

# **WHITE PAPER**

**Creating an Enabling Environment for  
Reconstruction, Growth and Development  
in the Construction Industry**



**Department of Public Works**  
In collaboration with the Departments of  
**Transport, Water Affairs & Forestry, Housing and  
Constitutional Development.**

South Africa is a large country. It boasts the vast open spaces of the platteland, long mountain ranges, a spiderweb of roads, railway lines and air routes. Some of our rivers flow into developed ports and harbours, cutting across land routes which link our cities, towns, villages and farming areas together. Impressive bridges span the most treacherous of these rivers.

Postcard portraits of our country frequently display two major images of our country. On the one hand is the impressive architecture of cities' skylines, our national monuments and our recreational facilities. On the other hand, our rural areas starkly reflect a legacy of neglect and under-development. Sometimes scenes that reflect the poverty of vast areas of our country are even romanticized. Photos of rural women carrying wood and water on their heads, smiling for the cameras for a fleeting moment in the drudgery and hardship that is the real experience of many of our people.

The visual map of South Africa described here reflects the enormous contribution the construction industry as a whole has made over the decades: the workers and bricklayers, the architects and quantity surveyors, the financial institutions and local initiatives. But the visual map also highlights that there is much to be done. Underneath the success of the construction industry in South Africa are a number of features we would prefer were not there: an unstable and frequently insecure employment environment, jittery periods of financial assurance, an inbuilt bias towards urban centres of development, and an essentially erratic approach to integrating the construction industry with the vision and objectives of the RDP.

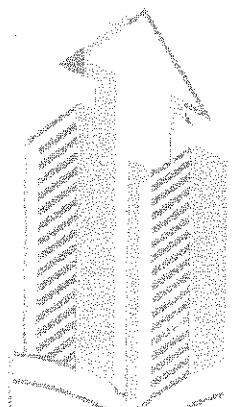
The construction industry - comprising both the building and civil engineering sections - performs an indispensable role in the economy of South Africa and increasingly of the region as a whole. The construction industry provides the infrastructure which is fundamental to the ongoing development of our country; its activities affect everyone's lives in one way or the other. Right at the top of the list of Government's development priorities is the provision of infrastructure in underdeveloped areas, designed to bring relief to people living there in the form of jobs, linkages to markets, assets that promote economic business development in an integrated and coherent fashion. Jobs, expanding business opportunities and the potential for increased investment for small, medium and emerging contractors and individuals are but some of the benefits that will flow from an expanded and motivated industry.

Since the initial debates leading up to the Green Paper, and in the period following its publication, hundreds of people from all formations of industry have contributed to the refinement of Government policy, which is now crystallised in this White Paper. This dynamic engagement has also changed the mindsets of many.

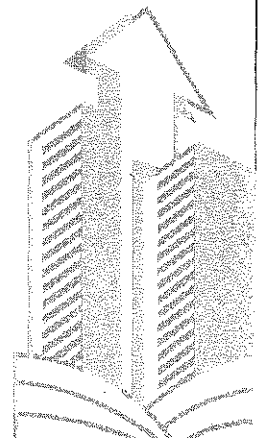
In moving the process from the draft proposals of the Green Paper to the policy projected in this document and indeed, into implementation, the Inter-ministerial Task Team on Construction Industry Development has significantly contributed to the national strategy.

Drawn from industry and government, and supported by a Public Works Secretariat, the Task Team has engaged intensively in consultation with industry stakeholders. The Task Team subjected industry comment and feedback on the Green Paper to thorough analysis, and its recommendations have been incorporated in the final drafting process.

The White Paper is thus the refined result of a broad public policy making process and represents a significant milestone in the development of the South African construction industry. It provides an enabling framework within which the construction industry can play a more strategic role in social development and economic growth.



ADR:	Alternative Dispute Resolution
BITS:	Building Industry Training Scheme
CBEP:	Council of the Built-Environment Professions
CBPWP:	Community-Based Public Works Programme
CDM:	Construction, Design and Management
CEITS:	Civil Engineering Industry Training Scheme
CIDB:	Construction Industry Development Board
CISETO:	Construction Industry Sector Education and Training Organisation
DPW:	Department of Public Works
ECDP:	Emerging Contractor Development Programme
EQTAs:	Education and Training Quality Assurers
GDFI:	Gross Domestic Fixed Investment
HRD:	Human Resource Development
ILO:	International Labour Organisation
LOSC:	Labour-only Subcontracting
MTEF:	Medium-Term Expenditure Framework
NEPA:	Ntsika Enterprise Promotion Agency
NHBRC:	National Home Builders Registration Council
NPWP:	National Public Works Programme
NSB:	National Standards Body
NTF:	National Training Fund
NQF:	National Qualifications Framework
NURCHA:	National Urban Reconstruction and Housing Agency
RPL:	Recognition of Previous Learning
SACII:	Southern African Construction Industry Initiative
SAQA:	South African Qualifications Authority
SETA:	Sector Education and Training Authority
SGB:	Standards Generating Body
SME:	Small and Micro-enterprise
WTO:	World Trade Organisation



In the final drafting process, the Task Team, the Department of Public Works and the Inter-ministerial Committee have endeavoured to ensure that the construction industry development policy put forward in this White Paper reflects the deepest concerns of the industry as a whole. However, it is clearly not always possible to satisfy the diverse interests and often-conflicting views of different role players. At the end of the day Government policy must be formulated in the national interest.

This White Paper is about change. It is about the actions needed to stimulate change, to promote increased participation of the emerging sector, improved labour relations and sustainable employment. It is about appropriate human resource development and improved industry and client performance. And it is about establishing the institutional arrangements best suited to create a climate in which our industry can adapt rapidly to the accelerating changes impelled by globalisation.

Above all, this White Paper is about the South African people, who are the ultimate beneficiaries of the industry's output. It is they who are the real stakeholders in our construction industry, and it is their interest in a vibrant, efficient and effective industry that this national development strategy must serve.

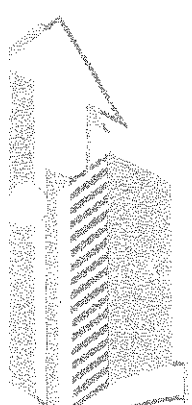
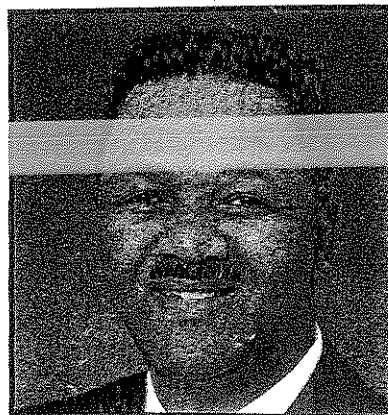
Elements of the strategy are already in place and progress has been made on a number of fronts. In this regard, I am greatly encouraged by the level of industry cooperation that has been established by the Inter-ministerial Task Team. The vision and the strategy we have consolidated together provide merely a guide to action: the Task Team has breathed life and urgency into the process and has established a culture of "development through partnership" and a platform for ongoing implementation.

The envisaged Construction Industry Development Board (CIDB) will continue to build on this platform and will drive the national strategy for industry development on behalf of all stakeholders. In pursuit of the vision, it will introduce measures that support improved quality, productivity, safety, health and environmental protection. Within the ambit of construction activity, the CIDB will promote accelerated delivery, empowerment, efficiency and good governance throughout South Africa.

Let us now all take advantage of the vision and strategy contained in the White Paper. I honestly believe that the construction industry and its related components can move forward with confidence into the millennium. The industry has the full support of Government and we will continue to treasure the special relationship that the industry has contributed to the development of our people and our new democracy.



JEFF RADEBE, MP  
Minister of Public Works





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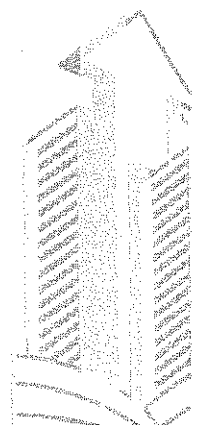
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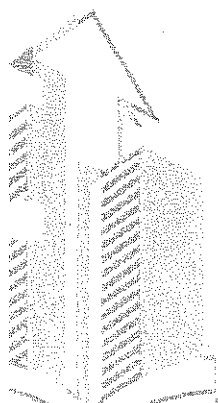
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1.1 THE POLICY FORMULATION PROCESS

Since 1994, the Department of Public Works has championed a range of initiatives and has co-ordinated the development of a comprehensive construction industry development policy as part of its contribution to the national project of reconstruction, growth and development. This White Paper is the culmination of a three-year process of policy development, consultation and implementation.

Towards the end of 1995, the Department of Public Works (DPW) generated a position paper for consideration by Government, entitled "Establishing an enabling environment to ensure that the objectives of the RDP and related initiatives by Government are realised in the construction and allied industries".

In February 1996, the support of Cabinet was obtained to develop construction industry policy and the Department of Public Works was mandated to lead this initiative. At this time South Africa's Constitution had not yet been adopted and detailed government policy formulation for a wide range of related sectors was in the melting pot. Many of these have required interpretation and adaptation within the specific context of the construction sector. To ensure the alignment of policy development in construction, Government appointed a steering committee and working group comprising eight departments, including the Departments of Transport, Water Affairs & Forestry, Housing, Labour, State Expenditure, Trade & Industry, and Education, with Public Works as coordinator.

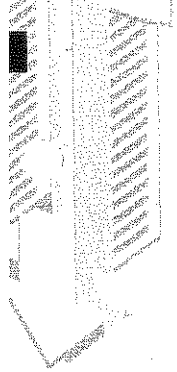
Further research led to a discussion document, which formed the basis for a round of consultation workshops with industry stakeholders towards the end of 1996. The resulting Green Paper was released for broad comment in November 1997. At the same time, and in line with the Green Paper proposals on the way forward, an inter-ministerial Task Team on Construction Industry Development was appointed. Drawn from industry and Government, and supported by a Public Works Secretariat, the Task Team has engaged intensively in the consultation with industry stakeholders and has advised on the finalisation of the White Paper.

Following a request from industry, the deadline for comment was extended to 15 May 1998. Comments were received from more than 20 organisations and individuals. The Task Team has subjected comment and feedback to a thorough analysis, which has further modified Government policy thinking. The output of this review was presented in July 1998 to a Construction Industry Development Reference Group of industry stakeholders and gained full support.

The White Paper is thus the result of a broad public policy-making process and represents a significant milestone in the development of the South African construction industry. It establishes an enabling framework within which the construction industry can play a more strategic role in social development and economic growth. This framework provides the basis for an integrated industrial development strategy and the institutional mechanism to drive such a strategy on behalf of all stakeholders. The Construction Industry Development Board will ensure the ongoing commitment of all stakeholders to a common vision.

1.2 TASK TEAM EVALUATION OF COMMENT ON THE GREEN PAPER

The Green Paper received without exception general support from all for its vision, principles and objectives. Supported by the Secretariat, the Task Team undertook a thorough analysis of stakeholders' comments.





All comments received were captured in tabular format, together with brief responses. This reflects an audit trail of some 250 comments addressed by the Task Team.

#### 1.2.1 POSITIVE COMMENT

Notwithstanding some concerns, a significant number of stakeholders expressed positive sentiments on the following key proposals:

- General support for the formation of a Construction Industry Development Board (CIDB).
- Qualified support for a register of contractors with some commentators proposing a general industry "capacity register".
- The use of a Medium-Term Expenditure Framework (MTEF) for moderating the construction spending cycle received widespread support, although some expressed scepticism about its application in practice.
- The application of best-practice methods was welcomed, particularly in occupational health and safety on the one hand and quality and productivity issues on the other.
- Measures to promote regional or international competitiveness received qualified support.
- Qualified support was expressed for labour-based construction and collective bargaining, as well as for alternative dispute resolution (ADR) and partnering approaches.
- General support was expressed for a sustainable training strategy and targeted assistance to small and micro-enterprises (SMEs).
- Simplification and standardisation of contract documents was seen to be overdue.
- There was general support for the proposals to enhance public-sector delivery capacity.

#### 1.2.2 KEY CONCERNS

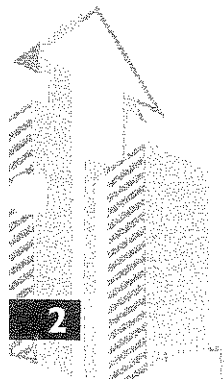
Positive comment was not always unqualified, and the concerns raised were categorised and dealt with by the Task Team, as follows:

- Policy issues of relevance to the finalisation of the White Paper.
- Policy concerns that might require further development, subsequent to the White Paper.
- Concerns about implementation which have been referred to focus groups of industry specialists.

A number of concerns reflected a misunderstanding of Government intentions and the need for greater clarity in the formulation of the White Paper.

### 1.3 BROAD CONSENSUS ON THE WAY AHEAD

Following discussion of the Task Team's review of comment on the Green Paper, its business plan was endorsed by a Reference Group workshop of over 60 leading public- and private-sector stakeholders. The workshop "Planning for Construction Industry Development" expressed its commitment to the process of industry development with the adoption of the following resolution:



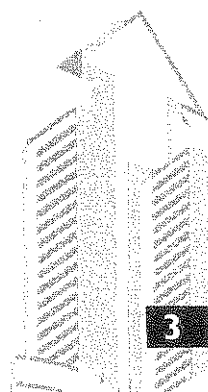
"Concerned at the need to accelerate delivery, to increase infrastructure investment, to unblock delivery blockages and to promote industry development, the Reference Group agreed on the need for the structured co-operation of all role-players.

It resolved to support and promote various key outputs, including plans to:

- establish a Construction Industry Development Board;
- establish a Register of Contractors;
- schedule Public Sector spending through the MTEF process;
- support programmes to develop the Emerging Sector; and
- achieve other outputs which readily impact on industry performance.

Broadly representative of the South African construction industry, the Reference Group constituents undertook, within their respective means, to commit time and resources to the objectives of construction industry development and to promote the concept of "development through partnership".

In the final drafting process, the Task Team and the Department of Public Works have endeavoured to ensure that the construction industry development policy put forward in this White Paper reflects the deepest concerns of the industry, as a whole, in regard to the development agenda.





## Construction Industry Development Policy

The construction industry, which comprises both the building (residential and non-residential) and civil engineering sectors, plays an indispensable role in the South African economy. It provides the physical infrastructure which is fundamental to the country's development and its activities affect the lives of all South Africans. Construction contributes about 35% to gross domestic fixed investment (GDFI) and current projections of future infrastructure requirements indicate that its contribution to GDFI could double within 5 to 10 years.

A large and growing percentage of infrastructure development is taking place within disadvantaged communities. Thus, the construction industry offers significant job and business opportunities to those formerly marginalised from economic activity. Furthermore, the sector employs more than 400 000 people, and can play a meaningful role in addressing the current unemployment crisis.

### 2.1 THE PURPOSE OF THE WHITE PAPER

The need for accelerated and increasing delivery presents industry and Government with both challenges and opportunities. Achievement of Government's objectives of reconstruction and development requires an effective strategy for construction industry growth and ongoing development.

This White Paper sets out Government's vision for an enabling strategy aimed at enhanced delivery, greater stability, improved industry performance, value for money and the growth of the emerging sector. It is premised on increasing public-sector demand and identifies the need for improved public-sector capacity to manage the delivery process.

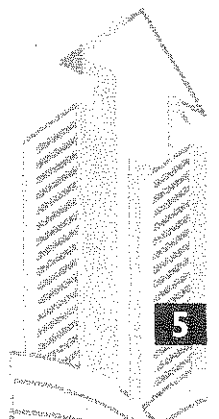
In defining Government policy for the construction industry, the White Paper proceeds from an understanding of the industry and the environment in which it operates. Analysis of this environment captures the specific trends and structure of the industry, as well as the current opportunities and constraints which enable and impede its development. Informed by extensive consultation and by practical experience, the White Paper locates the requirements of industry development within the context of Government's mandate and the regional and global context.

### 2.2 IN THE CONTEXT OF GOVERNMENT'S MANDATE

Government's commitment to the objectives of development, growth and the democratisation of society derives from the mandate of the Reconstruction and Development Programme.

Policy has been further elaborated in several documents which are of particular relevance to construction industry development, including:

- Growth, Employment and Redistribution (Department of Finance).
- Labour Market Commission Report (Department of Labour).
- White Paper on Housing (Department of Housing).
- White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (Department of Trade & Industry).
- The National Qualifications Framework (South African Qualifications Authority).
- Basic Conditions of Employment Act (Department of Labour).



- Skills Development Bill (Department of Labour).
- White Paper on Transformation of the Public Service (Department of Public Works).
- Green Paper on Public Sector Procurement Reform in South Africa (Ministries of Finance and Public Works).
- Developing a Culture of Good Governance Report of the Presidential Review Commission on the Reform and Transformation of the Public Service in South Africa.
- White Paper on Local Government (Ministry for Provincial Affairs & Constitutional Development).
- Discussion Document: A National Strategy for Integrated Environmental Management (Department of Environmental Affairs & Tourism).
- White Paper on National Transport (Department of Transport)
- White Paper on Water Supply and Sanitation Policy (Department of Water Affairs & Forestry).
- White Paper on a National Water Policy for South Africa (Department of Water Affairs & Forestry).
- White Paper on Science and Technology, "Preparing for the 21st Century" (Department of Arts, Culture, Science & Technology).
- Moving South Africa (Department of Transport).

#### 2.2.1 **RESPONDING TO BROAD SOCIAL AND ECONOMIC OBJECTIVES**

Within this policy framework, development of the construction industry must respond to the following broad social and economic imperatives:

- Sustainable economic growth and productivity of the sector.
- Rapid and efficient delivery of quality assets to the public.
- Sustainable employment creation.
- Affirmative action.
- The active promotion of small and micro-enterprises (SMEs).
- Stabilised and enabling labour relations within the framework of labour regulation.
- A human-resource development strategy which is holistic, sustainable and accessible.
- Competitiveness and the opening up of South African markets to regional and international business.
- The development of public-sector capacity to manage the delivery process.
- Government's role in promoting an enabling environment for industry development, and greater private-sector participation in the delivery process.

In rising to meet broad economic and social challenges, industry and Government must overcome a range of fundamental impediments.

The fundamental impediments to industry growth and development are discussed below:

- Interconnected structural problems exist within the industry, which are associated with the declining demand in recent decades and the volatile nature of construction demand.
- In its effort to survive demand fluctuations, the industry's response has been to adopt increasingly flexible labour practices. The consequent shedding of direct labour has given rise to the use of unregulated labour-only subcontracting which, in turn, has impacted negatively on a range of performance factors such as labour relations, human-resource development, output and quality - all of which add to the spiral of rising costs.
- Artisan, supervisory and management capacity has diminished over the past twenty years. Training and human-resource development has been impeded by existing governance and funding mechanisms, which tend to marginalise unregistered labour-only subcontractors and emerging black contractors. The further divide between the civil and building-industry sectors, together with the content and structuring of training provision, impedes skill portability, career pathing and industry-skills formation.
- The development of the emerging sector is frustrated by its inability to access finance and credit, as well as vocational or management training.
- As the major client to the industry, the public sector's limited capacity to manage its procurement function has given rise to delivery bottlenecks, which escalates the cost of development to both industry and the public.
- Increased investment in physical infrastructure is constrained by public-sector fiscal capacity and the limited ability to mobilise private-sector finance and initiative.

The regulatory framework tends to inhibit innovation and initiative, and disempower the emerging sector. Furthermore, transformation and reform are impeded by the absence of a statutory authority to co-ordinate and promote industry growth and development initiatives.

It is against the background of the need for accelerated delivery and development that the combined and mutually reinforcing effect of the impediments outlined here can be characterised as an industry-wide crisis.

The strategic aim of a construction industry policy is to establish an enabling environment in which the objectives of reconstruction, development and growth are realised in the industry.

*Our vision is of a construction industry policy and strategy that promotes stability, fosters economic growth and international competitiveness, creates sustainable employment, and addresses historic imbalances as it generates new industry capacity for industry development.*

It presupposes a growing and active industry supported by an effective institutional framework representative of all parties who embrace this vision. It is premised on the ability of Government to exert its influence to foster operating practices conducive to an enabling environment.



## 2.5 THE STRATEGIC FRAMEWORK OF ENABLING PROGRAMMES

Attainment of Government's vision must address the above impediments in a comprehensive and integrated strategy, and a number of mutually reinforcing programmes constitute the cornerstones of this strategy.

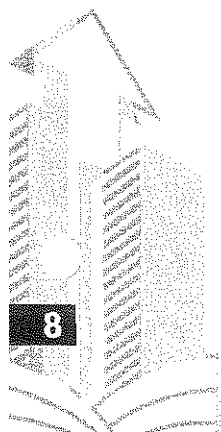
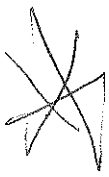
The programmes envisaged are elaborated upon in Chapters 3 to 7 and include the following:

- Developing A Stable Delivery Environment:  
Counteracting demand volatility  
Towards a stable work environment.
- Enhancing Industry Performance:  
Work process transformation  
Procurement strategies to effect best practice.
- Towards an Enabling Strategy of Human-Resource Development.
- Promoting New Industry Capacity and the Emerging Sector.
- Developing the Capacity and Role of the Public Sector:  
Delivery to target the marginalised  
Overcoming regulatory impediments to industry performance  
Improving public-sector capacity to manage delivery  
Promoting regional integration.

## 2.6 GOVERNMENT'S ENABLING ROLE

In fulfilling its role as regulator, facilitator and client, Government is already involved in the affairs of the construction industry. These functions are exercised by various departments and in all spheres of Government, and are discussed below:

- Regulatory intervention is focused primarily on the protection of public interests. As regulator and client the State aims to encourage practices which are most appropriate for the realisation of society's objectives, and to limit those deemed detrimental.
- Government facilitates the achievement of socio-economic objectives through its role as client to the industry - i.e. in the way in which it procures services, and through the promotion of public-sector delivery programmes which target support for the weaker sections of society, including those who are disadvantaged by current or historical circumstances.
- The project of nation-building and reconciliation necessitates intervention to promote equity. In addition to the aim of greater equity, the promotion of affirmative action, of historically disadvantaged enterprises and professionals, and of improved labour standards can also ensure positive economic benefits.
- Over and above the economic and developmental justification for intervention, the State has an obligation to ensure healthy industry practice since the public sector and public corporations could initiate 40% to 50% of the construction-related gross domestic fixed investment (GDFI). Therefore, the State has good reason to promote improved productivity, output quality and value for money.
- As major client to the industry, Government is well placed to influence its development. However, current efforts by various Government departments, provinces and local authorities are characterised by a lack of coherence, by duplication of effort and the wasteful use of public



resources. Different approaches and variances of policy interpretation by diverse public-sector agencies are compounding the complexity of the environment in which the industry operates. Therefore, a comprehensive policy for the construction industry, supported by the industry, will provide a framework for co-ordinated public-sector intervention.

#### 2.6.1 **ENABLING POLICY INSTRUMENTS**

To support and mould programmes for industry-wide transformation of the construction sector, Government must ensure a balanced application of the instruments at its disposal. These include the following:

- regulation;
- procurement policy;
- human-resource strategies in accordance with industry development priorities;
- direct support, including financial support; and
- institutional support.



#### 2.6.2 **PRINCIPLES AND PURPOSE OF POLICY INSTRUMENTS**

The use of policy instruments should be guided by the following principles. They should

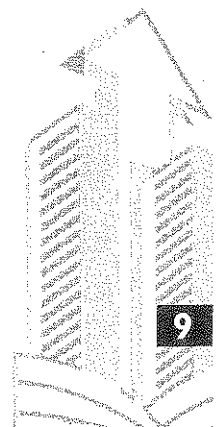
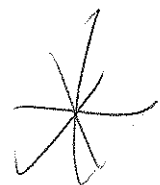
- be directed at facilitating strategic national development objectives;
- advance public- and private-sector partnerships;
- ensure adequate co-ordination through appropriate institutional arrangements;
- enable monitoring of programme performance; and
- promote compliance and best practice.

#### 2.6.3 **MINIMUM STANDARDS AND BEST PRACTICE**

Following the precedents of other states - such as Australia, Britain, Singapore and Malaysia - public-sector purchasing power can be used to encourage the industry to embrace reform and to operate in a manner that the public sector identifies as "best practice".

Construction-industry policy needs to ensure compliance with minimum standards relating to health and safety, productivity and quality, training, employment practice and environmental protection. It also needs to define best practice for a range of interventions. Practices which focus on work-process transformation, human-resource development, the promotion of SMEs and affirmative action are based not only on the operation of leading construction enterprises in South Africa, but also on the experience of construction and other industries internationally.

It is not assumed that the public sector necessarily has the expertise to decide on best-practice standards. Through appropriate benchmarking, the public sector - in association with appropriate industry institutions - can generate standards which promote the economic viability of the construction industry. Benchmarking is already practised by leading South African construction firms and public corporations, and it is possible to identify those practices which will contribute to the long-term improvement of the industry.





## 2.7 INSTITUTIONAL DEVELOPMENT

In the context of transformation and rapid global change, public policy must be dynamic and responsive. While the Department of Public Works is responsible for co-ordinating the development, monitoring and dissemination of Government policy for construction-industry development, there is currently no national agency charged with guiding the development and promotion of the construction industry as a whole.

The specification of standards, the testing and phasing-in of appropriate public-sector measures and the development of industry and public-sector capacity, will require close and constructive collaboration between the private sector (established and emerging), labour, Government and non-governmental sectors.

Co-ordination will also necessitate effective partnerships between national, provincial and local-level administrations, as well as between Government departments. Constant monitoring and review will be required to co-ordinate and evaluate the effectiveness of enabling programmes and to respond to shifting priorities and new challenges.

These requirements highlight the need for permanent institutional arrangements which are outlined in Chapter 8. Central to the proposed arrangements is the need for a statutory Construction Industry Development Board (CIDB), which can provide a focal point for all stakeholders to advance the agenda for positive change. It will further commit all stakeholders to a common vision and drive the ongoing refinement of an integrated industrial strategy, based on the programmes outlined in this White Paper.

In co-operation with Government policy organs, the board will evaluate and advise on industry performance and the realisation of Government's enabling role.

Guided by the Inter-ministerial Task Team on Construction Industry Development, a planning and consultative process is under way to establish the legislative framework for the CIDB.

## 2.8 CONCLUSION

The strategic goals of industry transformation will not be accomplished by short-term programmes. But the reality that fundamental re-orientation may only occur over the next 10 or 20 years underlines the urgency for action if South Africa's broader reconstruction and development objectives are to be attained. Therefore, based on the Green Paper proposals, critical steps are being taken to address strategic development objectives and the current industry crisis. Addressing each of the programmes contained in the ensuing chapters, these steps are being facilitated by the Inter-ministerial Task Team on Construction Industry Development. In line with the Green Paper mandate on the way forward, co-operation is being forged between all stakeholders to take forward the agenda of reconstruction, growth and development in the construction industry.

The basis of this agenda is the vision and strategy now consolidated in this White Paper by the Department of Public Works in co-operation with the participating departments. Crystallising construction industry policy, the White Paper reflects a thorough review of public comment and consultation on the Green Paper proposals. It provides a framework for concerted action by public- and private-sector stakeholders to promote "development through partnership" in the construction industry.

## Developing A Stable Delivery Environment

The construction industry operates in a complex and generally project-specific environment. It is impacted on by a wide range of legislation, regulation and forms of contract and subcontract. It is heavily dependent on labour and each new project faces different challenges in terms of size and scope, location and terrain and the range of skills and materials required.

The industry is mobile, and every project involves the assembly of a new combination of role players and resources: new clients, a spectrum of professional disciplines, contractors and subcontractors, skilled and unskilled workers, plant and equipment. In short, nothing in the industry is static. Industry instability is compounded by the fact that construction is a competitive and high-risk business for both client and contractor.

Critically significant for industry growth and development is an increasing and relatively stable environment as the foundation for sustainable growth and job creation, enhanced employment stability, investment in human-resource development and the plant and equipment necessary to maintain or improve productivity, quality and international competitiveness.

### 3.1 STIMULATING DEMAND AND COUNTERACTING VOLATILITY

#### 3.1.1 PROBLEM STATEMENT

##### 3.1.1.1 Declining demand and demand volatility

Since the late 1970s, gross domestic fixed investment (GDFI) on construction goods has been declining. According to SA Reserve Bank figures, construction - which comprises both the building and civil engineering sectors - contributed only 2,87% to GDP in 1997, a significantly smaller proportion of the national economy than its peak of 5,37% in 1975.

This decline in construction spending was most severe in the civil engineering sector, with almost a two-thirds reduction from the early 1980s, as well as a halving of the non-residential and residential building investment over a similar period. Since 1994, Reserve Bank statistics suggest that the civil engineering and non-residential sectors have experienced positive growth while the residential market has remained virtually static.

This trend contrasts with the history of construction in other countries. In almost all countries, but especially middle-income countries such as South Africa, the rate of growth in the construction sector should be greater than that of the economy as a whole. Construction contributes at least 50% to fixed capital investment in most developing countries. Where there is rapid economic development, therefore, construction should grow even more rapidly than the rest of the economy.

##### 3.1.1.2 The impact of demand decline and volatility on production relations, quality, productivity and capacity

It has been estimated that more than 35% of all construction employees were lost to the industry during the recession of the mid-1970s and that at least a further 30% of employees were again lost in the late 1980s and early 1990s.

Together with the wasteful loss of skilled personnel, South Africa has lost the capacity of thousands of construction companies that were unable to survive the volatility of demand. Firms balanced on the brink of survival in an uncertain market are reluctant to invest in improved health and safety, productivity and quality, training, improved employment practice and environmental protection.



Responding to the decline in investment and accompanying volatility, South African firms - in conformity with global trends - have adopted more flexible production strategies. However, in the context of intense competition and the specific pre-1994 environment, the shedding of labour obligations and an increasing reliance on unregulated labour-only subcontracting (LOSC) have further contributed to declining capacity, productivity and output quality.

### 3.1.2 **VISION**

Government is committed to meeting the basic needs of the population. Estimates of the investment required to overcome the growing backlog of physical infrastructural requirements project the need to escalate construction spending significantly. This translates into a potential output increase of up to 100% in the next 5 to 10 years, signalling a period of profound growth for the South African construction industry.

This period of growth provides a window of opportunity for the development of a more stable delivery environment, underpinned by measures to counteract the effects of demand volatility, and stabilise employment conditions as the basis for consolidating industry skills and management capacity.

The State will therefore aim to moderate the fluctuations in its own expenditure by developing clear medium-term fixed-investment guidelines for all public-sector spending agencies. The appropriate scheduling of public-sector investment in construction goods and services would then provide a more predictable environment for private-sector investment, growth and development.

### 3.1.3 **CONSTRAINTS AND OPPORTUNITIES**

#### 3.1.3.1 Public- and private-sector constraints to increased investment

- Government's commitment to increased direct investment in construction expenditure is constrained by the limitations of the public fiscus.
- Private-sector financing of public-sector projects is a complex form of procurement. Although various models are contemplated by Government and some are being tested, there is need for co-ordinated policy and for the development of specialist capacity in both the public and private sectors.

#### 3.1.3.2 Moderating demand volatility

It is recognised that there are constraints which could undermine the effectiveness of proposals to moderate demand volatility. These constraints include the following:

the limited success experienced internationally with counter-cyclical public spending;

the realisation that private-sector expectations may ultimately discount any Government attempts to counter economic trends;

the long lead times associated with construction investment, which make planning in a volatile environment more difficult;

the "accelerator-multiplier" effect associated with the economies of scale on large projects, which contributes to the greater unevenness of investment;

investment uncertainty as a result of international currency speculation, impacting dramatically on local economic conditions; and

the absence of a specialised agency to assemble reliable macro-economic data on construction-related spending.

#### 3.1.4 PRINCIPLES

- Government will increasingly promote appropriate and innovative public/private-sector partnerships which build on the strengths of the respective sectors to promote investment in the delivery of infrastructure. Greater levels of co-ordination are essential to ensure the development of capacity.
- The scheduling of public-sector spending will become an instrument in stabilising the environment in which the industry operates, although due cognisance will be given to the associated constraints.
- Scheduling of public-sector construction will be aimed at projecting a consistent spending pattern so that private-sector investors are able to respond to this more predictable environment, and thus invest in productive production processes and human-resource development.
- Scheduling of public-sector construction spending will build on the Medium-Term Expenditure Framework (MTEF) introduced by the Department of Finance and State Expenditure from the 1998/9 financial year. From now on, not only will the Minister of Finance provide expenditure estimates for the new financial year, but these estimates will incorporate projections for the following three years. Provincial Finance MECs are also required to provide MTEFs for their proportion of the budget.

Although the three-year projections of the MTEF will only provide expenditure ceilings, which may be partially revised in subsequent years, this planning tool will provide a much clearer indication of Government priorities than the previous budget system. More importantly, the MTEF provides both the public and private sector with opportunities to participate in the process of determining future budget priorities. The Medium Term Budget Policy Statement (2 December 1997) describes the key features of the MTEF, as follows:

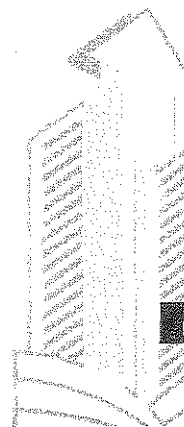
- publication of three-year forward estimates on Budget day, consistent with Government's policy priorities and commitments;
- detailed analysis of the policy implications of budget projections;
- the analysis of key sectors by teams reporting to Cabinet and Executive Councils;
- quantified, analysed policy options presented to political office-bearers for decision; and
- the publication of a Medium Term Budget Policy Statement, to enable Parliament and the institutions of civil society to participate meaningfully in the debate.

Related to construction spending projections is the need for adequate mechanisms for monitoring, evaluation and reporting.

#### 3.1.5 KEY PROGRAMME APPROACHES

##### 3.1.5.1 Promoting public/private-sector partnerships

With the support of the Department of Public Works and other infrastructure-delivery departments, the envisaged Construction Industry Development Board (CIDB - see Chapter Eight) will provide the industry and public sector with a forum to develop and promote approaches to the construction-related content of public- and private-sector partnerships.



In this regard the CIDB will co-operate with Government agencies established to promote such partnerships in developing public- and private-sector capacity, and in disseminating information.

### 3.1.5.2 Scheduling of public-sector construction spending

The infrastructure departments, in co-operation with the CIDB, will participate in a process of defining construction-investment priorities through the MTEF process. To support the MTEF process as described above, which involves a number of opportunities for both public- and private-sector agencies to debate the priorities set in the MTEFs, a construction industry economic-planning capacity will be developed by the DPW, together with the envisaged CIDB.

In relation to the budgeting process, this planning capacity will undertake the following:

- Provide appropriate information to departments about the consequences of their policy priorities on the development of the construction sector.
- Develop a construction-wide perspective and, coupled with suitable economic modelling capacity, provide advice to both the public and private sectors on the overall implications of Government spending priorities.
- Develop appropriate infrastructure-investment targets within the framework of the MTEF and in co-operation with affected departments and other industry stakeholders.
- Promote mechanisms to monitor and report on actual public- and private-sector construction spending and the socio-economic development of the construction industry.

Supported by the CIDB, the departments involved in public-sector infrastructure investment will advise the Departments of Finance and State Expenditure, and spending agencies at national, provincial and local authority level on the scheduling, projecting and monitoring of construction demand and public-sector measures to level spending.

The CIDB will facilitate the input of industry in this process and will promote the dissemination of information within the industry and the public sector.

## 3.2 TOWARDS A STABLE WORK ENVIRONMENT

### 3.2.1 PROBLEM STATEMENT

The experience of declining demand and increasing volatility referred to above has left the industry focused on short-term survival strategies. The successive industry slumps have resulted in considerable loss of trained personnel and more than half the firms that were active during the industry peak in the early 1980s have either dramatically reduced their capacity or left the industry entirely.

Those firms that have remained have adopted more flexible production practices such as labour-only subcontracting (LOSC). Although LOSC practices have been adopted internationally with some success, the institutional environment of the South African industry in the late 1980s and early 1990s ensured that, by using unregistered LOSC, firms were able to avoid negotiated labour obligations. Thus, cost savings are generally achieved through lower wage rates rather than through the higher productivity generally attained by means of specialist subcontracting.

Indeed, the use of such LOSC has contributed to declining health, safety, productivity and quality standards in the industry, since the employees of such LOSC have historically been unable to access available training schemes.

### 3.2.2 VISION

The public sector will support an appropriately regulated labour market, which will promote:

- improved labour conditions;
- reduced turnover of labour;
- sustained human-resource development; and
- improved quality and productivity.

### 3.2.3 CONSTRAINTS

The industry as a whole is trapped within a competitive arena which dictates short-term survival objectives. Without immediate incentives and State support, the industry is unable to focus its creativity on the horizon of longer-term benefits of stability made possible through self-regulatory measures.

### 3.2.4 PRINCIPLES

Labour-only subcontracting is an entrenched component of industry organisation, both in South Africa and internationally. Its function in the project-specific environment of the contracting business is not in dispute. Regulatory measures should be confined to stabilising employment conditions as a basis for sustained human-resource development and improved quality and productivity.

The public sector will therefore support an appropriately structured labour market in the construction industry through the use of labour-related performance standards certain categories of public-sector construction contracts.

Following the lead of the Labour Market Commission, the Labour Relations Act (1996) and the Basic Conditions of Employment Act, Government will support a system of labour regulation that embraces the following:

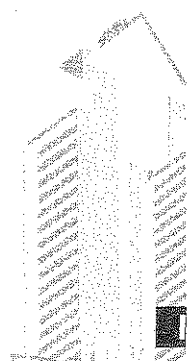
#### 3.2.4.1 A basic agreement

Government supports the principle of collective bargaining. In line with this policy, the public-sector delivery agencies, in co-operation with the CIDB, will encourage the extension of collective bargaining to all labour involved in the construction sector, by developing public-sector procurement incentives (discussed in Section 4.2). In promoting this policy instrument, Government proceeds in the conviction that a basic agreement should be negotiated covering all labour in a particular labour market.

The actual content of this agreement may vary in the different regional construction labour markets, depending on the agreements negotiated by the bargaining partners, but all agreements should at least conform to a minimum set of basic standards such as those defined by the Basic Conditions of Employment Act (1997). The actual content and coverage of such agreements will, however, in terms of the principle of voice regulation, be determined by the organisational strength of bargaining parties.

#### 3.2.4.2 Bargaining councils or wage board determinations

Where no bargaining councils exist, the industry can request the Wage Board to set minimum wages and working conditions in line with basic conditions prevalent in agreements negotiated elsewhere.



In this case, public-sector procurement incentives and performance conditions should cover the extension of such determinations.

#### 3.2.4.3 Support for the organising of labour (voice regulation)

Since Government support for "voice regulation" is premised on the assumption that bargaining partners have similar capacity to organise and negotiate, such promotion of collective bargaining would remain unequal, given South Africa's history. The recommendation of the Labour Market Commission - that the Department of Labour is to provide financial and other support to improve the organisational and bargaining skills of the unions and shop stewards - is supported. Such organisational support is considered essential in the construction sector where, due to the sporadic and migratory nature of employment, unions are particularly weak.

#### 3.2.5 KEY PROGRAMME APPROACHES

##### 3.2.5.1 Preliminary procurement incentives

In support of a strategy to stabilise the construction labour market, and to promote appropriate labour and other production standards, the Department of Public Works, in co-operation with other infrastructure-delivery departments and the industry, will:

- introduce and pilot procurement incentives which specify certain performance standards for certain categories of contract; and
- establish a pilot register of accredited contractors for public-sector contracts, in which accreditation will be subject to performance standards for certain categories of registration.

In both case, these standards would aim to include the following:

- the use of labour covered by a collective bargaining agreement or wage determination;
- appropriate programmes of training and human-resource development; and
- appropriate programmes to improve health and safety, productivity and quality and environmental protection.

This pilot approach will inform the development of permanent mechanisms described below.

##### 3.2.5.2 Industry-wide application

The strategy to promote appropriate labour regulation will be supported by the establishment of a national register of accredited contractors. Since such a register would need to be monitored in co-operation with industry, Government strategy will be further supported by the establishment of the CIDB, which is discussed in Chapter 8 of this document.

Within the framework of its role to maintain the national register of contractors, the CIDB will evaluate and adjust the incentive measures and standards outlined above and will promote these within the public and private sectors. It will further support improved stability by monitoring and advising Government on the promotion and application of these standards in the industry.

##### 3.2.5.3 Voice regulation

In support of the Labour Market Commission's recommendation, the CIDB will co-operate with the Department of Labour to promote the improved organisational and bargaining skills of the unions and shop stewards in the construction sector.

Increasing investment and greater predictability of demand, together with a more stable employment and contracting environment as outlined in Chapter 3, provide a foundation for further public-sector measures to enhance industry performance.

## 4.1

## WORK-PROCESS TRANSFORMATION

## 4.1.1 PROBLEM STATEMENT

The past two decades of volatile demand and markets that are contracting have left the construction industry with capacity and performance constraints. Official statistics and other independent research indicate that productivity and output quality have fallen significantly since the early 1970s, while health and safety conditions showed little improvement. In light of Government's social and economic objectives, and the increasing shift towards a globalised construction economy, it is essential that both the performance and capacity of the South African industry should be enhanced.

## 4.1.2

## VISION

In the interest of promoting a healthy and competitive industry that delivers value for money in line with international best practice, the public sector has a responsibility to adopt policies that support the goals of improved production practices.

These would include the establishment and promotion of "best-practice standards", based on the work-process innovations exemplified by leading South African and international firms, together with measures to promote their attainment.

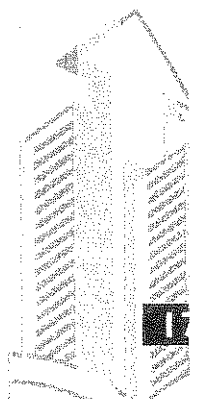
Promotion of these best-practice standards will not only support the long-term development of the industry, but can also begin to address many of the present deficiencies and constraints within the industry.

## 4.1.3

## CONSTRAINTS

Labour market constraints associated with unregulated labour-only subcontracting have been dealt with in the preceding chapter. Further constraints to improved performance of the broader industry are discussed below:

- Improved performance in the construction industry is impeded by the lack of best-practice standards to which the industry as a whole can aspire.
- Improved performance is further impeded by the divide between the design and contracting wings, with consequences for quality, productivity, health and safety. International precedents indicate that many of the difficulties associated with these aspects arise at the design stage long before construction work begins. When problems arise during the construction or post-construction phase, they inevitably result in costly delays and/or design variations.
- Construction is also all too often characterised by adversarial relationships between contractor and subcontractor, employer and workforce. The entrenchment of adversarial relationships between client and professionals on the one hand, and contractors on the other, is often particularly acute in the implementation of some public-sector projects due to a lack of alternative dispute-resolution mechanisms. These unfavourable relations also impact negatively on the overall cost of construction.





- There is currently no recognised national agency capable of co-ordinating the development and implementation of measures to promote best practice.
- Measures to enforce compliance with minimum standards are inadequate.

#### 4.1.4 PRINCIPLES

- Improved industry performance depends on improvements in the work processes of individual contracting firms, in co-operation with clients and professionals.
- Performance improvement includes the promotion of best-practice standards for health and safety, productivity and quality, training, employment practice and environmental protection.
- Improved performance also requires a shift towards a partnering approach and the increasing adoption of participative management techniques as the basis for less adversarial relations in the construction delivery process.
- Improvements in work-process standards will contribute to an overall decline in unit costs, which can enhance the competitiveness of the industry as a whole. It is believed that the initial costs associated with introducing programmes of health and safety, productivity and quality, training, employment practice and environmental protection, will be offset by the resultant improvement in efficiency and effectiveness of individual firms.
- Since piecemeal adoption of work-process improvement techniques in the past has often contributed to their failure, the public sector will seek to promote these productivity, quality and participative management techniques as an integrated programme of work-process reform.
- Taking due cognisance of the debilitated condition of much of the industry today, the public sector will introduce best practice incrementally on public-sector contracts.
- Measures to promote compliance with minimum standards need to be reinforced to protect the environment, the workforce and the public at large.

#### 4.1.5 KEY PROGRAMME APPROACHES

The CIDB will be established as a statutory national authority recognised by both the public and private sectors, with the competence to co-ordinate the ongoing development and implementation of minimum and best-practice standards.

Led by the Department of Public Works, the public sector will aim to enhance performance improvement in the construction industry by introducing, testing and monitoring procurement measures to promote best-practice standards for health and safety, productivity and quality, training, employment practice and environmental protection. In co-operation with industry the following approaches will be pursued:

##### 4.1.5.1 Towards a partnering approach

Partnering relationships between clients and contractors have proved an effective means to achieve improved quality and reduced costs in the private sector. Within the framework of public-sector procurement, such an approach is less easy to implement but would provide similar opportunities.

A practical difficulty with introducing partnering in the public sector is the requirement that such work be tendered for competitively, and in regard to individual projects.

Although partnering can still be appropriate for individual projects, the real benefits arise from strategic partnering relationships where a relationship is established for a number of projects. Therefore, while the concept of strategic partnering will need to be further elaborated upon in the public-sector procurement context, the public sector will pursue project-specific partnering relationships on selected public-sector projects.

These partnering approaches will include delivery models such as design-and-build and design-build-operate-transfer, which will initially be adopted on leading public contracts.

#### 4.1.5.2 Participative management and workplace forums

International experience in the industry indicates that the creation of less adversarial relations in the workplace contributes to the improvement of performance. Furthermore, it is Government's position that the adoption of participative management practices by the construction industry can contribute to resolving problems associated with poor labour relations, skills shortages, declining productivity and output quality, as well as unacceptable health and safety standards.

Construction enterprises should therefore be encouraged to introduce procedures to allow for the participation of employees and subcontractors in the construction process - even if not required by law.

#### 4.1.5.3 Alternative dispute resolution (ADR)

The use of ADR in resolving labour disputes has already been formalised by the Labour Relations Act, and there have been successful local and international examples of the use of ADR in resolving contractual disputes in the private sector.

The public sector will promote the use of ADR within the industry. In addition, recommendations adapted largely from the Latham report<sup>1</sup> will be introduced to the construction industry, specifically for public-sector contracts. These include the following:

- the same terms for ADR will apply both to the main contract and the subcontract;
- there should be no restrictions on the types of issue capable of being referred to ADR, either in the main contract or the subcontracts; and
- for selected categories of contracts, awards in the ADR process should apply immediately.

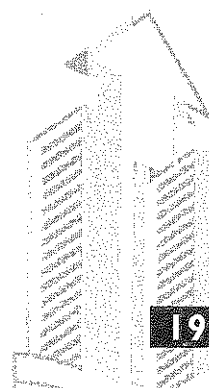
#### 4.1.5.4 Quality and productivity improvement programmes

The public sector will actively encourage the adoption of internationally comparable productivity and quality programmes such as ISO 9000, which also contribute to reduce costs. An incremental approach will be adopted, in which both the design and delivery agencies will be encouraged to acquire certification in terms of ISO 9000 or a comparable accreditation programme for certain prime public-sector contracts.

Following the example of Singapore, where accredited firms get up to a 5% tender advantage, the public sector will consider adopting similar preferential policies here. The public sector will also investigate the advantages of adopting a quality auditing system, such as the CONQUAS system used in Singapore.

Similar productivity and quality certification will also be considered for certain subcontractors and further consideration will be given to nominated subcontractors since they have a significant influence on productivity and quality performance. The CIDB will encourage the dissemination and use of productivity and quality-improvement techniques such as work study, statistical

1. Sir Michael Latham (1994). *Constructing the Team*. Final Report of the Government / Industry Review of Procurement and Contractual Arrangements in the UK Construction Industry, HMSO.



quality control, quality circles, total quality management and business-process re-engineering. In the case of SMEs, public-sector support will promote appropriate productivity and quality programmes (see Chapter 6.5).

#### 4.1.5.5 Health and safety

Procurement-related measures will be promoted to ensure that the requirements of the Occupational Safety and Health Act are adhered to. In terms of these requirements, all workers will eventually be expected to have undertaken certified health and safety training on all public-sector contracts, although the roll-out of this requirement will be incremental, starting with larger contracts. Additional mechanisms aimed at promoting health and safety will also be defined in terms of best practices.

#### 4.1.5.6 Environmental protection

The public sector will use its procurement leverage to eventually enforce the existing requirements of environmental protection legislation on all public-sector contracts. Initially, minimum and best-practice standards will be adapted or developed (such as ISO 14000), and made a condition of contract on a select number of prime public-sector contracts.

To promote adherence to legislative requirements, The CIDB will monitor industry practices and will make recommendations to the Department of Environmental Affairs & Tourism on the need for increased penalties and other appropriate measures.

#### 4.1.5.7 Human-resource development

The South African construction industry is experiencing human-resource constraints as a consequence of the poor market conditions faced over the past two decades. Proposals which are focused on addressing these constraints and on creating new human-resource capacity for the industry are described in Chapter 5.

#### 4.1.5.8 The Integration of the Design and Construction Process

The promotion of the above standards will be difficult as long as the division between design and delivery persists. International precedents indicate that many of the difficulties associated with these issues arise at the design stage, long before construction work begins. When problems then arise during the construction phase, they inevitably result in costly delays and/or design variations. Integration will be promoted by the CIDB and the public sector through:

- the adoption and promotion of appropriate new delivery models such as design-and-build and design-build-operate-transfer on selected contracts; and
- the encouragement of further design and delivery innovation through the application of standardised and modularised construction technology and off-site fabrication on select contracts.

Following the precedent of the Construction, Design and Management (CMDM) regulations promulgated in United Kingdom, where health and safety responsibilities have been extended to clients and designers, it is proposed that similar measures be introduced in South Africa. This would promote a statutory link between clients, designers and site health and safety management.

#### 4.1.5.9 Standards and procurement mechanisms

The establishment of best-practice performance standards, partnering and participative management techniques will be undertaken in close collaboration with industry and the public sector through the Construction Industry Development Board (see Section 8.4). Consultation with clients and professional bodies will enhance this endeavour. Public sector procurement

...es, which are discussed in Section 4.2 below, will be used to give effect to the adoption of minimum standards and best practice.

## PROCUREMENT STRATEGIES TO EFFECT BEST-PRACTICE STANDARDS

### STATEMENT

...ive procurement policy has demonstrated the ability of the public sector to transform practice and to impact on the socio-economic environment. Procurement measures, as a catalyst for change, have yet to be used in the attainment of improved industry performance and the promotion of standards relating to health and safety, productivity and quality, training, employment practice and environmental protection.

### PRINCIPLE

...public sector will introduce procurement mechanisms to promote best-practice methods and standards on public-sector contracts with the understanding that this will influence the transformation of the industry into a world leader, providing improved quality, productivity and value for money to its clients, as well as greater health and safety and environmental protection for the workforce and the general public.

### CONSTRAINTS

...constraints within the public-sector procurement system are outlined below:

In many cases the current tender adjudication practice by the public sector (and most clients) places undue emphasis on price at the expense of overall value for money. This has compelled contractors of industry to seek immediate cost savings with little regard for long-term consequences, in order to remain competitive with resultant consequences for industry and client.

Public-sector procurement regulation limits flexibility in the resolution of disputes and fosters adversarial relationships between client and contractor.

Effective use of the envisaged procurement strategies in all spheres of Government presents a major challenge in terms of co-ordination and capacity-building.

### PRINCIPLES

The nature of the envisaged best-practice standards have been discussed in Section 4.1.

The specific content of the standards to be applied to public-sector contracts would be included in the conditions of contract. These, in turn, would require the primary contractor to furnish information on the attainment of key contract performance indicators (health and safety, productivity and quality, training, employment practice and environmental protection). Implementation of this procurement approach will also require the development of accreditation and monitoring procedures to ensure compliance.

Performance standards for health and safety, productivity and quality, training, employment practice and environmental protection will be established in consultation with industry through the agency of the CIDB. These standards could then be used as procurement incentives in selected public-sector contracts.

In relation to the register of contractors, these standards would also form part of the categorisation of construction enterprises, in order to appropriately match contractor performance and capacity with specific categories of contract.

- Best-practice standards will apply initially to a limited number of prime contracts that will be selected for the purposes of defining exemplary operational practices. These standards will largely be defined by the practices of leading South African firms, benchmarked against internationally accepted standards. Having been proven effective in these prime contracts, these best practice standards will thereafter be incrementally extended to other contracts at a pace that will allow individual enterprises the time to put appropriate programmes in place.
- It is recognised that there is a need for a balanced approach to the application of best-practice standards to ensure that these foster appropriate development of the various levels of contracting and do not impede the creation of new capacity. However, it would be counter-productive to promote new enterprises if these are merely encouraged to adopt poor industry practices.
- While emerging enterprises need to be given opportunities and support to ensure that participation in construction activities becomes more representative of the demographic profile of the country, this assistance will be wasteful of public resources unless these firms can compete on an equal basis in the long run. When targeting work opportunities and support, competitiveness will be encouraged by the application of similar best-practice performance standards to each category of enterprise.

#### 4.2.5 KEY PROGRAMME APPROACHES

##### 4.2.5.1 Contract conditions to effect best practice

Following the examples of Singapore, New South Wales and other Government-led initiatives, two methods of promoting best practice will be promoted:

- i) A tender preference policy can be adopted whereby firms accredited in terms of certain productivity or quality programmes get a preference of up to 5% against non-qualifying competitors. This system has the advantage of rewarding best practice, while not disqualifying non-accredited firms.
- ii) Alternatively, certain categories of tenderers can be asked to prequalify in terms of particular best-practice performance criteria.

For certain categories of contract, tenderers would be required to be accredited - in terms of either of the above methods - on health and safety, productivity and quality, training, employment practice and environmental protection.

##### 4.2.5.2 Contractor accreditation to effect best practice

A register of accredited construction enterprises constitutes an essential tool for industry transformation, for monitoring the performance of enabling environmental programmes, and for ensuring compliance with performance standards on public-sector projects. All construction-related enterprises engaged in public-sector work, or in receipt of State funding for training or support functions, will therefore be required to be registered in a manner that will reflect their capacity and performance.

The registration and categorisation of contractors and enterprises will enable the following:

- the operation of a preference scheme or approved public-sector tender list, which would reduce industry and public-sector costs associated with the open tender process;
- performance monitoring to enable the promotion of improved contractors and to ensure compliance where standards are violated; and

- the targeting of resources to emerging enterprises which are demonstrating progress and the withdrawal of support from those which have graduated or have failed to progress (as discussed in Chapter 6 of this document).

The associated monitoring and accreditation system will, in time, obviate the need for tenderers to have to provide the same documentation for each new contract, since this information would become incorporated in the performance and capacity criteria which constitute the registers. It may then only be necessary for tenderers to indicate whether their circumstances have changed since they last participated in public-sector work.

#### 4.2.5.3 Monitoring requirements

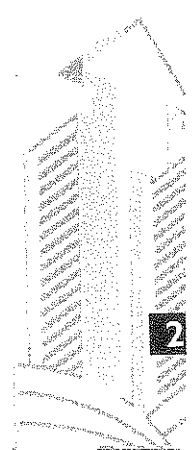
Promotion of participative management and partnering will require new monitoring approaches at a project level by both professionals and public-sector agencies. In response, the public sector will convene post-job reviews on best-practice prime contracts, covering health and safety, productivity and quality, training, employment practice and environmental protection and performance criteria, in order to recommend modifications on future public-sector contracts.

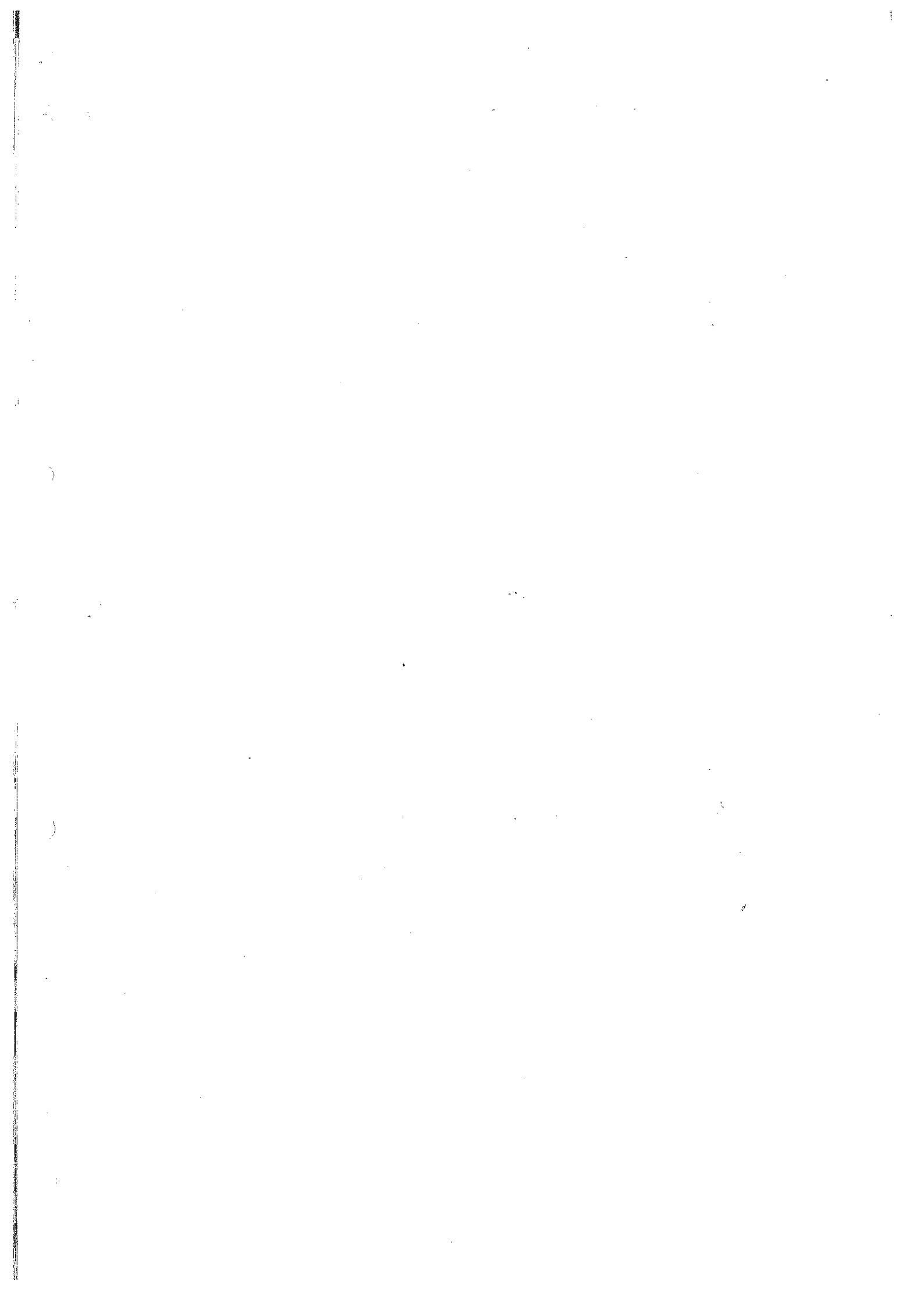
While these post-contract meetings should largely be viewed as a learning process for immediate participants, the reported results of the post-contract meetings could be used by the CIDB and public-sector agencies as a means of refining performance standards.

#### 4.2.5.4 Industry-wide co-operation

The need for close collaboration between all sectors of the industry is nowhere more apparent than in this enabling programme, and the CIDB will review and recommend appropriate accreditation criteria. The CIDB will also assist in determining to which project categories these accreditation criteria should apply.

The CIDB, together with the national infrastructure departments, will need to provide active leadership in co-ordinating the understanding and the use of the above strategies in all spheres of Government.





## Restructuring Industry Education, Training and Human-Resource Development

The South African construction industry is experiencing human-resource constraints as a consequence of the poor market conditions faced over the past two decades. The proposals contained in this chapter are focused on addressing these constraints and on creating new human-resource capacity for the industry. By stabilising the construction environment and re-orienting existing training and training institutions in terms of Government's skills-development strategy, these proposals will help create new careers for those working in the industry.

### 5.1 PROBLEM STATEMENT

Declining investment and demand volatility has left the industry's skills base depleted, as experienced people leave the industry and poor career prospects discourage new entrants. Firms, faced with declining markets and tighter margins, have cut back on the education and training of staff.

Institutional mechanisms for supplying training to the industry have also come under strain as the structure of the industry changes with the shift towards LOSC and the emergence of new firms outside the formal sector frameworks. Declining enrolment and falling contributions have left the existing training institutions facing increasing deficits while the majority of the industry's workforce is still unable to access such training. This situation cannot be allowed to continue, because unless a viable method of governing and funding training is established, the proposed human resource development strategy and many of the enabling environment programmes will fail.

### 5.2 VISION

Development of adequate human resources is essential if the industry is to meet the demands of reconstruction, growth and development. The management, financing and content of industry training and education must be re-orientated to ensure that all participants have access and contribute equitably to the human-resource development of the construction industry.

### 5.3 CONSTRAINTS

The constraints to achieving this vision are discussed below.

#### 5.3.1 FINANCING

The predominance of small firms and the prevalence of LOSCs with few resources and minimal relations with the formal sector complicate the establishment of equitable and sustainable funding mechanisms. The current payroll levy, if it were to apply to labour-only subcontractors and SMEs, would place the burden of training on small enterprises with the least resources.

#### 5.3.2

Though progress is being made by the industry training boards, the linkage between financing, governance and, to some extent, even training provision has contributed to a delay in the genuine restructuring of training. Efforts at restructuring have been further complicated by the legal and institutional divisions between industrial sectors and industry associations.

#### 5.3.3 CONTENT AND ORGANISATION OF INDUSTRY TRAINING

Re-orientation of training content and organisation is likely to prove a lengthy process which must meet the requirements of the National Qualifications Framework and the Department of Labour's



proposals on the establishment of a construction Sector Education and Training Authority (SETA) registered under the National Skills Authority.

#### 5.3.4 AFFIRMATIVE ACTION

Although affirmative-action policies are looked to as a means of overcoming human-resource deficiencies, there is little evidence that such policies have received substantial support. Statistics indicate that some 1 650 professionals, semi-professionals and technicians, categorised as previously marginalised, are engaged in the construction industry.

Projections indicate that growth within the construction industry over the next five years will require a great increase in the numbers of professionals, semi-professionals and technicians. To achieve greater representivity of previously marginalised persons, a proportionately larger increase of this grouping is required.

The training of built-environment professionals in South Africa remains a cause for concern with regard to the success or otherwise of affirmative-action measures. A review of the six universities offering built-environment professional degrees, indicates that in the past five years only three institutions have reflected significant numbers of historically disadvantaged graduates or currently enrolled students.

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## 5.4 PRINCIPLES

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The restructuring of training must achieve the following:

- address the need for rapid skills formation to achieve the quantity and quality required to meet the nation's development programme;
- create synergy with the changing structure of the industry;
- promote access to training and career progression by the workforce, LOSCs and emerging enterprises;
- introduce the principles of the National Qualifications Framework (NQF) into construction industry education and training;
- create an equitable and sustainable financing system for training and education, which recognises the need for all participants to contribute; and further recognises that Government's limited contribution will continue to be directed at the most marginalised sectors of the population;
- overcome historic inequalities and inappropriate skilling of professionals by boosting the tertiary-level enrolment and performance of historically disadvantaged students and re-orienting the training of built-environment professionals in line with current development imperatives;
- align professional training needs to be more closely harmonised with development priorities and the required delivery approaches; and
- develop a focus on the specific requirements of public-sector delivery management.

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## 5.5 KEY INTERVENTIONS

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### 5.5.1 TOWARDS APPROPRIATE GOVERNANCE OF TRAINING INSTITUTIONS

In terms of the Department of Labour's skills development strategy, the responsibility to establish a Sector Education and Training Authority (SETA) rests with the industry, and the Department of

Public Works - through institutions it has established for these purposes (including the CIDB) - will seek to provide leadership for any industry initiatives to establish such a structure. In extending this support, Government proposes a SETA for the construction sector as a whole, encompassing both the existing building and civil engineering institutions.

Although in principle unification need not be a pre-condition for restructuring of the current training provision, in practice the conflicting interests of the various sectors in the industry are unlikely to enable it to deliver the required new approach unless the current training structure is radically changed. While the constitution of a construction industry SETA could include two or more training authorities as substructures, Government does not consider this a desirable long-term goal.

#### 5.5.2

#### ESTABLISHING A NEW EDUCATIONAL FRAMEWORK

Given the current division between the building and the civil engineering sectors' education and training systems, it is Government's view that the existing framework of accreditation should be revised. Addressing these issues would support the activities of the structures created by the industry. However, within the framework of the skills development strategy there is a need to:

- establish a Standards Generating Body (SGB) within the learning field of physical planning and construction, which can generate unit standards that reflect all the necessary skills of different career-path options in the sector;
- effect validation of these standards by the National Standards Body (NSB);
- accredit training providers according to the above standards; and
- establish, through the South African Qualifications Authority (SAQA), education and training quality assurers (ETQAs) who will monitor the accreditation process. The construction industry SETA should request SAQA to perform the role of quality assurer and accreditor in the industry.

#### 5.5.3

#### QUALIFICATIONS

Given that a large part of trade operations in the construction industry can be carried out with a relatively low level of specialisation, and only fundamental and core skills, Government will support training programmes designed around a limited range of "specialisations". Attendant "fundamental" and "core" elements would allow entry onto a career path for historically marginalised groups. It is thus proposed that the qualifications that are agreed upon must be linked to a qualifications framework which allows individuals to develop a sustainable career in the industry.

#### 5.5.4

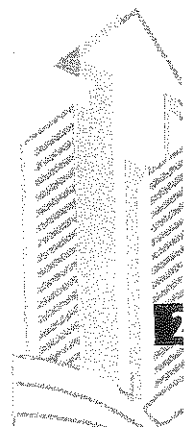
#### LEARNERSHIPS

Government proposes that learnerships should be designed specially for community- and labour-based construction projects envisaged under the Civil Engineering Framework Agreement. Such learner-ships, which integrate core, fundamental and specialisation skills, would help to overcome the limited training currently being experienced on projects within the Community-Based Public Works Programme (CBPWP) and elsewhere, and would provide entrants with a real base for progression within the industry.

#### 5.5.5

#### CAREER PATHS

It is Government's view that a flexible and integrated framework of career paths is required to achieve the skills-development objectives of the construction sector. Such a framework would increase the linkages between work and education and training opportunities, particularly for



historically disadvantaged industry participants. The development of more flexible and integrated career paths needs also to take account of recognition of previous learning (RPL).

This RPL will be an important means of thorough assessment, giving credit to prior learning which has been acquired in different ways (e.g. through life experience).

In designing career paths for the construction industry, Government proposes that the following four principles of the NQF be applied:

- articulation - to provide for learners, on successful completion of accredited prerequisites, to move between components of the delivery system;
- access - to provide for ease of entry to appropriate levels of education and training for all prospective learners in a manner which facilitates progression;
- flexibility - to allow for multiple pathways to the same learning ends; and
- portability - to enable learners to transfer their credits or qualifications from one learning institution and/or employer to another.

#### 5.5.6

Given the characteristics of the construction sector, particularly the vast differences between large and small firms and a strong reliance on subcontracting, an industry-specific model for the funding of training needs to be considered. In formulating an appropriate levy system the following issues should be taken into consideration:

##### 5.5.6.1 Industry-specific levy

The current skills-development strategy of Government makes provision for levy systems that are different from the proposed payroll levy. The industry needs to consider a levy system that would be easy and cheap to administer and obtain an equitable contribution from firms, regardless of size. Examples include a "turnover levy" or a levy on primary construction materials.

##### 5.5.6.2 The negative impact of SME exemptions

Although the skills-development strategy favours granting levy exemptions to certain categories of SME firms, it is proposed that this would be inappropriate to the construction sector, given its significant reliance on subcontracting. Since the majority of subcontractors are already very small, any exemptions from the training levy would simply undermine the whole scheme and could encourage main contractors to even further fragment the industry to effect cost-savings through subcontracting.

##### 5.5.6.3 Government subsidies

As far as the State is concerned, it is proposed that all public authorities involved in construction work allocate limited resources for training to the most marginalised sectors, the unemployed and youth. These resources could either be allocated through the National Training Fund (NTF) or directly through public-sector project-specific funding. It is possible that a percentage of public-sector project funding could be deposited into the NTF to provide for follow-up training programmes aimed at furthering the skills of those who exit project-related training successfully. Such trainees could receive a voucher for presentation to an accredited training provider.

### 5.5.7

#### PROFESSIONAL TRAINING OF PUBLIC-SECTOR DELIVERY MANAGERS

In concert with current initiatives by the Department of Education, it is Government's view that it is necessary to ensure that the education of industry professionals accomplishes the following objectives:

- align training more closely with development priorities and the required delivery approaches;
- overcome historic inequalities and promote enrolment and progression of African students; and
- develop a focus on the specific requirements of public-sector delivery management.

Government will interact with the institutions offering such professional training to ensure that these objectives are achieved. It is important to recognise that the above proposals be located within the paradigm that recognises the importance of:

- maintaining and increasing educational standards, particularly within the context of specialisation;
- increasing the relevance and importance of the institutions within the context of a developing country;
- increasing student populations within the institutions;
- promoting the development of well-rounded professionals through multiskilling; and
- integrating the institutions within communities through their active participation in development, and the offering of adult-based education.

## 5.6

### INSTITUTIONAL RESPONSE

#### 5.6.1

##### INDUSTRY SKILLS TRAINING

Proposals on governance have been advanced under Section 5.5.1 above. Along with the principle of separating governance, funding and provision, and noting the role of the Construction Industry Development Boards (CIDBs) in countries like Singapore and Malaysia, the Government proposes that consideration should be given to combining the role of the envisaged SETA with the CIDB in the active promotion of appropriate industry-skills formation.

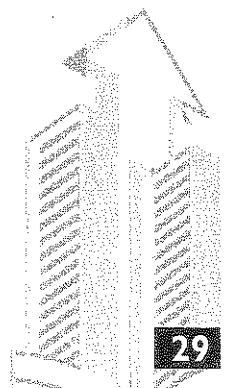
It is also proposed that the performance standards proposed in Chapter 4 include criteria covering the above human-resource development objectives. These standards, which would initially be applied as best-practice standards on select public-sector contracts, would ultimately form the basis of the minimum standards applying to public-sector work as proposals for the new training system become consolidated.

#### 5.6.2

##### BUILT-ENVIRONMENT PROFESSIONALS

There is a need for the co-ordinated interaction of Government, the statutory professional bodies and the contracting sector to ensure:

- the appropriate development of all built-environment professionals, as well as



- greater synergy in their training to meet public-sector objectives, industry needs and the all-round promotion of existing and new professions.

In this regard proposals are advanced in Chapter 7 on the establishment of an overarching Council of the Built-Environment Professions (CBEP) which will establish appropriate links with the CIDB. The CIDB and CBEP will monitor the skills requirements of the industry and advise the public sector on the revision of their procurement performance standards to address any perceived human-resource development shortfalls.

## 6.1 PROBLEM STATEMENT

Years of declining demand and uncertainty have halved the capacity of the traditional construction industry, while at the same time they have seen the introduction of a large number of new, much smaller firms. Many of these firms are either labour-only subcontractors (LOSCs) or small and micro-enterprises (SMEs).

Given the numerous historical and economic constraints that have hindered the full participation of SMEs in the economy, Government is committed to bringing small business into the mainstream of economic activity. It seeks to enable the increased participation of black-owned and -controlled enterprises in the production of value-added goods, in wealth-generating enterprises and export markets.

Government believes that emerging construction-related SMEs can contribute significantly to the realisation of key economic and redistributive objectives for a number of reasons:

- They can be powerful generators of income and employment opportunities since they generally use less capital investment per unit of output than larger enterprises.
- SMEs can be more competitive than larger firms on certain types of small, disparate and geographically dispersed projects because they generally have relatively lower overheads.
- The relatively low entry barriers in terms of skills (technical and managerial) and capital requirements make SME contracting an important entry point for historically disadvantaged persons into the construction industry.
- Given the above, SMEs can lay the foundation to de-racialise the construction industry if they provide a platform for future medium-sized and large-scale firms owned and controlled by historically disadvantaged persons.

## 6.2 VISION

In creating the required new industry capacity, Government's construction-industry policy will promote the participation and growth of SMEs through affirmative action in support of historically disadvantaged sectors of South African society.

## 6.3 CONSTRAINTS

### 6.3.1 LACK OF ACCESS TO WORK OPPORTUNITIES

Recent Census figures show that civil engineering is the most concentrated sector, and home-building the least concentrated.

Between 20% and 30% of the number of firms in each sector (civil engineering, general contractors and home builders) accounted for more than 80% of output in 1991. On the basis of research conducted in 1992, 1994 and 1996, it is reasonable to assume that this pattern of concentration still holds.

Construction-related SMEs face various difficulties in gaining access to the market. Inexperience, lack of managerial and marketing ability, and lack of access to capital, contribute to a vicious circle which pegs their growth and development.



A range of public-sector initiatives are beginning to open up opportunities. Foremost is procurement reform, and the adoption by the DPW of the "10-point plan" which is an immediate transformation of the situation facing black contractors.

### 6.3.2 LACK OF MANAGEMENT EXPERTISE

One of the most significant constraints facing SMEs is their lack of managerial expertise to rise to related problems such as poor cash-flow management, inadequate labour supervision and insufficient turnover.

The most common response has been to establish support programmes for SMEs. Research on programmes designed to support the SMEs in the low-income housing sector has shown that many of these did not equip the builders with the skills of "risk management" that would enable them to survive in a competitive market. While these programmes provided managerial assistance, they restricted enterprise operations to a level that did not guarantee self-sufficiency.

### 6.3.3 INABILITY TO ACCESS TRAINING

A primary constraint facing SMEs is access to training to improve their business skills and trade skills within their labour force. Small contractors are often unregistered and unaffiliated with the main employer bodies. They pay no levies and have limited or no access to the training programmes offered by the current industry training boards. They are therefore not in a position to improve their productivity.

Without access to available training institutions, many subcontracting firms train their operatives "on the job". However, the erratic availability of construction work diminishes the value of informal, on-the-job training. In contrast to the continuity and depth provided by the apprenticeship system, it is unlikely that new generations of semi-skilled labour will be sufficiently experienced to pass on adequate skills to their operatives in the future. The industry can therefore expect to see a progressively deteriorating standard of skilled work on site.

A second problem concerns the appropriateness of current training options. The training provided in the construction sector through the Building Industries Training Scheme (BITS) and the Engineering Industry Training Scheme (CEITS) has mainly focused on providing technical and supervisory skills. A limited range of managerial training has been undertaken by construction companies or private-sector consultants.

### 6.3.4 BUSINESS FAILURE AND GROWTH PATTERNS IN DEVELOPING NEW CONTRACTORS

Beyond the provision of training and the development of new contracting arrangements, there is the need to take cognisance of business failures. International research indicates that 30% to 40% of small firms fail in their first three years, and only 40% to 45% of firms remain in business after ten years. Since these examples are derived from a relatively sophisticated sample it is likely that small-business development in South Africa will experience a much greater failure rate.

Thus, the current expectations for growth are likely to be vastly exaggerated because they assume a linear or exponential growth pattern which does not take account of business failure. There is also no reason to assume that those SMEs that survive will necessarily grow. To quote from the British experience, the probability that small firms will grow to employ more than 100 employees is between 0,5% and 0,75%.

### 6.3.5 CONTRADICTIONS OF COMMUNITY DEMANDS AND SME GROWTH

A difficulty experienced by SMEs is the understandable demand by communities for local employment in their areas. A "use of local labour" specification in fact features in many current

contract documents. Contractors operating at this level are unable to establish and consolidate a permanent skilled workforce.

This phenomenon affects black contractors more severely than it does their established counterparts because the emerging contractor is viewed as a threat and as competition by local communities. Even on a single project incorporating several identified communities, there is a tendency for each community to reserve work within its domain.

This has severe consequences for enterprise growth as valuable workers are lost due to the lack of continuity. Training investment is diluted to the point of being wasted and forward planning becomes difficult.

#### 6.3.6 DIFFICULTY IN ORGANISING AND REGULATING THE SECTOR

Despite the existence of several national associations of emerging contractors, the bulk of emerging black contractors remains unaffiliated and unregistered. The sector lacks cohesion and barriers to organisation include variations in capacity, sophistication and vision. Existing national associations have very limited human and financial resources with which to organise the sector into the mainstream. In relation to the established sector, they remain weak.

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### 6.4 PRINCIPLES

Overcoming industry capacity constraints and historical inequalities requires the promotion of SMEs. Given the high-risk nature of contracting to both client and enterprise, Government commitment to SME promotion must be underpinned by a dedicated and effective programme of public-sector support.

Public-sector support will be built on the following additional principles:

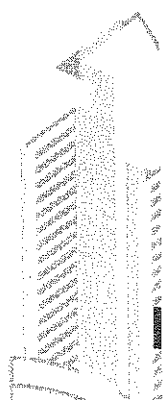
- enabling programmes must not perpetuate the division of the construction industry between a relatively well-resourced formal sector and an unregistered, poorly resourced informal sector;
- support to SMEs must maximise benefits from public resources by allocating them to those SMEs who make best use of them;
- more consistent workflow should be promoted;
- the establishment of a register, classification system and performance monitoring of emerging businesses will help reduce uncertainty and regulate the sector and will enable the targeting of appropriate work opportunities and support;
- tender and contract documentation for certain types of contract documentation should be simplified; and
- public-sector procurement practice on each project must balance the objectives of SME development against the desired objective of community employment and training.

In support of the emerging contracting sector, the public sector will establish a comprehensive support programme for SMEs in the construction sector.

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### 6.5 KEY PROGRAMME APPROACHES

Affirmative procurement policy, introduced and tested by the Department of Public Works, will be systematically rolled out within the public sector. The pilot support programme developed in co-operation with the Department of Trade & Industry, the black construction industry, the Ntsika





Enterprise Promotion Agency (NEPA), Khula Enterprise Finance Ltd and the International Organisation (ILO), will implement the measures detailed below, which will build on initiatives and at the same time expand the range of support mechanisms and practices to encourage the growth of this sector of the industry.

#### 6.5.1 REVIEW, SIMPLIFICATION AND STANDARDISATION OF DOCUMENTATION

With the support of the CIDB and other infrastructure-delivery departments, the DPW will promote continuous review of conditions of contract, tender specifications and design documents to ensure that these do not constitute barriers to greater participation of small and medium-sized businesses in the mainstream construction economy.

The above review process should ultimately result in the development of a simple and standardised set of contract documents. The simplification and standardisation of tender documents and contract documentation coupled with the wider dissemination of information and transparent adjudication processes for certain categories of public-sector contracts will constitute a major stepping stone in the ability of small enterprises to access public-sector opportunities.

#### 6.5.2 PERFORMANCE STANDARDS AND CONTRACTOR ACCREDITATION

In line with proposals made in Chapter 4.2 of this document (Procurement Strategies to Promote Best Practice), pre-qualification of contractors for certain categories of public-sector contracts will be subject to accreditation of performance standards, which includes the promotion of local contractors (such as participation quotients). The approach adopted may allow a waiver of some performance criteria for contracts of limited value for emerging SMEs. However, even for such SMEs, minimum standards will apply as outlined in Chapter 4, in order to limit avoidance and ensure competitiveness.

#### 6.5.3 ENABLING A CONTINUOUS FLOW OF WORK

Through the Emerging-Contractor Development Programme (ECDP), the Department of Public Works is committed to ensuring a steadier flow of work suitable for various categories of small and emerging businesses. Pilot approaches have demonstrated that it is possible to disseminate information on the amount and types of work suitable for various categories of small and emerging businesses, and to direct these opportunities through applicable procurement mechanisms. This task is facilitated by a database linked to a register of such enterprises.

#### 6.5.4 INFORMATION

Within the ambit of the DPW's ECDP, an organised system has been introduced to disseminate information on tenders, tendering procedure, training, finance and credit opportunities.

In co-operation with all roleplayers, the DPW will systematically expand the system and provide improved access to information.

#### 6.5.5 FINANCE

Currently the National Urban Reconstruction and Housing Agency (NURCHA) provides working capital guarantees on projects run by SMEs, NGOs, community trusts, and non-profit and private sector developers. NURCHA will serve as a precedent for using public-sector guarantees to enable the previously marginalised to become active in the construction sector.

A prerequisite for improved access to finance is the regularisation of this market to reduce uncertainty which informs the investment decisions of financial institutions. To encourage

Establish specific loan-assistance programmes for emerging businesses, the following measures are being tested within the framework of the ECDP:

A database of emerging contractors has been created in six major centres. The database includes information on the capacity and performance of enterprises, and is regularly updated. Such information is being used by financial institutions for the initial screening of loan applicants. It is also being used to encourage major material suppliers to open lines of credit for such firms. This database is to be expanded as the programme is rolled out, and will eventually be incorporated in a national register of contractors.

Access to the loan-guarantee fund established by Khula Enterprise Finance Ltd for emerging construction businesses is being promoted.

Collateral mechanisms are being explored to enable SMEs to cede contract payments to financial institutions until their loans are repaid.

Cooperation will be given to establishing, in conjunction with commercial banks and NEPA, programmes to educate emerging enterprises on loan policies, procedures and requirements.

#### 6.2.3.1.1. PERFORMANCE GUARANTEES

Performance guarantees for certain low-risk public-sector contracts are also already being waived or reduced through implementation of the 10-point plan.

However, these facilities will only be accorded to enterprises with a demonstrable capacity to perform. Registration and accreditation procedures, as well as performance monitoring, will minimise and limit risk in such cases.

Since emerging contractors are particularly vulnerable to cash flow problems, this sector will benefit from measures to streamline payment procedures that are being promoted by the Ministerial Task Team on Construction Industry Development. These measures fall within the framework of the enabling programme - Developing the Capacity and Role of the Public Sector.

#### 6.2.3.1.2. DISPUTE RESOLUTION PROCEDURE

Conventional mechanisms and procedures for dispute resolution, such as arbitration or litigation, are both costly and time-consuming. Small and emerging contractors with limited financial reserves are wholly disadvantaged - indeed, imperilled - in the event of dispute. Alternative methods sensitive to the circumstances of small and emerging enterprises need to be introduced.

ADR mechanisms should strike a fair balance between the aim to produce quality goods and services and the equitable treatment of contractors. The ADR mechanisms proposed in Chapter 4.2.5 should accommodate these requirements.

ADR and other ADR methods suitable to the circumstances of small and emerging enterprises will be introduced in public-sector contracts (see Chapter 4.2.5). The measures outlined will ensure that LOSCs and other subcontractors benefit from the ADR provisions of the main contract.

#### 6.2.3.1.3. SITUATION AND ACCESS TO TRAINING

Access by emerging contractors to construction skills is tied to re-orientation of the structure and funding of industry training discussed elsewhere in this document.

In co-operation with industry stakeholders, the DPW will promote the principle of equitable and manageable payment towards training costs and the ability of contractors to access both artisan and entrepreneurial skills training through the auspices of the new Sectoral Education and Training Authority.

Basic business and contracting management is a sustainability factor. Generally, most small and emerging construction businesses are run by persons who have vocational training experience but are unlikely to have received any formal management training.

Training directed at enterprise owners and managers should cover the following:

- basic financial management for small construction businesses;
- estimating techniques and tendering procedures;
- legal aspects of construction works, contract law, and preparing and negotiating claims against contract variation;
- quality-assurance and productivity-improvement techniques;
- basic contract-planning techniques;
- technical drawings and specifications; and
- advanced trade/craft skills and specialisation.

The DPW has engaged the support of the ILO to develop a national training programme for emerging contractors - drawing on both national and international experience - in co-operation with all stakeholders.

Programme development includes the training of trainers from a range of training institutions throughout the country and the development of a self-sustaining umbrella organisation to ensure programme growth and continuity.

To ensure significant growth and consolidation of emerging contractors, the DPW is pioneering the introduction of a mentoring programme in support of its strategic projects initiative. Geared to the promotion of prime black contractors, the strategic projects initiative is an extension of the affirmative procurement policy.

#### 6.5.9 **PERFORMANCE MONITORING AND EVALUATION**

In line with the approach adopted for promoting best practice outlined in Chapter 4, monitoring and evaluation systems - including accreditation of emerging businesses - are also to be established to support the effective promotion of SMEs. Since such monitoring and evaluation systems will remove much of the uncertainty associated with newly established enterprises, these systems are likely to expedite the adoption of many of the proposals described above, and will enable the appropriate adjustment of programmes in the light of experience gained.

#### 6.5.10 **CO-OPERATION AND PURPOSEFUL SUPPORT**

The programme approaches outlined above constitute the critical components of a specialised support programme to render comprehensive support to small-scale enterprises. This programme will build on work undertaken by the Department of Public Works and other public- and private-sector agencies as well as by NGOs. Support activities will focus on:

- the dissemination of enabling processes to clients, industry, suppliers and financial institutions;
- enabling access to finance and credit;
- enabling access to information;
- enabling access to skills and management training;
- identification and development of new initiatives to promote the sector.

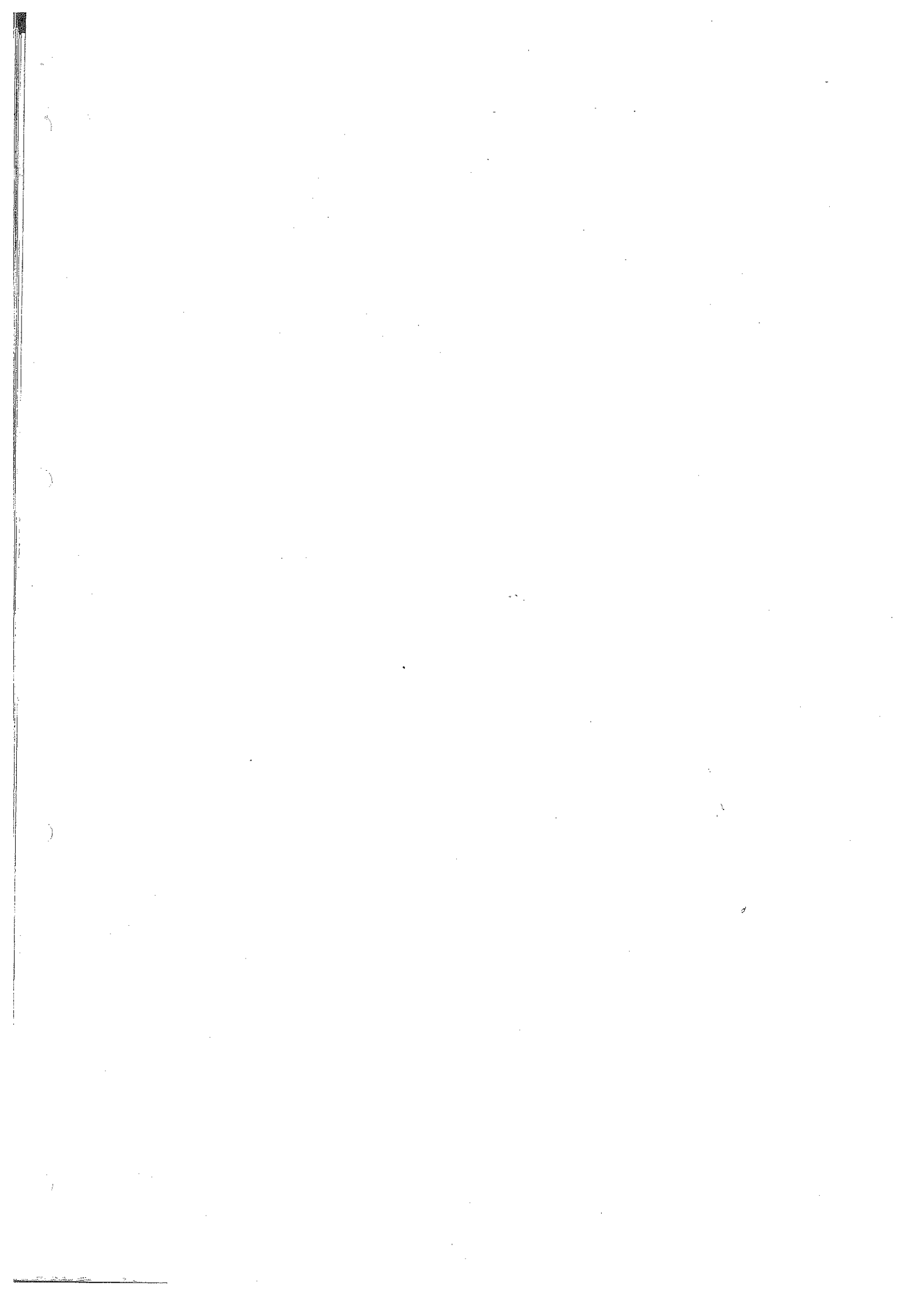
The State has limited resources with which to support SMEs. Therefore, interventions to promote SMEs will be designed to encourage and reinforce private-sector initiatives and to avoid reliance on the public-sector, which cannot substitute or replace the existing finance, training, buying and marketing infrastructure.

Support eligibility criteria will therefore be clearly defined as well as criteria for the discontinuation of support.

A central thrust of the programme will be to impact on the framework that governs the construction industry and on the client fraternity in a manner which purposefully promotes an environment conducive to emerging-sector growth and transformation. With this objective, the DPW, in co-operation with the established and emerging industry, and with all stakeholders, will promote the organisational capacity of the black construction sector as a key element of the programme delivery process.

Although the Department of Public Works has a national mandate to develop policies and programmes to create employment opportunities in construction projects and for construction enterprises, very little will be achieved without securing the broad support of the industry. It is equally important in this regard that various Government departments and tiers of Government act in unison. Therefore, the Department has entered into close collaboration with the Department of Trade & Industry to pilot the introduction of the national Emerging Contractor Development Programme, which is elaborated upon in Chapter 8.





The role of the public sector has featured prominently in all the preceding chapters. These highlight the need for the rapid development of capacity and greater management flexibility if Government's delivery objectives are to be attained.

This Chapter therefore focuses on particular aspects of Government's enabling role and its capacity to perform that role. Specifically, it focuses on:

- delivery to target the marginalised;
- overcoming regulatory impediments to industry performance;
- improving public-sector capacity to manage delivery; and
- Government's role in promoting the construction industry at regional level and international level.

## 7.1 DELIVERY TO TARGET THE MARGINALISED

### 7.1.1 PROBLEM STATEMENT

In the context of a society in which the majority of our population is alienated from land and the resources necessary for survival, the rights to life and human dignity depend on immediate employment and development opportunity.

South Africa's past resulted in the marginalisation and extreme impoverishment of many of South Africa's people and communities. In particular, rural communities and women have been disempowered. The State has therefore prioritised delivery to target and address such impoverishment and disempowerment.

While the central strategic thrust of the growth and development of the construction industry contains the key to sustainable employment and human-resource development, this thrust will only yield results over a sustained period. Until long-term improvement is achieved across the industry and the economy more generally, public-sector delivery - particularly public works programmes - to target the marginalised will continue to be part of Government's enabling strategy.

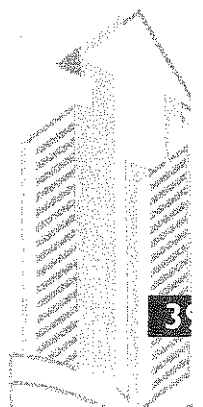
### 7.1.2 VISION

Public-sector delivery will aim to maximise employment opportunities through labour-intensive construction, and to empower communities through participation and training.

### 7.1.3 CONSIDERATIONS

Several problems are associated with community participation and labour-based construction targeted to marginalised communities, namely:

- Complete employment sustainability is not achievable, because construction is project-based.
- Beyond a specific threshold, labour-based construction becomes less cost-effective than plant-based construction.



- Community participation can be costly, leading to project and delivery delays and can limit the extent to which continuity of work and skills development can be scheduled.
- The substitution of plant intensity by labour-based methods and the community-participation factors are not fully understood by public- and private-sector professionals.

#### 7.1.4 PRINCIPLES

Job creation and community-empowerment programmes will be promoted in a manner that will:

- create quality assets;
- address the need for immediate poverty alleviation and promote linkages to broader development initiatives;
- maximise local employment through the optimal use of labour-based construction methods;
- develop sustainable capacity;
- reinforce industry growth and development;
- target women and youth;
- involve communities in decision-making;
- maximise the use of local resources;
- achieve a balance between the need for job creation and the need to deliver construction goods and services in a cost-effective manner;
- facilitate the transfer of sustainable technical, managerial and capacity-building skills to recipient communities; and
- shape the delivery process in the future.

In terms of the cost trade-off between labour versus plant-based projects, the State will balance the imperative for increased job creation against the need to deliver construction goods and services in a cost-effective manner. However, a strict cost comparison of the different construction delivery models will fail to take account of the cost of reduced poverty, associated welfare demands and crime reduction.

#### 7.1.5 KEY PROGRAMME APPROACHES

##### 7.1.5.1 Labour-intensive construction and job creation

The above principles have been incorporated in the Framework for Labour Intensive Construction in Civil Engineering Projects. A number of State departments have endorsed this framework and will continue to develop it in conjunction with community and labour groups through the Community-Based Public Works (CBPWP) and other public-sector programmes.

To create better design and implementation capacity, and the wider use of labour-based construction methods, the Department of Public Works has evaluated 13 pilot projects worth R134 million to produce a set of Guidelines for enhancing employment opportunities in the delivery of infrastructure projects. It has initiated a process to refine these guidelines in consultation with line-function departments, provincial agencies and the industry at large.

This industry-endorsed product will be widely disseminated and promoted. The DPW will continue to monitor progress on implementation and will periodically convene all stakeholders to evaluate and update the guidelines.

The sustainability of jobs created can be enhanced through several approaches and the NPWP will promote the following:

- improved co-ordination by line function departments, provinces and local authorities to develop more concentrated delivery programmes in an effort to overcome the constraints of project delivery;
- greater flexibility in the delivery of training so that post-project training can be accessed by project participants to consolidate their skills base and to enhance industry capacity; and
- linkage of project participants to local and provincial employment agencies.

#### 7.1.5.2 Participation and empowerment

Through the Community-Based Public Works Programme (CBPWP), and in execution of its line function activities, the Department of Public Works will promote the principles, ethos and methodology of a people-centred delivery process throughout the public sector. In so doing, the Department of Public Works believes that it will also impact on the practice of the private sector.

Judged by the International Labour Organisation (ILO) to be the leading public works programme in over 30 developing countries, the CBPWP has focused on empowering and building capacity in historically marginalised but particularly rural communities.

In addition to the job-creation potential of infrastructure delivery, the new, realigned CBPWP targets the delivery of productive assets such as irrigation schemes, community culture and tourism. This approach, together with a clustered concentration of activity, has been adopted in order to maximise the job-creation and development impact.

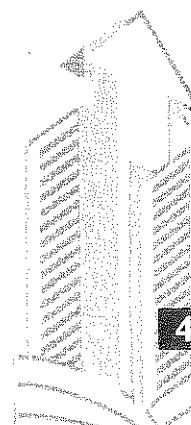
Community participation and empowerment must be facilitated - and in this sense facilitation becomes a central delivery component which transforms the nature of project management. Facilitators must achieve practical understanding of the project and of the respective roles of project participants. They must forge solidarity and enable the participants to perform their respective functions effectively during the often difficult process of implementation.

It is thus essential that built environment professionals and public-sector project managers should augment their project management skills by an understanding of facilitation. Through the delivery of the CBPWP, the development of capacity is being facilitated by the national department in co-operation with provincial departments. This co-operation provides a sound basis for reinforcing the capacity of local authorities to assume greater responsibility for process-related facilitation of projects which fall within their jurisdiction.

The attainment of this and other socio-economic objectives forms part of a public-sector project management course described later in this chapter. In collaboration with tertiary institutions the DPW will promote the incorporation of these project-management requirements into the curricula of the built-environment professions.

#### 7.1.5.3 Monitoring and evaluation

Within the scope of the National Public Works Programme, a system of monitoring and evaluation is being established to ensure effective promotion of job creation and community-





empowerment programmes. This requires input at a project level by both professionals and public-sector agencies.

The NPWP will convene post-job reviews of selected public-sector projects to assess performance indicators on job-creation, training, the targeting of local resources and capacity-building in order to recommend modifications on future contracts.

## 7.2 OVERCOMING REGULATORY IMPEDIMENTS TO INDUSTRY PERFORMANCE

### 7.2.1 PROBLEM STATEMENT

Our current regulatory framework is outmoded and unnecessarily complex. As such it often acts to retard delivery, to increase costs to the industry and the public, and to restrict participation in the delivery process.

Regulation is a necessity that generally serves to protect public interests and those of the weaker sectors of society. In relation to the construction industry it is also essentially about defining and limiting the risks associated with the construction process, and about compliance with contractual provisions and specifications. The nature of these requirements is not always in line with what is essential to ensure appropriate delivery and an adequate product.

#### 7.2.1.1 Applicable regulation and complexity

Regulation affecting the industry is to be found in at least 13 Acts of Parliament, a range of Provincial Ordinances and public-sector regulations, all of which are administered by different authorities. Broadly summarised, the complex and sometimes contradictory nature of this regulation covers the following:

- labour;
- health and safety and the environment;
- development;
- physical planning;
- training;
- technical legislation and building regulation; and
- procurement and common practice.

#### 7.2.1.2 Public-sector regulation and practice

Public-sector regulation, intended to ensure accountability, is often unresponsive to innovation and the dynamic needs of South Africa's development agenda.

Tendering practice, governed by the State and Provincial Tender Boards, currently shifts the onus of responsibility away from those most competent to assess the issues. From simple procurement issues to the highly complex arena of construction procurement, decisions are governed by regulation, which often leads to poor quality, wasteful expenditure and, even worse, paralysis.

There are significant variations in the practices of different Departments, Provinces and local authorities. These relate to regulation, the use of different forms of contract documentation,

and payment procedures. For contractors and labour, working for more than one authority, these variations compound the complexity of implementation.

Procedures generally make it difficult for the private contractor to respond effectively or prepare adequately to carry out works efficiently and quickly. Delayed payment impacts significantly on contractors and professionals.

#### 7.2.1.3 Procurement and contract documentation

Procurement through tendering practice in South Africa is based on the British model, which is generally a worldwide practice. While the system aims at equitable assignments, transparency and the effective use of resources, it is considered by many to be archaic and overly complex.

The industry has no common base set of contract documents. Many existing contractual arrangements include onerous requirements which are not in fact prescribed by law or decree. These include document and performance deposits, tardy payments, and over-elaborate documentation.

#### 7.2.1.4 Technical legislation

Technical legislation generally relates to specifications and standards which are considered necessary by stakeholders. The control of standards of materials and the formulation of codes of practice are essential as public safeguards, and must be maintained. However, the relevance of various standards requires constant review in the light of rapid technological advances and changing societal norms.

#### 7.2.1.5 Self-regulation within the Industry

Industry self-regulating mechanisms include representative employer associations which are prolific in their nature and organisational form.

Within the built-environment professions, formal self-regulation is exercised by relevant statutory councils controlling the different built-environment professions. The councils are responsible for the conduct of professionals who are registered and include in their functions the monitoring of ethical codes of professional behaviour, in the interest of the public as well as the professions.

Unfortunately, communication between these various statutory and non-statutory bodies is limited.

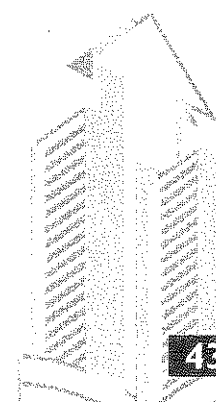
### 7.2.2 **VISION**

The public sector will support the removal of regulatory impediments and the streamlining of the regulatory framework to contribute to an enabling environment and reduce costs to both industry and clients.

### 7.2.3 **CONSTRAINTS**

Past attempts to promote nationally greater levels of procurement standardisation have met with limited success, due to a non-systematic approach and the absence of effective public- and private-sector co-ordination.

Some archaic regulatory practices and institutions are entrenched by legislation. While some of this legislation is being radically overhauled within the framework of the current transformation process, the ability of the construction industry to impact on legislation affecting it is limited by



the absence of a recognised authority which represents all industry interests and binds the public and private sector.

#### 7.2.4 **PRINCIPLES**

This endeavour to remove regulatory impediments and to streamline the regulatory environment will require close interaction with the industry and between spheres of Government. A review of the regulatory environment should be guided by certain principles.

It should:

- be fair and equitable to all roleplayers;
- be transparent;
- be simple, easy to understand and apply;
- retain acceptable and appropriate standards;
- be standardised as far as possible;
- encourage initiative and be responsive to change;
- change existing controls only when necessary;
- be compatible with international best practice;
- facilitate employment and the growth of SMEs;
- promote growth and competitiveness in the industry;
- promote training in the industry;
- unite the industry rather than promote fragmentation;
- encourage partnerships;
- be flexible enough to accommodate all categories of work and contractors; and
- ensure adequate accountability.

In promoting an appropriate degree of regulation, Government is also seeking to create an environment which defines a level of standards suitable to the industry. In this endeavour, it will seek to define standards that are appropriate to specific sectors of the construction economy - even to the extent of defining different standards for different sectors of the market. Nevertheless, in defining these standards, Government will be guided through its interaction with industry to ensure that the long-term growth and development of the industry will be promoted.

#### 7.2.5 **KEY PROGRAMME APPROACHES**

##### 7.2.5.1 Regulation review

A detailed review of the regulatory environment will be commissioned under the direction of the Construction Industry Development Board (CIDB), the Department of Public Works and other affected Government agencies.

review will need to be systematic, multifaceted and ongoing. The active involvement of the industry will enable industry input and ensure that recommended standards and procedures are appropriate to specific sectors of the construction economy and to the promotion of long-term growth and development.

Work already initiated includes a review of payment procedures undertaken by the Department of Public Works and supported by the Inter-ministerial Task Team on Construction Industry Development. This endeavour to remove regulatory impediments and to streamline the regulatory environment will require close interaction with the industry and between spheres of Government.

#### 2.5.2 SME assistance in terms of training regulations

Currently contractors must be registered with five different organisations before they can access subsidised training - which can be very onerous on SMEs. To assist SMEs in this task, a single agency, such as the Construction Industry Development Board (CIDB) or the Emerging Contractor Development Programme (ECDP), will be tasked with promoting assistance to SMEs in such registration. The objective of a "one-stop" service will be coupled with a registration and formalisation drive for all relevant SMEs.

#### 2.5.3 Professional bodies and the statutory councils

An overarching Council for the Built Environment is being established by Government as a co-ordinating structure for the professions in the built environment, with certain functions relating to national policy and legislation, such as:

- the promotion of standards of health, safety and environmental protection;
- providing advice and consultation with regard to national policy that may impact on the built environment, human-resources development and the recognition of new professions; and
- the evaluation of, and comment on, all proposed legislation impacting on the built environment.

### **2.6 INSTITUTIONAL SUPPORT**

The envisaged Construction Industry Development Board (CIDB), coupled with an overarching Council for the Built Environment Professions, would support an ongoing review of regulation to create an enabling regulatory framework.

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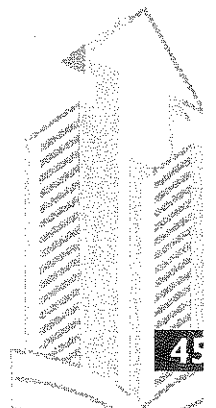
## **3 IMPROVING PUBLIC-SECTOR CAPACITY TO MANAGE DELIVERY**

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### **3.1 PROBLEM STATEMENT**

The lack of public-sector capacity to manage the procurement and service delivery process has become a growing concern in Government and industry circles. The new Constitution, defining new functions and institutions ranging from national departments, provinces and local authorities, has further complicated the already difficult task of implementing policy, causing delays while new agencies and personnel get established.

This lack of experience in the delivery of line-function goals and services is undermining the position of the public sector as a knowledgeable and expert client. Ultimately, the inability to manage delivery reflects poorly on the image of Government, undermines its policy objectives and inhibits the development and transformation of the Industry.



### 7.3.2 VISION

Rapid development of Government capacity is required to ensure effective management of the delivery process and impact on the regulatory framework in a way that supports an enabling delivery environment.

### 7.3.3 CONSTRAINTS

In the process of transformation, public-sector agencies are still having to contend with problems identified in the White Paper on the Transformation of the Public Service.

These include:

- the public service not being fully representative of all population groups;
- a lack of experience in service delivery;
- centralised control and top-down management;
- an absence of effective management-information systems;
- low productivity;
- poorly paid and, in many cases, inadequately skilled staff; and
- a lack of professionalism and a poor work ethic.

While many of these problems concern the internal workings of Government, they also affect the way in which Departments interact and serve the general public.

For Government agencies involved in the procurement of infrastructure, the above constraints further manifest themselves in Government's expanded role as a client interacting in specialised relationships with contractors, consultants and the broader public.

In its specialist role as client to the industry, the public sector faces additional constraints. These include:

- The disjuncture of policy development at national/ provincial levels, and of implementation at all levels of government, retards the ability of Government to move swiftly from intent to action in the correction of constraints, such as those relating to capacity.
- Regulation (dealt with in the previous section) inhibits flexibility and the development of innovative responses, such as those involving public/private-sector co-operation to overcome capacity constraints.
- In the training of professionals, the specific requirements of public-sector procurement and project management are not given recognition and there is no recognised centre for the promotion of public-sector project management skills.

### 7.3.4 PRINCIPLES

The right-sizing and re-engineering of the public service agencies involved in infrastructure procurement must be accompanied by a corresponding upgrading of skills to manage an increased private-sector role in the delivery process. Government's role in the process must therefore be reoriented towards:

- correct articulation of public demand;
- appropriate procurement practices to ensure cost efficiencies and the attainment of socio-economic objectives;
- stringent performance-monitoring to ensure compliance and value for money; and
- prompt payment for services.

Human-resource development will need to encompass the specialised skills of procurement and project management, and would benefit from the expertise and capacity available in the private sector. Human-resource development programmes would also need to involve the professional bodies and tertiary institutions.

A review of management practice and regulation in the public sector will enable greater devolution of managerial autonomy, as well as innovation and responsiveness to delivery demands, and must be accompanied by alternative mechanisms to ensure accountability. The ongoing promotion of public-sector project-management capacity requires a co-ordinated focus within Government and close co-operation with industry.

### 7.3.5 KEY PROGRAMME APPROACHES

#### 7.3.5.1 Human-resource development

There is a need for both immediate and medium-term measures to develop public-sector procurement capacity and project-management skills.

In the fulfilment of the transformation goals set out in its White Paper, Public Works Towards the 21st Century, the DPW has initiated a number of programmes to spearhead public-sector capacity-building, aimed at enhancing procurement expertise and project-management skills. The DPW has developed project-management systems and an internal Project Management Manual, and has also engaged with the professions and tertiary institutions to develop a short guide to public-sector project management.

Accompanied by a seminar programme involving private-sector delivery agents, this approach will serve to boost all spheres of public-sector performance in the short term, and help to crystallise an understanding of the delivery problems faced on the ground.

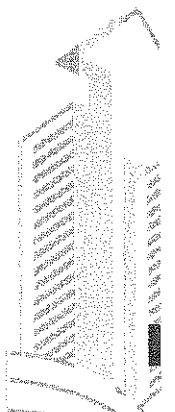
As a medium-term measure, the DPW, in co-operation with tertiary and research institutions, has initiated the planning of a diploma course in public-sector project management. Plans for the further development of this course include its expansion to degree level.

In co-operation with the CIDB, the DPW and other infrastructure-delivery departments will promote the need for public-sector officials, engaged at certain levels of the delivery process, to be accredited in terms of this programme.

While the public sector ultimately retains responsibility for developing and monitoring its own human-resource development programmes, the CIDB will assist by providing both cross-sectoral input to such programmes and valuable private-sector understanding of the parameters of the disciplines involved.

#### 7.3.5.2 Private-sector secondments

There is need for a positive response to the readiness of the private sector to assist in overcoming current capacity constraints, which impede delivery.



To do so, the public sector needs to revise cumbersome secondment procedures which defeat the purpose they are intended for - namely the speedy enlistment of private-sector skills in a management and mentoring role.

In co-operation with the professions and relevant Government departments, the DPW will develop appropriate secondment procedures to replace current regulation.

#### 7.3.6 **INDUSTRY-WIDE CO-OPERATION**

The ongoing improvement of public-sector capacity will require co-ordination and the co-operation of all public- and private-sector participants in the delivery of infrastructure. The proposed CIDB will provide a recognised and authoritative national centre for the pursuit, co-ordination and monitoring of initiatives.

### **7.4 PROMOTING REGIONAL CO-OPERATION**

#### 7.4.1 **PROBLEM STATEMENT**

Enhanced industry performance, capacity and competitiveness cannot be seen in isolation from the subregional arena and the tendency towards globalisation. In the subregional context, industry practice is closely related to the developmental objectives of our own country, as well as those of our neighbours. Co-operation is important to ensure a common development and operating environment which fosters industry progress.

##### 7.4.1.1 An interconnected system

Inequalities in the region, such as the skewed distribution of wealth and of the resources to generate wealth, give rise to poverty, unemployment and social and physical debilitation in these countries. These problems have not confined themselves to the neighbouring states, but migrate to South Africa to add to the already critical situation here. Therefore Government's socio-economic strategy will only succeed in South Africa if it helps bring about transformation in the region as well.

##### 7.4.1.2 Skills migration

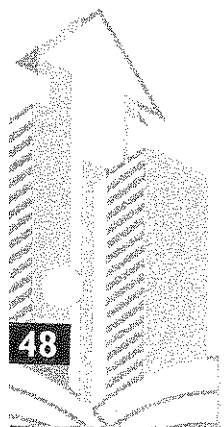
Given the dramatic increase in construction supply required by Government's socio-economic objectives, and given the capacity constraints facing the South African construction industry, neighbouring countries might find their construction sectors depleted of appropriate skills as technical, supervisory and managerial staff seek better opportunities in South Africa.

##### 7.4.1.3 Labour exploitation

Some construction companies in South Africa have used labour-only subcontracting to circumvent existing industrial agreements. Some South African companies further circumvent these agreements by employing "illegal migrants" from neighbouring countries who are too vulnerable to object to difficult working conditions or rates of pay. Similarly, when contracting in the neighbouring countries, these companies employ people under considerably worse conditions than would be acceptable in SA.

##### 7.4.1.4 Materials shortages

Neighbouring economies derive a large proportion of their construction materials from South Africa. Although South Africa has a sophisticated manufacturing industry, which supplies almost all the requirements of the construction sector, successive recessions have caused manufacturers to significantly downscale their operations since the mid-1980s. In the light of the intention to escalate delivery, the concern of regional partners that key construction materials may be in short supply is not unreasonable.



#### 7.4.1.5 Economics versus equity

The advantages of greater regional integration - providing larger markets and shared resources and creating economies of scale that will enhance the international competitiveness of the construction sector - must be recognised. On the other hand, unless a serious commitment is made to address regional inequalities, the benefits of growth in South Africa will be short-lived. Further polarisation is likely to exacerbate the structural weaknesses of the economies of the region.

#### 7.4.1.6 Impact of trade liberalisation

The adoption of World Trade Organization (WTO) trade protocols by South Africa has accelerated the involvement of South African business beyond our borders. Already, many South African companies have found markets in the regional economy. Although not as many companies from the neighbouring states have found work in South Africa, trade liberalisation could result in the further flow of construction resources towards South Africa, thus exacerbating the maldistribution of those resources within the region.

#### 7.4.1.7 International trade

It should not be concluded, however, that greater regional and international trade in construction goods and services should be discouraged. Instead, industry should prepare for the inevitability of increased competition and should actively promote industry performance as new techniques and technologies are introduced locally.

On the other hand, support should be mobilised for best-practice South African firms to export their goods and services.

#### 7.4.2 **VISION**

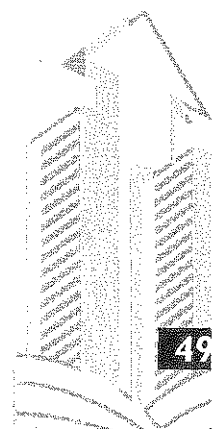
As signalled in the Southern African Construction Industry Initiative (SACII) declaration of intent in 1996, Government endorses the development of a common framework for the construction industries of the region, which will:

- open the construction markets in the region to the mutual benefit of all participating countries;
- level the playing fields for construction companies in different countries;
- encourage donors to standardise the procedures under which development projects will be funded;
- facilitate the movement of construction resources, firms and personnel within the region; and
- contribute towards creating more equitable development in the region.

#### 7.4.3 **CONCLUSIONS**

It has become clear since the Second Regional Seminar of the SACII that, notwithstanding the enthusiasm of participants, there are limited resources with which to take forward the initiative of establishing a common development and operating environment.

There is also some indication that not all regional governments have shown the same degree of commitment to the declaration of intent as the South African Government. It may therefore take a number of years before the declaration of intent is fully operationalised.





Further constraints include the shortage of skills and experienced personnel in the region, as well as the maldistribution of construction materials and potential shortages.

#### 7.4.4 PRINCIPLES

An enabling regional policy should aim to attain the following common objectives:

- Develop regional construction economies locally and create local employment.
- Promote skills and business education and training so as provide transferable skills to ensure career development and the stimulation of micro-, small and medium enterprises.
- Advocate the use of locally based technologies and encourage labour-based construction and materials production.
- Promote international competitiveness by monitoring and developing new technologies, promoting their application and developing appropriate support strategies.
- Ensure end-user participation in the definition and implementation of construction work.
- Negotiate a regional labour pact which would define minimum working conditions for construction labour in terms of the enabling policy framework.
- Co-operate in the sourcing of donor funds, in order to ensure that the benefits of the joint framework are shared throughout the region.
- Negotiate regional co-operational agreements between professional institutions to facilitate cross-border professional practice.

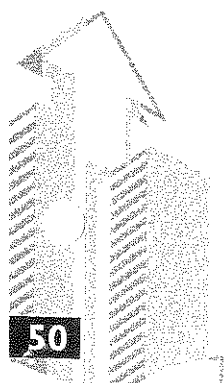
#### 7.4.5 KEY PROGRAMME APPROACHES

The Department of Public Works, together with the Construction Industry Development Board, and in co-operation with relevant Departments and the private sector, will continue to promote regional co-operation and the international competitiveness of the industry.

Establishing a common development and operating environment requires that intent be translated into action through the accomplishment of the following:

- an agreement negotiated between the different regional Governments over the form and substance of a common development framework;
- enabling legislation, including methods of control to ensure that construction work takes place within the common developmental framework, would need to be promulgated in each country;
- the negotiation of bilateral trade agreements specific to the construction sector and arising out of the regional development framework; and
- the development of strategies to promote the international competitiveness of the South African industry, and in particular the SME construction companies.

Agreements on the above issues will take place within the ambit of the Southern African Development Community (SADC), which is the vehicle to ensure a co-ordinated policy for the region. These agreements would need to be negotiated in close consultation between infrastructure delivery departments and the Department of Trade and Industry, which is responsible for general regional trade and development policy. Within the framework of co-



operation established by the Inter-ministerial Committee, the DPW will facilitate any necessary co-ordination to promote common approaches.

Government policy further encourages provincial government departments to prepare regional policies within their line-function responsibilities, in which their "individual contributions towards the promotion of balanced growth and prosperity for the region are clearly stated". In line with the requirement to maintain a co-ordinated approach towards SADC, the DPW will provide a sectoral contact point for provincial governments to co-ordinate interaction with their neighbouring SADC member states on construction-related issues.

The Construction Industry Development Board will promote industry involvement in such regional initiatives. It will advise the Inter-ministerial Committee on the formulation, implementation and possible updating of any regional agreements established by Government and will play a critical role in promoting new technology and the international competitiveness of the industry.

The proposals encapsulated in this document place a spectrum of responsibilities on both the public and private sectors of industry. However, in an overarching sense, some key institutional arrangements must be put in place, primarily by the State, to create an appropriate enabling environment for the South African construction industry of the future.

### 8.1 PRINCIPLES

The institutional arrangements described here are based on four principles that stress the need for a co-ordinated approach to enabling environment programmes, for programme implementation which appropriately involves all stakeholders, and for ongoing evaluation of the effectiveness of the actions taken to achieve this.

The principles can be summarised as follows:

- Government will establish suitable instruments for industry-wide collaboration to advise on policy and to ensure implementation of the programmes envisaged.
- Co-ordination of departments and levels of Government - through healthy and active working arrangements between national, provincial and local level administration - is a prerequisite for the success of the envisaged programmes
- Ongoing policy development must accommodate changing priorities of both the public and the private sectors.
- Effective monitoring and evaluation, to track the progress of measures taken, will enable the continuous refinement of policy.

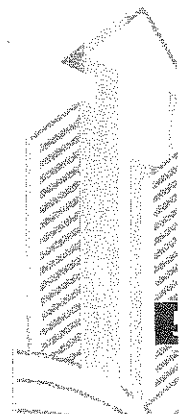
### 8.2 GOVERNMENT RESPONSIBILITIES

In order to implement programmes which address the volatility of demand, improved industry performance, the capacity of the emerging sector, human-resource development, a streamlined regulatory framework and enhanced Government capacity to manage delivery, Government will establish, promote and strengthen the institutional arrangements described below.

#### 8.2.1 PROMOTING INDUSTRY CAPACITY AND PERFORMANCE

To promote a healthy and competitive industry which delivers value for money in line with international best practice, and to promote the participation and growth of emerging SMEs, Government will:

- establish a statutory Construction Industry Development Board (CIDB) to advise on policy and on any existing and proposed legislation which impacts on the industry - to champion the programmes of the enabling environment as well as integrate and promote the industry at large (Section 8.4 of this chapter describes the proposed CIDB);
- establish an Emerging Contractor Development Programme (ECDP) to ensure the development of emerging contractors and to advance their interests within the industry framework (Section 8.5 of this chapter describes details of the ECDP);
- establish effective monitoring and evaluation systems to support the objectives and principles outlined here (Section 8.6 of this chapter gives details of monitoring and evaluation systems);



- enter into agency agreements with private-sector organisations (e.g. research organisations, universities, training institutes, consulting firms, and financial institutions) to obtain support for the planning and implementation of enabling environment programmes; and
- enter into partnerships with various industry role-players and NGOs to enhance the impact of construction-industry development initiatives, such as those aimed at emerging enterprises, job creation and capacity-building.

#### 8.2.2 PUBLIC-SECTOR CO-ORDINATION

Since delivery is effected by a range of public-sector agencies, there is a need for diverse forms of co-operation to ensure consultation in the development of policy, and to co-ordinate programme implementation and the development of sound client capacity. In support of these objectives Government:

- has established an Inter-ministerial Committee comprising the key national ministries engaged in infrastructure delivery and co-ordinated by the Minister of Public Works, to ensure a co-ordinated approach to policy;
- will establish a co-ordinating structure with key national Departments, provincial authorities, selected local authorities and public-sector corporations (enterprises), to ensure that industry policy incorporates the broadest possible "client" experience and that construction-industry programmes are understood and effectively co-ordinated through all levels of Government; and
- will strengthen co-operation between national departments, provinces and agencies to maximise the benefit of selected programmes and pilot projects.

#### 8.2.3 POLICY DEVELOPMENT AND CO-ORDINATION

The Department of Public Works is responsible for co-ordinating the development, monitoring and dissemination of Government policy for construction-industry development. Within the framework of the National Public Works Programme, the Department has established a limited capacity to give effect to the programmes outlined in this White Paper, and will do so in close co-operation with the Construction Industry Development Board, the Emerging Contractor Development Programme and other delivery agencies.

It will promote a public-sector procurement and monitoring culture supportive of effective client practice and improved delivery management, as well as public- and private-sector partnerships, and it will promote training and capacity-building.

To augment its capacity, the Department will enter into agency agreements with private-sector organisations (e.g. research organisations, universities, training institutes, consulting firms, and financial institutions).

#### 8.2.4

To overcome institutional constraints to public-sector delivery, the following initiatives will be advanced:

- a process of review that will lead to a rationalisation of public-sector regulations and procedures concerning construction delivery;
- human-resource development at all tiers of Government through appropriate training programmes;

cross-fertilisation of project-management skills through private-sector secondment to (and from) the public sector;

the development of specialised project-management training at tertiary level to ensure the emergence of professionals who are equipped to manage delivery in a manner which promotes Government's socio-economic objectives, and who are competent in the arena of public-sector project management; and

the dissemination of emerging policy, guidelines and programmes.

### 8.3 INDUSTRY RESPONSIBILITIES

Complementary to State responsibilities, industry should take responsibility in a number of areas. These include commitment to the following:

- contribute to the establishment and operation of the CIDB and support the ECDP;
- actively support development programmes aimed at improved stability, enhanced industry performance, human-resource development, promotion of the emerging sector and public-sector capacity;
- promote increased unity of the emerging and established sectors, the building and civil sectors, designers and constructors, the public and private sectors; and
- support the objectives of human-resource development in the industry as a whole.

### 8.4 CONSTRUCTION INDUSTRY DEVELOPMENT BOARD (CIDB)

In fulfilment of its mandate on construction industry development the Department of Public Works will establish a statutory Construction Industry Development Board (CIDB).

#### 8.4.1 AIMS

The complexity of the industry is well known to all associated with it. The CIDB will exercise leadership and foster the co-operation of industry stakeholders to pursue development objectives, improved industry practices and procedures - which will enhance delivery, performance and value for money, profitability, and the industry's long-term survival in an increasingly global arena.

With these aims, the CIDB will develop a business plan which builds on the programmes identified and focuses on projects which engage the industry effectively in a framework of ongoing participation.

#### 8.4.2 COMPOSITION

Appointed by the Minister of Public Works, the CIDB will report to an inter-ministerial Committee comprising the key national ministries engaged in infrastructure delivery. These include the Ministers of Transport, Housing, Water Affairs, and Constitutional Development - with Public Works as the accountable and co-ordinating ministry.

The composition of the CIDB will mirror the make-up of the industry with appointed members who are innovative, forward-looking and influential in their constituencies. The pursuance of long-term growth strategies demands a broad development perspective which looks beyond the narrow interests of individual stakeholder organisations. Membership will therefore be drawn from all the branches of industry: civil engineering and building contractors, materials

manufacturers and suppliers, emerging enterprises, labour, research and development practitioners, clients and the professions - without necessarily representing particular organisational interests.

In constituting the CIDB it is important to bear in mind that the clients of the industry are the driving force of many change programmes, and implementation of any such programme begins with them. The construction industry exists to serve its clients and client needs must be met by the industry.

Clients therefore have a substantial role to play in setting standards and demanding improvements, and their role must be reflected in the make-up of the Board.

#### 8.4.3 **ROLE**

The role of the CIDB will be to:

- provide leadership and focus the support of industry stakeholders for ongoing growth and development reform in the industry;
- review strategic issues critical to the development of an enabling environment;
- establish a client forum, comprising the major industry clients, as driver of change;
- develop priorities and establish reform objectives, targets and performance indicators;
- provide a focal point for co-ordination, stimulation and promotion research and development aimed at broad industry needs;
- integrate the efforts of both the public and private sectors in developing appropriate performance criteria and in the benchmarking of industry best practice;
- ensure the exchange of information on industry growth and development and disseminate information on procedures, techniques and methods developed by Government, the ECDP and other organisations; and
- provide independent advice to the Inter-ministerial Committee through the Minister of Public Works.

In support of achieving its role, the CIDB will:

- establish and manage a business plan; and
- marshal the required resources, which may be augmented by the public sector for specific purposes approved by the Minister of Public Works in the CIDB's business plan.

#### 8.4.4

In pursuance of this role and supported by a secretariat, the primary objectives of the CIDB will be to:

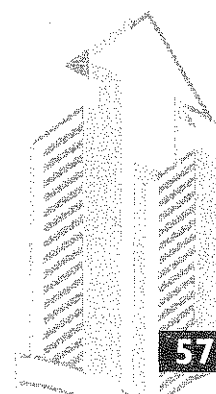
- monitor and advise Government on demand volatility and public-sector measures to level spending;
- encourage adherence by public-sector authorities to capital-expenditure targets and budgets;

- identify constraints and advise Government on policy needs and matters pertaining to public-sector client performance, and support efforts to improve public-sector capacity as an efficient and effective client at all levels of Government;
- collate information on construction expenditure;
- advise on the effectiveness of Government policy and programmes aimed at the enhancement of industry performance and development;
- promote programmes and projects aimed at:
  - emerging enterprises support,
  - work-process transformation,
  - industry skill formation, access to training and career pathing,
  - industry excellence and best-practice processes,
  - streamlining regulation and procedures,
  - procurement reform,
  - subregional co-operation and international competitiveness,
  - design best practice, and
  - innovative processes and practices;
- develop measures to improve communication between industry stakeholders - to harness the commitment, experience and skills of industry participants and to share the knowledge and experience in a manner which will assist them to work together and to understand each others points of view; and
- manage the operation of a register of contractors for monitoring and evaluation in co-operation with Government policy agencies.

#### 8.4.5 **THE CIDB AND TECHNOLOGY DIFFUSION**

In addition to the programme objectives of the CIDB described above, the Board will exercise leadership in supporting the White Paper on Science and Technology, furthering the development of a national system of innovation in the construction industry (i.e. a system through which an industry seeks to create, acquire, diffuse and put into practice new knowledge that will help that industry and its stakeholders achieve their individual and collective goals). As a first step in support of this objective, the CIDB will:

- establish a Research, Development and Innovation liaison panel, whose major objectives will be to:
- encourage Research, Development and Innovation in support of the programmes outlined in the White Paper, and
- identify the construction industry's research, development and innovation priorities, and promote these to the major funders; and to:



- establish a knowledge centre through which the whole industry and all of its clients can access knowledge about good practices, innovations and the performance of companies and projects - in particular the knowledge gained from pilot projects. It is important that the knowledge centre be objective, impartial and efficient.

## 8.5 EMERGING CONTRACTOR DEVELOPMENT PROGRAMME (ECDP)

### 8.5.1 AIMS

The ECDP will provide direct and comprehensive support to small-scale and emerging construction enterprises. An important role of this programme, or agency, will be to influence construction-industry transformation in a manner that purposefully encourages the emergence of small and emerging enterprises.

### 8.5.2 COMPOSITION

In the light of the complexity of the construction industry, its envisaged transformation, and the specific nature of support required in the sector, Government will establish a dedicated emerging-contractor development programme within the scope of programmes promoted by the National Enterprise Promotion Agency, Ntsika.

Close links would need to be developed with industry, and it is therefore envisaged that the programme should be established in close collaboration with the CIDB. However, the ECDP will be constituted in a manner which gains the trust of the emerging sector and its clients.

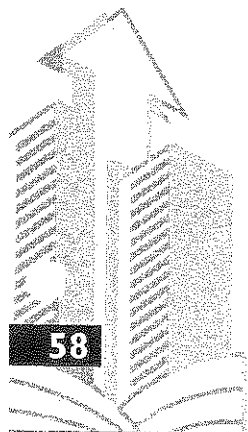
### 8.5.3 ROLE

The role of the ECDP will be to:

- provide leadership and promote understanding and support of the emerging sector for growth and development programmes;
- develop a shared vision and act as a catalyst for the organisation and marketing of small and emerging construction enterprises;
- canvas the emerging sector and review strategic issues critical to its development, and identify issues requiring policy intervention;
- develop and prioritise programme objectives, targets and performance indicators;
- provide and co-ordinate structured support to emerging businesses and private-sector initiatives which foster the development of the emerging sector;
- advocate the interests of small and emerging enterprises and ensure that policies and procedures in the industry promote an environment conducive to the development of the small and emerging enterprises;
- monitor performance of these policies through a database of small and emerging construction-related enterprises. This database, although created independently of the proposed CIDB register, will ultimately be linked to that register in order to ensure that a comprehensive industry-wide register is ultimately established.

In pursuance of achieving its role, the ECDP will:

- establish and manage a business plan; and





- raise funds from Government, the CIDB and/or other agencies on the basis of the ECDP's business plan.

#### 8.5.4 ECDP PROGRAMME OBJECTIVES

In pursuance of its role, and supported by a secretariat, the primary objectives of the ECDP will be to:

- make the procurement process more accessible, understandable, transparent and streamlined;
- establish appropriate preference and participation target policies to enable participation in a manner which does not negatively impact on client risk, costs and industry standards;
- promote suitable contracting models and the appropriate packaging of public-sector contracts to enable diverse forms of participation which can accommodate the full spectrum of emerging enterprise involvement;
- co-manage the public-sector emerging-contractor database, to monitor the success of policy and support instruments and to enable the effective targeting of support;
- review tender conditions, specifications and design to enable appropriate simplification, streamlining and transparency;
- review the streamlining of payment arrangements to limit cash-flow constraints of small enterprises;
- facilitate potential waiver arrangements of surety/guarantee requirements, which will be linked to performance monitoring and risk assessment;
- introduce dispute-resolution procedures which do not disadvantage small enterprises;
- make recommendations to move towards a more continuous flow of work;
- develop contracting and business-management training, as well as improved access to such training opportunities;
- facilitate access to finance by co-operation with Khula and financial institutions through programmes aimed at reducing risk, and encourage the establishment of appropriate loan-scheme programmes and mechanisms;
- provide access to credit at reasonable interest rates for the procurement of plant, equipment and materials; and
- provide access to information and advice.

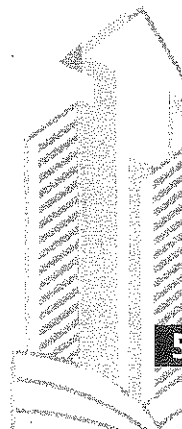
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#### 8.6 ESTABLISHING AN EFFECTIVE MONITORING AND EVALUATION SYSTEM

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Policy and programmes to develop the performance and capacity of the industry cannot be managed or refined without adequate monitoring and evaluation systems.

Within the ambit of its own activities, the Department of Public Works has commenced the process by establishing project-reporting procedures aimed at capturing data on the achievement of job creation, training and emerging-enterprise development. This, together with the consultants' roster and a preliminary database of emerging contractors, constitutes a starting point for a comprehensive monitoring and evaluation system.



#### 8.6.1 OBJECTIVES OF MONITORING AND EVALUATION

A monitoring and evaluation system which continuously gathers information nationally will serve several purposes, namely:

- Analysis at the following levels:
  - *policy effectiveness,*
  - *programme effectiveness,*
  - *socio-economic and geographic comparisons, and*
  - *best-practice standards.*
- Identification of delivery bottlenecks.
- Corrective measures and the adjustment of policy, guidelines and programmes as well as the re-direction of resources.
- The registration and categorisation of contractors and enterprises to enable:
  - *the operation of a preferential procurement policy for accredited construction firms or an approved public-sector tender list,*
  - *performance monitoring to enable appropriate action where standards are not attained on public-sector contracts,*
  - *promotion of best practice on public- and private-sector contracts, and*
  - *the targeting of resources to emerging enterprises which demonstrate progress and the withdrawal of support from those that have graduated or have failed to show sufficient progress.*

#### 8.6.2 REGISTER OF ENTERPRISES - LONG-TERM AIM

The long-term aim is to establish and maintain a register of all contractors and construction enterprises. In addition to the monitoring of performance it is in the long-term public interest that only enterprises registered with the CIDB should undertake certain categories of construction work, determined in consultation with industry stakeholders.

Public interest in this regard includes quality, health and safety, environmental factors and potential losses to the Receiver - which ultimately impact on development finance. Such registration will ensure the success of industry-wide development programmes and compliance with performance standards, including those concerned with labour regulation.

Existing voluntary organisations have been unable to monitor or discipline their members, partly because no single organisation can claim to represent the industry. This has contributed to the poor public image of the industry. The establishment of such a register which tracks private as well as public-sector performance can only be effective in conjunction with the establishment of a statutory CIDB that has jurisdiction over the entire industry.

#### 8.6.3 REGISTER OF ENTERPRISES - IMMEDIATE PURPOSE

The immediate objective is to establish a register which accredits enterprises for public-sector work, and which captures data on the performance of these enterprises.

Ultimately, it is envisaged that the register will comprise a set of subdirectories for all contractors, subcontractors, consultants, and training and support providers. These subdirectories will be disaggregated in terms of identified capacity and performance criteria in a manner that would enable the public sector to "prequalify" firms for potential work opportunities. Since the public sector already makes use of select tender lists, and rosters, and applies some performance criteria in the awarding of tenders, the proposal to develop more systematic registers for other construction-related enterprises is merely an extension of Government's existing practice.

In terms of the programmes outlined in this document, contractors and consultants will be in receipt of considerable State funding for training, mentoring and development activities. In order to ensure that these funds are appropriately used and that the public sector contributes effectively to an environment in which individuals and firms develop to their full potential, Government requires a mechanism to monitor progress. The register would be used to monitor the development of emerging contractors and reward improved performance through the allocation of scarce resources for training and business support.

Since new contractual requirements may limit previous contractual risk and responsibility by reducing or waiving sureties or performance guarantees, these registers will enable the public sector to allocate contracts with confidence that emerging contractors can perform at the required level. The registers will also enable the State to determine at what stage successful contractors should graduate from support programmes. Furthermore, the registers will allow the State to act in the case of non-performance of emerging and established contractors, by limiting access to future public-sector construction contracts.

#### 8.6.4 MANAGEMENT AND MAINTENANCE OF THE REGISTER

The register will be developed and maintained by the CIDB, and monitoring and evaluation of public-sector contracts on behalf of Government will be co-ordinated by the Department of Public Works, in collaboration with the CIDB secretariat.

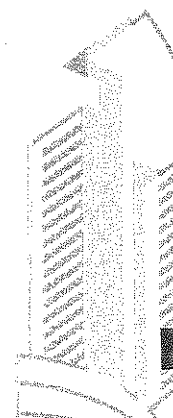
This co-management of a public-sector capacity and performance register would accomplish several objectives:

- The CIDB will serve to oversee the accreditation, the monitoring of performance and the determination of standards to ensure the utmost transparency and to ensure that performance standards are appropriate to changing industry circumstances.
- Approval by the CIDB of contract performance indicators will ensure broad industry acceptance of the database and monitoring criteria.
- The integrity of the register and database would be enhanced.
- Action to promote, penalise or withdraw support would be applied with the authority of agencies whose interest lies in the development of the industry.

#### 8.6.5

Performance criteria will be defined in terms of the proposals outlined elsewhere in this document (see Chapter 4.1.4), and the CIDB will ensure that they are established in close collaboration between industry and the public sector. These would include performance standards on the following:

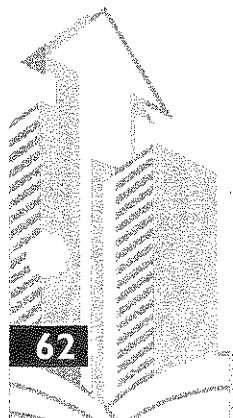
- compliance with labour regulation;
- scope and nature of work undertaken, and corresponding performance;



- work-process transformation, with regard to health and safety, productivity and quality, training, employment practice and environmental protection;
- promotion of emerging enterprises, including SME participation quotients, and affirmative-action standards; and
- training and human-resource development, including standards identifying levels of training provided and certification received, employee participation in the selection of trainees and evidence of clear career-development paths.

The above framework of standards will be introduced over a period of time to allow Government, in consultation with the CIDB, to formulate appropriate standards and give construction enterprises sufficient time to put in place the appropriate procedures. During this period, the standards will be applied progressively until a comprehensive set of best-practice standards are in force on public-sector contracts. As there are already construction enterprises close to defining the level of 'best practice', it is proposed that an increasing proportion of public-sector work be set aside for those that may qualify during the interim phase. After a period of time to be determined by the CIDB, all public-sector contracts beyond a certain value (to be established) will be awarded only to construction enterprises who are accredited in terms of established standards.

Interim guidelines will include a waiver of some performance criteria for contracts of limited value, in order to encourage emerging small and medium firms. However, even for this grouping, certain minimum standards will apply to avoid serious breaches of policy, possible through subcontracting. The performance criteria will therefore become progressively more rigorous as the value of contracts increases, on the assumption that the larger contracts will be performed by the more competent firms. As performance and capacity are regarded as an indicator of competitiveness, the same performance criteria will be applied to both established and emerging enterprises on contracts beyond a value which is to be established.



## 9.1 ESSENCE OF THE ENABLING STRATEGY

The preceding pages have documented the challenges facing industry and Government, together with ideas on promoting the industry's growth and development. A summarised analysis of policy on construction-industry development is presented in Chapter 2, and is preceded by a brief description of the policy formulation process which is described in Chapter 1.

Principles and constraints are elaborated throughout the document. Proposals of a programmatic nature have been put forward in the five chapters dealing with stability, industry performance, human resources, the emerging-sector and public-sector capacity. Finally, proposals have been advanced on the institutional arrangements necessary to co-ordinate, evaluate and adjust the envisaged programmes on a continuous basis.

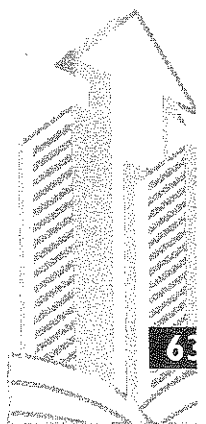
To reiterate, Chapter 3 aims at attaining a more stable demand and employment environment, as the foundation for improved industry performance. It proposes that the State should aim to moderate the fluctuations in its own expenditure by developing clear medium-term, fixed-investment guidelines, and that the scheduling of public-sector spending would provide a more predictable environment for private-sector investment. It further proposes the promotion of sound industrial relations through appropriate public-sector procurement mechanisms aimed at bringing a greater portion of the workforce within the ambit of labour regulation.

Chapter 4 examines mechanisms to enhance industry performance through the establishment of not only minimum, but also best-practice performance standards. It proposes that their promotion in the industry be achieved through innovative public-sector procurement practices. It envisages that these standards will relate to health and safety, productivity and quality, training, employment practice and environmental protection. The establishment of a register of contractors, accredited to tender on public-sector projects, is proposed as an integral measure which would also support the objectives of several other programmes.

The development of the human resources central to industry's improved performance is dealt with in Chapter 5, which reviews Government's human-resource development strategy in the specific context of the construction sector. In particular, proposals are advanced on governance and financing to enable access to training consistent with the reality that the bulk of the workforce is employed by unaffiliated emerging black contractors. A turnover levy is proposed as a means of promoting an equitable financing arrangement. At tertiary level the chapter highlights the need for training to be aligned more closely with development priorities and for intensified affirmative action to achieve greater representivity.

The focus of Chapter 6 is the creation of new industry capacity. It advocates the promotion of the emerging sector through affirmative action in support of historically disadvantaged sectors of society. The key proposal centres on the need for a specialised and dedicated emerging contractor-support programme to build on the affirmative-procurement policy developed by the DPW, and to promote the sector's ability to access finance and managerial skills.

Chapter 7 deals with the need to develop the public sector's enabling role and its capacity to manage the delivery process. It affirms the DPW's commitment to pursue delivery approaches which target the marginalised, and identifies the need for special skills associated with this approach and with the full spectrum of delivery models and procurement mechanisms. The chapter recommends the commissioning of research to review and propose possible methods to effect a streamlined regulatory environment supportive of public- and private-sector innovation. In this regard, the role of the planned overarching Council for the Built Environment Professions is also highlighted. Capacity constraints are addressed through short- and medium-term training



strategies. A policy of secondments from the private sector is advocated as an immediate means to overcome delivery bottlenecks.

Throughout the document, each proposal indicates the nature of institutional response necessary for its implementation. These are brought together comprehensively in Chapter 8, which outlines arrangements for inter-governmental and industry-wide policy co-ordination. This chapter describes the nature and functions of the proposed statutory Construction Industry Development Board which is seen as essential for the co-ordination of any strategy for industry improvement.

## 9.2 INTER-MINISTERIAL COMMITTEE

The creation of an enabling environment in which growth and development benefits are maximised in the construction industry is a long-term endeavour of co-operation between Government and the industry. Recognition of this reality makes it imperative to begin the process now. The establishment of a statutory development board requires planning, consultation and legislation.

To ensure policy alignment and maximum co-ordination, Government has constituted an Inter-ministerial Committee comprising the key national ministries engaged in infrastructure delivery. These include the ministries of Transport, Housing, Water Affairs, and Constitutional Development, with Public Works as the accountable and co-ordinating ministry. This committee will ensure focused political support and co-ordination of measures aimed at enhanced infrastructure delivery, construction-industry growth and improvement, and development of the required institutional capacity. It will provide ongoing policy direction in the implementation of strategic programmes and will advise cabinet.

## 9.3 TASK TEAM ON CONSTRUCTION INDUSTRY DEVELOPMENT

Interim measures have been put in place to ensure that enabling programmes are introduced in a partnership which binds the public and private sectors.

On behalf of the Inter-ministerial Committee, the Minister of Public Works has appointed a Task Team on Construction Industry Development, drawn from industry and Government, as well as a broader reference group. The Department of Public Works provides the Task Team with executive and co-ordinating capacity.

The Task Team's main purpose is to drive the institutional development envisaged above, particularly the establishment of a statutory Construction Industry Development Board (CIDB) as a permanent vehicle for public/private-sector co-operation on construction industry development programmes. The Task Team has provided a focal point for consultation on the Green Paper and continues to act as a reference in the further development of policy and strategic programmes. It is envisaged that the Task Team will have achieved its purpose when it hands over responsibility to the statutory CIDB.

### 9.3.1 TERMS OF REFERENCE

Emanating from the Green Paper, the broad terms of reference of the Task Team have been expanded to include the following:

- Report to the Minister.
- Consult and mobilise all industry stakeholders to improve communication; and to harness the commitment, experience and skills of industry participants, as well as share knowledge and experience in a manner which promotes understanding and co-operation.
- Evaluate stakeholder comments received on the Green Paper, and advise the Minister on further steps including any legislation required to give effect to the envisaged measures.

- Advise on the planning and implementation of key industry-development proposals.
- Establish focus groups of industry specialists to refine specific outputs related to development programmes.
- Recommend procedures for the establishment of the register of contractors.
- Recommend procedures for - and facilitate the development of - public-sector capacity to manage delivery.
- Prioritise key programme proposals and support their implementation.
- Recommend procedures for - and facilitate skills and training measures which address - governance, financing and access.
- Act as an interim reference point for public-sector investment in construction-industry research and development.
- Provide advice and gear support for the planned Emerging Contractor Development Programme (ECDP).
- Prepare business plans for the launch of the Construction Industry Development Board, which include:
  - *final composition and organisation structure;*
  - *prioritisation of programmes and projects; and*
  - *recommendations on funding and the mobilisation of resources and any other steps needed for the functioning of the CIDB.*

#### 9.3.2 **TASK TEAM BUSINESS PLAN**

In response to the broad terms of reference outlined above, the Task Team has developed a business plan and a mission statement, which have been endorsed by the reference group of industry stakeholders.

On the basis of this business plan, the Task Team is facilitating and guiding the planning and introduction of programmes and projects that promote industry improvement and lay a foundation for the functioning of the CIDB.

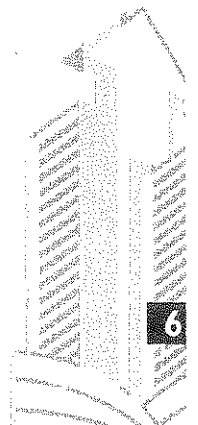
Thus, focus groups of industry experts have been constituted on issues ranging from the scheduling of public-sector spending and capacity building to the register of contractors, and to human-resource development. This consultative planning process set in motion by the appointment of the Task Team, has focused the diverse talents and resources of the industry on a range of development initiatives which transcend narrow interests and are promoting a common industry-development agenda.

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#### 9.4 **CONCLUSION**

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Accelerated delivery of infrastructure is critical to the objectives of reconstruction and development. It is in the interests of Government, industry and the public that levels of industry efficiency and effectiveness be raised, together with those of public-sector delivery agencies.



For those that work in the industry, as employers and employees, the growth and performance strategies proposed in this White Paper will bring greater opportunities for involvement at every level.

Greater stability, improved access to training and career-path development linked to entrepreneurial development measures, will ensure that growth coincides with the need to redress historical inequity and create sustainable employment.

Ordinary South Africans, the beneficiaries of construction work, should gain from improved product quality and value for money.

In an increasingly global construction market, the South African economy as a whole will benefit from a more competitive industry able to provide innovation locally and to export construction services abroad.

A comprehensive approach to tackling the interlinked and mutually reinforcing impediments to industry development and the achievement of socio-economic objectives is beyond the scope of any single Government department, or of the industry in isolation. A concerted national approach is necessary.

Co-ordinated innovation will reduce costs to the taxpaying public, as wasteful duplication is avoided. In this White Paper Government has outlined the role it is prepared to play in this joint endeavour. The principle of good governance underpins the envisaged establishment of the CIDB as a vehicle for national co-ordination. On behalf of all stakeholders, this institution will drive the ongoing implementation of an industrial development strategy to promote the industry's enhanced contribution to South Africa's economic well-being.

In refining this industrial development strategy as a firm foundation for the work of the CIDB, the Inter-ministerial Task Team, the DPW and the infrastructure-delivery departments associated with this policy initiative will build on the existing strengths of the industry to advance the many transformative initiatives already in progress.



The Ministry and Department of Public Works wish to acknowledge the contributions of individuals and organisations to the process of finalising this White Paper. The process has been characterised by a unique engagement between the public and private sectors, a process that has been led and facilitated by the Inter-ministerial Task Team on Construction Industry Development. Participation in the Reference Group and Focus Groups has enabled contributions at a policy and at a practical level of various formations of government, industry, researchers, academics and constructors.

Thanks are extended to the Task Team for its evaluation of public comment and its advice, which informed the final drafting process. This appreciation acknowledges the significant work done by Secretariat members, Andrew Merrifield of CSIR and Sam Amod of Development Engineering Consultants, who prepared a draft analysis of comment to facilitate the Task Team's evaluation.

A special word of appreciation is extended to the drafting team, in particular Spencer Hodgson (DPW), Rodney Milford and Andrew Merrifield (CSIR), as well as to Nolulama Gwagwa, Sivi Gounden (DPW) and Mike Muller (DWAf) for their advice.

We also wish to acknowledge the inputs of the Inter-ministerial Committee and the Departments of Transport, Water Affairs, Housing and Constitutional Development, as well as of parliamentary structures. Any omission in the acknowledgement of the contribution of any individual or organisation is entirely inadvertent.

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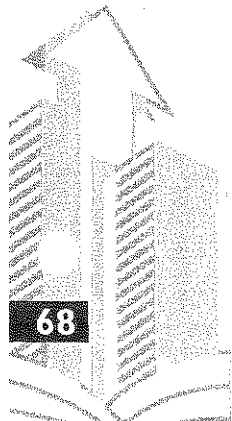
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C Mthombeni  
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PD Rwelamila

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 South African Association of Consulting Engineers: G Pirie  
 South African Institute of Building: M Massyn  
 South African Property Owners Association: B Kirchmann  
 South African Institution of Civil Engineering: D Botha  
 South African Bitumen Association: RM Vos  
 Business South Africa  
 Organised Labour  
 Civil Engineering Advisory Council: NM Krige  
 Department of Housing: S Carey  
 South Peninsula Municipality: I Ridler  
 University of Cape Town: RD Hindle  
 CSIR, Division of Building Technology: GT Magomola  
 Group Five Building: JH Banton  
 James Crosswell Associates: J Crosswell  
 Potential Technology Systems: FB Rickert  
 Egleton Consultants : DM Egleton  
 IAPMC: CWheeler

REFERENCE GROUP

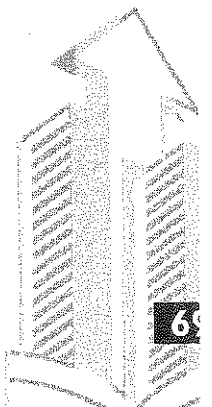
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 South African Federation of Civil Engineering Contractors: F Crowley  
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 South African Institute of Architects: B Prigsrove  
 South African Association of Constructing Engineers: G Pirie  
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 South African Black Technical & Allied Career Organisation: J Ngobeni  
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 Black Construction Industry: M Ngo  
 Black Construction Industry: M Ndlovu  
 Association of South African Quantity Surveyors: R Lucas Chauke  
 Electrical Contractors Association: JC Baker  
 Building Materials Suppliers of South Africa: D Wilson  
 Building Materials Suppliers of South Africa: R Patmore  
 Building Industries Federation of South Africa: W Deacon  
 Electrical Contractors Association: H Venter  
 Nedlac: K Mijiyako  
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 Agreement South Africa: C Schlotfeldt  
 Alliance of Development Professions: C McMillan  
 Institution of Municipal Engineering of South Africa: L Naude  
 Building Construction and Allied Workers' Union: J Mpe  
 Amalgamated Union of Building Trade Workers of SA: J M Decastro  
 Building Workers' Union: B Damon  
 South African Woodworkers' Union: N Maart  
 Construction and Allied Workers' Union: T Morale



National Black Contractors Union: KJ Willemse  
Department of Housing: Dr F Barnard  
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Department of Labour: L Falkov  
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Stocks & Stocks: R Saxby  
Alpha Cement: J Pheeha  
Alpha School of Technical Skills: S Mbhele  
University of Cape Town: R Hindle  
University of Pretoria: A Hauptfleisch  
University of Port Elizabeth: J Smallwood  
University of Stellenbosch: R Hugo  
Pen Tech: WG Phillips

#### FOCUS GROUPS

P Allsopp  
T Bakker  
J Baloyi  
D Barry  
G Basson  
D Bean  
K Bester  
D Botha  
K Cattell  
J Chiloane  
S Cominos  
J Crosswell  
C de Kock  
L Dison  
A Donaldson  
J Eccles  
F Fester  
W Fourie  
J Garner  
G Gool  
G Grieve  
P Haugland  
RW Heintz  
A Hlebela  
BG Holmes  
D Holtzman  
E Horak  
J Johnson  
JG Joubert  
N Klopper  
RR Lane  
H Langenhoven  
W Lebona  
T Manana  
JN Markram  
P Martins  
R McCutcheon  
H Meyer  
T Meyer



J Mkhabele  
O Molefe  
S Molishiwa  
T Mpela  
H Naicker  
W Neuwenhuis  
A Oosthuizen  
R Pickles  
S Phillips  
DN Pienaar  
F Pretorius  
C Ramsey  
P Rautenbach  
HF Richardson  
C Robinson  
L Rohrig  
J Roux  
S Sibiya  
J J Snyman  
P Stoffberg  
E Taljaard  
I Thlase  
M Uys  
R van Anraad  
N van der Walt  
G van Hagen  
PJ van Niekerk  
P van Rensburg  
I van Wyk  
E Viljoen  
I Vos  
R Watermeyer  
D Weston

