



public works

Department:
Public Works
REPUBLIC OF SOUTH AFRICA

**MINISTER OF PUBLIC WORKS
REPUBLIC OF SOUTH AFRICA**

Construction Industry Development Board

**cidb Employment Skills Development Agency
(ESDA) Pilot Graduation Ceremony**

&

cidb Best Practice Standards Launch

Manhattan Hotel, Pretoria, 26.11.2013

**Address by:
TW Nxesi, Minister of Public Works**

Protocol:

- Programme Director
- Chairperson and CEO of cidb
- The representative of the host employer – Mr Charles Wright of Stefanutti Stocks
- Representatives of the construction sector
- Most importantly the young learners present
- Ladies and gentlemen

Thank you for inviting me to this important occasion and allowing me to share some thoughts with you.

Welcome to all participants to the launch of the cidb Best Practice Standards and the ESDA (Employment Skills Development Agency) graduation.

I also want to welcome the participants from industry and client organisations that are here today, many of whom have participated in the development of these Best Practice Standards. This launch marks a milestone in the industry's participation in the

development of these Standards - developed in partnership with government.

And, of course, a special word of welcome to the 22 learners who will be graduating and exiting from the pilot ESDA - but more about this later.

National Infrastructure Plan

The President of the country and Cabinet have allocated over R1 trillion over the next 5 years to investment in infrastructure - reaffirming that the creation and maintenance of infrastructure is central to driving the economic growth of the country and job creation.

The National Infrastructure Plan for the country – led by the President - speaks to the following:

- the need to develop a comprehensive plan which would address the legacy of apartheid spatial

planning by integrating those parts of the country – rural areas in particular – which had been historically excluded from economic development.

- the need to use infrastructure development as a lead sector in developing the necessary economic linkages to drive inclusive economic growth and development; and
- the need for infrastructure development to lead the struggle against the triple evils of poverty, unemployment and inequality.

Eighteen major long-term Strategic Integrated Projects (SIPs) have been developed to promote regional economies and job creation. Examples include:

SIP1: *(coordinated by the Minister of Public Works)* aims to unlock SA's northern mineral belt centred in Limpopo through key infrastructure provision in Waterberg and Steelpoort districts, initiate new energy

and industrial development, develop a new city around Lephalale, shift coal transport from road to rail in Mpumalanga and increase rail capacity to Richards Bay whilst supporting regional integration.

SIP6: Integrated Municipal Infrastructure Project – to assist the least resourced districts to address all infrastructure, maintenance and basic services backlogs.

This infrastructure delivery plan needs to be delivered – by the construction sector - in a manner that provides value to the country – and this value depends on appropriate planning of the infrastructure, and also value delivered by contractors through the construction process. This infrastructure must be delivered to the right standard and quality, and on time.

However, all too often we have seen examples of poor quality construction, contractors failing to deliver, excessive price escalations, and dare I say it -

collusion. This has cost the country many millions of Rands – even billions. The cost of poor quality has been estimated by the cidb to be around R4 billion per year.

Combatting collusion

In relation to the issue of collusion, I just need to flag that the findings of the Competition Commission and subsequent processes – I believe - mark a major milestone - and hopefully a turning point - in the evolution of the construction sector in this country.

Of course the findings leave us with a dilemma:

- Wrong-doers need to be held to account – no matter how big they are.
- But we are also dependent on what is a vital sector of the economy as a lead driver of economic development and job creation.

- My own view is that we have to strategise on how best to use this moment in the life of the construction industry to promote transformation and development of the sector. This is something we can start to think about and discuss for the future.

But at this point in time it is vital that we respect the statutory processes which must still unfold. In particular, the CIDB (Construction Industry Development Board) is obliged to initiate its own process of investigation into the firms' conduct in terms of section 28 of the Construction Industry Development Regulations of 2004 and the CIDB Code of Conduct, and – I must stress this - this process is independent of the Minister.

I would appeal to all parties to cooperate with the CIDB. It is the body specifically charged by law to regulate and maintain ethical standards in the industry. Help them to do their job.

Best Practice Standards

The Best Practice Standards that are being issued today - in terms of the cidb Best Practice Contractor Recognition Scheme - aim to match the needs of the client (*that is the state*) with the abilities of the contractor. The cidb Best Practice Contractor Recognition Scheme aims to reduce the incidence of poor quality and to enhance value to clients.

While the state demands that infrastructure is delivered within specification, government is also committed to using the process of infrastructure delivery to achieve socio-economic objectives. Government is committed to enhancing employment, enhancing skills development, enterprise development, transformation and empowerment as well as Health & Safety practices through the process of contracting construction projects.

The best Practice Standards issued in terms of the Best Practice Project Assessment Scheme address this, and I complement the cidb on the Standards that are launched here today on black enterprise development and skills development. I also acknowledge the industry stakeholders that have worked with the cidb in developing these Standards.

These Standards complement government's initiatives such as the EPWP. I am told that these Standards - once fully rolled out - will create around R5 billion of development support for SMME (*small, medium and micro level entrepreneurs*) contractors per year, and will create around 3,000 learning opportunities per year on government construction projects.

At present, these Standards are voluntary. But my Department is working with the cidb to introduce Regulation that will make these best practice Standards issued in terms of the Project Assessment Scheme to be mandatory on public sector projects. I

am aiming to introduce the necessary Regulation early next year.

However, I encourage clients, and public sector clients in particular, to adopt these standards now, and incorporate them into our conditions of contract. In this regard I am pleased that the Standard for Skills Development will shortly be incorporated into the 18 SIPs.

However, while I complement the cidb on these Standards that support enterprise development, skills development, enhancing Health and Safety and so on – I also want to challenge and encourage the cidb to do more on establishing Standards for enhancing job creation.

Cidb ESDA (Employment Skills Development Agency) Pilot Graduation Ceremony

Ladies and gentlemen, I now want to turn to something that is very close to my heart - the graduation of the 22 learners here today.

Infrastructure is not only about cement, stone, steel and other building materials. Infrastructure is also about the people who create and maintain the infrastructure, and the skills they bring to bear on the construction process. It is about the human potential, it is about the designers, the managers, the foremen, the supervisors, professionals, artisans and general workers.

Just some background to the ESDA programme:

In 2006 the National Department of Labour invited applications for the registration of employment skills intermediaries to assist the SETAs with the attainment of the National Skills Development Strategy targets.

Specifically the ESDAs were intended to:

- Ensure continuity of learning across different workplaces for learnership candidates and apprentices to ensure completion of their training contracts;
- ESDAs were also expected to improve the quality of training available to learners by assessing and managing workplaces;
- Help bring SMMEs (small, medium and micro enterprises) into the regulated training environment; and
- Provide employment services for SMMEs that did not have the capacity to manage their own learnerships, while committed to providing high quality recognized training to unemployed learners.

The cidb applied for and was granted ESDA. The cidb-Industry ESDA application was supported by private industry in the form of BBCBE, MBSA and SAFCEC

who committed to providing workplace training opportunities for the ESDA learners.

The cidb successfully piloted the ESDA implementation model in partnership with Tshwane South FET College. Twenty two learners were placed with construction companies and have completed their workplace training in terms of the pilot project. The learners have undergone their respective outcomes tests – summative assessments in the case of the civil learners and bricklaying trade test for the building learners.

Based on the lessons learned from the ESDA pilot the cidb is establishing a Skills Development Agency (SDA) – to facilitate implementation of the cidb *Standard for Developing Skills through Infrastructure Contracts*.

Colleagues, our strategy and goal is to ensure that infrastructure investment leaves a legacy of skilled people who then go on to create further infrastructure.

Government is very conscious of the skills shortages (*which is a massive brake on economic development*); the relevance and appropriateness of skills to the industry's needs and the need for sustainable skills development. This is being addressed together with the Department of Higher Education and Training, the Department of Basic Education and the Department of Economic Development.

Skills development is receiving the highest attention at Cabinet.

In this connection, the Skills Standard that is being launched here today requires that practical learning opportunities be provided for on government infrastructure projects - and today 22 learners are graduating here today from such a pilot project.

I congratulate the learners on their accomplishment; I welcome the learners to this important industry sector; and I express my thanks to the construction industry and to the cidb on this initiative. This serves as an example of how infrastructure delivered by the state is also delivering skills, and employment opportunities.

Before I hand over the graduation certificates, I would like to hand back to the Programme Director to first say a few words.

I thank you.

Technical Annexures on Best Practice Standards

Annex A: Best Practice Contractor Recognition Scheme

Section 21 of the cidb Act states that:

The Board must ... establish a best practice contractor recognition scheme which:

- a) enables organs of state to manage risk on complex contracting strategies; and*
- b) promotes contractor development in relation to best practice standards and guidelines developed by the Board.*

The following Standards are being developed in terms of the cidb Best Practice Contractor Recognition Scheme:

- i) The cidb *Competence Standard for Contractors* is scheduled to be submitted to the cidb Board for approval in November 2013, and establishes minimum acceptable standards necessary for running a contracting enterprise and for supervising building and construction works within the fields of:
 - business management; and
 - building and construction management (operational and supervision).

These competencies need to reside with the owner and/or key nominated representatives of the contractor.

It is the intention that the cidb will recognise contractors that meet the requirements of the cidb *Competence Standard for Contractors*.

- ii) *Construction Management Systems: A Construction Management System (CMS)* is a framework of processes and procedures used by an organisation to better control its construction risks and to improve its performance. Such management systems are commonplace in many working environments, and play an important role in promoting performance improvement and in delivering better value to clients.

While the cidb recognises that it is best practice for contractors to be accredited to ISO 9001, ISO 4001 and OHSAS 18001, the cidb recognises that these systems are often largely appropriate for large organisations (such as Grade 8 and 9 contractors). To promote and recognise performance improvement by contractors in, typically, Grades 5 to 9, the cidb developed an integrated CMS, based on recognisable industry minimum standards covering:

- health and safety management;
- quality management; and
- environmental management (covering air, water, land and waste).

Based on a draft Standard developed by the cidb, the cidb has been working with the SABS to develop a South African National Standard (SANS) for Construction Management Systems (SANS 1393) – which was released in November 2013. It is the intention that the cidb will recognise SANS 1393 as a best practice Standard, and recognise contractors that are accredited to SANS 1393.

iii) The cidb *Standard for Contractor Performance Reports for use on Construction Works Contracts*, was published in the government gazette in August 2013. The Standard provides for a uniform and consistent method of assessment of the performance of a contractor with respect to the following project parameters:

- time management;
- cost management;
- quality management;
- health and safety management;
- management of site conditions; and
- management of subcontractors (including payment).

The contractor performance reports will also include a record of any breaches of contract (including those resulting in the termination and/or cancelation of a contract) as well as non-compliance with mandatory cidb Best Practices, including the cidb *Code of Conduct*.

The *Standard for Contractor Performance Reports* is also an integral component of the cidb Best Practice Project Assessment Scheme (see Annex B)

Annex B: Best Practice Project Assessment Scheme

Section 23 within Chapter Four of the cidb Act states that:

- 1) *The Board must establish a best practice project assessment scheme, based on the best practices identified by the Board*
- 2) *After a date determined by the Minister in the Gazette all construction contracts above a prescribed tender value are subject to an assessment, in the prescribed manner, of compliance with best practice standards and guidelines published by the Board in the Gazette, and different dates may be determined for different practices.*

The following Standards are being developed in terms of the cidb Best Practice project Assessment Scheme:

- i) The cidb *Standard for Indirect Targeting for Enterprise Development through Construction Works Contracts* was published in the government gazette in February 2013, and provides for a minimum contract participation goal of 5% of the total project value on selected contracts to be undertaken by joint-venture partners or to sub-contract to developing contractors that are also to be beneficiaries of enterprise development support from the main contractor.
- ii) The cidb *Standard for Developing Skills through Infrastructure Contracts* was published in the government gazette in August 2013, and is a collaborative effort amongst the cidb, DPW, DHET and DED. For engineering and construction works, design and build, supply and services contracts, the Standard provides for a minimum contract participation goal of 0,5% of the tender value of General Building (GB) contracts and 0,25% of the tender value of Civil Engineering contracts (CE) to be allocated to workplace training on public sector contracts in tender Grades 7 to 9. For professional services contracts, the number of skills development hours shall be not less than the professional fees in millions of Rand multiplied by 150.
- iii) The cidb *Standard for Contractor Performance Reports for use on Construction Works Contracts*, was published in the government gazette in August 2013. The Standard provides for a uniform and consistent method of assessment of the performance of a contractor with respect to the following project parameters:
 - time management;
 - cost management;
 - quality management;
 - health and safety management;
 - management of site conditions; and

- management of subcontractors (including payment).

The contractor performance reports will also include a record of any breaches of contract (including those resulting in the termination and/or cancellation of a contract) as well as non-compliance with mandatory cidb Best Practices, including the cidb *Code of Conduct*.

In addition, it is envisaged that cidb Standards will also shortly be published for Grade 1 contractors and for sub-contractors. The proposed cidb *Standard for Contractor Performance Reports for use on Construction Works Contracts (sub-contractors)* will provide for sub-contractors to carry their track record through for recognition when applying for a cidb Grading.

- iv) The cidb *Standard for H&S Management Plans* is scheduled to be submitted for Board approval by December 2013. The cidb *Standard* is aligned with the requirements of the Construction Regulations, and will provide for a best practice standard for the H&S specification and the H&S plan to be used on construction works contracts, and for standard procedures for the approval and sign-off of the H&S specification and the H&S plan by the client. It is intended that the cidb *Standard* will be mandatory on public sector contracts.
- v) The cidb *Best Practice: Minimum Requirements for Engaging Subcontractors on Construction Works Contracts* was published in the government gazette for public comment in November 2013: Notwithstanding minimum legal requirements that impact on the construction industry, prime contractors do appoint sub-contractors that do not comply with minimum statutory requirements. This cidb *Best Practice* provides for employers to specify and verify that prime contractors appoint sub-contractors that comply with the following:
 - a written contract exists between the prime contractor and sub-contractor; and
 - sub-contractor who are in possession of a valid tax clearance certificate (TCC) and comply with the relevant requirements of Skills Development Levy (SDL), the Unemployment Insurance Fund Act (UIF), and the Compensations for Occupational Injuries and Disease Act (COID).
- vi) cidb *Standard for Performance Reports for Professional Service Providers*: The cidb has initiated the development of a cidb *Standard for Performance Reports for Professional Service Providers*, which is aligned to the possible development of a cidb *Register of Professional Service Providers*. It is intended that this cidb *Standard* will be published in the government gazette in March 2015. The Standard will provide for a

uniform and consistent method of assessment of the performance of professional service providers.

- vii) *cidb Best Practice: Green Building Certification*: The *cidb Best Practice* was published in the government gazette in April 2011, and identified The Green Star SA rating tool "Office Version 1" of the Green Building Council of South Africa as a best practice to be followed in the design of office buildings. It is likely that the *cidb* will update this Standard to include reference to the "*Public and Educational Building*" rating tool. Note that subject to the development of DPW's green building rating tool, DPW has endorsed that the *cidb Best Practice: Green Building Certification* will be used as an interim measure