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# CONTRACTOR DEVELOPMENT POLICY

**NEW**

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## 1. **PURPOSE**

The government introduces initiatives and strategies to address the triple challenge as faced by the country thus: unemployment, poverty and inequality. The national Department of Public Works has initiated the EPWP contractor learnerships programme developed to build capacity amongst emerging contractors to execute the increasing amount of labour-intensive work that will be part of EPWP. The municipality as a public body has a major role to play in implementing their capital infrastructure investment.

The EPWP is a short-to-medium term programme aimed at alleviating and reducing unemployment. All public bodies are expected to attempt to contribute to the EPWP. Public bodies will use the "*Guidelines for the implementation of labour-intensive infrastructure projects under the Expanded Public Works Programme*" to identify suitable infrastructure projects, guide appropriate designs for labour-intensive construction, and compile contract documentation for labour-intensive projects.

However, there are still a number of constraints that small, medium and micro enterprises are still faced with such as:

- Access to finance;
- Slow pace on the uptake into the supply chain management policy;
- Management skills;
- Lack of proper monitoring and evaluation systems ;
- Delayed payment to emerging contractors ;
- The fact that the contractor development programme is not mandatory;
- Management skills; and
- Supportive institutional arrangements.

In particular the policy will focus on the development entrepreneurial, business and technical skills through the Vukuphile programme.

Vukuphile programme focuses on the development of local contractors so that they can attain higher CIDB grading. This would enable them to compete with more established contractors during the tendering phases in the main stream economy.

## 2. **OBJECTIVES OF THE POLICY**

The objectives of the policy are to:

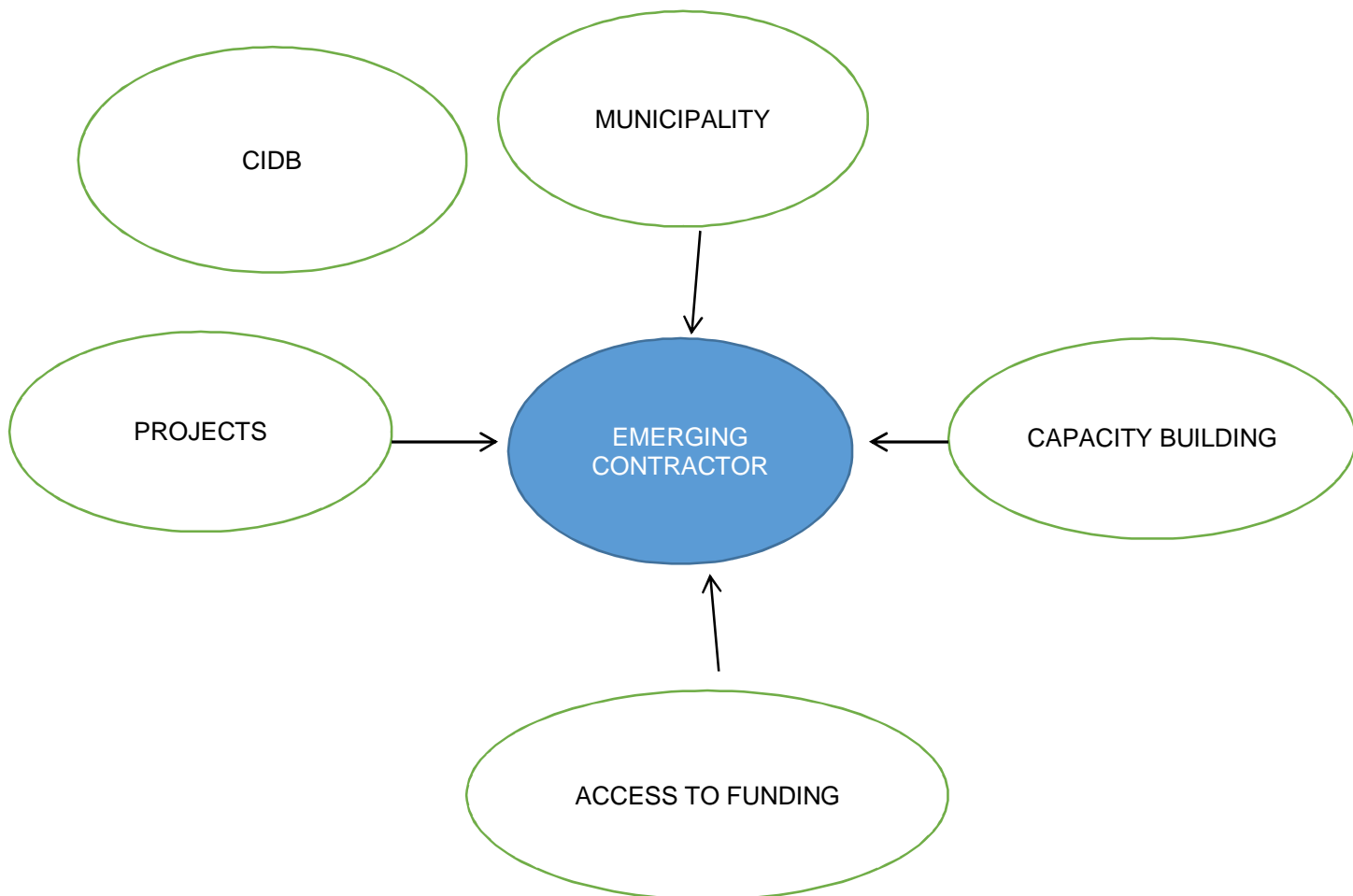
- Improve the grading status of contractors in targeted categories and grades;
- Increase the number of black women, disabled, and youth-owned companies in targeted categories;
- Create sustainable contracting enterprises by enabling continuous work through a competitive process;
- Improve the performance of contractors in terms of quality, employment practices, skills development, safety, health and the environment;

- Improve the business management and technical skills of these contractors;
- The creation of jobs which is translated into work opportunities; and
- Execute and oversee labour-intensive projects.

### 3. LEGISLATIVE REQUIREMENTS

- Constitution of Republic of South Africa Act, 1996;
- Construction Industry Development Board Act, Act No. 38 of 2000;
- Broad Based Black Economic Empowerment Act, Act No. 53 of 2003;
- Preferential Procurement Policy Framework Act, Act No. 5 of 2000; and
- Steve Tshwete Local Municipality Supply Chain Management Policy.

### 4. INTEGRATED EMERGING CONTRACTOR DEVELOPMENT STAKEHOLDERS



### 5. LEARNER (EMERGING) CONTRACTORS

In order to comply with the National Treasury's requirement that the learnership selection be a competitive, open and transparent process, the learnership selection process has been designed to include the following mandatory steps:

- Every Authority that signs a Memorandum of Agreement with the National Department of Public Works, and the Construction Education and Training Authority, must advertise for prospective Learners in the daily newspapers in circulation in the jurisdictional area of the Authority.

An advertisement will be placed in the municipal notice boards on an annual basis for interested applicants to participate in the programme. The database of participants shall abide to the following rules:

- Prospective learners are required to submit an application form, which application is vetted to ensure that the prospective learners have achieved an education level that will enable them to be assessed for suitability to enter the learnership programme.
- Contractors **MUST** strictly be residents of Steve Tshwete Local Municipality.
- Contractors must adhere to statutory business requirements (tax, VAT registered, registered with CIDB, NHBRC or any relevant body).
- Contractors with shareholders in government, either provincial, national or municipality are prohibited from participating in the programme.
- Contractors must inform the municipality if in case of change in the ownership on the business.
- Contractors may be required to spend a number of days on site.
- Contractors must complete any training assigned in the course of the programme.
- Contractors must make themselves available for capacity building programmes arranged by the municipality.
- **ONLY** contractors registered on the municipality's "*emerging contractors' database*" will be considered for the programme.

The development of the database will assist the municipality in planning to support and sustain the various levels of contractors with CIDB grading level of 1-3. Unregistered contractors will not be considered by the programme.

## 6. PROCESS FOR THE APPOINTMENT OF EMERGING CONTRACTORS

The following are consideration in the appointment of learner contracts:

- Prospective Learners are required to undertake written assessments, by means of which the numeracy and literacy of the prospective learners is assessed, with the results graded in respect of both the learner contractors, and the learner supervisors.
- Thereafter, a shortlist of the best candidates is compiled.
- Formal interviews are held, initially with the potential learner contractors, and thereafter with the potential learner supervisors, in order to consider representations on the part of the potential learners, to discuss their theoretical and practical experience, and to attempt to gauge the likelihood of the prospective learners completing the learnership.

- On the basis of the above process, the prospective learners are scored, with the scores thereafter adjusted to allow for weighting in terms of historical disadvantaged criteria. The highest scoring candidates are thereafter selected onto the learnership programme.
- Emerging contractors should be residents of Steve Tshwete Local Municipality.

## 7. **MENTOR RECRUITMENT**

The success of the learnership depends on the implementation of related knowledge in the workplace. The mentor plays a vital role in this regard as mentors have the necessary construction, business and administrative knowledge and are experienced and conversant with labour-intensive construction methods. Mentors will be appointed for the entire learnership period, so that the learner contractor/supervisors receive advice in managing and running the business. Support to the learners should reduce over time, as the learners get more experienced.

Mentor recruitment for the learnership programme was by means of a nationwide tender issued by the National Department of Public Works. Mentoring teams will be expected to sign a performance contract. An audit based on the different competency areas and activities may be undertaken by the department to assess that the mentors have achieved skills transfer and in the case of poor performance necessary steps be taken.

## 8. **LEARNERSHIP**

The learner contractors which will be the recipients of the programme will receive theoretical training and further mentored on the job in various construction sites throughout the municipality.

By the end of the learnership the contractors should be able to tender for installation of storm water drains, water and sanitation pipeline, construction of low volume roads, trenching works and minor reinstatement of road surfaces using labour-intensive construction methods. Preference will be applied in the accessing of work so that enterprises owned and controlled by blacks, women and the disabled persons are advanced.

The key elements of the support measures being:

- Access to mentorship
- Access to financial support
- Access to information
- Access to any other development support that would be relevant for contractor development

The proposed duration of learnership is for a period up to:

Construction contractor NQF level 2 (LIC) - 24 months  
 Construction supervisor NQF level 4 (LIC) - 24 months

## 9. **LEARNERSHIP POLICIES**

The main participating bodies (national Department of Public Works, municipality and training authority) will enter into a tripartite agreement outlining respective responsibilities. Contract employment will be entered to as required in the Basic Conditions of Employment Act.

Allowances in accordance to the Department of Labour. Code of conduct for the learners to clarify roles and responsibilities will be entered into in line with the Department of Labour guidelines.

## 10. **ROLES AND RESPONSIBILITIES**

The MOA sets out the roles and responsibilities of the various parties, and a basic policy framework for the implementation of the programme, to which all the parties to the Memorandum of Agreement (MOA) will agree to abide by.

### 10.1 Municipality

The role of the municipality is ensure adherence in the implementation of the programme, ensure economic development of emerging contractors, improvements in CIDB grading and a conducive environment for SMME's to grow. The municipality will continually liaise with the relevant stakeholders to ensure the success of the programme.

The municipality should annually identify projects for contractor development based on the CIDB grade of contractors targeted (1-3). Project identification will consider project complexities.

These projects will be concluded with the learner contracting company in terms of separate and independent on-site training-project agreements and should fit the scope of the learnership programme. The province or municipality participates in the selection process of learners, and will arrange to launch the programme locally.

### 10.2 Executive Committee

An executive committee comprising signatories will be responsible for appointment of people to facilitate and manage the process of contractor learnerships:

- advertising for learners;
- carrying out of briefing sessions;
- processing of applications;
- selecting learners;
- managing the learners;
- approve and stipulate compulsory skills training for the learners;
- managing the training providers;
- approve the training plan (inclusive of content); and

- facilitate the relationship between the public body and the learners

### 10.3 CIDB

The role of the CIDB will be the registration of contractors, support, facilitate and promote the industry. The government is spending a lot on infrastructure delivery, and so the CIDB is intending to simultaneously meet socio-economic objectives and transform the industry. Another objective is to promote sustainable contracting, as it was one thing to move up to higher grade, and another to sustain it.

### 10.4 Capacity Building

Guidelines for Implementing Contractor Development by CIDB suggest it is a good practice to require contractors to contribute to their own development. This commitment ensures that contractors are not only participating in the CDP to obtain work. Human resource development in the construction and building industries largely relates to the development of management and trade skills capacity building must be conducted with all relevant stakeholders e.g. CETA and NHBRC and focus on the following main areas to ensure the success of the programme:

- Technical skills;
- Access to finance;
- Mentorship/contract management support; and
- Financial and business training support.

### 10.5 Department of Labour

The Department of Labour is responsible for training workers, while the Construction Education and Training Authority (CETA) is responsible for training the learners (contractors and supervisors).

### 10.6 Engineer Consultant (service provider)

An appointed service provider (engineering consultant) who is accredited for design and supervision of labour-intensive construction methods will provide mentorship and oversee the training of the learners in the first phase of the learnership programme. Every learner contractor will be assisted by a supervisor/s. These learners will undergo theoretical training and then work on a small project. The learners will undergo additional training to work on larger projects (valued at about R1-million), undergo final training and then work on a full-scale project.

Mentoring should be provided for learner contractors in order to avoid non-performance.



11. **SOCIAL IMPACT**

The learnership selection process will target learners under the age of 35 years, at least 50% should be female and 85% historical disadvantaged individuals. These figures will be dictated to in the main by the statistical data on unemployment within the municipality.

12. **PARTNERSHIPS**

The EPWP will be implemented in partnership with provinces, Department Public Works, Construction Education and Training Authority (CETA) and financial institutions as preferred by learners. The purpose of this learnership Programme is to train contractors and supervisors on EPWP labour-intensive construction methods on infrastructure projects. By the end of the learnership, they will no longer be employed but will have emerged and have capacity to participate in the main stream economy.

13. **CONSTRUCTION EDUCATION AND TRAINING AUTHORITY (CETA)**

CETA have contractually agreed with the NDPW for the provision of trainers for Learners. The learnerships funded by CETA are:

- Construction contractor (labour-intensive construction) NQF level 2
- Construction supervisor (labour-intensive construction - roads and storm water) NQF level 4
- Construction supervisor (labour-intensive construction – water and sanitation) NQF level 4
- Construction supervisor (labour-intensive construction – structures) NQF level 4.

14. **FINANCIAL SERVICES**

Access to credit and bridging finance enables learner contractors to purchase the necessary tools and equipment to carry out training projects. Agreements for the provision of finance to learner contractor companies to be finalized. The municipality need to revise the supply chain policy to accommodate specifically the learnership programme. The provision of contractor's all-risk, plant, and motor vehicle insurance for the learner contractor companies should be determined at lower risks for the duration of programme.

15. **FINANCIAL UPGRADING**

The contractor must be assessed to determine a financial upgrading factor and to measure how close the contractor is to upgrading to the next grade designation. This determination is in line with the requirements of the CIDB Register of Contractors based on best annual turnover, largest contract and available capital.

16. **POLICY ALIGNMENT**

This policy is aligned to the Guidelines for Implementing Contractor Development Programme by Construction Industry Development Board. It is also important that other best practices be derived from other municipalities and government departments

17. **REVIEW**

This policy will be revised annually to ensure it complies with changes in applicable legislation and regulation.

18. **SHORT TITLE**

This policy shall be called the contractor development policy of the Steve Tshwete Local Municipality.