

**NCDP Workshop and Launch;
Indirect Targeting for Enterprise Development**

Commissions A

27 October 2011

Recommendations and Comments

- **Principle for skills development is the same in all Grades – only difference is the complexities of projects as you go higher e.g. NQF level 1 for Grade 1**
- **Enterprise development co-ordinator should be appointed by the Client. To avoid conflict of interest**
- **Submission of the ED report must done on a monthly basis to ensure that corrective measures are taken immediately**
- **cidb must ensure that there is standard template to report on ED**

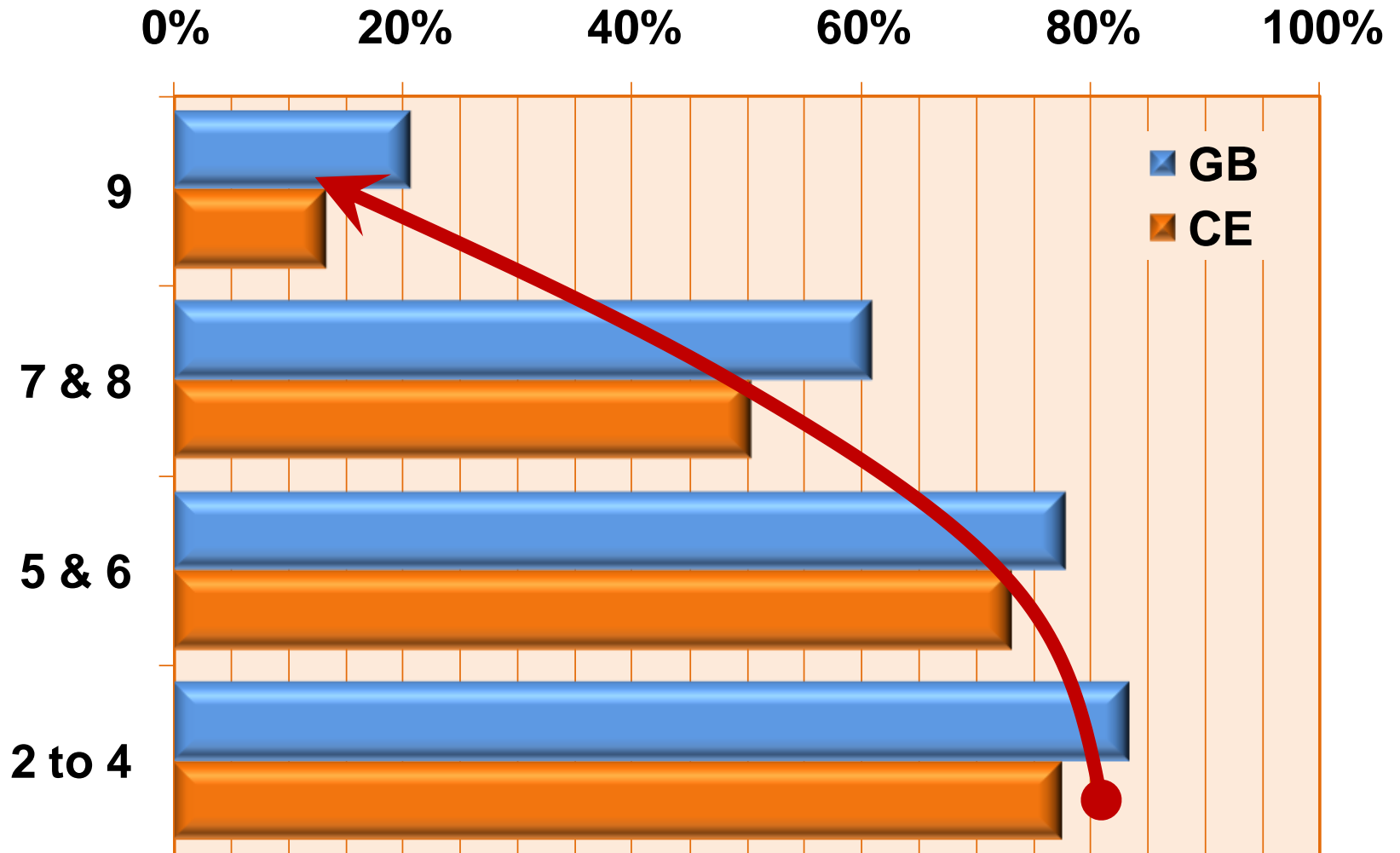
Recommendations and Comments

- **Exemption – Infrastructure spend plan is submitted to Treasury way before the organisation can indicate which of their project will not be suitable for ED**

- **Context:**
 - State of Transformation (Ownership)
 - Direct vs. Indirect targeting
- **cidb Requirements for Indirect Targeting**
- **Discussion & Way Forward**

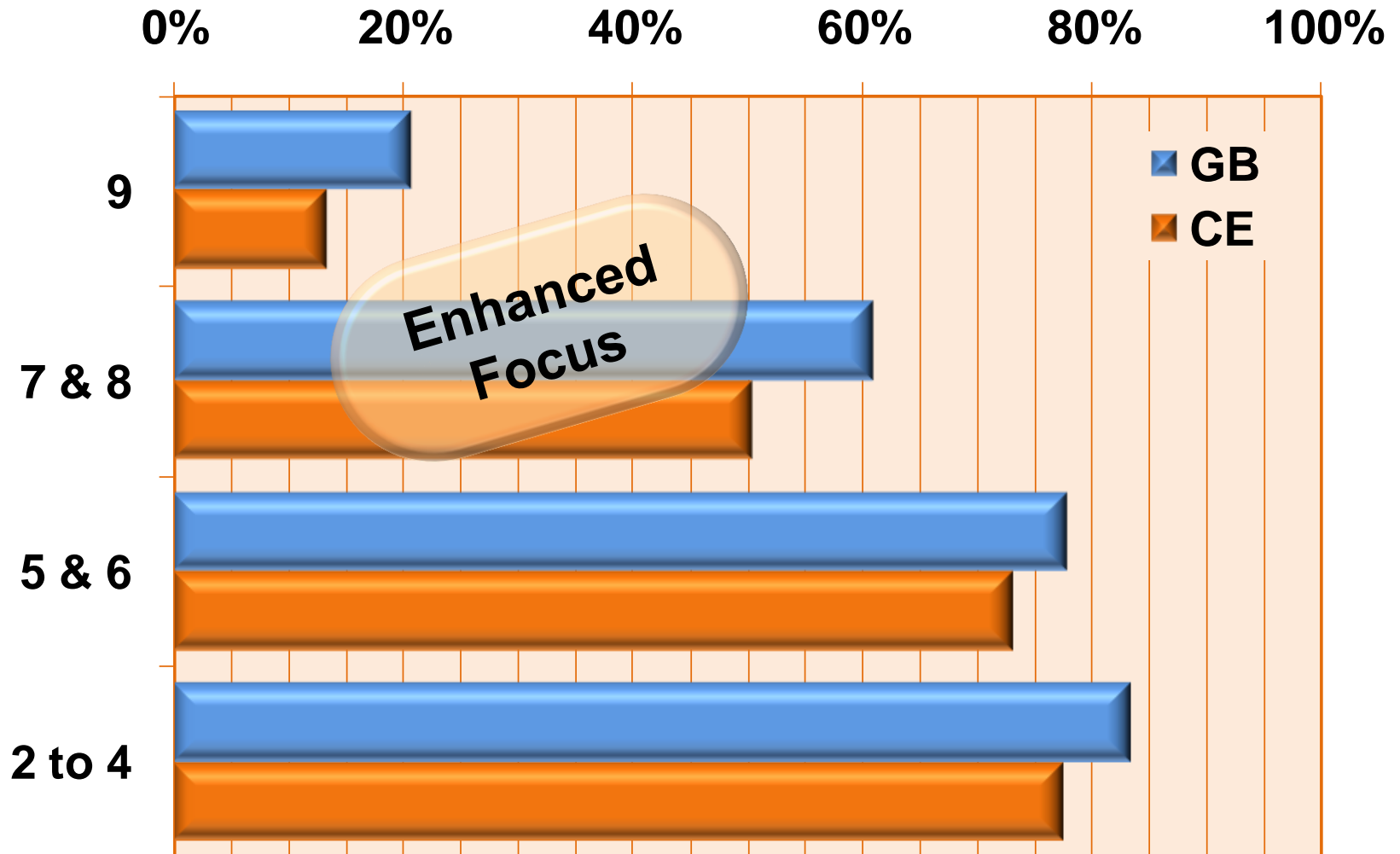
Context

Black Ownership (50%+) (GB & CE)



Note: Includes Public Listed Companies

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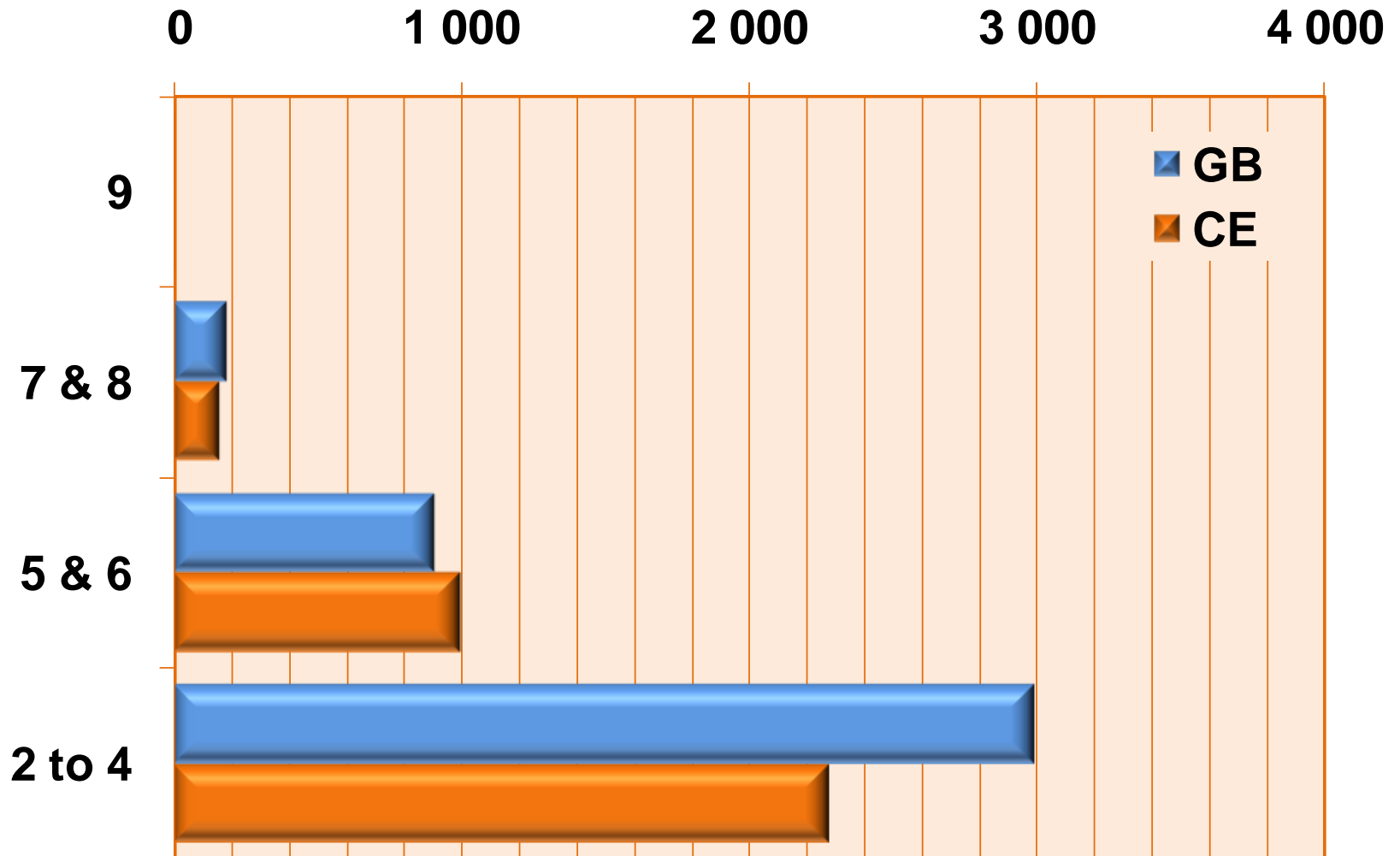


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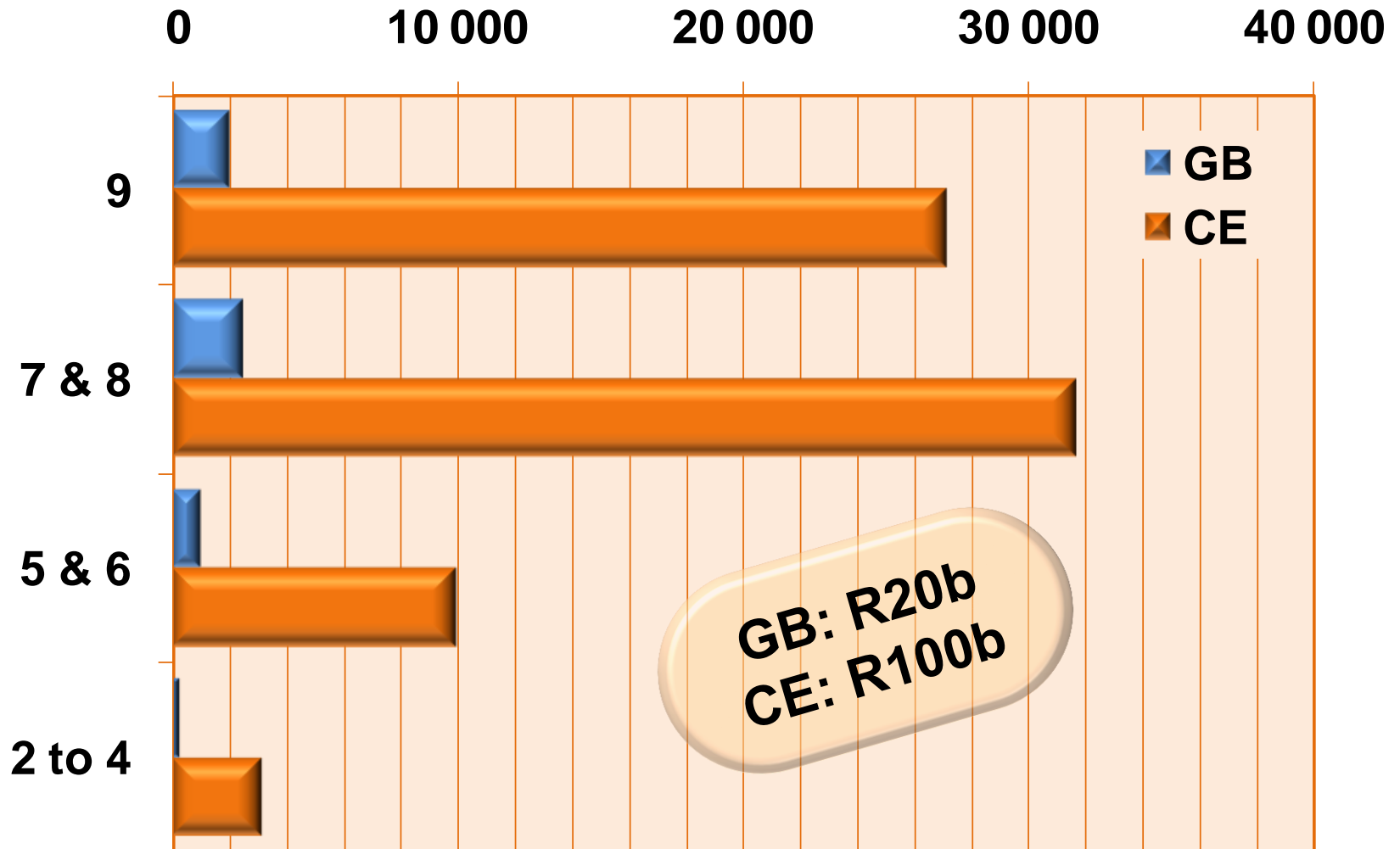
Black Ownership; Overall

Grade	GB	CE	ME	EB	EP	SW
7 & 8	59%	47%	32%	52%	31%	9%
5 & 6	81%	74%	44%	56%	55%	51%
2 to 4	94%	91%	59%	73%	68%	78%

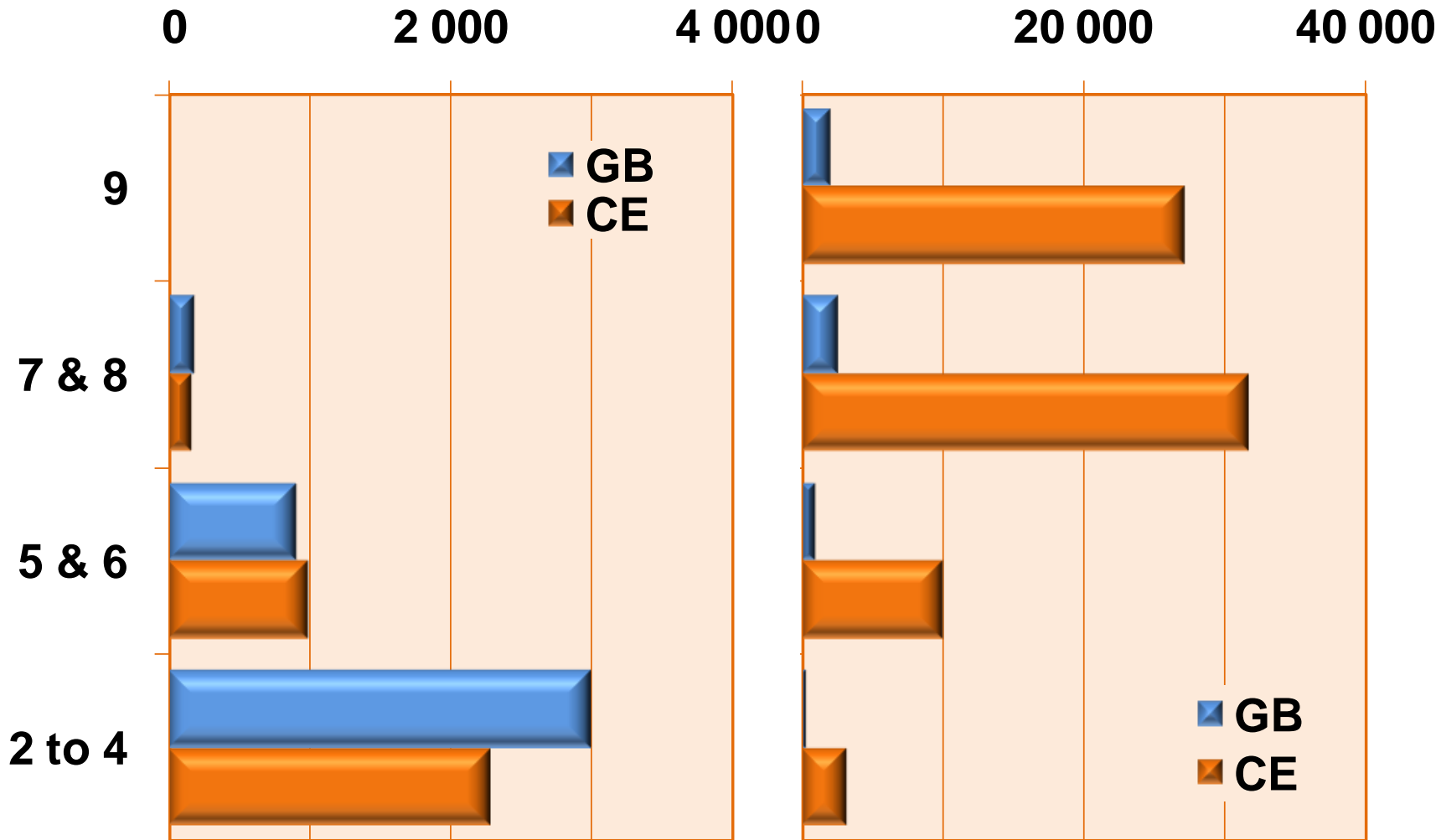
Registrations; Black-Owned



Public Sector Construction Spend (Rm)

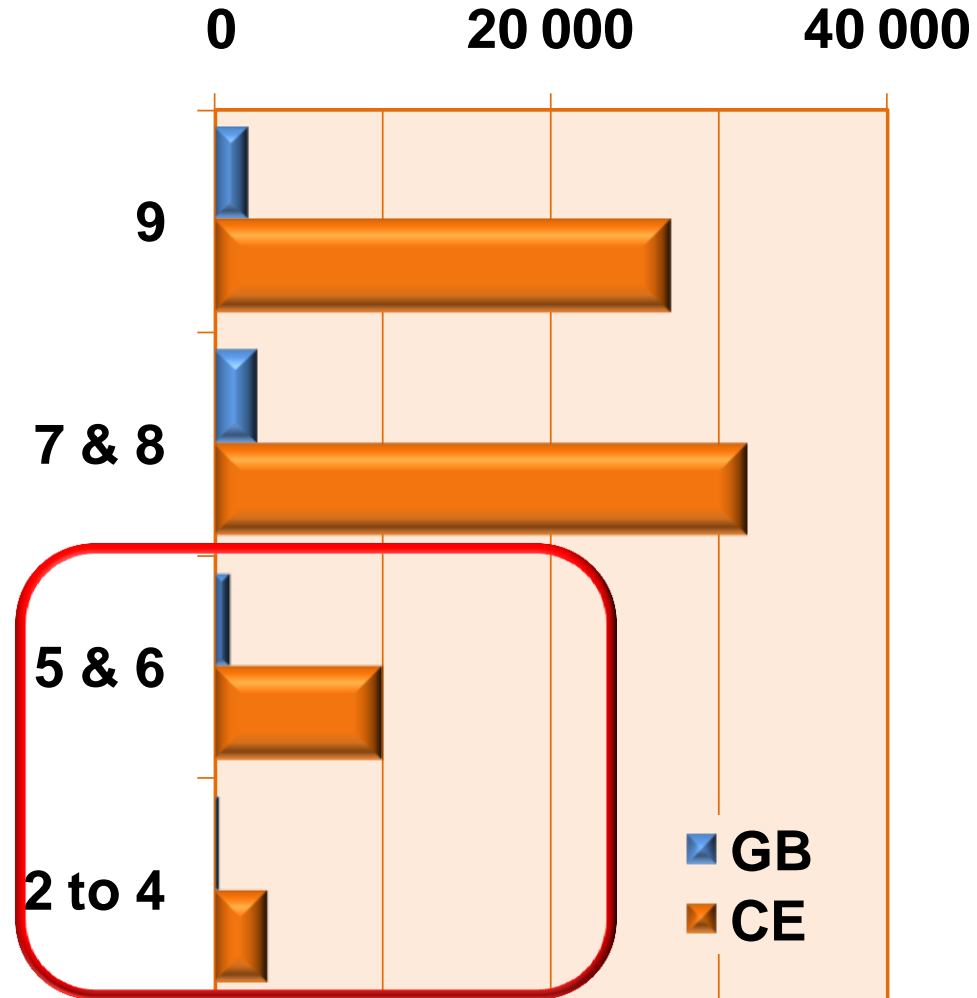
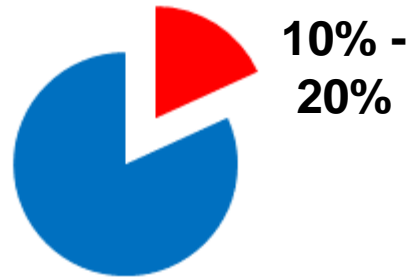


Ownership & Spend

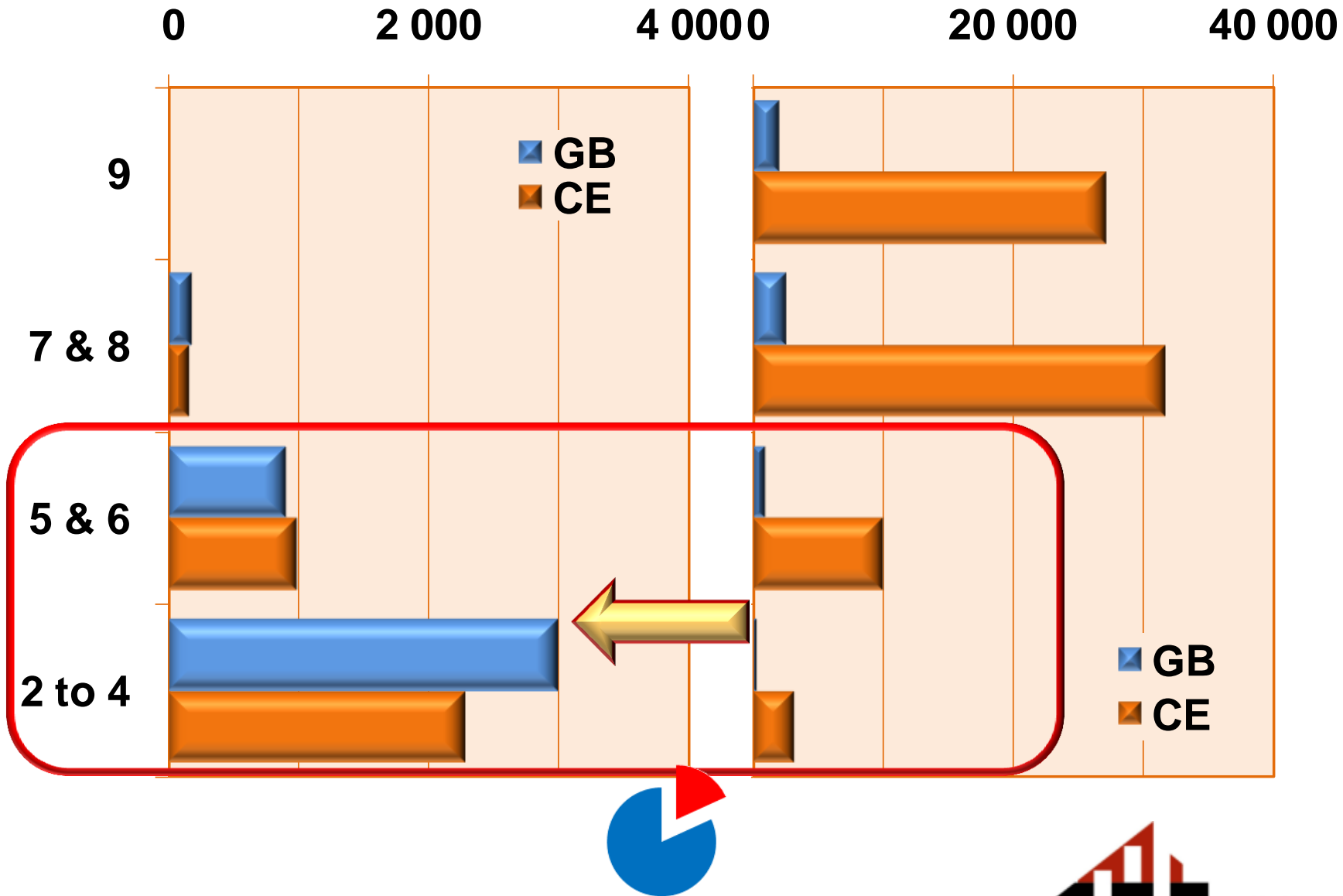


Targeting

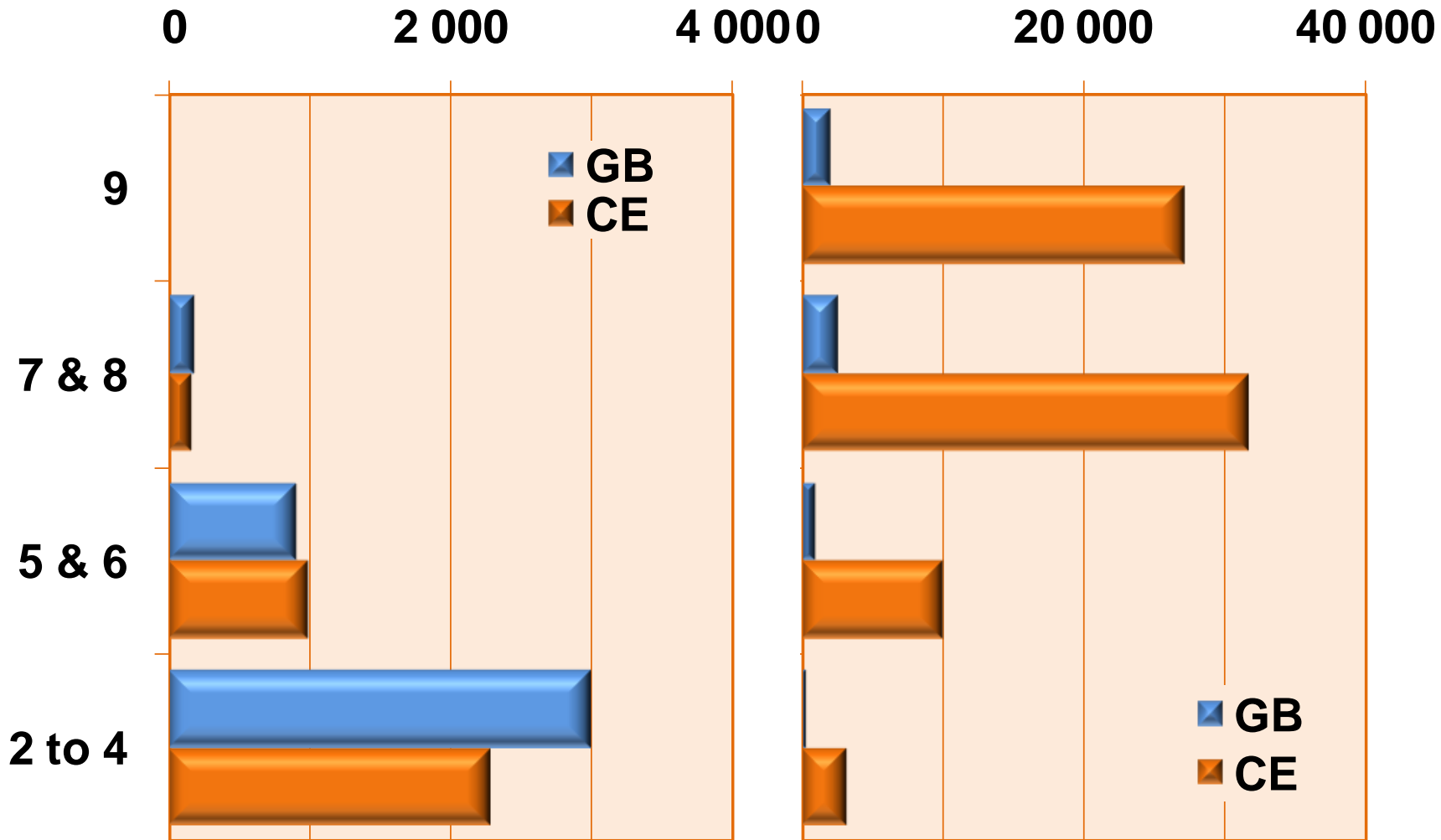
Direct Targeting



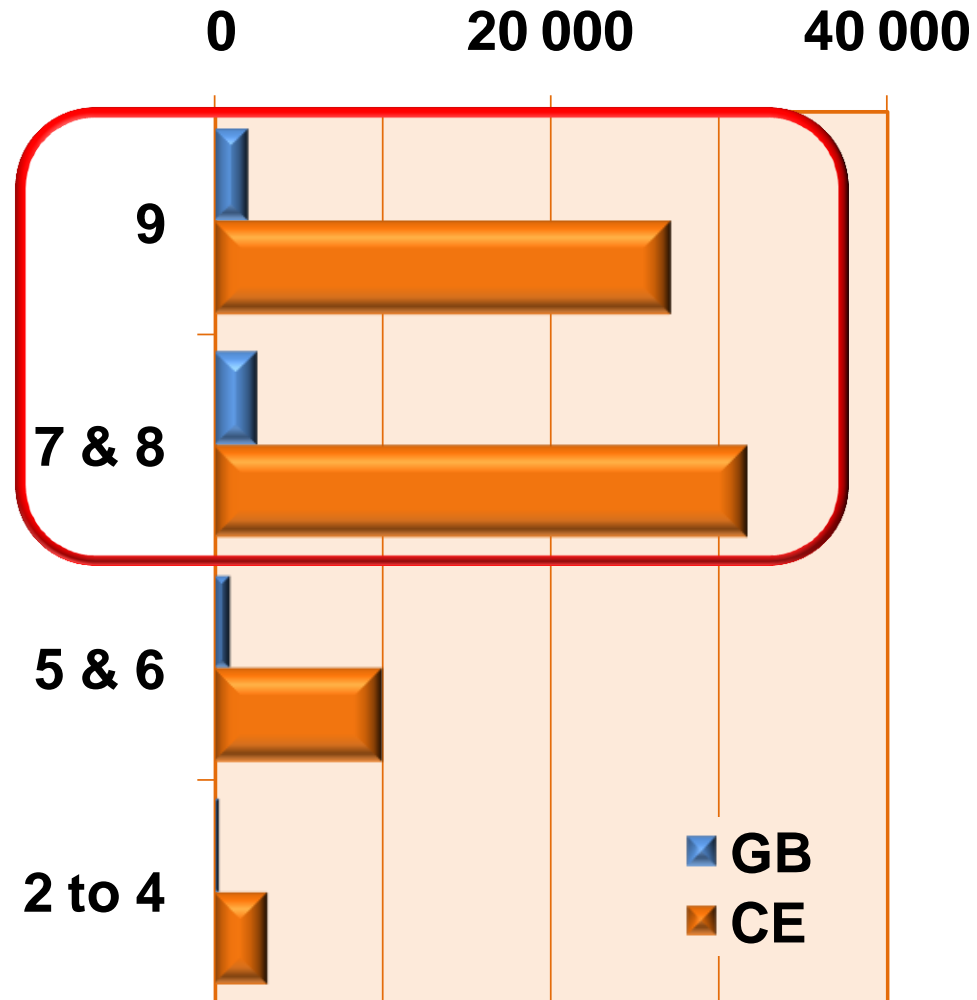
Direct Targeting



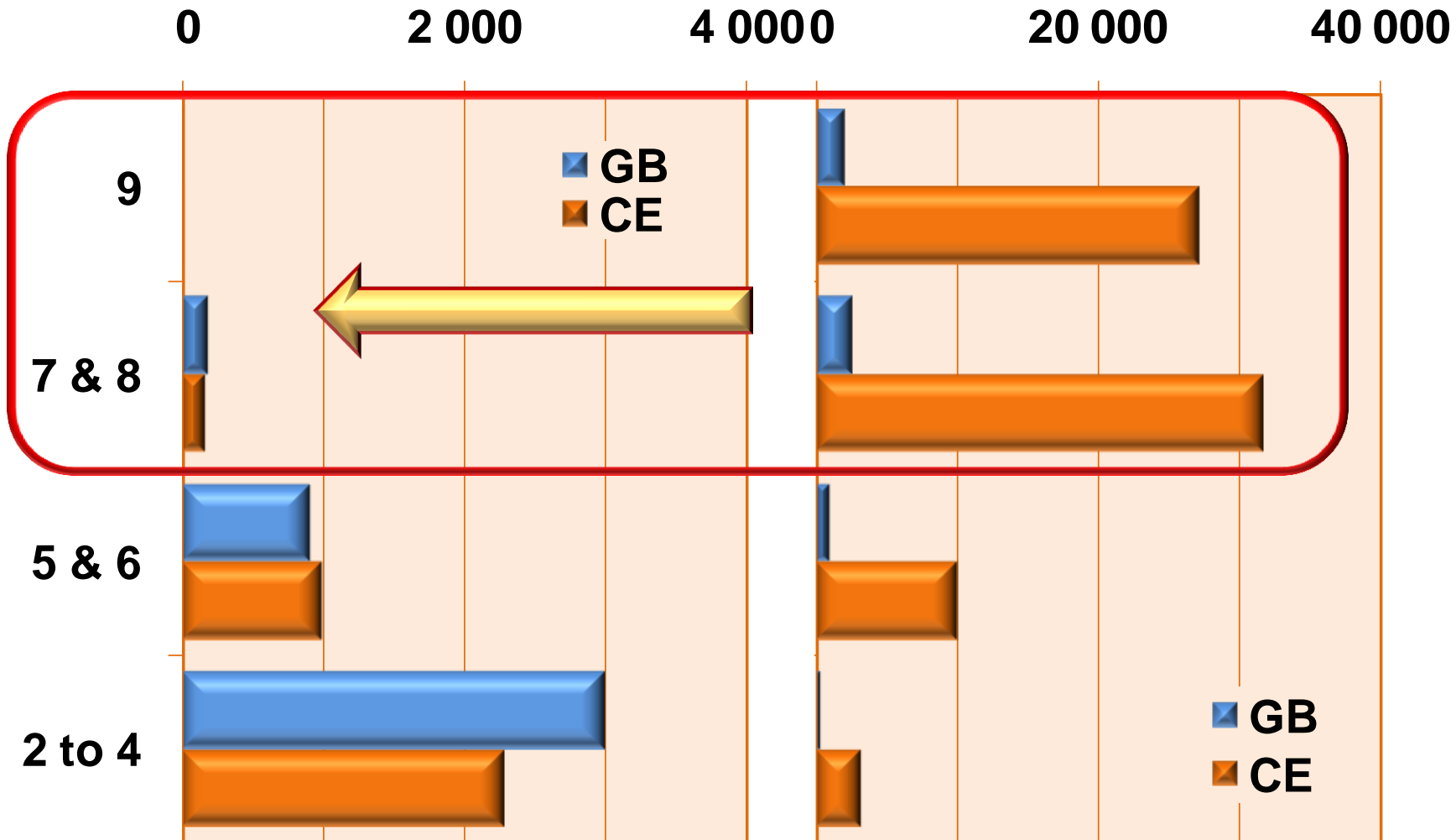
Indirect Targeting



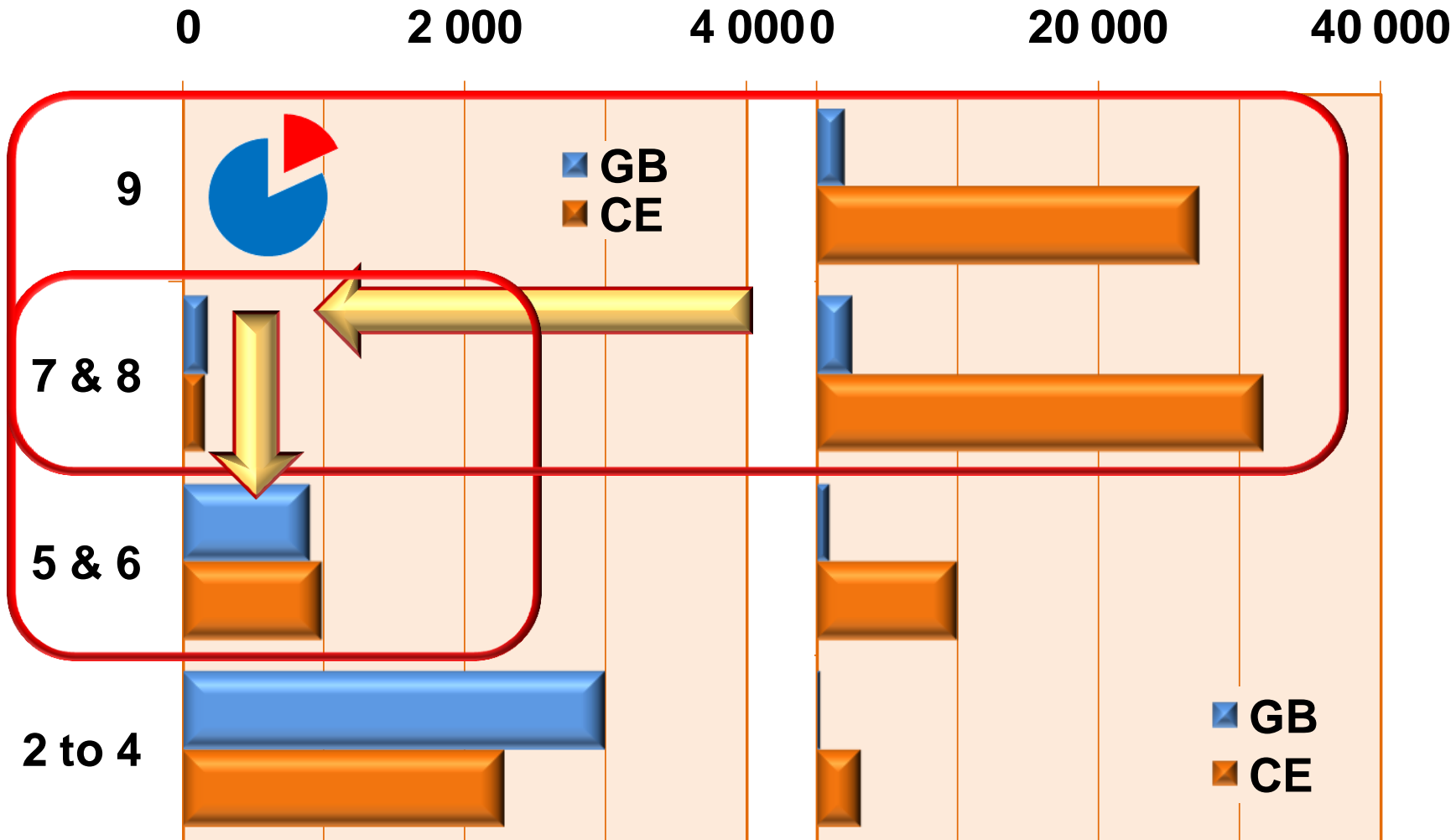
Indirect targeting



Indirect targeting



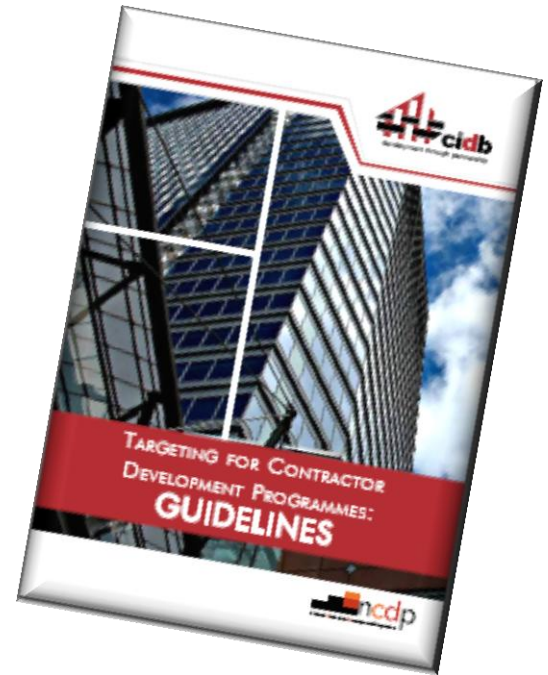
Indirect targeting



Guidelines

Guidelines

1. Who?
2. How Many?
3. What Outcomes?



cidb Requirements for Indirect Targeting for Enterprise Development



Qualifying Tenders and Contracts

Qualifying Tenders and Contracts

- **Grade 7 and above public sector contracts**
- **6 months duration and more**
- **at least 30% of the main contract could reasonably be expected to be sub-contracted out in one or more of the following cidb Class of Works:**
 - **Civil Engineering (CE)**
 - **Electrical Engineering Work (EB)**
 - **General Building Works (GB)**
 - **Mechanical Engineering (ME)**

Requirements

- a minimum of 5% of the total final project value must be undertaken by a **qualifying** JV partner of the contracting JV entity or must be sub-contracted by the main contractor or established JV partners to **qualifying** developing enterprises
- qualifying construction enterprises will receive mutually agreed upon **enterprise development support** from the developed enterprises

Qualifying Developing Enterprises (i)

- Relationship agreement of co-operation and assistance must be put in
- Developed enterprise(s) may not have an equity holding larger than 20% in the developing enterprises, either directly or through a flow through calculation
- Developing enterprise(s) must be:
 - registered with the cidb
 - an employer of at least three other permanently employed personnel
 - 50% or more black owned or 30% or more black women owned

Qualifying Developing Enterprises (ii)

- **Developing enterprise(s) must:**
 - in the case of a sub-contractor, be appointed by the main contractor and (where required) subject to the approval by the employer
 - have the potential to be developed
 - be willing to commit to participating in a development process

Qualifying Enterprise Development Support (i)

- Needs analysis must be developed
- Project specific development program with milestones must be developed
- At least two areas of development must be identified
- Areas for development should be guided by the requirements of the **cidb** *Best Practice Contractor Recognition Scheme* as well as the **cidb** / NCDP exit requirements for accreditation of contractors

Qualifying Enterprise Development Support (ii)

- **Schedule of activities to address the identified development areas must be developed**
- **Appropriate resources for the development of the developing enterprise must be allocated**
- **Enterprise Development Co-ordinator must be appointed**

Qualifying Enterprise Development Support (iii)

- **skills development leading to nationally accredited outcomes**
- **management and labour skills transfer**
- **establishment of administrative systems**
- **establishment of cost control systems**
- **establishment of construction management systems and plans (H&S, quality and environmental)**
- **planning, tendering and programming skills transfer**
- **business skills transfer with emphasis on entrepreneurial and negotiation skills**

Qualifying Enterprise Development Support (iii)

- **technical skills transfer with emphasis on innovation**
- **legal compliance**
- **procurement skills transfer**
- **establish credit rating/history**
- **establish financial loan capacity/history**
- **contractual knowledge transfer**

Enterprise Development Co-ordinator

Enterprise Development Co-ordinator (i)

- **Develop a project specific enterprise development plan based on needs analysis**
- **Monitor progress**
- **Submit Enterprise Development Reports **to the client** at practical completion**
- **Enterprise Development Report must be signed by the Enterprise Development Co-ordinator, the qualifying developing enterprise(s) and by the employer, verifying:**
 - **the total value of work sub-contracted to developing enterprise(s)**
 - **enterprise development support that was agreed upon**
 - **that the agreed enterprise development targets were substantially achieved**

Enterprise Development Co-ordinator (ii)

- The client shall submit the Enterprise Development Reports pertaining to each qualifying developing enterprise to the cidb within 30 days of practical completion:
 - the **total value of work** sub-contracted to developing enterprise(s)
 - that the **agreed enterprise development targets were substantially achieved**

Right of Appeal and Exemptions

Right of Appeal

- **Where the qualifying developing enterprise or the employer is not prepared to substantiate the information provided in the Enterprise Development Report at practical completion by the Enterprise Development Co-ordinator, either party has the opportunity to an independent review of the Enterprise Development Report by a mutually agreed Adjudicator**

Exemptions and Variations

- **Client departments have implemented their own enterprise development requirements that are substantially similar to those contained in these cidb requirements for enterprise development**
 - e.g. SANRAL
- **Prior to tender: Employers may seek exemption from the requirements prior to tender where the nature of the project is not suitable for enterprise development**

Compliance

Compliance (i)

- **Failure by employers to comply with these cidb requirements for enterprise development may in the case of a public sector client, result in fines or penalties being imposed as set out in the cidb Regulations and/or referral to the Auditor-General**

Compliance (ii)

- **Failure by main contractors or JV partners to comply with these cidb requirements for enterprise development may result in fines or penalties being imposed as set out in the cidb Regulations**
- **Furthermore, a record of compliance with these requirements will be recorded on the cidb Contractor Performance Reports:**
 - **assessing suitability of contractors for registration, pre-qualification, selective tender lists or expressions of interest**
 - **adjudication for the award of a contract**
 - **termination of contract**

Compliance (iii)

- **Compliance with these guidelines and minimum requirements are subject to inspection and audit by the cidb from time to time**

Discussion & Way Forward

Thank You