



EXECUTIVE SUMMARY

MinMec and Mintop of October 2009 took a resolution that the National Department host a conference that will solely focus on the emerging contractors within the residential property market. The aim of the conference is to; “support, create and reinforce an enabling environment for emerging contractors.”

Stratman of November 2009 further took a decision that all Provincial Departments should, in support and preparation for this event, host such a conference within the Province. Challenges, issues and recommendations that emanate from the Provincial Departments conferences will be consolidated to develop strategies and interventions to be tabled at the national conference.

All Provincial Departments have now hosted their Emerging Contractor Conferences. This exercise was done between 15 April 2010 and 28 May 2010. All Provincial Department used the concept document. The four key areas that looked at quality, institutional re-alignment, training and support as well as business management were discussed in detail with emerging contractors.

On average, each Provincial Department invited 100 – 150 contractors and contractors associations to the conference. Therefore, the outcomes cover the broad perspective of contractors nationally.

Flowing from the Provincial Conferences, the Department has consolidated all the inputs from provinces into one document that illustrate recommendations from each of the four key areas.

In summary, the key recommendations focus on the following areas:

1. Incubator and Mentorship Programme

- i. National Department needs to develop a policy on incubator and mentorship programme
- ii. Preferential Tendering to the mentored group
- iii. Build one database with other Government Departments and institutions that has emerging contractors programmes such as Construction Industry Development Board (CIDB), National Department of Public Works (NDPW), Provincial Department of Public Works (PDPW), South African Federation of Civil Engineering Contractors (SAFSEC), Independent Development Trust (IDT), Small Enterprise Development Agency (SEDA), National Urban Reconstruction and Housing Agency (NURCHA) and National Home Builders Registration Council (NHBRC)
- iv. The database needs to be aligned with training
- v. Training to be co-ordinated and driven by CETA

2. Quality

- i. The need for an aligned grading system between NHBRC and CIDB focusing on home building contractors
- ii. Standardised inspection model to be utilised by all inspectors in the home building industry
- iii. Consideration for NHBRC to provide inspectors at all spheres of government institutions in the Home Building Industry
- iv. National Department to intervene in the downgrading process of contractors by CIDB
- v. Specifications of materials and pricing in accordance to the geographic specifications as well as aligning the material prices to the subsidy quantum

Finance and Other issues to be Included: Business Model

- i. Nurcha to amend the criteria it is utilising for the provision of loans to emerging contractors
- ii. National Department to approach other financiers to align their programmes to meet the needs of emerging contractors such as Khula, SEDA, IDC and DBSA
- iii. Tendering - consensus as to which method is used at tender stage, i.e. CIDB - which is graded by turn-over or NHBRC - number of units built.
- iv. Employment of Local labour
- v. Commitments by all stakeholders i.e. Government and sector stakeholders

The Department has started developing the incubator and mentorship model with other key stakeholders. In addition, a document on the alignment of the NHBRC and CIDB grading system has already started.

The proposed theme of the conferences agreed to and accepted by all the stakeholders is **“Making the Human Settlements Delivery System Work together with Emerging Contractors”**.

It is envisaged that each province will have a delegation of between 30 and 40 participants at the national conference. This translates to a total of 350 – 400 delegates. It is proposed that the conference takes place in Gauteng.



EMERGING CONTRACTORS CONCEPT PAPER 2010

“MAKING THE DELIVERY SYSTEM WORK FOR EMERGING CONTRACTORS”

EMERGING CONTRACTORS CONCEPT PAPER

TABLE OF CONTENT

TOPIC	PAGE
Purpose	2
Introduction	2
Background	3
The State of the Institutional Support	9
Broad Objectives of the Conference	12
Possible Outcomes	12
Programme	14
Communication	16
Conclusion	17

EMERGING CONTRACTORS CONCEPT PAPER

1. PURPOSE

The purpose of this paper is to give guidance on the conference that the Department intends hosting in support of creating and reinforcing an enabling environment for emerging contractors. This will be achieved through a creation of a platform whereby the Department will be in a position to open dialogue with the sector forums responsible for emerging contractors through a conference.

Amongst others, the conference will be able to establish the extent to which the Government's initiatives towards emerging contractors since 2000 have been able to achieve.

2. INTRODUCTION

The publishing of the white paper on "creating an enabling environment for reconstruction, growth and development in the construction industry" on 21st May 1999 has put the process of redressing the skewed business ownership patterns prevalent in all construction sub-sectors on top of the government agenda. The white paper's point of departure is that the elimination of disparities in income and business ownership within the construction industry cannot be left to the market forces alone.

The Department of Public Works defines an emerging contractor as an enterprise owned, managed and controlled by previously disadvantaged individuals, and which is still overcoming business impediments arising from the legacy of apartheid.

The construction industry determines the size of an establishment by the total number of employees, value of fixed assets, paid up capital, annual turnover and annual volume of physical production. In terms of this definition an emerging contractor employs between 1-50 employees. Census information pertaining to size of various emerging contractors in the industry is presently not available.

Since there are a number of definitions coming from different stakeholders, over and above the Department of Public Works definition, all the emerging contractors definition will be debated at the conference. The purpose of the debate would be to come up with one common definition agreed upon by all stakeholders. This would include the definitions from academic institutions, CIDBs definition, Nurcha's definition' NHBRC's definition, NHFC 's definition and DTI's definition amongst others.

3. BACKGROUND

Emerging contractors play a significant role in the housing delivery processes and are the main employers of the local semi-skilled and unskilled labour. The study conducted by the Chief Directorate: Housing Sector Performance found that 80 percent of the total developers interviewed, used emerging contractors as sub-contractors in the delivery of top structures.

In most of these projects, emerging contractors participate in labour only contracts. Developers provide the capital and building materials. These contractors are mainly skilled in bricklaying (33%), flooring and plastering (18%), plumbing (23%) roofing and carpentry (26%). The emerging contractors are the main providers of employment for local residents. They employ general labour and semi-skilled labour force. Women are employed in administrative, cleaning and bedding jobs although there has been a significant increase in women contractors in the government's low cost housing programme.

Further, the study conducted has identified and confirmed the following eight basic constraints to growth in the small business sector:-

3.1. Sub standard education and training

The major constraint faced by emerging contractors is the lack of education and training. The level of formal education of emerging contractors is very low, and is bordering on illiteracy for the greater majority. According to a Black Construction

Industry report, the levels of formal education of emerging contractors is low, according to the study of this report only 13% of the sample have matriculated. Most of the sample (53%) has a level of education between standards 6 and 9. One third have a level of education that is less than standard 5. Similarly, the levels of training are low with 36% having no qualification apart from on-the-job training, 32% have trade certificates and 15% have other qualifications. Of the 15% only 1% have a Management Diploma or University Degree. Government in its quest to address skills shortage has through Skills Development Act established Sector Education and Training Authorities (SETA's), which created an opportunity for all stakeholders including emerging contractors for a more effective and efficient construction sector. Better education and training opportunities for learners within the construction industry, in so far as accessibility, affordability, mobility, standards, career paths, national and sector skills strategy will result. These statistics are indicative of the magnitude of the problem.

This problem manifests itself in an inability of emerging contractors to do costing and well structured tendering. The emerging contractors are therefore unable to tender for housing projects or to initiate projects on their own due to the lengthy technical procedures followed in a project life cycle. Documentation and tender processes are still a problem to most emerging contractors. They are mainly dependent on the developers to initiate housing projects.

Developers in many instances are established companies such as Grinaker, Group Five, etc and Local Authorities. Contracts offered by these established companies to emerging contractors do not provide for the transfer of skills to emerging contractors.

3.2. Access to Finance

Emerging contractors have an uphill battle in financing their projects. The housing subsidy is only paid out to the builder on a reimbursement basis. Contractors have to use their capital to purchase material and build the top structures before they access the subsidy. Therefore, they should have a working capital to fund the projects.

Financial institutions are reluctant to bankroll their ventures, as they cannot offer any form of security for loans. Presently, it is only the National Urban Reconstruction and Housing Agency (NURCHA) that is providing support in the form of bridging finance for emerging contractors, although most emerging contractors are unable to meet Nurcha's criteria for approving loan guarantee applications.

To qualify for the loan guarantee, the client must be creditworthy and should not be blacklisted by the credit bureau, provide 30 percent collateral, provide recent financial statements, provide a statement of assets and liabilities, Banking account and the VAT number.

Due to the lack of capital, emerging contractors do not have bargaining power to negotiate good deals with the suppliers of building materials. In most cases they rely on credit facilities provided by willing suppliers and end up paying higher prices for the materials.

3.3. Factors causing delayed payment

A study that was conducted by the Department of Housing in 2006 showed that there is indeed a problem regarding delays in the payment of contractors. The problems can be mainly attributed to the sometimes unwieldy nature of the payment process; unnecessary bureaucracy in the processing of claims; lack of capacity at municipal and provincial level (in particular to do site inspection); over-centralisation of all processes that affect payment; burdening the payment system with two objective that could be pursued separately (i.e. facilitating speedy delivery of housing stock and ensuring efficiency in the allocation of houses).

There is also a set of secondary contributing factors to the delay such as the lack of clarity on the part of contractors on the steps, procedures and requirements for payment. Furthermore, contracts are also not clear on allocation of responsibilities,

and fall behind international best practice when rewarding performance and providing incentives to contractors.

The problem of delays is complicated by the number of players in the process. In some instances, there are implementing agents, municipalities and provincial housing departments all having some role to play in the processing of contractor claims. Any delay by any of these organisations result in an overall delay in the payment process.

A long list of causes was identified by the study, which shows that interventions are necessary at all levels including provincial, municipal and contractor levels e.g. non compliance on the contractors side.

3.4. Financial Managerial Skills

Emerging contractors lack financial management skills. A greater percentage of emerging contractors **cannot perform cash flow projections**. Work stoppages are encountered due to lack of financial planning. A number of projects are characterised by shortage of materials, contractors not observing time frames set for completing tasks, contractors not fulfilling contracts with the labourers, disputes between contractors and labourers over the agreed wage, and the delays in payment of labour due to cash flow problems.

3.5. Restriction to Movement on Labour.

The emerging contractor experience problems in getting employment in other residential areas. **Most communities insist on employing only local residents in new housing projects to the exclusion of non-residents.** This has an effect of restricting movement of labour from one locality to another and the development of emerging contractors. In many instances, emerging contractors are forced to wait for new projects to be initiated in areas in which they reside before they can get new jobs. This practice makes it difficult to sustain any job creation exercise flowing out of the low cost housing programme.

3.6. Construction skills Gap in emerging contractor

The skills listed underneath represent the skills gap that needs to be addressed which was generated based on research and experience gained in the field by various stakeholders which includes University of Pretoria, Construction SETA , National Black Contractors & Allied Trades Forum(NABCAT) and Black Construction Council.

3.6.1. Site activity and material management.

- The planning and organising of a building site;
- The management of productivity, plant and equipment, capital and other resources.
- SABS standards and NHBRC regulations.
- Ordering of and arranging timeous delivery of material, etc.
 - Planning techniques and programming scheduling.
 - Plant procurement and maintenance.
 - Finance and administration.
 - Entrepreneurship development.
 - Strategic Management, e.g. formulation of short and long term objectives for the enterprise and the implementation of strategic plans.
 - Project Costing Techniques
 - Quality management

3.7. Additional Constraints

SMMEs which are owned, managed and controlled by previously disadvantaged individuals face in addition to the above, factors such as marketing ability and limited exposure to commercial activities.

4. THE STATE OF THE INSTITUTIONAL SUPPORT

Following the study that was conducted in 2000, the Department has undertaken the following initiatives:

4.1. Policy Support

The Department has proposed and approved to increase access to housing projects for emerging contractors, one of the department's expenditure priorities is to target **at least 25% of the provincial budget allocation** for women and youth contractors most of whom are emerging contractors. The challenge facing the department is to ensure that emerging contractors are aware of government policies intended to benefit their operations.

4.2 Legislative Support

The Housing Consumer's Protection Measures Act made it compulsory for contractors to **register with National Home Builders Registration Council (NHBRC)**. This measure is aimed at improving the low cost housing building quality standards through technical support from NHBRC. Most emerging contractors view the process of registration with NHBRC as another constraint. Therefore, the department is looking at ways of raising awareness on the benefits of regulating the home building industry.

4.3 Access to finance

Access to finance is one of the major factors that impede negatively on emerging contractors growth and progress to become well established. The conventional lenders (e.g. Banks) still apply rigid lending requirements and some regard the emerging market as being too risky to get involved in terms of finance.

To address the above problems, in particular the risk factor, the government has through the Departments and the Department of Trade and Industry established Nurcha

and NHFC to create amongst others an enabling environment for the facilitation of access to finance for the emerging business. Khula Enterprise established through Department of Trade and Industry is actively involved in facilitating access to finance for the emerging business.

However, according to the Black Economic Empowerment Commission's report (2000) access to finance by the emerging business still leaves a lot to be desired. Some of the problems experienced have been attributed **to the low impact of the financial sector support to the emerging businesses**. The access to finance is further limited by the fact that majority of financial institutions are located in Gauteng.

4.4 Capacity Building Initiatives

A number of Provincial Housing Departments had identified capacity building programmes that are intended to support the emerging contractors and women contractors. In this regard, the following programmes were planned:

- Training of emerging contractors in financial management to be provided by the Eastern Cape Department of Housing, Local Government and Traditional Affairs;
- Management and construction skills training, Financial Management, Tendering and contractual documentation to be provided by the Mpumalanga Department of Housing and Land Administration;
- Mentoring and coaching programme for Women in construction to be provided by the Free State Department of Local government and Housing;
- Other provincial housing departments are also planning emerging contractor support programmes.

4.5 Internships / Scholarships

The capacity support programme is also aimed at providing opportunities for construction students. The Business South Africa has offered support to coordinate placement at Technikons and Universities. An initiative by the Department to assist construction students at the tertiary institutions has been started. A Housing Scholarship

for students doing construction related field of study would start with the first batch of 20 students in 2003. CETA and the Department are each funding a group of 10 students. The involvement of students in housing projects will have the following mutual benefits.

- With respect to the contractors the interns will provide quality control, technical guidance, project management and other forms of support that the contractors may require.
- With respect to the interns the process will provide them with practical knowledge and experience that will contribute towards their qualifications.

4.1.6. Other Institutions

Further to the above, the following institutions also provide some form of assistance, the assistance they offer needs to be consolidated with the rest :

- Master Builders Association
- CETA through Department of Labour, Department of Education
- Further Education Training – Skill Gap Audit
- Gauteng Empowerment Programme

5. BROAD OBJECTIVES OF THE CONFERENCE

The conference intends to address the following objectives:

- Reaffirm & Clarify the role of Emerging Contractors
- Establish shared understanding
 - Development support/ needs v/s Contractual obligations
 - Service delivery imperatives:
 - quality/ speed/ cost efficiency/ asset creation/ war on poverty
- Job creation imperative
- Address concerns in the sector
 - Quality failures/ malpractices/
 - delays in payments/ procurement
 - Cost of bridging finance

- Confirm available support and opportunities i.e. Establish the extent of achievements made by the Department through its initiatives since 2000

6. POSSIBLE OUTCOMES FROM THE CONFERENCE

Some of the possible solutions envisioned by the Department that the conference may agree towards, between the Department and emerging contractors sector forums are as follows:

6.1 Strengthened business management processes through the following:

1. Develop tendering, contract management including percentage calculations for sub-contractors and available financial support guidelines
2. Develop standardised payment process contract
3. Procurement processes guidelines developed
4. Development of a Charter of rights.

6.2 Institutional Re-alignment through the following:

1. Develop and Implementing the monitoring strategy for rotational allocation of work system
2. Identification of Provincial Programmes to achieve the 25% allocation to emerging contractors target, to be included as a clause in the call for proposals
3. Centralization of contractor support information – accessible through Contractor Contact Centres of MPCCC
4. Set standard for employment of local labour on projects and
5. Sub contracting clause

6.3 Addressing Quality Management

1. Controlled variation policy procedures – amendment to current policy.
2. Booklet / publication to distribute to contractors on variation policy
3. All contractors to be registered with NHBRC irrespective of location or area of operation.
4. Emerging contractors to complete training with NHBRC before awarded contracts.

5. Adequate distribution of resources to various project sites.
6. Standardised inspections between Municipalities and NHBRC (Inspector Training).

6.4 Training and Support Initiatives

1. Development of Incubator Programme Model
2. Development of Mentorship Programme
3. Structured communication process on training available for emerging contractors

7. PROPOSED PROGRAMME

It is envisaged that the programme will have three processes that will run for a period of two days.

7.1 First Process

This will be the first session that will comprise of the Ministers address and followed by key presentations such as:

- Chairperson to indicate the question of the definition of an emerging contractor – present different definitions from institutions
- Overview of subsidy sector - Possibly a person from UCT or Wits University – one person (focus area)
- Trends & Experiences of Emerging contractors (general and specific cases) – Possibly associations such as SAFSEC, NABCAT, KHUTHAZA, SAWIC and Nabcats, MBA, – one person from contractors side
- Role players in the (Emerging) Contractor Sector (consolidated input) – two people, Provincial Perspective and contractors perspective
- A Departmental person that is to give direction in terms of the working streams – DG

7.2. Second Process

Four work streams that will strive to arrive at the outcomes as stated above which are:-

7.2.1. Business Management

- Financial Management
 - Tendering
 - Contract Management
 - Access to Finance (project delivery Loan)
- Risk management
 - Payment processing
- Procurement Processes
- Charter of Rights

7.2.2. Institutional Re-alignment

- Transparent and equitable distribution of work/ contracts
 - Up-rooting corruption
- At least 25% of the provincial budget allocation be driven by women and youth (what are the mechanism that needs to be put in place to ensure that the 25% is achieved)
- Government programmes aligned
- Employment practices (percentage of employing local labour)

7.2.3. Quality Management

- Publicize variation policy
- Sub contractors to be registered with NHBRC
- Monitoring malpractice and quality failures

7.2.4. Training & Support

- Mentorship Programme (SEDA Programme)
- Contractor Development Programme from NHBRC
- Incubator Programme
- Sub contracting clause

7.3. Third Process

The work streams will reconvene to make presentations that will elaborate on and commit the Department on the

- Suggested Achievable Recommendations/ Actions
- Establishment of Ministerial Contractors Forum:
 - Monitoring
 - Ongoing Platform
 - Feedback/ consultations
 - Good practice dissemination

8. COMMUNICATION STRATEGY

8.1. Exhibitors

- disseminate information & resources (SARS/ NHBRC/ NURCHA/ CIDB/ CETA/ NHFC)
- Materials & solution suppliers
- View on private sector sponsors

8.2. Marketing

Vigorous marketing strategy would need to be utilised to ensure that all relevant stakeholders are attracted. The stakeholders would include emerging contractors associations, individual emerging contractors and aspiring contractors as well as other relevant organisations and institutions.

8.3. The Event

The National Event is proposed to take place in Gauteng around May 2010.

9. CONCLUSION

The conference will be able to give the Department a perspective from different sector forums of emerging contractors and how the Department, together with other Government Departments, on how to improve the support environment for emerging contractors.



EMERGING CONTRACTORS PROVINCIAL CONFERENCES

RECOMMENDATIONS FROM PROVINCIAL DEPARTMENTS

WORKSTREAM 1: BUSINESS MANAGEMENT

2. TENDERING

- 1.1 There need to be information sessions on a quarterly basis for emerging contractors so as to improve prospective applicants' understanding of industry specific requirements when considering tendering for contracts with regards to both government and private sectors in accordance with the geographical spread of the area.
- 1.2 Specific officials allocated for information sessions to assist further on a daily basis with required information such as check list for submission on tendering by contractors.
- 1.3 Documentation for emerging contractors be simplified taking into account that some are illiterate i.e. reader friendly documents.
- 1.4 The time it takes to advertise, approve the tender and award a tender should be considered since it affects the material prices that escalates in line with the inflation rate.
- 1.5 Prices should be considered in terms of the geographical aspects of provinces; the tender amount needs to be reflected in the tender documents.
- 1.6 The Department should utilize freely available information centers for tender advertisements such as local municipalities and local media mediums to ensure that relevant tender information is publicized.
- 1.7 Department should provide feedback on advertised tenders
- 1.8 To ensure work for all, tenders should be unbundled

3. CONTRACTS MANAGEMENT

- 4.4 The Department should propose to the CIDB to develop a distinguished standard grading system for the Joint Ventures, taking to consideration the differences in the current grades of contractors consenting to the Joint Venture entity.
- 4.5 Registered emerging contractors should be awarded projects direct
- 4.6 The sub-contractors should sign the agreement with the employer, CIDB provides a standardized contract.

- 4.7 Sub-contracting needs to be regularized by the Department working closely with the Department of Labour
- 4.8 The relationship between sub-contractors, main contractor and labours needs to be clearly defined

4. ACCESS TO FINANCE

- 4.4 Department should formalize its relationships with relevant stakeholders / financial institutions such as banks, parastatals, other government departments who would then assist contractors financially as well as provide or give consideration of alternative finance options/structures and requirements thereof
- 4.5 Request the Department to **revise NURCHA's mandate** i.e. NURCHA should categories loans that can assist emerging contractors with finance starting from a minimum of R10 000-00.
- 4.6 KHULA should finance individuals direct.
- 4.7 Planning is vital for emerging contractors to acquire finance i.e. seek quotations from suppliers timeously in order to deal with frustrations that may arise.

4. PAYMENT PROCESSING

- 4.4 Sub-contractors are finding it hard to get their money from the main-contractors because in most cases deals and agreement are only done verbally therefore, there has to be an agreement between the main-contractor and the sub-contractor (written agreement) in terms of payments.
- 4.5 Human Settlement need to regulate the payment between the contractors and sub-contractors.
- 4.6 Standardized payment process that is linked to the standardized inspection process established and utilized everywhere to avoid delay of payments.
- 4.7 The Department needs to improve communication on non-payment and other issues to avoid unnecessary problems.
- 4.8 Government should be liable for late payment interests in terms of failing to pay the emerging contractors on time.
- 4.9 Educate Municipalities in the process of claims i.e. compiling & submitting claims.
- 4.10 Emerging contractors should be paid direct into their banking accounts not through the main contractor
- 4.11 Inspectors to do their job on time as it affects payments



WORKSTREAM 2: INSTITUTIONAL REALIGNMENT

1. DEFINITION OF AN EMERGING CONTRACTOR

- 4.4 NHBRC registered
- 4.5 CIDB registered under level 1 – 3
- 4.6 Able to build at least five subsidy houses, recognized by NHBRC grading system
- 4.7 Have all the qualities of building and the relevant experience to be able to take such
- 4.8 Incubator and mentorship programme for a period of 2 – 3 years
- 4.9 CIDB Grades 1 -2, which are NHBRC Grade S 5 to be entered under an incubator programme and allowed to build at least five subsidy houses and be incubated by the CIDB G 3, NHBRC G S/P 25
- 4.10 CIDB Grades 3, NHBRC Grade S/P 25 be entered into a mentorship programme to build at least 25 houses and at the same time incubates the above and be mentored by a CIDB grade 4, NHBRC G S/P 50+
- 4.11 CIDB downgrades contractors who have a vast level of experience from grade 5 or 6 to grade 1 , the Department of Human Settlement need to assist in ensuring that contactors are to be measured based on their experience not their bank balance as it is done by CIDB, hence there is 4000 in grade 1 CIDB and only 8 in grade 9 for Free State
- 4.12 NHBRC downgrades given the complaints received from consumers and beneficiaries

2. TRANSPARENT AND EQUITABLE DISTRIBUTION OF WORK /CONTRACTS

- 4.4 Rotational allocation of work should be considered in accordance to regions or districts.
- 4.5 To ensure work for all, tenders should be unbundled
- 4.6 NHBRC/CIDB to register emerging contractors as a new category which should be a prerequisite for the appointment of emerging contractors in any grant funded projects including PHP
- 4.7 CIDB, NHBRC, CETA, IDT and the Department of Human Settlement need to have a common database specifically for emerging contractors

- 4.8 The Database should be renewed on an annual basis, meaning that it needs to be ring fenced
- 4.9 The database for emerging contractors needs to have an entrance and exit stage
- 4.10 A system should be developed that would ensure that those that have received work, training, mentorship and incubator opportunities are ticked out to give others an opportunity
- 4.11 The database needs to be categorized in accordance to the areas or districts
- 4.12 Contractors in that area needs to be given an opportunity first when a tender is advertised in that area before considering contractors in other areas, however, the Department needs to firstly ensure that there is no suitable contractor in that area.
- 4.13 Contractors appointed in an area outside their district must employ local labour for skills transfer and job creation
- 4.14 There is a need for a **national policy framework** on mentorship and incubator programme within which everyone works that would feed down to province and municipalities as matter of policy. It must identify emerging contractor's that are to be incubated vs mentors and labourers, Proposed guidelines for framework:
- Look at what is available locally and design process to allow use of whatever is there
 - Build a database.
 - Use CIDB grading as e.g.: the higher your grading, the less work, and the more mentoring and managing you do.
 - If in smaller areas with low capacity, must appoint project manager who can coordinate. Must find best fit and address capacity lack.
 - All this must be addressed in the framework to create a national unified approach.
 - transfer of skills must be built in and happen during the contract
 - All contractors need to be given an opportunity to participate in the incubator and mentorship programme

3. AT LEAST A % OF THE BUDGET ALLOCATION BE DRIVEN BY EMERGING CONTRACTORS AND ALIGNMENT OF GOVERNMENT PROGRAMMES

- 4.4 To ensure success of the incubator and mentorship programme, the Department needs to allocate a budget specifically for emerging contractors to be utilized using the incubator and mentorship programme.
- 4.5 Establishment of a construction forum should be considered, the forum must discuss issues with the department in order to build a good relationship, further, Department of Human Settlement to work closely with CIDB to ensure the sustainability of the forums
- 4.6 Ensure proper financial & technical support to support emerging contractors organizations.
- 4.7 NHBRC, CIDB, IDT, CETA, SAFSEC, DOL, DTI, DPW, Transport , Health etc programmes, database and websites needs to be aligned
- 4.8 The issue of downgrading by CIDB needs to be taken upon by the Department with CIDB

4.9 Expansion of “public/private” partnerships to leverage one another’s expertise / offerings – being able to refer clients to other role players if you don’t have a specific vehicle/offering to suite client’s need at that time such as

4.9.1 SAFCEC

- Facilitates a company to company mentoring programme
 - In accordance with BBBEE charter scorecard
 - It adopts a quality approach as opposed to focusing on quantity, i.e. CIDB grading
 - Aim to monitor growth and address weaknesses of the emerging contractor
 - There must be an enterprise development champion in the mentoring company

4.9.2 NHBRC

- Oversees the registration and regulation of home builders only
- All homebuilders must register
- Grading process in accordance with capacity of builders
- Training provided for registered homebuilders only
- Developing a system to integrate its operations with CIDB in relation to registration, grading, fees etc.

3.6.3 CETA

- Three sectors for training:
 - Construction
 - Materials manufacturing
 - Built environment professional
- It operates within a legislative framework
- Trainers must be accredited by CETA
- Learnership structure
- Department of Transport and Public Works
- Works together with the CETA, CIDB to provide training on the expanded public works programme
- Siyenyuka Contractor Development Programme
- Supplier Enhancement Programme
- Women in Construction
- Regional and provincial forums meetings
- Development of a skills plan for women in construction

WORKSTREAM 3: QUALITY MANAGEMENT

1. Emerging Contractors to be registered with NHBRC

- 1.1 The NHBRC registration and renewal process should be considered as emerging contractor's battle to get jobs , therefore NHBRC should extend the registration period to three years like CIDB.
- 1.2 There should be satellite office in all districts(CIDB,NHBRC)
- 1.3 No renewal for Emerging Contractors without jobs by NHBRC, they need to be given a grace period of at least 3 years and 5 years for grade 1 CIDB registered builders before deregistration
- 1.4 Builders to be tested in their language(NHBRC)
- 1.5 No ITC checks to be done on emerging contractors
- 1.6 The NHBRC turn around time of results in terms of oral tests and issuing of certificate by NHBRC should be shortened.
- 1.7 NHBRC should provide emerging contractors with the acknowledgement letter while waiting for certificates
- 1.8 NHBRC to increase number of inspectors on site
- 1.9 Have standardize training for inspectors(HS)
- 1.10 Inspection to be centralized (H S)
- 1.11 NHBRC project registration should be included in the Bill of Quantities.
- 1.12 The budget for occupational health and safety in terms of compensation should be in place.
- 1.13 Tender document to include safety package to a particular project
- 1.14 Training on Safety plan for contractors
- 1.15 HS to liaise with Dept of Labour on issues of safety on site
- 1.16 All contractors should be registered with the NHBRC irrespective of location or area of operation.
- 1.17 Emerging contractors should complete training with the NHBRC before being awarded contracts.
- 1.18 Compliance and regulatory requirements for operating in the construction industry –e.g. registration with NHBRC, CIDB, tax clearances, bank account requirements, SARS etc. should be known to all the emerging contractors.
- 1.19 The issue of downgrading by CIDB needs to be taken upon by the Department with CIDB

1. Monitoring malpractice and quality failures / Inspection Model

- 1.163 Specifications on building materials are very important to ensure quality materials, therefore, specifications should be clarified, only SABS approved material to be used
- 1.164 Builders to be paid on time to avoid buying of cheap material
- 1.165 Human Settlement to allocate 30% or 40% budget for emerging
- 1.166 Contractors must always avail themselves at site in order to monitor their labourers.
- 1.167 Standardized payment process that is linked to the standardized inspection process established and utilized regardless of location or area of
- 1.168 The Department, NHBRC and Municipal inspectors should be on-site at all times.
- 1.169 Ensure proper layout & construction plans to facilitate efficient inspections process.
- 1.170 Put in place systems that provide control over both the skills level of labour as well as quality of material on projects
- 1.171 Accreditation and a built up database of all skilled labourers be made a prerequisite to ensure skills are retained within the sector per region
- 1.172 Emerging Contractors need to self empower themselves and be professional about their work.

WORKSTREAM 4: TRAINING AND SUPPORT

1. Incubator & Mentorship Programme

- 1.1 The Department should develop an incubator and mentorship programme.
- 1.2 Training of emerging contractors should result in the creation of jobs as well as to link them in the incubator programme.
- 4.4 Ensure a threshold of projects are targeted for emerging contractors so that training initiatives can be offered linking these to practical skills

3. Emerging Contractor Development Training and Support

- 4.4 Department of Labour to render more training on safety measures to assist in avoiding unnecessary incidents, training such as Occupational Health and Safety (OHS)
- 4.5 Assistance on security measures is needed to ensure Contractors' Safety.
- 4.6 The Department should conduct training in regions or district in terms of database
- 4.7 Companies that were trained should be awarded tenders where they reside.

- 4.8 Re alignment of institution's that provide training. (Contractors get training from NHBRC, Public Works, CETA, CIDB. EPWPetc), various role players, financial institutions and others can provide facilities and centres for training and development on a continuous basis.
- 4.9 Government to appoint SETA accredited companies to render necessary training in advancing the enterprise and skills development of emerging contractors
- 4.10 Human settlements to adopt EPWP methodology of 3 years mentorship and allocation for district emerging contractors for development purposes
- 4.11 Incubator programme to be 6 months based to allow the emerging contractor develop and their capacity built
- 4.12 NHBRC to have continuous training in partnership with government on allocated emerging contractors to sharpen their needy skills development
- 4.13 District training for emerging contractors is to be implemented for quality and decent human settlements
- 4.14 NHBRC and the Dept to have a database of trained individuals on construction including learner ship for continuity job creations and avoidance of cheap unskilled labour in order to deploy quality product on behalf of government and themselves.
- 4.15 Training and development to be made at a large scale including rural emerging contractors.
- 4.16 Engineers to continue on advisory role on expectation and quality assurance in partnership with emerging contractors through departmental Cubans expertise.

WORK STREAM 3: QUALITY MANAGEMENT

Broad Outcome: Address concerns in the sector such as quality failures and malpractices

Work Stream 3: Quality Management	Challenges	Initiative by Government / Institutions	Possible outcome	Responsible
NHBRC project registration to be included in the "Bill of Quantities"	Project registration with NHBRC		Provincial Departments projects registered with NHBRC	National DHS
Sub contractors to be registered with NHBRC	Non-compliance of emerging contractors affects the quality of products.		All contractors to be registered with NHBRC irrespective of location or area of operation. Emerging contractors to complete training with NHBRC before	All Stakeholders

			awarded contracts. First qualification to be offered by NHBRC	
Monitoring malpractice and quality failures	Lack of visibility of inspectors, project managers and key personnel On-site	NHBRC inspector training	Adequate distribution of resources to various project sites. Standardised inspections between Municipalities and NHBRC (Inspector Training).	National DHS Provinces Municipalities NHBRC (and CETA)

<ul style="list-style-type: none"> • Access to Finance (project delivery Loan) 	<p>Access to venture capital loans Methods to raise sureties</p>			
<p>Risk management</p> <ul style="list-style-type: none"> • Payment processing 	<p>Adhering to payment cycle by both the service provider and employer.</p>		<p>Develop standardised payment process contract</p>	<p>All Stakeholders</p>
<p>Procurement Processes</p>	<p>Aligning ordering to capacity Ordering of and arranging timeous delivery of material, etc.</p> <p>Planning techniques and programming scheduling. Plant procurement and maintenance</p>		<p>Procurement process guidelines developed</p>	<p>All Stakeholders</p>
<p>Charter of Rights (Content)</p>	<p>Rights for Contractors and Employees</p>		<p>Development of a Charter of rights.</p>	<p>All stakeholders</p>

WORK STREAM 2: INSTITUTIONAL REALIGNMENT – Envisioned approach to be adopted by institutions i.e. institutional change

Broad Outcome: Establish shared understanding through appropriate (good) practices looking at development support and needs for service delivery imperatives such as asset creation and war on poverty

Work Stream 2: Institutional Re-alignment	Challenges	Initiative by Government / Institutions	Possible outcome	Responsible
Transparent and equitable distribution of work/ contracts	The impact of the rotation system on sustainability of emerging contractors. Performance model for rotation.		Develop and Implementing the monitoring strategy for rotational allocation of work system	National DHS
At least a % of the provincial budget allocation be driven by emerging contractors	Programmes that need to be put in place to ensure that the agreed % is achieved.		Identification of Provincial Programmes to achieve the agreed % allocation to emerging contractors target Included as a clause in the call for proposals or Terms of Reference	Provincial Departments
Government programmes aligned	Contractor support programmes are not centralized		Centralization of contractor support information – accessible through	All stakeholders Provincial Departments & Municipalities

			Contractor Contact Centres of MPCCC. Standards of inspection to be made available to emerging contractors	
Employment practices (percentage of employing local labour)	Adhering to the agreed percentages of employing local labour.		Set standard for employment of local labour on projects Sub contracting clause	All stakeholders Provincial Departments Municipalities

WORK STREAM 3: QUALITY MANAGEMENT

Broad Outcome: Address concerns in the sector such as quality failures and malpractices

Work Stream 3: Quality Management	Challenges	Initiative by Government / Institutions	Possible outcome	Responsible
NHBRC project registration to be included in the “Bill of Quantities”	Project registration with NHBRC		Provincial Departments projects registered with NHBRC	National DHS
Sub contractors to be registered with NHBRC	Non-compliance of emerging contractors affects the quality of products.		All contractors to be registered with NHBRC irrespective of location or area of operation. Emerging contractors to complete training with NHBRC before awarded contracts. First qualification to be offered by NHBRC	All Stakeholders
Monitoring malpractice and quality failures	Lack of visibility of inspectors, project managers and key personnel On-site	NHBRC inspector training	Adequate distribution of resources to various project sites. Standardised inspections between Municipalities and NHBRC (Inspector Training).	National DHS Provinces Municipalities NHBRC (and CETA)

WORK STREAM 4: TRAINING AND SUPPORT

Broad Outcome: Job Creation Imperatives

Work Stream 4: Job creation and Transformation	Challenge	Initiative by Government / Institutions	Possible outcomes	Responsible
Incubator & Mentorship Programme to include the entrance criteria and grading systems criteria Framework Document (SEDA Constructor Incubator Programme)	Lack of transference of skills to emerging contractors when subcontracting		Incubator Programme Model Mentorship Programme model developed	National DHS
Emerging Contractor Development Training from NHBRC	Information in NHBRC training not reaching emerging contractors		Structured communication process on training available for emerging contractors	NHBRC Provinces & Municipalities
Partnership with CETA	Programmes not aligned		Formalise partnership with CETA	