with inadequate consultation or involvement of their part of the construction

community. This is clearly something for cidb to address as it moves forward on industry development.

PROCUREMENT GUIDANCE

Representatives of local government expressed strong support for the procurement prescripts documentation and considered that the standardisation of procurement was a significant advance. Some other parts of the public sector had reservations. Contractors also favoured the new arrangements and some commented that some public clients were now paying final accounts more quickly. There were, though, concerns that the documentation might be over-complex for smaller projects and one client body considered that the IDIP was 'obsessed' with delivery processes and did not show enough concern to reduce the time taken for the actual delivery of infrastructure.

There were no comments on the way in which cidb had promoted the procurement prescripts but, as noted above, there were concerns that not all public clients were yet compliant. This led to an impression that those that were not yet following the guidance were implementing projects more quickly, or had less onerous requirements, than the compliant organisations; it was essential that everyone should operate by the same rules.

By the same token, there were also concerns that a 'two-tier' construction market was developing, with public sector clients having requirements that were not replicated in the private sector. Depending on market conditions, this could lead to the public sector finding difficulty in obtaining sufficient tenders. It would be desirable for there to be uniformity across both sectors.

REGISTERS

The Register of Contractors was, naturally, a subject on which most stakeholders had views. It was seen by local government clients and by contractors as a valuable tool for structuring that sector of the industry and particularly for bringing greater order to the spectrum of firms at the lower end of the size range. As noted earlier, some other public sector clients, and the private sector, did not see these advantages.

Local government clients had concerns about the limited number of registered contractors at certain levels; the level of competition for some types of work had reduced. However, they expected that the situation would be resolved as more firms registered. Clients also commented that since there were no



'quality' criteria in the registration process, the variation in service delivered by firms in the same grade could be considerable; as an illustration, one client commented that they were expecting to discharge a Grade 8 contractor from a project owing to poor performance.

Contractors, as expected, had many comments about the registration criteria and the delays which were being experienced. They alleged that these could exceed a year, although from data provided to us by *cidb* this would appear to be a wholly exceptional instance. Nevertheless, delays even of some months were, it was claimed, seriously prejudicing the ability of some contractors to tender for work and causing them to question the value of *cidb*. It appeared that the Board was taking their fee and then not delivering the promised service. One government representative noted that *cidb* had launched the register without having the capacity to meet the resulting demand and that this had not helped its reputation.

There were also repeated comments about the financial criteria employed in the grading process. Firms that had not been successful in winning tenders during the two previous years had difficulty in meeting the turnover requirements, while others found the financial resource requirements hard to meet. They suggested that more flexible criteria were needed, possibly including recognition of previous experience. Some contractor associations suggested that they could play a part in that process, and clients also considered that local knowledge could be used in the

assessments. This might be accomplished once the provincial outreach centres were operating; these were strongly endorsed by stakeholders because they would greatly improve smaller contractors' access to *cidb*.

Larger clients informed us that, while complying with the requirement to use *cidb*-registered contractors, they would need to retain their own databases of suppliers, since these contained much more data on firms than the *cidb* register. They were conscious that this could mean extra burden on suppliers, and extra fees, and arrangements for taking data from the *cidb* database were being examined.

Turning to the Register of Projects, this was clearly a much more controversial initiative. Clients in both local government and in public utilities accepted that they would need to provide data, but considered that it would be onerous. Their concerns were echoed by the private sector, particularly if the minimum size of project to be registered was set, as intended, at R300,000. Discussions on the most efficient ways of providing data had taken place, and if they could input to *cidb* from their own databases, this would ease the administrative burden.

At present, clients were not persuaded that the register would be of benefit to them. They considered that their own systems for monitoring project performance provided the information that they needed and remained to be convinced that analyses based on data in the project register would add to these. This is clearly a challenge for *cidb*.

INDUSTRY DEVELOPMENT

Comments on industry development overlapped with those on registration. They came mainly from representatives of the emerging contractor community and were related to the financial and other constraints that had inhibited registration by some firms. They wished to see these addressed through partnerships with financial interests – in line with these bodies' BEE obligations, and they wished to see much more attention paid to assisting contractors to move up the grades. There were positive references to NHBRC's development initiatives.

In the background, though, was an acknowledgement that no development could take place without the award of tenders to registered contractors and that there were arguably too many contractors, particularly at the entry Grade 1, for the likely market. Many people, including those with no knowledge of construction, had seen registration as an opportunity to secure additional income. This had led to a surge of registrations, and consequent disillusion as tenders were not obtained. From the perspective of the Associations, government policies were sometimes in conflict with industry development. For some years, women-owned firms and young people had been given preference in procurement, with the result that more established black firms had not been able to secure contracts. Consequently, they could not attain a grading status commensurate with their capabilities and had to start at lower levels again. A balanced and coherent approach to industry development was required, and **cidb** should take the lead in developing this.

In addition, the issue of the supply of skills at all levels was raised by many stakeholders. The recent **cidb** study on skills was commended, but there was widespread concern about the impact of recent changes in the funding and delivery of skills training and a perception that the new arrangements were not working for national benefit. In particular, stakeholders commented that training was now firmly linked to employment, and that opportunities for workers to be trained prior to employment had disappeared. With the 'casualisation' of the industry, firms felt no obligation to train workers and the consequence was a diminution in the supply of skills. Many of the stakeholders were of the view that the present industry structure for dealing with training issues was not dealing adequately with the challenge of skills supply and **cidb** should be taking the lead in addressing it.

Parallel concerns were expressed by stakeholders from the professional services sector. They were concerned about the supply of skills to the sector and considered that the Council for the Built Environment (CBE) was not providing leadership in this area. Some larger clients noted that they would if necessary obtain skills from other countries. One stakeholder reported that the proportion of entrants to university courses who gained professional qualifications was worryingly low, at around 30%. We were informed that CBE was now in much closer dialogue with **cidb** over the proposed register of professional service providers and was expecting this collaboration to strengthen as **cidb** focussed more on industry development.

We also became aware from the stakeholder discussions that new industry groupings are now being formed, to provide a focus for industry development. One is Construction South Africa, which has come together as a consequence of the Construction Charter process and embraces both contractor and professional interests. We also understand that some of the built environment professional institutions have come together. These groups have the potential to be valuable partners for **cidb** if they are able to unite around development themes.



Findings and RECOMMENDATIONS



STAKEHOLDER REVIEW, ESTABLISHMENT REVIEW AND PEER REVIEW

INTRODUCTION TO THE REVIEWS

In accordance with our mandate, the Review Panel examined the outputs and performance of **cidb** from several different perspectives:

- for the Establishment Review, we considered the way that **cidb** had developed its programmes in the first five years of operation
- for the Peer Review, we needed to decide whether these programmes and **cidb**'s other outputs were of a standard that would bear comparison with others with similar objectives elsewhere in the world

- the Stakeholder Review required an examination of the performance of **cidb** in relation to its mandate and objects
- the Management Performance Review concerned the way in which **cidb** had utilised the resources allocated to it and the systems for controlling these.

In practice, our principal focus was on the Stakeholder Review. In reviewing how **cidb** had met its mandate we had automatically to consider how its programmes had been developed and whether it had, for example, selected the appropriate priorities for action. The information that we received about those programmes enabled us to compare them with similar initiatives elsewhere. Thus the Establishment and Peer Reviews were, to a great extent, subsumed within the Stakeholder Review.

Accordingly, this chapter presents our findings and recommendations from the Stakeholder Review, with a concluding section that presents our findings on the Establishment and Peer Reviews. Our findings on the Management Performance Review are presented in Chapter 5.

OBJECTS OF cidb

Annex B sets out the objects of cidb, as stated in the Construction Industry Development Board Act 2000. They are detailed and inter-related. The first is:

To promote the contribution of the construction industry in meeting construction demand and in advancing –

- (i) national, social and economic development objectives
- (ii) industry performance, efficiency and competitiveness
- (iii) improved value to clients.

We regard this as an over-arching statement, with the subsequent objects in the Act being specific aspects of the cidb mandate. Accordingly, we focused for the Stakeholder Review on the more specific objects. These may be grouped under four themes:

- Providing strategic leadership to construction industry stakeholders
- Establishing and promoting best practice in the procurement and delivery of construction projects
- Promoting industry development
- Providing advice on policies and programmes which impact on the construction sector.

We present our findings using these four themes as a structure. As required by our terms of reference, we also make recommendations for changes and initiatives that would improve the effectiveness of cidb in fulfilling its mandate. But we have not in the time available been able to consider all the factors that should guide cidb's future work and it would be inappropriate for these recommendations to be prescriptive and detailed. Hence in general they point to directions for change, with any subsequent decisions being taken in the light of the observations in this report and any further investigations that the Board and Department may consider necessary.

STRATEGIC LEADERSHIP

It was clear from our discussions with stakeholders that a wide range of bodies and interests within the construction industry now recognise cidb as the focus for discussion of the strategic issues that face the industry. The outputs that have been produced in support of that role – notably the industry Status Report 2004 and more recently the analysis of skills requirements consequent on plans for infrastructure investment – have been regarded as very useful contributions to national debate on industry issues. And of course the work on procurement reform, while undertaken to fulfil a different part of the mandate, has reinforced this position of national leadership – an example of the inter-relatedness of the cidb objects.

We conclude that cidb has established, across a wide range of construction interests, a position from which it can provide strategic leadership, and that it has demonstrated the ability to do this in several ways.

We also found a great fund of support for cidb; there was wide recognition of the challenges faced by the industry, and a welcome for the activities of the Board, even where stakeholders were not in agreement with all its policies or activities. This support is a most valuable asset for cidb, as it takes forward new programmes. There is undoubtedly a willingness by significant stakeholders to collaborate and contribute, thus enhancing its impact.

At the same time, it is clear that cidb has not yet achieved a leadership position in all industry sectors. The Act, in defining the industry as 'the broad conglomeration of industries and sectors which add value in the creation and maintenance of fixed assets within the built environment', includes within the industry the providers of built environment professional services, suppliers of construction products and materials, facilities managers, home builders, property developers, and other interests. cidb has so far not had significant impact on these parts of the industry. This is a natural consequence of Sections in the Act which set targets for the delivery of certain outputs. These meant that cidb in its first years of operation has put resources principally into activities orientated towards public sector clients and their contractors. There is, though, now a need for cidb to broaden its reach and to interact more visibly with other parts of the industry. The proposed register of professional service providers will establish a context for dialogue with that sector of the industry while our observations on the contractors register (Section 4.4.2) could lead to greater engagement with home



builders. The Stakeholders' Forum, on which we comment below, and a future industry Status Report, will - at least for the present - provide the framework for other interactions.

Recommendation 1

cidb should now engage a wider range of stakeholders within the construction industry in order to broaden and consolidate its leadership role.

COMPOSITION OF THE BOARD

While, as we have observed above, *cidb* has successfully established a position from which it can provide strategic leadership to the industry, we also detected that some stakeholders considered that it did not fully understand issues 'on the ground' in their particular sector; their perception was that the Board of *cidb*, which they considered to be the highest decision-making body in the industry, was out of touch with their interests.

For *cidb* to be an industry leader, it is crucial that the individuals who comprise the Board should be seen to be not only prominent in their own right, but also collectively representative of a broad range of interests within the industry. This does not mean that they should be formally representative of particular interests or organisations. At present, Board Members are appointed by the Minister of Public Works for their individual qualities and the contribution that they can make to the work of *cidb*. Some stakeholders considered that the Board should have members drawn from particular associations, in effect giving

these bodies the right to nominate to the Board. We do not endorse that approach – we are aware of construction reform bodies in other countries established in this way which have not been effective because their board members have needed to be seen to be defending sectional interests. We consider that Board Members should continue to be appointed by the Minister.

That said, there needs also be concern for the balance of backgrounds and interests of Board Members. It should be seen to embrace an adequate range, both of industry experience and of the different provinces. We noted that the present Board does not include any representation of emerging contractors and that most members come from Gauteng province. It is understandable, therefore, that such perceptions might arise.

Recommendation 2

Board members should continue to be appointed as individuals, but more attention should be paid when making Board appointments to securing representation from a broad range of backgrounds, in terms both of industry experience and location.

THE STAKEHOLDERS' FORUM AND BOARD MEMBERS' ROLE IN COMMUNICATIONS

The Board's position of strategic leadership requires members to be active in communication processes – not only communication of *cidb* views and outputs to Government and other stakeholders, but also in dialogue with stakeholders prior to the formulation of such outputs. Consistent with this, Section 5(1)(c) of the CIDB Act requires the Board to 'facilitate communication between construction industry stakeholders, all spheres of government and statutory bodies' while Section 5(1)(d) requires the establishment of a construction industry 'stakeholders' forum' which (Section 13(5)) should meet with the Minister at least annually.

The Stakeholders' Forum did not meet in 2006. We understand that this was owing to the extensive consultations in progress over the Construction Charter; adding a Stakeholder Forum to these would have been an extra demand on the industry and its representative bodies. We understand this, but many stakeholders commented on the fact that there had not been a meeting of the Forum since 2005, with the implicit criticism that communications between the Board and its stakeholders were not as close as they should be. Nor were they satisfied that previous meetings of the Stakeholders' Forum had allowed

findings and Recommendations

sufficient opportunity for two-way interaction they appeared to be gatherings primarily for disseminating information about cidb activities. Consequently, cidb was seen by some as being principally a body for protecting the public sector in its dealings with the industry. That is, of course, one of its roles, but it is essential that it be seen as one component in its more general objective of developing an effective and sustainable construction sector.

The development and consolidation of cidb's position of strategic leadership will require more attention to be paid to stakeholder communications and in particular to the way that individual Board Members relate to stakeholders. One way in which this might be achieved is by inviting Board Members to chair groups established to look into strategic issues, with the members of those groups being drawn from the stakeholder community. Indeed, such groups might be constituted as sub-committees of the Board, thus strengthening the perceived link between stakeholders and the Board.

We also consider that the annual Stakeholders' Forum with the Minister should be supplemented by provincial meetings, and in general that the format of these meetings should be designed to facilitate two-way communication. We recognise that cidb has other mechanisms for securing inputs on specific issues and programmes, but the Forum was certainly seen as the focus of stakeholder communications, and cidb should ensure that it is effective in this role.

Recommendation 3

cidb Board Members should play an active role in communications between the Board and stakeholders and in consultation processes.

Recommendation 4

The annual Stakeholders' Forum should be supplemented with provincial meetings and all Forum meetings should be designed to promote two-way communications.

COMMUNICATIONS

We comment on communications here rather than in the Management Review because communications are such a crucial tool in establishing and maintaining a leadership position.

cidb has needed to create communications channels with a wide range of stakeholders and we believe that this has been accomplished to a reasonable degree. Information about the products and outputs of the Board has been disseminated and an impressive

number of briefings and other events have been held. Nevertheless, Panel members are aware that even amongst their contacts there are deficiencies in awareness of cidb and we were shown examples of contract advertisements that revealed inadequate understanding of the new procurement requirements. There is clearly some way to go and the challenge will be greater as cidb reaches out to different parts of the construction industry.

This is an area where cidb's aim of 'development through partnership' is particularly relevant. Firms and other organisations in the construction sector have their own communication networks, with their institutions and associations playing central roles in these. It is right that cidb should have its own newsletter and website, where its outputs and views can be presented in authentic form. However, cidb should not rely solely on these for communications, because some of its stakeholders do not find written material easy to assimilate and do not have access to the Web. Other means must be used, and languages other than English will be particularly relevant to Grade 1 enterprises and the industry's site workers.

Communication of cidb outputs to the 'next generation' of industry leaders and practitioners has also to be an aspect of strategic leadership. To develop future construction practitioners who are sensitive to the development needs and goals of the industry, cidb should establish partnerships with the universities and technikons in South Africa with a view to including the strategies, activities and products of the cidb in the syllabi of these institutions.

We consider, therefore, that cidb should develop a communications strategy covering both the provision of information and advice and the way in which it will receive stakeholder views and facilitate debate on key issues. This strategy will need to take into account the modes of communication available to and preferred by stakeholders and should be developed with active participation of representative bodies, with the aim that these will play prominent roles in the implementation of the strategy.

Recommendation 5

cidb, in partnership with stakeholder organisations, should develop and implement a comprehensive communications strategy.

BEST PRACTICE IN PROCUREMENT AND DELIVERY

This part of *cidb*'s mandate, encompassing the linked initiatives on procurement and the establishment of contractor and project registers, has been the principal focus of *cidb*'s activities. In setting specific targets in these areas, the Act reflected a consensus on the priorities for *cidb*'s first years of operation. These were the areas in which it could make the greatest contribution to national development.

cidb has met the requirements of the Act, in that it has:

- developed and promoted guidance on procurement with the aim of achieving uniformity of practice throughout the public sector
- published a code of conduct for construction-related procurement
- established a national register of contractors, with appropriate grading classifications, within the three year timescale set out in the Act (Section 16(1)) and
- established a register of projects within three years, as required by Section 22(1).

These are notable and valuable achievements. Each initiative demanded very detailed study and extensive consultation. Each had the potential to generate opposition – not necessarily to the principles but to the way that these were expressed in practice. It is a tribute to the staff of *cidb*, and the leadership shown by the Board, that they have been accomplished. While there are undoubtedly areas for improvement, some of which we discuss below, the main elements of this strategy are firmly in place.

PROCUREMENT PRACTICE

We found that *cidb*'s procurement prescripts, now enshrined in the Supply Chain Management regulations and binding on all procurement bodies in the public sector, was considered valuable by stakeholders in local government, ie the provincial authorities and municipalities that are responsible for a great proportion of public construction procurement. Organisations with more distinctive procurement needs – because their operations required a combination of built facilities and specialised plant – expressed more reservations. They considered themselves very competent in procurement and pointed out that they too were subject to public audit. We were not able to investigate their views in detail but we found some indications that the *cidb* procedures had been developed without full consultation with this sector. While the present policy is that they should apply to all public sector procurement bodies, perhaps in due course this could be re-examined. However, we stress that the case for derogation would need to be strongly argued.

We also found a concern that the documentation set out in the *cidb* guidance was too complex for smaller projects. Again, this was not an issue which we could explore in depth but it bears directly on the issue of emerging contractor development and some further options for small projects might be introduced.

Earlier, in relation to communications, we cited evidence that stakeholders' understanding of *cidb* guidance was still incomplete; this underlines the need for continuing promotion and training. The principal focus for promotion and training up to now has been at provincial level and we recognise the challenges of bringing municipalities to the same uniform standard.



findings and Recommendations

Recommendation 6

cidb should continue to promote uniformity of procurement practice, but should be prepared to introduce some variants to meet specific needs and development goals.

Now that compliance with *cidb* guidance is mandatory on public authorities, *cidb*'s credibility and standing as an industry leader is at stake. Some of the larger, compliant public bodies pointed out to us that the procedures imposed requirements and that the procurement process took rather longer. Non-compliant authorities could appear (wrongly) to be more efficient; they wished to see all bodies brought into line. We were informed that the Auditor-General has noted the need to monitor compliance and welcome this development. It will be a vital test of *cidb*'s ability to make a permanent change in client and industry practice.

Recommendation 7

cidb must, directly or through the Auditor General, ensure compliance with its procurement prescripts.

REGISTER OF CONTRACTORS

We found that stakeholders from both client and contractor sectors were supportive of the contractors register, the former because it structured that part of the industry in a way that enabled them more easily to identify the appropriate contractors for their projects, the latter because it was a means of distinguishing 'serious' contractors from those individuals who wished to be considered as contractors but who in practice had little experience of or commitment to the industry. Public sector clients with specialised needs and well developed procurement systems had reservations about the added value of the register. We consider, though, that the role of the register in providing data on which policies and development initiatives may be founded is central to the work of *cidb* and therefore it should cover the construction contractors used by these bodies.

We also noted that many public sector clients maintain registers of suppliers which hold a greater range of information than can be provided by the *cidb* register. These will continue, but in order to minimise the extra effort required when contractors wish to register with these clients, they should be able to take data from the *cidb* database. This may require a review by *cidb* and stakeholders of some technical issues.

While contractors in general have a positive view of the register, the benefit for most registered contractors has only been their continued ability to compete for

public sector tenders, ie in essence the maintenance of a position that they held prior to the introduction of the register. Other than the i-Tender system for notifying tender opportunities, they are not yet seeing benefits. These will come through the National Contractors Development Programme, and this programme should in turn underpin the continued support for the register from the supply side.

PRESENT BACK-LOG

While there was general support for the register, stakeholders expressed frustration over delays and errors in the registration process, the consequence of the unexpectedly large number of Grade 1 contractors wishing to register. The present delays are prejudicing views of *cidb*, particularly amongst emerging contractors. It is essential that the delays be reduced and we welcome the determination of *cidb* that the back-log should be cleared in the early months of 2007. We also underline the importance of the proposed Construction Contact Centres in the provinces in enabling an 'over the counter' registration service to be provided.

Grade 1 contractors account for 80% of registrations. While fully recognising that the achievement of development goals must involve the creation of new enterprises and the fostering of emerging contractors, this demand for registration has been - and will continue to be - a large call on *cidb*'s resources. There is an expectation that it will drop, as newly registered contractors find that it is not an automatic route to contracts. However, we consider that *cidb* should endeavour to reduce the administrative effort required to register this grade of contractor; for example, through partnership with other stakeholders who may be able to take on some of the tasks associated with registration.

We did not explore in detail the reasons for the considerable under-estimation of the number of Grade 1 contractors that would wish to register. Several stakeholders informed us that they had conveyed their own estimates to *cidb* but that *cidb* considered them too high. It seems also that there might have been other data that *cidb* could have used. The main lesson for *cidb* is that it underlines the need for *cidb* to make every effort to draw on the knowledge and experience of the stakeholder community when developing its programmes.

Recommendation 8

cidb should explore means of reducing the administrative effort required to register Grade 1 contractors.

ASSESSMENT PROCESSES

We acknowledge that bringing the register of contractors to its present state has required a high level of commitment from *cidb* staff and extensive interaction with stakeholders. However, now that it has been established, we look to *cidb* progressively to enhance the value of registration both to registered firms and to clients.

Thus, for example, assessment is at present a purely administrative process. Some clients commented that this led to significant variation within a grade in the competence of contractors and the quality of work carried out by them. We look to there being more information for clients on the quality of work carried out by contractors, with scope for feed-back by clients on contractor performance. For the lower grades, in particular, sources of local knowledge such as public clients, interacting with the Construction Contact Centres, could be valuable in the registration process.

Because of lack of a constant flow of work, some emerging contractors with long experience in the industry have faced difficulties in meeting the registration requirements. We are aware that the registration criteria have been modified as issues have emerged and are satisfied that *cidb* have been sensitive to genuine reasons for discontent. But some issues remain; for example, a firm's total turnover and the value of the largest project undertaken might be regarded as alternative criteria for assessing its grading. Stakeholders also pointed out inconsistencies in the grading criteria which at certain points inhibit progress through the grades, such as the large difference in financial requirements between Grade 8 and Grade 9. We drew these points to the attention of *cidb* and we are satisfied that they will be investigated.

We were also informed of instances where errors had been made in the grading process. With such a large number of registrations going through the system, some mistakes will be made and it seemed that *cidb* had corrected most with reasonable speed. However, there will continue to be substantial demand, as re-registrations and up-grades take place, and once the present back-log is cleared *cidb* should consider introducing formal quality assurance and seeking ISO9000 accreditation, to provide additional assurance that the registration process is working as it should. Electronic document management might also be introduced to facilitate closer monitoring of the registration system.

Recommendation 9

cidb should keep the registration criteria under review and continue to improve the registration process.

EXTENSION OF COVERAGE

While data from the register are already illuminating aspects of the industry, we are concerned that the register may not, as it stands, be a fully adequate basis for policy and operational decisions. It is confined to contractors who wish to be considered for public sector projects; hence it does not cover contractors whose work lies solely within the private sector, nor home builders unless these also are engaged in public sector works. Nor does it include sub-contractors unless these are also specialist contractors that undertake works directly for clients.

We consider that these are significant omissions from the perspective of understanding the construction industry as defined in the CIDB Act. For example, national expenditure on home building is at the same level as that on non-residential building and therefore its contribution to national development objectives needs to be taken into account when strategies and programmes are under development.

It was also put to us that the present structure was encouraging a 'two-tier' construction market, with public sector bodies setting requirements that differed from, and were more stringent than, the private sector. This was not desirable from the perspective of industry development.

We therefore consider that the Register of Contractors should extend to cover these other parts of the industry. We understand that *cidb* and NHBC have already started to discuss the compatibility of the two registration processes with a view to data exchange. We suggest that these discussions might be supplemented by initiatives such as:

- (i) Exploration with banks and other commercial enterprises of the possibility of providing services on advantageous terms to registered contractors, thus encouraging registration of private sector contractors
- (ii) Examination of ways in which registered firms might be influenced or required to use registered sub-contractors in public sector projects
- (iii) Promotion of registration of contractors on private sector construction and refurbishment projects through conditions in public sector rental agreements, and ultimately



(iv) Extension of the register to cover all contracting firms through amendment to the CIDB Act.

Recommendation 10

cidb should seek progressively to extend the coverage of the register of contractors.

REGISTER OF PROJECTS

The Register of Projects, although introduced in its initial form within the three year timeframe set out in the Act, has taken some further time to develop and its coverage is still not complete even in the public sector. There are reservations amongst some of the larger

public sector clients, for whom the provision of data is a significant administrative task, and we understand that cidb is examining how such clients might provide data directly from their own project databases.

The opposition that cidb experienced to the proposal that there should be a charge for registering a project illustrated that clients in general are doubtful of the value to them of the database. We agree that cidb was right not to pursue the intention to charge in this initial stage although we do not think it should be ruled out in the future. For this, cidb needs to establish with client bodies the value of the benchmarking analyses that can come from such data, to assist them in judging their own performance on projects and the performance of their contractors.

We commend cidb on the innovative use of SMS to provide tender notifications through the i-Tender system linked to the project database. This is a good example of suiting communications to the technologies and practices of a particular stakeholder community. We are aware that this has at times resulted in many applications for tender documents but also that this is not confined to tenders promoted through i-Tender and that public sector clients have developed ways of limiting the number of tenders considered without unreasonably restricting opportunities for contractors.

We expect the coverage of the database to extend, but the current challenge is to ensure that it is receiving all the data that should be provided under the present mandate. Only then should cidb consider incentives for voluntary registration of smaller private sector projects.

Recommendation 11

cidb should develop analysis tools and outputs to enable suppliers to gain the maximum value from the projects register.

REGISTER OF PROFESSIONAL SERVICES

We understand that a register of professional service providers is in the initial stages of development. We welcome this as consistent with our view that cidb should broaden its range of contacts and because it offers the opportunity for new partnerships through consultation. While from the national perspective there is clearly value in understanding better the structure of this part of the industry, demonstrating the value of such a register to professional service firms and their clients will be a challenge.

INDUSTRY DEVELOPMENT

CONTRACTOR DEVELOPMENT

cidb acknowledged that meeting the requirements of the Act in relation to the development of uniform procurement practice in the public sector and the creation of a register of contractors had been their priority since the creation of the organisation in 2001. Hence there had been little developmental activity which would have impacted on contractors or other industry interests, and this was reflected in comments from contractor stakeholders who – naturally – wished to see initiatives from the Board aimed at improving their operations. The principal initiatives aimed directly at industry development were the industry Status Report and the development of the Construction Industry Indicators (CIIs).

We accept that cidb needed to concentrate on the measures for which the Act set timescales; however, those having been accomplished, there is an urgent need for more visible action on industry development. It is clear that the industry is awaiting action on this front and cidb will need to manage stakeholder expectations. We welcome the development of the National Contractor Development Programme, and the associated intention to establish Construction Contact Centres in each province in order to deliver cidb services more locally. We look to some of these coming on stream in 2007, as planned, and the remainder shortly thereafter. We are also aware that many contractor development programmes have been implemented at district, provincial and national levels in South Africa since the mid-1990s. As part of the roll-out of the Contractor Development Programme, cidb should review the lessons from these programmes and some will no doubt become partners in the delivery of the NCDP.

The launch of the Programme will help to redress the impression amongst some stakeholders that cidb is principally concerned with regulation and not industry development. There now needs to be a redressing of the balance, and particularly the introduction of measures to assist the emerging contractor community. The establishment of the registers and the development of the CIIs have provided a base for the targeting and subsequent monitoring of programmes aimed at contractor development. But there is a need to set out development goals and to report progress against them.

findings and Recommendations

Recommendation 12

cidb should implement the National Contractor Development Programme as expeditiously as resources permit, and should monitor its contribution to development goals.

DEVELOPMENT THROUGH INTER-FIRM RELATIONSHIPS

We commented earlier on the depth of support for *cidb* and we have been particularly struck by the way that representatives of the larger contractors expressed their determination to play their part in helping the Board achieve its goals. With extensive resources, and the ability to influence the industry through their own contracting systems, these are highly significant partners for *cidb* and their willingness to assist is a great asset for the Board. Large client organisations and contractors will have BEE targets, and may grant preferences to such enterprises in their procurement. *cidb* could undertake a review of such practices, to provide guidance to the industry on what is possible.

Particularly in its programmes aimed at development of smaller and medium contractors, therefore, *cidb* should be making full use of the power of inter-firm procurement and subsequent relationships to assist in the achievement of its goals. This could be a specific element in *cidb*'s future strategy towards the industry.

Recommendation 13

cidb should explore with large contractors how they can best promote industry development in their medium-sized joint venture partners and sub-contractors.

FINANCIAL INITIATIVES

Some short-term actions might be taken to address issues revealed by the contractor registration process. It is evident that some emerging contractors have difficulty in meeting the financial aspects of registration – not necessarily the fee but the sums required to provide assurance of financial stability. Now that contractors have a means of having their capabilities recognised, there is scope for *cidb* to develop partnerships with financial institutions with the aim of providing financial backing for competent contractors, particularly those operating at level 4 and above who have the potential to undertake significant contracts. In addition, we understand the obligations put on financial institutions by the Financial Services Charter may offer opportunities for assisting emerging contractors; *cidb*, in partnership with emerging contractors' associations, might develop approaches to these institutions to facilitate the provision of finance to contractors or potential contractors.

Recommendation 14

cidb should examine the scope for a partnership with financial institutions in support of contractor development.

INDUSTRY SURVEYS

The CIDB Act (Section 5(5)(h)) requires *cidb* to publish quarterly and annual reports on the state of the industry. We were not made aware of any quarterly reports and cannot comment on whether this part of the mandate has been fulfilled. The industry Status Survey 2004 was regarded by stakeholders as a valuable document but in our view such a survey does not need to be repeated every year. We think that the resources of *cidb* would be better used in providing annual snapshots through the CII process, with a more extensive survey, perhaps leading up to a major national conference which would in effect be an enhanced Stakeholder Forum, every three years or so. This would help to set the directions for the next period of operations of *cidb*, as part of the planning process on which we comment in Section 5.5.

In addition, we note that the CII's are currently based on a rather limited sample of projects and we would expect this to be enlarged as more data become available from the projects register.

STRATEGIC ISSUES

We discussed in Section 5.1 the position of strategic leadership that *cidb* has now attained amongst some sectors of the industry. This now needs to be expanded and a key means of doing so is through progressing the development of strategies to address some of the key issues facing construction in South Africa. We briefly comment below on some of the issues that emerged during our discussions with *cidb* staff and stakeholders.

NATIONAL SUPPLY OF SKILLS AND PROFESSIONAL EXPERTISE

There was a strong consensus that the rising demand for construction was out-pacing the supply of appropriately trained and qualified people at all levels. Stakeholders looked to *cidb* to provide a lead in the analysis of the needs and the development of proposals for meeting them. Stakeholders recognised that other bodies – notably CETA – had important roles to play in the measures required, but *cidb* was identified in their minds as the body charged with bringing others together to develop the best way forward.



It is not for us to suggest what executive responsibilities *cidb* might have in this area, but it is undoubtedly a subject seen by many as the key to ensuring that the industry can meet future demands upon it and therefore we endorse the view that *cidb* should be seen to be providing leadership and co-ordination of the various entities, including the South African Qualifications Authority (SAQA) and the Council for Higher Education (CHE), that are involved in the development of construction skills and professional expertise. Our comments on the relationship between *cidb* and CBE (Section 6.2) are relevant also.

One area which might be considered as a priority for action is the development of programmes which would enable middle-ranking contractors to gain the expertise required to move up the grading system. These, which would complement the financial initiatives outlined above, might be addressed through partnerships between *cidb* and selected universities. In due course, similar programmes might be developed from professional service providers.

We noted in Chapter 3 that casualisation was seen as a major barrier to training. There may be scope to addressing this through procurement, in that longer-term contracts could give firms more confidence in future workload, so providing the conditions for a

higher level of permanent employment and investment in training. Indeed, this could be a condition of such contracts.

WORKPLACE DEVELOPMENT

cidb acknowledged that so far it has not contributed to workplace development, with the exception of the guidance issued on HIV/AIDS⁴. But it fully recognised that working conditions in many parts of the industry were not acceptable and expected in due course to instigate work in this area, which would be linked to Phase 2 of the register of contractors.

Recommendation 15

cidb should provide leadership in the formulation, implementation and monitoring of a comprehensive human resource development strategy for the construction industry.

RESEARCH AND INNOVATION

Section 4(h) of the CIDB Act states that *cidb* is to 'promote appropriate research on any matter related to the construction industry and its development' while Section 5(6)(a) says that the Board may 'develop, promote and update a construction research agenda that defines national construction development priorities' Because of other priorities, *cidb* has not taken forward this part of its mandate although we understand that it plans to do so. We see the development of a national strategic research agenda as an important focus for debate on the future directions and needs of the industry. Moreover, it is an activity which would bring a wide range of interests into contact with *cidb*. It would inevitably need to be concerned with issues of energy use, climate change and sustainability in the use of natural resources, and so the design professions, and bodies concerned with the operation of buildings and infrastructure, would have to be closely involved with the identification of priorities and the development of research proposals.

We therefore look to *cidb* developing a national research strategy and then working with leading universities and other research bodies to secure funding for high priority projects.

Recommendation 16

cidb should establish a forum to develop a national research agenda and strategy for construction and the built environment. This should include funding, monitoring and evaluation, and dissemination of research outputs.

⁴Specification on HIV/AIDS awareness – June 2003

Advice

We did not receive a detailed account of the occasions on which cidb had offered advice to government departments and the Minister of Public Works but were able to touch on this in discussion with government officials. We were satisfied from these discussions that the cidb advice had been appropriate, but with some reservations over the way that the role of consultants in preparing and presenting the cidb viewpoint had been perceived. One senior official commented that the cidb advice on one issue had not been in line with the government view at the time, although on reflection it was seen to be an objective view of the issue. This seemed to us to be confirmation that cidb was carrying out this function in a responsible and appropriate manner.

We were further made aware of the cidb input to significant programmes, such as the Infrastructure Delivery Improvement Programme (IDIP) and the recently developed Infrastructure Maintenance Strategy. A cidb note appears to have been a key starting point for the latter. cidb's skill study is also a contribution to the JIPSA initiative, which is currently a national priority

We conclude that cidb has effectively discharged its mandate of providing advice.

CONCLUSIONS ON THE STAKEHOLDER, ESTABLISHMENT AND PEER REVIEWS

STAKEHOLDER REVIEW

We have reviewed the main ways in which cidb has addressed the mandate in relation to Stakeholders given to the Board through the CIDB Act. We find that cidb has made a very creditable start, meeting the specific targets for registers and the publication of procurement guidance and establishing a position of strategic leadership amongst the stakeholder communities with which it has had the closest contacts. In addition it has, through the Status Report, the development of CIs and the National Contractor Development Programme, laid the foundation for much greater attention to industry development issues in its second period of operation. We have made recommendations in a number of areas, with the aim that cidb should be able to provide maximum benefit for its stakeholders.

Our Terms of Reference invited us to comment on the impact of cidb's activities and programmes. With some exceptions, there has to date been insufficient systematic monitoring of the actual impact of its work

in terms of changes in practice, administrative savings and other real effects. Some early figures suggest that contractors are seeing time savings in tendering, and this is encouraging, but more important at present is that cidb has secured commitment from important parts of its stakeholder community. We were also encouraged by the comments of some stakeholders who considered that cidb had raised the status of the industry, and that the contribution of construction to development was being more recognised. This is the start of a valuable social impact, which will be to the benefit of the industry and the users of its outputs.

Overall, in terms of the Stakeholder Review, we conclude that cidb has creditably discharged its mandate in respect of stakeholders and is already providing benefits for important elements of its stakeholder community.

ESTABLISHMENT REVIEW

The Establishment Review requires us to consider how cidb has used its resources to meet its mandate in these first years of operation: whether it has chosen the correct priorities, set up suitable management structures etc. We conclude, on the evidence of the Stakeholder Review, that it has done so. cidb has concentrated on providing the outputs and meeting the timescales set out in the Act, and has delivered in accordance with the Act's requirements. Stakeholders generally have confidence in its outputs with key products such as the Library of Procurement Best Practice, the IDIP Toolkit and the industry Status Report 2004 being widely commended.

The internal management structure reflects its different programmes, each under senior manager. It has employed pilot projects to test its material and programmes and, with the exception of the Register of Contractors, has phased the introduction of programmes and the roll-out of its publications in accordance with its capacity. We trust that the current delays experienced by firms wishing to register will rapidly diminish.

Overall, therefore, we conclude that cidb has been well led and managed during its period of establishment.

PEER REVIEW

Members of the Review Panel have had direct experience of industry reform programmes in other countries and we know that cidb has drawn upon these in developing its own programmes and outputs. We have no hesitation in saying that the cidb

programmes are fully comparable with programmes in other countries aimed at improving the performance of the construction industry and its clients.

Evidence from the number of downloads of the documentation, and from enquires received by cidb, indicates that there is international interest in the cidb products and we understand that they have been adopted by bodies outside South Africa. This is a measure of the technical quality achieved by cidb. We consider that cidb should be designated as a Centre of Excellence on construction procurement. However, we are aware that this position has been achieved through extensive use of consultants. Any designation as a Centre of Excellence would need to be founded principally on the expertise of cidb's own staff who must have the ability to advise on, monitor and further develop the guidance that has now been produced.

For the Peer Review, we find that cidb's programmes and outputs are of international standing.

MANAGEMENT PERFORMANCE REVIEW

This Chapter summarises our findings on the internal management policies and practices of cidb.

SENIOR STAFF

We commenced the Review during the final three days in office of cidb's first CEO, Spencer Hodgson, and concluded it in the first two days in office of his successor, Ronnie Khoza. The promotion of Mr Khoza to the CEO position has created a vacancy in the cidb senior team, a situation which we understand has been frequent during its first five years and which makes its level of output even more commendable.

Clearly, though, cidb has had some difficulty in retaining a stable senior staff team. We hope that the new CEO will soon have a full complement and we underline the importance of retaining key managers as cidb expands its range of programmes and makes more direct contact with stakeholders through the proposed Construction Contact Centres.

Every member of the present senior team made a presentation to the Review Panel, and each showed insight into the issues faced in their areas of responsibility and impressive understanding of the challenges ahead for cidb as an organisation. Their commitment to the success of cidb, and to ensuring that it made the maximum contribution to national goals, was evident.

We did not review in detail the general staffing policies, the remunerations structures or internal communication processes of cidb but nothing came to our attention to indicate that these were inappropriate or inadequate and indeed we commend cidb on meeting development aims through its employment practices, exceeding its targets for black and female employment.

USE OF CONSULTANTS

cidb has achieved its outputs through the extensive use of consultants, some of whom ('Associates') have been engaged on long-term contracts. Some of its consultants are internationally recognised as experts in their fields and we have no problem with the general principle that cidb cannot have all the skills that it needs within its own staff and should utilise the best expertise, wherever it is found, since this must ultimately be to the benefit of the industry.

That said, there are potential downsides to reliance on consultants and risks that they may be seen as a barrier between cidb and its stakeholders. We suggest that there should be as much transfer of skills to cidb staff as is reasonable, so that cidb builds up a cadre of skills within its own employees. We were also made aware of concerns of stakeholders that consultants were at times prominent in fora where cidb views were being expressed, and in their view this created confusion as to whether those views stemmed from the Board or the consultant.

We consider that cidb Board and management should review the ways in which consultants are used, not necessarily with the aim of reducing their use but to ensure that the presentation of cidb views and proposals comes clearly from the Board and that there is no perception of bias in the formulation or expression of such outputs.

Recommendation 17

cidb should review the ways in which consultants are used to ensure that these do not lead to perceptions that consultants have excessive influence on the Board or on cidb outputs.

FINANCIAL MANAGEMENT

We commend cidb on achieving unqualified annual audits; this is a measure of good financial management practices. We have no further comment on its internal financial management.



ACCOMMODATION

cidb has plans for occupying more accommodation as a result of the extra demand stemming from the register of contractors. Further expansion of *cidb* accommodation should be considered carefully, in the light not only of anticipated registration activity but also of strategic decisions on the development and delivery of programmes, and particularly the role of partners. In due course, as it moves into issues of design and operation of infrastructure, *cidb* will need itself to demonstrate best practice in the management and operation of its accommodation.

PLANNING AND MONITORING

Up to now, *cidb*'s priorities have been strongly influenced by specific requirements in its founding Act. This situation is changing and it faces different choices particularly in its industry development programme and overall in the balance between the different programmes. Its annual Business Plan will no longer be an adequate planning tool. There is a need for longer-term planning, with strategic assessments of options and enhanced stakeholder interactions. We suggested earlier that these might take place in the framework of an enhanced Stakeholders' Forum.

We are very conscious that *cidb* will be under pressure to take initiatives in many directions. A strong planning framework will help the Board to focus efforts on the areas of greatest benefit. This will need to be

complemented by the development of a monitoring capability, with the 'real world' impacts of *cidb* programmes being assessed and programmes being managed in the light of the findings. This capability, which should include an independent element – perhaps provided through a link with a university management school – will enable impact targets to be set and monitored. We see this as a supporting tool for the Shareholder Compact which we propose in Chapter 6, and as a necessary element in support of *cidb*'s continued case for public funding.

Recommendation 18

cidb should introduce a strategic planning cycle and should develop a capability for monitoring the impact of its programmes which should include an independent element.

SUMMING UP

Overall, we find that *cidb* has made and is making good use of the staff and financial resources made available to the Board and consider that its senior staff are of high calibre. However, its planning processes need to be strengthened, as it enters a period with a greater range of programme options.

Wider ISSUES



We comment in this Chapter on some issues which emerged during the Review that might not be strictly within our mandate but which we believe are very relevant to future role of *cidb* and the development of the construction industry.

RELATIONSHIP OF *cidb* TO DPW

cidb is established as a public entity and its mandate under its Act includes the provision of advice to the Minister of Public Works. However, the core of its mandate is the requirement to provide strategic leadership to the industry and the majority of its Board Members are prominent individuals from the industry. For credibility with its stakeholders, it has to be seen as independent of government and in providing advice it must reflect industry perceptions, although not in an unquestioning manner.

This requires *cidb* to tread a careful path between on the one hand being seen as insufficiently objective on industry issues and on the other over-sensitive to the views of its funding Department. It also raises potential issues for some Board members who are from government bodies and cannot set aside their responsibilities to their Departments or agencies, even if the majority view of the Board is at variance with government policy.

It is increasingly important that every stakeholder should understand how *cidb* stands in relation to both government and industry. To date, its main efforts have been directed to establishing regulatory systems. It is now at the point when the main effort will need to be devoted to industry development and in that role its ability to influence policy and programmes across government will be crucial. *cidb* has to be effective as a national focus for construction industry development, an interface between industry and government and a 'sounding board' for both when they wish to test ideas.

We are not suggesting any change in the status of *cidb*, which is firmly established by its Act. However, we do consider that the position would be clearer to all parties if there were a Shareholder Compact between the Minister and *cidb*. This would set out the expectations of the Minister and clarify the role of the Board and the way in which it was expected to input to and influence government policies and programmes. It would also set out aims, targets and performance measures, which would then be the foundation for *cidb*'s planning and reporting processes. We consider that this would be helpful for the Board, *cidb* management, industry stakeholders and government.

Allied to this, we consider that the position of *cidb* would be clearer, and strengthened, if the Compact were to state that *cidb* had lead responsibility for developing policies and programmes aimed at the first three strategic goals of DPW:

- Providing strategic leadership to the Construction and Property Industries to ensure economic growth and development
- Promotion of Black Economic Empowerment (BEE)
- Contributing to the National Goal of Poverty Alleviation and Job Creation.

Recommendation 19

The Minister should establish a Shareholder Compact with *cidb* which includes a statement of its role in the achievement of the Department's strategic goals.

cidb AND OTHER INDUSTRY BODIES

We have previously expressed the view that *cidb* should broaden its interactions with stakeholders across construction. To date, its focus has been on public sector clients and on contractors in order to fulfil regulatory tasks placed on it by the CIDB Act. Now,

however, it needs to extend its reach (as envisaged in the Act) and the proposed register of professional service providers is an indication that this is happening.

Professional service providers are of particular importance in the development of a sustainable economy. The built environment accounts for a large proportion of energy and materials use in all countries and addressing the associated issues of design and operation requires a coherent approach across all parties: design, construction and operation. We note that *cidb* already has a mandate to promote value in design. To fulfil this, *cidb* will need to work with the built environment professions to develop policies and procedures that will ensure high quality outcomes for users and the community.

This extension of *cidb*'s strategic leadership role will require close collaboration with the Council for the Built Environment (CBE) which is also established by statute under the DPW, and has a mandate to regulate the built environment professions. Several stakeholders expressed reservations to us about the role of the Council. We cannot comment on this, but there will be a need to clarify the respective roles of *cidb* and CBE (and of the six councils for the built environment professions that fall under CBE) in the leadership of the industry insofar as this relates to the built environment professions.

We also noted that *cidb* and NHBRC have started to examine the scope for aligning or merging their respective registers and related activities. We requested a discussion with NHBRC but unfortunately owing to other commitments this could not be arranged. We endorse this initiative; *cidb* should have as comprehensive a view of the industry as possible and be in a position to stimulate development across the whole industry.

Recommendation 20

DPW, in conjunction with other relevant departments, should review the institutional structure for regulation and development of built environment stakeholders.

FUTURE FUNDING

Our overall conclusion is that *cidb* has done what was expected of it and is performing well. We consider that continued government funding at least at present and planned levels would be fully justified and that there is a good case for increased funding if *cidb* were to develop initiatives covering a wider cross-section of the industry.

However, it is a body that has been set up to bring benefits to the industry and there should also be partnership in funding. It will receive some income from the contractors register and in due course the register of professional service providers. We consider that this should cover the cost of administration but not significantly exceed this; it should not be seen as a 'tax' on the industry and there should be close attention to the fees level in order to promote efficiency in the administration of the registers.

For the present, the project register, industry development work and the cost of improving public sector activities should be funded by government because of the wider public benefits that flow. But in the longer term there should be a move towards a more equal partnership, with income from the projects register or other mechanisms. *cidb* will for the foreseeable future continue to be a partnership between government and industry – we do not advocate any move towards self-funding.

Recommendation 21

DPW should, following consideration of this Review, confirm future funding levels for *cidb*.

CONTRACTING AS A ROUTE TO DEVELOPMENT

We have commented on the unexpectedly large number of Grade 1 contractors that have applied for registration, and the difficulties that this has posed. We became aware during our discussions with stakeholders that contracting is regarded by a wide range of previously disadvantaged people as a potential route to additional income. This is understandable but there were also some indications that statements from official bodies had encouraged people in this view, with little regard for their training or experience in the industry. We did not explore further, but enough stakeholders raised this with us for us to consider that inconsistent messages were indeed coming from different parts of government. On the one hand, there is concern for quality and competence in contracting; on the other, it is being portrayed as an activity with very low entry requirements and a route to potential income. This does not assist the raising of standards and competence within the industry.

Recommendation 22

cidb and DPW should seek to establish a consistent approach in government statements on the employment and income opportunities offered by contracting.

Concluding COMMENTS

STRENGTHS AND WEAKNESSES

Our Terms of Reference require us to provide an assessment of the strengths and weaknesses of cidb. We are pleased to conclude for our review that the strengths significantly outweigh the weaknesses. We summarise our findings below.

The first strength of cidb is the calibre of its Board and senior management. This is crucial to the continued success of the organisation and we have commented earlier on the need to retain key staff. The commitment of senior staff, their diligence and their understanding of the challenges ahead are impressive and this is backed up by the very strong support and guidance that they have from the Board.

Secondly, there is the strong support that cidb enjoys in the industry and client bodies. This is not unqualified; some sectors have yet to be impacted or to be convinced of its value to them but there is a deep reservoir of goodwill and recognition of what it is seeking to achieve, and that cidb is the focus for strategic leadership of the industry. It was evident also that this support extends to DPW and other departments, and this is crucial for its future success.

Thirdly, it has laid a solid foundation for future development through its outputs in the first five years. These have been recognised as of high standard, and in general welcomed by their target communities. The combination of high technical quality and sensitivity to the needs of the users of its guidance material will continue to underpin the support that we noted above. The registers have been launched and, while they will no doubt be improved over time, they will provide increasingly useful data on which to base future initiatives.

Fourthly, it has sound internal management practices and has demonstrated the ability to use its resources effectively.

These strengths enable cidb to look to the future with confidence.

There are, however, some areas which require attention. We identify two in particular: planning and monitoring, and partnership.

Up to now, cidb's planning has been based on a Business Plan, updated annually. This has included

targets for the delivery of its products, with most resources being devoted to fulfilling the regulatory requirements of the Act. This has generally been adequate, although underestimating of the expected demand from contractors for registration might be considered a failing in planning.

cidb now needs to strengthen this aspect of its operations. As it focuses on industry development, it will need to make choices over the communities that it wishes to target and the means of reaching them. It will need to determine the appropriate balance between regulation and development, and above all it will need a capability for assessing the 'real world' impact of its programmes in order to inform future initiatives and to justify continued government support. We have suggested earlier that a new strategic planning framework will be required, in which industry Status Reports and the Stakeholders' Forum will have a role to play. We link this to the proposal that cidb should have a Shareholder Compact with DPW.

We note that the Review Reference Group is charged with co-ordinating a response from the Board and cidb management to the findings of this Review. This should include an Action Plan which would point the way to the development of a Strategic Plan for the next five years of operation.

Secondly, cidb has to live up to its declaration of 'Development through Partnership'. It has done much to involve stakeholders in the development and implementation of its programmes, but it is clear that some stakeholders still do not feel 'in partnership' and more effort is required. The goodwill, and willingness of stakeholders to contribute to cidb's work, is evident. Each programme should be examined from the stakeholder perspective to see whether it could be developed, promoted and delivered more effectively through a different combination of stakeholder inputs.

Leveraging stakeholder resources will be a vital part of cidb's future strategy. We are conscious that it has limited financial and human resources, and huge challenges. Our recommendations may well add to the challenges, and we certainly expect each to be examined in the light of overall priorities as seen by the cidb Board and DPW. Making the most use of resources outside cidb must be a strategic aim, so that it can have the greatest impact on construction in South Africa.

FUTURE PERSPECTIVES

Several developments in the construction industry in South Africa bode well for, and provide opportunities for, the cidb. These include.

ENABLING POLICIES

The government's policies relating to empowerment, transformation and stress on ethical procedures provide a supportive legislative and administrative framework for the operations of the cidb. Instruments such as the BEE Scorecard appropriately operationalise the statutory requirements. Moreover, several business and organisations are going beyond their obligations under the law to do more for the BEEs.

CONSTRUCTION CHARTER

The process leading to the development of the Construction Charter has enabled industry players to have better understanding of the aspirations and concerns of the various groups. This has engendered a new atmosphere of trust within the industry and promoted the conditions for successful collaboration among cidb's stakeholders. Moreover, the commitments of the stakeholders under the Charter can be called upon to encourage active participation in programmes to develop the industry, for example, involving the larger firms in development programmes for medium-sized and small contractors.

INSTITUTIONS AND ASSOCIATIONS

Many of the professional institutions and trade associations, as we heard from stakeholders, have developmental programmes for their members. These include talks on relevant topics; training and mentoring

programmes; awareness creation campaigns; assistance schemes such as facilitation of access to funds and formation of joint ventures; and lobbying the government. Thus the professional institutions and trade associations can be effective partners of the cidb in its developmental efforts.

UMBRELLA ORGANISATIONS

Various umbrella groups have been formed in the construction industry in South Africa. They include: a Built Environment Professionals grouping, embracing five professions; Construction South Africa, a private sector initiative; and the South Africa Project Owners Forum, embracing very large clients. These organisations have the potential to be partners of cidb.

Above all, as we have commented above, there is a deep fund of goodwill in the construction industry towards cidb and a conviction that it is playing a necessary and strategically important role as the leader of the industry. There is high regard for some of the outputs it has produced so far, much support for its activities and objectives, and, generally, a wish that it should succeed. Practitioners and their professional institutions and trade associations have high expectations of cidb and show a genuine willingness to work together with cidb towards attaining improved industry performance.

Overall, therefore, we find that cidb has made a highly encouraging start and with the support that it now enjoys we look to its fulfilling its strategic leadership role even more effectively in the future, for the benefit of all the citizens of South Africa. We wish the Board, the new CEO and all cidb staff every success in the future.

cidb

ACKNOWLEDGMENTS

We wish to place on record our appreciation of the support and co-operation that we received from members of the Board of cidb, its CEO and senior managers, and all the staff whom we met. They responded to all our questions and all requests for information with unfailing openness, efficiency and courtesy. We would particularly like to acknowledge the administrative support provided by Ms Ntebo Ngozswana and Ms Jenny Rakolle.

We also express our thanks to the stakeholders, some of whom made special journeys to Pretoria to meet us. They gave of their time to provide insights into cidb's operations from a wide range of perspectives and their input was crucial to the review.

The Department of Public Works generously hosted a dinner at which Panel members were able to develop their views in discussion with Board Members.

We are grateful to everyone.

ANNEX A



MEMBERS OF THE REVIEW PANEL

PROFESSOR DENNIS LENARD

Professor Lenard was Chief Executive of Constructing Excellence, the organisation formed to improve UK construction, for two years until September 2005. Prior to that, he directed the Business and Industry Development programme of the national Centre for Construction Innovation in Australia and he was the founding Director of the Centre for Construction Innovation based in Manchester, UK. In the 1990s, he was a Board Member of the Construction Industry Development Agency in Australia and was instrumental in the creation of Construction Industry Institutes in Australia and Hong Kong. He has held academic positions in Australia, Hong Kong and the UK and has occupied senior positions in property development and construction in both the UK and Australia. He has chaired the International Cost Engineering Council and the Pacific Association of Quantity Surveyors

PROFESSOR GEORGE OFORI

Professor Ofori received his doctoral degree in 1981 from the University of London and a higher doctorate degree in 1998. Following practice as a quantity surveyor in Ghana, he joined the National University of Singapore in 1983 where he is currently Head of the Department of Building. His main research area is construction industry development, and his special interest in this broad area is in the improvement of the construction industries of developing countries. Since 1978, he has been a consultant to governments and international agencies (including the International Labour Office, United Nations Human Settlements Programme and Commonwealth Secretariat) on construction industry development, construction management, and construction economics. He has undertaken major consultancy assignments in Bahrain, Botswana, Ghana, Malawi, Singapore, South Africa, Swaziland and Tanzania. He has authored 73 international refereed journal papers, 80 conference papers, two books, eight chapters in books, and several published reports.

MS NONYAMEKO MANDINDI

Ms Mandindi is currently Chief Executive Officer of Intersite Property Management Services and a non-executive Director of other public property and housing companies. She is a registered quantity surveyor with extensive experience in the property and construction sectors, and in consulting practice. Ms Mandindi was appointed as a consultant on the Policy Formulation Process for the National Department of Public Works. She has carried out research on Emerging Contractor Support Programmes in the USA, and France and was leader in the research and compilation of a database relating to emerging contractors, support programmes and capacity building for the Department of Public Works. She has also had direct experience of procurement reform and break-out procurement efforts with particular bias to involving and developing small and medium enterprises.

MS EILEEN MEYER

Eileen Meyer is currently Head of Unit (Chief Director) for the Technical Assistance Unit, Public Finance Division, National Treasury, with overall responsibility to support the Public Finance Division in their responsibility for Treasury's sectoral economic and fiscal analysis work and for overseeing departmental budgetary and financial management by providing project management and capacity building support for key initiatives. From 1998 to 2001, she was the National Programme Director for the European Union Parliamentary Support Programme, with overall responsibility for the implementation and management of a national programme in the legislative sector. Ms Meyer was previously Programme Manager for the Technical Assistance Consultancy Programme-GTZ, funded by the European Union, with overall responsibility for the Implementation of Consultancies for the preparation of programmes and projects within the Multi-Annual Indicative Programme for South Africa requested by the European Union on behalf of the Department of Finance. She has extensive project management experience in the areas of tertiary education, vocational education and training, the legislative sector and reimbursable technical co-operation, and technical assistance to government programmes in South Africa.

MR DAVE RENWICK

Mr Renwick is currently Project Co-ordinator of the Strategic Projects Unit, eThekweni Municipality. He is responsible for providing technical advice to Head: Strategic Projects including procurement matters related to the range of projects being undertaken by the Strategic Projects Unit. Current projects being undertaken include the development of a new 70 000 seat stadium for the 2010 Football World Cup, and associated infrastructure. Trained as a civil engineer, from 1971 to 1983 he worked for the Ministry of Roads and Road Traffic, Zimbabwe, primarily in bridge works. After periods with the Grain Marketing Board and BP and Shell Marketing Services, he joined eThekweni Municipality in 1989. His responsibilities included being Technical Representative on the Council's Bid Specification Committee, ensuring contract specifications are in line with good practice and meet the necessary legislative requirements. In that role, he has contributed to the development and implementation of cidb procurement prescripts and contractors registration.



ANNEX *B*



EXTRACT FROM THE cidb ACT 2000

OBJECTS OF THE BOARD

THE OBJECTS OF THE BOARD ARE TO -

- (a) promote the contribution of the construction industry in meeting national construction demand and in advancing –
 - (i) national social and economic development objectives
 - (ii) industry performance, efficiency and competitiveness and
 - (iii) improvement value for clients

- (b) provide strategic leadership to construction industry stakeholders to stimulate sustainable growth, reform and improvement of the construction sector
- (c) determine and establish best practice that promotes-
 - (i) improved industry stability
 - (ii) improved industry performance, efficiency and effectiveness
 - (iii) procurement and delivery management reform
 - (iv) improved public sector delivery management
 - (v) national social and economic objectives, including –
 - (aa) growth of emerging sector
 - (bb) labour absorption in the construction industry
 - (cc) improved labour relations
 - (dd) positive safety, health and environmental outcomes
 - (vi) human resource development in the construction industry
- (d) promote best practice through the development and implementation of appropriate programmes and measures aimed at best practice and improved performance of public and private sector clients, contractors and other participants in the construction delivery process
- (e) promote uniform application of policy with regard to the construction industry throughout all spheres of Government
- (f) promote, establish or endorse –
 - (i) uniform standards and
 - (ii) ethical standards
 that regulate the actions, practices and procedures of parties engages in construction contracts
- (g) promote sustainable growth of the construction industry and the participation of the emerging sector therein
- (h) promote appropriate research on any matter related to the construction industry and its development
 - (i) implement policy on construction industry development
 - (j) advise the Minister on policy and programmes which impact on construction industry growth and development and
- (k) promote any other related objective.

ANNEX C



STAKEHOLDER ORGANISATIONS SEEN BY THE REVIEW PANEL

South African Institute of Architects

SU LINNING
Executive Director

BRIAN WALLIS
Director, Practice and Education

LEWELLYN VAN WYK
Past President
(President – Commonwealth
Association of Architects)

South African Institution of Civil Engineering

NEIL MACLEOD
President-Elect

GILBERTO MARTINS
Deputy Director-General
Department of Public Transport, Road and Works
Gauteng Province

Council for the Built Environment

BHEKI ZULU
Acting CEO

Building, Construction and Allied Workers' Union

NARIUS MOLOTO
President
(Chairman, Construction Education and Training
Authority)

Master Builders South Africa

PIERRE FOURIE
Executive Director

*National Black Contractors
& Allied Trades Forum*

SAM MOLESHIWA
President

African Builders Association

MALCOLM MBANJWA
Chairperson

MOSES BAM
Council Member

*National African Federated Chamber
of Commerce*

GREGORY MOFOKENG
Acting CEO

*South African Black Technical and
Allied Careers Organisation*

SELLO SEMENYA
Executive Member

*South African Federation of Civil Engineering
Contractors*

HENK LANGENHOVEN
Executive Director

HYLTON MACDONALD
Council Member

*Anglo American plc
Anglo Technical Division*

ROEL STAUSEBACH
Vice President, Projects

Eskom

GRIETJIE DOUBELL
Senior Consultant, Corporate Supply Chain
Management

Western Cape Province

THANDO MGULI
Chief Director, Infrastructure

MILNÉ VAN LEEUWEN
Senior Manager, General Buildings

City of Cape Town

PAUL VINK
Contracts Manager- Tenders and Contracts
Management Unit

National Treasury

MALIJENG NGOALENI
Chief Director, Intergovernmental Relations

JAN BREYTENBACH
Chief Director, Norms and Standards

Department of Public Works

ZINGI NTSALUBA
DD General Finance and Acting Director-General

cidb EVALUATION AND REVIEW; *cidb* RESPONSE



RESPONSE FROM THE cidb BOARD AND MANAGEMENT & COMMENTS AND RECOMMENDATIONS FROM THE REFERENCE REVIEW GROUP

BACKGROUND

Section 14 of the CIDB Act, Evaluation and Review, requires that:

1. The Board must facilitate a review of its activities in relation to its goals and objects, at least once every five years.
2. A panel drawn from the public sector and the private sector and appointed by the Minister on the basis of expertise in relation to the functions of the Board must undertake the evaluation.
3. The panel must submit its report and recommendations to the Minister.

The review was undertaken from 29 January to 2 February 2007, and the report was submitted to the Review Reference Group on 16 February 2007.

In terms of the review process approved by the Board, the Review Reference Group must:

- receive the final Evaluation and Review Report from the Review Panel
- coordinate a response from the cidb Board and from the management of the cidb to the Review Report
- provide comments and recommendations on the Evaluation and Review process and the extent to which the Terms of Reference for the review have been addressed and
- deliver the Evaluation and Review Report to the Minister.

This report provides:

- the response from the cidb Board and from the management of the cidb to the Review Report and
- comments and recommendations by the Review Reference Group on the Evaluation and Review process and the extent to which the Terms of Reference for the review have been addressed.

RESPONSE FROM THE cidb BOARD AND MANAGEMENT

The Terms of Reference for the Evaluation and Review require that the Review Reference Group coordinates a response from the cidb Board and from the management of the cidb to the Review Report. This response is given below.

Overall, the cidb regards the Report as a fair and balanced view of the activities of the cidb. Specifically, it is worth noting the concluding comments of the Report, namely:

Overall, the Review Panel finds that cidb has made a very encouraging start. It has:

- committed senior management
- enjoys strong support across the industry and
- has produced outputs of a high standard.

It needs to strengthen its planning and monitoring capabilities and to make every effort to bring stakeholders into partnership in its programmes, in order to achieve maximum impact. Developments within the industry and within South African society are providing opportunities for cidb.

The Review Panel is confident that cidb in its next phase of development will enhance its position of strategic leadership.

A DETAILED RESPONSE TO THE REVIEW PANEL'S RECOMMENDATIONS IS GIVEN BELOW:

1. *cidb should now engage a wider range of stakeholders within the construction industry in order to broaden and consolidate its leadership role.*

The Review Panel notes that a wide range of stakeholders look to cidb to provide strategic leadership and there is a great fund of goodwill for the Board. But it has needed to focus on meeting specific items in its mandate and not all parts of the industry have so far been impacted by cidb's activities. The Review Panel recommends that the cidb should broaden its reach.

The cidb agrees with this broad-reaching recommendation, but notes that this requires a phased and incremental approach. Specific activities that are currently being developed that will broaden the cidb's reach include:

- the cidb encourages private sector clients to use the cidb Register of Contractors (see Recommendation 10)
- the cidb is currently developing the Register of Professional Service Providers and
- the cidb is presently developing Phase II of the Registers, which will broaden the impact of the cidb significantly.

Action:

Specific attention will be given to enhancing the implementation of those actions that are already in place.

2. *Board members should continue to be appointed as individuals, but more attention should be paid when making Board appointments to securing representation from a broad range of backgrounds, in terms both of industry experience and location.*

The Review Panel notes that some stakeholders considered the Board of cidb to be out of touch with their interests and the Review Panel noted that it did not include members with a background in each significant sector. While retaining the present system of Ministerial appointments on the basis of individual qualities, the Panel recommends that attention should be paid to securing a Board that is more representative both of backgrounds and provinces.

The cidb notes this recommendation, which is in line with the CIDB Act, namely:

In the appointment of the members of the Board, the Minister must take cognisance of the need to achieve a reasonable balance of expertise and knowledge of the construction industry, whilst broadly reflecting the race, gender and geographic composition of the Republic.

Notwithstanding this, the cidb does also recognise the difficulties in attracting nominations from the right calibre of people onto the Board, and specifically for nominations from people with:

experience and expertise in matters pertaining to the construction industry and its development objectives

It should be noted that in cases where no or insufficient nominations are received within the specified period, the Minister has the power to appoint any person who, in the opinion of the Minister, meets the criteria contemplated in the Act.

Action: The recommendations of the Review Panel will be brought to the attention of the Minister.

3. *cidb Board Members should play an active role in communications between the Board and stakeholders and in consultation processes.*

The Review Panel notes that the development and consolidation of cidb's strategic leadership position will require more attention to stakeholder communications, and the active participation of Board Members.

The cidb acknowledges the Review Panel's recommendations, but also notes that Board Members do already play an active role in communications and in the consultation process. In particular, Board Members participate in most high-level consultation processes, including for example:

- Stakeholder forums of 2003 and 2004
- Provincial stakeholder forum meetings in 2003
- Meeting with black contractor associations in 2003, 2004 and 2005
- Registers contractor workshops in the Eastern and Western Cape 2004
- Launch of the Status Report in 2004
- Charter Breakfast in 2005
- Launch of Labour Based Works guide in 2005
- Construction stakeholder conference at the Sun City in 2005
- Client's conference and breakfast in 2005
- Sustainable Enterprise Development national workshop in 2005
- Stakeholder consultation on skills in 2006
- Captains of industry breakfast in 2006 and
- Student conferences of 2003, 2004 and 2005.

Notwithstanding this, the Board acknowledges that it is desirable for it to play a more active role in communications with stakeholders and in the consultation process. Given the time pressures and time constraints facing Board Members, it is the Board's view that it should focus on maximising the impact of its participation in communications and consultation processes - as opposed to creating additional opportunities.

Such opportunities for maximising the impact of communications could, for example, include:

- targeting key stakeholder participation in consultation processes
- enhancing opportunities for Board communications at communication and consultation events and
- planned, consistent key communications in line with cidb objectives by Board Members at events.

Action:

The cidb communications strategy (see Recommendation 5) will be reviewed to include Board Member communications, including actions for maximising the impact of such communications.

4. *The annual Stakeholders' Forum should be supplemented with provincial meetings and all Forum meetings should be designed to promote two-way communications.*

The Review Panel notes that the Stakeholders' Forum was perceived not to be as effective as it might be in facilitating two-way communications and the decision not to hold the Forum in 2006 was widely commented upon.

The cidb acknowledges the observations and recommendations of the Review Panel, but notes that the cidb is already aware of these observations and has already initiated actions to supplement the Stakeholders' Forum with "pre-Forum workshops" in major centres (as, for example, tabled at the December 2006 Board Meeting)

Action:

No additional actions beyond those already in place need to be implemented.

5. *cidb, in partnership with stakeholder organizations, should develop and implement a comprehensive communications strategy.*

The Review Panel notes that communications are crucial to cidb's aim of 'development through partnership'. Many stakeholders have their own favoured communications channels, and neither printed matter nor the Web may be the best media for reaching some parts of the industry. cidb has put much effort into communications but should now develop a comprehensive strategy for two-way communications with stakeholders, taking maximum advantage of stakeholders' own channels.

Two-way communication is desirable and necessary. The Board has endeavoured to facilitate two-way communication through face to face engagements with stakeholders in the form of contractor workshops, conferences, stakeholder forums and special events. The Board has also used contractor associations to facilitate consultation and engagement on key industry challenges.

Clearly more needs to be done to harness these and other methods aimed at facilitating better understanding and shared goals on construction industry development, and in this regard the cidb has already initiated the development of a comprehensive communications strategy (see for example "cidb Communication Framework and Summary Plan of Action for 2007 - first 6 months" discussed at February 2007 Board meeting).

Action:

Specific attention will be given to enhancing the further development and implementation of the cidb's communications strategy.

6. *cidb should continue to promote uniformity of procurement practice, but should be prepared to introduce some variants to meet specific needs and development goals.*

The Review Panel's report recommends that simpler documentation might be developed for smaller contracts. The cidb agrees that the administration of the contract can be simplified in smaller contracts, and in this regard the cidb has currently in its list of approved forms of contracts an "order form contract" for supply contracts and a JBCC Series 2000 Minor Works Agreement and an NEC3 Short Engineering and Construction Contract for construction works. A gap does however exist for the very small construction works where contractors do not construct an entire building or install complex engineering services. In these circumstances a contract that permits a task to be performed in response to an order to do so needs to be developed, and has been discussed in a cidb Procurement Focus Group. The NEC panel is also working on a Short Term Service contract which is aimed at addressing this very issue. Other drafters of industry contracts, including the Facilities Management industry, are also looking into this matter.

The cidb is watching these developments closely, and may develop a suitable standard form of contract as an interim measure depending upon industry's response to cidb's request for a form of contract of this nature.

In response to variants to meet specific needs and development goals it should be noted that cidb is working together with the EPWP Support Programme on a specification for social and economic deliverables in construction works contracts.

Action:

No additional actions beyond those already in place need to be implemented.

7. *cidb must, directly or through the Auditor General, ensure compliance with the new procurement prescripts.*

The Review Panel notes that as compliance with cidb requirements is mandatory on public authorities, the cidb's credibility and standing as an industry leader is at stake if such compliance is not met with. The cidb is very conscious of this, and whereas the cidb's focus to date has been on the establishment of a set of prescripts and the capacitation of users of the prescripts to implement them, a comprehensive system to ensure compliance with the prescripts is now needed. Specifically, a toolkit needs to be developed to enable an auditor, independent appointee or designated official to confirm compliance with these requirements.

Action:

The cidb will, as a priority, develop an appropriate system to ensure compliance with cidb prescripts.

8. *cidb should explore means of reducing the administrative effort required to register Grade 1 contractors.*

The Registers unit is in the process of developing a separate form for Grade 1 applications in order to make it easier for applicants and also to reduce the time it takes to process these applications. As almost 80% of all applications are in the Grade 1 category it is anticipated that this will have a positive impact.

The Registers unit has also created a separate processing stream for Grade 1 applications at the cidb head office. This has been possible due to the simple requirements and minimal supporting documents required, and has led to increased production output from 400 per week to 750.

It is envisaged that processing of Grade 1 applications will be done at the planned provincial CCC's (Construction Contact Centres). This will significantly reduce the administration overhead at cidb head office.

Action:

The actions that are already in place will be continually monitored to evaluate their effectiveness.

9. *cidb should keep the registration criteria under review and continue to improve the registration process.*

Since the first implementation of the Registers in 2004 there have been three regulation amendments through which improvements to the registration criteria have been effected. The weekly assessment committee meetings attended by cidb management ensures constant review of the registration criteria.

Work is currently underway on a project titled Registers Review 2007 that seeks to improve requirements for registration. It is envisaged that revisions will be effected in the latter half of the year. Issues that will be covered include assessing the impact of inflation on the registers, improving the classes of work structure, creating a separate form for Grade 1 contractors, making the registration certificate available for client verification on-line only (to reduce the potential for fraud and improve registration turnaround times), and assessing opportunities for simplification of requirements.

Action:

No additional actions beyond those already in place need to be implemented.

10. *cidb should seek progressively to extend the coverage of the Register of Contractors.*

The Review Panel's report recommends that the register of contractors should be progressively extended to (i) home builders and (ii) contractors who only work in the private sector.

With regard to home builders, the cidb and NHBRC are currently in discussions with regard to possible rationalisation of the registration requirements - which are covered by separate legislations. The recommendations of these discussions will be presented to the Board.

With regard to the registration of contractors who only work in the private sector, it is implicit that the Review

Panel recommends that only registered contractors should be used for construction works and that the Register of Contractors should be extended to the private sector. While the cidb believes that this recommendation should be considered, it is the cidb's view that this is not a priority in the short term. This view is based on the cidb's priorities of enhancing service quality within the registers at present, the ongoing roll-out of the Register of Projects, the planned introduction of the Register of Professional Service Providers, and the difficulties that would be experienced in monitoring and enforcing such a requirement that only registered contractors should be used in the public sector. Notwithstanding this, the cidb will review this recommendation on a regular basis.

Note however, that the cidb encourages the private sector to use the Register of Contractors, and this will be enhanced. In fact some private sector companies, including those in the mining sector, are already using the Register of Contractors.

Action:

The cidb will enhance communications to private sector clients, encouraging them to use the cidb contractor registration system.

11. cidb should develop analysis tools and outputs to enable suppliers to gain the maximum value from the projects register.

The Review Panel's report notes that:

- at some levels more data would make the register more valuable and
- the challenge for the register of projects is to convince clients who provide the data of its value to them. This should be addressed through showing how the data are informing industry policies, such as on skills, and how the data can illuminate performance analyses through benchmarking.

The cidb endorses this recommendation in support of the above, and recognises that the registers underpin all of the cidb's development activities. The cidb recognises that the registers provide a very powerful tool to monitor the performance of the construction industry, and to develop targeted interventions.

Specific actions are already underway within the cidb that support the Review Panel's recommendation, including:

- Further harnessing the Register's (Register of Contractor's) development potential in support of the National Contractor Development Programme (see Recommendation 12) to:
 - *package registration information for clients and development agencies at provincial level to enhance the targeting of procurement and empowerment strategies*
 - *develop a monitoring system that tracks contractor growth up the grading system*
 - *develop a recognition scheme for contractors who demonstrate performance (for example improved safety procedures, quality systems, etc.), so that this information is available to clients in preferencing and prequalification and*
 - further develop the business-to-business linkage power of the Construction Registers Service.
- A review of the framework for the annual Construction Industry Indicators (CIIs) currently being undertaken, including enhancing the registers as a basis for capturing selected indicators.
- Ongoing encouragement of academic and research institutions to use the data within the registers for research purposes (such as the current discussions with the University of the Free State and the CSIR).
- Ongoing analysis and dissemination of information on the structure and nature of the construction industry derived from the registers, such as the existing regular information provided on the registers' web site and other publications such as the current CIB 2007 conference publications.

Action:

Actions already in place will be monitored and reviewed on a regular basis.

12. cidb should implement the National Contractors Development Programme as expeditiously as resources permit, and should monitor its contribution to development goals.

The recommendation endorses the current **cidb** initiatives in this area. Specifically, as identified in the **cidb** 2007/08 business plan, a strategic priority for the **cidb** is "in partnership with stakeholders, (to) support the development of a contractor and contracting capacity, with a particular focus on empowerment in the small, medium and large sectors, including (a) supporting the National Contractor Development Programme; (b) rollout of Contractor Outreach Centres within all provinces; and (c) establishing appropriate demand side interventions.

The "National Contractor Development Programme (NCDP) Framework Plan", developed by the **cidb** and the Department of Public Works, will guide the **cidb**'s activities in this area.

Action:

No additional actions beyond those already in place need to be implemented. Those actions that are already in place will be monitored and reviewed on a regular basis.

13. cidb should explore with large contractors how they can best promote industry development in their medium-sized joint venture partners and sub-contractors.

The Review Panel notes that with the registers and procurement prescripts now launched, there is an urgent need for more developmental action. Amongst others, the Review Panel identifies that larger contractors should fully use their resources and the influence they can exert through their own procurement and joint venture relationships in support of developmental actions.

The **cidb** endorses the Review Panel's view, and is currently exploring such opportunities - primarily through National Contractor Development Programme and Phase II of the Registers which are currently under development.

Action:

No additional actions beyond those already in place need to be implemented.

14. cidb should examine the scope for a partnership with financial institutions in support of contractor development.

The Review Panel notes that there is scope for **cidb** to develop partnerships with financial institutions with the aim of providing financial backing for competent contractors, particularly those operating at level 4 and above who have the potential to undertake significant contracts. In addition, the Panel suggests that the **cidb**, in partnership with emerging contractors' associations, might develop approaches to these institutions to facilitate the provision of finance to contractors or potential contractors.

These recommendations give support to current **cidb** initiatives in this area. There have previously been individual engagements with specific banks who have had involvement or agreements at varying levels with government departments or development programmes. To date the **cidb** has recognized and supported the finance packages developed for emerging, and established contractors of NURCHA and Isibane Capital. In terms of individual engagement with the 'big 4' and other banks, these have been intermittent and ad-hoc.

More recently, in February 2007, the Banking Association has responded positively to the need for a coordinated high level approach of engaging with ABSA, Nedbank, FNB, Standard Bank, African Bank, Capitec, RMB, etc. To this extent in April 2007 a Technical Team comprising of various Housing and Infrastructure representatives from these banks will workshopped existing products, packages, support services, challenges, and marketing to registered contractors. The aim is have commitment from individual finance institutes and organizations, be they mainstream banking or the likes of Khula, Ithala, ECDC, Nurcha, TUSK, Isibane, etc., to support contractor challenges related to finance (access, guarantees, sureties, cessions, cash flow management, etc.). The usefulness of the Register of Contractors and the Register of Projects as risk management tools, as well as a pool of potential clients, with a targeting mechanism through disaggregated statistics, has been recognized by the financiers. Their enthusiasm to partner with the **cidb** in targeting our registered contractors not only appeals to their business sense and enhanced visibility in a booming sector, but also aligns to their Financial Charter requirements related to Enterprise Development, Corporate Social responsibility, and Capacitation/Outreach and Empowerment.

Specific Partnership agreements and endorsements are likely to be realized with individual financial

institutions in the latter part of 2007. The partnerships will seek their respective contribution to the National Contractor Development Programme (ie. more than just finance packages but a risk management and value add support services to registered contractors) and alignment of services and packages for visibility and implementation through the Construction Contact Centres.

Action:

Actions that are already in place will be monitored and reviewed on a regular basis.

15. cidb should provide leadership in the formulation, implementation and monitoring of a comprehensive human resource development strategy for the construction industry.

The recommendation gives support to current cidb initiatives in this area. Specifically, as identified in the cidb 2007/08 business plan, a strategic priority for the cidb is "in partnership with stakeholders, (to) support the development and implementation of a strategy to restore the infrastructure delivery skills pipeline". In support of this, the cidb together with the Departments of Public Works and Public Enterprises completed and released the report "Skills for Infrastructure Delivery in South Africa; The Challenge of Restoring the Skills Pipeline" in December 2006. This report identifies recommendations that map out a framework of activities that are required to address the medium- to long-term challenge to restore or replace the skills pipeline, as well as other challenges.

The cidb is currently taking forward those recommendations which the cidb has been identified to champion, and is also facilitating that other institutions identified in the report take forward the recommendations under their ambit. In addition, the cidb is actively providing input into JIPSA.

The cidb acknowledges this recommendation to enhance its leadership in this area, and will further prioritise and strengthen these activities within the cidb.

Action:

The cidb will report on progress against the recommendations identified in the December 2006 skills report at Board meetings.

16. cidb should establish a forum to develop a national research agenda and strategy for construction and the built environment. This should include funding, monitoring and evaluation, and dissemination of research outputs

The recommendation encourages the cidb to take certain actions forward that have already been under discussion within the cidb. Specifically, the cidb developed a "Concept Programme to Promote Human Resource Development, R&D and Academic Excellence for Construction Delivery and the Built Environment", which was distributed to the Board in July 2003. The concept programme has to date not been taken forward to any large degree because of resource constraints and priorities.

Notwithstanding this, components of this concept programme are now being taken forward. Specifically, the concept of Centres of Excellence which were put forward in the concept programme are being integrated into the cidb's response to address the medium- to long-term challenge to restore or replace the skills pipeline (see Recommendation 15). Central to this concept of Centres of Excellence is a national R&D agenda and a national HRD agenda.

Action:

The cidb will actively pursue the concept of facilitating the establishment of Centres of Excellence, integrated into the cidb's response to address the medium- to long-term challenge to restore or replace the skills pipeline (target date August 2007).

17. cidb should review the ways in which consultants are used to ensure that these do not lead to perceptions that consultants have excessive influence on the Board or on cidb outputs.

The Review Panel noted that consultants have, rightly, contributed significantly to the cidb outputs, and that this should continue but with every effort made to transfer knowledge and skills to permanent staff. The use of consultants in the presentation of cidb views and proposals should also be reviewed.

The cidb takes note of the Review Panel's comments, which are in line with the cidb's own views. Specifically, the cidb will do everything possible to minimize the use of cidb associates and consultants to present cidb views - which in turn will also support knowledge and skills transfer from associates and consultants to cidb staff.

Action:

The cidb will continue to reinforce the need for knowledge and skills transfer from associates and consultants to cidb staff, and to limit the use of cidb associates and consultants in the presentation of cidb views.

18. cidb should introduce a strategic planning cycle and should develop a capability for monitoring the impact of its programmes which should include an independent element.

The Review Panel notes that the cidb needs a strong planning framework as it moves into a phase where there are more choices over its use of resources. This should embrace both strategic and annual plans. Complementing this should be the development of a monitoring capability with an independent element, so that the impacts of cidb programmes may be assessed.

The cidb notes the Review Panel's recommendation with respect to introducing (or more correctly enhancing) its strategic planning cycle.

The cidb also endorses the Review Panel's recommendation that it should develop a capability for monitoring the impact of its programmes which should include an independent element. In this regard it should be noted that the cidb has already initiated impact assessments of its activities, namely the impact assessment of the registers in 2005/06 and in fact the 5-year external review in 2006/07. In line with the Review Panel's recommendations, the cidb will undertake an annual impact assessment of at least one of its activities.

Action:

The cidb will:

- enhance its strategic planning processes in line with the Review Panel's recommendations; and
- annually undertake an impact assessment of at least one of its activities.

19. The Minister should establish a Shareholder Compact with cidb which includes a statement of its role in the achievement of the Department's strategic goals.

The Review Panel notes that the cidb is a public entity which provides strategic leadership for an important industry, and the Panel considers that it would be helpful to all parties if there were a Shareholder Compact between the Minister and cidb. This Shareholder Compact would:

- i) set out expectations and clarify the role of the Board
 - ii) set down aims, targets and performance measures and
 - iii) might give cidb the lead role in the development of policies and programmes related to some of DPW's strategic goals.
- a) It is the cidb's view that the CIDB Act and mandate contained there adequately sets out the expectations and clarifies the role of the Board.
 - b) The cidb submits annually its business plan to the Department, which is approved by the Minister. The cidb's business plan contains the aims, targets and performance measures of the cidb, against which the cidb reports quarterly to the Department. It is the cidb's view that the business plan and quarterly reporting adequately meets the needs reflected in the Panel's recommendations with regard to aims, targets and performance measures.
 - c) With regard to playing a leading role in the development of policies and programmes related to some of DPW's strategic goals, the cidb notes that it already does play such a role (in partnership with DPW) in selected areas, such as:
 - the National Contractor Development Programme (NCDP) and
 - the National Infrastructure Maintenance Strategy (NIMS).

Notwithstanding this, the cidb endorses the objective of further strengthening the cidb's role in the development of policies and programmes related to some of DPW's strategic goals.

Action:

The Panel's recommendations will be tabled at the standing meetings between DPW and the DPW entities.

20. DPW, in conjunction with other relevant departments, should review the institutional structure for regulation and development of built environment stakeholders.

The cidb supports the Review Panel's recommendations and recommends that the Minister facilitates a review of the institutional structure for regulation and development of built environment stakeholders.

Action:

The Board will develop a briefing document in line with the Review Panel's recommendations for submission to the Minister.

21. DPW should, following consideration of this Review, confirm future funding levels for cidb.

The Review Panel considers that government funding should continue to be the main source of funding for cidb although in time there should be a move towards a more equal funding partnership between industry and government. Self-funding should not be the aim.

The cidb acknowledges that a shared understanding should be obtained of medium- to long-term funding models and levels for the cidb, and will develop a discussion paper for presentation to the DPW.

Action:

The cidb will develop a discussion paper on funding models and levels for presentation to the Board and DPW as part of the 2008/09 business plan submission.

22. cidb and DPW should seek to establish a consistent approach in government statements on the employment and income opportunities offered by contracting.

The Review Panel notes that the large number of contractors wishing to register in the entry level Grade 1 may be in part the outcome of some official statements that have encouraged people to see contracting as a route to additional income, without regard for their training or experience. This is not consistent with the need to raise quality and competence in the industry.

The cidb agrees with this observation. The cidb management has already started raising awareness through the MINMEC and HODs meetings that a common message should be disseminated to contractors. This message must support the cidb observation based on the sudden but sustained influx of Grade 1 contractors on the Register of Contractors.

Action:

This action has already been taken up with MECs and Minister, including a request for political principals to tone down their messages that may seem to encourage the unemployed to register with cidb with the hope of getting public sector projects.

COMMENTS AND RECOMMENDATIONS BY THE REVIEW REFERENCE GROUP

The Terms of Reference for the Evaluation and Review require that the Review Reference Group provide comments and recommendations on the Evaluation and Review process and the extent to which the Terms of Reference for the review have been addressed. Such comments and recommendations are given below.

The Review Reference Group wishes to record its appreciation for the work of the Review Panel, and the support of the cidb Board, management and staff. The Review Reference Group is of the opinion that the Review Panel has fully met the Terms of Reference for the Evaluation and Review, and recommends that the Panel's report together with the Board and management's response, and the Review Reference Group be submitted to the Minister.

