

# CESA INFRASTRUCTURE INDABA

Southern Sun Elangeni & Maharani Hotel  
Durban – South Africa



Construction Sector Transformation – Progress in the  
Gazette of the Draft Construction Sector Code

8 November 2016

The **BBBEE STRATEGY & CoGP** promotes **PARTNERSHIP & INDUSTRY EFFORTS** to foster economic transformation objectives.

Hence the gazette of the **Construction Sector Code** in June 2009.

Primary strategic objectives being to achieve the following :

- The inclusion of **BLACK PEOPLE** in general and **BLACK WOMEN** in the **OWNERSHIP** and **MANAGEMENT** of construction ENTERPRISES.
- The acceleration of **TECHNICAL SKILLS** and **CAPACITY OF BLACK YOUTH** and **PEOPLE WITH DISABILITY**.
- To provide **JOBS** and **EMPLOYMENT OPPORTUNITIES** in RURAL AREAS
- Building the **ENTREPRENEURIAL CAPACITY** and **SUSTAINABILITY** of **BLACK** enterprises in the construction sector.

# BACKGROUND INFORMATION



- The Construction Sector Charter (Transformation Charter) was initially gazetted in 2008 under gazette no as a public statement of commitment & intent in terms of Section 12 of the BEE Act of 2003.
- This paved the way for the finalization and gazette of the Construction Sector Code in June 2009 in terms of Section 9 (1) of the BEE Act under 36928. This became the mandatory and legally binding construction measurement for BBBEE and Transformation in the sector.
- The gazetted sector code would be subject for review on the first seven (7) of the measurement period. The framework underlying the gazette of Sector Codes was amended & reviewed. Until repealed in February 2016

# BACKGROUND INFORMATION

- In April 2014, the CSCC the BASELINE REPORT on the **STATE OF TRANSFORMATION THE SECTOR** for the period **2009 – 2013**. The report revealed the following KEY findings :

Key Findings	Implications	Action Required
Non-Reporting	Absence of enforcement of the CSC	Improve Monitoring Mechanism
Inconsistent Measurement	Misleading Stats & Data Fronting	Redefine Scope Control measurement Bodies Compliance Monitoring
<b>Contractors Measuring themselves as BEP</b>	<b>Lesser Targets &amp; Thresholds</b>	<b>Strengthened Measurement Mechanism</b>
No Skills Dev & Black Ownership	No sufficient spend on Skills Dev	Marked SD as priority elements

# THE BUSINESS CASE FOR TRANSFORMATION

## BE Professionals by population group, 2015

Professional Council	Africans	Coloureds	Indians	Whites	TOTAL
Engineers	17.0%	2.5%	6.5%	74.0%	100.0%
Architects	14.0%	7.0%	7.0%	72.0%	100.0%
Landscape Architects	0.5%	1.0%	0.5%	98.0%	100.0%
Construction Project Managers	14.0%	3.0%	5.0%	78.0%	100.0%
Property Valuers	14.0%	4.0%	4.0%	78.0%	100.0%
Quantity Surveyors	20.0%	2.5%	8.5%	69.0%	100.0%

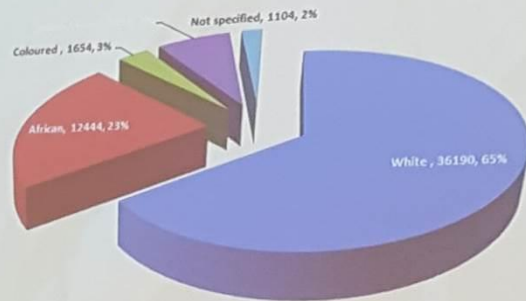


# THE BUSINESS CASE FOR TRANSFORMATION

## Racial Profile of BE Professions

Racial Profile of the BE Professions

■ White ■ African ■ Coloured ■ Indian/Asian ■ Not specified

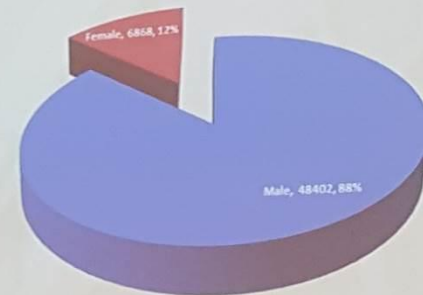


For a better built environment

## Gender Profile of BE Professions

Gender Profile of the BE Professions

■ Male ■ Female



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**NHBRC**



**CIDB**

**CBE**

**SACPMP**

Established  
Sector

Labour  
Unions

Emerging  
Sector

**Dep of Public Works obo GVT**

**BEPs**

**CESA  
ASAQS  
ECASA**

**Contractors**

**SAFCEC  
MBSA**

**Manufactures**

**SAISC**

**BEPs**

**SABTACO  
SAIA**

**Contractors**

**NAFCOC  
NABCAT  
SAWIC**

**Manufactures**

Transformation and Empowerment Measurement Framework  
Compliance Monitoring & Evaluation  
Compliance & Performance Reporting  
Advocacy & Stakeholder Engagement

# THE ESTABLISHED CONTRACTORS AND BEP<sub>s</sub> WERE REPRESENTED IN THE ALIGNMENT NEGOTIATIONS BY THE FOLLOWING CONSTITUENCY ORGANIZATIONS

## Established Sector Member Organisations





# TRANSFORMATION PRIORITIES IN THE NEW SECTOR CODE

- Contribute to the creation of substantial black owned entities and black industrialists in the Construction Sector through industry wide Supplier and Contractor Development initiatives;
- Increasing Preferential Procurement spend on local companies thereby increasing local job creation aligned to the objectives of the National Development Plan;
- Provide the Construction Sector on-going qualitative and quantitative method for monitoring and evaluating the progress of enterprises toward B-BBEE and thereby contribute to ending the malpractice of fronting; and
- Introduce compulsory reporting and engagement with the BEE Commissioner to monitor progress of enterprises toward B-BBEE.

# TRANSFORMATION PRIORITIES IN THE NEW SECTOR CODE

## Ownership:

- The sub-minimum requirement for Ownership is 40% of Net Value (40% of the 6 points for Contractors i.e. **2.4 points, or 40% of the 4 points for BEP's i.e. 1.6 points**) based on the Time Based Graduation Factor provided in Annexe CSC100 (E).

## Skills Development:

- The sub-minimum requirements for Skills Development is 40% of the total weighting points (excluding bonus points) for Skills Development.

## Preferential Procurement and Supplier Development:

- The sub-minimum for Preferential Procurement and Supplier Development is 40% of the total weighting points (excluding bonus points) of each of the three broad categories, within the Preferential Procurement and Supplier Development element, namely 'Preferential Procurement', 'Supplier Development Programmes' and 'Supplier Development Contributions'.
  - (i) 7.2 points for BEPs under the Preferential Procurement category;
  - (ii) 1.6 points for BEPs under the Supplier Development Prog category;
  - (iii) 2 points for BEPs under the Supplier Development Contributions

# TRANSFORMATION PRIORITIES IN THE NEW SECTOR CODE

## ELIGIBILITY AS AN EXEMPTED MICRO ENTERPRISE (EME)

- Any enterprise with a total annual Revenue of R10 million or less if it is a Contractor or **R6 million or less if it is a BEP qualifies as an Exempted Micro-Enterprise.**

## ELIGIBILITY AS A QUALIFYING SMALL ENTERPRISE (QSE)

- A Measured Entity with a total annual Revenue of more than R10 million but less than R50 million if it is a Contractor or more than **R6 million but less than R25 million if it is a BEP qualifies as a Qualifying Small Enterprise.**

## OWNERSHIP MEASUREMENT PRINCIPLES

- The Rights of Ownership held by black people in South African Multinationals are measureable against the value of their South African operations only. The Exclusion Principle must be applied with reference to the value of the Measured Entity's foreign operations when calculating its ownership score.

# OWNERSHIP MEASUREMENT PRINCIPLES .....

More than 50% of the investors in Measured Entities in the BEP space must be owned by investors that are both:

- Professionally registered; and at the same time
- A member of the Executive Management of the Measured Entity;
- Therefore when measuring the black ownership of any BEP (whether the above general rule applies or not), **where the percentage of Rights of Ownership held by investors, which are not professionally registered and part of Executive Management (as per 3.1.3 above), exceed 50% of the total of such Rights of Ownership, the portion above 50% shall not be recognised as Rights of Ownership held by Black People.** For the avoidance of doubt, this principle also applies to the determination of BEP's qualification as 51% Black Owned or 100% Black Owned.

# MANAGEMENT MEASUREMENT PRINCIPLES

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Measurement Category & Criteria	BEPs	
	Weighting Points	Measurement Target
Board Participation		
Exercisable Voting Rights of black board members as a percentage of all board members	2.5	50%
Exercisable Voting Rights of black female board members as a percentage of all board members	1	20%
Black Executive Directors as a percentage of all Executive Directors	2.5	50%
Black Executive Directors as a percentage of all Executive Directors	1	20%

# THE REST OF THE MANAGEMENT CONTROL SCORECARD

## IN STAMENT CSC200 - DEALING WITH :

- BONUS POINTS
- OTHER EXECUTIVE MANAGEMENT
- SENIOR MANAGEMENT CATEGORY
- MIDDLE MANAGEMENT CATEGORY
- NO PROVISION FOR JUNIOR MANAGEMENT CATEGORY
- EMPLOYEES WITH DISABILITIES
- RECOGNITION FOR BLACK PROFESSIONALS
- (BONUS POINTS FOR THAT)



# TRULLY BROAD-BASED

## BROAD Based BEE Cartoon

