

**Keynote Address by the Deputy Minister of Public Works, Mr  
Ntopile Kganyago, MP, on the occasion of the National launch of  
the Constructor Incubator Programme**

**Venue: Hoopstad Correctional Centre**

**Date: 3 December 2007**

Programme Director

MEC for Public Works in the Free State, Mr Seiso Mohai

Executive Mayors

Councilors

Director-General of the Department

Senior Government Officials

Mr L Scott from Standard Bank

Representatives from the Construction Sector

Esteemed guests

Ladies and gentleman

I would like to start off by greeting the emerging contractors who have successfully completed their incubation programme over the past couple of years. I want to congratulate you on your success and I want to tell you that you are the embodiment of all that we wish for our people in this country: the ability to access job opportunities as well as being fully trained in useful, critically-needed skills.

Programme Director, it is a great honour for me to be invited to this important function, to gain insight into what is being achieved through diligent commitment by our Department, working in partnership with various government departments like Correctional Services. It is greatly heartening today to realize that indeed, we are making strides in fulfilling our government's social contract with our people: providing opportunities for a better life for all.

The Department of Public Works has since the inception of the procurement reform process in 1995 been actively involved in conceptualising and implementing programmes to promote emerging contractors in the built environment. These programmes included Targeted Procurement and the Emerging Contractor Development Programme (ECDP)

As part of the ECDP, the Contractor Incubator Programme (CIP) was initiated in 2004 by the DPW following the findings of the Construction Industry Status Report that was conducted for the CIDB in 2002 and the ECDP review in conducted in 2004.

The Status Report among others, highlighted issues that complicate the growth of emerging contractors. These issues included all the problems related to lack of effective development support such as access to finance and skilled resources, coupled with onerous requirements for small businesses growth. We can also mention the lack of business management skills on the part of small constructors.

The CIP has since been piloted throughout the country and the DPW through the launching event, intends to mark the end of the piloting phase and to commence with a fully fledged implementation of the programme. The CIP intends to provide support to existing small to medium size construction enterprises in order to enable them to become sustainable. I am happy to announce that this dream is now becoming a reality because the small constructors will also receive the much-needed help from the Construction Industry Development Board through its Triple C's (Construction Contact Centres) that are being set up throughout the country.

These Triple C's provide a hub for stakeholder partnerships to address the challenges of growth so that we can together unlock the full potential of our industry.

The successful implementation of the Contractor Incubator Programme, just like all government programmes can only be achieved through partnerships between all spheres of government as well as the private sector and communities concerned. I see that this principle of partnership in the CIP is a joint venture with contributions from the District Municipalities, our departments in the provinces and national, the Construction Education and Training Authority, and the private sector sponsors. I want to congratulate you on this partnership. This is what our country needs if we are to successfully tackle the challenge of underdevelopment, poverty and lack of skills.

The whole of government is on a journey of transformation. Transforming the construction industry is one of our core mandates in the Department and this function today is proof that we are moving along in our journey. It is an important milestone on our journey.

Mao Zedong said a journey of a thousand miles start with one step. We took that first some three years ago when this programme was started as a pilot project. We are now taking giant strides as we boldly move from pilot to full implementation on a national scale. This launch of the CIP will consolidate the commitment of public and private sector stakeholders to the tasks of developing our industry and our combined capability to deliver the infrastructure needed for South Africa's economic growth.

Ladies and gentlemen,

Government has worked closely with the private sector to establish a vision and framework for construction industry growth and transformation. During the course of last year, the Inter-governmental Forum of Public Works, including national and provincial departments, reviewed the progress made and the challenges ahead and agreed on the need for intensified action at provincial and local level.

Today's launch therefore represents a new level of partnership by Public Works at national and provincial level, and all the stakeholders. It also represents the commitment of government to expand partnership with stakeholders in delivering a holistic

development service to emerging contractors, clients and the industry at large.

The CIP will also provide improved access to advice and training for contractors, the consulting professions and public sector clients, including local government. Such training will cover issues of procurement, project and construction management and enterprise development. Utilising expert advice at its disposal, the CIP will also enable linkage to expertise and business-to-business linkage both locally and around the country.

It is important to note that this launch today marks firm pointer to the full roll-out of the National Contractor Development Programme (NCDP). The NCDP will build on the platform of CIP and the Register of Contractors, which the CIDB is managing brilliantly. That Register now clearly shows our capacity and empowerment gaps. It will also build on the commitments of the Construction Charter, mobilising the contribution of the private sector to black economic empowerment.

Finally, the NCDP will build on the experience of contractor development programmes around the country to consolidate best practice for sustainable enterprise development. I am referring to programmes such as your 'overarching' provincial Emerging Contractor Development Programmes, Vukuzakhe and the Vukuphile Contractor Learnership Programme, enabling more than 700 small contractors to qualify through accredited learnerships and to exit at Grade, 3, 4 or 5. I am told that the CIP programme is scaling up to

achieve 1500 learnerships over the next 2 years and the Independent Development Trust will intensify its focus on women contractors.

Recognising the fact that thousands of new entrants have already registered as Grade 1 contractors, we are determined to expand our effort to grow these new entrants into the mainstream of construction.

The construction industry is key to South Africa's Accelerated and Shared Growth Initiative (ASGISA). We are well on track to achieving the goals of halving unemployment, and achieving a growth rate of 6% by 2014. The construction industry is leading this exciting decade of growth and development.

Construction growth is driven by probably the largest public investment in infrastructure our country has ever seen. Specifically, in order to create the infrastructure for growth and development, government is increasing public sector capital budgets at an unprecedented rate of 10 – 15% percent per annum.

With overall growth rates of more than 10% per annum, the construction industry is likely to treble its output in 10 years. This growth path creates immense opportunity for large, small and micro enterprises, for employment and skills development and for empowerment. It also presents all stakeholders with challenges that require new responses and an intensified effort to grow our delivery capacity, our skills and our SME business sector. The Constructor Incubator Programme we are launching today is one such response.

Ladies and gentlemen, I invite all stakeholders to assist in finalising provincial plans and targets for implementation of the National Contractor Development Programme. In particular we need to set some challenging targets that address the goals of the NCDP, namely:

To grow South Africa's contracting capacity, moving smaller contractors up the registration grades;

To address empowerment gaps revealed by the Register;

To promote enterprise sustainability and consolidation, enabling sustained employment and skills development

To raise the performance of contractors to deliver better value to clients and society in terms of quality, safety, health and conditions of employment.

The Department of Public Works is ready to assist in developing provincial targets and plans that mobilise the efforts of all stakeholders to grow and transform the construction industry.

It is indeed pleasing that a number of leading stakeholders have formally expressed commitment to offer services to government-driven initiatives aimed at getting the construction industry to work at maximum capacity. In the first instance these include industry associations, such as the South African Institution of Civil Engineers, the South African Federation of Civil Engineering Contractors, the Master Builders Association, NAFCOOC- Construction, and the Electrical Contractors Association.

One of the biggest challenges facing the SME sector is access to affordable finance. We therefore call on the financial institutions to review the national Register of Contractors and to see if they can structure financial packages that are appropriate to the registration grades and categories.

Another immense challenge facing small contractors is access to training. Together with the CETA we must pioneer a response to the fact that that nearly 90 % of registered contractors fall outside the skills funding environment. This applies to contractors in Grade 6 and below, who are not required to pay the skills levy and therefore do not qualify for CETA funding.

But the issue of training is not merely a challenge to government and the CETA. Materials suppliers, large contractors, financial institutions and, indeed, all stakeholders have a direct interest in developing the entire supply chain of the industry. Again, it is pleasing to note that some of the larger construction companies have agreed to extend their in-house training programmes to registered SME contractors in order to grow the industry's overall capacity.

The formal launch of the CIP has been long in coming. The programme itself has gone through a lot of ups and downs as officials tried to refine and polish it. But we are all very happy that eventually, we are able to take a firm step forward today, declaring boldly that we are ready to launch a well-thought out, tested and positive



programme to help our people in achieving their dreams. I would like to congratulate the team under DDG Lydia Bici for working hard in ensuring that this programme is rigorously worked on and their determination to make it work.

In conclusion, ladies and gentlemen,

Today's launch is a beginning, not an end. We are creating the platform for provincial and national cooperation to develop the construction Industry that is a critical to South Africa's growth and our goal of a better life for all.

Today we are launching the commitment of all stakeholders to join hands in this great task.

I thank you.