



KZN Human Settlements

uMnyango wezokuhlaliswa komphakathi

ISIFUNDAZWE SAKWAZULU-NATALI

EMERGING CONTRACTOR POLICY FRAMEWORK

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ABBREVIATIONS

ECDP	:	EMERGING CONTRACTOR DEVELOPMENT PROGRAMME
BBBEE	:	BROAD BASED BLACK ECONOMIC EMPOWERMENT
NHBRC	:	NATIONAL HOME BUILDER REGISTRATION COUNCIL
ASGISA STRATEGY	:	ACCELERATED AND SHARED GROWTH INITIATIVE
CETA	:	CONSTRUCTION EDUCATION TRAINING AUTHORITY
FET	:	FURTHER EDUCATION AND TRAINING
CIDB	:	CONSTRUCTION INDUSTRY DEVELOPMENT BOARD
NHBRC	:	NATIONAL HOME BUILDERS REGISTRATION COUNCIL

1. **Introduction**

The purpose of this document is to provide a strategic framework for the implementation of the emerging contractor's development framework within the Department of Human Settlements.

The framework will look at addressing the issues that affect the previously disadvantaged contractors by harnessing the resources and putting in place the systems and the processes that will facilitate the empowerment of emerging contractors in order to advance from being emerging to fully fledged and competent contractors.

2. **Background**

Emerging Contractors play a significant role in housing delivery. They are the employers of general and semi-skilled labour. It has been established that eighty percent of developers use emerging contractor's sub-contractors in the delivery of top structures

The Kwa-Zulu Natal Department of Human Settlements has made significant strides in trying to implement the empowerment projects for the previously disadvantaged groups that include, inter alia women and youth. Due to the lack of a policy or a strategic framework that would guide the implementation, the projects have not been sustainable. The projects were mainly focused on theoretical training, information sharing sessions, forums with no clear exit points for the emerging contractor groups.

The Department has implemented fragmented and piecemeal approaches toward addressing the challenges facing the previously disadvantaged groups.

It is against this backdrop that the Department of Human Settlements, together with stakeholders, has developed a framework that will make available comprehensive programmes that are effective and sustainable, with a view to empowering the emerging contractors.

3. Objectives

- ❖ To develop a pool of housing entrepreneurs who will ensure the creation of sustainable human settlement from the previously disadvantaged groups.
- ❖ Facilitate the environment that will ensure the advancement of emerging contractors to fully fledged contractors/developers.
- ❖ To build partnerships with sector stakeholders, including but not limited to Financial institutions, NHBRC, Training Authorities, FETs, and private sector business and interest groups to advance the interests of the previously disadvantaged groups
- ❖ Facilitate access to finance for emerging contractors from the previously disadvantaged groups
- ❖ Facilitate skills development, through training, mentorship.
- ❖ Provide proper exit strategy for the emerging contractors in capacity building interventions that will ensure their sustained growth.

4. Legislative Framework

The KZN Department of Human Settlements derives its mandate from various pieces of legislation. They are described and interpreted as follows:

4.1 Constitution of the Republic of South Africa

Section 9 of the constitution:

Equality includes the full and equal enjoyment of all rights and freedoms. To promote the achievement of equality, legislative and other measures designed to protect or advance persons or categories of persons, disadvantaged by unfair discrimination may be taken.

The State must ensure the promotion of Black Economic Empowerment. The Emerging Contractor Development Strategy addresses this provision of the Constitution.

Section 26 of the Constitution: everyone has the right to have

access to adequate housing.
The State must take reasonable steps and other measures within its available resources to realize this right.

4.2 Black Economic Empowerment Act :(No 53 of 2003)

Aims at promoting the achievement of the constitutional rights to equality, increase the broad based participation of black people in the economy. Further, to promote a higher growth rate, increases employment and more equitable income distribution.

4.3 Construction Charter

The construction sector transformation charter was promulgated in 2007 under section 12 of the BBEE Act. It provides the basis for the development of good practice of the construction sector as envisioned in the BBEE Act.

4.4 Skills Development Act

In terms of the Skills Development Act (2003) as amended., we are required to address the skills shortage, which include among others, technical skills such as artisans and build environment related skills. Hence the government has identified through ASGISA and JIPSA, the key measures to address the skills shortage.

The skills development programme will focus on training of the emerging contractors on all areas of housing construction management and mentorship programme.

4.5 Preferential Procurement Policy Framework Act 2000

In terms of this Act an organ of state must determine its preferential procurement policy and implement it within the framework. One of the specific goals within the framework includes contracting with persons, or categories of persons historically disadvantaged by unfair discrimination of the basis of race, gender or disability.

One of the key principles of the Emerging Contractor Development Strategy is to set specific targets for procurement for emerging contractors

4.6 Public Finance Management Act

The purpose of this Act is to regulate financial management in the public service, to ensure that all revenue, expenditure, assets and liabilities of that government are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in that government.

To give effect to this Act, in order to ensure accountability, this project will be constantly monitored by means of acquiring quarterly statistics with key performance indicators.

4.7 National Framework for Women Empowerment

The objectives of this programme are:

To promote and facilitate the empowerment and participation of women in housing delivery value chain; enhance entrepreneurial development and increase the number of expertise of women firms and SMME's providing services and products to the housing sector; build partnerships with key sector stakeholders from government, NGO's and private sector in implementing the women in housing programmes; profile women in housing delivery; identify challenges skills required and develop support systems for emerging women contractors as well as women service providers; and develop a research agenda on women owned projects, monitor and evaluate progress on set targets towards women empowerment and thereby contribute to ending malpractice and fronting by exploring possibilities of women in housing score card.

The approach of the Emerging Contractor Development addresses women empowerment and participation in order to reduce the skills gap and to advance women as well to be fully fledged contractors.

4.8 National Youth Development Policy Framework

The objective of this programme is to provide an enabling environment for youth participation in the Housing and

Human Settlement Sector aligned to the Comprehensive Plan for the Creation of Sustainable Human Settlements.

In responding to the mandate of the Department to deliver housing to the communities through creating sustainable human settlements, youth participation and empowerment is imperative. There is a need to address the skills shortage among the youth in line with the skills development act of 2003, as amended. The Emerging Contractor Development programme is targeting 30% unemployed youth.

5. Target Groups

Historically Disadvantaged Women (60%)
Unemployed Youth (30%)
Disabled (5%)
Other (5%)

6. Key Principles

- BEE compliance to be enforced in all contracts and tenders awarded by the KZN Department of Human Settlements.
- Set specific targets for procurement for emerging contractors
- Facilitate empowerment and participation through skills development and mentorship.
- Ring fence Projects for mentoring and exit opportunities
- Provide monitoring framework.
- Align ECDP with Women and Youth in housing projects.

7. Approach

- 7.1 The approach would entail both empowerment and participation in order to address the skills gap and also to advance the emerging contractors to be fully fledged contractors.
- 7.2 This will be further facilitated through the establishment of an emerging contractor's forum to ensure an enabling environment is maintained for contractors to participate in the creation of sustainable human settlements.
- 7.3 The Department will ensure its programme and databases are aligned with sector departments to avoid duplication and to ensure a wider spread of participation.

7.4 The ECDP will be aligned to the existing women and youth in housing empowerment programmes of the Department.

(1) The target groups will be taken from our existing data base and will comprise 60% disadvantaged women, 30 disadvantaged youth and 5% disabled and 5% other. The start should be the creation and the continuous updating of a reliable database. The Department will form partnerships with key relevant stakeholders nationally and provincially.

(2) Stakeholders will include inter alia:

- ❖ National Home Builder Registration Council-NHBRC for training
- ❖ NURCHA for accessing finance
- ❖ CETA-for training and accreditation
- ❖ FET-for training
- ❖ SEDA Training Incubation for mentoring and training
- ❖ Private construction firms and built environment professionals

(3) The programme will ensure affirmative access to holistic training development opportunities (skills, entrepreneurial (business, financial and tendering training) and mentorship training).

(4) Empowerment and participation will include:

Skills development
Entrepreneurial (business, financial and tendering management)
Mentoring and Incubation
Preferential Procurement
Ownership of enterprise
Project ring- fencing
Facilitating Access to Finance

(i) Skills Development

There is a need to address the skills shortage among the emerging contractors, particularly Women (60%), Youth (30%) and other (10%) in line with the skills development act of (2003) as amended.

Skills development will focus on training and mentoring on construction management and enterprise development. This will include the following:

- Brick laying
- Plastering
- Dry walling
- Painting
- Roofing
- Tiling
- Excavation
- Plumbing
- Business Development

(ii) Mentoring/Exit opportunities

The Department will work in partnership with NHBRC and CIDB in order to facilitate placement and mentoring of emerging contractors in housing projects.

Each emerging contractor should be allocated at least 10% of projects work in each project under an experienced mentor until the construction of all houses is finished.

(iii) Facilitate Access to Finance

Organisations such as Nurcha will be involved with assisting emerging contractors with access to finance by linking them with the financial institutions, commercial banks.

Financial Assistance from the National Department of Human Settlements will be facilitated through the Provincial Department (Capacity building Unit). The National Department will also set aside the preparatory funding to assist the emerging contractor to start their project. The DoHS will engage with NURCHA to assist with providing access to finance with reduced interest for emerging contractors

(iv) Joint Ventures

The Department is presently drafting a Joint Venture Strategy. The Department through the implementation of the Joint Venture Strategy will encourage and facilitate joint ventures between experienced Implementing Agents and Emerging Contractors

(v) Targeted Tendering

Tenders will be awarded in terms of the Preferential Procurement Framework Act, 2000 which takes into consideration previously disadvantaged group, women, youth and disabled.

(vi) Assessment

NHBRC and the Mentor will do quality assessment on the product and award a certificate of completion.

(vii) Penalties

If the Emerging Contractor fails to meet the target in terms of housing delivery, the number of houses will be reduced or withdrawn depending on the nature of default.

The details of the specifications of the product and time frames for development (development programme) will be part of the contract that will be entered into between the Department of Human Settlements and the Emerging Contractor.

(viii) Accreditation (both NHBRC registration and CIDB grading system)

Once qualified, the emerging contractor will be issued with the certificate of competence by the accredited service provider (Mentor) and be graded accordingly. The emerging contractor will then be graduated from emerging to fully fledged contractor. This should be modeled along the lines of the Departments of Transport and Public Works groundbreaking programmes.

The Department of Housing, through project management will consider the intake of 20 emerging contractors every second year for the period of five years in order to allow for project completion.

8. Roles And Responsibilities

- 8.1** The Project Management Chief Directorate will be responsible for identifying projects that will be ring fenced for joint ventures and targeted procurement.
- 8.2** The Project Management Chief Directorate will be responsible for negotiating joint ventures between emerging contractors and experienced Implementing Agents. And/or contractors
- 8.3** The Capacity Building Directorate will be responsible for developing capacity building programmes for emerging contractors in the built environment.
- 8.4** The Capacity Building Directorate will be responsible for developing mentorship programmes, and for facilitating an emerging contractor's forum.
- 8.5** The Capacity Building Directorate will be responsible for facilitating access to finance for emerging contractors from the National and Provincial departments, financial institutions, including NURCHA, and other stakeholders.
- 8.6** The Supply Chain Management Directorate will be responsible for procuring the services of emerging contractors and maintaining a database.
- 8.7** The BEE Sub-directorate will be responsible for monitoring the targets and indicators for emerging contractors.

9. Monitoring and Evaluation

The target and indicators must be consistently monitored by the BEE Directorate of the Department.

Quarterly statistics with key performance indicators should be submitted to the BEE directorate.

Key Performance Indicators:

- Number of Youth, Women, Disabled emerging contractors that have received financial support

- Number of emerging contractors that have received training (skills, financial, business and/or entrepreneurial
- Number of emerging contractors that have been placed on projects (mentored)
- The number of emerging contractors disqualified based on poor performance.
- Number of emerging contractors that have graduated from one level of the development support to the next level

10. CONCLUDING STATEMENT

The ECDP programme is a government initiative which is supported by the Broad Based Black Empowerment Act. It requires commitment from Housing Stakeholders, financial Institutions and strategic partners. It should be implemented in a manner that facilitates Public, Private, and Partnerships in addressing the plight of the emerging contractors, poverty alleviation and should also contribute meaningfully towards accelerating housing delivery in KZN, thus contributing to the Economic Growth of South Africa as a whole.