

# POLICY : CONTRACTOR DEVELOPMENT PROGRAMME FOR EKURHULENI METROPOLITAN MUNICIPALITY

Item A-PT (31a-2003)  
CM 30.10.2003

POLICY ON CONTRACTOR DEVELOPMENT PROGRAMME FOR EKURHULENI  
METROPOLITAN MUNICIPALITY

## RESOLVED:

1. **That** the report on the policy in respect of the Contractor Development Programme for the Ekurhuleni Metropolitan Municipality **BE NOTED**.
2. That Appendices "A" to "H" of Annexure "C" attached to the report **BE APPROVED** and that the programme **BE REFINED** on the basis of practical experience acquired during implementation.
3. **That**, in consultation with the Human Resource Management and Development Department, the approach to enter into a Learnership Agreement with the Construction, Education and Training Authority (CETA) for skills development purposes within an established contractor development programme, **BE APPROVED**.
4. **That** the principle of designing the pre-screening criteria for selection of candidates for the programme **BE APPROVED**.
5. **That** the principle of identifying capital projects where involvement of the programme's candidates **WILL BE GUARANTEED** for purposes of gaining on-site training **BE APPROVED**.
6. **That** the establishment of a Programme Steering Committee to monitor processes of the programme and to ensure attainment of desired objectives **BE APPROVED**.
7. **That** the principle of adopting quick payment procedures to ensure healthy cash flow for programme candidates **BE APPROVED**.
8. **That** the principle of engaging in cession agreements to facilitate candidates' access to construction material **BE APPROVED**.

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**EKURHULENI METROPOLITAN COUNCIL**

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**SMALL AND EMERGING CONTRACTOR DEVELOPMENT  
PROGRAMME**

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Based on the  
Community Empowerment Programme of the EGSC  
and the  
Hiakamuti Contractor Development Programme of the KMC

April 2001

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**EKURHULENI METROPOLITAN COUNCIL**  
**SMALL AND EMERGING CONTRACTOR DEVELOPMENT PROGRAMME**

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**EXECUTIVE SUMMARY**

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The former Eastern Gauteng Services Council (EGSC) and former Khayalami Metropolitan Council (KMC) acknowledged that sustainable human resources development in disadvantaged communities would only succeed if approached in a holistic way.

On 18 November 1996 the EGSC adopted a Community Empowerment Programme (CEP) with a small and emerging contractor development programme as its main focus. The KMC, on 17 June 1998, approved a similar policy on community empowerment through infrastructure provision and maintenance. The latter programme was called the Hiakamuti Contractor Development Programme.

Both programmes showed visible successes but also experienced constraints. One of the mayor constraints inhibiting the growth and success of the programme was a sustainable workload that was mainly attributed to the fragmentation of local government and the lack of support by some Metropolitan Local Councils and Transitional Local Councils. The Ekurhuleni Metropolitan Council (EMC) by means of an integrated contractor development programme supported by all the Metropolitan divisions can now effectively manage this constraint.

This submission to Council contains a Policy on Community Empowerment adopted by the former EGSC and KMC (both Councils adopted similar policies) and integrated supporting resolutions and documents. Resolutions from both the former EGSC and KMC were evaluated and those that will enhance delivery are recommended for adoption by the EMC.

Only resolutions, procedures and standardised documents of either the former KMC and/or EGSC are contained in these documents.

Contractor development programmes with a proven track record are thus presented to the EMC as a starting point for the implementation of a contractor development programme in the EMC region.

A Steering Committee with representatives from Council is proposed to guide and monitor the programme and to consider refocusing as and when the need arise.

## EKURHULENI METROPOLITAN COUNCIL

### SMALL AND EMERGING CONTRACTOR DEVELOPMENT PROGRAMME

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## SMALL AND EMERGING CONTRACTOR DEVELOPMENT PROGRAMME IN THE ENGINEERING AND BUILDING INDUSTRIES

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### 1. INTRODUCTION

A goal of the Reconstruction and Development (RDP) White Paper is that *small businesses, particularly those owned and operated by black entrepreneurs, must form an integral part of the national economy and economic policy.*

In this regard the following constraints facing small, medium and micro enterprises, are identified in the RDP:

- Access to finance
- Markets
- Management skills
- Supportive institutional arrangements

The aforementioned constraints also apply to the construction industry, in which the Council acting as Employer to contractors, annually invests millions of Rand in engineering infrastructure such as roads and storm-water drainage.

To achieve the RDP principles in the construction and building industries, an environment conducive to emerging contractor development has to be created by eliminating or reducing the constraints and restrictive practices, which presently exist.

It should be borne in mind that the constraints in the construction industry developed and evolved over many years as a result of construction problems and other contractual shortcomings experienced on contracts. These practices should thus not be ignored or done away with arbitrarily. An innovative approach appropriate to present day circumstances will however have to be adopted to address these constraints.

Many local authorities have been proactive in adopting Procurement and Tender Policies that enhance access of Small, Medium and Micro Enterprises (SMMEs) to the tender process. Council's policies mostly focus on the issues outlined in the Green Paper on Public Sector Procurement Reform and the Preferences Act 2000.

### 2. PROJECT GOAL

To contribute towards the upliftment and empowerment of disadvantaged communities by developing a viable, skilled work force in the construction and building industries.

### 3. PROJECT OBJECTIVE

The establishment of a skilled work force in all disadvantaged communities in the Council's area of jurisdiction that are economically fully active on all levels in the construction and building industries within 3 to 5 years.

#### 4. PROJECT DESCRIPTION

The following key performance areas have been identified for the programme:

- Promotion of the objectives of the RDP, 10-Point Plan and the Green Paper on Public Sector Procurement Reform (GPPSPR).
- Co-ordination and implementation of a development programme for emerging contractors
- Co-ordination and monitoring of training programmes to ensure acceptable training standards are maintained and that the environment for skilled persons is sustained
- Investigation of cost-effective ways and means to increase emerging contractor involvement in the provision, operation and maintenance of building and engineering infrastructure

The key performance areas are briefly elaborated upon hereafter.

##### 4.1 PROMOTION OF THE OBJECTIVES OF THE RDP, 10-POINT PLAN AND GPPSPR

The project focuses on the constraints identified in the RDP White Paper, 10-Point Plan and GPPSPR as they relate to small and emerging contractors in the construction and building industries and proposes long term strategies which Council may adopt to eliminate or reduce such constraints.

###### (a) Lack of supportive institutional arrangements

Institutional arrangements regarding tender and contract documentation, tender procedures, tender evaluation criteria and construction administration which act as barriers to emerging contractor development, were identified and procedures were established to remove or reduce their effect. An enabling tender and contractual environment was created.

###### (b) Lack of management skills

The development of an entrepreneur as a contractor able to operate independently in the engineering construction field cannot be achieved in an ad hoc basis, or over a short period. A programme is required which provides for the phased, assisted development of an entrepreneur in an environment that facilitates and encourages emerging contractor participation.

The proposed programme is thus based on an approach that starts with a transparent identification, evaluation and selection process of aspirant contractors and which progresses from full-time class room training to in-task training on a construction training project, to technical support on small contracts that tapers down to a form of mentor ship over time.

**(c) Lack of markets**

In order that contractors may follow a sustainable career path development, it is essential that sufficient projects of adequate size be identified and made available in both the short and long term. In the short term the projects are required to integrate theoretical training with on site construction work, whereas a development path and sustainable operation requires adequate and appropriate projects over the long term.

**(d) Lack of finance**

The lack of finance is a serious constraint to small and emerging contractor development and in this regard constraints as they relate to the construction and building industries, should be identified, analysed and steps taken to overcome them.

**4.2 Co-ORDINATION OF A DEVELOPMENT PROGRAMME FOR EMERGING CONTRACTORS AND TRADESPERSONS**

In developing a strategy that addresses emerging contractor development, the following should be borne in mind:

- Not everyone has the aptitude to become a contractor
- A portion of project funds has to be applied to training and development
- The number of emerging contractors able to operate in the market depends on the volume of available work
- Trade skills training forms an integral part of the programme, but training should be directed to trades in which a shortage are experienced in order not to create an over-demand in certain skills

In order that the aforementioned issues may be effectively managed, it is essential that an integrated, structured approach be adopted in the implementation of a development programme for small, emerging contractors and tradespersons. In this regard the programme should be co-ordinated on corporate level.

**4.3 MONITORING OF TRAINING PROGRAMMES**

Human resource development in the construction and building industries largely relates to the development of management and trade skills. Those with the required aptitude to become contractors are taken on the emerging contractor development path, others are already operating in the field (small contractors) whilst others follow the trade skills development route.

In order to ensure that acceptable training standards are maintained all training provided should be monitored to ensure the success of the programme.

Training courses and trainers should be accredited e.g. CETA or by the Department of Labour. On completion of a course, the trainer should not do trainee assessment, but it should be left to another qualified person, preferably a qualified Vocational Assessor.

It is also foreseen that an information system regarding trainees, trainers, courses and training institutions will have to be implemented and maintained to assist the monitoring of the programme.

#### 4.4 INCREASE OF SMALL AND EMERGING CONTRACTOR INVOLVEMENT IN THE ENGINEERING INDUSTRIES

It may be expected that most of the emerging contractors will in future operate as small, medium and micro enterprises, while a few will develop into large contractors.

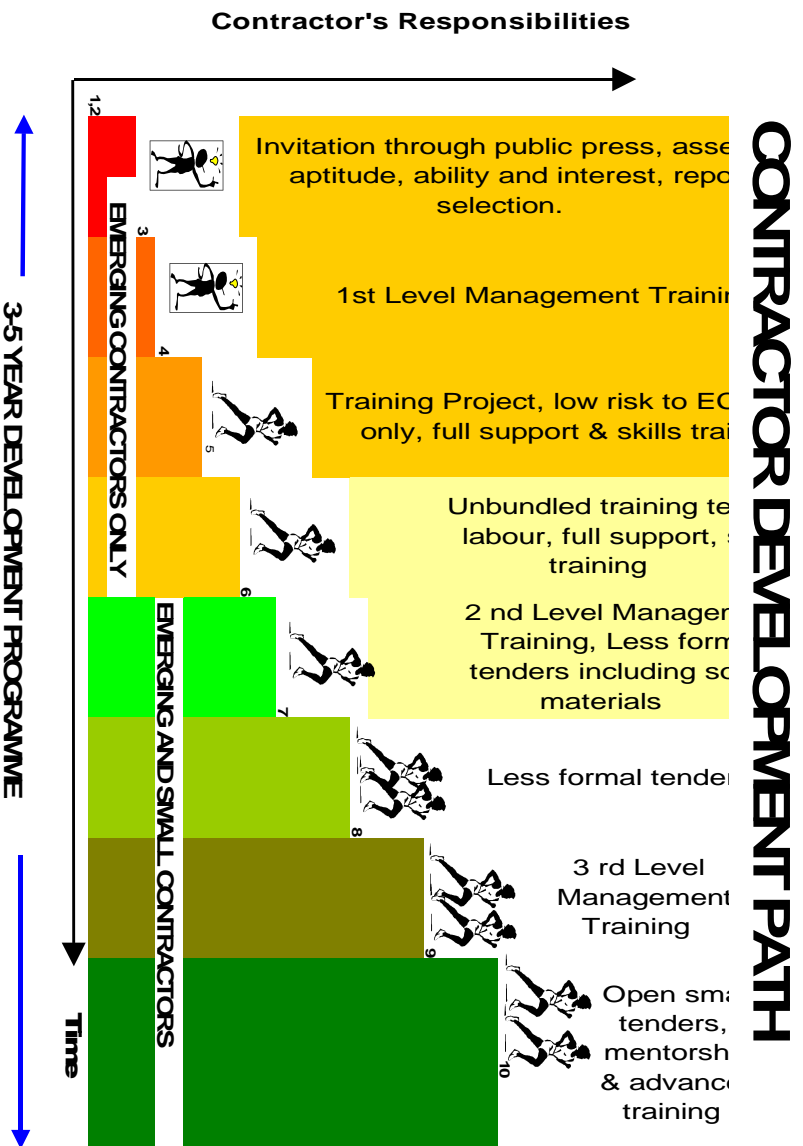
Research should be initiated and extended where already underway, to determine new technologies and to revive technologies to increase labour-intensive construction methods, which will likewise increase the role of small and emerging contractors in the industry.

### 5. SMALL AND EMERGING CONTRACTOR DEVELOPMENT PATH

Emerging contractors will follow a full Step-by Step Contractor Learnership Programme under normal circumstances. A detailed programme is outlined in Annexure A and can be summarised as follows:

- Open invitation to all interested persons to an Introduction meeting
- Identification and initial selection process of trainees
- Assessment/aptitude tests of candidates
- Final selection of candidates
- Presentation of pre-requisite training determined by assessment tests
- Presentation of construction management course
- Integration of theory and construction work on training projects
- Preparation and submission of less-formal tenders
- Continued integration of training and construction work
- Assessment/evaluation of emerging contractors
- Presentation of follow-up training modules
- Provision of on-going support to emerging contractors





The foregoing development path requires a properly managed development programme and an enabling contractual environment. These aspects are discussed hereafter.

### 5.1 TRAINEE SELECTION PROCESS

It is in the interest of the candidates, the community and the Council that the best candidates should enrol on the emerging contractor learnership programme. Those candidates with the suitable aptitude and ability should be identified in a transparent manner. All those interested to participate should be subjected to an aptitude and ability test. The Human Sciences Research Council and private enterprise have developed aptitude tests which could be applied in the evaluation and selection process of candidates. Selection criteria for the selection of emerging contractors are outline in Annexure B.

### 5.2 CONSTRUCTION MANAGEMENT COURSES

The Department of Public Works involved various role players to develop a construction management course called Contracting Entrepreneurial Training (CET) (refer to Annexure C for a course outline). This course is accredited nationally. Modules are normally spread over 2 to 3 years to ensure that contractors become fully conversant with the contents of the modules and its applications.

Small contractors (emerging contractors who graduated from the emerging contractor development programme and existing contractors who enter through the open tender process) can access managerial/entrepreneurial training through the programme.

### 5.3 TRAINING PROJECTS

After completion of the theoretical portion of the course, trainees are given the opportunity to apply their theoretical training to actual construction work execution on training projects.

The requirements for the execution of training projects include the following:

- Adequate training projects on which only trainees are allowed to tender
- Tenders are essentially for providing and managing labour
- Trainees execute work on a task basis for which a daily wage applies, as determined by the Engineer in consultation with the Client, professionals and trainees
- Employees in the construction industry are paid on fortnightly basis and in order for the trainee to be in a position to do this, he/she has to be paid fortnightly by the Employer
- The Programme Manager administers a project "float" account into which the Employer makes advance payments and which is utilised to purchase materials, pay trainees and their employees, etc.
- Materials management and Construction Management services are to provided on appointment by the Employer
- Coaching of trainees and arrangement of trade-skills training to be provided to the trainees and their employees, are the responsibilities of the Training Manager appointed by the Employer

- The arrangements regarding works and liability insurance as well as the deductibles in respect of claims, are the responsibility of the Employer

After completion of the training projects, an accredited examiner assesses trainees and the construction management course certificate is presented to trainees who have successfully complied with the requirements of the course. The trainees who are unsuccessful but who are assessed to benefit from more training, may be given the opportunity to execute further training projects.

Trainee contractors will be given the opportunity to apply for training projects should the number of trainees exceed the number who can be accommodated on the further training projects. Refer to Annexure D for the selection criteria and application form.

#### **5.4 EXECUTION OF FOLLOW-UP/LESS-FORMAL PROJECTS BY SMALL AND EMERGING CONTRACTORS**

Small and emerging contractors, who have successfully completed the construction management course, are given the opportunity to tender independently on follow-up/less-formal projects.

Although tendering and work execution are more formalised, supportive institutional arrangements such as the following are still required:

- Follow-up projects would commence with labour contracts only ( while the Employer provides the emerging contractor with technical support services such as in materials management) and progress to contracts in which support services are reduced to a stage where the emerging contractor provides his/her own construction and materials management services
- Some protection in the open market is still required at this stage and tender by personal invitation only, in a less formal manner, should apply
- The amount of sureties, if any, should be affordable to the emerging contractor
- Biweekly payments should apply
- Access to professional advice during tendering and work execution are required
- On site training assistance by suppliers and experts in respect of specific work e.g. laying of water pipes
- On site accredited training of workers in specific areas
- Allowance of cessions for material purchases which are then paid directly by the Council
- A project "float" account, if applicable, would still apply on follow-up projects
- The arrangements regarding works and liability insurance as well as the deductibles in respect of claims, should be the responsibility of the Employer

## 5.5 TECHNICAL SUPPORT SERVICES

The following are the technical support services that have to be provided to trainees by or on behalf of the Employer during the execution of training and follow-up projects:

- Training management support
- Materials management support
- Construction management support

The functions of the aforementioned support services are briefly described hereafter.

### 5.5.1 TRAINING MANAGEMENT SUPPORT SERVICES

The Training Manager, in consultation with the EMC and community, will co-ordinate the:

- Identification, evaluation and selection process of trainees
- Selection of business management course to be presented
- Presentation of class-room portion of course
- Identification of training projects
- Evaluate emerging contractor's performance on site
- Coach emerging contractors in areas of weakness
- Arrange or provide on site training and development
- Provide mentorship to emerging contractors
- Final evaluation of emerging contractors performance on the contract
- Provide training programmes iro maintenance works, if required
- Provide training programmes iro self sustainability
- Follow-up visits to evaluate emerging contractors

### 5.5.2 CONSTRUCTION MANAGEMENT SUPPORT SERVICES

Construction management support includes for the following assistance to be provided to small and emerging contractors:

- In registering with the Commissioner of the Department of Labour in respect of the Act on Occupational Injury and Illness
- In staking out the works
- In programming the execution of the works
- In interpreting specifications
- In determining trade-skills requirements for the project
- In providing quality work
- In determining accredited trade-skills training to provided on the project
- In measuring up the works and preparing payment certificates

The Construction Manager will also employ specialist subcontractors, e.g. for rock blasting and is further responsible for arranging insurance of the works and third party liability insurance. In most instances the Construction Manager will also act as Plant Manager in respect of plant to be hired on the project. Construction Managers must register with the EMC in order to be considered for appointment.

### 5.5.3 MATERIALS MANAGEMENT SUPPORT SERVICES

Due to a lack of a financial and a construction track record, the small or emerging contractor is not in a favourable position to obtain credit from a supplier. Up-front payment to a supplier will require a bank loan that will likewise be difficult to obtain.

Materials management support includes the following functions:

- Establishment of stores
- Staff requirements
- Preparation of store administration procedures
- Employment of staff
- Training of staff
- Acquisition of materials
- Maintenance of assets register
- Assets insurance

Construction Managers must register with the EMC in order to be considered for appointment.

## 6. CORPORATE LEVEL CO-ORDINATION OF DEVELOPMENT PROGRAMME

To avoid excessive and indiscriminate training of tradespersons and contractors, the programme should be co-ordinated from corporate level with all role players participating, i.e. local authorities, local bodies, Councillors and officials and local communities.

The Steering Committee can assist in the following functions:

- To provide a direct link between the programme and the Council
- To approve the categorisation of capital projects i.t.o. the contractor development programme
- To award training and less formal contracts to contractors on the programme and to report to Council
- To monitor and sustain an enabling contractual environment
- To monitor and evaluate the contractor development programme
- To facilitate the exchange of experience and knowledge gained in and outside the region
- To monitor a management information system regarding training programmes and trainees

## 7. CREATION OF AN ENABLING CONTRACTUAL ENVIRONMENT

Emerging contractors' development will only be possible if restrictive practices in the tendering and contracting environment are removed and if the Employer provides technical support services to the emerging contractor. Support services to be considered and constraints presently inhibiting this process, are discussed hereafter.

## 7.1 TRAINING AND DEVELOPMENT PROJECTS

Training and development projects have to be identified for in-task training of emerging contractors and trade-skills development of their workers and development/prime minor and micro projects for further development of emerging contractors and small contractors. Where possible, projects have to be broken down into a number of sub-projects as training/development Prime minor or micro projects.

In order to ensure a structured and effective approach, all capital projects shall be categorised at budget stage in the categories; Developmental, Prime Minor or Micro and Prime Major/Structured Joint Venture. Project Leaders shall fully report on the actual breakdown and implementation at the design stage. Refer to Annexure E for the process to be followed.

The number of available training projects will dictate the number of new entrepreneurs to be presented with a construction business management course, bearing in mind already trained small and emerging contractors in the area. For these reasons it is imperative that a database of emerging contractors and persons participating in the trade skills development programme be implemented and maintained.

A sustainable contractor development programme will have to be based on a long-term infrastructure provision programme, in order that the number of trained contractors will be in proportion to the available work.

In time, a balanced environment consisting of small, medium, micro and large contractors should develop and project sizes and scope should accommodate such an environment.

## 7.2 SUPPORT SERVICES

The following are the technical support services that may have to be provided by or on behalf of the Employer:

- Training management support
- Materials management support
- Construction management support

As the purpose of a training project is to develop emerging contractors, the conventional contractor approach using formal quotation, tender and evaluation procedures, is inappropriate. An approach that provides continuous support, guidance and mentorship to the emerging contractors as well as assistance in tools, equipment, materials and plant procurement, is necessary. Experienced construction and materials managers can provide these technical support services. The SA Association of Consulting Engineers: *Form of Agreement for Consulting Services for Labour-intensive Construction Projects* provides a framework for the services to be delivered. Remuneration for services is addressed in the document, and forms part of the project cost. As the services provided form part of any conventional construction project and is allowed for in tender prices, it merely redistribute the project budget in a different way (refer to Annexure F) rather than causing the project to be more expensive.

The functions of the aforementioned support services are briefly described hereafter.

### **7.2.1 PRE-CONSTRUCTION STAGE**

The Training Manager, in consultation with the Manager: CDP, will co-ordinate the:

- Identification, evaluation and selection process of trainees
- Selection of the business management course to be presented
- Presentation of class-room portion of course
- Identification of training projects

### **7.2.2 TRAINING PROJECTS**

This stage provides the opportunity to the trainees to practise their newfound theoretical knowledge on construction projects. Permanent infrastructure is constructed. The remuneration of the emerging contractor and his/her workers are based on task rates determined in consultation with all role players. These task rates are based on the execution of a reasonable task commensurate with a minimum daily wage, all as described in the Framework Agreement.

More than one project for in-task training may be needed to cover various construction fields such as water and sewer pipe installation and laying of block paving and to improve managerial skills.

Technical support services as described above have to be provided to the trainee contractor during this stage.

Due to a lack of a financial and a construction track record, the emerging contractor is not in a favourable position to obtain credit from a supplier. Up-front payment to a supplier will require a bank loan that will likewise be difficult to obtain. Cessions, as detailed in the Council's Procurement and Tender Policy, should suffice.

## **7.3 PROCUREMENT PRACTICE**

In terms of section 106 (5) 9 of Local Government Transition Act (209 of 1993) as amended, a municipality may give preference to the protection or advancement of the previously disadvantaged in awarding of contracts. It is therefore important that Staff members of Ekurhuleni Metropolitan Council responsible for procuring of contracts for construction or maintenance purposes must ensure that procurement favours the previously disadvantaged persons or companies.

Procurement practices relate to Tender documentation, Tender invitation and evaluation, acquisition of materials, payment cycles and related matters.

### **7.3.1 TENDERS TO EXECUTE WORK**

#### **(a) Tender documentation**

As far as practical, industry standard documents should be simplified and used.

Tender documents should be standardised as far as practical in a region, inter alia in respect of layout, General and Special Conditions of Contract, Tender Conditions,

Tender form and Appendix, Contract Agreement and Deed of Suretyship and standard information to be provided on forms.

These standard documents should already be used on training pilot projects in order that the emerging contractor may grow not only in construction management skills but also in respect of knowledge and insight into such documentation.

**(b) Tender invitation and evaluation**

Public invitation of tenders through the press is inappropriate in the early stages of emerging contractor development. Tender by personal invitation should apply until the emerging contractors have attained a stage of independent operation, whereafter tender invitation through the press applies.

In respect of follow-up projects the Training Manager provides a support service, essentially on the request to the small and emerging contractor in the preparation of his/her tender. The final tender remains however, a product of the emerging contractor and not of the Training Manager.

In respect of inappropriate rates, the lowest tender should be adjusted with the approval of the tenderer to ensure adequate provision for the work under consideration. This applies to inappropriate high and low rates.

Should the project consist of a number of sub-projects intended for execution by a number of small and emerging contractors, the largest sub-project is allocated to the successful tenderer while an offer is made to the unsuccessful tenderers to execute the remainder sub-projects at the same tender rates as the successful tenderer.

Specialist services and plant may be required on the project, e.g. blasting of rock or removal of spoil excavation material to a dumping site. In order that the emerging contractor's progress is not affected detrimentally, such plant and services should be procured without delay to fit in with the construction execution programme.

From the aforesaid it is clear that the formal tender approach in which public tenders are invited through the press, is inappropriate for emerging contractor training and development.

A less formal approach in which only trainee-contractors submit tenders and e.g. in which an authorised official in liaison with Steering Committee accepts tenders and enters into contracts with emerging contractors, is required.

The evaluation process of tenders should furthermore identify emerging contractor shortcomings and the appropriate technical support services that have to be provided to ensure the successful execution of the contract as well as development of the emerging contractors.

It is not only projects set aside that should be executed by emerging contractors. All projects funded by Ekurhuleni Metropolitan Council must have specific portions to be implemented by emerging contractors. These portions/ sections have to be determined by Consultants in consultation with the manager responsible for the development of emerging contractors. Consultants will be obliged to set aside provisional sum based on the market related rates for those sections/portions of work to be executed by emerging contractors.



**(c) Quotations**

Section 10G (5) ( c ) of the Local Government Transition Act as amended states that a Municipality may dispense with the calling of tenders in the case of emergency or a sole supplier or within limits as may be prescribed by a national law.

In the event Council dispenses with the invitation of tenders and calling for quotations, it is the requirement of this Council that companies must include their profiles to be submitted to the Steering Committee. Profiles should include company registration certificate, VAT number, RSC levy number, bank details (signatories) or any other information that may be required by Council. In line with the above section 106 (5) 9, preference should be given to the previously disadvantaged in the awarding of work on a quotation basis.

**7.3.2 MATERIALS PROCUREMENT, GENERAL CONTRACTUAL REQUIREMENTS AND EMERGING CONTRACTOR PAYMENT**

Due to the financial constraints experienced by small and emerging contractors, the acquisition of materials and compliance with general contractual requirements, e.g. arrangement and payment of contract works insurance premiums and registering in terms of the Occupational Health and Safety Act, the following alternatives may be considered:

- (a) The Council could agree to a cession by the small or emerging contractor in favour of a supplier and pay the supplier directly on certification by the engineer appointed on the contract.

This approach is relatively standard practice in the industry in respect of large volume purchases, but is inappropriate for the purchase of a large number of small items because it is administrative-intensive and the advantage of large volume discounts are lost.

- (b) The Council could appoint a Materials Manager to provide the materials on time to small or emerging contractors. The acquisition process will however, have to be made less formal.

The Council could approve to dispense with the invitation for tenders due to the unique circumstances pertaining to small and emerging contractor training and development, and authorise an official, in liaison with the Steering Committee, to accept tenders submitted for materials required by the small and emerging contractors and to enter into contracts with suppliers where applicable.

**7.3.3 SMALL AND EMERGING CONTRACTOR PAYMENT**

Small and emerging contractors are not in a position to execute work for a period of one month and submit a payment certificate thereafter and still wait for up to 35 days in terms of industry standard conditions of tender, for payment.

Bi-weekly payment cycles and payment within two to five days after submission of a payment certificate were operational in both the former EGSC and KMC by means of float/operating accounts.

The process of payment were briefly as follows:

- The Council deposits an amount into a project bank account opened by the Operating Account Manager (OAM)/Project Engineer.
- The OAM is authorised to pay emerging contractors and suppliers on certificates approved in the normal way (i.e. by engineer, etc.)
- When the project account's credit becomes low, a written request by the OAM, substantiated by all payment invoices and certified by an authorised official and the Project Engineer, is submitted to the Council to deposit the total expenditure for the period under consideration into the account, thereby restoring the trust account to its original value
- On completion of the project, a closure account is prepared and the account is closed

## 7.4 CONSTRUCTION ENVIRONMENT

### 7.4.1 TRAINING CONSTRUCTION PROJECTS

On training construction projects the following concessions should apply in order to allow practical training to take place:

- Provision of sureties must be waived
- In addition to the responsibility of the Council to arrange for works and public liability insurance, the Council should also be responsible for excess amounts payable for claims in respect of the insurance
- Adaptation of general contractual requirements and the provision of support to enable the emerging contractor to comply with his/her obligations in this regard

### 7.4.2 FOLLOW-UP/LESS-FORMAL PROJECTS

On follow-up/less-formal projects on which small and emerging contractors tender, the following concessions should apply in order to allow the emerging contractor to develop into an independent contractor in a facilitating and encouraging environment:

- Sureties should be affordable
- The percentage of retention moneys should be limited to e.g. 5%
- Excess amounts on insurance in respect of causes entirely beyond the emerging contractor's control, such as rain and flood damage should be the responsibility of the Council

**Note:** Established contractors provide amounts in their tenders for such an occurrence in any case. By being involved in more than one contract at a time, the risk of under-provision is substantially reduced. The small or emerging contractor is not in such a lower-risk situation and may find himself/herself regularly outpriced.

- Excess amounts in respect of aspects which may to some extent be attributable to insufficient precautions by the small or emerging contractor, e.g. theft, the Council should be responsible for the excess amount in respect of the first instance, but thereafter the emerging contractor should be responsible, thereby furthering the emerging contractor's sense of responsibility in this regard or alternatively, the Council and contractor should share equally excess amounts payable.

- Adaptation of general contractual requirements and the provision of technical support to enable the small or emerging contractor to comply with his/her obligations in this regard

#### **7.4.3** DEFAULT BY **S**SMALL OR **E**MERGING **C**ONTRACTOR

The Council should not be compromised into a position where a small or emerging contractor's continued under-performance and non-compliance with his/her commitments jeopardise the contractor development programme. In such a case a contract should be cancelled on short notice, e.g. 24 hours, by the relevant Department Head after consultation with the Steering Committee.

## ANNEXURE A

## EMERGING CONTRACTOR LEARNERSHIP PROGRAMME (ECLP)

<p>SMMEs development is structured in a learnership programme. Theoretical training is enhanced with practical supportive involvement in actual construction. A Step-by step Career Path development approach was introduced.</p>
<p><b>Step A: Selection Process (2 – 6 weeks)</b></p> <ul style="list-style-type: none"> <li>- An awareness programme</li> <li>- Introduction</li> <li>- Entry level ASSESSMENT</li> <li>- Psychometric tests</li> <li>- Selection of candidates</li> <li>- Final selection in consultation with Client/Steering Committee</li> </ul>
<p><b>Step B: First level Management Training (3 to 6 months)</b></p> <ul style="list-style-type: none"> <li>- Class room training (Basic Business Appreciation, Employment of Labour, Basic Man Management, Site Administration, Quality and Production Control, Introduction to Tendering and Estimating and Safety and Health) <ul style="list-style-type: none"> <li>- Examination</li> <li>- Certification</li> </ul> </li> <li>- EXECUTION OF A TRAINING/PILOT PROJECT Practical experience is gained on actual construction projects set-aside for this purpose Reimbursement for actual work performed is based on minimum wages plus say 20% for supervision. <ul style="list-style-type: none"> <li>- First level ASSESSMENT of performance</li> <li>- Group sessions and training needs EVALUATION</li> <li>- Individual sessions: Interviews and feedback</li> </ul> </li> </ul>
<p><b>Step C: Second Level Management Training (3 to 12 months)</b></p> <ul style="list-style-type: none"> <li>- Class room training (Interpreting drawings, Setting out, Conditions of Contract, Estimating and Tendering) <ul style="list-style-type: none"> <li>- Examination</li> <li>- Certification</li> </ul> </li> <li>- FOLLOW-UP PROJECTS/LESS FORMAL TENDERS Practical experience is gained on actual construction projects set-aside for this purpose. The tender process is introduced to trainees. Reimbursement for actual work performed is based on “tenders” that are negotiated. <ul style="list-style-type: none"> <li>- Transfer managerial responsibilities to Emerging Contractor (EC)</li> <li>- Second level ASSESSMENT of EC performance</li> <li>- Group sessions and training needs EVALUATION</li> <li>- Individual sessions: Interviews and feedback</li> </ul> </li> </ul>
<p><b>Step D: Third Level Management Training (3 to 12 months)</b></p> <ul style="list-style-type: none"> <li>- Class room training (Estimating and Tendering, Planning and Organising, Tender Document) <ul style="list-style-type: none"> <li>- Examination</li> <li>- Certification</li> <li>- Submission of training tenders</li> <li>- Feedback: Workshop tenders with tenderers</li> </ul> </li> <li>- Agree on adjusted tender</li> <li>- FOLLOW-UP PROJECTS/LESS FORMAL TENDERS Execution of work in accordance with contracts based upon adjusted tender <ul style="list-style-type: none"> <li>- Monitoring performance of EC by Construction Manager</li> <li>- Third level ASSESSMENT of EC performance</li> <li>- Group sessions: Training needs EVALUATION</li> <li>- Individual sessions: Interview and feedback</li> </ul> </li> </ul>
<p><b>Step E: Final Evaluation of Emerging Contractor Development (3 to 6 months)</b></p> <ul style="list-style-type: none"> <li>- Independent pricing and submission of tender</li> <li>- EVALUATION of TENDER</li> <li>- Feedback: Workshop tenders with tenderers</li> <li>- Agreed adjusted tender applicable to relevant work and ECs</li> <li>- Execution of the work</li> </ul>

**Step F: Final Assessment Stage (1 month)**

- ASSESSMENT of ECs performance on a contract
- Group session: training needs EVALUATION
- Individual sessions: Interview and feedback
- Achievement of Construction Management Certificate

**Sustainable Operation**

After successful execution of follow-up projects, sufficient projects are made available for the emerging/small contractors to enhance their sustained independent operation and growth.



Candidates with the highest total score will be selected. The number will be established according to the size of the class and work available.

When a group is evaluated the following factors are relevant:

- ❖ Number of people required for projects
- ❖ Top 10, 12 or 15 will be selected
- ❖ A total of 60% of total points should be the cut-off.

### 3 **Explanation of Criteria**

#### 3.1 **Aptitude and Potential**

- Candidates are evaluated by means of entry level assessment, aptitude and psychometric tests. The tests are designed to assess the level of supervisory skills, entrepreneurial potential and construction knowledge as well as potential required for the different occupations.

##### 3.1.1 *Literacy and Numeracy*

- **Caste Study:** the candidates are required to answer questions in respect of a detailed report, e.g. on a construction project. The intention of this case study is to determine if the candidates can retain information by reading the report and to confirm this information correctly by answering the relevant questions. This is an important skill required by emerging contractors, as they have to convey the correct information to the people asking the questions. Emerging contractors must be given the full scope of the project and must be able to retain this information correctly.
- **Numeracy assessment:** the candidates are given calculations to perform in the first part without the use of a calculator and in the second part with a calculator. Both parts cover addition, subtraction, division and multiplication. The first test also requires decimal calculations whereas the second test further requires the calculations of percentages. Calculations form an integral part of a contractor's daily work and are therefore important.

##### 3.1.2 *Psychometric Tests*

- **Patterns:** the aim of this test is to measure a testee's ability to copy given patterns according to prescribed requirements. This is considered a valid indication of drawing ability. Achievement in this test will probably predict success in an occupation where information has to be read from plans, e.g. in the construction of buildings and services.
- **Inspection:** the test is based on the assumption that the speed and accuracy with which drawings are perceived and compared, in order to establish differences, are some valid indicators of perceptual speed.
- **Spatial Perception:** the aim of this test is to determine a testee's two-dimensional spatial perceptual ability by measuring the extent to which a testee can perceive two-dimensional geometrical figures and to mentally rotate them on a plane surface. This test should contribute to predicting achievement over a wide spectrum of occupations such as electrical work, building and plumbing.

- **Mathematics:** the aim of this test is to obtain an indication of a testee's ability to solve mathematical problems. This test should contribute to predicting success in the areas of tendering and estimating which are main areas of a building contractor's responsibilities.

### 3.2 Experience and Training

- Previous relevant experience, especially in the building and civil engineering industries will be to the benefit of candidates. It should, however, be taken into account that although small contractors accessed the building industry to a limited extent, they found it very difficult to enter the engineering industry.
- Management and skills training are essential for the career development of small and emerging contractors. A large number of existing small contractors were never given the opportunity to obtain formal management training and this should be taken into account.
- Interviews that are planned and well structured could serve as a handy instrument to clear up any uncertainties during selection of candidates.
- Although training and practical experience are important and should be developed further, new entrants with good abilities and potential should not be excluded.

### 3.3 Empowerment Actions

Selection criteria should always be open, fair, transparent, accountable, consultative and democratic. It is however, generally accepted that preference should be given to previously marginalised groups, e.g. to increase the involvement of PDIs and women.

### 3.4 Regional preference

Participants from a region where training is planned, i.e. EMC region, could get preference when candidates are selected. "Regions" should however not be defined too small so that future movement or operation of small and emerging contractors is limited.



## ANNEXURE C

CONTRACTING ENTREPRENEURIAL TRAINING (CET)

<p><b><u>Module 1: UNDERSTAND BUSINESS PRINCIPLES</u></b></p> <p><b>Expected Training Outcome:</b> Business Awareness</p> <p><b>Specific Training Outcome:</b> The training will enable the participant to describe: -</p> <ol style="list-style-type: none"> <li>1. Characteristics of successful entrepreneurs</li> <li>2. Business environment</li> <li>3. Needs for separation of business and family</li> <li>4. Business principles</li> <li>5. Business and life skills</li> <li>6. Role of Banking</li> </ol>	<p><b><u>MODULE 2: UNDERSTAND CONTRACTING PRINCIPLES</u></b></p> <p><b>Expected Training Outcome:</b> Contracting Business Awareness</p> <p><b>Specific Training Outcome:</b> The training will enable the participant to describe -</p> <ol style="list-style-type: none"> <li>1. Characteristics of successful contracting business</li> <li>2. Structures within the construction industry</li> <li>3. Contracting Business principles and processes within the contracting environment</li> <li>4. Statutory requirements and legal aspects of contracting business</li> <li>5. Tendering requirements, steps and procedures</li> <li>6. Contract documents and procedures</li> <li>7. Contract implementation steps and processes</li> <li>8. Contract accounting principles and book-keeping procedures</li> </ol>
<p><b><u>MODULE 3: START YOUR CONTRACTING BUSINESS</u></b></p> <p><b>Expected Training Outcome:</b> Able to take all necessary steps to start own Construction Business.</p> <p><b>Specific Training Outcome:</b> The training will enable the participant to -</p> <ol style="list-style-type: none"> <li>1. Analyse contracting environment</li> <li>2. Prepare Feasibility Study</li> <li>3. Prepare action plans</li> <li>4. Choose appropriate form of business and establish business entity</li> <li>5. Acquire Start-up Finance</li> <li>6. Comply with statutory and legal requirements for Contracting Business start up</li> <li>7. Acquire resources</li> </ol>	<p><b><u>MODULE 4: MARKET YOUR BUSINESS</u></b></p> <p><b>Expected Training Outcome:</b> Able to market his/her own contracting services, build networks and select work opportunities</p> <p><b>Specific Training Outcome:</b> The training will enable the participant to -</p> <ol style="list-style-type: none"> <li>1. Market his/her business <ol style="list-style-type: none"> <li>1.1 Network</li> <li>1.2 Advertise</li> <li>1.3 TAC's etc.</li> </ol> </li> <li>2. Build networks</li> <li>3. Select work opportunities</li> </ol>

<p><b>MODULE 5: OBTAIN WORK - PRICE &amp; BID A CONTRACT</b></p> <p><b>Expected Training Outcome:</b> Able to obtain work</p> <p><b>Specific Training Outcome:</b> The training will enable the participant to -</p> <ol style="list-style-type: none"> <li>1. Collect and analyse contract documentation</li> <li>2. Price contract</li> <li>3. Apply contract documentation procedure</li> <li>4. Prepare and submit quotes/tenders</li> <li>5. Negotiate Bids</li> <li>6. Finalise Contracts</li> </ol>	<p><b>MODULE 6: COMPLETE YOUR CONTRACT</b></p> <p><b>Expected Training Outcome:</b> Able to complete work and obtain payments</p> <p><b>Specific Training Outcome:</b> The training will enable the participant to -</p> <ol style="list-style-type: none"> <li>1. Plan his/her contract implementation</li> <li>2. Organise site</li> <li>3. Apply quality principles</li> <li>4. Prepare variation orders</li> <li>5. Obtain progress payments</li> <li>6. Complete work</li> <li>7. Obtain final payments</li> </ol>
<p><b>MODULE 7: MANAGE YOUR RESOURCES</b></p> <p><b>Expected Training Outcome:</b> Able to manage his/her physical resources (Plant, labour and materials)</p> <p><b>Specific Training Outcome:</b> The training will enable the participant to -</p> <ol style="list-style-type: none"> <li>1. Determine requirements</li> <li>2. Source resources</li> <li>3. Obtain resources</li> <li>4. Control his/her resources</li> <li>5. Utilise his/her resources</li> <li>6. Implement site safety requirements</li> <li>7. Apply industrial relations principles and procedures</li> </ol>	<p><b>MODULE 8: PLAN YOUR BUSINESS STRATEGY</b></p> <p><b>Expected Training Outcome:</b> Able to make short, medium and long-term business plans (Strategic Plan) for his/her Contracting Business</p> <p><b>Specific Training Outcome:</b> The training will enable the participant to -</p> <ol style="list-style-type: none"> <li>1. Analyse contracting environment</li> <li>2. Make planning decisions and prioritise</li> <li>3. Make a SWOT analysis</li> <li>4. Strategize his/her business</li> <li>5. Make a business plan</li> <li>6. Make Action Plans and Budgets</li> </ol>
<p><b>MODULE 9: MANAGE YOUR BUSINESS</b></p> <p><b>Expected Training Outcome:</b> Able to control and manage his/her business as a growth oriented running business entity</p> <p><b>Specific Training Outcome:</b> The training will enable the participant to -</p> <ol style="list-style-type: none"> <li>1. Establish key business criteria</li> <li>2. Establish baselines and targets</li> <li>3. Implement site administration procedures</li> <li>4. Set up management information systems</li> <li>5. Measure his/her business results</li> <li>6. Take corrective actions</li> </ol>	<p><b>MODULE 10: COMPLY WITH REQUIREMENTS</b></p> <p><b>Expected Training Outcome:</b> Aware of and able to comply with statutory and contract requirements</p> <p><b>Specific Training Outcome:</b> The training will enable the participant to -</p> <ol style="list-style-type: none"> <li>1. Comply with statutory requirements</li> <li>2. Comply with local authority requirements</li> <li>3. Comply with contract requirements</li> <li>4. Use contracting business checklist</li> <li>5. Know and exercise his/her rights, obligations and responsibilities</li> </ol>

<p><b>MODULE 11: BUILD SUPPORT STRUCTURES</b></p> <p><b>Expected Training Outcome:</b> Able to build support structures and networks</p> <p><b>Specific Training Outcome:</b> The training will enable the participant to:</p> <ol style="list-style-type: none"><li>1. Create and maintain support networks</li><li>2. Manage his/her business image</li><li>3. Get a better deal</li><li>4. Undertake damage control</li><li>5. Improve customer satisfaction</li><li>6. Manage crisis</li></ol>	<p><b>MODULE 12: GROW YOUR BUSINESS</b></p> <p><b>Expected Training Outcome:</b> Able to grow/expand his/her business</p> <p><b>Specific Training Outcome:</b> The training will enable the participant to:</p> <ol style="list-style-type: none"><li>1. Determine opportunities for growth</li><li>2. Develop strategic alliances</li><li>3. Engage in professional partnerships</li><li>4. Diversify</li><li>5. Increase business capacity</li><li>6. Restructure financial profile</li></ol>
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## CRITERIA FOR SELECTION OF EMERGING CONTRACTORS ON TRAINING/PILOT PROJECTS

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**The EMC has committed itself to the development of entrepreneurs to become independent prime contractors.**

The EMC therefore expects similar commitment from entrepreneurs. The basis of selection criteria hereafter assesses commitment by individual entrepreneurs to the EMC's Contractor Development Programme.

### 1. Pre-selection

Candidates who would like to be considered must comply with the following pre-selection criteria:

- Previous selection as an emerging contractor through an open process as described in the EMC Guidelines
- Must have passed one or more accredited management modules
- Prepare and submit an application
- Must be available to attend the training project full time.

### 2. SELECTION CRITERIA FOR TRAINING PROJECTS

Applicants will be rated according to the following selection criteria for selection on training projects.

- Attendance during management training courses
- Marks achieved in managerial training modules
- Previous experience on contracts comprising similar work types (experienced small and emerging contractors will not be eligible)
- Attendance of KMC/EGSC contractor meetings/workshops with small and emerging contractors.
- Completeness of application form.

The selection criteria are outlined in Table 1 on the following page.

<b>TABLE 1: SELECTION CRITERIA FOR PILOT PROJECTS</b>	
<b>CRITERIA</b>	<b>POINTS</b>
Attendance during management courses <ul style="list-style-type: none"> <li>▪ 100%</li> <li>▪ 90-100%</li> <li>▪ 80-89%</li> <li>▪ 50-79%</li> <li>▪ 0-49%</li> </ul>	30 28 24 20 0
Average marks achieved for management modules <ul style="list-style-type: none"> <li>▪ 100%</li> <li>▪ 90-100%</li> <li>▪ 80-89%</li> <li>▪ 70-79%</li> <li>▪ 50-69%</li> <li>▪ 30-49%</li> <li>▪ 10-29%</li> <li>▪ below 10%</li> </ul>	30 29 28 27 25 15 10
Previous experience on contracts of similar nature: <ul style="list-style-type: none"> <li>◆ No experience</li> <li>◆ 0-2 month</li> <li>◆ 2-4 months</li> <li>◆ 4-6 months</li> <li>◆ 6-9 months</li> <li>◆ more than 9 months</li> </ul>	20 18 14 10 5 0
Attendance KMC meetings with small and emerging contractors <ul style="list-style-type: none"> <li>◆ 100%</li> <li>◆ 50% - 99%</li> <li>◆ 1% - 49%</li> <li>◆ 0%</li> </ul>	10 8 3 0
Completeness of application <ul style="list-style-type: none"> <li>▪ Complete</li> <li>▪ Good information, not complete</li> <li>▪ Poorly completed</li> </ul>	10 8 0
<b>TOTAL POSSIBLE POINTS</b>	<b>100</b>

**CONTRACTOR DEVELOPMENT PROGRAMME**

## APPLICATION FOR A TRAINING PROJECT:

<b>APPLICANT</b>			
Surname and full names:			
ID number:			
Name of business/CC:			
Residential address			
Postal address			
Tel no.			
Cel no.			
Fax. No.			
Date selected as an EC			
<b>MANAGEMENT TRAINING COURSES ATTENDED</b>			
Dates		Venue	Trainer
<b>PREVIOUS CONSTRUCTION EXPERIENCE</b>			
Starting date	Ending date	Consultant	Type of work and contract value
<b>CURRENT COMMITMENT(S)</b>			
Starting date	Ending date	Consultant	Type of work and contract value

**ANNEXURE E****IDENTIFICATION AND CATEGORISING OF PROJECTS FOR THE CONTRACTOR DEVELOPMENT PROGRAMME (CDP)**

In essence, all EMC capital projects form part of this programme. It is realised however, that not all projects or all the sections of a project are suitable for execution by developing contractors.

In order to ensure that an optimum number of EMC funded projects are made available for the CDP, the following stepped approach should be followed to identify and categorise suitable projects.

- Step 1: Once the EMC's budget has been approved, the Manager: Contractor Development Programme shall prepare the form *PROJECTS/SUBPROJECTS IDENTIFIED ON EMC BUDGET FOR THE CDP* in liaison with the Divisional Heads for submission to the CDP Steering Committee. Project Leaders/consultants shall liaise with the Manager: Contractor Development Programme to ensure that projects are planned and designed according to its classification.
- Step 2: In the design report, the design engineer/architect/project leader must provide more detailed information regarding the sections of project identified for the CDP, by completing the form: *PROJECTS/SUBPROJECTS IDENTIFIED FOR THE CONTRACTOR DEVELOPMENT PROGRAMME*. The preparation of the form should be done in consultation with the Manager: Contractor Development Programme.

**BUDGET APPROVAL STAGE**

**PROJECTS/SUBPROJECTS IDENTIFIED ON EMC BUDGET FOR THE CONTRACTOR  
DEVELOPMENT PROGRAMME**



### CONTRACTOR DEVELOPMENT PROGRAMME (CDP)

**Categorisation of Projects on approved Capital Budget**  
 (List of Projects to be approved by EMC CDP Steering Committee)

VOTE NUMBER	PROJECT NAME	PROJECT BUDGET	Prime Major or Structured Joint Venture	PROJECTS OR SUBPROJECTS	
				Prime Minor or Micro	Developmental contracts

.....  
 Manager: Contractor Development Programme      Date

.....  
 Chairperson CDP Steering Committee      Date

**DESIGN STAGE**

**PROJECTS/SUBPROJECTS IDENTIFIED FOR THE CONTRACTOR DEVELOPMENT PROGRAMME**

**CONTRACTOR DEVELOPMENT PROGRAMME (CDP)**

**Confirmation of Categorisation of a Project on approved Capital Budget**

**(ONE COMPLETED FORM PER PROJECT TO BE INCLUDED IN DESIGN REPORT)**

Area :						
Project Name :						
Project Budget :						
Vote No :						
SUBPROJECTS IDENTIFIED FOR THE HCDP						
DESCRIPTION OF SUBPROJECTS	Prime major	Prime minor & micro	Developmental	NUMBER OF CONTRACTS FOR SUBPROJECT	TOTAL VALUE OF SUBPROJECT	PERCENTAGE OF PROJECT BUDGET
<b>Total:</b>						

(Signatures)

.....  
(Name Consulting firm) Date

.....  
Manager: Contractor Development Programme Date

.....  
(EMC Divisional Manager/Project Leader) Date

## ANNEXURE F

<b>COMPARISON OF ALLOCATION OF FUNDS BETWEEN CONVENTIONAL AND COMMUNITY-BASED PROJECTS WITH SUPPORT SERVICES</b>			
<b>A TYPICAL EXAMPLE</b>			
<b>CONVENTIONAL PROJECT</b>	<b>Allocation (% of total)</b>	<b>COMMUNITY-BASED CONSTRUCTION PROJECTS</b>	<b>Allocation (% of Total)</b>
Design & supervision services	15%	Design and supervision	16%
Contractor		Contractor support	
Contractual requirements	10%	Construction management	8%
Time related items	5%	Materials management (6% on materials)	2%
Overheads & profits	15%	Co-ordination and monitoring	2%
Materials (incl. profit)	35%	Materials	32%
Labour	20%	Emerging contractor	
		Contractual requirements	5%
		Time related items	5%
		Overheads & Profit	10%
		Labour	20%
<b>TOTAL</b>	<b>100%</b>	<b>TOTAL</b>	<b>100%</b>