


The Future of the SA/SADC Construction Industry

Presentation at the
"Beyond 2010 MBSA Annual Congress"


Windhoek, Namibia
21st September 2010

Ronnie Khoza-cidb South Africa



Presentation Outline

- The cidb-South Africa experience
 - Legislative framework and mandate
 - Brief history
 - Challenges and achievements: SA and cidb
 - MoU with Contractor Development organisations in Africa
 - Benefits of the MoU
- Environmental scan of the market-focus areas
- Opportunities in SADC
- cidb would want to promote opportunities for contractors between SA and the rest of SADC
- Concluding remarks




Legislative Framework & Mandate

CIDB Act 38 of 2000...mandates the cidb to

- provide strategic leadership to industry stakeholders to stimulate sustainable growth, reform and improvement
- Regulate the construction industry

cidb - Mandated to establish and maintain(musts)


- Register of Contractors
- Register of Projects



Brief History-retrospective view

Captains of industry initiative	1995/96
Green Paper	1997
Task Team	1997
White Paper	1999
cidb Act	2000
Framework Plan for cidb	2000
1 st Board	2001
CEO appointed	Nov 2001

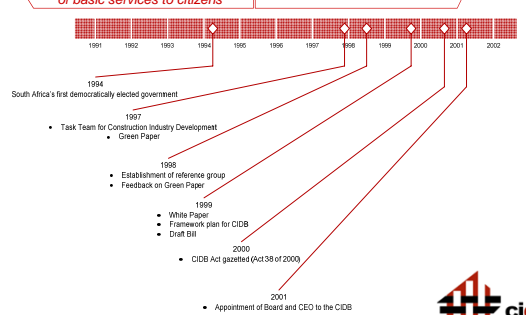

MAJOR PROCESS OF ENGAGEMENT WITH ALL INDUSTRY STAKEHOLDERS – KICKSTARTED CHANGE IN THINKING AS WELL AS ACTION



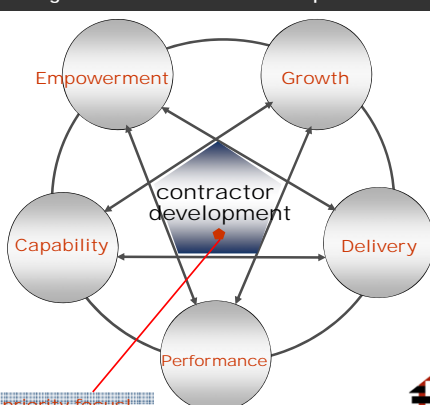
Brief History-retrospective view

Legacy: Pre-1994
Decades of apartheid
Centuries of colonialism
... resulting in massive backlogs of basic services to citizens


Transformation: Post-1994
Developing a sustainable framework

Challenges and achievements - Development Framework




The priority focus!



Challenges and achievements

- An industry that was in decline for about 20 years
- Huge backlog in infrastructure for the black majority but good quality where it existed
- New democracy vs transformation
- Dual schooling system-poor education for majority in general; little or no mathematics and science for black students –future required massive improvement on education and training
- Reprioritisation of public infrastructure procurement and delivery




Challenges and achievements

- 2004 to 2007 construction boom, supported by pvt sector and government’s multi-year, multi-billion rand projects: Gautrain, 2010 FIFA Soccer World Cup stadia, road networks, airports
- Global financial crisis late 2008 through 2009 and early 2010
- BUT SA construction industry performed well over the period
- successful delivery of world class stadia, roads, public transport - Bus Rapid Transit (BRT) system, airports, other related projects
- Further commitment of R846 bn for the MTEF period
- Expenditure management



Challenges

- Skills shortage in specific areas
- Inadequate power generation capacity
- Planning: long-term, integrated planning; funding
- Maintenance of public infrastructure
- SA involvement in BRIC programme, perhaps all of AFRICA?



Achievements - Public Sector Investment




Achievements - Public Sector Investment




Achievements - Public Sector Investment




Achievements - Public Sector Investment

COEGA

Achievements - Private Sector Investment

Challenges-cidb

- Regulating a previously unregulated environment
- Problems with undue expectations
- Training and development-quality of education/semi-illiterate individuals going into complex business environment, lack of technical and managerial skills; attractive sector performance
- Pressure to deliver projects vs perceived lost opportunities - not allowing for proper development

Challenges-cidb - Exponential Growth

- Increase in registrations
 - > Dec 2004 – 1500
 - > Dec 2005 – 7500
 - > Dec 2006 – 27500
 - > July 2007 – 42000
 - > Dec 2007 – 55 000
 - > End March 2008 > 65 000; End March 2009 >80 000; Jan 2010>100 000

Period	Total Registrations
Jan-04	1500
Jan-05	7500
Jan-06	27500
Jan-07	42000
Jan-08	55000
Jan-09	65000
Jan-10	100000

achievements-cidb

- Standardisation of construction procurement for public sector-SfU; Code of Conduct
- Register of Contracts (RoC) and Register of Projects (RoP)
- Enforcement of compliance-new structure and building capacity – preparing for strong regulatory function
- Championing alternative delivery models
- Post Graduate Conference series
- Strong partnerships with industry stakeholders

achievements-cidb

MoU

- Oct 2008
- MoU with other Contractor Development organisations in Africa
- Assisting existing signatories and reaching out to new ones
- Various benefits: regional collaboration on developing the construction industry; sharing of knowledge/expertise; standardising procurement conditions; etc

Achievements-Status Reports


- SA Construction Industry Status Report (2004)
- Skills for Infrastructure Delivery in South Africa (2007)
- The State of Municipal Infrastructure and its Operation and Maintenance (2007)
- The South African Report on Greenhouse Gas Emission Reduction Potentials from Buildings (2009)
- SA Contractor Development Programmes; Status Quo Report (2009)
- Construction Health and Safety in South Africa; Status and Recommendations (2009)
- State of Construction Quality (in preparation)




Environmental Scan - in SA/SADC

Main Focus on Infrastructure for

- Tourism
- Energy
- Transport
- ICT
- Water




Opportunities in SA/SADC

- SADC has potential – maybe not now (2010), but certainly into the future (2020)
- cidb wants to support the growth of the construction industry in SADC, and to be part of it
- Many SA construction firms already doing projects outside of SA
- cidb would want to promote opportunities for SA contractors in SADC and vice-versa
 - but “how we do business in Africa” is important - what do we leave behind
 - in time, cidb may consider an export promotion component based on the quality of BE professionals

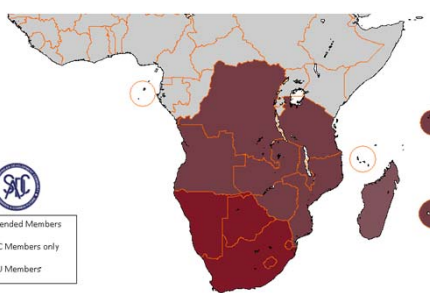



Opportunities in SA/SADC

- cidb encourages and supports other role players that want to achieve the same objectives
 - such as MBSA and MBAs which have same objectives
 - Academics
 - Built environment professionals




SADC POSITION ON THE CONTINENT







- Suspended Members
- SADC Members only
- SACU Members




EXAMPLE OF A SADC MAP


SADC Vision

- SADC vision:**
 SADC's **Vision** is that of a common future, a future within a regional community that will **ensure economic well-being, improvement of the standards of living and quality of life, freedom and social justice and peace and security** for the people of Southern Africa. This shared vision is anchored on the common values and principles and the historical and cultural affinities that exist between the people of Southern Africa.
- 15 member states, 250 million people




Africa's Future

- Opportunities:**
 - youth / labour
 - minerals
 - agriculture
 - increasing FDI
 - infrastructure backlog
 - increasing wealth
- Barriers/Challenges:**
 - governance
 - degrading / ineffective infrastructure
 - Affordability
 - HIV/AIDS




Youth / Labour



Population Growth


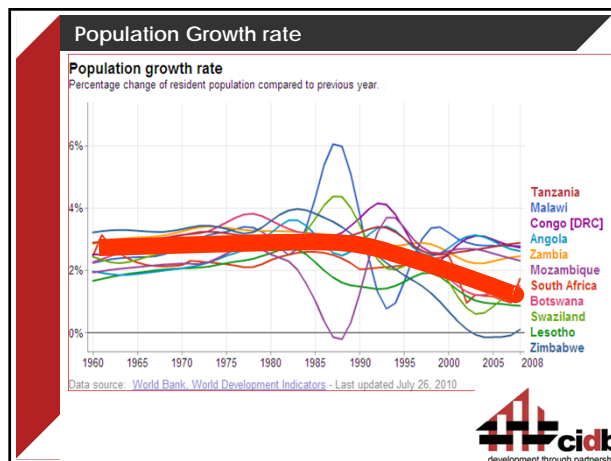
UN Global Population Scenario to 2050			
Region	2007(Million)	2050	%Change
World	6 671	9 191 to 10 600	38%
Africa	965	1 998	107%
Asia	4 030	5 266	31%
South America	572	769	34%
North America	339	445	31%
Europe	731	664	-9%



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Ageing populations in developed world; youthful populations in Africa & Asia





Ageing Workforces

- Africa can gain a new strategic importance because it has resources the world needs and the populations of the developed world are ageing significantly, while Africa's populations are young in comparison


Professor Roux
IFR

- Wars and HIV/AIDS have impact




Industry:

Minerals, Agriculture, etc.

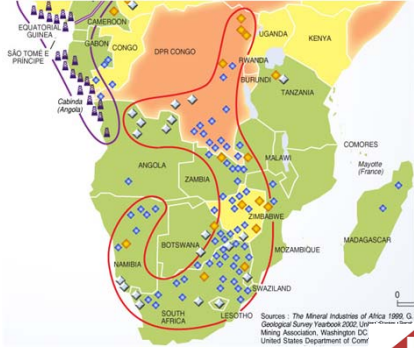



Industry

- Diverse industries
- Key sectors:
 - Minerals
 - Energy
 - Agriculture
 - Etc.




Africa Mineral Resources



Africa Mineral Resources

- almost 90% of the world's cobalt
- 50% of gold
- 90% of platinum
- 70% of tantalite
- 98% of chromium
- 64% of manganese
- 33% of uranium
- DR Congo alone has more than 30% of the world's diamond reserves



Food Security


- Only about 28% of Africa's arable land is in use
- Over 70% of its potential arable land is not yet in use
- Africa has potential to feed itself and other parts of the world
- It holds the key to solving any future global food crisis


Finite Natural & Ageing Workforces

- The world is waking up to the limits of growth through scarce resources (oil, water, even food) and new powers like China and India are looking closely at, and investing in, Africa's untapped natural resources and land
- A global shift is underway and Africa stands to gain a new status as the **desired** continent not the **pitied** continent

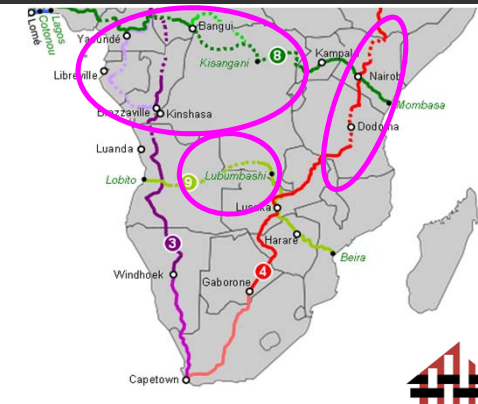

Professor Roux
IFR




Transport Infrastructure



Africa Road networks





Railway Networks





- A practical way of reducing trade barriers and lowering logistics costs is to improve road, rail and water transportation networks within the region

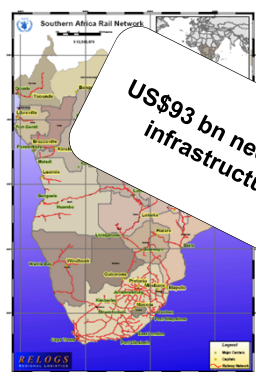
The Southern Times
Date: 09 August 2010



Railway Network





Railway Networks



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US\$93 bn needed for Africa's infrastructure projects




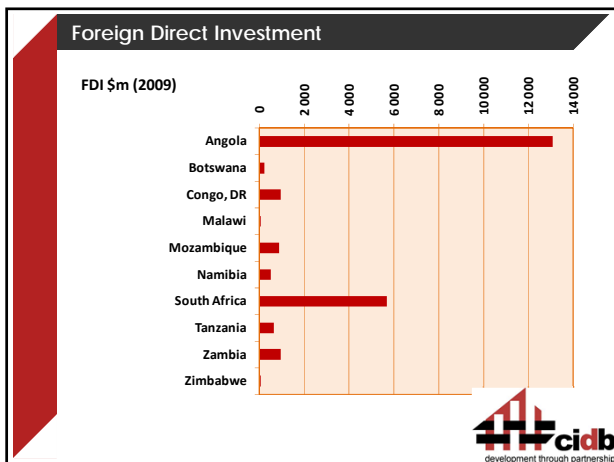
Foreign Direct Investment



“The magnitude of Africa’s financing needs for infrastructure is far beyond the public sector’s capacity, and clearly highlights the opportunities for private sector involvement”

President of African Development Bank – Mr. Donald Kaberuka


Date: 24 July 2010

FDI ; Tanzania & Zanzibar

“The United States will provide financing of \$45-million for a power project in mainland Tanzania and Zanzibar”

*Engineering News
27 August 2010*




FDI; Angola

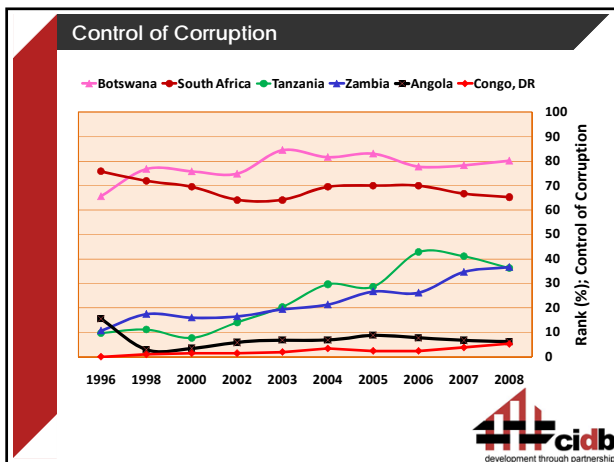
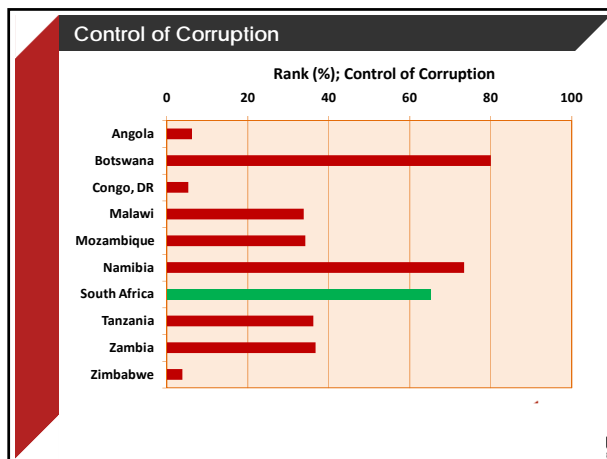
- Russian mining company Alrosa is planning to invest US\$500m in the construction of homes, schools and dams
- Shipping company Maersk will invest US\$95m
- China and India will provide foreign credit lines for infrastructure in Angola in return for access to the country's oil and gas sector



Obstacles to Investment

Category of Obstacle
<i>Political</i>
<i>Economic</i>
<i>Structural</i>
<i>Nationalization – Expropriation</i>
<i>Excessive Government Intervention in Business</i>
<i>Restrictions on Foreign Trade</i>
<i>Exchange and Remittance Controls</i>
<i>Unsatisfactory Legal Systems</i>
<i>Unsatisfactory Administrative Systems</i>
<i>Social Concerns</i>
<i>Communication</i>



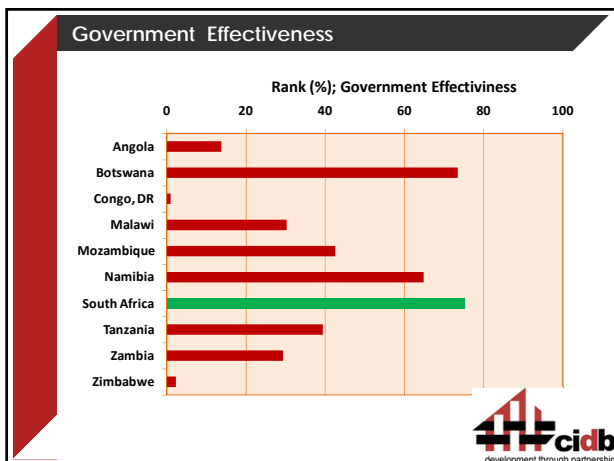


“Corruption that costs Africa about \$150-billion a year scares away investment, stifles innovation and slows trade”

U.S Secretary of State – Mrs. Hilary Rodham Clinton

Date: 04 August 2010

cidb
development through partnership



Stability, Economic & Population Growth

- Africa is much more stable now than it was 10 years ago
- Economic inequality is a major source of conflict:
 - nearly all countries become about 50% urbanized before reaching middle-income status
 - all high-income countries are 70-80% urbanized

Dr Jakkie Cilliers
Institute for Security Studies

cidb
development through partnership

Infrastructure Development;
Opportunities



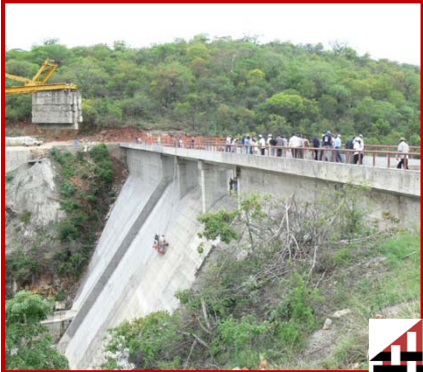
New Developments in Angola




Source: Embassy of Angola



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Source: Embassy of Angola




New Developments in Angola




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The Angolan economy grew by 21% in 2009




Zambia; Kafue Gorge



- \$1.5 billion hydro power project (June 2011)
- 600 MW - Kafue Gorge Lower hydroelectric project in two-stages



DRC; Inga Dam Project



- Eskom hydro-electric project on Inga dam
- 40 GW output will be twice that of China's Three Gorges Dam

