

**MASAKHE**  
**EMERGING CONTRACTOR DEVELOPMENT**  
**PROGRAMME**  
**HAND BOOK**



**PROVINCE OF KWAZULU-NATAL**  
**DEPARTMENT OF PUBLIC WORKS**

**DEPARTMENT OF WORKS**

**PRIVATE BAG X9041**

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# MEC FOREWORD

## For MASAKHE EMERGING CONTRACTOR DEVELOPMENT PROGRAMME

It is a fact that the economy of our country has undergone profound restructuring over the years to achieve growth, employment creation and poverty eradication. Thus, the department of Public Works in KwaZulu-Natal has identified the need to effect redress in the interests of equity, advancement of construction sector transformation, the promotion of SMMEs and the effective emerging contractor development programme. We have realized that the deracialisation of our economy is a moral requirement in keeping with the values and principles of equity enshrined in our Constitution. We have also realized that the extent to which the economic success of our country has been shared by all of our people is still inadequate for the requirements of a prosperous and stable society.

We therefore felt that the time is right 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 Emerging Contractor Development Programme, Masakhe 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 province. The document also seeks to highlight the benefits of the programme to all emerging contractors particularly CIDB Level 1-5 so that the efforts of the department to 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 proud ourselves of this programme as it will help us maintain our reputation of a department at work building communities through construction.

**(MASAKHE EMERGING CONTRACTOR DEVELOPMENT**  
**PROGRAMME**

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## **1. BACKGROUND**

The KwaZulu- Natal Department of Public Works (DPW) is the custodian of Provincial Government physical facilities, responsible for building and maintenance of old and new facilities on behalf of Client Provincial Departments.

Given the limited internal capacity of the Department and in streamlining its competencies around efficient infrastructure delivery and maintenance, the bulk of the physical construction is outsourced to the construction sector.

Inline with the Construction Sector Transformation Charter, the Department has determined it prudent to leverage of its contribution to this sector, in ensuring that the BBBEE Act objectives are realized. The Masakhe Emerging Contractor Development (Masakhe ECDP) stands to advance historically disadvantaged contractors through capacity building and targeted procurement, within an environment structured for effective management.

The Masakhe ECDP will function within a robust database system, giving the Department an effective tool for ongoing performance monitoring of participating contractors and the programme impact assessment in relation to the sector transformation agenda.

Masakhe ECDP is designed for Contractors within CIDB level 1 to CIDB level 5, to be registered in recognition of their CIDB grading for appropriate development support and progression within the programme.

## **2. OBJECTIVES OF MASAKHE ECDP**

- ? **Effective emerging contractor development**
- ? **Increase Department spending to emerging contractors**
- ? **Promotion of SMMEs**
- ? **Advance Sector Transformation**

### 3. AIMS OF MASAKHE ECDP

The aims are to:

- A. Create a conducive environment in which emerging contractors can thrive, by facilitating access to:
  - ? Markets (DPW KZN contracts)
  - ? Financial support
  - ? Training and Mentoring
  - ? Skills transfer
  
- B. Create an emerging contractor development mechanism, performing:
  - ? Basic business management and technical training
  - ? Implementing targeted procurement interventions
  - ? Ongoing Technical support through a mentorship plan
  - ? Linkages with Financial Institutions or Funding agencies for appropriate financing products
  - ? Ongoing monitoring and evaluation of participating contractors
  
- C. Establish a credible database of emerging contractors, which will encompass:
  - ? A screening mechanism for profiling HDI status and technical competence
  - ? A profile verification mechanism
  - ? A performance monitoring and evaluation mechanism
  - ? Adequate elevation of participating contractors through CIDB linked grading system

### 4. TARGET GROUPS

The procurement policy shall apply the following HDI procurement scoring:

- |                             |     |
|-----------------------------|-----|
| ? Women                     | 40% |
| ? Youth                     | 20% |
| ? Priority Population Group | 35% |
| ? Physically Disabled       | 5%  |

## 5. SECTORS OF THE PROGRAMME

The emerging contractor development programme will focus mainly on two classes of construction work;

- ? Civil Engineering Work
- ? General Building Works

The Department will determine the targeted procurement intervention in the three main categories, namely:

- ? Repairs and renovations
- ? Specific Construction type of work
- ? Special projects work

## 6. PROGRAMME CONTRACTOR SUPPORT FRAMEWORK

The programme support system is managed through the database system.

### Training and Development

✍ Business Training:-	business administration and management	} Parts of basic training
✍ Technical training:-	tendering, project costing and construction management	
✍ Mentorship:-	ongoing onsite technical support and business management	

### Financial Support

- ✍ Introduction of ECDP contractor funding products via traditional and government funding agencies (utilizing sessions), building to established relationships between contractors and such funding agencies
- ✍ Introduction of performance guarantee waiver principle, in lieu of Contract Retentions

## 7. ACCESS TO THE PROGRAMME

The following is the pre-requisite for the contractor to partake in the programme:

- ? The contractor must be actively involved in his business and its management
- ? The contractor must be registered with CIDB
- ? The contractor must be registered with the KZN Provincial suppliers database
- ? CIDB grade I contractor must undergo the compulsory basic training
- ? HDI Equity Ownership should be more than 50%
- ? The contractor must comply with the Stage entry requirement
- ? The contractor must supply all documentary proof required as per the database rules and regulations below

ECDP STAGE	CIDB Grading	MAXIMUM VALUE OF CONTRACT (INCL VAT)
1	Level 1	R200 000-00
2	Level 2	R500 000-00
3	Level 3	R1500 000-00
4	Level 4	R3000 000-00
5	Level 5	R5000 000-00

## 8. CONTRACTOR PROGRESSION

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

- ? The contractor has met a required level of competency as prescribed for each ECDP stage
- ? The contractor has successfully completed a number of projects or a required total project value
- ? AMasakhe ECDP 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
1	R200 000-00	3	R6 00 000-00
2	R500 000-00	3	R1 000 000-00
3	R1,500 000-00	2	R3 000 000-00
4	R3 000 000-00	2	R5 000 000-00
5	R5000 000-00	1	R7 000 000-00

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

## 9. Emerging contractor database

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



## **Registration and Profiling**

The minimum requirements for admission into the Masakhe ECDP

- ? Registration with Provincial Treasury Supplier Database ZNT registration
- ? Registration with CIDB
- ? Undergone the determined DPW KZN Basic Training (for CIDB level 1)

## **Database formulation**

The DPW reserves the right to limit the number of emerging contractors it registers in order to manage the development of contractors efficiently and effectively.

The database will be reviewed quarterly 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 shall be guided by the performance in progression of the contractors within the program, in ensuring that the database is not expanded beyond the development capacity of the program.

## **Database Rules and Regulations**

- ? DoW may accept or reject applications
- ? No duplication of members across companies
- ? The "rebirth" of companies will not be allowed
- ? Applicants who are job seekers will not be allowed in the program.
- ? Fronting will not be tolerated
- ? Contractors within the program. may form joint ventures with each other
- ? All contractors must fully comply with all legal company and statutory requirements
- ? Contractors must submit ID documents of owners; Company registration documents and financial information
- ? Must supply Tax Clearance Certificate
- ? Contractors found guilty of any criminal offence by Court of Law shall not be considered.
- ? Joint ventures with non-participating established companies may only be allowed at the sole discretion of DPW KZN
- ? Level cooperation

## 10. Joint ventures and subcontracting

### Joint Ventures

Joint ventures and sub contracting will only be considered to benefit the **MASAKHE ECDP** contractors in projects outside of the program, due to project scale and complexity. These will be encouraged through the prescripts of tender documents of such projects, encouraging the use of the **MASAKHE ECDP** contractors

Joint Ventures with the Programme will be considered on the following basis:

- ? If there is valid joint –venture agreement specifying HDI Contractors participation
- ? Partners will be individually subjected to the 80/20 or the 90/10 point allocation
- ? Joint-Ventures must demonstrate equal commitment by the two parties involved
- ? The purpose must be to combine resources, share challenges and grow the two parties involved.

### Sub-Contracting

- ? Must be between established contractors and lower stage emerging contractor
- ? Must commence from tenders worth more than R3M
- ? Must serve to transfer skills
- ? Must be observed and monitored by DPW
- ? There must be sub contracting agreement
- ? The maximum worth of work sub contracted must be 30%
- ? Skill transfer must be measured
- ? Payment to smaller contractors must be in line with the agreement signed
- ? Established companies that have continuously been awarded tenders must develop a mentorship programme for emerging contractors.

## **Concluding Statement**

The Emerging Contractor Development Programme (ECDP) is one of the flagships developmental initiatives in the Province and is a catalyst for industry transformation. The Province of KwaZulu Natal through the DPW has adopted a world class programme to promote social and economic development in South Africa and KZN in particular.

We invite and urge all Emerging Contractors in our province, 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 province. Together we can do better.

**MASISUKUME SAKHE.**

## WHAT TO DO

For more information and registration

- ? Visit the DPW KZN Regional Office – ECDP desk

### North Coast

Private Bag x42

Ulundi

3838

(035)874 3349

### Southern Region

Private Bag x9041

Pietermaritzburg

3200

(033) 355 5500

### Midlands Region

- ? Private Bag
- ? Ladysmith
- ? 3370
- ? (036) 638 2800

### Ethekwini Region

- Private Bag x54336
- Durban
- 4000
- (031) 203 2100

Visit the DPW KZN website

[www.kznworks.gov.za](http://www.kznworks.gov.za)

Contact the Masakhe ECDP Unit at the DPW KZN head office

191 Prince Alfred street

Pietermaritzburg

3201

(033) 3555429

Sources of information:

- ✍ The Masakhe ECDP document
- ✍ The Masakhe ECDP handbook
- ✍ The Database list
- ✍ The registration schedules
- ✍ Registration form.