

**Keynote address by the Deputy Minister of Public Works, Mr Ntopile Kganyago, on the occasion of the Mpumalanga Provincial Construction Summit**

**Venue: Badplaas Aventura, Mpumalanga**

**Date: 6 March 2008**

Programme Director

Honourable Premier of the Province, Mr Thabang Makwetla

Honourable MEC, Mr Madala Masuku

Executive Mayors of the 3 Districts

Mayors of the Municipalities

Councillors

CEO's of Public Entities

Head of the Department and Senior Managers

Private Sector Representatives

Representatives from the Construction Sector

Esteemed guests

Ladies and gentlemen

It is a great honour for us 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, institutions and the private sector. It is greatly heartening today to realize that indeed, we are making strides in fulfilling the 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 include 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 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 contractors.

The CIP has since been piloted throughout the country and the DPW launched the implementation phase of the project in December last year at Hoopstad in the Free State. The (CIP) will create an enabling environment within which existing contracting enterprises can develop into sustainable enterprises. In selecting these enterprises, preference is given to black, women and youth-owned contracting enterprises. The enabling environment comprises of a steady access

to work opportunities and supply side support measures for growing the targeted enterprises. The CIP targets contracting enterprises within categories three (3) to seven (7) on the CIDB grading. This enables these enterprises to be eligible to tender on contracts between R1,5 million and R30 million.

A total of 136 contractors are currently registered on the CIP, and 62 of these are women-owned contractors. This is 46% of all registered contractors. The CIP target for women and youth-owned contractors for the current financial year is 50%.

I am happy to say that this dream is now likely to become a reality because the small contractors 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. The latest to be set up was in Gauteng last Friday and I know that the CIDB is busy with plans to set up the rest of the Triple C's in other provinces.

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. The 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. This is what our country needs if we are to successfully tackle the challenge of underdevelopment, poverty and lack of skills.

Transforming the construction industry is one of our core mandates in the Department and we are determined to push ahead with this agenda. It is crucial if there is to be any meaningful development of our country.

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.

I see today's function as representing a great stride in cementing 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 the launch of the CIP last year marked a 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, Sakh'abakhi 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.

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.

Another programme which is aimed at improving the lot of small construction enterprises is the Expanded Public Works Programme (EPWP). The EPWP is a national government initiative aimed at drawing a significant number of the unemployed people into

productive work. As one of government's key strategies contributing to the alleviation of poverty and unemployment, the EPWP creates work opportunities coupled to training to ensure that workers gain skills while they work, and increase their capacity to earn an income in the future.

Central to the structure of the EPWP is the provision of learnerships to previously unemployed beneficiaries, and Vuk'uphile, the EPWP Contractor Learnership Programme, is one of its flagship programmes. EPWP targets 40% women and youth beneficiaries for every project implemented.

The Department is also using its own expenditure as a way of growing and improving the small businesses in the construction sector. The total value of contracts that were awarded to small enterprises in the 2006/2007 financial year amounted to R327million. In the period from April 2007 to December 2007, a total of R675 million was spent on these businesses. We plan to expand on this even more in the coming financial year.

Ladies and gentlemen, as has been mentioned already, our Department intends to grow its focus on developing small construction firms in its efforts to promote transformation, growth and development of the construction industry.

An increasing number of black and women-owned companies are now competing effectively in this sector of the economy. The

established industry has also responded positively to this aspect of transformation and has signed the Construction Charter, which commits the industry to concrete targets in terms of Black Economic Empowerment. I am pleased to say that most of the major companies have made progress towards these targets encouraging us to believe that together we can address many outstanding challenges.

The Register of Contractors, established by the CIDB, now equips government and stakeholders with an important development tool and a clear understanding of the nature of contracting capacity and empowerment gaps across the industry.

I am very pleased to see that this summit has been all encompassing and has involved varied role players in this industry. I have always said that, going forward, it will be important to further raise the level of cooperation between industry, government and the research and academic community to increase the focus and funding for relevant construction related research. Even within the framework of SADC, I am also of the view that we should explore the potential for regional dialogue to address construction industry development and infrastructure challenges.

The construction industry the world over, but particularly in our country and the SADC region, has a pivotal role to play in infrastructure development. The key lies in unlocking the many impediments which curtail its tremendous potential for shaping a



sustainable destiny for all of humanity. I am certain that the distilled experience of this summit will stimulate progress towards that goal.

I thank you.