

**Deputy Minister of Public Works
N Kganyago
10 March 2005**

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The Deputy Minister of Public Works, Mr Ntopile Kganyago, Addresses the National Workshop on Sustainable Contractor Development

VENUE: Eskom Conference Centre, Midrand, Gauteng

DATE: 10 March 2005

- The Honourable Chairperson
- The Director General of Public Works, Mr Themba James Maseko
- Leaders of the construction industry, clients, development agencies and stakeholders
- Distinguished guests and delegates

Introduction

It gives me great pleasure to join you today at this important workshop convened jointly by the Department of Public Works, the Construction Industry Development Board and the Construction Education and Training Authority. I congratulate the organizers for their foresight and collaboration that has brought together key construction stakeholders including leading public and private sector clients and development institutions to focus on the pressing issue of sustainable contractor development.

So, to you all, a warm welcome from our national Ministry, to this special working session dedicated to your own unique role in the development of a sustainable construction industry, an industry with a central role in South Africa's social and economic development. I thank you all for taking time out from your busy schedules. The growth and transformation of our industry is a goal we continue to pursue with vigour.

Ladies and gentlemen,

This two-day workshop must ensure that we significantly raise the level of our focus on sustainable contractor development. It enables us to take stock, to share our experiences and to adapt our direction in the light of our progress, challenges and the changing environment.

Strategy, successes and challenges

It is five years since the workshop we convened in January 2000 to provide common focus to a Programme of Emerging Contractor Development.. That workshop established a two-pronged national strategy, largely driven by the public sector, in particular those of you assembled here today – and, indeed, we have collectively achieved a great deal.

Our basic strategy rests on two pillars. The first is affirmative procurement that has created opportunity for black SME contractors. The second pillar of our strategy is focused on development interventions to address key constraints to emerging contractors, specifically:

- Access to finance and credit
- Access to technical and entrepreneurial skills, including mentoring
- Access to information

We must ask ourselves whether we have succeeded in creating opportunity and perhaps more importantly - whether the opportunities we are creating are sustainable. We must also ask ourselves whether our development interventions have been sufficiently focused to achieve sustainable contractor development.

If the experience and expertise we have assembled at this workshop today is guided by these fundamental questions, then I believe the input and discussion will contribute to sustainable growth and empowerment, improved industry performance and successful delivery of infrastructure to South African society.

In the context of these central questions, our workshop must also take stock of the changing development framework established by government to sharpen the focus of delivery, growth and empowerment. The new framework includes the role of the cidb Construction Registers Service, the Broad-based Black Economic Empowerment Act and the unfolding process towards a Construction Charter.

Successes and challenges - DPW

Ladies and gentlemen,

I take this opportunity to outline a few of our successes and challenges in relation to contractor development.

I am proud that the Departments of Public Works, national and provincial, together with the construction industry were the first to pioneer empowerment through affirmative procurement. Indeed, in many parts of the country our collective effort has achieved a great deal in creating access by historically disadvantaged contractors and consultants. This includes significant breakthroughs in terms of the participation of women, who are increasingly claiming their right to the mainstream of our economy.

At the same time we are aware that access to opportunity does not always translate into enterprise sustainability, consolidation and growth.

In the context of a continuous inflow of new entrants and a highly competitive “tata ma chance” tendering environment, many promising contractors fail to win new contracts and to achieve a consistent work flow. Other contractors fail to deliver – either because they are not serious contractors or because they are not supported by adequate development interventions.

To address this challenge, my Department has initiated a number of programmatic responses. These include initiating an Incubator Programme to ensure that promising emerging contractors do indeed emerge into a sustainable future. The incubator programme will be implemented in the context of the cidb Register of Contractors. By categorizing contractors and creating a track record, the Register promotes a framework for sustainability and for the targeting of development interventions by clients, development agencies and financial institutions.

Within the context of the Expanded Public Works Programme, we have also initiated a massive programme of artisan and contractor training, including entrepreneurial training accredited by the CETA.

To relieve the financial and cash-flow burden on contractors, the Department has this year introduced a new approach to requirements on performance guarantees and retention of money. This new approach is supported by the introduction of the Register of Contractors and ensures that the Department’s risk management obligations are responsibly managed.

These are some of the responses to the challenge of sustainable contractor development that will be presented and discussed during this workshop.

Since our workshop in 2000, we have collectively provided stimulus to a number of other development programmes, including mentorship, that we will review over the next two days.

To further inform the deliberations of conference, I would like to raise two questions:

- In our efforts of the past 5 years we have tended to focus on empowerment in the building and civil engineering sectors. How do we expand access by historically disadvantaged South Africans throughout the construction supply chain, particularly in areas not yet meaningfully penetrated such as mechanical and electrical contracting.
- With regard to cash flow, we as clients should all ask ourselves the simple question: Do we pay contractors on time? If we do not, then all our empowerment interventions will come to nothing.

Going Forward

Ladies and gentlemen,

As we plan to expand and sharpen our focus we must begin to take on board government’s strategy for Broad-based Black Economic Empowerment and the unfolding industry-led process towards a Construction Charter. These will have significant impact on our programmes for sustainable contractor development.

The new BEE strategy advances our approach to empowerment and will enable greater opportunity for all role players, including the private sector, to contribute meaningfully to transformation and contractor development. The Financial Services Charter opens up new potential to access finance and we must ensure that this

potential is mobilized in support of sustainable contractor development.

The BEE strategy defines empowerment as a broad-based process and adopts the scorecard approach - covering ownership, management, employment equity, skills development, procurement, corporate social responsibility, investment and enterprise formation. By meeting any, or a combination of these objectives, every company has the potential to promote empowerment - and to be recognised for its effort through government's procurement processes. When finalized, the Construction Charter will concretize the commitment of the industry in support of enterprise development.

Concluding Remarks

Ladies and gentlemen,

Thank you for allowing me to share some thoughts with you on the theme of this workshop. In closing I would like to restate and underline a few fundamental views of our Government on the significance and role of the construction industry.

1. The construction industry is a national asset and South Africa's economic growth depends on the physical infrastructure that is delivered by this industry.
2. The industry is emerging from decades of decline into a period of significant growth and opportunity that is driven by government's commitment to infrastructure and by increasing levels of public and private sector investment. We believe that the industry will need to double its output over the next 10 years. This growth trajectory holds out significant opportunity for empowerment. But this opportunity will only be realized if we collectively understand and address the challenge of meaningful empowerment.
3. Meaningful empowerment must be sustainable. Sustainable enterprises perform better and are effective and competitive. They are better employers and contribute to skills development and an industry that delivers value to clients and society.
4. Our approach to transformation must therefore ensure that we rapidly close the gap between the formal and informal sectors of the industry and this requires focused development intervention.

Once again I would like to congratulate the conference organisers for providing a platform to take these objectives forward. I trust that it will be an invigorating workshop and that the knowledge distilled here will find its way into concrete practice, which will fundamentally improve the future of this industry!

I THANK YOU!

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