



# public works

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## **FNB and IDT in R700m partnership to boost EPWP**

### **Media Release**

**22 February 2006**

Public Works Minister Stella Sigcau has identified FNB and the Independent Development Trust (IDT) as strategic partners to assist Emerging Contractors build schools and clinics.

The two institutions signed a three-year Memorandum of Understanding witnessed by Minister Sigcau in Durban today to assist Government implement its Expanded Public Works Programme (EPWP) unveiled two years ago to create a million jobs in five years.

IDT will ring-fence an estimated R700 million to establish a relationship with FNB to build an estimated 450 schools and create about 15 000 job opportunities.

In July last year Cabinet decided that the EPWP would be up-scaled in order to increase its benefits. This deal will also ensure that the EPWP increases its contribution to government's Accelerated Shared Growth Initiative of South Africa (Asgisa).

Initially, a total of 40 Emerging Contractors in the Eastern Cape and North-West are set to benefit from the partnership, which will focus on growing the construction industry's skills base and create opportunities for aspirant contractors to enter the market.

<b>Province</b>	<b>Estimated value</b>	<b>Estimated number of schools</b>	<b>Estimated number of jobs</b>
Eastern Cape	R600m	400	12,500
North-West	R100m	50	2,500
Total	R700m	450	15,000

The programme will also be extended to KwaZulu-Natal and other provinces. Skills shortage has been identified as one of the areas of concern in the building industry, which is battling to cope with demand for commercial, residential and public sector properties.

As part of the partnership with IDT, FNB will provide Emerging Contractors with working capital at affordable rates previously unobtainable due to a lack of credit history, experience, supplier references and collateral.

FNB has set up a dedicated team with a service provider to develop and improve the Emerging Contractors' project management and financial management skills in construction.

In addition to providing standard financial services and working capital, FNB will investigate the formulation of value-added procurement solutions for the Emerging Contractors.

To qualify for assistance, the Emerging Contractors should have project values not exceeding R1.5 million, and must have graduated from the Department of Public Works Construction Incubator Programme.

The programme comprises a group of 81 medium-sized black contractors selected for mentoring and training with a potential to become fully-fledged contractors capable of executing multi-million rand building contracts, and in the process create jobs.

IDT will come to the party by offering support to the Emerging Contractors, including:

- waiver of performance guarantees in respect of projects lower than R1.5 million;
- timely payments to Emerging Contractors provided that the necessary documentation has been submitted;
- ensuring that the contracts awarded allow for a fair share of profit to ensure the sustainability of the Emerging Contractors;
- ensuring that contracts awarded to the Emerging Contractors provide continuity of work for 2 to 3 years to support entrepreneurial development subject to acceptable industry performance standards and the availability of contracts.

FNB has also partnered with National Urban and Reconstruction Housing Agency (NURCHA), a construction finance company, to assist with the finance and development of the emerging contractors by intermediaries over the period of the contract.

This, it is hoped, will lead to the financial and operational independence of the contractors over the medium term.

Other services and benefits offered by FNB to the Emerging Contractors will include, among others, the provision of transactional banking accounts at favourable pricing; dedicated Relationship Managers for all their business needs.

FNB Public Sector Banking CEO Modise Moatlhodi said the bank was committed to contributing to the empowerment of the emerging contractors by creating a sustainable model of value creation for their benefit.

“As a party to the Financial Sector Charter, FNB has committed itself to working in partnership with Government to mobilise resources for empowerment financing. FNB intends to improve the levels of assistance provided to BEE companies through financing, skills

transfer and giving technical and administrative support and assistance,” said Moatlhodi.

As we enter the season of Hope, FNB is proud to partner with government to deliver sustainable skills development and enterprise creation, said Moatlhodi.

He concluded by saying that “small business is big business”.

Minister Sigcau welcomed the deal, saying it was innovative and relevant. “We have maintained that both the construction and property industries are national assets which need to be transformed so they can respond adequately to the socio-economic challenges of our country”.

“This means that we must see significant numbers of black people and women playing their rightful roles in these sectors. This will only happen through training, mentorship and provision of finances by institutions such as FNB. The time for all this to take place is now, not tomorrow,” said Minister Sigcau.

“I have no doubt that today marks the start of the long-term relationship, and if we stay on the course, in no time we will have emerging from the townships a new breed of the Murray & Roberts, Group Five WBHO and construction conglomerates,” said Minister Sigcau.

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