

TARGETED ENTERPRISE SUB-CONTRACTING

July 2019

SANRAL



BUILDING SOUTH AFRICA
THROUGH BETTER ROADS

Work (**always**) in Progress

- *“Perfect solutions of our difficulties are not to be looked for in an imperfect world.”* **(Winston Churchill)**

The Matter of Pro-formas

Conundrum	Construction Industry Development Board	National Treasury Regulations
<p>Sub-contracting: Pre or Post award of tender.</p>	<p>Standard for Indirect Targeting for Enterprise Development through Construction works Contracts, 29 January 2013</p> <p>3.1.2 The contractor shall engage targeted enterprises in the performance of the contract ...</p>	<p>Preferential Procurement Regulations, 20 January 2017</p> <p>9. (3) The organ of state must make available the list of all suppliers ... from which the tenderer must select a supplier.</p>

The Matter of Pro-formas

Conundrum	Construction Industry Development Board	National Treasury Regulations
<p>Sub-contracting: Target Area</p>	<p>Standard for Contract Participation Goals for Targeting Enterprises and Labour through Construction Works Contracts, 10 November 2017</p> <p>4.1 The target areas that may be used ... shall be restricted to the following geographic areas:</p> <p>a) one or more Provinces; b) one or more Metros and DMs; c) one or more LMs; or d) one or more Wards that are wholly located within an area within a predefined radius of the construction activity.</p>	<p>Preferential Procurement Regulations, 20 January 2019 (Clause 14.17.1.2 of the Treasury Implementation Guide.)</p> <p>9.(2) ... the successful tenderer must subcontract a minimum of 30% of the value of the contract to ... (f) an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships; ...</p>

The Matter of the 14-point Plan

PRINCIPLES FOR PROJECT LIAISON, SUB-CONTRACTING AND LABOUR SOURCING IN ALL SANRAL PROJECTS

- a) Why does SANRAL not simply adopt the cidb Standard for Contract Participation Goals, which resulted from extensive consultation with industry.
 - b) Note that the cidb will undertake an assessment of compliance with the cidb Standard, and it is implicit therefore that the SANRAL principles should not conflict with the cidb Standard.
1. Establish project liaison committees (PLCs) in each project to create a platform for project liaison, works execution, sub-contracting and employment facilitation.
 2. SANRAL to chair PLCs and provide secretarial support. Representation to comprise: SANRAL; contractor, consultant, business representatives; traditional representatives; provincial and municipal government representatives; community representatives; and any other critical local stakeholder that may be deemed necessary by the PLC.
 - c) The cidb notes that as the contractor is represented, the PLC is established after contract award. The cidb does not view this as best practice, as the principles for project liaison, sub-contracting, labour sourcing and conflict resolution should be established before contract award, and should be part of the tender and contract data. Establishing the principles after contract award results in "moving targets" which the contractor cannot price for.
 3. Community liaison officer (CLO) or public liaison officer (PLO) selection to be done under the auspices of the PLC.
 4. Definition of a target area (sometimes referred to as a local area or traffic area) to be done under the auspices of the PLC.
 - d) The cidb Standard recommends that the target area must be selected before contract award, and is subject to a feasibility study. The SANRAL principles make no explicit reference to the feasibility of a target area.
 5. Setup a database of contractors and suppliers (and consultants where relevant) to be done under the auspices of the PLC. The final database to be signed off by the PLC.
 - e) The cidb Standard requires that the database of contractors and suppliers is established before contract award, is transparent to the tenderers and forms part of the tender and contract data.
 - f) Note that the cidb Standard recommends that the subcontractors are cidb registered (which will become mandatory) and that subcontractors which are included in a database meet the requirements of the cidb Competence Standard for Contractors.
 - g) Note also that the SANRAL principles make no reference to the Contract Participation Goal (CPG) – i.e. what % by value of work must be undertaken by subcontractors from the target area.
 6. Setup of database of local labour for the targeted area to be done under the auspices of the PLC.

The final list to be signed off by the PLC. An agreed system of labour selection from the database is to be agreed at the PLC.

 - h) The cidb Standard restricts the requirements for local labour from targeted areas to be semi-skilled and unskilled. The SANRAL principles make no reference to the level of skills of the labour.
 7. Handover of signed-off databases for sub-contracting and labour to contractor for open tender process and recruitment respectively done by the PLC.

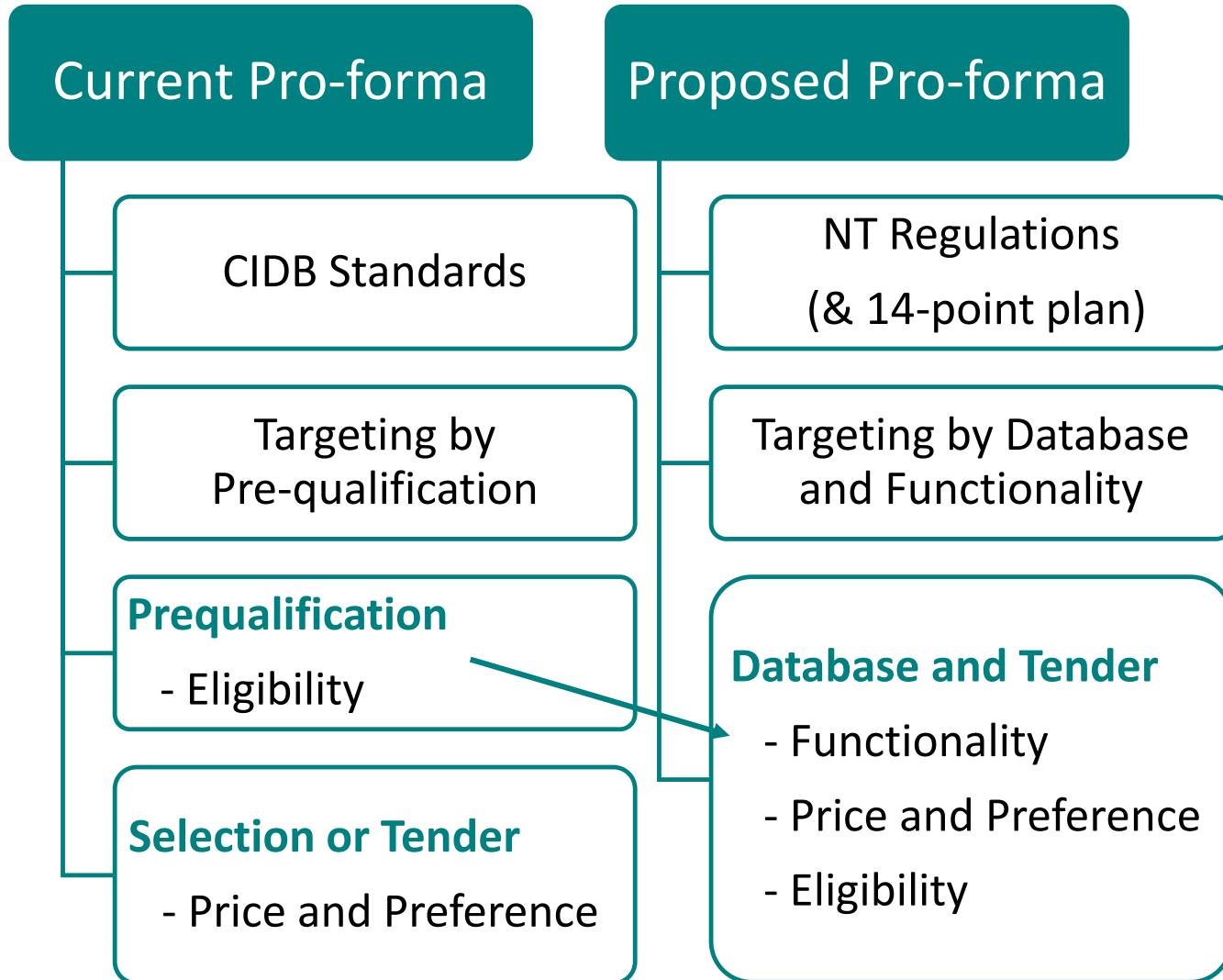
PRINCIPLES FOR PROJECT LIAISON, SUB-CONTRACTING AND LABOUR SOURCING IN ALL SANRAL PROJECTS

- i) The cidb does not support that subcontractors are selected on the basis of an open tender process. The principal contractor should be free to select the subcontractor from a predetermined database.
8. Tender to be conducted by contractor using government principles (e.g. public opening of received bids, announcement of bidders and prices). Tabling of winning bidders in the PLC.
 - j) The cidb does not support this approach – see above.
 9. Appeals on the tender process to be escalated to SANRAL for an independent review.
 10. Capability assessments of contractors and suppliers to be done under auspices of PLC prior to tender stage, to identify any deficiencies in skills and experience. For labour, skills assessments are to be done at recruitment stage.
 - k) The SANRAL principles make no reference to the standard to be adopted for the capability assessments.
 - l) See item (f) above, it is recommended that subcontractors are assessed against the cidb Competence Standard for Contractors.
 11. Contractor development support and training to be coordinated and conducted, ahead under the auspices of the PLC, prior to project commencement.
 - m) The cidb Standard for CPGs restricts contractor development to be aligned to the cidb Standard for Indirect Targeting for Enterprise Development.
 - n) The cidb Standard for CPGs restricts skills development for skilled- and semi-skilled labour to contracts of tender Grade 7 to 9, and shall be undertaken in terms of the cidb Standard for Developing Skills through Infrastructure Contracts.
 - o) The cidb Standard for CPGs restricts training for unskilled labour to on-the-job training to targeted labour to enable such labour to master the basic work techniques required to undertake the work in accordance with the requirements of the contract and in a manner that does not compromise worker health and safety.
 12. Identification of works areas that are deliverable by local service providers, and areas where capabilities are not available locally. All works areas where capabilities are not available locally shall be imported and locals will be given an opportunity to learn.
 - p) The cidb Standard for CPGs requires a feasibility study to be undertaken to address this issue.
 - q) The cidb does not understand the term "locals will be given an opportunity to learn", how this will be measured and how this will be specified in the tender and contract data.
 13. Formal contracting arrangements to be ensured for all projects.
 - r) See cidb Standard for Minimum Requirements for Minimum Requirements for Engaging Contractors and Sub-Contractors on Construction Works Contracts – which requires written contract agreements as well as requirements for COIDA and registration with the relevant bargaining council(s).
 14. Communication to be streamlined through the PLC and used to manage expectations of local business and communities.

The Conundrum Continues

1. SANRAL engaged with National Treasury.
2. SANRAL engaged with Auditor General.
3. AG finding removal; setting the scene for post sub-contracting?

Sub-contracting Methodologies



Proposed Pro-forma Provisions (pending final ruling)

1. Makes provision for:
 - Prescribed TE utilisation.
 - Mobilisation period.
 - TE procurement coordinator.
 - TE construction manager.
 - TE supervisory staff.

2. Targeted Enterprise Sub-contracting:
 - Post award sub-contracting.
 - Targeting by database and functionality.

Tender Preparation

1. Establish Project Liaison Committee (PLC).
 - To be established at Design Stage.
2. Conduct PLC induction and training.
 - Roles and responsibilities; 14-point plan.
3. Appoint Project Liaison Officer (PLO).

Tender Preparation

4. Conduct resources and skills audit.
5. Identify target group(s) and area(s).
6. Identify sub-contract packages.
7. Compile SMME database.
 - Construction Industry Development Board (CIDB).
 - Local Economic Development Offices (LED).
 - National Treasury Central Supplier Database (CSD).



For Contractors



Guide to Infrastructure Procurement



Guide to Infrastructure Delivery



Guide to Contractor Development



Documents and Publications

HAPPY WORKERS MONTH

cidb pays homage to all the workers in the construction industry and their contribution to the economy

Quick Links

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Register of Contractors

[Disciplinary gazettes and case law reports](#)

[National Treasury Database of Restricted Suppliers](#)

[National Treasury Register for Tender Defaulters](#)

Select by Status:

Select by Region: (Registered head office address region)

Select by Designation and class:

Select by CRS Number: (Optionally list CRS numbers separated by commas, eg)

Select by Contractor Name: (Optionally enter a partial or complete organisation name)

Select Potentially Emerging

Town / City Filter (Reloading the town filter will clear the list)

Select the town or city and add it to the list

[A](#) [B](#) [C](#) [D](#) [E](#) [F](#) [G](#) [H](#) [I](#) [J](#) [K](#) [L](#) [M](#) [N](#) [O](#) [P](#) [Q](#) [R](#) [S](#) [T](#) [U](#) [V](#) [W](#) [X](#) [Y](#) [Z](#)

- CONCERN
- CONSTANTIA
- COOKHOUSE
- CORNELIA
- CORNWALL HILL
- COVILLE
- CRADOCK
- CRAMERVIEW
- CRAWFORD
- CREIGHTON
- CROWN MINES
- CROWTHORNE
- CULLINAN
- DAANTJIE
- DALPARK
- DALTON
- DANIELSKUIL
- DANNHAUSER
- DARLING

[How does the Town / City Filter work?](#)

Example

- Sarah Baartman District Municipality
- Blue Crane Route Local Municipality
 - **Cookhouse**
 - Pearston
 - Petersburg
 - Somerset East

Search



Click on a CRS Number below to view Contractor details.

CRS Number	Contractor Name	Status	Grading	Expiry Date
10189654	SIMTHE300 5820 TRADING ENTERPRISE (PTY) LTD	Active	1GB PE	2022/03/19
10048362	EYAKWATAHLA TRADING	Active	1GB PE	2021/11/08
10048367	MBIKIXA TRADING (PTY) LTD	Active	1CE PE	2021/05/18
10048367	MBIKIXA TRADING (PTY) LTD	Active	1GB PE	2021/05/18
10048371	CULISO TRADING PTY LTD	Active	1CE PE	2020/12/11
10048371	CULISO TRADING PTY LTD	Active	1GB PE	2020/12/11
10048371	CULISO TRADING PTY LTD	Active	1SQ PE	2020/12/11
10059376	MFENAYIGUGI (PTY) LTD	Active	1GB PE	2021/09/17
10054728	SARAYI TRADING (PTY) LTD	Active	1GB PE	2020/11/23
10054728	SARAYI TRADING (PTY) LTD	Active	1SK PE	2020/11/23
10054728	SARAYI TRADING (PTY) LTD	Active	1SQ PE	2020/11/23
10054728	SARAYI TRADING (PTY) LTD	Active	2CE PE	2020/11/23
10084933	COOKHOUSE BUILDERS (PTY) LTD	Active	1GB PE	2022/03/29
10010567	WORK AROUND THE CLOCK TRADING (PTY) LTD	Active	3CE PE	2022/02/19
10010567	WORK AROUND THE CLOCK TRADING (PTY) LTD	Active	1GB PE	2022/02/19
10010567	WORK AROUND THE CLOCK TRADING (PTY) LTD	Active	1SQ PE	2022/02/19
10010986	SOQAQAMBA PROPERTY AND DEVELOPMENT PROJECTS	Active	1SK PE	2020/06/02
10010986	SOQAQAMBA PROPERTY AND DEVELOPMENT PROJECTS	Active	1CE PE	2020/06/02
10010986	SOQAQAMBA PROPERTY AND DEVELOPMENT PROJECTS	Active	1GB PE	2020/06/02
10138055	EMMAUS CIVIL WORKS (PTY) LTD	Active	1CE PE	2020/08/11

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Town / City Filter

COOKHOUSE,%20PEARST

Clear City/Town

Town/City Filter

(Reloading the town filter will clear existing searches)

Search

Click on a CRS Number below to view Contractor details.

CRS Number	Contractor Name	Status	Grading	Expiry Date
10150805	LENOVA TRADING (PTY) LTD	Active	1GB PE	2021/01/22
10156037	MAYUKS GENERAL ENTERPRISE (PTY) LTD	Active	1GB PE	2021/03/12
10156037	MAYUKS GENERAL ENTERPRISE (PTY) LTD	Active	1CE PE	2021/03/12
10158743	JSBM (PTY) LTD	Active	1CE PE	2021/04/09
10158743	JSBM (PTY) LTD	Active	1GB PE	2021/04/09
10160338	PHURARA GENERAL TRADING (PTY) LTD	Active	1CE PE	2021/04/25
10160338	PHURARA GENERAL TRADING (PTY) LTD	Active	1GB PE	2021/04/25
10160851	DEAN AND NONO JANSEN TRADING (PTY)LTD	Active	1CE PE	2021/05/04
10160851	DEAN AND NONO JANSEN TRADING (PTY)LTD	Active	1GB PE	2021/05/04
10161169	TEVESAH TRADING (PTY) LTD	Active	1GB PE	2021/05/03
10161604	SISIKELELE (PTY) LTD	Active	1GB PE	2021/05/10
10161604	SISIKELELE (PTY) LTD	Active	1CE PE	2021/05/10
10162059	MTIKA GENERAL TRADING (PTY)LTD	Active	1GB PE	2021/05/16
230929	SIWASA TRADING	Active	1CE PE	2019/08/05
230929	SIWASA TRADING	Active	1GB PE	2019/08/05
230929	SIWASA TRADING	Active	1SK PE	2019/08/05
190785	ALTRACORP TRADING CC	Active	1SQ PE	2020/12/22
190785	ALTRACORP TRADING CC	Active	1EP PE	2020/12/22
149885	BOMME BA SEBELE	Active	1GB PE	2020/02/03
188214	DELTYPE CC	Active	1GB PE	2021/04/23

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Select by Status:

Select by Region : (Registered head office address region)

Select by Designation and class : ←

Select by CRS Number : (Optionally list CRS numbers separated by commas, eg 100001,100002)

Select by Contractor Name : (Optionally enter a partial or complete organisation name)

Select Potentially Emerging

Town / City Filter (Reloading the town filter will clear existing searches)

Click on a CRS Number below to view Contractor details.

CRS Number	Contractor Name	Status	Grading	Expiry Date
10010567	WORK AROUND THE CLOCK TRADING (PTY) LTD	Active	3CE PE	2022/02/19

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Records 1 to 1 of 1 ←

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Select by Status:

Select by Region : (Registered head office address region)

Select by Designation and class :

Select by CRS Number : (Optionally list CRS numbers separated by commas, eg 100001,100002)

Select by Contractor Name : (Optionally enter a partial or complete organisation name)

Select Potentially Emerging

Town / City Filter (Reloading the town filter will clear existing searches)

Click on a CRS Number below to view Contractor details.

CRS Number	Contractor Name	Status	Grading	Expiry Date
10010567	WORK AROUND THE CLOCK TRADING (PTY) LTD	Active	3CE PE	2022/02/19
134909	WORLD FOCUS 1212 CC	Active	3CE PE	2019/08/26
148485	FAZITINDA IMBOGOTHO CONSTRUCTION (CC)	Active	3CE	2020/09/07

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Tender Preparation

8. Table findings and proposals to PLC for their input.

- Skills and resources audit results.
- Target group(s) and target area(s).
- Identified sub-contract packages.
- SMME database(s).

9. Explain tender requirement and scenarios to PLC.

- Functionality structure and scenarios
- Price and Preference
- Eligibility criteria
- Negotiation process

10. Make amendments based on PLC input if required.

Tender Preparation

11. Alert SMMEs of the opportunity.

- Notice in local news papers.
- Notice on local notice boards.
- Eligibility criteria

12. Support SMMEs to become compliant (Help Desk).

- B-BBEE Level 1 or 2 contributor.
- EME or QSE.
- Registered on CSD.
- Compliant with COID.
- Tax Compliant.
- Registered as “active” with CIDB in grades CE1 to CE4.

Tender Process

1. Send tender advertisement to SMME Helpdesk.
2. Advertise sub-contracts in **local** newspapers.
3. Conduct tender briefing and tender training session.
4. Tender closure and conduct tender evaluation.
5. Table preferred tenderers to PLC for endorsement.
6. Contractor negotiate rates with preferred tenderers.
7. Contractor appoint successful sub-contractors.

Tender Evaluation

- Four Components
 - Functionality
 - Price
 - Preference
 - Eligibility

Step 1. Functionality

- Functionality scored on:
 - Locality (target area)
 - CIDB Grade (target group)
 - Experience (if applicable)
 - Plant and Equipment (if applicable)
 - Other relevant criteria (e.g. woman, youth, etc.)
- Tenderers to score a min. for functionality, e.g. 85/100.
- Tenderers that do not obtain threshold are disqualified.

Step 2. Price and Preference

- Tenderers that obtained threshold evaluated on Price and Preference.
 - Price 80 points
 - Preference 20 points
- Highest scoring tenderer for each sub-contract are checked for eligibility.

Step 3. Eligibility

- Highest scoring tenderer are checked for eligibility:
 - B-BBEE Level 1 or 2 contributor.
 - EME or QSE.
 - Registered on CSD.
 - Compliant with COID.
 - Tax Compliant.
 - Registered with CIDB.
- If tenderer does not meet eligibility criteria, will be given x calendar days to become compliant.

Example

Preferences are offered to prospective tenderers from the targeted area, namely **Cookhouse** in the Blue Crane Route Local Municipality, as well as the CIDB grade and class indicated for the sub-contract. This tender will be evaluated in terms of functionality, price and preference.

Tenderers who satisfy the following criteria are eligible to submit tenders:

- a) B-BBEE Level 1 or 2 contributor.
- b) EME or QSE.
- c) Registered on the CSD.
- d) Compliant with the COID.
- e) Tax Compliant.
- f) Registered with the CIDB as “active” in the relevant contractor grade and class and with a status as potentially emerging (PE).

Sub-contractors are required for the following subcontract:

- 1 x General Maintenance Package (**CIDB 2CE PE**)

Note: CIDB grade one level lower as status PE will be considered, i.e. CIDB 1CE PE.

Step 1 Functionality

Functionality Criteria	Maximum Points
Locality	50
CIDB Grading	30
Experience	10
Equipment	10
Total	100
Threshold	85

Step 1.1 Functionality

Locality

Location of Business	Maximum Points
If the prospective Tenderer is based in the town of COOKHOUSE in which the subcontract work package is situated.	50
If the prospective Tenderer is based in the BLUE CRANE ROUTE Local Municipality in which the subcontract work package is situated.	30
If the prospective Tenderer is based outside the BLUE CRANE ROUTE Local Municipality, but in the SARAHA BAARTMAN District Municipality.	20
If the prospective Tenderer is based outside the SARAHA BAARTMAN District Municipality, but in the EASTERN CAPE Province.	10
If the prospective Tenderer is based outside the EASTERN CAPE Province, but in the RSA.	5

Step 1.2 Functionality

CIDB Grade

CIDB Grading Designation	Maximum Points
If the prospective tenderer is registered with the CIDB in a grading designation of 4 CE PE or higher.	5
If the prospective tenderer is registered with the CIDB in a grading designation of 3 CE PE.	10
If the prospective tenderer is registered with the CIDB in a grading designation of 2 CE PE.	30
If the prospective tenderer is registered with the CIDB in a grading designation of 1 CE PE (one level lower as status PE).	20

Step 1.3 Functionality Experience

Previous Experience	Maximum Points
Previous experience of Company (tenderer).	5
Previous experience of Construction Supervisor.	5
Total	10

Step 1.4 Functionality Equipment

Equipment Owned or Hired	Maximum Points	
	Owned	Hired
1 x LDV (1 ton)	2	1
Truck (3 ton or bigger)	2	1
Bomag 76 or bigger (Roller)	2	1
Concrete Mixer	2	1
Breaker with Generator	2	1
Total	10	5

Example Scenarios

Preference for Locality

Functionality Criteria	Maximum Points	Target		Locality	
Locality	50	Cookhouse	50	Blue Crane Route LM	30
CIDB Grading	30	CIDB 2 CE PE	30	CIDB 2 CE PE	30
Experience	10	Full points for experience	10	Full points for experience	10
Equipment	10	Full points for equipment	10	Full points for Equipment	10
Total	100		100		80
Threshold	85		85		85

Example Scenarios

Preference for CIDB Grade

Functionality Criteria	Maximum Points	Target		CIDB Grade	
Locality	50	Cookhouse	50	Cookhouse	50
CIDB Grading	30	CIDB 2 CE PE	30	CIDB 3 CE PE	10
Experience	10	Full points for experience	10	Full points for experience	10
Equipment	10	Full points for equipment	10	Full points for Equipment	10
Total	100		100		80
Threshold	85		85		85

Work in Progress

- *“Perfectionism is a dangerous state of mind in an imperfect world.*

The best way is to forget doubts and set about the task in hand ... If you are doing your best, you will not have time to worry about failure.”

(Robert Hillyer)

"ONE OF THE BASIC RULES OF
THE UNIVERSE IS THAT
NOTHING IS PERFECT.
PERFECTION SIMPLY DOESN'T EXIST...

WITHOUT IMPERFECTION,
NEITHER YOU NOR I
WOULD EXIST."

-STEPHEN HAWKING



HUFF
POST

JUSTIN SULLIVAN VIA GETTY IMAGES