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BASELINE STUDY OF PROVINCIAL CONTRACTOR DEVELOPMENT PROGRAMMES

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EXECUTIVE SUMMARY

This study on provincial Contractor Development Programmes in South Africa extends and updates the Status Quo Review of Contractor Development Programmes previously carried out by the Construction Industry Development Board (cidb) in March 2009. The study reviewed the performance of existing Contractor Development Programmes and identified their key success factors; best practice for the programmes; appropriate impact indicators for monitoring and evaluation; and baseline information on the programmes. The Contractor Development Programmes were reviewed through interviews with selected stakeholders, secondary data review and case studies of programmes assessed as having good practice in aspects of contractor development.

Contractor development refers to the process of identifying and removing the constraints affecting the development and performance of construction firms. In South Africa the National Contractor Development Programme (NCDP) Framework recognises that contractor's developmental needs are different at different stages of their growth and life cycles and proposes interventions accordingly. Such interventions include learner contractor development and skills development for smaller contractors; enterprise development and performance improvement for more established contractors; and contractor performance enhancement for established contractors.

There are a number of reasons that Contractor Development Programmes are established, which in turn influences their objectives. The main reasons are: improving the overall performance of contractors in a region; improving the ability of local contractors to compete with international construction firms; growing small contracting enterprises and provide opportunities for them; promoting and improving the use of efficient labour intensive methods; and provide opportunities for and growing contracting enterprises owned by affirmative action target groups.

Whatever their rationale, the programmes aim to address the typical challenges facing contractors such as: skills shortages; financial constraints and limited access to funding; late payments by clients; high skilled workers turnover; short term and fluctuating workloads; complicated contract procedures; intense competition; lack of sufficient resources and capital equipment; limited access to professional advisors; and difficulty ensuring regular materials supply. The National Contractor Development Programme (NCDP) identifies contractor development as comprising of development through: improved access to work opportunities; improved construction business environments e.g. payment cycles; offering training and advisory services; promoting technology transfer and use; facilitating networking, joint venture and sub-contracting opportunities; the unbundling of large contracts and the adoption of appropriate procurement strategies.

Despite their good intentions, Contractor Development Programmes have experienced several impediments towards their success. Typically, these include the selection of inappropriate entrants such as those with insufficient basic skills or those with motives not necessarily prioritising their development; inadequate or inappropriate training/skills development; lack of work opportunities to sustain the contractors; contractors being hampered by lack of access to finance; and the difficult industry environment even for established contractors. Most programmes also lack the proper monitoring and evaluation processes that would identify and address constraints such as the ones above.

The study identified several key success factors for Contractor Development Programmes which if present increased the chances of the programmes achieving their objectives. These were:

- i. Demonstrated and tangible support for the programme from the implementing organisation's staff and senior management, and a strong champion of the programme.

- ii. Clearly defined goals, objectives and targets.
- iii. Monitoring of the programme with regards to its objectives and targets, and the adoption of corrective measures where needed.
- iv. Sufficient allocated funds for the duration of the contractors' development.
- v. Sufficient and skilled management driving the programme.
- vi. The integration of the development activities of all stakeholders such that procurement, training, mentorship and performance assessment activities were carried out in a complementary manner.
- vii. Needs assessment for individual contractors and the subsequent development of appropriate and relevant interventions.
- viii. Appropriate contractor selection processes to ensure that only contractors who have good potential to succeed are selected.
- ix. A clearly identified target group of contractors to be developed and alignment of this with the implementing organisations objectives.
- x. Consistent performance evaluation and monitoring process for:
 - contractors.
 - the programme itself.
- xi. Continuous assessment and grading of the contractors' performance and improvement.
- xii. Concise programme milestones.

The study identified the following as impact indicators:

- i. Skills developed by the contractors on the development programme,
- ii. Growth and progression of contractors during the programme and after exiting.
- iii. Contractors opinion on the performance of the programme.
- iv. Programme management's opinion on the performance of the programme.
- v. Stakeholder views on the performance of the programme.
- vi. Performance of the programme in achieving its goals and objectives.

The assessment of the ten active provincial Contractor Development Programmes using the above key success factors and impact indicators as a guide led to the following findings.

- Rationale for the programme - in several Contractor Development Programmes there is no clear rationale for initiating the programme, which inevitably leads to poor implementation and outcomes. The lack of clearly defined objectives translates to poor implementation, monitoring and evaluation,
- Demonstrated and tangible support for the programme - most of the programmes did not have long-term support evidenced by the commitment of finance and resources. Despite this, they had no difficulty getting sufficient contracting entities into the programme, which often led to disappointment.
- Absorptive capacity of the programme - most of the programmes did not effectively match the number of contractors on the programmes with the available resources.
- Contractor selection - while the selection of the participating contractors was for the most part open and transparent, most programmes did not have selection criteria that identified and selected the contractors with the most potential to develop. This was one of the reasons cited most for the apparent lack of success of many exited contractors.
- Funding for the programmes - funding for many of the programmes was not prioritised during the conceptualisation and planning phases but only addressed at implementation phase which is often too late.
- Provision of projects - while this is the most popular intervention for learner contractors and the programme management, it

also has the most hurdles as the setting aside of programmes for contractors require special permission from the National Treasury for competitive reasons. In addition it is also hard to get organs of state to commit to identifying and allocating projects for learner contractors, and to get them to do this at the right time during the development of the contractors.

- Programme contract documentation - most of the programmes do not use construction tender documentation amended for use by learner contractors, nor are the terms of contract simplified to accommodate the developmental needs of contractors including the implementation of shorter payment cycles. This is not a critical drawback, however, it is seen as having minimal effect on contractor development.
- Human resources - the majority of the programmes do not have sufficient staff with the required skills for contractor development units. Programmes are often either overstaffed with inappropriate staff or understaffed.
- Monitoring and evaluation of contractors - the majority of the programmes also do not implement progress monitoring and evaluation of the contractors or use contractor assessment tools to gauge their development. It is then difficult to evaluate contractors' progression or prepare for their exit from the programme.
- Training and Skills Development - most programmes have struggled to put in place properly structured training and skills development initiatives, mainly due to the lack of funding or skilled personnel for training.
- Mentorship - while most programmes acknowledge the need and importance of mentors, they struggled to implement it due to lack of sufficient funding, few mentors, qualified mentors and the high mentor to learner contractor ratios.

Overall, most of the programmes have not performed as they envisaged in the development of contractors. For a public sector to be successful, it is therefore imperative that the following be present.

- A clear rationale for the programme laid out in a business plan covering the objectives, proposed implementation plan and resources required.
- Political and administrative commitment for the programme reflected by long-term financial commitments and seconding of sufficient skilled staff and resources.
- Appropriate size of the programme matching with the resources available.
- Contractor selection - clear entry criteria and selection processes that lead to contractors with the best potential being selected must be thoroughly thought through to avoid unnecessary legal challenges. The selection of contractors should be closely aligned with the rationale for the programme and the absorptive capacity of the programme.
- Provision of projects - where possible the programme should make construction projects available to contractors, preferably introducing some element of competition within the participating contractors, to provide a forum for mentoring and practical skills development. This should be done while taking into account the requirements of the relevant legislation.
- Mentorship and training/skills development models - a Contractor Development Programme must identify the development needs of individual learner contractors and provide means to do so. Mentorship and training/skills development are essential aspects of this and should be built into every programme with clear deliverables, timelines and delivery indicators.
- Monitoring and evaluation - this is essential for the programme to determine its success, and should be done on an ongoing basis. Allied to this, there should also be clear guidelines on when contractors are deemed to be developed and the resultant exiting criteria and processes.

1. INTRODUCTION

This report presents the findings of a study on provincial Contractor Development Programmes in South Africa initiated by the Construction Industry Development Board (cidb) as part of its aim to encourage best practice through learning and the refinement, development and implementation of appropriate programmes. It extends and updates the Status Quo Review of Contractor Development Programmes, previously carried out by the cidb in March 2009 in South Africa, and predominantly those of Eastern Cape, Western Cape and KwaZulu-Natal.

The overall aim of the study was to review the performance of existing Contractor Development Programmes and compile a report identifying the key success factors for such programmes, best practice in emerging contractor development and appropriate impact indicators for monitoring and evaluation. Subsidiary objectives were to:

- i. Identify the existing Contractor Development Programmes and review their performance and results to date.
- ii. Identify impact indicators for Contractor Development Programmes and use these to establish the basis for an effective monitoring and evaluation system for Contractor Development Programmes.
- iii. Provide baseline information that can be used by contractor development practitioners to quantify feedback and benchmark results of the identified programmes.

1.1 METHODOLOGY AND APPROACH

The methodology and data collection strategy adopted in this study involved a background review and desktop analysis of the Contractor Development Programmes followed by an in-depth and comparative analysis of the programmes using:

- Interviews with selected stakeholders.
- Case studies of programmes assessed as having good practice in aspects of contractor development.

This approach is described in more detail below:

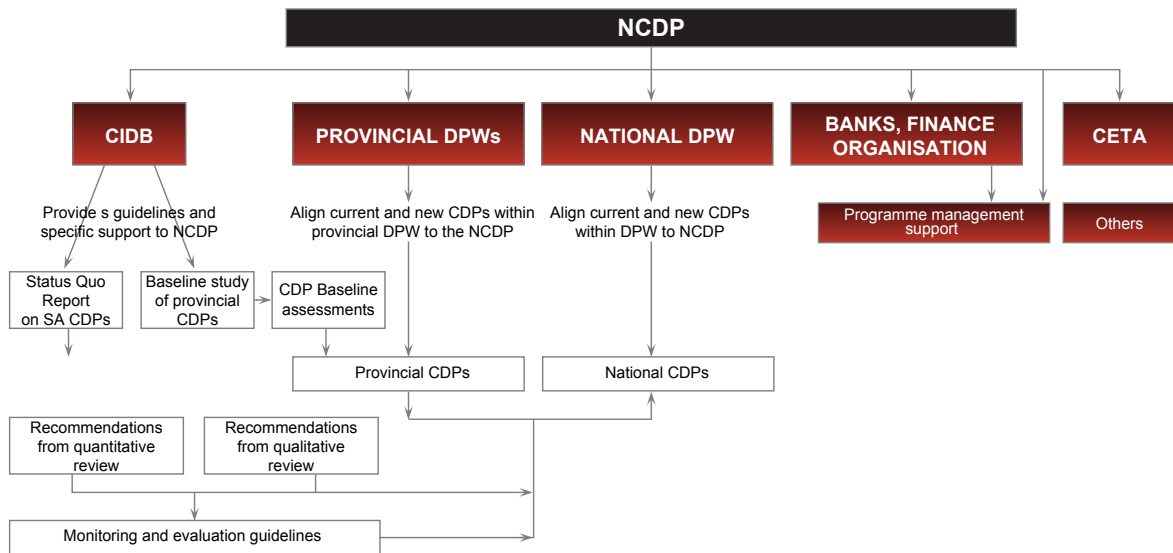
1.1.1 Context

This study is part of the cidb's ongoing efforts to develop and implement the NCDP and provide best practice, guidelines and specific support for the construction industry, in particular Contractor Development Programmes (CDPs). The NCDP is the umbrella government programme which "consolidates, standardises, guides and aligns various initiatives towards Contractor Development (CD) in South Africa"¹. The programme is a partnership between the cidb, the national Public Works Department (DPW), provincial Public Works Departments (PWDs) and other willing stakeholders to develop previously disadvantaged contractors and align individual CDPs or initiatives to the NCDP framework.

¹ NCDP Brochure (no date) Online, Available: http://www.cidb.co.za/contractor/publications/ncdp_framework/default.aspx, 28 Oct 2010

Contextually, this study and the related “Status Quo Report on South Africa Contractor Development Programmes” of March 2009 are outcomes of the *cidb*’s mandate to implement the NCDP by providing guidelines to CDPs. The Baseline Assessments and recommendations based on the qualitative review carried out in this report, together with the quantitative review from the “Status Quo Report” will all be provided to the individual CDPs. In addition, the monitoring and evaluation guidelines synthesised from both studies will also be provided to the CDPs. These documents will help Public Works departments to monitor and evaluate CDPs, and will also assist the departments in aligning their individual programmes to the NCDP framework (see Fig. 1).

Figure 1: Context of this study



1.1.2 Background review

The study aims to carry out a review of literature on Contractor Development Programmes, their aims and objectives and critical success factors. This then informed the formulation of a survey instrument to review the programmes, the data to be used in assessing the programmes, and in developing an initial list of pre-impact and post-impact indicators.

Thereafter the study identified Contractor Development Programmes and solicited information and documentation on the programmes for review. This was done through a desktop review and consultation with key *cidb* ‘partner’ stakeholders in contractor development, specifically the national and provincial Department of Public Works (DPW); and provincial departments of Transport, facilitated via the *cidb* and their provincial Construction Contact Centres (CCCs). The programmes provided their policy documents, guiding frameworks and business plans (where available), which helped in identifying their objectives, strategy, organisational framework, focus areas, approaches, current status and performance to date.

1.1.3 Data collection and research methodology

Through interviews with managers or persons responsible for the programmes, a comparative analysis of the programmes was carried out and additional information solicited. The Project Team prepared an interview guide and a schedule of interviews with a focus on the key issues that had to be addressed for the assignment. Appointments with the key stakeholders were arranged and the project team visited them at their offices to discuss the content of the interview schedules.

A number of project documents were issued by the participating public body, to the Project Team, and these included but were not limited to the following:

- Policy documents.
- Annual Reports.
- Progress Reports (if any).
- Lists of participating contractors.

1.1.4 Preparation of interim Baseline Report

On the basis of the primary data collected through interviews and the secondary data (documented reports), the Project Team prepared an interim report, which after review and input by the cidb and stakeholders was revised into this final report. This report covers a number of initiatives from seven provinces, namely: Free State, KwaZulu-Natal, Limpopo, Mpumalanga, Western Cape, Northern Cape, and the Eastern Cape. The Gauteng and North West provincial government did not provide any active Contractor Development Programmes that could be considered for documentation.

Finally, the data collected was written up as a report with selected case studies.

1.1.5 Limitations of the Baseline Report

The limitation of the report is that it does not include feedback from contractors participating in these programmes. The report is simply based on the primary data collected during visits (through interview of client department officials responsible for the implementation of the programme) and also secondary data (reports) from the various implementing agents or consultants that were interviewed.

2. REVIEW OF THE LITERATURE - CONTRACTOR DEVELOPMENT PROGRAMMES

This section provides the background and context for Contractor Development Programmes in South Africa. It begins with a review of the literature on Contractor Development Programmes, their aims and objectives and critical success factors. This includes an analysis of the issues facing contractors and Contractor Development Programmes, best practice in developing contractors, and pre-impact and post-impact indicators that have been used elsewhere.

Thereafter the chapter reviews desktop data on provincial Contractor Development Programmes in South Africa and finally, based on the findings suggests refinements of the methodology to be used in the data collection stage of this study.

2.1 BACKGROUND TO CONTRACTOR DEVELOPMENT PROGRAMMES

Although not a generic term, contractor development has been used extensively to refer to the application of management and economic principles to remove the constraints affecting the development and performance of construction firms.² In South Africa the NCDP Framework identifies several contractor development components which contractors need to progress through before becoming competent. It recognises that contractors' developmental needs are different at different stages of their growth and life cycles and proposes interventions accordingly. The stages, corresponding to components, are:

Construction workforce development

This seeks to develop contractors in all *cidb* grades through artisan and supervisor development, and to develop trade contractors in *cidb* grades 1 to 5 through learnerships and similar skills development initiatives;

Contractor development

This component focuses on the development of contractor organisations as opposed to development of the contractors' workforce, and comprises several sub-components;

- a. Emerging Contractor - this targets emerging contractors in *cidb* grades 2 and 3 who exhibit potential to develop. Through learnerships and mentoring the emerging contractor's skills in the business side of contracting, for example tendering, pricing, financial management, marketing, contract administration are developed etc. The NCDP framework recognises that CDPs with this category of contractors will need work opportunities to be allocated to the learner contractors.
- b. Enterprise Development - this stage targets more experienced contractors in *cidb* grades 3 to 6. It is anticipated that such construction enterprises are in the growth stage and are growing and developing their markets, expanding their workforce, accumulating capital and expanding their production capacity.

² Eyah, A. (2004) Regulation and Small Contractor Development - A Case of Ghana, Working Paper Series No. 80, Centre on Regulation and Competition, Institute for Development Policy and Management, University of Manchester

The main instruments used to develop such contractors are the awarding of direct contracts through competitive bidding, facilitating joint ventures and similar interventions to provide sustainable work supply to the contractors but within a competitive bidding environment.

- c. Performance Improvement - at this stage the contractor is assumed to be an established enterprise and the main focus is on improving their performance through introducing best practice systems such as health and safety, quality management, environmental management. It targets contractors in *cidb* grade 4 to 7 who show potential to develop. Support to these contractors is through providing direct contracts, facilitating joint ventures, and other instruments aligned with the *cidb* Best Practice Contractor Recognition Scheme and the *cidb* Best Practice Project Assessment Scheme.

Contractor Development Programmes are found in many countries and are established for a number of reasons that in turn influence their structure and operations. These provide a convenient way to classify the programmes into the typologies hereunder:

- a. *Contractor Development Programmes that aim to improve the overall performance of contractors in an economy*

As the construction industry is seen as critical in meeting the developmental needs of all countries, and having direct economic, physical and environmental impacts on citizens, the quality of contracting enterprises in a country is seen as having a direct influence on its well-being. The difficulty in developing self-sustainable construction contractors arises from structural issues in the construction industry such as the transient nature of work and resulting temporary organisations, or the sensitivity of the industry to the economic environment. Programmes geared to addressing such issues therefore aim to overcome such issues and improve the delivery of projects through the use of competent contractors.

- b. *Programmes that aim to improve the ability of local industry to compete with international construction firms*

In many countries, especially developing countries, local construction firms often lack the financial, technical and managerial capability to compete with foreign firms. This is exacerbated by globalisation, which has resulted in many cases in declining market shares due to stiffer competition from foreign contractors³. Foreign construction firms dominate the major projects in many developing countries as a result of deficiencies in indigenous construction capacity. Contractor Development Programmes are some of the measures that have been formulated to promote development of domestic contractors in these countries.⁴

- c. *Programmes based on the need to provide opportunities for and to grow small contracting enterprises*

Small contractors are perceived to be important as instruments of job creation, income generation, economic growth and encouragement of entrepreneurship; because of their ability to work at lower

³ Dlungwana W. S. and Rwelamila P. D. Contractor Development Models that meet the Challenges of Globalisation - A Case for Developing Management Capability of Local Contractors
⁴ O. Adams (1997) Contractor development in Nigeria: Perceptions of Contractors and Professionals, Construction Management & Economics, Vol. 15 Issue 1, pages 95-108

prices and in more remote locations; because of their ability to provide a platform for previously non-participating groups in the sector to enter and secure work, and arising from their local base which helps increase spending in the local economy⁵. Programmes based on this premise therefore focus on growing small and medium-sized contractors into larger and more sustainable ones. Such focussed interventions can have a huge impact on the economic development of developing countries in terms of providing management skills that the enterprise creates sustainable employment.

d. *Programmes that aim to improve the performance of rural contractors*

The objective here is to support contracting firms in rural areas in order to improve rural accessibility, increase local contracting capacity and create rural employment, e.g. the Labour Based Programme in Ghana.⁶ The spatial distribution of projects and demand-side initiatives are strong aspects of this programme.

e. *Programmes aimed at promoting and improving the use of efficient labour intensive methods*

Largely championed by the International Labour Office (ILO), these programmes aim to create employment, allow small enterprises to participate in the construction industry and encourage the use of appropriate technology in the country.⁷

f. *Programmes based on affirmative action*

These identify target groups that because of national imperatives are for development programmes. They aim to increase the participation of the target groups in the local economy, and are often part of larger social development efforts. Such programmes target firms owned by women, the disabled, minorities, persons previously not able to participate in the economy and indigenous groupies, for example in Malaysia and South Africa.⁸

Some authors make a clear distinction between supply-driven programmes and demand-driven programmes. Supply-driven programmes are conceived and implemented to provide contractors with the tools for success such as training, technical assistance and credit and finance and aim to develop contractors. Demand-driven programmes look to first provide the contractors with a market, then equip them with the tools for success fashioned around the needs of the firms.⁹ While many programmes try to implement both approaches, a brief scan of their success and failures later in this chapter shows that demand-side failures are most responsible for the perceived ineffectiveness of Contractor Development Programmes.

In South Africa, the need to promote black economic empowerment, the participation of women and the disabled in the economy, and the need to transform the construction industry, allied with the need to grow small businesses, drives the majority of the Contractor Development Programmes and thus their objectives and target groups.

⁵ Dlungwana W. S. and Rwelamila P. D. Contractor Development Models that meet the Challenges of Globalisation - A Case for Developing Management Capability of Local Contractors

⁶ Eyah, A. (2004) Regulation and Small Contractor Development - A Case of Ghana, Working Paper Series No. 80, Centre on Regulation and Competition, Institute for Development Policy and Management, University of Manchester

⁷ Bentall, P., Beusch, A. and de Veen, J. (1999) Employment - Intensive Infrastructure Programmes: Capacity Building for Contracting in the Construction Sector, International Labour Office, Geneva

⁸ Ofori, G. (1999) *Construction Contractor Development: New Directions*, in Proceedings of the Second Meeting of the CIB Task Group 29: Construction in Developing Countries, Kampala, Uganda June 25-26

⁹ Segokgo, M., Hongve, J. and Overby, C. (2000) *Citizen Contractor Development and Choice of Technology*, Proceedings, 2nd International Conference on Construction in Developing Countries: 15-17 November 2000, Gaborone, Botswana

2.2 CHALLENGES FACING CONTRACTORS

The challenges facing contractors, and in particular small contractors, are many and have been extensively researched. They include:

- i. Lack of skills on the part of contractors - as with small enterprises in other sectors of the economy, many contractors lack business and financial management skills, and project management, estimating, tendering and the technical skills specific to construction. This is especially pertinent for emerging contractors.
- ii. Financial constraints and limited access to funding, trade credit, guarantees and performance bonds and high interests when these are available.
- iii. Late payments by clients impacts on contractor cashflows and causes delays in the completion of projects, erodes profit margins, ties up working capital, and encourages corruption.
- iv. High turnover among skilled workers owing to uncertainties in job opportunities.
- v. The fragmentation of the construction process has an adverse effect on the overall performance of the industry
- vi. Short term nature of the work which makes it hard to develop and implement long-term strategies and growth plans.
- vii. Bureaucratic or overly complicated contract award and contract administration procedures.
- viii. Intense competition, especially in the lower scales of construction enterprises, and difficulty in competing with larger construction firms.
- ix. Insufficient resources to provide a safe and decent working environment such as protection equipment and attire.
- x. Lack of professional advisors and consultants, and where these were available the reluctance to use them due to perceived expensive fees, a lack of finance or awareness.
- xi. Lack of capital equipment such as vehicles, heavy machinery, scaffolding.
- xii. Uncertainties in supplies and prices of materials, allied with generally non-existent or poor relationships with suppliers.

The above have all been present at different levels in the South African construction industry which has experienced several other challenges over the last 20 years, including a steep decline in gross domestic fixed investment (GDFI), slow delivery due to poor capacity, low productivity, poor quality workmanship, and low profit margins for contractors. These have all contributed to sharp fluctuations in employment and productivity in the sector.¹⁰ In addition, many contractors in various studies have identified the marginalisation of black emerging sector as a major reason for their lack of growth and development¹¹.

Contractor Development Programmes therefore try to address the above constraints, but the long list and common resource limitations highlights the need for some means of focusing on the most critical ones. While it is difficult to rank challenges faced by contractors in order of priority (these vary depending on individual contractors, the type of contractors assessed and their level of development) financial reasons for e.g. lack of access to funding for

¹⁰ Ncwadi M. R. and Dangalazana T. (2005) *An Exploratory Study into the Challenges Facing the Emerging Contractors Involved in the Construction of Low Cost Housing in Wells Estate and Ikamv'elihle Townships in the Nelson Mandela Metropole, South Africa, World Congress on Housing - Transforming Housing Environments through Design, September 27-30 2005, Pretoria, South Africa*

¹¹ For example: Ncwadi M.R. and Dangalazana T. (2005) *An Exploratory Study into the Challenges Facing the Emerging Contractors Involved in the Construction of Low Cost Housing in Wells Estate and Ikamv'elihle Townships in the Nelson Mandela Metropole, South Africa, World Congress on Housing Transforming Housing Environments through Design September 27-30, 2005, Pretoria, South Africa*
Gcaba M., Purchase, R. and Distin, T., (2004) *Why are Black Owned Contractors unable to Penetrate the Blacktop Industry in Kwazulu-Natal?, and Proceedings of the 8th Conference on Asphalt Pavements for Southern Africa (CAPSA'04) 12 - 16 September 2004, Sun City, South Africa*

projects and poor financial management skills, the intense level of competition within the industry and associated lack of continuous work opportunities, and the lack of adequate project management or construction skills are the most commonly recurring.

2.3 APPROACHES TO CONTRACTOR DEVELOPMENT

The development of contractors using Contractor Development Programmes has been part of a concerted effort in many countries, but with varying degrees of success. Several reasons have been advanced for this; e.g. programmes that did not identify and tackle the root causes of the problems facing contractors; and the fact that the task of improving contractor performance is a complex one and dependent on a number of external factors¹². Typical approaches have a number of initiatives, depending on the target groups and the prioritised contractor problems the programme wishes to address.

The guidelines for contractor development in developing countries issued by the International Labour Office (ILO) suggests that programmes to improve their performance should include:

- i. Improving access to work opportunities; e.g. by managing public sector demand to ease peaks and troughs in construction work; packaging projects into smaller sizes which the contractors can undertake; applying contractor pre-qualification measures; encouraging sub-contracting; improving tendering procedures and simplifying tender documentation.
- ii. Improving the business environment; e.g. by relaxing performance bond and retention requirements; providing loan guarantee schemes; offering mobilisation allowances to selected contractors, providing information and financial training to contractors; improving contractors access to materials, tools and equipment and improving payment procedures.
- iii. Offering training and advisory services; e.g. by developing and implementing training schemes that are appropriate and convenient to contractors and motivating contractors on the value of training schemes.¹³

Other thrusts include:

- i. Promoting the application of recent technologies and methods of construction through joint research and development and technology transfer.
- ii. Promotes standardisation and value-added methods of construction to boost productivity and efficiency.
- iii. Facilitating networking and sub-contracting opportunities within the industry, and closer relationships with professional and industry bodies and the government.¹⁴
- iv. Provision of standardised designs specifications and details (these reduce complexity, allow contractors to be more aware of market prices and better assess the market trends).¹⁵

¹² Ofori, G. (1991) Improving the Performance of Contractors in Developing Countries: A Review of Programmes and Approaches. *Construction Management and Economics*, Vol. 9, Pages 19 - 38

¹³ Ofori, G. (1991) Improving the Performance of Contractors in Developing Countries: A Review of Programmes and Approaches. *Construction Management and Economics*, Vol. 9, Pages 19 - 38

¹⁴ Ofori, G. (2002) Current issues in small construction contractor development, in *Current issues in small construction enterprise development*, eds Miller, C., Packham, G., and Thomas, B. (2002) Monograph, University of Glamorgan Business School

¹⁵ Fu W. K. and Drew D.S. (1999) Contractors' Bidding Behaviour in a Recurrent Bidding Situation, Proceedings, CIB W55 & W65 Joint Triennial Symposium, Customer Satisfaction: A Focus for Research & Practice, Cape Town, 5-10 September, Eds: Bowen, P. & Hindle, R.

The overarching South African effort through the NCDP is to increase the sustainability of small contractors, promote targeting contractors who perform satisfactorily and reward performance improvement through continuity of work. The NCDP is a joint effort between the cidb, national and provincial public works departments and other stakeholders interested in developing contracting capacity in South Africa with focus on the emerging contractor. It identifies contractor development as comprising of development through:

- Construction work force development through artisan and supervisor development using learnerships and other skills development initiatives.
- Contractor development focusing on emerging contractors and developing them based on their stage. The various levels of development are:
 - Emerging contractor development using learnerships and mentoring for emerging contractors.
 - Enterprise development through direct contracts joint ventures and similar business development initiatives, for more established contractors.
 - Performance improvement for well-established enterprises done through introducing best practice systems, joint ventures and direct contracts amongst others.

For larger contractors, that is, established enterprises in grades 4 to 7, the NCDP intends to support them by:

- Encouraging best practice;
- Encouraging procurement strategies that preference best practice contractors;
- Adopting procurement strategies that encourage joint venturing with more established contractors; and
- Direct contract awards.

Smaller contractors (grades 1-4) are seen as benefiting more from training and skills development, mentoring and the awarding of contracts.

Specific strategies recommended for adoption by the NCDP that could be used in any generic Contractor Development Programme include:

- i. The adoption of procurement strategies that meet the delivery needs of the client and the development needs of the contractors through continuity of work.
- ii. Using appropriate criteria to target and select contractors who have the ability to improve and progress.
- iii. Targeting and rewarding of contractors who perform satisfactorily.
- iv. Facilitation of access to finance for contractors.
- v. Ensuring prompt payment to contractors.
- vi. Provision of appropriate contracting conditions to support contractor development.
- vii. Provision of standardised designs specifications and details.
- viii. Provision of training opportunities and outreach programmes for contractors to improve their business.
- ix. Alignment of learners, Contractor Development Programmes and the use of joint ventures, sub-contracts and other appropriate mechanisms.

- x. Facilitating continuous performance improvement by contractors.
- xi. Provide opportunities for practical training for learners of projects.
- xii. Providing and facilitating access to bursaries, learnership grants and other funding opportunities for learners.

As can be seen from the above, there are numerous ways in which Contractor Development Programmes have attempted to develop contractors. The models adopted are determined mainly by the aims and overall objectives of the parent organisation, the budget, and the contractual relationships that exist.¹⁶

In spite of these, however, most are rated as achieving marginal success. Part of the reasons for these can be attributed to the impediments facing Contractor Development Programmes, which are discussed in the next section.

2.4 CHALLENGES FACING CONTRACTOR DEVELOPMENT PROGRAMMES

The challenges facing Contractor Development Programmes have been the subject of numerous research studies. Summarising these, the main impediments towards the success of these programmes are:

- i. Difficulty in selecting the appropriate entrants into a programme, as access is usually open to all interested participants.
- ii. Lack of insistence on prior experience in the industry, and on prior technical, managerial and construction related skills.
- iii. Inadequate training and difficulties in synchronising training as it is available at times suitable for contractors and their workloads. In addition, the amount of training required both for contractors and development agency staff is generally underestimated.
- iv. Contractors with little understanding of the nature and complexity of construction, and how to deal with arising risks.
- v. Inadequate access to finance, trade credits and to guarantees.
- vi. Lack of construction specific skills such as pricing, project management and the programming of site activities, contract conditions, and risk management.
- vii. Reluctance to employ qualified personnel, usually due to financial constraints.
- viii. Compromising quality over speed and budgetary considerations.
- ix. Low profit margins in the industry, reducing the viability of small contractors irrespective of intervention.
- x. Lack of understanding or commitment on the part of the contractors to the objectives of contractor development, and to improving their performance as contractors.
- xi. Difficulty creating a culture of entrepreneurship amongst contractors; especially amongst survivalist firms;
- xii. Fluctuating industry workloads.
- xiii. Institutional challenges including limited training institutions and the shortage of appropriate training materials, legal challenges to the selection and provision of services to a select group, poor management and lack of funding for the programmes, and difficulty identifying deserving contractors.

¹⁶ Jacquet, A. (2002) Sustainable Contractor Development through Coordinated and Focused Interventions, Proceedings, Built Environment Professions Convention, 2002

- xiv. Lack of monitoring and evaluation of the programmes and the use of inappropriate metrics to measure success (such as the number of companies trained and amount of credit disbursed).^{17,18,19,20}

2.5 KEY SUCCESS FACTORS FOR CONTRACTOR DEVELOPMENT PROGRAMMES

A well designed programme with clear success factors is required to overcome the aforementioned issues. Such success factors align and address the above constraints, and include:

Programme structure

- i. Political support and the implementing organisation's senior management support for the programme and strong championing of the programme.
- ii. The setting of appropriate targets and commitment by the organisation.
- iii. The allocation of a defined and sufficient budget.
- iv. The allocation of defined and sufficient management resources to drive the programme.
- v. Clearly defined objectives, goals and targets that the programme must achieve, which should include the developmental objectives of the programme and its targets.
- vi. A flexible model that accommodates the varying needs of contractors at different levels of development, and should promote the adoption of industry best practices.
- vii. Consistent monitoring and reporting of achievements.
- viii. The integration of the development activities of all stakeholders, from government to private sector, such that procurement, training, mentorship and performance assessment activities are complementary.

Contractor interventions

- i. The development of procurement strategies and mechanisms to provide continuous and profitable work opportunities to learners or contractors on the programme.
- ii. Provision of appropriate and supportive contract conditions for items such as sureties and guarantees.
- iii. Provision of appropriate contract management and quality assurance oversight to the contractors, such as adequate resources for site supervision and quality assurance on contracts.
- iv. Easing access to finance, credit and working capital.
- v. Development of appropriate technical capacity, construction management and quality control expertise to contractors through training and mentoring, with a clear development path with contractors progress.
- vi. Facilitating access to cost effective and appropriate materials facilitating access to cost effective plant and machinery.
- vii. Facilitation of access to information and to Information Technology (IT).
- viii. Linking contractors to skills development programmes offered by other stakeholders.
- ix. Contractor selection and registration to ensure that only contractors who have good potential to succeed are selected, and in an objective and transparent manner.

¹⁷ Edmonds, D.A. and Miles, D. W. J. (1984) *Foundations for Change: Aspects of the Construction Industry in Developing Countries*, Intermediate Technology Publications, London

¹⁸ Kiggundu B. M. (1999) *Institutional Challenges To Contractor Development*, in *Proceedings of the Second Meeting of the CIB Task Group 29: Construction in Developing Countries*, Kampala, Uganda June 25-26

¹⁹ UNCHS (1996) *Policies and Measures for Small Contractor Development in the Construction Industry*, UNCHS, Habitat

²⁰ Bentall, P., Beusch, A. and de Veen, J. (1999) *Employment - Intensive Infrastructure Programmes: Capacity Building for Contracting in the Construction Sector*, International Labour Office, Geneva

- x. Identification of individual training and mentoring needs for each contractor, based on the results of an assessment exercise.
- xi. Continuous assessment and grading of the contractors' performance, assessment and improvement as a feedback mechanism to monitor their development.
- xii. A concise programme milestone with clear policies and procedure, and clear entry criteria.^{21,22,23,24,25}

Successful programmes are those that therefore meet the requirements of the emerging contractor, depending on the contractor level of development. Further lessons from these interventions are that successful best practices are not rigid, and adjust their operations with changes in the environment where they are being applied. They still, however, managed to remain focussed on the original objectives of the Contractor Development Programme.

The above issues, contractions and identified factors have led to the identification of a number of guidelines for best practice in Contractor Development Programmes.

The selection process for the contractors should be stringent, yet done in an objective, fair and transparent manner. Contractors should be properly registered and categorised in terms of their size and performance capabilities with a view to assisting their progression through subsequent higher categories. Training and mentorship needs should be identified, and an appropriate training and mentorship intervention developed. A continuous cycle of contractor performance assessment and improvement is essential as a feedback mechanism.

Serious commitment, planning and resource allocation, and political support is necessary from the implementing organisation, and the programme should be devised with a detailed and comprehensive overall vision and objectives. Stakeholder support plays a critical role in the success of the programmes. A combination of finance and non-financial services is necessary, and the programmes should promote the adoption of industry best practices. The programmes should develop contractors' technical and management capacity over a long-term period with a view to encouraging competitiveness and growth of contractors.^{26,27,28,29}

The programmes therefore have to operate at multiple levels. For example, in Ghana and Lesotho, development programmes that combine classroom and fieldwork training interspersed with trial contracts or practical field training and other development initiative such as easy loans for tools, plant and equipment have worked well, though they have also proved unsustainable for countries with limited resources.³⁰

In South Africa, the NCDP framework identifies the following as the key success factors for the programme and for Contractor Development Programmes in general:

- Demand management strategies - ensuring the sufficient availability of work for learners and contractors within the programme.

²¹ Aerts, K., Matthysens, P. and Vandenbempt, K. (2005) *Critical Role and Screening Practices of European Business Incubators*, [Online] Available at SSRN: <http://ssrn.com/abstract=870244>

²² Wiles, J. A., Hekmat, F., and Wiles, C.R., (1987) *An assessment of potential business incubator services: a pilot study of existing small business manager*, San Antonio TX: The Small Business Institute Director's Association

²³ Dlungwana, W. S. and Rwelamila P. D. (2005) *Contractor Development Models that meet the Challenges of Globalisation - A Case for Developing Management Capability of Local Contractors*, CSIR Boutek

²⁴ DPW (2008) *National Contractor Development Programme Summary Framework: Towards 2010 and Beyond*, National Department of Public Works and the Construction Industry Development Board

²⁵ Bentall, P., Beusch, A. and de Veen, J. (1999) *Employment - Intensive Infrastructure Programmes: Capacity Building for Contracting in the Construction Sector*, International Labour Office, Geneva

²⁶ Byaruhanga J. K. and Okure M. (1999) *Small Contractor Development in Uganda*, in Proceedings of the Second Meeting of the CIB Task Group 29: Construction in Developing Countries, Kampala, Uganda

June 25-26

²⁷ Thwala, W. D. and Mvubu, M. (2007) *An Evaluation of Small Contractor Development Programmes in Swaziland*, Proceedings, CIB World Building Congress 2007, pp 2116 - 2131

²⁸ Ogbogbaiddi, B. (1999) *The Role of the Private Sector in Contractor Development: The Shell Uganda Experience*, in Proceedings of the Second Meeting of the CIB Task Group 29: Construction in Developing

Countries, Kampala, Uganda June 25-26

²⁹ Dlungwana W. S. and Rwelamila P. D. () *Contractor Development Models that meet the Challenges of Globalisation - A Case for Developing Management Capability of Local Contractors*

³⁰ Larcher, P. (2004) *Case Study: A Comparison of Four Contractor Development Programmes*, Department for International Development

- Clear targeting of the priority groups to be developed, including the selection criteria.
- Demand side interventions such as regarding performance guarantees, session of contracts, payment cycles, contracting options and standards construction documents.
- Targeting strategies that focus on the various components of contractor development and the specific areas to take into account over-supply and under-supply.
- Training and mentorship - preferably accredited with a Sectoral Education and Training Authority (SETA)
- Access to financing.
- Access to technology, construction industry information and facilitation of business linkages.

The key impact indicators for the review of the programmes are closely aligned with the success factors, and include:

- The commercial, managerial and construction skills developed by the contractors on the development programme.
- The growth and progression of contractors during the life of the programme and after exiting.
- The contractors opinion on the performance of the programme.
- The programme management's opinion on the performance of the programme.
- Stakeholder views on the performance of the programme.
- The performance of the programme in achieving its goals and objectives.³¹

2.6 PREVIOUS REVIEW OF CONTRACTOR DEVELOPMENT PROGRAMMES IN SOUTH AFRICA

The March 2009 status quo report commissioned by the cidb on South Africa's Contractor Development Programmes found the following:

- Most programmes in South Africa have become job-creation initiatives with short term impact and have not had long-term sustainable development impacts on contracting enterprises.
- There are no uniformly accepted industry performance standards for contractors, (especially those informed by a sound construction market analysis).
- There was little alignment between institutional capacity and business processes and the objectives of contractor development.
- There was little preferential procurement in place to support contractor development,
- Most programmes did not have not comprehensive inclusion criteria and entry level requirements for contractors; ,
- Contractors shared little risk in the enterprise development process.
- The quality of mentoring and training provided to contractors within programmes was erratic,
- Most programmes did not place sufficient emphasis on supply side initiatives.
- There was little or no support to contractors after exiting the programme.³²

The above findings echo the findings espoused in the review of studies in the previous chapter, and highlight the universality of issues and approaches in contractor development.

³¹ Ofori, G. (1999) Construction Contractor Development: New Directions, in Proceedings of the Second Meeting of the CIB Task Group 29: Construction in Developing Countries, Kampala, Uganda June 25-26
³² cidb (2009) Status Quo Report on South African Contractor Development Programmes, Construction Industry Development Board, Pretoria

Looking at some of the Contractor Development Programmes in South Africa, (using a desktop review only) the following are some of the active programmes in the country. These will be confirmed through interactions with the stakeholders to confirm the status of each and any other existing programmes.

- i. Vukuzakhe Contractor Development Programme.
- ii. The SEDA Construction Incubator (SCI) Programme.
- iii. The Polokwane Local Municipality Contractor Development Programme.
- iv. The Mpumalanga Department of Public Works, Roads & Transport Programme (Sakh'abakhi Contractor Development Programme).
- v. Masakhe Contractor Development Programme (KwaZulu-Natal Department of Public Works);
- vi. The Free State Department of Public Works and Rural Development Programme.
- vii. The Free State Department of Police, Roads and Transport Contractor Development Programme.
- viii. The Western Cape Department of Transport and Public Works Siyanyuka Contractor Enhancement Programme
- ix. Expanded Public Works Programme (EPWP) Vuk'uphile Learnership Programme.
- x. Northern Cape Department of Roads and Public Works Contractor Development Programme.

2.7 IMPACT INDICATORS FOR CONTRACTOR DEVELOPMENT PROGRAMME

A good Contractor Development Programme should have most of the elements discussed in section 2.5 on the key success factors for Contractor Development Programmes. An assessment of such programmes should therefore incorporate aspects of these success factors. Specifically, it should look at and evaluate the following:

- i. The inclusion of clear goals, vision and objectives, and a clearly identified target group.
- ii. Defined and sufficient budgets for the operation of the programme.
- iii. An allocated, qualified and sufficient management team.
- iv. The inclusion of entry level, progression and exit criteria.
- v. The inclusion of needs assessment initiatives and the development of training and skills development programmes for individual contractors.
- vi. Other developmental initiatives that address contractors needs, such as finance, credit access, and networking initiatives.
- vii. A performance evaluation and monitoring process for:
 - for contractors, and
 - the programme itself.
- viii. Avenues for the contractors to express their expectations and problems and allowing open communication with the programmes (effective feedback mechanisms).

The interviews with programme personnel assessed the identified Contractor Development Programmes based on the above criteria (see section 3), as culled from the review of literature. Based on the reviews the study later extracts elements of good practice and proposes appropriate impact indicators.

3. BACKGROUND REVIEW AND DESKTOP ANALYSIS - PROVINCIAL CONTRACTOR DEVELOPMENT PROGRAMMES

This section reviews the various contractor development initiatives that are currently being implemented by the various public sector client bodies and updates the March 2009 *cidb* Status Quo Analysis with a more qualitative and in-depth analysis of each, and an extension to programmes in other parts of the country. The study selected only active and ongoing programmes for review, focusing on programmes in provincial departments and local government all over the country as a sample, and received responses from all contracted programmes (see the list in section 2.6 above).

It comments on the various legislative mandates, policy regimes governing the design and implementation of enterprise development programmes in the various provinces. The section also highlights a number of strategic and policy issues that will offer useful insights to the decision makers with regard to the planning and implementation of similar initiatives.

3.1 THE NATIONAL POLICY CONTEXT

Several key legislative imperatives underpin Contractor Development Programmes in South Africa. These stem mainly from the constitutional imperative set out in section 217 (1 to 3) of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996), which states that:

- i. When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods and services, it must do so in accordance with a system, which is fair, equitable, transparent, competitive and cost-effective.
- ii. Sub-section (1) does not prevent the organs of state or institutions referred to in that sub-section from implementing a procurement policy providing for
 - categories of preference in the allocation of contracts.
 - the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.
- iii. National legislation must prescribe a framework within which the policy referred to in sub-section (2) may be implemented.

These are the:

- National Small Business Act, No. 102 of 1996.
- Skills Development Act, No. 97 of 1998.
- Public Finance Management Act, No. 1 of 1999 as amended.
- Preferential Procurement Policy Framework Act, No. 5 of 2000.
- *cidb* Act, No. 38 of 2000, in particular Chapter 3 of the Act (38 of 2000).
- Black Economic Empowerment Policy and the Construction Sector Broad-Based Black Economic Empowerment Charter, 2003.

- Procurement Risk Management Policy, 2003.
- South Africa's Economic Strategy for Broad Based Black Economic Empowerment, March 2003.
- Breaking New Ground on Housing Delivery; A Comprehensive Plan for Creation of Sustainable Human Settlements, 2004.

All the above either give legislative backing to the concept of preferential procurement or set aside work for emerging contractors, or back the principle of supporting small and emerging businesses.

3.2 VUKUZAKHE CONTRACTOR DEVELOPMENT PROGRAMME

3.2.1 Programme objectives

The Vukuzakhe Contractor Development Programme is an initiative of the KwaZulu-Natal Department of Transport (KZNDOT) aimed at transforming the road infrastructure sector of the construction industry by developing a new pool of contracting capability. It aims to do this by encouraging and ensuring active involvement of targeted groups such as women, the youth, people living with disabilities and also co-operatives.

The policy aims to develop a pool of contractors from Historically Disadvantaged Individuals (HDIs) that is highly skilled to be able to compete in the open market for the 2010 infrastructure opportunities and beyond. The KZNDOT aims to create sustainable and self-sufficient contractors through a number of management interventions. The KZNDOT offers support benefits to Vukuzakhe Associations in order to ensure sustainability and effectiveness of organisational development.

3.2.2 Policy context

The Vukuzakhe Policy was first approved in 2000 and revised in 2002. The policy seeks to create a constructive platform for the effective transformation of the roads infrastructure sector of the construction industry by creating an enabling environment, looking at supply side interventions (availability of procurement opportunities) and also ensuring that there is technical, management and financial support for the contracting entities within the Vukuzakhe Programme.

In addition to the various legislative mandates, the Vukuzakhe Indaba, subsequent training sessions of the Executive Committee Members of the Vukuzakhe Associations, and the experiences emanating from the implementation of the African Renaissance Roads Upgrading Programme (ARRUP) and a number of developments in the construction industry have reiterated the need for the review of the Vukuzakhe Policy since 2002. The current policy was reviewed during March 2008 and implementation has not yet commenced, and the reasons for this delay are many and varied.

The introduction of the various aforementioned pieces of legislation and policies impacted on the Vukuzakhe Policy in a number of ways. The internal review of the Vukuzakhe Policy raised a number of operational

and strategic issues that needed to be dealt with as a matter of urgency. With the implementation of both the Vukuzakhe programme and the ARRUP, a number of development challenges have emerged.

3.2.3 Targeting strategy of the programme

The DoT position is that national legislation and in particular the Preferential Procurement Policy Framework Act does not adequately address the issues affecting the Province of KwaZulu-Natal and the road infrastructure construction sector.

The decision to target and prioritise Black People in the programme was informed by the fact that the KwaZulu-Natal Provincial Government is fully aware that to date the construction sector continues to reflect vast inequalities in ownership, with little transformation having taken place, especially in the higher graded contracting entities. Black participation is principally at the micro and small business level where there are also low levels of sustainability. As a result, there is little penetration of Black contracting entities in those sectors that are more capital and knowledge intensive. This situation is exacerbated by the absence of adequate financial and other support mechanisms for new black market entrants, making it almost impossible to break through or sustain themselves in the long run.

In line with the Medium-Term Expenditure Framework (MTEF), the KZNDOT decided to set three-yearly budgetary targets for the development/participation of vulnerable groups which are subject to reviews on an annual basis as part of its Annual Performance Plan.

3.2.4 Entry requirements for Vukuzakhe contractors

Applicants without *cidb* registration are assisted by the KZNDOT to register with the *cidb*, as this increases their chances of winning tenders and ultimately increase their growth potential. Contractors with a *cidb* grading designation 1 are able to participate in contracts with a maximum value of R200 000.

The entry criteria for all the contractors with a *cidb* grading designation 2 and above include, but are not limited to the following:

- a. The competency of the contractor in a particular *cidb* grading designation.
- b. *cidb* Registration (mandatory).
- c. Registration in the Vukuzakhe Database.
- d. Original Valid Tax Clearance Certificate.
- e. Provincial Treasury Supplier Database registration.
- f. 100% HDI owned companies.
- g. Registration for Value Added Tax (VAT) with the South African Revenue Service.
- h. Management actively involved in the operations of the contractor.
- i. Vukuzakhe contractors will only be allowed to enter the programme at Grades 1 to 3 and there will be no new registrations accepted for contractors who are already at grade 4 or above as they would be deemed to be sufficiently established in terms of the programmes goals and objectives.

3.2.5 Generic Vukuzakhe database rules for grading designations

Duplication of members across contracting entities

Where a member is duplicated across the contracting entities, the contracting entity that applies last will not be admitted to the programme.

Rebirth of contracting entities

The “rebirth” of companies (same members under a new contracting entity’s name) is not allowed. Entities that are found to be involved in this practice may be disqualified from participating in the developmental programme at the discretion of the KZNDOT.

Public Servants

No public servants are allowed to participate in the programme, even if they have approvals from their respective Accounting Officers, as this constitutes a conflict of interest. The KZNDOT is supposed to continuously audit the database for companies owned, whether partially or in full, by public servants and such companies are supposed to be removed from the database.

Split of the members of the contracting entities

In cases where the directors of the contracting entities split, the KZNDOT will decide depending on the merits of each case as to whether new companies in their names can be accepted. Records of old companies cannot be carried over to new companies and thus the new entity will have to re-register with the cidb.

Transfer of ownership of the Vukuzakhe contracting entity to new owners

In cases where the contracting entity is sold to new owners, the Department must be informed in writing within thirty days (30) of the transaction to enable the Department to verify the status and update the Vukuzakhe Database records accordingly. On the basis of the verification of the change of ownership to the new owners, the Department would reserve the right to de-register the entity from the Vukuzakhe database.

Discrepancy of data between the cidb database and Vukuzakhe database

The Vukuzakhe contractor has to take responsibility of ensuring that the information in the cidb Register of Contractors is consistent with the information that is contained in the Vukuzakhe database. This implies that the contractor has to continuously inform the cidb and Vukuzakhe offices of any changes to its status and any other pertinent information. Contractors with a grading designation of 2 to 6 will be required to update their specific information with the Department at least once a year.

3.2.6 Progression and Exit Criteria for Vukuzakhe contractors

The establishment of a growth path of contractors in the Vukuzakhe Contractors is achieved by linking the participation of a contractor in the Vukuzakhe Programme with the cidb's Register of Contractors and the Register of Projects.

The criteria for the progression of Vukuzakhe Contractors within the programme are based on the cidb upgrading criteria. This will minimise some fraud and corruption risks for the programme. Migration from one Grade to the next Grade shall be considered when:

- a. A contractor has successfully applied for grading with the cidb;
- b. Contractors may be exited from the Programme under the following circumstances:
 - i. Failure to secure tender opportunities for a period of two years;
 - ii. A written request from the contractor concerned to be removed from the programme;
 - iii. When contractor meets the competency criteria for a grade 7 and is deemed to be self sustainable in the open market.

3.2.7 Key Management interventions for the Vukuzakhe programme

Vukuzakhe Associations

The KZNDOT encourages contractors to join the Vukuzakhe associations with a view to creating a platform for constructive engagement and sharing of experiences between the contractors. It also encourages contractors to participate in the associations and to conduct their dealings with the Department through their associations, as the KZNDOT aims to use this as a consultative forum with the emerging contractors.

Review of standard tender documents and forms to comply with the cidb Prescripts

The KZNDOT has already realigned its tender documents and for all Vukuzakhe tenders issues standard pro-forma tender documents and forms that incorporate the Vukuzakhe Policy requirements. The Vukuzakhe pro-forma documents meet the requirements of the cidb Standard for uniformity in construction procurement documentation. The tender documents are to address specific requirements for Grade 1 quotation requirements and also for Grades 2 to 6 tender requirements.

Contractor support

In terms of the new policy, the technical support is supposed to be offered to contractors by the appointed service providers. The scope of work of Consulting Engineers will be drafted in such a manner that it incorporates the additional scope of supporting contractors in addition to the normal scope of work for Civil Engineering Consultants.

In terms of the revised Policy, the training of Vukuzakhe contractors is supposed to include mentorship, contract management, financial, business management and organisational development. It is envisaged that the training will be conducted in both classroom and on-the-job environment. Training of contractors is supposed to be provided by Accredited Training Providers.

The Department lobbies other funding organisations like Construction Education and Training Authority (CETA), the Provincial Treasury Small Medium and Micro Enterprise (SMME) Fund, and the Department of Labour amongst others to fund the training requirements of the Vukuzakhe contractors. The Department also makes allowance on its own budgets annually towards training and support of emerging contractors.

Projects

The maximum number of projects that a contractor can be awarded at any time is limited. Grade 1 contractors can only be awarded 1 project at a time. The contractor will have to produce a Certificate of Final Completion for any previous work prior to be considered for any new award of a quotation.

In the evaluation of Grade 2-6 contractors, their performance on the current projects must be investigated. Where a contractor is struggling with a current contract a risk assessment should inform the Department whether to award further work to that contractor or not.

Grade 2-6 contractors can be awarded 2 concurrent projects at a time provided the risk assessment as indicated above has been done. Should the contractor for any reason be recommended for an award of a contract in addition to 2 other concurrent contracts, a fully detailed motivation should be supplied in the Tender Evaluation Report for consideration by the Bid Award Committees (BAC). The number of projects discussed herein also includes awards made through joint ventures.

The project budget estimates are forwarded to the Bid Specification Committee (BSC) as part of the approval of the tender documents to be used for the project. The project budget estimate will be used to determine the grading designation as required for the tender advert data. The Regional Bid Award Committees (BACs) grant approval for advertising of Vukuzakhe tenders in the Tender Bulletin and other appropriate media. At the least quotations for Grade 1 must be posted on the notice boards of the various offices of the Vukuzakhe Associations, Cost Centre Offices and the District or Regional Offices of the Department.

Grade 1 Vukuzakhe Contractors are only allowed to quote for work within their respective RRTF areas of jurisdiction and they do not compete with the other grading designations, i.e. Grades 2 to 6 as this is a developmental programme. Grades 1CE to 3CE Vukuzakhe Contractors are only allowed to tender within their respective Grading Designations, even if they have the Potentially Emerging Status. Grade 2 to 6 contractors may tender in all RRTF areas, and the SCM unit of the Department issues directives for advertising of tender opportunities for Grades 2 to 6. Grades 4CE-6CE Vukuzakhe Contractors

are allowed to tender for work one level higher than their current grading designations, they are not constrained. Contractors in Grades 4-6 are not be allowed to tender for work below their grades.

All Vukuzakhe contractors with a Grading Designation of 2 to 6 are required to pay for their tender documents, and the costs of tender documents at the time of the preparation of this report were as follows:

Table 1: Summary of Costs for Tender Documents

Contractor Grading Designation	Charge for tender documents
Grade 1	No charge
Grade 2	R 50.00
Grade 3	R100.00
Grade 4	R150.00
Grade 5	R200.00
Grade 6	R200.00

A compulsory site inspection is held for each tender advertised, details of which are stipulated in the tender advert and the tender data. The details of each tenderer must be accurately recorded at the site clarification meeting.

Preferences are applied to all the Vukuzakhe Tenders and in cases where the targets for vulnerable groups are not met; the department may put in place other mechanisms to ensure that these are achieved.

Joint ventures are facilitated by the Department as one of the development vehicles to achieve the skills development programme and transformation objectives. The Department reserves the right to invite contractors at certain Grading designations and/or vulnerable groups to enter into joint ventures with either Vukuzakhe contractors or with other contractors in the open market. The joint venture split between the higher grade and lower grade contractor in partnership is envisaged to be 60/40 respectively and the Department is expected to monitor the compliance of their partnership to these benchmarks.

Turn-around time for payment of Vukuzakhe contractors

In terms of the policy, the Vukuzakhe contractors are supposed to be paid within fourteen (14) days of the submission of correctly completed invoices to the Department. However, the Department has introduced two payments per month, one on the 15th and another on the last working day of the month, depending on the day that the contractor would have submitted the invoice. This has proved to be very useful in improving their project cash-flows and minimising the need for credit facilities and financial support for Vukuzakhe contractors.

Since the Department carries a risk for the waived sureties, acceptable workmanship and timeous delivery of the project for Vukuzakhe Contracts, it becomes necessary that a proper financial and technical ability is assessed all the time prior to any award being made to a Vukuzakhe contractor.

Where a contractor wants to carry out more than two projects at a time, the Department does not waive sureties for additional projects. The Department also reserves the right to withdraw contract management support systems already offered on any other concurrent projects already awarded.

Vukuzakhe contractors are forced to focus on the scope of work at hand and be able to undergo the required training and mentorship that is offered to them by the Department instead of them wanting to handle as many projects as possible.

3.2.8 Registration with the cidb

All Vukuzakhe Contractors are required to be registered with the cidb Register of Contractors in the relevant grading designation and the appropriate class of works. Contractors who are not registered with the cidb are not to be considered in the award of quotations or tenders.

In terms of the migration from the old Vukuzakhe Stage processes, all the contractors were required to be registered with the cidb by the 28th of February 2008, or else they were to be deregistered and excluded from the Vukuzakhe Database and were required to re-apply for admission into the programme in terms of the new policy. Vukuzakhe Contractors who were on the Departmental Vukuzakhe database, and had complied with the requirements of the new Vukuzakhe policy, were supposed to be migrated to the new Departmental database in terms of the cidb registration and grading, as per Table 2 below.

Table 2: Migration of contractors from Vukuzakhe Development Stages to cidb Grading Designations

Contractor Grading Designation	*Maximum Contract Value considered capable of handling
1	R200,000
2	R650,000
3	R2,000,000
4	R4,000,000
5	R6, 500,000
6	R13,000,000

All the Vukuzakhe Projects with a monetary value of R200 000 and above were to be registered with the cidb's Register of Projects through the cidb website. The Department must ensure that a number of Head Office and Regional Officials are registered as users with the cidb. Attempts of checking as to whether this was the same in practice yielded no results at all.

3.2.9 Supply side interventions

On the basis of the contractor registration with the cidb, the Department was expected to update the Vukuzakhe Database to reflect the cidb Status and the capability of various contractors who are part of the programme. In this regard the Department had closed the database for a period of six months in order to allow for an audit and cleaning of the database. The database was indeed closed for that period but was prematurely re-opened due to political pressure and the results of the “audit” were either not available or the data could not be audited as required due to poor data management. Since the opening of the database in March 2010, a total of 515 contracting entities have submitted new applications for inclusion in the programme.

The review of the Vukuzakhe database revealed that a total of 30,650 contracting entities were registered in the Vukuzakhe database. Of the 30,650 contractors, a total of 3,180 contracting entities (10%) are registered with the cidb, with the bulk of entities in Grade 1 (at 2,808, or 9%) and the remaining 372 entities spread between Grades 2 (242), 3 (66), 4 (37), 5 (15) and 6 (12).

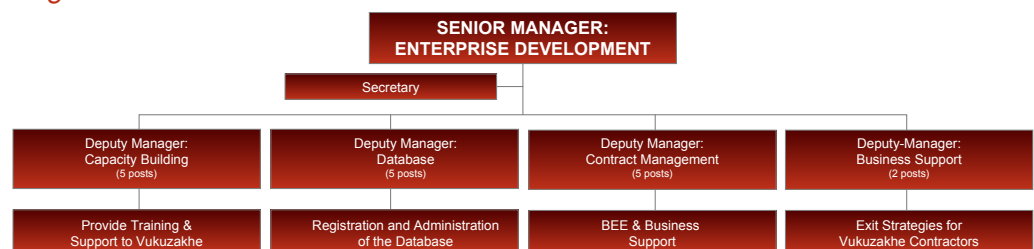
Further analysis revealed that the percentage of contracting entities that were owned, managed and controlled by Black people were in the majority, with more Civil Engineering entities concentrated in grades 1 and 2. The analysis of the provincial spread also reveals serious disparities with regard to Black-owned, managed and controlled contracting entities.

The 10 year review of the performance/implementation of the programme revealed that the programme had an average budget of R 287 million, while the number of active contractors was approximately 780. The bulk of the procurement opportunities were at the lowest grade, Grades 1, 2 and 3, and very few projects were at Grade 4. There were no contracts for Grades 5 and 6 until only in 2008/09 financial year. There is a clear indication that the number of procurement opportunities are less than the number of active contracting entities, thereby raising strategic issues regarding the sustainability of the programme.

3.2.10 Institutional and management support

The Programme is driven by the Directorate: Enterprise Development. The unit has a staff compliment of nineteen (19) people, and currently reports a vacancy of 9 critical posts bringing the total number of posts to 28 (See Fig. 2 below).

Figure 2: Organisational Structure of the Vukuzakhe Contractor Development Programme



Programme Management Capacity support

The Vukuzakhe Programme does not have dedicated programme management support from the private sector, instead, most of the work is coordinated at the Head Office level by the Directorate: Enterprise Development and assisted by the Departmental Project Managers from the various Regional Offices.

Strategic collaborative partnerships

In implementing the Vukuzakhe Programme, the Department has partnerships with relevant organisations such as the Construction Industry Development Board (cidb); the Construction Education and Training Authority (CETA), South Africa National Roads Agency Limited (SANRAL), South Africa Federation of Building and Civil Engineering Contractors (SAFCEC), municipalities, the EPWP Unit and the Department of Labour.

3.2.11 Monitoring and evaluation of the Vukuzakhe programme

The Vukuzakhe programme is expected to continuously develop and refine monitoring indicators that will be used to assess progress regarding the implementation of the programme. Some of the indicators that will be taken into consideration include:

- The ability to source work from the client bodies in general.
- Completion of projects within time, to the specified quality standards and within the cost parameters.
- Training and skills development issues.
- Compliance with the Health and Safety specifications.
- Compliance with the Environmental specifications.
- Best Practice issues; e.g. payment of sub-contractors; contract documentation between main contractor and sub-contractors; amongst others.

Evaluation comprises of the process of reviewing what has been done, and identifying weaknesses on the basis of which improvements can be made both to the way the Programme is implemented as well as individual projects. Evaluation provides a “feedback” loop to enable continuous improvements. To date the Vukuzakhe programme has never been subjected to an independent evaluation process. The only review was that of the policy governing implementation of the programme revised during the March 2008.

3.2.12 Funding model of the Vukuzakhe programme

Currently the programme is funded from the road construction and maintenance budget of the Department. A total of approximately R460.80 million of the Roads Infrastructure budget is allocated to Vukuzakhe projects. This also includes the plant hire 2800 contracts that are awarded by the Department on an annual basis. As of the 2008/09 financial year a total of R460.80 million was allocated to Vukuzakhe

contracts, which is equivalent to 10.43% of the Departmental appropriation (of R4, 418 bn) and approximately 12.7% of the Road Infrastructure budget (of R3, 626 bn).

There is no guarantee that this funding model will continue in the future, given the financial constraints that the Province in general and the Department in particular are subjected due to annual budget cuts. The uncertainty regarding the sustainability of the funding model could have serious implications for the future of the programme.

3.2.13 Objective opinion on the performance of the programme

The review of the primary data (through interviews) and the secondary data (published reports) reveal that the programme has clearly identified a target group for training and skills development. However, the programme continues to struggle in the following ways:

1. Lack of guaranteed work opportunities for development of contractors
Contractors who are in the programme are not guaranteed procurement opportunities. All the Vukuzakhe tenders are advertised by the Department in the media and the adverts clearly stipulate that the contractors who tender for such tender opportunities must be registered in the Vukuzakhe database. This approach of targeting specific contractors in the database is unconstitutional and goes against the spirit of the Preferential Procurement Policy Framework Act (No. 5 of 2000).
2. Question of "set-asides" and the constitutionality thereof
There is also a negative perception that the programme is a "set-aside" for the privileged contractors in the province, especially that there is no plan or will on the part of the Department to exit the participating contractors who have met their developmental targets (if any). Some of the contracting entities have been in the programme for almost ten years since the inception of the programme and have not considered exiting the programme to create space for other emerging contractors. This has potential to tarnish the image of the programme as a "set-aside" that does not meet two of the constitutional pillars of procurement, i.e. fairness and equity.
3. Poorly articulated enabling environment
The fact that contractors are in a development programme implies that they are supposed to be supported by a well articulated enabling environment. The review of the support mechanisms of the programme reveal that some of the key elements of an enabling environment are missing, namely: access to finance and credit facilities, poor training and skills development support, amongst others. In cases where the Department managed to arrange for access to plant and equipment, the very same ZN 2800 service providers end up taking over the work of the targeted Vukuzakhe contractors because of their plant and equipment rates, since these are the plant hire service providers.
4. Lack of political and administrative will to implement the revised Vukuzakhe Policy
There appears to be a lack of a political and administrative will regarding the implementation of

the revised Vukuzakhe Policy. This is mainly because despite the fact that the policy was approved in March 2008, very few of the key elements of the revised Policy have been implemented by the Department. Some of the elements have to do with the auditing of the database, the reduction of participating contractors in the programme and the exiting of qualifying contractors into the open market.

5. Sustainability of the Vukuzakhe database

The bulk of the 30,650 contractors who are registered in the database may be more accurately described as job seekers, and only 3,180 are registered with the cidb in the various grading designations. The bulk of the contractors (approximately 29,564) are labour-only contracting entities and as a result, most are not registered in terms of the exemption rules of the cidb. Out of the 3,180 contracting entities, the number of active Vukuzakhe contractors is on average 780. This is based on the number of active contractors over a period of ten years (from 1998/99 to 2008/09 financial years) (KZN DoT Annual Report, 2008/09, pg. 149). This compares unfavourably to the 3,180 contractors registered with the cidb.

This raises questions regarding the sustainability of the database and the Vukuzakhe programme, given the number of active contractors in relation to the available opportunities. This also raises questions regarding the design of the programme. The sustainability of the programme is increasingly being questioned, especially given the fact that the database is continuously growing, without an attempt of addressing the expectations of the contracting entities that are being registered and without a clear indication as to whether those contractors who had been in the programme will be exiting the programme or not. This has potential of frustrating a huge number of emerging contracting entities and the credibility of the programme could be severely undermined.

6. Unrealistic expectations for emerging contractors

The programme has raised unrealistic expectations for a number of entry level contracting entities because of the expectation that once they were in the database they had expectations of being able to access procurement opportunities from the Department with minimal effort.

7. Fronting problems

There have been numerous cases where women were found to be fronting for their partners or husbands as a result of the application of the procurement preferences. This has created a number of challenges for the Directorate: Enterprise Development.

8. Conclusion

Since the inception of the pilot phase of the programme in 1994, the programme has evolved into a flagship developmental initiative not only of the KZN DoT, but of KZN Province as well and is held up as an example of best practice in emerging enterprise development by both. The review above, however, shows that while there are many areas of success, a number of challenges still remain

and several management interventions need to be implemented to ensure that the programme is a success. The review of the Vukuzakhe Policy has provided the Department with the opportunity to introduce the new management interventions necessary to ensure successful achievement of the programme objectives.

3.3 THE SEDA CONSTRUCTION INCUBATOR (SCI) PROGRAMME

3.3.1 Background to the establishment of the SCI

The SEDA Construction Incubator was established in 2005 as a government funded contractor development incubator under the banner of ring fenced incubator programme called SEDA Technology Programme. The core business of SCI is to develop emerging contractors through the infusion of both technical and business administration skills allied with the introduction of technology in order to enhance the efficiency and efficient management of their businesses. The SCI was officially launched in March 2007 with its first intake of 7 incubatees and at the end of 2008/09 financial year, 63 construction companies were supported by the programme.

3.3.2 Mentorship and business incubation model

The vision of the SCI is to be the leader in the development of competitive construction SME's through the provision of innovative support interventions. It aims to achieve this by enhancing the capacity of construction SME's through structured infusion of business, technical and technology interventions which leads to sustainable businesses, significant job creation and as positive contribution to the South African economy.

The incubator provides support to selected participants for a period of three (3) years by which time each Emerging Contractor should have advanced by at least one financial level above their entry point on the cidb Register of Contractors and capable of operating with little or no support in the open market. The programme was developed around specific processes that can be found in any construction business:

- Tender Stage: aim to help contractors price tenders correctly with clear profit margins factoring in all expenses.
- Pre-Construction: assist the contractor in preparing for occupation of the site.
- Construction Management: ensure the proper and professional management and administration of projects.
- Site Supervision: help the interaction with the Site Foreman, consultants and all role players in the construction process, while allowing the contractor's management team a certain amount of independence and autonomy.

3.3.3 Programme objectives

The objectives of the SCI programme are to:

- Provide contractors with the required support to become successful and sustainable businesses able to compete in the market.
- Provide business technology incubation services for emerging contractors.
- Provide sufficient technical training, coaching and mentoring to enable participating contractors to successfully complete their projects - contractors are assessed in the skills to complete the projects that they have won through own endeavours.

Part of the objectives of the SCI are to bring a high level of professionalism and formality in the industry, and through attendance of formal courses at SCI contractors are trained in a range of skills in the fields of General Building, Electrical and Civil Engineering Construction, up to NQF Levels 4 and 5.

3.3.4 Contractor support

The core services SCI provides to contractors on the incubator programme are both administrative and technical in nature.

Administrative

- Infrastructure: this includes a boardroom for clients' use; training room and resource centre (equipped with computers and internet access); telephone, faxing and printing facilities; and optional office space at subsidised rental.
- Compliance - a Business Development Officer provides a communication path for the contractors to the centre management; maintains contractors' details on record; assists the contractors with their VAT & UIF records, Financial statements, cidb and other relevant registrations; and helps them develop and refine their current Business Plan.

Technical

- Tender phase support - this occurs by assisting the contractors with the identification of tender opportunities; skills and capacity audit/assessment of their organisations; assistance with pricing and estimating; assistance in compilation and submission of tender documentation; facilitation of performance guarantees; and help in statutory registration compliance, notably cidb; South Africa Revenue Service (SARS) for VAT, PAYE and UIF; and Department of Labour compliance.
- Construction phase support - takes the form of assistance in programming and resource scheduling; cash flow forecasting; working capital financing finalisation; supplier credit finalisation (plant and materials); health, safety and environmental compliance; labour and staff recruitment and legal compliance; site administration system development, including budget and cost reporting; quality control mechanisms; work measurements, payment certification and claims for variations and extras.

In 2009 the SCI was accredited by the CETA for the following courses relating to General Building and Civil Engineering:

- NQF 2 - SAQA 49410 - National Certificate: Construction.
- NQF 2 - SAQA 20813 - National Certificate: Construction Contracting.

The SCI provides training and accreditation to incubates in the above courses.

3.3.5 Targeting strategy of the programme

The SCI targets existing contractors with a *cidb* grading of 3 to 5 who have a legal registered business entity, Business Plan and meet certain entry requirements as listed below. While it allows for Grades 1 and 2 contractors (as selected by the funding client in Dundee) the current profile of contractors supported by the SCI are predominantly Grades 3 to 6.

3.3.6 Entry requirements into the programme

All the contractors that are part of the programme have to be registered with the *cidb*.

Interested contractors are invited to submit an application form with the required key documents, including the following:

- Copy of Income Tax Registration.
- Tax Clearance Certificate.
- Copy of company registration documents.
- Copy of Identity Document of all shareholders.
- A business plan that clearly demonstrates your company's future plans.
- A Curriculum Vitae of all the owners and senior management.
- Latest signed annual financial statements.
- Latest management accounts.
- Letter of motivation as to why the applicant wishes to join the SEDA Construction Incubator and how this will benefit the applicant's company.

3.3.7 Progression and exit criteria

The SCI has already developed a 240 point evaluation system that is used to evaluate the performance of contractors. The performance evaluation system is closely linked to the training modules in order to ensure that whatever is taught in class is directly linked to the actual scope of work on site. This is a very useful system that helps contractors to understand the relevance of what they learn in class to the real practical world of work on site.

The upward progress of the contractor along the *cidb* Grades and an evaluation from the CETA form the major indicator of the performance of the incubator as well as that of the individual contractor (it should be noted, however, that improvement in the *cidb* grading status of a contractor is not an ideal indicator of

contractor development, as it does not directly measure the improvement in the contractor's ability to carry out works). Should a particular contractor not wish to advance more than one cidb financial grading, an alternative primary indicator will be agreed, possibly gross income/turnover if multiple smaller projects are deemed to be the preference of the particular contractor.

3.3.8 Key interventions

The SCI programme does not intervene in the procurement processes of clients; instead it works closely with the various client bodies as a mentorship support organisation based on the procurement models adopted by the client body.

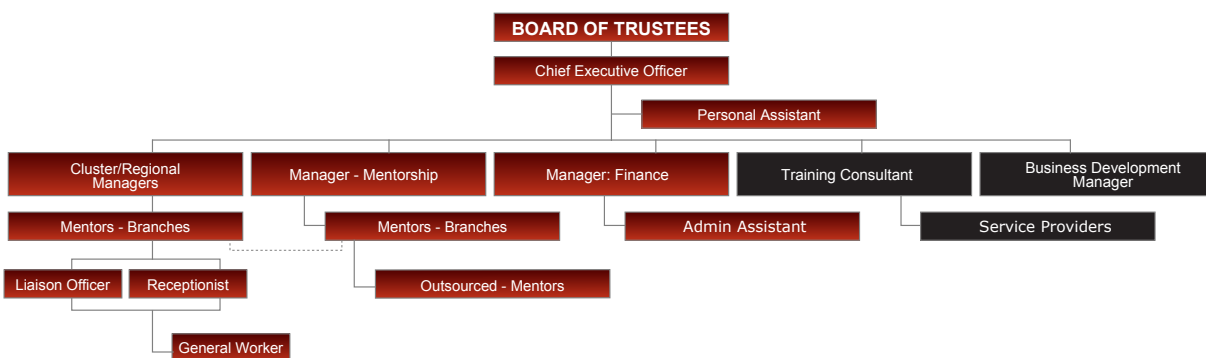
Supply side interventions include:

- i. Mentorship - the SCI offers mentorship services to willing contractors and client bodies, based on the agreed cost recovery models for such support.
- ii. Training and skills development - training and skills development is offered to all the participating contractors based on the skills audits conducted by the SCI.
- iii. Access to finance and credit facilities - the issue of finance and credit facilities is facilitated by the SCI with the various financial institutions that have strategic partnerships with the SCI. The SCI does not guarantee any funding to the contractors, instead, it encourages the contractors to go out and interact with the various financial institutions and be able to present their case and source funding and credit facilities as appropriate.

3.3.9 Institutional model and management support

The SEDA Construction Incubator is an established trust with its own appointed Board of Trustees. The SCI is managed by a Chief Executive Officer (CEO) accountable to the Board of Trustees. The Incubator is currently staffed with nine full time employees (Fig. 3).

Figure 3: Organisational structure of the SEDA Construction Incubator Programme



The CEO is assisted by a management team in three departments: finance, business development and mentors. Mentors are responsible for ensuring that clients are well resourced in terms of the support they require for each project, by means of active mentorship and appropriate exposure to suitable technologies.

To date the SCI has established relationships with the following organisations:

- cidb.
- Ethekewini Metropolitan Municipality.
- Eastern Cape Development Corporation (ECDC).
- South Africa Women in Construction (SAWIC), KZN & Eastern Cape.
- Public Works (KZN & Eastern Cape).
- Group Five.
- Richards Bay Minerals.
- Umzinyathi District Municipality.
- Nelson Mandela Bay Municipality.

3.3.10 Monitoring and evaluation

The SCI had developed its own internal monitoring and performance assessment tool for all the contractors who participate in the incubation programme.

SCI reports to Department of Trade and Industry (DTI) through the SEDA Technology Programme on its performance using the following development indicators as evaluation measures:

- i. Creation of sustainable jobs.
- ii. Creation of sustainable businesses.
- iii. Impact on the reduction of client risk.
- iv. Development and transfer of skills.
- v. Impact on the reduction of poverty in areas contractors in the incubation centre operate.
- vi. Delivery of quality infrastructure.
- vii. Growth in Black owned businesses.

3.3.11 Funding model of the programme

The SCI Programme is currently fully funded by the DTI, through the SEDA Technology Programme (STP), though it is envisaged that in the future the contractors might be required to contribute to the costs of the incubator during their 3-year tenure.

3.3.12 Objective opinion regarding the performance of the programme

The SCI Programme exhibits most of the elements of good practice elements of best practice with regard to construction contractor incubation and would serve as a good development model for a number of reasons:

i. Objective entry requirements

The fact that contractors have to take the initiative and decide if they need the support service from the SCI is good for the long-term success of the programme. In this way there are no unrealistic expectations on the part of the contractors because the SCI will only deal with contractors who are in the construction business and are only looking at getting support to enable them to develop into fully fledged construction contracting entities that will be able to compete with the best in the open market when they exit the programme. The contractor who apply to be part of the SCI are not those who have expectations for work from the SCI, but those who are determined to look for work on their own. This makes it easy for the SCI because they do not have to manage unrealistic expectations and do not have to render a basic coaching service.

ii. Objectivity and independence of the service

The focus of the SCI is clear and simple: mentoring and coaching construction businesses to enable them to grow and improve their grading designations within a period of three years. The contractor must solicit their own work and the SCI will focus on what it does best. From a risk management point of view, the SCI minimises the risk for the clients during project implementation and ensures that there is adequate support for what the contractor has to do.

iii. Funding model for the mentorship support

The SCI model presents an interesting or unique funding model for the public sector client bodies in the sense that the funding for mentorship costs of the programme could either be fully funded by the DTI as a grant to the SCI through the STP or be partly funded by the implementing client body. Of interest is that the public sector client bodies could establish a relationship between themselves and the SCI, with a view to accessing funding for mentorship support for their contractor development initiatives.

3.4 THE POLOKWANE LOCAL MUNICIPALITY CONTRACTOR DEVELOPMENT PROGRAMME

3.4.1 Programme objectives

The Polokwane Local Municipality's Contractor Development Programme is based on the Vuk'uphile contractor development model, which is an EPWP initiative. In terms of this Vuk'uphile model a construction firm puts forward a manager and two supervisors to undergo a labour-intensive training programme. The learners are subjected to a two-year learnership programme, with classroom and site or practical work opportunities. The objective of the programme was to initiate a learnership involving the development of six contractors and 12 learner supervisors, over a period of two years. The programme intends to develop emerging contractors into fully-fledged contractors able to execute labour-intensive projects. The emphasis of the programme is to develop entrepreneur, business and technical skills.

3.4.2 Policy context

The Contractor Development Programme was established after the Polokwane Municipality approached the Limpopo Department of Public Works for guidance and direction with regard to the implementation of the Expanded Public Works Programme. The department advised the Municipality to initiate a learnership programme involving the implementation of a Contractor Development Programme, as at the time there was no formal policy of the Municipality regarding the development of contractors in terms of the Contractor Development Programme.

3.4.3 Targeting strategy

The programme targets contractors operating in the Polokwane Municipal jurisdiction.

Applying contractors are required to apply as a team of three persons, a manager - for NQF Level 2 manager learnership - and two site supervisors, for NQF level 4 Site Supervisor learnership.

3.4.4 Entry requirements

The Municipality places advertisements with the print media, inviting potential participants to enrol for the programme. The entry requirements into the programme are:

Managers

With the following attributes:

- i. Able to perform and understand basic mathematics and to communicate in written and verbal English.
- ii. Have academic qualifications of Grade 10 (Standard 8) or higher (applicants with qualifications below Grade 10 are required to obtain Recognition of Prior Learning before the closing dates).

- iii. Willing to enter into a full-time up to two-year learnership contract for Construction Contractor NQF Level 2.
- iv. Must have at least 51% ownership of the company and be the managing member or managing director.

Site Supervisors

The two persons applying as site supervisors were required to meet the following requirements:

- i. Be able to perform and understand basic mathematics and to communicate in English orally and in writing.
- ii. Have academic qualifications of Matric (Grade 12) or Higher (applicants with qualifications below Matric should obtain the Recognition of Prior Learning and submit before the closing dates).
- iii. Be willing to enter into a full-time (up to two years) learnership contract for Construction Site Supervisor at NQF Level 4.
- iv. Be employed by the contractor for at least the learnership agreement.

Affirmative action criteria also apply in the selection of applicants; at least 85% of the selected learners should be historically disadvantaged individuals; at least 50% of the selected learners should be women and/or disabled; and at least 50% of the learners should be younger than 35 years.

The learnership programme targets people within the affirmative action framework described above who have the best chances of succeeding as a small contractor. The following characteristics of applicants count in their favour in the following selection process:

- Experience in the construction or contracting sector.
- Experience in owning or managing a business.
- Higher qualifications than the minimum specified.
- Access or ownership of capital or assets that would be useful for the contracting company.

Application forms are issued at compulsory briefing sessions and applicants required to complete these fully. All the short-listed applicants write an assessment test, and the test results scores are combined with scores on three other aspects: experience, affirmative action and qualifications. The four categories are weighted as follows:

- Test Results: 60%.
- Affirmative Action: 20%.
- Experience: 10%.
- Qualifications: 10%.

As a general guide, in 2005 out of a total of 300 applications issued to potential applicants at the compulsory briefing sessions 116 were submitted back to the Municipality for consideration, 42 were responsive, and on the basis of the interviews and final screening six learner contractors and 12 site supervisors were selected (5% of the applicants).

Registration with the cidb is not mandatory to be accepted on the programme.

3.4.5 Progression and exit criteria

The contractor development process involves three months of classroom training, followed by nine months of trial or practical contracts. Contracts are allocated to all the learner contractors to total value of R 1.0 million. On the basis of their performance, the learner contractors are assessed, prior to the allocation of the subsequent projects. From the discussion with the Programme Implementation Team member, there was no evidence of any evaluation system of learners as they progress through the programme.

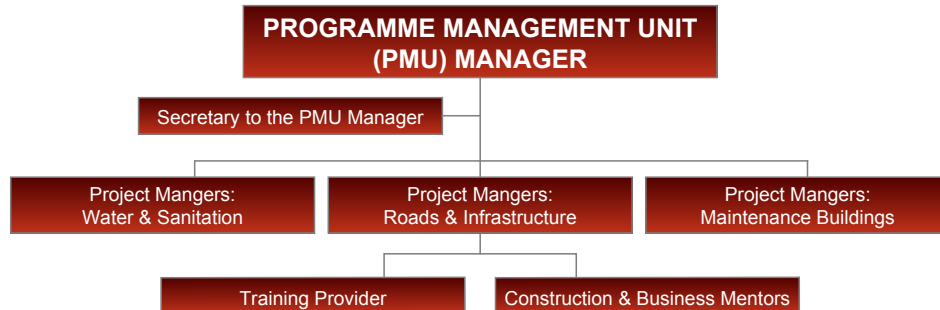
3.4.6 Key interventions

- i. Tender Documentation - The Municipality uses standard tender documentation for the programme and the documents are not simplified for the learner contractors.
- ii. Payment cycles - Payments for learner contractors are prioritised, with a view to improving their cash flow and also ensuring that they were able to complete their projects in time. It is claimed that payments for learners are processed within two weeks of the submission of correctly completed invoices.
- iii. Allocation of Procurement opportunities - There are typically delays regarding the allocation of projects for the learners even though, the Municipality allocates procurement opportunities for the learner contractors. The value of first contract for learner contractors is approximately R 3.0 million, split between the six learner contractors. The value of the subsequent allocated projects is higher, up to R 6.0 million.
- iv. Payment of Stipends for learners - During training the learners are offered stipends of R 1000 per learner per month.
- v. Mentorship support - The NDPW has appointed a private sector service provider to render a construction management and mentorship support service, though the last service provider's contract was terminated due to poor performance of the mentors.
- vi. Technical Support from the Limpopo Department of Public Works - The Limpopo Department of Public Works has a strategic relationship with the International Labour Organisation (ILO) and through this relationship they managed to secure technical support funding for the Polokwane Municipality Contractor Development Programme.
- vii. Access to finance and credit facilities - The access to finance and credit facilities is facilitated by ABSA, as the bank that has been appointed to provide finance and credit facilities for the EPWP programme.

3.4.7 Institutional model and management support

The implementation of the programme is driven by the Programme Management Unit (PMU) of the Municipality, though the planning and preparation for the implementation of the programme was initially done by the Supply Chain Management Unit of the Municipality.

Figure 4: Organisational Structure of the Programme



The respective Project Managers in the PMU were allocated the responsibility of managing the implementation of the projects within the programme. One of the challenges to date has been the implementation cycle of the programme being unclear and the roles and responsibilities not being clearly defined, thereby creating tensions between the various role-players. It is recommended that in future the implementation process must be clearly defined and a one-day induction workshop must be conducted with the various key stakeholders in order to minimise any challenges.

3.4.8 Monitoring and evaluation

The review of the Programme Management documentation revealed that there is no clear monitoring and reporting system to monitor the performance of learner contractors.

3.4.9 Funding model of the programme

The programme is funded from the Municipal CAPEX allocation, primarily the Municipal Infrastructure Grant. There is always a challenge with the funding model in the sense that the Municipality could not guarantee the PMU of the continuity of the programme due to budget cuts. This problem impacted negatively on the timing of the implementation of the programme in the sense that learners had to continue with an extended classroom training programme because there were no funds available to implement the projects. In future the Municipality must identify and allocate projects in time to allow the learners to participate in the programme in accordance with the implementation timelines.

3.4.10 Objective opinion regarding the performance of the programme

From the feedback received by the management of the programme, it is clear that contractors are able to prepare business plans, confidently price their tender documents, measure the work done and also prepare their implementation programmes. One of the factors contributing to the success of the Polokwane Contractor Development Programme was the number of learner contractors and site supervisors that were enrolled in the programme. The Municipality took a conscious decision of enrolling a certain number of learners, based on the budget that was available for Capital Works.

Several negative issues have been raised regarding the programme. These are:

- i. The lack of clarity regarding the roles and responsibilities of all the stakeholders caused concern for the programme. In future, the Municipality has to ensure that the roles and responsibilities are clearly outlined before the commencement of the implementation of the programme.
- ii. Issues have also arisen with regard to the training of learners. By municipal officers' accounts, the training took too long to start, partly due to the lack of projects for practical training purposes, forcing the Municipality to keep the learner in class instead of proceeding to the next stage of its development. This led to some learners exiting the programme before the end of the two-year participation period, thereby impacting on the training programme and the implementation logistics. Another reason for the delay in training was the late appointment of training providers (this was not done prior to the recruitment process of learners, and in future, it will be advisable that the appointment of training providers be done in parallel with the recruitment process).
- iii. Another concern noted is the gap between the formal training and the practical training on sites, and it has been suggested that it would be a good idea if the technical trainers were also appointed to act as technical mentors on the projects in order to minimise the gap.
- iv. There is also concern raised that the learners were not necessarily trained in all the unit standards in terms of the NQF Levels 2 and 4 and this has the potential of impacting on the quality of the qualification of the programme.
- v. Frequent changes in mentorship teams have impacted negatively on the development of learner contractors. The lack of consistency regarding the mentorship was in some cases due to poor performance of the professional consultants and in other cases due to contracts of mentors ending before project completion.
- vi. Despite the fact that the learner site supervisors had signed contracts of being in the programme for a period of two years, some learner site supervisors resigned from the programme. The premature departure of some of the learner site supervisors was due to the fact that at some stage there were no projects and the learners had very little or no procurement opportunities to keep them busy and in some cases there were problems of conflicts with contractors.
- vii. The plant and machinery were frequently breaking on site, thereby impacting on the progress that was expected from the learner contractors.
- viii. The delay in the registration of the borrow pits by the Department of Minerals and Energy delayed the commencement of the project. In future there is a need for forward planning regarding the identification and approval processes of the borrow pits in order to minimise any potential delays.
- ix. There were cases of theft of fuel and lubricants from the various sites where the learners were doing their practical work. These kinds of incidents partly confirmed the lack of a risk management plan for the programme and the lack of responsibility regarding the resources that the learners were using in carrying out their work.

Despite the above challenges, the programme is a good example of what could be achieved if the Municipality had the financial means to implement a programme of this nature. The main challenge is the lack of medium to long-term commitment on the part of the Municipality with regard to the implementation and subsequently the funding of the programme. This lack of commitment reflects the short-term approach taken by the Municipality with regard to the programme. It has also become clear that the Municipality does not have any long-term funding commitments for the programme, implying that there will be no new intake of learners once the current learners exit from the programme.

3.5 THE MPUMALANGA DEPARTMENT OF PUBLIC WORKS, ROADS & TRANSPORT PROGRAMME (SAKH'ABAKHI CONTRACTOR DEVELOPMENT PROGRAMME)

The Sakh'abakhi Contractor Development Programme was initially approved by the Mpumalanga Provincial Executive Council in 2006 as an initiative of the Mpumalanga Department of Public Works, Roads and Transport (MDPWR&T). It seeks to create a platform for the effective transformation of the building subsector by providing an enabling environment through supply side interventions (availability of procurement opportunities) and also technical, management and financial support for the contractors within the programme.

3.5.1 Programme objectives

The overall objective of the Sakh'abakhi CDP is to develop, through a number of management interventions and facilitating access to finance, a new pool of contracting capability by ensuring active involvement of various targeted groups such as women, the youth, people living with disabilities and also other vulnerable groups. The pool of contractors should be able to compete in the open market for the various infrastructure opportunities both within and outside of the province.

A further objective of the programme is to make training opportunities available to small and emerging contractors, and increase the active participation of Historically Disadvantaged Individuals in the province.

3.5.2 Policy context

The Department does not have a policy document in place for the implementation of this programme, instead, a formal submission was approved by the provincial EXCO, which led to the development of the management plan used to guide the implementation of the programme. The rationale was the position of the implementing organisation that the Preferential Procurement Policy Framework Act does not adequately address the issues of preferences affecting Mpumalanga in general and the building sector in particular. This was mainly because the bulk of Black building contracting entities were languishing in the lower grading designations of the cidb. The pressure for government to improve the grading designations of these contractors was also very high, thereby requiring the Department to intervene through procurement.

It was also noted that transformation of the construction industry could not be relied upon on its own as a basis for transforming the construction landscape in the province and hence the need for a direct targeting strategy aimed at ensuring that the small and emerging building contracting entities were assisted to access procurement opportunities and an enabling environment created to ensure that they were able to develop, grow and exit to compete with the best in the open market.

3.5.3 Targeting strategy of the programme

The programme targets emerging contractors from the communities that have been most disadvantaged historically by the legacy of apartheid and concentrates on contracting entities operating within Mpumalanga province.

Initially there were no specific targets that were set for the programme with regard to any demographic targets, except that the number of participating contractors had to take into account the gender and age considerations. Recently the Department has taken a decision to ensure that certain demographic targets were achieved with regard to the selection of contractors, namely:

- Women = 55%.
- Youth = 40%.
- People with Disabilities = 3%.
- Other vulnerable groups.

3.5.4 Entry requirements into the programme

All the learner contractors are selected by the Department, based on an open and transparent process, and allocated to the various clusters based on their geographic locations.

One of the strategic decisions taken by the Department from the inception of the programme was the number of learner contractors that had to be absorbed by the programme. The decision on the absorptive capacity of the programme was based on the fact that only a certain number of learners could be accommodated if the programme was to have the intended impact. The Department was also fully aware of the fact that it was dependent on the Mpumalanga Department of Education for the availability of projects, and hence could not have unrealistic numbers when it came to the number of contractors participating in the programme. Having decided on the absorptive capacity of the programme, the Department then looked at the issue of entry requirements for learner contractors. These were set as:

- Registration with the cidb's Register of Contractors (Grades 1 to 4),
- Original and valid Tax Clearance Certificate.
- Registration on the Department of Public Works, Roads & Transport's supplier database.
- 100% Black owned contracting entities.
- Registration for Value Added Tax (VAT) with SARS.

Other entry requirements into the Sakh'abakhi programme include:

- i. Active involvement in the contracting entity - The member or director of the selected contracting firm must be actively involved in the management of the contracting entity during the participation in the Sakh'abakhi programme. No moonlighting was allowed for all the Sakh'abakhi contractors because they have to attend the classroom training sessions for a stipulated period prior to the implementation of any practical projects. Non-attendance to training session constitutes a dismissible offence for a participating Sakh'abakhi contractor.
- ii. Public Service Officials and duplicate members - No public sector or public entities employees will be considered since the programme is targeting people who are participating in the construction industry on a full-time basis only. This requirement applies even in cases where the officials in question have the written approval of their Accounting Officers or Authorities. In addition, where the contracting entities have duplicate members, the contracting entity in question that applies last for registration with the programme database will not be admitted into the programme.
- iii. Disqualification of a contractor by the cidb, SARS or CIPRO - in the event that a contractor is disqualified by the cidb, SARS or CIPRO for whatever misconduct committed, the Department will, upon verification of the disqualification automatically discharge the contractor from the programme with immediate effect.

3.5.5 Progression and exit criteria from the programme

A Sakh'abakhi contractor is only allowed to work on a maximum of one project within the programme at any point in time. This allows the contractor to focus on the scope of work at hand and to be able to undergo the required training and mentorship that is offered to participating learning contractors.

In cases where the contractor has been awarded a Sakh'abakhi contract, he/she may not submit tender offers either individually or through the joint ventures before practical completion of existing projects, and may not submit tender offers through joint ventures within the programme, unless requested by the Department as part of the nominated approach or the pre-qualified method of procurement by the Department.

In order to assist exiting contractors with regard to access to procurement opportunities, the Department facilitates the absorption of exiting contractors in the form of joint ventures, subcontracting and also other options. The subcontracting opportunities could be through major Capital Works or infrastructure projects that are directly implemented by the Department or those that are indirectly implemented by the Department through other infrastructure delivery agencies such as the Independent Development Trust (IDT).

In this case, the Department sets targets with regard to the value of work (e.g. 40% of contract amount) to be sub-contracted to exiting Sakh'abakhi contractors, based on their performance within the programme.

Other considerations for exiting contractors include:

- Performance assessments to be performed once in every six months.
- Completion of theoretical training obligations.
- Completion of practical training obligations (successful completion of projects allocated to the contractors) for the period under review.

All the learner contractors participating in the programme are registered in the cidb register from Grades 1 to 4. Some of the contractors who entered the programme at lower grades have since upgraded and are in higher Grades 3 to 5. The upgrading was not necessarily attributed to the Sakh'abakhi programme, but to the performance of the learner contractors and their ability to source work outside of the programme.

To date two performance assessment sessions have been conducted by the Programme Management Team and the Mpumalanga Department of Public Works, Roads and Transport. The sessions were also attended by the National Department of Public Works and the appointed training providers. The results of the performance assessments were used as a basis for the allocation of their second projects to enable them to complete their practical training obligations.

3.5.6 Performance-based incentives for contractors and consultants

The contractors and consultants who performed very well in the first three years of implementation of the programme did not receive any form of acknowledgement for their efforts, other than being paid for their services. In addition, all the contractors were allocated projects without necessarily linking the allocation of new projects to their performance. The implication has been that a number of poor performers were allocated their second projects with little or no regard of their past performance on their first projects. This practice did not motivate the contractors to work hard enough and it actually encouraged contractors to be in the programme because of the guaranteed allocation of projects irrespective of their performance.

The revised Sakh'abakhi Management Plan (April 2009) requires the Department to consider the introduction of performance-based incentives for contractors, whereby the learner contractors will be allocated the first projects through assisted tendering and the subsequent projects will only be awarded to them through an open and competitive tender process within the programme.

Previously, the various role players, i.e. consultants, mentors and clusters were usually, but not always, acknowledged for their performance on Sakh'abakhi projects. In order to ensure that they all perform beyond their expectations, the Department is considering initiating a best practice performance assessment scheme for consultants, mentors and contractors.

It is envisaged that this will also involve introducing, in addition to the contractor category, three distinct categories in the provincial Kamoso Awards initiative to encourage best practice within the professional fraternity as well, namely:

- Best Performing Cluster.
- Best Performing Mentor.
- Best Performing Consultants.

3.5.7 Procurement procedures for the programme

The procurement regime for the Sakh'abakhi Programme is not clearly articulated and this creates a policy vacuum for the programme. There is a need to develop a procurement plan for the programme so that the Department will enable risk, responsibilities and obligations to be clearly identified and to promote cost efficiencies through the adoption of a competitive procurement model within the programme. The reason for this is because the allocation of projects to participating contractors is not based on any competitive process, but rather on the negotiation between the Cluster Manager and the learner contractors and also informed by the consultants' estimates. This tends to reduce the potential learning areas for the contractors, especially when it comes to the pricing of tender documents and the competitiveness of learners in the programme.

Despite the fact that there was a Management Plan in place for the programme, there were serious gaps regarding the implementation details of the programme. These gaps could be addressed through implementation procedures that could guide the procurement of the projects within the programme. Some of the issues that must be addressed through such procedures include the following:

- Addressing the issue of advertising of tenders (especially the second allocations for participating contractors).
- Payment for tender documents.
- Tender clarification meetings.
- Consideration on the use of the potentially emerging status for Sakh'abakhi contractors, especially the exiting contractors be allowed to tender for work outside of the programme while still in the programme to assess their ability to cope when they are out of the programme.
- Application of preferences and the targeted approach for Sakh'abakhi Programme.
- Joint ventures for Sakh'abakhi tenders (especially certain projects in excess of certain stipulated monetary values).
- Turn-around time for payment of Sakh'abakhi contractors.

3.5.8 Key interventions

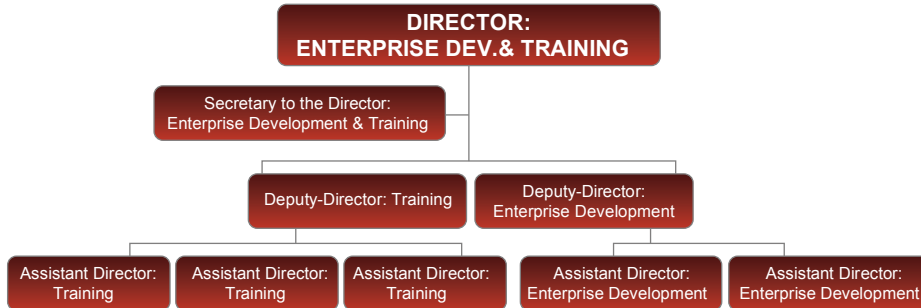
A number of support systems have been introduced to assist contractors to implement projects successfully, although there are challenges associated with these. The main interventions are:

- Tender documents for the programme - Contractors on the programme use the normal tender documents used by the department, though it has been noted that there was a need for simplified tender documentation for learner contractors to meet the standards of the learner contractors. Compliance to the conditions in the JBCC 2000 standard Form of Contract has been poor and a number of clauses that are in contract are seldom exercised for fear that most contractors would not make it through in terms of penalties and other punitive measures. This 'sympathy' for contractors reduces their learning potential and the experience and exposure that being part of the Sakh'abakhi Programme provides. The programme will have to develop a simplified manual for learner contractors so that they will be able to fully understand their obligations with regard to the Form of Contract that is chosen by the Department. In addition, there must be an orientation session for learner contractors on the JBCC Form of Contract before they are allocated any projects for practical training obligations.
- Access to finance and credit facilities - The Department has interacted with a number of financial institutions in the province including ABSA, Standard Bank, First National Bank (FNB), and other special purpose vehicles such as Tusk and MEGA (Mpumalanga Economic Growth Agency) to facilitate access to bridging finance and credit facilities for contractors. Despite these efforts, it has been very difficult for the majority of contractors to access funding from the various formal financial institutions. In cases where contractors accessed the funding from the private funding institutions, the cost of such finance was prohibitive.
- Training and skills development - both theoretical and practical training is provided on the programme on a block release format (for every four weeks of practical training, they have a period of one week full-time to classroom training). The training of learner contractors focuses on the business management skills of contractors in accordance with the Unit Standards of the NQF level 2 (Construction Contractor Qualification). Accredited training providers are appointed to render training to the learner contractors.

3.5.9 Institutional arrangements and programme management model

The Directorate responsible for the implementation of the Sakh'abakhi Contractor Development Programme has a staff complement of nine (Fig. 5). The unit has two sub-directorates, one for training and the other for enterprise development. The deputy director: training is responsible for providing strategic direction to the implementation of the programme, while the deputy director: enterprise development is responsible for day-to-day running of the programme, and also supervising the programme managers and the various clusters.

Figure 5: Organisational structure of the Directorate



The Director: Enterprise Development is also the Departmental Project Leader and apart from overseeing the day-to-day operations of the programme has the following responsibilities:

- Identifying projects for inclusion in the programme in consultation with the various provincial departments.
- To co-ordinate the identification of appropriate projects for inclusion in the programme.
- Overseeing the appointment of all the required consultants - e.g. Programme Managers; Architects, Electrical Engineers and Quantity Surveyors - and coordination of the work of the consultants.
- Enforcing the use of the reformatted procurement documentation in accordance with the cidb Standard for Uniformity.
- Facilitating the active involvement of the departmental Professional Services Personnel on the implementation of projects and the programme, so that they understand specific procedures regarding contractual issues and can expedite processes such as payment and claims.

In addition to the Directorate: Enterprise Development, a Programme Management Team was appointed by the Department to assist with the management of the programme. The programme management structure is summarised in Fig. 6 below.

Figure 6: Sakh'abakhi Programme Management Structure



Programme Managers are responsible for the management of the programme and report to the Deputy-Manager: Enterprise Development on a weekly and monthly basis. Cluster Managers are in effect the Principal Agents responsible for a cluster of an average of ten (10) projects. They are also responsible for the appointment of the Mentors, who report to them on a daily basis, and coordinate the work of the other technical and professional consultants in their respective clusters. Professionals are appointed directly by the department and accountable to the department, even though their coordination is through the Cluster Managers. Mentors provide full time mentorship and coaching to all the participating contractors and are appointed and supervised directly by the Cluster Managers.

3.5.10 Monitoring, reporting and evaluation of the programme

The monitoring indicators have been developed to guide the performance review processes of the learners. Some of the indicators that are being used in the programme include:

- i. Performance of the Contractor
 - Completion of projects within time, to the specified quality standards and cost parameters.
 - Training and skills development issues.
 - Health and Safety issues.
 - Environmental Issues.
 - Best Practice issues; e.g. payment of sub-contractors; contract documentation between main contractor and sub-contractors; etc.
- ii. Turnover over a period of 12 months
 - Value of the biggest project completed.
 - Number of projects completed during the 12 months period.
- iii. Ability of the contractor to source work elsewhere
 - As contractors should be encouraged to seek work elsewhere in addition to opportunities in the programme, it is envisaged that as part of milestone evaluation cognisance of the outcomes of their involvement in opportunities elsewhere will present a more realistic picture of the current status and the ability of contractors to look to procurement opportunities outside of the closed environment.

The frequency of reporting on the programme was monthly, although to date there has not been any external and independent evaluation of the programme. The evaluation of the programme was conducted internally by the Programme Management Team with a view to reviewing the Management Plan of the Programme. The internal evaluation provided an opportunity for those involved in the Programme to pause and take stock by evaluating the work and formulate improvements. This report was not available for review.

3.5.11 Funding model of the programme

The funding model of the programme is based on the allocation of projects from the Mpumalanga Department of Education. This model has a number of limitations. One of the limitations is that the Department of Education might not have adequate funding for its Capital Works programme and that implies that the Sakh'abakhi programme might end up not being implemented due to lack of projects. For the first intake, the Department of Public Works, Roads and Transport had a budget of R55 million (2006/07), followed by another allocation of R110 million (2007/08) and lastly R54 million (2010/11). There was no funding for the programme from the Mpumalanga Department of Education for two consecutive financial years, i.e. 2008/09 and the 2009/10 due to overspending that had hit the province.

The training and skills development of workers was initially supposed to be funded by the Department of Labour (DoL) and there has been a number of issues raised regarding that training. The primary one is wrong or poor timing of approval of training funds by DoL, for example, funds approved after the projects have already been implemented and completed. CETA was expected to provide funding to be sourced from the National Skills Fund (NSF), but at the time of the implementation of the programme, CETA had serious financial constraints and could not assist.

As the Department of Labour and the CETA were not able to fund the training and skills development component, the MDPWR&T had to allocate some funds towards the training. In terms of the capital budget for the programme, a 2% top slicing of all the project budgets yielded enough funds to cover the training costs.

The funding model has not been sustainable at all. There are so many risks pertaining to the current funding model, and this raises a number of challenges regarding the future and sustainability of the programme.

3.5.12 Objective opinion regarding the performance of the programme

Several key challenges have been noted both by the management and the contractors in the programme.

- i. Payment turn-around times - the long turn-around time regarding the payment of claims of contractors and consultants has tended to slow down the progress of the majority of contractors, especially those who do not have any access to bridging finance.
- ii. While the registration of contractors with the cidb was a mandatory requirement, the department did not comply with the registration of projects with the cidb's Register of Projects.
- iii. The perceived low quality of training rendered by some of the training providers has been raised on several occasions by the learner contractors.
- iv. The training of contractors is not seen to have focused on the technical skills of contractors. An additional problem arising in this regard is the resultant difficulty for contractors in supervising the work carried out by sub-contractors as a result of the lack of knowledge of the work undertaken by such sub-contractors.

- v. The mentors are engaged by the Cluster Managers and not necessarily full-time on the programme since they also have other commitments from the Cluster Managers. As a result of this part-time approach contractors have not gained as much as they were supposed to from the mentorship.
- vi. The ratio of the mentor to learner contractors is high, resulting in mentors not covering all the learning areas that the learner is expected to have covered during the mentoring stage. Mentor often only visit the learner contractor once a month and the rest of the time the learners are left unattended.
- vii. As mentioned above, the mentors were appointed as support staff of the Cluster Managers. This created a number of problems, including the lack of supervision of the Mentors since they were at times expected to attend meetings on behalf of Cluster Managers, which posed potential conflict of interest for the Mentors.
- viii. Although contractors were required to have qualified site supervisors on site to ensure that the quality of the work on site was not compromised not all the contractors had such supervisors at the date of implementation of their respective projects. This requirement became critical at the time when the learner contractors were attending classroom training sessions.

One of the lessons learnt through the implementation of the programme has been that the majority of contractors who were accepted into the programme did not have what it takes for them to succeed in programmes of this nature. Some of the weaknesses of the candidates were only picked up during the implementation phase of the programme. For example, most contractors were not in a position to access finance and credit facilities because of their poor credit profiles. This impacted on the implementation of projects, thereby leading to delays in the completion of projects since the contractors were not able to start without the required funding and credit facilities to access the building materials.

Absorptive capacity of the programme

The programme has been very realistic regarding the number of learner contractors who could be included in the programme. The programme was able to identify a sustainable number of learners that could be supported by the available procurement opportunities as confirmed by the Department of Education. A number of programmes usually fail in this regard by mobilising or recruiting more learners than could be sustained by the available budget, for political reasons. This usually backfires due to the lack of adequate funding to match the number of learners.

There is a need to review the structure of the training model of the programme to incorporate the technical training component. The funding model of the training also needs to be reconsidered, given the lack of clarity on the role of the CETA, since its incorporation into the Department of Higher Learning. The role of the Department of Labour with regard to the funding of training for contractor development initiatives must also be reconsidered.

The mentorship model for the programme must be subjected to a thorough review by the Department of Public Works, Roads and Transport. The specific areas of concern include the:

- Ratio of mentors to learners.
- Funding of mentorship costs.
- Accountability structure or chain of the mentors.
- Content and scope of work of mentors.
- Manner in which they are appointed to participate in the programme.

The issue of compliance with the cidb prescripts has to be attended to as a matter of priority. The majority of contractors who are currently in the programme are either suspended or have not renewed their registrations. This implies that they cannot be allowed to implement any public sector projects and as a result they might be required to leave the programme.

Nearly all the Sakh'abakhi projects were not registered with the cidb Register of Projects. The Department will have to prioritise this matter and ensure that all its projects are registered with the cidb.

The procurement strategy of the Sakh'abakhi projects is based on the set-aside model, which was on several occasions declared unconstitutional. This will have to be handled differently for any new intake of contractors. Another concern for the programme has been that the value of training projects for learner contractors was in most cases higher than the cidb grading designations, thereby raising concerns regarding the significance of the grade as a measure of capability for learner contractors.

3.6 MASAKHE CONTRACTOR DEVELOPMENT PROGRAMME (KWAZULU-NATAL DEPARTMENT OF PUBLIC WORKS)

3.6.1 Programme objectives

The programme is aimed at developing contractors from an entry level until they exit in Grade 6.

3.6.2 Policy context

The KwaZulu-Natal Department of Public Works (KZNDPW) does have a policy for the programme but the copy was not issued to the Researchers or is not available.

3.6.3 Targeting strategy of the programme

The programme targets contracting entities that operate in the province of KwaZulu-Natal. It aims to maximise the participation of contracting entities that are owned and managed by women (40%), youth (5%) and Priority Population Groups (35%) in the province and has targets in this regard (women - 40%, youth - 5% and Priority Population Groups - 35% of the participating entities).

The programme targets based on cidb grading designations 1 to 5 but is also considering the inclusion of Grade 6 contractors.

3.6.4 Entry requirements into the programme

The criteria for inclusion in the programme include the following:

- Registration with CIPRO and documents proving such registration.
- cidb registration - all the contractors on the programme have to be registered on the cidb Register of Contractors.
- Good Tax standing as evidenced by original and valid Tax Clearance Certificates.

To date the database has a total of 5500 contracting entities, of which more than 85% are in Grades 1 and 2 and the rest are spread in the other grading designations from 3 to 6.

3.6.5 Progression and exit criteria

Contractors are pre-qualified through an advertised quotation system, then selected for entry into the programme based on an interview. It is envisaged that the learner contractors must be able to graduate when they reach Grade 6 and exit the programme to compete with the best in the open market. Other contractors are encouraged to diversify their operations into plant hire, material supply or any other options that are available to them.

To date the Department has not decided on the number of years that a contractor should stay in the programme. This could be as high as 10 years, thereby raising concerns regarding the sustainability of the programme. It is also susceptible to arguments that it protects a specific target group and is a set-aside, which goes against the spirit of the Preferential Procurement Policy Framework Act.

The review of the information at hand revealed that the programme did not have a clear objective criteria or system in place for the evaluation of contractors in preparation for their exit. This is partly because there are no projects that are being implemented in the programme, hence nothing to evaluate. From the interview conducted with the Departmental officials, it was clear that there was little activity currently going on in the programme and that it mainly exists on paper.

3.6.6 Key interventions

The Masakhe programme is based on an incubation model that encompasses three strategic thrusts, namely: mentorship, access to finance and credit facilities and development of contractors. The department has also considered a number of options with regard to waiving of guarantees for learner contractors but this is yet to take effect.

Supply side interventions include the provision and allocation of procurement opportunities to the pre-qualified contractors. The department is dependent on the projects from the various provincial departments including Education, Health, Agriculture and internal (own) projects for allocation to the learner contractors. There is no clear indication with regard to the commitments from the various provincial client departments

in terms of budgets for their projects. Some of their projects fluctuate, depending on the budget that they have for each financial year. To date there has been no guarantee with regard to the allocation of funding for the programme since the available funding is to be allocated to programmes to complete the outstanding projects.

The issue of access to finance and credit facilities has not been thoroughly investigated by the Department because there are no projects for contractors.

3.6.7 Stakeholder issues

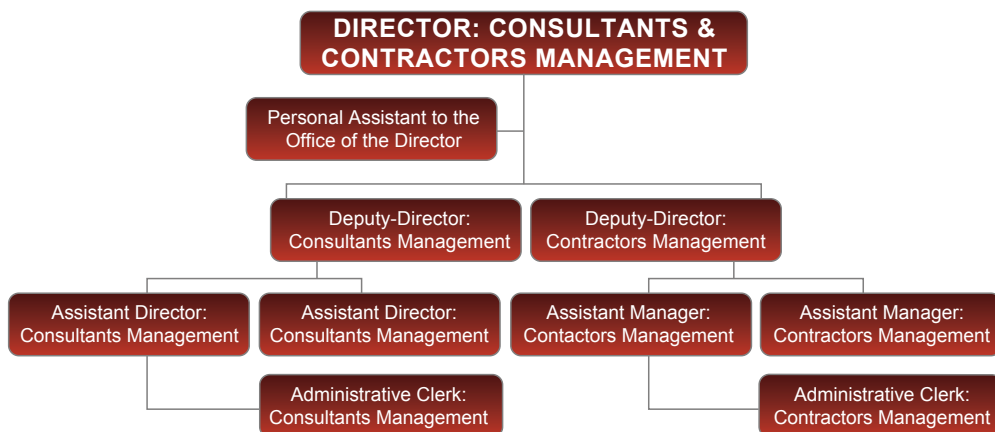
The Department works and collaborates with a number of stakeholders to drive the implementation of the programme, including but not limited to the following:

- cidb.
- SEDA.
- CETA.
- Economic Development (Training).
- NURCHA.
- Financial institutions (ABSA and Standard Bank).
- Special purpose vehicles (NURCHA and Ithala).

3.6.8 Institutional model and management support

The Directorate has a staff complement of ten people (Fig. 7). Most of the posts have been filled and the vacant posts are expected to be filled once there are adequate funds to implement the programme.

Figure 7: Organisational Structure of the Programme



Initially the Department engaged the services of a consultant to develop the policy documentation for the programme until the policy was workshopped with the Departmental personnel.

3.6.9 Training and skills development

There is no funding allocated despite the fact that this is a training programme, and as a result there are no targets that are being pursued in this regard.

3.6.10 Monitoring and evaluation

There is no credible reporting and monitoring system in place for the programme.

3.6.11 Funding model of the programme

The funding model for the programme is not sustainable at all because it is dependent on the availability of projects from the various provincial departments. There is also no hope that the situation might change in the near future.

3.6.12 Objective opinion regarding the performance of the programme

There is a policy document in place - which has not been made available to the researchers despite requests - and there are also the 5500 contracting entities that are registered in the database, but apart from these no credible activities have yet taken place in the programme.

3.7 THE FREE STATE DEPARTMENT OF PUBLIC WORKS AND RURAL DEVELOPMENT PROGRAMME

The Free State Department of Public Works, Roads and Transport Contractor Development Programme was launched in 2007 but the subsequent split in the department into two Departments, the Department of Public Works and Rural Development and the Department of Roads and Transport, meant that the programme was split and taken over by each department. Contractors were divided based on the available scope of work: 79 contractors were reallocated to the Department of Roads and Transport, while 132 contractors were allocated to the Department of Public Works and Rural Development. The focus of this section is on the Department of Public Works and Rural Development Contractor Development Programme.

3.7.1 Programme objectives and policy context

In the absence of a clear policy statement regarding the programme, the objectives of the programme could not be confirmed. At the time of the interview with the departmental team there was no policy in place. It was suggested by the departmental team that the policy that they were using was the old policy of the then Department of Public Works, Roads and Transport.

3.7.2 Targeting strategy of the programme

There was no available current policy regarding the targeting of contractors for the programme; all the contractors that are in the programme were previously selected by the then Department of Public Works, Roads and Transport and were selected during the 2007/08 financial year.

3.7.3 Entry requirements into the programme

The entry requirements into the programme are the following:

- Contractors must be operating within the Free State Province.
- Contractors have to be registered with the cidb, between Grades 1 to 4 and the preferably in the general building class of works.
- Priority is given to contractors owned by women, the youth and HDIs.
- CIPRO registration is mandatory.
- Tax registration and good standing is also necessary, evidenced by valid and original Tax Clearance Certificates from SARS.
- In addition to the criteria, learners are required to write aptitude tests and also attend interviews to select the final list of learners.

3.7.4 Progression and exit criteria

Currently there are no projects and this makes it very difficult for the Department to talk of progression of contractors because they are not doing much to stimulate, or record, such progression. In the event that projects are allocated to contractors, the programme personnel indicate that learner contractors would be required to complete the allocated projects successfully to enable them to upgrade their grading designations so that they could exit the programme. The plan was to ensure that contractors move from Grade 1 to Grade 4, from Grade 4 to Grade 6 and also from Grade 7 to Grade 9.

Contractors were required to complete their training obligations in terms of NQF Level 2 over a period of two years. In addition learner contractors are required to successfully execute a total of four projects within the two-year period of participating in the programme.

In terms of the evaluation for the learners to exit the programme, the programme personnel should visit the sites and check on the manner in which the contractors have managed their projects, but this has not yet happened.

There are no performance or evaluation standards or system in place as yet. The department is in the process of looking at the development of the toolkit for performance assessment.

In preparation for the exit of learner contractors, the Department has stipulated that approximately 20% of the value of work in its bigger projects must be allocated to the emerging contractors.

3.7.5 Key management interventions

- i. Assisted tendering - learner contractors compete amongst themselves for allocated contracts and also in the open market to win tenders. Where appropriate they are assisted by the programme personnel or the appointed consultants to arrive at acceptable prices for tenders.
- ii. Quicker payment cycles - The payment period is supposed to be within 30 days of the submission of correctly completed invoices, but the directorate has set its own stretch targets of paying learner contractors within six days.
- iii. Alignments of tender documents with the *cidb* Standard for Uniformity - tender documents for the programme have been realigned to comply with the *cidb* Standard for Uniformity in construction procurement documentation.
- iv. Guarantees and retention - the department has waived guarantees for the projects that are implemented by the learner contractors, although this is dependent on the value of work.
- v. Dedicated training projects - the department aims to allocate projects to learner contractors to develop their skills on the programme, but is struggling with regard to the availability of projects since it is dependent on other provincial departments to access procurement opportunities.
- vi. Access to finance and credit facilities - the department has engaged a number of financial institutions with regard to securing funding for learner contractors. To date no funding institution has confirmed any formal relationship regarding the provision of bridging finance for contractors.

3.7.6 Stakeholder management issues

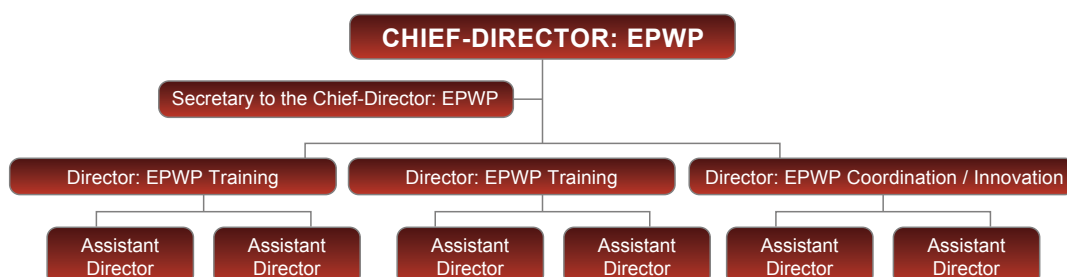
The Department works with a number of stakeholders in the implementation of the programme. The stakeholders include the CETA, Head Office Construction and Maintenance Business Unit, and the five Regional offices of the Department.

Even though most of the contractors were registered with the *cidb* at the time of entering the programme, the ability of ensuring that their registration status was monitored remained a challenge, from a capacity point of view. It was also not clear if the projects that were allocated to the learner contractors were registered with the *cidb*'s Register of Projects.

3.7.7 Institutional model and management support

The Directorate has a staff complement of 11 people (Fig. 8). The majority of posts have not been filled, although even if they were filled there is no guarantee that they would have enough work to keep the personnel busy.

Figure 8: Organisational structure of the EPWP Unit of the Department



3.7.8 Training and skills development

Even though training and skills development are crucial components of the programme, there is no training currently being offered to learner contractors. The main reason for this is the lack of funding on the part of the department and also the fact that the CETA has not yet provided support for training. This situation is exacerbated by the fact that there are no projects for learner contractors and as a result it is difficult to solicit potential funding from organisations.

3.7.9 Monitoring and evaluation

There is no monitoring and evaluation system in place. This is mainly because there is very little happening in terms of the implementation of the programme in the department due to budget constraints and the lack of training projects.

3.7.10 Funding model of the programme

The funding model of the programme seems to be inoperative, as there are no projects for learner contractors, little training going on and overall, minimal activity in the programme.

3.7.11 Objective opinion regarding the performance of the programme

The programme has been poorly conceived and as a result, the current number of learner contractors cannot be sustained by available resources. The problem is amplified by the lack of identification of projects for the programme, the high number of contractors in the programme which does not even match the available procurement opportunities in the Department, and the lack of appointed training providers arising from the lack of funds.

There are also no mentors' appointed to date due to the lack of funds and projects to work on.

The lack of projects coupled with the poor funding model of the programme suggests that there is very little or no political will on the part of the Department to implement a Contractor Development Programme.

3.8 THE FREE STATE DEPARTMENT OF POLICE, ROADS AND TRANSPORT CONTRACTOR DEVELOPMENT PROGRAMME

3.8.1 Programme objectives

As mentioned earlier on, the then Department of Public Works, Roads and Transport was split into two Departments, namely: Department of Public Works and Rural Development and the Department of Police, Roads and Transport. As part of the split, the department took 79 contractors to be part of its Contractor Development Programme.

Despite, or perhaps because of this split, there have not been any specific strategic documents and objectives developed for this programme.

3.8.2 Policy context

There is also no policy document specifically developed to govern the implementation of the programme.

3.8.3 Targeting strategy of the programme

The programme targets certain economically depressed areas in the province, with a view to rolling the programme to the other areas as well. The areas under consideration to date are Xhariep and Motheo Districts.

The programme also prioritises contracting entities owned and managed by HDIs, women and youth, preferably entities that belong to people residing in the Free State Province.

3.8.4 Entry requirements into the programme

Most of the 79 contractors who were part of the programme were selected during the 2007/08 Financial Year by the then Department of Public Works, Roads and Transport. An additional 20 contractors were selected recently by the Department. The entry requirements at the time included the following:

- Contractors must be operating within the Free State Province.
- Contractors must be registered with the cidb from Grade 1 to 4 and the preferred class of works is general building.
- Priority is given to contracting entities owned by women, youth and HDIs.
- Contractors must be registered with CIPRO.
- Tax Clearance from SARS is essential and valid and original Tax Clearance Certificates must be submitted.
- Contractors are required to write aptitude tests and attend interviews to select the final list of learners.

3.8.5 Progression and exit criteria

It is generally accepted that the contractors must exit the programme with improved cidb grading designations. However, there is no indication of the grading designations that they must have when they exit the programme. The contractors commenced work during the month of February 2010 and they are expected to complete the practical training programme by the end of the 2010/11 financial year. Currently there is no performance management system in place that will be used to progress or exit contractors from the programme.

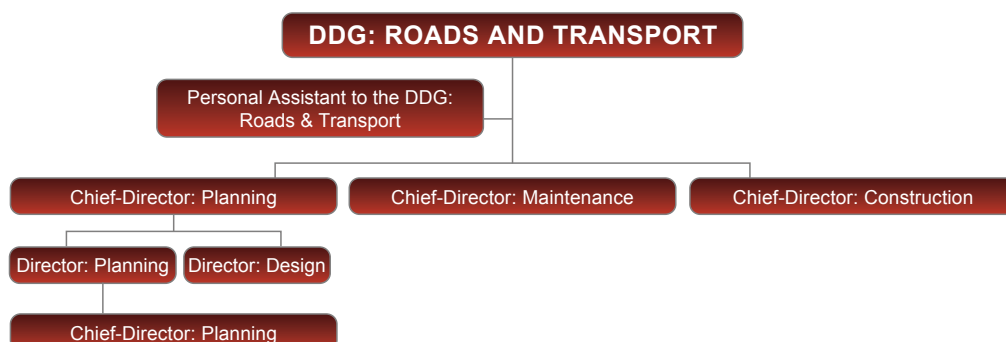
3.8.6 Key interventions

- i. Dedicated projects - no formal tendering process is followed for these and instead contractors are allocated the work based on the available budget. They are in turn required to employ a total of 35 people each.
- ii. Tender Documentation - tender documentation was realigned to comply with the cidb standard for Uniformity. The tender documents were not simplified to meet the developmental requirements of contractors.
- iii. Guarantees and Sureties - guarantees and sureties are waived to accommodate the developmental needs of learner contractors within the programme.
- iv. Plant and Equipment - plant and equipment for the programme are procured by the appointed consultants and billed to the contractors accordingly.

3.8.7 Institutional model and management support

The Implementation of the programme is handled by the Directorate: Infrastructure Planning and Construction. There is only one person who has been tasked with the responsibility of coordinating the implementation of the programme; the Acting Chief-Engineer (Fig. 9).

Figure 9: Organisational Structure of the Programme



In addition to the Chief Engineer responsible for the coordination of the programme there is a firm of professional consultants appointed to manage the programme on a daily basis. Progress reports are presented to the Department on a monthly basis.

3.8.8 Training and skills development

The Department has appointed a training provider for business management training for the contractors.

3.8.9 Monitoring and evaluation

The consultants are responsible for preparing and submitting monthly progress reports to the Department.

3.8.10 Funding model of the programme

The Department has allocated a budget of R243 million for the maintenance and upgrading of the minor access roads in the province, to be spent by contractors on the programme.

3.8.11 Objective opinion regarding the performance of the programme

The funding commitment of the Department is a clear indication that the Department is serious about contractor development. However, the policy vacuum is a potential risk in that the implementation is not guided by any policy statements and as a result it might not be easy for the Department to assess whether they are achieving their stated objectives or not. In addition to the policy document, the programme management documents are also not available, and the appointed programme management consultants have to prepare the programme implementation plan, the risk management plan and the communication management plan to ensure a successful implementation of the programme.

3.9 WESTERN CAPE DEPARTMENT OF TRANSPORT AND PUBLIC WORKS SIYANYUKA CONTRACTOR ENHANCEMENT PROGRAMME

The Western Cape Department of Transport and Public Works (DOTPW) Contractor Development Programme has four interventions geared towards contractor development: the Qingqa programme aimed at entry level contractors and unemployed persons; the BBBEE Supplier Enhancement Programme; Women in Construction; and the Siyanyuka Contractor Enhancement Programme. This report focuses on the Siyanyuka Contractor Enhancement Programme.

3.9.1 Programme objectives

The Siyanyuka Contractor Enhancement Programme was established in 2008 with the aim of developing small and medium contractors already in the industry and growing them into sustainable contracting enterprises. It falls under the Contractor Development Programme of the Expanded Public Works Programme (EPWP), and has its roots in the drive by the EPWP to address unbalanced access to contracts and assets from the previous dispensation. Specifically, it aims to develop 300 emerging small and

medium size contractors in cidb Grade 3-7 over a 3 year period, so that they become sustainable through economically viable interventions. The main aim is to overcome the challenges that emerging contractors face in the construction industry and the reasons that generate poor performance on projects.

There are no specific objectives that can be measured, except the intention for contractors on the programme to move from one cidb Grade to another. Contractors are supposed to improve with regard to their quality, financial and schedule performance on projects and on measures of their business development e.g. bank balances, but these are not explicitly stated in the objectives.

3.9.2 Policy context

The Western Cape provincial government and its departments have as part of their aim the creation of suitable conditions for sustainable economic and employment growth which facilitated the empowerment and creates opportunities for all. This is given effect by the Department of Transport and Public Works' implementation of the EPWP and its contractor development objectives.

The main driver behind the Siyanyuka programme is the lack of technical, managerial and contractual skills amongst emerging contractors within the Western Cape in infrastructural and construction projects, which results in few contractors winning tenders and high rates of failure in project performance. This state of affairs reduces the participation of HDIs in infrastructure opportunities in the province, and reduces the transformation of the sector.

The programme motivation was set out in a business plan that set out annual performance requirements, tentative budgets and a brief implementation strategy, but the business plan is cursory and there have been issues with its implementation, as discussed in the following sections.

3.9.3 Targeting strategy of the programme

The Siyanyuka programme targets contractors with cidb Grade 3-7 irrespective of category. Through briefing sessions in all districts of Western Province and advertisement in the print media, text messaging service through the cidb's Construction Contact Centre, contractors registered with the cidb were targeted, informed of the programme and encouraged to apply. The response was poor, especially in outlying districts of Western Province, and the need for a different targeting process has been identified by the programme.

3.9.4 Entry requirements for contractors

Contractors must be cidb Grade 3-7 in any category. They must comply with programme BEE requirements, have tax clearance from SARS and thereafter attend an interview with the programme's panel of experts to determine their suitability for the programme.

Currently approximately 30 contractors in various cidb Grades are participating in the programme.

3.9.5 Generic database rules for grading designations

The lack of a database to store and track relevant information on the contractors means that database rules cannot be enforced successfully. There are no available records of any such rules in any case. The review of the programme suggests the development of such a database to track and record admitted contractors, their performance, supply chain issues, and progress in technical and financial capabilities.

Programme participants cannot be public servants and are required to declare this at the application process.

3.9.6 Progression and exit criteria for contractors

There are no progression criteria; contractors are supposed to receive training for 12 to 24 months and mentorship at the same time while on the programme but no requirements are set for this.

Contractors exit the programme after 3 years and are expected at this stage to be able to compete for work within the industry.

3.9.7 Key programme interventions

Structured training programmes

Contractors undergo structured training programmes for a 12 month duration in any field that they feel they have limitations, such as estimating and tendering. For each contractor a training plan is developed, and training for those contractors in *cidb* Grades 1 and 2 are provided under the Qingqa programme. The rest of the training is provided by accredited training providers and grouped by region to allow for economies of scale. No formal process of identifying contractor development needs has been identified on the part of mentors.

Review of standard tender documents and forms to comply with the cidb Prescripts

The programme does not provide contracting opportunities for participants and as such there is no need for customised tender documents and forms. The contractors thus use the standard forms of contract.

Contractor payment support

There are no interventions around the payment turn-around times.

Projects

Contractors are not given any projects with which to work, but are instead placed in the databases of municipalities, provincial departments and private sector organisations through the help of the DOTPW. This is done in collaboration and engagement with the municipalities, provincial departments and private sector organisations.

Mentoring

Through rigorous mentoring, contractors are supposed to gain the skills required of contractors in financial management, contract management, and any other area which the contractors themselves identify and bring to the attention of the mentor.

Industry professionals with requisite qualification and experience were recruited through advertisements in the media. Each contractor on the programme is assigned a mentor, who assess the contractors developmental needs and then suggests ways to address these needs. Mentors are required to spend at least 20 hours assessing contractors needs and then after devising suitable interventions, they provide support and guidance on an hourly basis and rate.

Mentoring for contractors on the lower cidb Grades takes place under the Qinqa programme (cidb Grades 1 to 2).

Access to financial services

Financial institutions have been lined up to provide support to the programme and services to the contractors, but these have not been successful because of the requirements of financial institutions such as collateral and cashflow or turnover requirements, which were not relaxed to accommodate the contractors' particular needs. The Ithuba Bank has tried to take up by providing funding but they need the buy-in of client bodies that procure from the contractors and this is difficult to get.

3.9.8 Registration with the cidb

Contractors must have cidb registration to be on the programme, and the preferred grades are Grades 3 to 7 in any field of specialisation.

3.9.9 Institutional and management support

The organisational structure of the unit, which falls under the Construction Industry Innovation and Empowerment Directorate of the Expanded Public Works Programme Chief Directorate, is shown in Fig. 10 below.

Figure 10: Organisational Structure of the Contractor Development Programme



Programme Management Capacity support

While the structure of the programme is in place, there are a number of vacancies that affect the proper functioning of the programme. The organogram shows the 16 posts (1 contractor development manager, 2 administrative officers, 6 regional contractor development managers, 1 technical facilitator and 6 administrative assistants) required on the programme. Of these there are currently 12 vacancies, for 3 regional contractor development managers and administrative assistants. This has increased the administrative burden on the contractor development managers. In addition, 3 of the contractor development managers have been seconded to other units within the Directorate.

Strategic collaborative partnerships

While efforts have been made the by the programme personnel to include other stakeholders in its implementation, there has been no buy-in from other departments yet especially regarding allocation of projects (or any form of preferential treatment to contractors graduating from the programme), access to resources and providing training to contractors. The marketing of the programme was meant to ensure that its graduates are recognised and given acknowledgment in some way, preferably through access to tendering opportunities, for their participation. This has not happened, however, primarily because, for most other departments, contractor development is not a priority and they prefer to use their own contractor lists when issuing tenders.

There is scope for more alignment and interaction of the programme with other stakeholders and the cidb Contractor Development Forum is seen as ideal in this regard.

3.9.10 Monitoring and evaluation of the programme

There are no monitoring and evaluation processes in place to gauge the impact of training on the contractors, which has been identified as a key weakness of the programme.

3.9.11 Funding model of the programme

The Department solely funds the operations of the development programmes under its budget for the Construction Innovation Unit. While the budget is ring-fenced and caters for all programmes under the department's umbrella, the amount of mentoring and training is tailored to the budget received instead of vice versa. The lack of sufficient resources limits the degree of effectiveness of such interventions.

Mentorship in particular is seen as an expensive though necessary intervention, and the need to partner with other stakeholders who can assist with this (such as Master Builders Association - MBA - and SAFCEC) has been identified as a priority.

3.9.12 Objective opinion on the performance of the programme

A number of issues arising are noted on the Siyanyuka programme, and these are highlighted below:

- The programme has been let down by poor responses from contractors, both in applications to get into the programme and in participation in training and skills development. This apathy is likely due to the lack of linkages to project opportunities for the contractors. A review of the programme also identifies this lack of interest as being partly driven by the inappropriate choice of training interventions for the contractors, some training being pitched at too high a level and other training programmes at too basic a level. The assessment of training needs was therefore not proper in many cases.
- Some successes have been experienced in the programme, evidenced by contractors who have exited the programme winning tenders from other organisations. However the lack of monitoring means it is difficult to claim even these successes.
- Mentoring and training have not fully rolled out because of the apathy experienced on the part of contractors. The lack of ongoing projects also affects the mentoring process as there are no practical situations on which to advise the contractors.
- As noted previously, the lack of projects aligned with the programmes also contributes in no small measure to the lack of interest exhibited by contractors and slows down the process of mentoring.
- Access to finance has also been identified as a problem on the programme, as contacted financial institutions have made no concessions to contractors on the programme and offer mainstream banking services with conditions which the contractors find difficult to adhere to.
- The objectives of the programme are not clearly defined and are difficult to measure., and there is a stated need to revise the programme objectives to allow for proper monitoring and evaluation of the programme.
- The programme focuses mainly on training and mentoring to develop contractors, and does not address other critical support issues such as the security of payment and improved payment cycles, difficulties with the standard forms of contract and performance guarantees, and the provisions made for access to finance have been largely unsuccessful.
- One of the main internal department hindrances to the programme is the lack of enthusiasm and a contractor development culture in the entire department. The development of contractors is not part

of any performance agreement with staff and not motivated in any way. The lack of an internal champion to drive the programme is also seen as a drawback. This is also one of the issues that have hampered the process of getting support from other stakeholders.

- The contractors on the programme have been fault criticised for having a culture of entitlement, which is also seen as responsible for their poor participation in the programme.
- Contractors have criticised the programme on the lack of an effective assessment of contractor development needs. Generic interventions are often used and as different contractors have different needs and aspirations, this detracts from the effectiveness of any training provided.

3.9.13 Conclusion

While the Siyanyuka Contractor Enhancement programme has good objectives, these have been let down by the poor participation of contractors on the programme. There appears to be a lack of incentive for the contractors to participate, especially given the distances involved in the Western Cape and the level of commitment required for contractors to take part in the training programmes.

For various reasons the marketing of the programme to other departments and organisations client has not been successful, which further reduces the incentive for contractors to participate. While training and mentoring has gone on in the programme, there is debate about the usefulness of this.

A review of the programme, together with a set of useful recommendations, has already been done by Sorayah Martin Consulting, which forms a basis for the revamp of the programme. The main issue that must be addressed for the programme to be as effective as intended is how to fulfil the needs of the contractors and thus get their buy-in. To do this, the programme must research the needs of the targeted contractors, and emphasise the assessment of needs in contractor development.

3.10 EXPANDED PUBLIC WORKS PROGRAMME VUK'UPHILE LEARNERSHIP PROGRAMME

3.10.1 Policy context

The Vuk'uphile Learnership Programme was set up as a sub-programme of the Expanded Public Works Programme (EPWP) to develop capacity amongst emerging contractors and enable them to successfully execute labour-intensive EPWP contracts. The EPWP is a nation-wide programme that aims to use public sector expenditure to provide employment and skills development opportunities for the unemployed in the country. As part of this effort the EPWP seeks to create sustainable, empowered and independent contractors skilled in labour-intensive methods that help the programme create employment.

Vuk'uphile is set up nationally by an implementing body - either a provincial department, a district, local or metropolitan municipality or a State-Owned Enterprise (SOE) - in partnership with the Construction Education and Training Authority (CETA) and the DPW. The CETA provides the accredited training provider, quality assurance for the training and certification; the DPW provides the overall management of

the programme, mentors and community interactions; while the implementing body provides the projects for learners to obtain practical experience in a work environment. In addition, the Department of Labour (DoL) provides training funds through the National Skills Fund.

3.10.2 Programme objectives

The Vuk'uphile Learnership Programme focuses on emerging contractors and aims to increase capacity in labour-intensive construction to support the EPWP. After going through the programme contractors should be able to sustain themselves independently as contracting entities, able to operate in a wider area and carry out larger contracts. The programme also aims to transfer skills to the contractors and their supervisors and provide them with:

- Recognised qualifications.
- A project track record.
- A financial track record.
- An established relationship with a financial institution.
- An improvement in their cidb Grade.

3.10.3 Targeting strategy of the programme

Vuk'uphile seeks emerging contractors in cidb Grades 1 to 4, and has targets of 80% HDI, 50% women and 50% youth in the programme.

3.10.4 Entry requirements into the programme

Entry requirements into the programme normally have education from Grade 10, a background in construction and the ability to undertake contracts of up to R 2.5 million. The contractors are selected through an advertisement process in the national media, and briefing sessions, after which responding applicants are required to go through a written assessment, financial screening and an interview to determine their suitability. They take contractors between cidb Grades 1-4 but this depends on regions, for example, in Gauteng it is unlikely to take Grade 1 because of the high degree of competition.

3.10.5 Progression and exit criteria

Training on the programme is scheduled for 30 months which is the minimum duration for the programme, but no maximum duration is specified. There are also no progression criteria and processes to monitor learner contractors progress through the programme.

3.10.6 Key interventions

Training - learners undergo NQF related training at levels 2 to 4 on applying labour intensive methods to construction (primarily civil) works. The participants are the learner contractor and one to two learner

supervisors (for example, foremen) from the Contracting Company so that they can gain practical experience coupled with mentorship support.

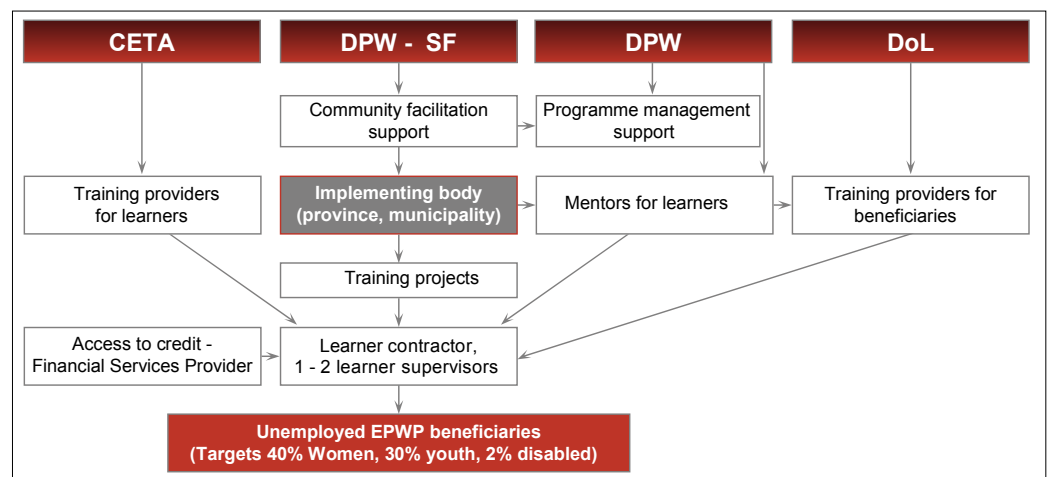
Mentoring - the mentors are responsible for advising and guiding the learners so that they improve their business systems and construction competency. They carry out initial assessments on the programme and determine the areas that the learner contractors need to improve in, and from this devise training interventions to be provided by the programme. The ratio of mentors to contractors on the programme is targeted at 1 to 10. Mentors are also co-signatories to the learners' bank accounts to safeguard the monies advanced to the contractors by financial institutions.

Financial assistance - a financial service provider, which is a financial institution, provides access to credit and financial advice to the contractors at concessionary terms. No collateral is required, but in return the contractors must have their mentors as signatory to their bank accounts.

Projects - once the learner has finished the training programme, the implementing body, as part of its obligations under EPWP, provides the learner contractors with appropriately sized projects for their practical on-site training and mentoring. The projects should be suitable for labour intensive construction (not all construction projects are) and preferential points are scored for training in labour-intensive construction.

The programme makes no concessions to learners on simplifying the conditions of contract they work under and the learners also receive payments as is typical for other contractors, but managers note that most implementing clients provide quicker payment cycles to learners.

3.10.7 Institutional model and management support



Apart from the Vuk'uphile implementing body, CETA, DPW, and the DoL whose roles have been discussed earlier, the programme's other key stakeholder is a financial services provider who provides access to credit and financial services for the learners.

The programme has sufficient dedicated staff on the programme; however they identify the lack of, and need for, a champion to drive the programme as critical.

3.10.8 Training and skills development

Contractors are trained in labour-intensive construction, and in business management skills especially financial management. This is through accredited contractors and at NQF at levels 2 to 4.

3.10.9 Monitoring and evaluation

The Council for Scientific and Industrial Research (CSIR) is currently evaluating the programme EPWP for the next 2-3 years, and the IDT (part of the DPW) has also kick-started an evaluation specifically of the Vukuphile programme.

Internally, they target to retain in the industry as viable at least 20% of the exiting contractors, but have not followed this up to measure the sustainability.

3.10.10 Funding model of the programme

The programme receives funds from several sources. Implementing bodies provide (and fund) the projects learner contractors work on, the DoL provides funds for training, and the DPW provides and employs the mentors as well as covers the management costs. This brings about the challenge of coordinating these inputs; for instance, there have been several instances of contractors on the programme waiting to get funds for training and mentoring while projects allocated to them had been implemented.

3.10.11 Objective opinion regarding the performance of the programme

The programme suffers from the non-performance of several stakeholders in fulfilling their roles, and in particular the CETA which has faced several constraints in the recent past. In addition, there is an identified lack of interest on the part of some potential implementing bodies, especially municipalities, to participate.

Managers also feel that the cocooned environment of the programme is not always ideal to develop contractors, and they find it more difficult to adjust to the competitive external environment on exiting the programme.

While the objectives of the contractors for their organisations and their current skills levels are part of the evaluation for entry into the programme, these vary widely so it is difficult to assess the overall success of the programme in developing contractors.

3.11 NORTHERN CAPE DEPARTMENT OF ROADS AND PUBLIC WORKS CONTRACTOR DEVELOPMENT PROGRAMME

The Northern Cape Department of Roads and Public Works (NCDRPW) Contractor Development Programme is currently in the process of developing a Contractor Development Programme. While not yet in operation, preliminary details have been provided as follows.

3.11.1 Programme objectives

The aim of the programme is to develop existing contractors in *cidb* Grades 1 to 7 in the province.

3.11.2 Policy context

A policy document has been prepared for the programme and is currently going through the approval process.

3.11.3 Targeting strategy of the programme

The programme targets *cidb* Grades 1 to 7 in the province. Initially 66 contractors will be on the programme, but they intend to have an open register with no cut off date for registration on the programme and will add more contractors during the life of the programme.

3.11.4 Entry requirements into the programme

Residency in the province and *cidb* registration are the only entry requirements.

3.11.5 Progression and exit criteria

No progression criteria have been clearly laid out.

Contractors have a maximum of 5 years on the programme after which they will have to exit. They may also exit the programme when they graduate from the learnerships voluntarily or at their request.

3.11.6 Key interventions

All provincial departments are expected to identify and allocate projects for the contractors on the programme. The incentive to provincial departments to allocate projects is that the procurement processes for such projects are fast-tracked. However, provincial departments have not yet committed to participating in this manner. They foresee issues with the 'ring fencing' of such projects for programme participants but feel precedence have already been set with National Treasury giving the go-ahead.

Where possible, large projects will also be broken up into smaller contracts for the programme which may be carried out simultaneously or in serial. The contractors bid for the projects and the lowest bidder

gets the tender, and the rest of the contractors will be offered the opportunity to carry out the other projects resulting from the break-up of the larger project at the prices used by the winning bidder.

Skills development is the essential part of the programme and it will strive to sensitise contractors on the need for training. An assessment of the contractor's development needs - at both individual and contractor level - will be done for each contractor, then the identification of the required training done and skills interventions designed. Training skills development and mentoring will be synchronised with access to opportunities so as to maximise the contractors learning.

Mentoring is also envisaged as a key part of the programme. From the needs analysis the programme will determine whether the contractor requires full or part-time mentoring, or none at all, and accordingly allocate a mentor to the contractor.

The programme also intends to provide for sessions between contractors and materials suppliers to allow them to execute projects. Also intended are MoUs with financial institutions to provide the contractors with easier access to credit. To further improve the financial ability of the contractors, it envisages quicker payment cycles for programme participants (a seven-day cycle is proposed).

The conditions of contractor for participating contractors will also be simplified. Contractually, the programme will do away with the need for contractors to provide guarantees as part of the contract and instead provides for 10% retention from the sums due. However, to protect the client it allows for the termination of the contract within 24 hours after three warnings have been issued for poor performance.

3.11.7 Institutional model and management support

There is now a high level of management commitment to the project on the part of senior managers in provincial departments; which was not there six months before. However the programme's planners feel that it needs a champion within the NCDRPW.

They have 2 dedicated staff to this programme but feel more are needed if it is to operate effectively.

CETA and other government departments have been identified as key stakeholders, but have not yet been approached for their input into the programme's business plan.

Training and skills development

Contractors in *cidb* Grades 1-2 enter the programme under learnerships, while those in Grade 3-7 participate in the skills development programme. They will use ECDP guidelines for this.

After the needs analysis is done the contractors training and skills development needs will be collated and group training programmes designed. This is because of the large distances in the provinces and the relatively few contractors, which make it difficult to go to each contractor and conduct on site or localised training.

3.11.8 Monitoring and evaluation

The monitoring and evaluation procedures for contractors on the programme have not yet been approved, but it is proposed that there be monthly reporting on the performance of the contractors and an evaluation of the programme at the end of every Financial Year.

3.11.9 Funding model of the programme

The model to be used in the funding of the programme has not been clearly identified.

3.11.10 Objective opinion regarding the performance of the programme

The programme is yet to commence operations, but a number of issues that impinge on Contractor Development Programmes elsewhere seem certain to affect its operations once they start. These include:

- The lack of commitment of projects to the programme by other stakeholders.
- The minimal involvement of other stakeholders in the province in its planning and execution.
- The need for more personnel on the programme, especially given the Northern Cape's large area.
- The vague commitment of funding to the programme.

In addition, the developers see the key success factors underlying the programme as:

- The Presence of a committed champion.
- The Assessment of the contractors before entry into the programme.
- Having a long-term focus for the programme.
- High quality training and mentorship.
- An enabling contracting environment.

There seems to be little evidence that the programme has put in place measures to ensure the above. For example, there is no methodology identified to assess the contractors before entry into the programme.

4. KEY ISSUES EMANATING FROM THE REVIEW OF THE VARIOUS INITIATIVES

The review of the various contractor development initiatives has revealed a number of operational and strategic issues that offer valuable lessons for public sector client bodies interested in initiating similar programmes. The issues raised in this report are grouped together for ease of reference in the following section.

4.1 CONCEPTUALISATION OF THE PROGRAMME

4.1.1 Rationale or reason for the programme

It appears that most of the public sector client bodies do not have clear rationale for initiating their Contractor Development Programmes. In some cases, the reasons were primarily political, while in others, there were clear service delivery goals in mind. The rationale for initiating these kinds of programmes has to be clearly thought through before programme initiation. The cidb Guidelines for Targeting Contractor Development Programmes suggest that any CDPs “should target the development of new contracting capacity where demonstrable shortages exist that are aligned with the service delivery objectives of the client”. While in most instances there is alignment to the client service delivery objectives (for example, the KZNDOT and the Vukuzakhe programme) not much more is done to justify the initiation of a programme.

4.1.2 Political and administrative commitment

There are very few Contractor Development Programmes that have political commitment that is also translated to financial commitment. The short-term approach taken by various public sector client bodies is reflected in the lack of medium to long-term funding commitments on the part of the public sector client bodies. The lack of medium to long-term commitment on the part of the political leadership might be an indication of the lack of understanding of the rationale for initiating these kinds of programmes. This might also be an indication of the lack of buy-in in terms of the implementation of programmes of this nature. Despite the funding issue, most of the programmes have raised expectations from the members of the public and hence can point to a number of contracting entities registered in their databases, numbers which often have little link to the available and funded resources.

4.1.3 Absorptive capacity of the programme

It also appears that most of the provincial programmes have given little thought to the ideal size of the programmes and how many contractors are to be developed at any given point in time. This links back to matching resources available to the size of the programme (as defined by the number of contractors on it) and the resources other such as funding for training and projects allocated to the programme contractors. In this regard the cidb Guidelines for Targeting for CDPs are an important tool that can be used to address this issue.

The guidelines recommend that “the number of contractors to be enrolled into and supported by a CDP should be limited by the affordability of the client to provide the following:

- Work opportunities that will sustain all participants.
- The necessary training and mentoring for all participants.
- Programme overheads.

Unfortunately this advice has not been followed by most of the programmes.

Addressing this issue of the absorptive capacity of the programme will make the work of the implementing bodies easier, without trampling on political expectations and aspirations of the political leadership of these public sector client bodies. In most cases, the programmes tend to attract too many potential contractors, and at the same time the high number of participants tends to compromise the potential impact of the programmes. This would be minimised by the use of the *cidb* Targeting Guidelines.

4.1.4 Programme mobilisation processes

The mobilisation processes of any Contractor Development Programme must meet the five constitutional pillars of procurement, namely: openness, transparency, openness, cost-effectiveness and fairness. The review of these programmes reveals that the selection process of the participating contractors has for the most part been open and transparent.

4.2 PLANNING AND DESIGN

4.2.1 Funding commitment

The review of the various programmes indicates that the funding of the Contractor Development Programmes was not prioritised during the conceptualisation and planning phases. Instead, this appeared to have been a pressing issue only during the implementation phase, which is unfortunately often too late for programmes of this nature. The approach typically taken by a number of client bodies is to fund programmes with little or no long-term commitments. This once-off funding approach tends to compromise the potential impact of these programmes and as a result, programmes achieve less than intended. Similarly, allocation of projects on a once-off basis has a negative effect on the sustainability of the programme.

4.2.2 Procurement strategy of the Contractor Development Programmes

There are various programmes that, after selection of learner contractors, have set aside projects for them to be able to use for their practical training purposes. These include the Free State Programmes, Polokwane Municipality’s Vuk’uphile Learnership Programme, the KwaZulu-Natal Department of Transport’s Vukuzakhe programme and the Mpumalanga’s Sakh’abakhi Programme.

There is a strong case against set-asides. The Promotion of Equality and the Prevention of Unfair Discrimination Act of 2000 (Act No. 4 of 2000) which gives effect to Section 9 of the Constitution, prohibits unfair discrimination against any person on the grounds of race or gender through the denial of access to contractual opportunities and requires that reasonable steps be taken to accommodate the needs of such persons.

Preferencing strictly in accordance with the provisions of the Preferential Procurement Policy Framework Act, i.e. in terms of the points scoring system, is not considered to be unfair discrimination as no person is denied an opportunity to tender and a means is provided for promoting equality.

National Treasury have accordingly instructed accounting officers or authorities to give all potential suppliers an opportunity to bid for government contracts, and the practice of issuing tenders that contain conditions promoting set asides or excluding certain categories of potential bidders from bidding for government contracts is discouraged.

With the exception of the SEDA SCI and the Vukuzakhe Programmes, learner contractors do not have to compete with all the other contractors for procurement opportunities that are available in the Department. These procurement opportunities may be deemed "set-asides" by allocating projects to learner contractors without any competition.

Despite the fact that there was some element of competition among themselves and tenders are advertised publicly in the print media; contractors within the Vukuzakhe programme are required to be registered in the Vukuzakhe database. This registration requirement tends to create an exclusive zone for Vukuzakhe contractors and this can also be perceived to be a "setaside" against the spirit of the Preferential Procurement Policy Framework Act.

The above analysis does not suggest that client must not have projects identified for developmental purposes, as Section 217 of the Constitution of the RSA (Act 108 of 1996), Sub-section (1) does not prevent the organs of state or institutions referred to in that sub-section from implementing a procurement policy providing for preference in the allocation of contracts and the protection or advancement of persons or categories of persons disadvantaged by unfair discrimination. These development projects however have to meet certain requirements, namely:

- They have to be for training or developmental purposes.
- There must be a transparent process of selecting the participants of the programme and all people must be given an opportunity to apply for participation in the programme.
- There must be an exit strategy for the participants to allow for new entrants into the programme; and
- The participants must not be in the programme for more than two years.

In addition to the above requirements, the public sector client bodies have to take into account the following two key pieces of legislation, namely:

- Bill of Rights (Section 9 of the Constitution of the Republic of South Africa).
- The Promotion of Equality and the Prevention of Unfair Discrimination (Act 4 of 2000).

4.2.3 Documentation for the programme

The tender documents that were used by most of the programmes do not comply with the cidb Standard for Uniformity in construction procurement documentation. In cases where the documents comply, these are not simplified to accommodate the developmental needs of contractors. There is a need for public sector client bodies to review the standard tender documents to comply with the cidb prescripts. This also raises questions regarding the extent and value of compliance audit by the cidb with regard to the compliance of public sector client bodies to the Standard for Uniformity prescripts.

4.2.4 Creation of an enabling environment

Most of the programmes, with the exception of Vukuzakhe Programme, do not have an enabling environment framework in place. The constraints facing small and emerging contractors are not addressed in a systematic way and as a result, there are a lot of challenges to the development of contractors in the programmes. The key issues that should be addressed through an enabling environment include the following:

i. Procurement procedures

There is a need for clear procurement procedures to be used to facilitate the implementation of the programme. It is understood that the procedures that are used by the client bodies for the conventional projects are not necessarily the same procedures that are to be used for developmental projects and hence the need for procedures to deal with special requirements of Contractor Development Programmes. The cidb's Mechanisms for Implementing Contractor Development Programmes recommends that the client department's procurement methods should support work opportunities for CDPs through:

- Implementing their construction spend through coordinated multiple independent projects or a series of projects instead of managing projects independently.
- Using Public Private Partnerships (PPPs) where possible to provide public infrastructure, community facilities and related projects.
- Using framework agreements with individual contractors that allow clients to invite tenders from contractors to carry out work on an as instructed basis over a period of time, on an ad-hoc basis, and without setting out the precise quantities required.

The cidb's (2008) Best Practice Guideline on Procurement Measures to Develop Registered Contractors³³ recommends further options such as the unbundling of contracts into smaller contracts to ensure the

33 cidb (2008) Best Practice Guideline No. A8 - Procurement Measures to Develop Registered Contractors, Third Edition, Construction Industry Development Board

participation of smaller registered contractors; the preferencing of tenderers who undertake to enter into joint ventures with or sub-contract work to targeted contractors; or mandatory requirements that tenderers sub-contract specified portions of the work or enter into joint ventures with targeted contractors.

Based on an analysis of their business plans or feasibility documents, client organisations rarely explore the above options, especially the indirect targeting measures where a larger contractor provides the development support to targeted contractors within a CDP through a subcontract or joint venture relationship. Their use should be investigated more by client organisations setting up CDPs.

ii. Shorter payment cycles

The issue of payment cycles for emerging contractors is still a problem. Despite the fact that the various client bodies set stretch targets for processing payments within seven to 14 days, most contractors are still paid within the normal 30 day payment cycle. This is attributed to the lack of understanding of the cash flow needs of small and emerging contractors, the lack of understanding of the construction procurement supply chain, and lack of compliance with procedural requirements for payments by contractors.

The Status Quo Report on South Africa Contractor Development Programmes recommends payment cycles of 14 days for CDPs, and that the programmes have appropriate payment dispute resolution mechanisms stipulating that amounts not under dispute are paid and those under dispute withheld until resolved. A 14-day cycle would be of immense help to contractors and should (if possible) be implemented by client organisations. This report also concurs with another recommendation from the Status Quo report; that the NCDP develop guidelines for payments dispute resolution for use within CDPs.

iii. Access to finance and credit facilities

The issue of access to finance and credit facilities is also not adequately addressed by the various programmes. The assumption that small and emerging contractors have clean credit records, and will be able to access finance and credit facilities from the various financial institutions, is obviously incorrect. This is also a poor reflection of the understanding of the emerging sector by the public sector client bodies, especially with regard to the funding needs of this sector. Most of the small and emerging contractors have poor credit profiles, thereby impacting on their ability to raise finance and access credit facilities from the market.

iv. Waiving of sureties and guarantees

In order to ensure that emerging contractors are able to meaningfully participate in the programme, in appropriate instances the client bodies should consider waiving some of the contractual obligations such as guarantees or sureties, depending on the nature and size of contracts at stake.

v. Simplified tender documents for trainee contractors.

The realignment of tender documents in accordance with the *cidb* Standard for Uniformity should also enable the client bodies to simplify their tender documents in accordance with the developmental needs and grading designations of the participating contractors. The Vukuzakhe Contractor Development

Programme is the only programme that has developed simplified tender documents for participating Vukuzakhe contractors in accordance with their grading designations.

4.3 IMPLEMENTATION MODEL

4.3.1 Institutional models

The majority of client bodies have institutional arrangements that do not match the implementation requirements of the Contractor Development Programmes. For example, in some cases, the business units are heavily overstaffed, with little regard for the scope of work expected of such structures. In some cases, the business units are understaffed and as a result struggle to deliver on their mandate.

There are cases where the units have a large staff complement yet there is no budget to implement any projects.

4.3.2 Use of the private sector service providers

A few client bodies consider the option of engaging private sector service providers to supplement their internal capacity to drive the implementation of the programme. In these cases, the implementation of their programmes appears to have been handled well, compared to cases where the client bodies do not engage any private sector service providers. One of the reasons for engaging consultants is that the programmes are not necessarily seen as a permanent feature of the service delivery programmes of the client body, but rather a project with clear timeframes and clear budget commitments, which was likely to come to an end once certain objectives had been met. Once such programmes come to an end, it is easier for the client bodies to release the private sector service providers compared to full-time civil servants. The other consideration was that there are certain skills that the client bodies will not have internally or will not be able to utilise on a full-time basis and as a result, it makes sense for them to engage such skills only when required.

4.3.3 Performance review of contractors (monitoring and evaluation of contractors)

With the exception of the SEDA SCI, Sakh'abakhi, Vukuzakhe programmes, none of the other programmes have contractor assessment tools. This makes it difficult to evaluate contractors progression or prepare for their exit from the programme, as there is no baseline on which to evaluate and graduate out of the programmes.

There are also a number of cases where the contractors on programmes have had no work for a long period. This arises mainly because of budget cuts from potential clients, inadequate projects for programmes, and huge intakes of contractors into programmes without projects and resources to sustain them. This has implications for the assessment of learner contractors as the inactivity provides no opportunity for assessment, growth or survival of their enterprises.

4.3.4 Training and skills development models

With the exception of the SEDA SCI and the Sakh'abakhi programmes, the Contractor Development Programmes have struggled to put in place properly structured training programmes. The reasons for this are many and varied, and some of them included the lack of funding for training, and the lack of release of commitments or funding by the CETA with regard to training funds. The lack of clarity regarding the role of the Department of Labour, given the relocation of the SETAs to the National Department of Higher Education also contributes to the lack of training.

4.3.5 Mentorship support models

The issue of the mentorship of contractors within the development programmes is not clearly articulated by most of the client bodies. Some clients understand the need for mentorship while others see it as an unnecessary expense.

With the exception of the SEDA SCI, the various Contractor Development Programmes have also struggled to implement mentorship with any reasonable degree of success. Even though the conception and design of the models may be good, the resourcing and client oversight and management of mentors is challenging. In many cases the ratio of the mentor to learner contractors is very high, which not only places undue pressure on the part of the mentor, but also compromises the quality of the mentorship support that the learner contractors receive.

4.4 PRE-REQUISITES OF BEST PRACTICE IN CONTRACTOR DEVELOPMENT PROGRAMMES

In support of public sector client bodies intending to implement Contractor Development Programmes, it is considered appropriate that the lessons from the review of the various initiatives be used as a basis for developing a model of good practice. These lessons are good pointers for best practice in Contractor Development Programmes - provided in a subsequent section - but should be applied with recognition of the unique needs of each client body and Contractor Development Programme.

Best practice as identified in this study closely corresponds to the principles and guidelines in the NCDP framework and from the previous studies by the cidb, in particular the Status Quo Review of Contractor Development Programmes of March 2009. Adherence to these, supplemented by the findings of this study, will enable organs of state implementing Contractor Development Programmes to identify and address the shortcomings in the various programmes.

4.4.1 Rationale for the programme

Any public sector client wishing to initiate a Contractor Development Programme will have to first address seven key questions, namely:

- **Why** - the rationale for the implementation of the programme?
- **What** - is the organisation hoping to achieve with the programme?
- **Where** - will the programme be implemented?
- **When** - will the programme be implemented and for how long does the organisation intend implementing the programme?
- **Who** - are the target groups of the programme and partners needed?
- **How** - is the organisation going to fund and sustain the programme?

4.4.2 Political and administrative commitment

Once the above questions have been addressed, it is critical that the organisation confirms its political and administrative commitment for the programme. The political commitment must be reflected by its financial commitment to the programme. The political commitment must result in the medium to long-term funding model that will ensure that the programme is not initiated merely for short-term targets, but for medium to long-term benefits as well. This commitment must be reflected in the MTEF budget and client business plans reflecting the projects, budget and resources allocated to the programme.

4.4.3 Size of the programme

After funding issues have been confirmed, it becomes easier for any public sector client body to decide on the size or the absorptive capacity of the programme. The size will obviously be related to the potential impact that the programme is expected to have, coupled with the available funding, human and other resources. The NCDP targeting guidelines should assist in determining and aligning project size and value with contractor intake numbers and resource allocation.

4.4.4 Programme mobilisation processes

The mobilisation processes of any Contractor Development Programme must meet the five constitutional pillars of procurement, namely: openness, transparency, openness, cost-effectiveness and fairness. This implies that the selection processes including the entry criteria, selection, evaluation and exiting processes must be thoroughly thought through to avoid unnecessary legal challenges.

4.4.5 Commitment of funding

The funding of programmes of this nature has to be clearly articulated at a conceptualisation stage and supported by the management and political decision makers. Funding (and procurement support in this regard is related to cessions, performance guarantee waivers, etc). Project allocations to the programme have to be medium to long-term strategy, and not a short-term ad-hoc approach. This needs to align to the programme intake numbers, and targeting strategy aligned to the NCDP guidelines for targeting.

4.4.6 Selection strategy for contractors on the programme

The selection of the contractors should be closely aligned with the rationale for the programme and the absorptive capacity of the programme. A recurring issue has been the need to select contractors who show promise through their past record in the industry, and a desire to improve their performance. This should be vetted through an appropriate pre-entry assessment.

The pre-programme implementation vetting of contractors on the programme by a financier or commercial bank who then become exclusive credit suppliers and financier to the programme is a possibility that should be explored.

4.4.7 Procurement strategy for the programme

The procurement strategies of the programme must take into account the requirements of the following key pieces of legislation:

- Construction Industry Development Board (Act 38 of 2000).
- Preferential Procurement Policy Framework Act (No. 5 of 2000).
- Bill of Rights (Section 9 of the Constitution).
- Promotion of Equality and the Prevention of Unfair Discrimination Act of 2000 (Act 4 of 2000).

4.4.8 Documentation for Contractor Development Programmes

The successful implementation of contractor development initiatives will also be dependent on the appropriate documentation and simplified versions thereof that are used. This will include, but not be limited to procurement documents and practices that are aligned with the cidb Standards for Uniformity, and the NCDP guidelines.

The client body will have to create an enabling environment for the programme to succeed. The enabling environment will have to address a number of development constraints impacting on small and emerging contractors, thereby making it possible for them to participate meaningfully in the programme. The enabling environment should ideally address all the conditions of contract and procurement procedures that could facilitate the participation of learner contractors in the programme.

Some of the issues that could be addressed include, but are not limited to the following:

- Procurement procedures.
- Shorter payment cycles.
- Access to finance and credit facilities.
- Payment for tender documents.
- Waiving of sureties and guarantees.
- Simplified tender documents for trainee contractors.

4.5 ELEMENTS OF SUCCESS IN THE IMPLEMENTATION OF CONTRACTOR DEVELOPMENT PROGRAMMES

4.5.9 Institutional structures

On the basis of the programme approval, the client body has to decide on the appropriate organisational structures to drive the implementation of the programme. Where necessary, the client body could consider the need for private sector or other support capacity - such as SEDA - as a supplement to its own internal capacity. Such a decision must be based on the assessment of the capacity requirements of the programme.

4.5.10 Mentorship support models

One of the fundamental components of a Contractor Development Programme is the design of a well resourced mentorship model that responds to the development needs of learner contractors. The funding model of a mentorship programme must address the support requirements of a Contractor Development Programme, based on the target groups for such a programme.

4.5.11 Training and skills development models

The training and skills development model must be clearly articulated, with clear deliverables, timelines and delivery indicators. The funding requirements of the training component must be determined and confirmed by the potential funding bodies (if funded externally). The accreditation requirements for training should also be clearly spelt out so that the potential training providers could be identified in time.

4.5.12 Monitoring and evaluation

The client body has to develop a monitoring and evaluation system for the programme. The monitoring and evaluation system must also respond to the classroom and practical training outcomes. In addition, the implementing body must also develop the monitoring targets, timelines, and also monitoring templates to be used for the collection of key monitoring data on an ongoing basis.

CONCLUSION

The various public sector contractor development initiatives do offer valuable lessons for various public sector client bodies as well as industry associations and stakeholders.

Although this study has focused on public sector clients, this does not preclude good practices that industry, the established sector, associations and other stakeholders may be promoting. The cidb will continue drawing on these and other lessons so as to further inform NCDP guidelines and good practice.

Separate assessment and analysis as well as documenting and promotion of such good practices may follow so as to provide to clients and industry the tools to further draw on and enhance their respective programmes.

The challenges, based on review of the various current and past experiences and initiatives, provide lessons and good practice principles that should be considered by client bodies wishing to initiate or manage similar programmes. These would hopefully minimise duplication, mitigate risks and provide a platform of experiential learning so as to evolve such programmes to address and anticipate likely bottlenecks and challenges. If appropriately managed and planned for, this should result in the formulation and implementation of more successful programmes, provide the required outcomes and impact.

5. IMPACT INDICATORS FOR CONTRACTOR DEVELOPMENT PROGRAMMES

5.1 TYPES OF INDICATORS

There are several types of indicators, categorised according to the performance area being measured, how it is measured and when it is measured. The commonly used distinctions are input, process, output and outcome indicators. Input indicators measure the resources required to enable programmes, functions or processes to be performed, e.g. costs of providing infrastructure. Process indicators describe how well resources are utilised in converting inputs to outputs in the provision of services. Output indicators measure the quantum of the products or services produced after an intervention, and outcome indicators measure impacts, mainly through determining the extent to which overall goals and objectives are being met after the outputs have been completed.

The type of indicators used depend on a programmes objectives. In contractor delivery, a combination of the above types is essential if a holistic picture of the programmes' performance is to be obtained, and this is reflected in the choice of indicators in subsequent sections.

The previous chapters have identified key success factors for contractors development programme. They have also identified the need to align the objective of the programmes with the success factors to be used in its evaluation. The suggested impact indicators in Tables 3 and 4 below are thus presented under both headings; those aligned to the key success factors of the programmes and those looking at the objectives of the programmes.

Table 3: Impact indicators linked to the objectives of the programme

OBJECTIVE OF THE PROGRAMME	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS/RISKS
Development of business, financial management, technical and project management skills by the contractors	<ul style="list-style-type: none"> • Performance in executing projects • Qualitative opinion from the contractors 	<ul style="list-style-type: none"> • Assessment of contractors performance on recent projects • Review of contractor's progress in the cidb register of contractors • Surveys of selected contractors 	<ul style="list-style-type: none"> • Non-disclosure of poor performance on projects by contractors • Difficulty isolating the actual causes of contractors' development
Improvement in the financial performance of the contractor	<ul style="list-style-type: none"> • Performance in managing cashflows • The presence of up-to-date financial statements 	<ul style="list-style-type: none"> • Review of contractor financial statements 	Presumes that programmes have the legal basis to request such information
Facilitation of access to finance for contractors	<ul style="list-style-type: none"> • Successful completion of projects above their cidb grading 	<ul style="list-style-type: none"> • Assessment of contractors performance on recent projects 	Difficulty isolating and attributing contractor's success to membership in Contractor Development Programmes

Continuous performance improvement by contractors	Progression along cidb Grades during and after the programme (suggested duration after the programme is 3 years)	<ul style="list-style-type: none"> Review of contractor's progress in the cidb register of contractors 	Difficulty isolating and attributing contractor's success to membership in Contractor Development Programmes
	Continuous assessment and grading of the contractors' performance during the programme	<ul style="list-style-type: none"> Internal assessment of contractors 	
	<ul style="list-style-type: none"> The contractors opinion on the performance of the programme The programme management's opinion on the performance of the programme Stakeholder views on the performance of the programme 	Surveys of : <ul style="list-style-type: none"> The contractors The programme management Stakeholders 	Qualitative assessments subject to bias, perceptions
The performance of the programme in achieving its goals and objectives	Performance of the programme vis-a-vis targets set in business / annual plan	<ul style="list-style-type: none"> Regular reviews of the programmes against measurable objectives 	Objectives may change to become 'more achievable'
Improving access to work opportunities	<ul style="list-style-type: none"> Number of projects won by contractors during after exiting the programme Qualitative opinion from the contractors 	<ul style="list-style-type: none"> Review of contractor's progress in the cidb register of contractors Surveys of the contractors during and after exit 	Subject to low response rates and requires maintaining up-to-date records of past contractors

Table 4: Impact indicators linked to the key success factors of the programme

OBJECTIVE OF THE PROGRAMME	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS/RISKS
Political support and senior management support for the programme from the implementing organisation	<ul style="list-style-type: none"> Qualitative opinion from the programme's management Sufficient allocated budgets to the programme 	<ul style="list-style-type: none"> Surveys of the programme's management Review of programme budgets 	Surveys subject to bias, perceptions
Clearly defined objectives, goals and targets that the programme must achieve and commitment by the organisation to their achievement	<ul style="list-style-type: none"> Presence of a business plan that clearly states the objectives, goals and targets of the programme and how they are to be measured Evidence of assessment of the programme against its targets 	<ul style="list-style-type: none"> Review of the business plan for clearly stated objectives and targets and their measurable indicators 	<ul style="list-style-type: none"> Presence of objectives and targets in the business plan does not necessarily mean they are followed Objectives and targets may be inappropriate for the organisation and the selected contractors
The allocation of a defined and sufficient budget	<ul style="list-style-type: none"> Sufficient allocated budgets to the programme 	<ul style="list-style-type: none"> Surveys of the programme's management Review of programme budgets 	Surveys subject to bias, perceptions

The allocation of defined and sufficient management resources to drive the programme	<ul style="list-style-type: none"> • Sufficient allocated staff to the programme • Qualitative opinion from the programme's management • Qualitative opinion from the contractors 	<ul style="list-style-type: none"> • Surveys of the programme's management, contractors • Review of programme staffing against norms from other programmes, incubators 	<ul style="list-style-type: none"> • Surveys subject to bias, perceptions
Consistent monitoring and reporting of achievements	Presence of monitoring and evaluation plan for programme	<ul style="list-style-type: none"> • Available and updated monitoring and evaluation plan • Evidence of the monitoring and evaluation of the programme • Evidence of corrective action undertaken 	
Objective and transparent entry criteria and contractor selection and registration processes	Presence of an entry level selection process with relevant criteria	<ul style="list-style-type: none"> • Available entry level selection process with relevant criteria • Evidence of application of the process 	
Identification of individual training and mentoring needs for each contractor	<ul style="list-style-type: none"> • Presence of process that soon after entry assesses contractors and also structures a resulting individual training and skills development programme • Qualitative opinion from the contractors 	<ul style="list-style-type: none"> • Available assessment process and results • Evidence of the use of the results to tailor training and skills development for the contractors • Surveys of the programme's management, contractors 	The relevance and appropriateness of the assessment may be subjective

5.2 A PROPOSED MONITORING AND EVALUATION SYSTEM

Monitoring is the continuous process of examining the delivery of programme and its outputs to intended beneficiaries. It is carried out during the execution of a programme with the intention of immediately correcting any deviation from operational objectives. Evaluation, on the other hand, is carried out at a discrete point in time, and consists of an in-depth study. Evaluation is the systematic and objective assessment of an on-going or completed project, programme or policy, its design, implementation and results. The aim is to determine the relevance and fulfilment of objectives, development efficiency, effectiveness, impact and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learnt into the decision-making process of both recipients and donors.

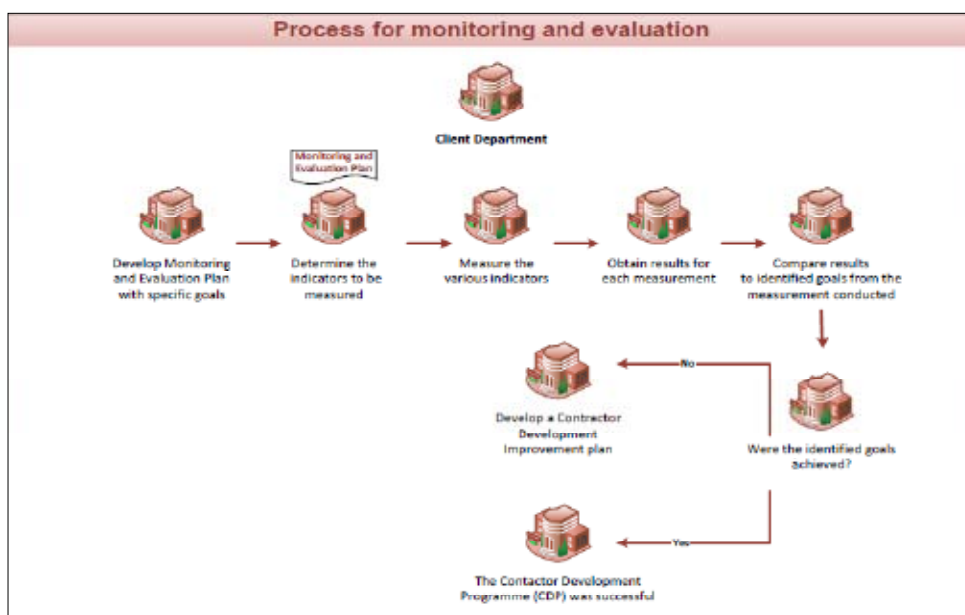
Programme monitoring and evaluation processes should allow the cidb and the Contractor Development Programmes to assess the support they are providing to contractors in terms of:

- Efficiency (costs, resources, time).
- Effectiveness (realisation of deliverables).
- Impact (benefit to contractors).
- Sustainability (viability of support provided, longer term impact).

5.2.1 Monitoring

A proposed monitoring and evaluation systems has already been proposed for the CDPs, and is illustrated in Fig. 11 below. This process is suitable for the monitoring and evaluation proposed in the rest of this section.

Figure 11: Proposed monitoring and evaluation process



Source: cidb (NCDP Guidelines)

The issues to be monitored are the impact indicators identified in the previous section. Monitoring of all those issues must be continuous, and progress reports issued preferably quarterly by the management of the programme. The level of detail in monitoring and reporting should be provided in the programmes' documentation and agreed upon between the stakeholders.

5.2.2 Evaluation

Evaluation of the programmes should take place at least annually and consider the following aspects:

- i. The relevance of the Contractor Development Programme given the changing needs in the country and the region of operation and changing project environments.
- ii. The perceptions of the programme beneficiaries on the direct effects of the programme in addressing their needs.
- iii. A review of how the programme is performing in relation to its overall objectives and the long-term goals of the sponsoring organisation.
- iv. The results of the monitoring.
- v. The impact of the programme - this should be carried out after the programme has been in operation for a few years.

5.2.3 The cidb's role

The cidb can most effectively play a role in the:

- i. Dissemination of good monitoring and evaluation practices to the programmes,
- ii. Provision of standard assessment instruments/templates for surveying the programme management, contractors and programme stakeholders,
- iii. Determining the programme stakeholders through a stakeholder management exercise,
- iv. Dissemination of the results of the programmes' evaluations to other programmes for comparative and learning purposes.



ANNEXURES:

1. CHECKLIST OF KEY SUCCESS FACTORS FOR CONTRACTOR DEVELOPMENT PROGRAMMES
2. BASELINE INFORMATION FOR REVIEWED CONTRACTOR DEVELOPMENT PROGRAMMES

ANNEXURE 1: CHECKLIST OF KEY SUCCESS FACTORS FOR CONTRACTOR DEVELOPMENT PROGRAMMES

Based on the findings of the study above, the table below presents a checklist of the key success factors that guide Contractor Development Programme success. The more items of the checklist that a programme ticks yes to, the more likely that the programme will be successful and achieve its objectives.

Table 5: Checklist of key success factors for Contractor Development Programmes

KEY SUCCESS FACTORS	YES	NO
1. The identification of a clear target group of contractors for development		
a) Has the programme clearly identified the type of contractors to be developed?		
b) Are the characteristics of the target group suitable to the objectives of the programme? (Where the aim is to develop contractors, they should have some background and evidence of entrepreneurial skills in the industry)		
c) Has the absorptive capacity of the programme - number of learner contractors who can adequately be developed given available resources - been specified?		
d) Is there a clear, transparent and merit-based method to select the appropriate number of contractors?		
e) Is there a marketing plan that aims to alert targeted contracting groups of the existence of the programme, its benefits and expected outcomes for contractors?		
f) Are there measures in place to identify and eliminate fronting?		
2. Guiding policy documents and strategies		
a) Is there a guiding policy document or business plan which is regularly reviewed by senior management from the sponsoring organisation and the programme management?		
b) Is there a clear rationale/business need for the programme?		
c) Is there a clearly stated objectives and a time-scale to achieve these objectives?		
d) Is there a monitoring process for contractors in the programme?		
e) Is there a monitoring and evaluation process for the programme?		
3. Political and administrative support from the sponsoring organisation		
a) Is there a clear budget and secured funding from the sponsoring organisation for the expected duration of an intake of contractors on the programme?		
b) Is there sufficient human resource to manage the programme?		
c) Is there a champion with experience in contractor development driving the programme?		
d) Are there measures in place to identify and seek support from the rest of the sponsoring organisation?		
e) Is the development of contractors part of a performance agreement with staff on the programme?		
4. Stakeholder support		
a) Is there creation of awareness amongst stakeholders, in particular, other provincial departments and municipalities?		
b) Is there clarity regarding the roles and responsibilities of all the stakeholders preferably through a well documented stakeholder management plan?		

KEY SUCCESS FACTORS	YES	NO
5. Contractor development interventions		
a) Is there identification of the critical issues facing the target group of contractors?		
b) Is there provision of holistic development addressing all the critical support issues to contractors?		
c) Are the interventions tailored to each individual contractor and responding to their individual needs?		
d) Are the interventions coordinated and provided when appropriate and needed?		
e) Is mentoring and coaching provided and in a consistent way?		
f) Is skills development and training provided and is there a clear link between formal training and other interventions?		
g) Is there a process to ensure suitably skilled trainers and mentors are used on the programme?		
h) Has the adequate ratio of trainers or mentors to contractors been identified and is it adhered to?		
i) Are there clear roles and responsibilities, scope of work and a chain of accountability for the mentors and trainers?		
6. Entry, progress and exit requirements		
a) Are there entry criteria for contractors on the programme suitable to its objectives?		
b) Do the entry criteria encourage contractors to take the initiative and seek support from the programme?		
c) Is there a process for measuring the progress of contractors through the programme?		
d) Are there clearly defined exit criteria and instances where these may be waived?		
7. Where construction projects or work opportunities are guaranteed for contractors?		
a) Are the legislative requirements governing the industry constitutional?		
b) Are the number of opportunities matched to the number of contractors on the programme?		
c) Are the projects/work opportunities aligned to training and mentorship interventions for specific contractors?		
d) Are they provided in a transparent and accountable manner?		
e) Are they provided in a manner that encourages the contractors to be competitive?		
f) Does the programme ensure appropriate payment turn-around times to the contractors?		
8. Where access to finance is part of the programme		
a) Are the targeted supporting financial institutions included in the formulation of the programme?		
b) Is there clear identification of the roles of the financial institutions and any services they agree to make to contractors on the programme?		
c) Are these roles and services clearly communicated to contractors before their entry into the programme?		
9. Formalisation of the contractors processes and procedures. Is the following mandatory?		
a) Registration of projects with the cidb's Register of Projects		
b) Registration of contractors with the cidb's Register of Contractors		
c) Registration of contractors with CIPRO and SARS for tax purposes		

ANNEXURE 2: BASELINE INFORMATION FOR REVIEWED CONTRACTOR DEVELOPMENT PROGRAMMES

Table 6a: Baseline information for reviewed Contractor Development Programmes

PROGRAMME AND SPONSOR	VUKUZAKHE Contractor Development Programme - KwaZulu-Natal DEPARTMENT OF TRANSPORT	THE SEDA CONSTRUCTION INCUBATOR (SCI) PROGRAMME - DTI AND SEDA
Programme Objectives	<ul style="list-style-type: none"> Developing a new pool of contracting capability from targeted groups Creating sustainable and self-sufficient contractors 	<ul style="list-style-type: none"> Develop emerging contractors Providing business technology incubation services for emerging contractors
Policy or Business plan?	Policy	Business Plan
Targeting strategy of the programme	HDI-owned contractors in cidb Grades 1 to 3	Registered existing contractors, cidb Grades 1 to 6
Entry requirements	<ul style="list-style-type: none"> Assessment of contractor competency cidb registration Grades 1 to 3 Registration in the Vukuzakhe Database Original Valid Tax Clearance Certificate Provincial Treasury Supplier Database registration 100% HDI ownership Registration for VAT with the SARS actively involved management 	<ul style="list-style-type: none"> Income Tax and company Registration; Company business plan Annual financial statements and management accounts Letter of motivation
Progression and Exit Criteria	<p>a. Progression criteria</p> <ul style="list-style-type: none"> improvement in cidb grading <p>b. Exit criteria</p> <ul style="list-style-type: none"> Failure to secure tender opportunities for a period of two years; contractor's written request cidb Grade 7 	<p>a. Progression criteria;</p> <ul style="list-style-type: none"> Improvement at least one level above their cidb entry point Alternative primary indicator e.g. gross income/turnover Exit criteria Three years
Institutional and Management Support	Minimal	Strong
Contractor development interventions		<ul style="list-style-type: none"> Office infrastructure, equipment Liaison Officer for the contractors Tendering support Project management support during construction phase Mentorship Training and skills development Access to finance and credit facilities
Monitoring and evaluation of the programme	Internal, no external M&E	<ul style="list-style-type: none"> Internal monitoring Performance assessment tool for contractors Reports to DTI through the SEDA Technology Programme using agreed performance indicators
Funding Model	<ul style="list-style-type: none"> Funded from the road construction and maintenance budget of the Department Funding not dedicated 	<ul style="list-style-type: none"> Fully funded by the DTI, through the SEDA Technology Programme Future plans for contractor contribution to costs

THE POLOKWANE LOCAL MUNICIPALITY Contractor Development Programme - POLOKWANE LOCAL MUNICIPALITY	SAKH'ABAKHI Contractor Development Programme - MPUMALANGA DEPARTMENT OF PUBLIC WORKS, ROADS & TRANSPORT PROGRAMME
Develop emerging contractors into fully-fledged labour-intensive contractors	<ul style="list-style-type: none"> Developing contractors from targeted groups (women, youth, people living with disabilities) Providing training opportunities available to small and emerging contractors Increasing the active participation of HDIs in construction
Policy	<ul style="list-style-type: none"> Management Plan but gaps in implementation Formal submission to provincial EXCO
<ul style="list-style-type: none"> HDI contractors operating in Polokwane Municipality Targets: <ul style="list-style-type: none"> HDI = 85%; Women = 50% Youth = 50% 	<ul style="list-style-type: none"> Targets: <ul style="list-style-type: none"> Women = 55%; Youth = 40%; People with Disabilities = 3%
Managers: <ul style="list-style-type: none"> Basic mathematics and English; minimum Grade 10 or RPL; Majority ownership of the company Assessment test Site Supervisors Basic mathematics and English; minimum Grade 12 or RPL Employment by the contractor Assessment test 	<ul style="list-style-type: none"> Registration with the cidb Registration with SARS for Value Added Tax (VAT), with CIPRO Registration on the Department of Public Works, Roads & Transport's supplier database; 100% HDI-owned contracting <ol style="list-style-type: none"> Active owner involvement No public sector/public entities employees
a. Progression criteria; <ul style="list-style-type: none"> 3 months classroom training, 9 months of trial/practical contracts No evaluation system of learners as they progress through the programme. Exit criteria None identified 	a. Progression criteria; <ul style="list-style-type: none"> Performance assessments every six months; Successful completion of theoretical training b. Exit criteria <ul style="list-style-type: none"> Successful Completion of practical training Absorption of exiting contractors into joint ventures, subcontracting
<ul style="list-style-type: none"> Prioritised payment cycles Allocation of projects - first contract value approximately R 1.0 million Stipends for learners Mentorship Technical Support from the Limpopo Department of Public Works Access to finance and credit facilities - facilitated by ABSA 	<ul style="list-style-type: none"> Allocated projects Access to finance and credit facilities - from ABSA, Standard, FNB , Tusk and MEGA Training and skills development
None identified	Internal monitoring using the following: <ul style="list-style-type: none"> Contractor performance Turnover over a period of 12 months Value of the biggest project completed Number of projects completed Ability of the contractor to source work elsewhere No external evaluation
Funded from the Municipal CAPEX allocation Sustainability not guaranteed	<ul style="list-style-type: none"> Allocation of projects from the Mpumalanga Department of Education (MDoE) No funding for the programme from the MDoE for 2008/09 and the 2009/10 Training and skills development initially to be funded by the DoL & CETA, now done by the MDPWR&T Sustainability not guaranteed

Table 6b: Baseline information for the reviewed Contractor Development Programmes

PROGRAMME AND SPONSOR	MASAKHE Contractor Development Programme - KWAZULU-NATAL DEPARTMENT OF PUBLIC WORKS	FREE STATE DEPARTMENT OF PUBLIC WORKS AND RURAL DEVELOPMENT PROGRAMME
Programme Objectives	<ul style="list-style-type: none"> Developing contractors from an entry level until Grade 6 	<ul style="list-style-type: none"> No confirmed programme objectives
Policy or Business plan?	Policy	None
Targeting strategy of the programme	<ul style="list-style-type: none"> KwaZulu-Natal contractors cidb Grades 1 to 5 Targets: <ul style="list-style-type: none"> Women = 40%, Youth = 5% Priority Population Groups = 35% 	<ul style="list-style-type: none"> No available current policy on targeted contractors
Entry requirements	<ul style="list-style-type: none"> Proof of registration with CIPRO cidb registration Tax clearance Entry interview 	<ul style="list-style-type: none"> Only Free State contractors cidb registration Grades 1 to 4 Priority is given to contractors owned by women, the youth and HDIs; CIPRO registration Tax registration and good standing Aptitude tests and interviews
Progression and Exit Criteria	<ul style="list-style-type: none"> a. Progression criteria <ul style="list-style-type: none"> No progression criteria b. Exit criteria <ul style="list-style-type: none"> cidb Grade 6 No limit on the number of years 	<ul style="list-style-type: none"> a. Progression criteria <ul style="list-style-type: none"> Successful completion of allocated projects - none allocated yet Upgrading contractor cidb Grades Completion of training b. Exit criteria <ul style="list-style-type: none"> Successful completion of allocated projects
Institutional and Management Support	<ul style="list-style-type: none"> Weak - limited project and budget support from sponsor and other govt departments No funding allocated for training and skills development 	<ul style="list-style-type: none"> Weak - most posts not yet filled
Contractor Development interventions	<ul style="list-style-type: none"> Mentorship Access to finance and credit facilities Training and skills development of contractors Allocation of projects from various provincial departments - no projects yet for contractors 	<ul style="list-style-type: none"> Mentorship - no mentors' appointed to date Assistance in tendering Quicker payment cycles Alignments of tender documents with the cidb Standard for Uniformity Waiving of guarantees and retention Allocation of training projects Access to finance and credit facilities
Monitoring and evaluation of the programme	No reporting and monitoring system	No performance or evaluation systems in place
Funding Model	<ul style="list-style-type: none"> Dependent on the availability of projects from the various provincial departments Limited allocated budget 	Inoperative - no projects, training for learner contractors

FREE STATE DEPARTMENT OF POLICE, ROADS AND TRANSPORT Contractor Development Programme	SIYANYUKA CONTRACTOR ENHANCEMENT PROGRAMME - WESTERN CAPE DEPARTMENT OF TRANSPORT AND PUBLIC WORKS
<ul style="list-style-type: none"> No confirmed programme objectives 	<ul style="list-style-type: none"> Developing 300 existing small and medium contractors into sustainability Addressing inequitable access to contracts and construction assets by HDIs Addressing lack of technical, managerial and contractual skills amongst Western Cape emerging contractors
<p>No strategic documents</p>	<p>Business plan and implementation strategy, EPWP policy</p>
<ul style="list-style-type: none"> Xhariep and Motheo Districts in Free State province Free State HDI, women and youth contractors 	<ul style="list-style-type: none"> Contractors in <i>cidb</i> Grade 3-7 No other restrictions
<ul style="list-style-type: none"> Area of operations - Free State Province; <i>cidb</i> Grade 1 to 4 Priority given to women, youth and HDI contractors CIPRO registration Tax clearance from SARS Aptitude tests and attend interviews 	<ul style="list-style-type: none"> <i>cidb</i> Grade 3-7 in any category HDI requirements Tax clearance from SARS Interview No public servants
<p>a. Progression criteria</p> <ul style="list-style-type: none"> Improved <i>cidb</i> grading <p>b. Exit criteria</p> <ul style="list-style-type: none"> Completion of practical training programme 	<p>a. Progression criteria</p> <ul style="list-style-type: none"> None contractors supposed to improve their <i>cidb</i> grade, project and business performance but not explicitly stated <p>b. Exit criteria</p> <ul style="list-style-type: none"> 3 years on the programme
<ul style="list-style-type: none"> Chief Engineer coordinates the programme, appointed professional consultants manage the programme 	<ul style="list-style-type: none"> Number of vacancies, no buy-in from other departments
<ul style="list-style-type: none"> Allocation of projects - no formal tendering process Revised tender documentation to comply with <i>cidb</i> standard for Uniformity Guarantees and sureties waived Plant and equipment for the programme - procured by consultants and billed to contractors Business management training and skills development 	<ul style="list-style-type: none"> Structured training and skills development - 12 months No identification of contractor development needs Mentorship Contractors placed on provincial, municipal SCM databases Access to financial services - not successful to date
<p>Monthly monitoring progress reports by the consultants</p>	<p>No monitoring and evaluation processes in place</p>
<ul style="list-style-type: none"> Department has allocated budget for projects Funding for the programme also provided by the department 	<ul style="list-style-type: none"> Solely funded by the department, ring-fenced but insufficient budget



Website: www.cidb.org.za

E-mail: cidb@cidb.org.za

Tel: +27 12 482 7200 or +27 86 100 cidb

Fax: +27 12 349 8986 or +27 86 681 9995

Anonymous Fraud line: 080 011 2432

Postal address: PO Box 2107, Brooklyn Square, 0075

Physical address: Blocks N&R, SABS Campus, 2 Dr. Lategan Rd, Groenkloof, Pretoria, South Africa