AMAHLATHI LOCAL MUNICIPALITY

CONTRACTOR DEVELOPMENT POLICY

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CLLR. N. Mlahleki

Speaker

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1. BACKGROUND

South Africa economy has undergone tremendous restructuring over the years with the intention of achieving growth, employment creation and poverty eradication. Thus, Amahlathi Local Municipality has identified a need to redress the area of equity, advancement of construction sector transformation through the **promotion of SMMEs** and the effective **emerging contractor development** programme.

It has been realized that the extent to which the economic success of our country is shared by all of our people is still inadequate for the requirements of a prosperous and stable society. We therefore felt that it is time for the introduction of a focused strategy for broad-based black economic empowerment which aims to contribute to the broader national priority of economic advancement of all our people. Outlined in this document is the **Contractor Development Programme**, which we have no doubt that it will add impetus to the process by providing greater clarity of our intentions to transform the construction industry in the ***Amahlathi Local Municipality (ALM) jurisdiction***.

This document also seeks to highlight the benefits of the programme to all emerging contractors particularly CIDB Level 1-3 so that the efforts of the municipality help them progress from being emerging to a well and self-sustainable business enterprises are well articulated and guide them towards their goals of achieving economic independence. We trust that this programme will help us maintain our reputation of a Municipality at work building communities through construction.

2. PURPOSE

The primary purpose of the Contractor Development Policy is to **capacitate emerging contractors through sub-contraction**, which will enable them to move from their low-level Grade 1.

3. REGULATORY FRAMEWORK

3.1. Constitution of Republic of South Africa Act, 1996;
3.2. Municipal Finance Management Act, No. 1 of 2001
3.3. Construction Industry Development Board Act, No. 38 of 2000;
3.4. Broad Based Black Economic Empowerment Act, No. 53 of 2003;
3.5. National Framework for Local Economic Development (LED) of 2018-2018
3.6. Preferential Procurement Policy Framework Act, No. 5 of 2000;
3.7. ALM Supply Chain Management Policy.

4. OBJECTIVES OF ALM CDP

4.1. Effective emerging contractor development

4.2. Increase Municipal spending to emerging contractors

4.3. Promotion of local SMMEs

4.4. Advance Sector Transformation

5. PROBLEM STATEMENT

The municipality has identified that local contractors do not actively participate in the bidding process of the infrastructure development projects due to capacity challenges. Therefore, most of the construction projects is awarded to contractors from outside ALM area of jurisdiction, which leads to economic outflow, as the money is not spent within ALM. Most of local contractors only have CIDB grade 1, and that disadvantaged them to bid for bigger municipal projects that mainly require Grading 3 and higher. This has also led to main contractors bringing emerging contractors from outside the ALM jurisdiction, an action that frequently leads to dissatisfaction amongst the local emerging contractors. Therefore, the emerging local contractors do not benefit from the projects implemented in their own space, both skill wise and financially.

The lack of a programme to develop prospective and emerging contractors forces the municipalities to use the contractors from outside the municipality and this just continue unabated with no real spin-offs. This resembles capital outflow with no clear economic benefits.

6. THE AIMS OF THE POLICY ARE TO:

6.1 Create a conducive environment in which emerging contractors can thrive, by facilitating access to:

6.1.1. Markets

6.1.2. Financial support, training and Mentoring;

6.1.3. Skills transfer;

6.2 Create an emerging contractor development mechanism, performing:

6.2.1. Basic business management and technical training;

6.2.2. Implementing targeted procurement interventions;

6.2.3. Ongoing Technical support through a mentorship plan;

6.2.4. Linkages with Financial Institutions or Funding agencies for appropriate financing products;

6.2.5. Ongoing monitoring and evaluation of participating contractors;

6.3 Establish a credible database of emerging contractors, which will encompass:

6.3.1. A profile verification mechanism;

6.3.2. A performance monitoring and evaluation mechanism;

6.3.3. Adequate elevation of participating contractors through CIDB linked grading system;

7. PROJECT ALIGNMENT

The contractor development programme must be fully integrated into Amahlathi Local Municipality (Supply Chain Management) procurement policy.

8.1. SECTORS OF THE PROGRAMME

The Contractor development programme will focus mainly on three classes of construction work;

- Civil Engineering Work (CE)
- General Building Works (GB)
- Electrical Engineering Works – Infrastructure (EP)

8. PROGRAMME CONTRACTOR SUPPORT FRAMEWORK

The programme support system will be managed through the database system:

8.1. Training and Development;

8.2. Business Training: - business administration and management;

8.3. Technical training: - tendering, project costing and construction management;

8.4. Mentorship: - ongoing onsite technical support and business management;

8.5. CIDB to be engaged for grade improvements

8.6. Financial institutions for supply of material and any other financial support.

9. FINANCIAL SUPPORT

Introduction of contractor funding products via traditional and government funding agencies (utilizing cessions), building to established relationships between contractors and such funding agencies

- Introduction of performance guarantee waiver principle, in lieu of Contract Retentions

10. CONTRACTOR PROGRESSION

Advancement from one stage to the next shall be considered when:

10.1. The contractor has met a required level of competency as prescribed for each ALM CDP stage

10.2. The contractor has successfully completed a number of projects or a required total project value

10.3. ALM CDP performance management report confirms 1 and 2 above (Certification).

The following schedule indicates the maximum number of contracts and maximum values within each stage that a single contractor must complete before advancing to the next stage or exiting the programme.

STAGE MAXIMUM CONTRACT	VALUE	MAXIMUM NUMBER OF ANY PROJECTS	MAXIMUM ACCUMULATED	CONTRACT VALUES IN THE STAGE

NOTE: The CIDB Grading will always apply for progression purposes within the programme, ensuring that progress or growth realized outside ALM CDP is not disregarded.

11. EMERGING CONTRACTOR DATABASE

ALM CDP shall be managed through a robust and dynamic database/forum system, creating a platform for easy access to update information and to record and track emerging contractor progress.

11.1. REGISTRATION AND PROFILING

11.1.1. The minimum requirements for admission into the ALM CDP

11.1.2. Registration with Provincial Treasury Supplier Database registration

11.1.3. Registration with CIDB

11.1.4. Undergone the determined DPWI EC Basic Training (for CIDB level1

12.1. DATABASE/FORUMS FORMULATION

ALM reserves the right to limit the number of emerging contractors it registers to manage the development of contractors efficiently and effectively. The database/forum will be reviewed over a period of six months so to ensure that the participating emerging contractors continue to comply with the requirements and objectives of the program. To allow for new contractors to enter the program, however this shall be guided by the performance in progression of the contractors within the program and ensuring that the database is not expanded beyond the development capacity of the program.

12.2. DATABASE RULES AND REGULATIONS

12.2.1 Proof of being resident in the Amahlathi Local Municipality

12.2.2 Company must be fully operational, proven experience from both private and public sector

12.2.3 Geographical spread of Amahlathi jurisdiction will be considered for participants to be part of the programme

12.2.4 Company to be at least 1 year old

12.2.5 Applicants to be South African citizens

12.2.6 The programme targets 6 emerging contractors for over a period of 3 years

12.2.7 One Company one member, therefore no duplication of members across companies; including membership to co-operatives

12.2.8 The "rebirth" of companies will not be allowed;

12.2.9 Applicants who are job seekers will not be allowed in the program;

12.2.10 Fronting is prohibited;

12.2.11 Contractors within the program may form joint ventures with each other;

12.2.12 All contractors must fully comply with all legal company and statutory requirements;

12.2.13 Contractors must submit ID documents of owners; Company registration documents and financial information;

12.2.14 All contractors must be registered with Central Supplier Database

12.2.15 The programme is construction-based project therefore all contractors should be registered with CIDB in the GB, EP and CE categories.

12.2.16 Contractors found guilty of any criminal offence by Court of Law shall not be considered;

12.3. PROJECT IDENTIFICATION

12.3.1. Identify potential projects through Service Delivery Budget Implementation Plan (SDBIP)

12.3.2. Categorise the projects by value, risk, priority, complexity and size

12.3.3. Consideration for match to existing contractors

12.3.4. Size and value of the contracts (Grading 1-2)

13. EXIT STRATEGY

13.1. At the end of three years, the contractor will exit the program where the CIDB grading is at least one level higher than currently registered

13.2. The criterion is based on the contractor's potential and capability to profitable deliver projects as required by the clients.

14. IDENTIFIED KEY ROLE PLAYERS

- Department of Public Works and Infrastructure (DPWI)
- Construction industry development board (CIDB)
- Eastern Cape Development Corporation (ECDC)
- Small Enterprise Development and Finance Agency (SEDFA)
- Emerging contractors
- East London Industrial Development Zone (ELIDZ)

14.1 AMAHLATHI LOCAL MUNICIPALITY

It is the responsibility of the Engineering Directorate together with the Budget and Treasury to implement and oversee the implementation of this programme. The overall coordination and management will be the responsibility of Development and Town Planning Directorate.

14.2. LED role will include the following:

14.2.1. Liaise with Institutions of higher with the intention of promoting the programme.

14.2.2. Compile and submit period reports to Council structures and other relevant role players on programme challenges and progress.

15. SOURCES OF FUNDING

- Annual Grants

16. Concluding Statement

Amahlathi Local Municipality's Contractor Development Programme (CDP) is one of the flagships developmental initiatives within the Municipality and is a catalyst for industry transformation. We invite and urge all Emerging Contractors in our local municipality, mentors alike, to use this opportunity as a tool for change, a tool to bridge the divide in the industry, a tool to help us develop our contractors within our jurisdiction.

17. MONITORING AND EVALUATION

The policy must be monitored and evaluated from time to time to test if the rationale for which it was created remains relevant. There is no hard and fast rule as to when the policy should be evaluated.

18. REVIEWING A POLICY

Amahlathi Local Municipality Policies are subject to review, as and when necessary. As the review date approaches it is important to plan the process. To some extent it can help to see this as a shortened version of the full development process because it is important to ask if many of the same fit for the purpose. Inevitably, the demands of the organisation can change over a year, and it is important to consider whether the policy needs to be amended to reflect these changes. It is also essential to galvanise views from across the municipality about the success of the policy, what has worked and what hasn't and consider where there may be gaps and identify any newly emerging needs or issues.

It may be necessary to plan a communications exercise or the intranet to generate discussion and feedback. For practice related policies it will be essential to create some dialogue with relevant stakeholders to gain their views.

If because of the review, essential aspects of the policy are changed it will again be important to run a similar communications exercise as occurred in the initial implementation of the policy, this will need to be used to highlight any key changes.

19.DEVIATION CLAUSE

A deviation clause in the Policy offers an escape route in the event of unforeseen circumstances such as danger to life, emergency situations or an instruction from National / Provincial Government and District Municipality. It creates flexibility and enables performance outside the otherwise rigid confines of the policy. Approval for deviation must however be approved by the Municipal Manager or Council as the case may be.

20.DISPUTE RESOLUTION

Any dispute arising out of the implementation of policy shall be referred to the South African Local Government Bargaining Council (SALGBC) or any other structure established for that purpose in terms of the Labour Relations Act.

21.ADOPTION AND APPROVAL OF THE POLICY BY COUNCIL

This policy is adopted and approved by Amahlathi Local Municipality Council for implementation.

Effective from (Date)_____

Approved by Resolution Number _____ on this the ___day of _____20____

Signed this the _____ day of _____ 20___.

_____ _____

DR. Z. SHASHA **DATE**
MUNICIPAL MANAGER

_____ _____

CLLR N. MLAHLEKI **DATE**
SPEAKER