



CONSTRUCTION DEVELOPMENT GUIDELINE

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1 What is Municipal Councilors Pension Fund Construction Development Initiative?

Matlosana Gateway Development (**MGD**) Programme is an initiative of the Municipal Councilor's Pension Fund (**MCPF**) which it supports. The aim of MCPF is to increase the infrastructure development within the North West and increase in job opportunities including competitiveness, capability and capacity of the South African for local or regional. This can be achieved through skills transfer, as well as building new capability and capacity in the South African construction base. In addition, MCPF has its roots grounded firmly around the transformation of South Africa and the empowerment of previously disadvantaged individuals and enterprises as well as creating long term investment horizon which will benefit MCPF members.

2 Background and Guidance on the Construction Development Objectives for Municipal Councils Pension Funds (MCPF)

As a developing economy with inherent structural and social imbalances, South Africa is facing the significant economic challenge of increasing growth in a manner that includes all South Africans. The historical lack of investment in infrastructure in South Africa has negatively impacted on local industry, resulting in a loss of key skills and a decrease in industry capabilities. To respond to this, Government and private sector policies have been designed to address these imbalances and to act as a catalyst of change for the benefit of South Africa.

One of these Government policies, the New Growth Path (**NGP**) aims to enhance growth, employment creation and equity by reducing the dependencies of South African industries on imports, and promoting the development of skills and capabilities that are in short is within the country. It identifies strategies that will enable South Africa to grow in a more equitable and inclusive manner and promotes the development of new industry to attain South Africa's developmental agenda.

MCPF's SD effort is closely aligned to the NGP objectives and as a result we are able to fulfil our commitment to sustainability within South Africa whilst at the same time addressing other corporate objectives including increasing development and efficiency, volume growth, capital investment, financial stability, funding, human capital, regulatory compliance and improving customer service.

The combined objectives of MCPF and other business sectors will be realised through:

- aggressively implementing capital investment plans which will result in competitive local industries;
- improving operational efficiency;
- using local constructors to influence the development of the local industry within North West; and

- ensuring it creates sufficient economic opportunities for the participation of previously disadvantaged groups.

This will lead to MCPF achieving its long-term objective of increasing both shareholder and societal value using its expenditure to ensure local development through the sustainable growth of capability and capacity in South Africa with the inclusion of the previously disadvantaged individuals in the economy in a manner that is beneficial to MCPF, South African industry and the people of South Africa. As a result the MCPF will be able to fulfil its responsibility to assist in contributing towards one of Government's objective by increasing employment opportunities and infrastructure development.

3 MCPF Development Objectives and Framework

To aid its implementation of MGWD, MCPF has adapted an existing framework. This framework allows for a basic set of principles to be applied to appropriately target MGWD initiatives. Development initiatives aim to assist local developing companies to have a health competition through increasing their capability.

3.1 Skills

Investment is will be focused in skills, both intermediate and advanced capabilities to develop competitive advantage.

3.2 Strategic

Strategic initiatives follow a three to five year planning horizon, involving investment in at least plant, technology and/or skills in intermediate capabilities. This enforces the need for multinational corporations to develop a certain percentage of empowering the locals. Strategic initiatives can therefore be used to achieve MCPF objectives by increasing the competitiveness, capability and efficiency of local contractors. Strategic initiatives can sometimes focus on advanced capabilities but will in most cases require Government support to develop local capability.

3.3 Focused

Focused initiatives include all high value transactions with limited industrial leverage and medium to low strategic importance. These initiatives address short to medium-term contracts that can be leveraged to encourage Building Contractor's Development, with a focus on investment in technology or skills to enhance existing local capability. Emphasis will largely be placed on benefiting previously disadvantaged individuals. The overall result improves the socio-economic environment by creating competitive local suppliers and furthers objectives of empowerment, transformation and regional development.

3.4 **Small Enterprise Development**

Small Enterprise Development initiatives are typically of low value and have no industrial leverage as they are characterised by typically low complexity goods and high competition. These initiatives concentrate on increasing the capability of small local Building Constructors targeted toward historically disadvantaged individuals and communities, providing basic skills development and improving local employment and quality job creation. It includes a wide range of non-financial services that help entrepreneurs start new business and grow existing ones.

4 Opportunities Identified for Small Constructors

Based on opportunities identified for Small Constructors capabilities, they are expected to formulate a Small Development (**SD**) to identify the opportunities it will pursue. Ideally the SD Bid Plan should address factors that are specific to the applicable.

MCPF has identified a number of opportunities which may aid a Constructor in formulating its response based on each quadrant. Each of the opportunities identified by the Building Constructors should have a direct or indirect effect on the value it creates for the country/district in order to maximise the socio-economic impact.

4.1 Focused Areas

The strategic objective of focused areas is to assist MCPF to achieve its industrialisation objectives through the development of the local Business Constructors, in order to increase the cost efficiency of Building Constructors, support and maintenance programmes. In order to satisfy this objective a number of focus areas and key outcomes have been identified:

- a) Focus Areas -
 - Industrialisation
 - Capability and capacity building in South Africa
 - Technology transfer
 - Skills development related to the manufacturing process and the industry
 - Development of new technology and innovation
 - Investment in plant
 - Development of local companies aligned to empowerment objectives
- b) Key Outcomes -
 - Industrialisation
 - Manufacturing capability and capacity building
 - Technology transfer

- Skills development

4.2 **Strategic**

The main objective of Strategic transactions is to leverage local downstream building constructors through large-scale companies in order to develop a competitive local building construction base company. In response to these objectives the following are the specific focus areas and key outcomes applicable:

a) Strategic Focus Areas -

- Capability and capacity building in South Africa
- Transfer of technology and innovation to local building constructors from more developed constructors
- Skills development related to the industry
- Development of local companies aligned to empowerment objectives

b) Key Outcomes -

- Increased S.A. Building Constructors capability and capacity
- Increased technology transfer
- Skills development
- Job creation/preservation

4.3 **Focused**

Focused initiatives assist Building Constructors to improve their performance, enhance their existing skills capabilities with emphasis being placed on benefiting previously disadvantaged individuals and rural development. In order to satisfy these objectives a number of focus areas and key outcomes have been identified:

- Developing local Building Constructors base that supports preferential outcomes
- Developing skills within the specific industry
- Creating opportunity for job preservation
- Reducing income inequality in specific regions

Key Outcomes –

- Empowerment
- Skills development
- Rural development
- Job creation/preservation

4.4 **Small Business Development**

Enterprise Development (**ED**) objectives are centred around assisting Building Constructors to improve their skills by placing increased emphasis on benefiting previously disadvantaged individuals and rural development in line with the Broad-Based Black Economic Empowerment (B-BBEE) strategy.

The following focus areas and key outcomes have been identified:

Small Business Development Focus Areas –

- Providing small businesses with opportunities and preferential trading terms, increased focus on Black woman-owned enterprises, focus on the youth, people with disabilities and region-specific initiatives
- Empowering previously disadvantaged individuals to create their own businesses resulting in quality job creation
- Key Outcomes - □
 - Empowerment
 - Rural development
 - Skills development
 - Job creation/preservation

Based on these focus areas and key outcomes, a Building Constructor would need to actively focus on the specific requirements in order to maximise the potential commercial benefit for MCPF. In doing so value can be created across all lines of reporting resulting in continued relations.

5 **High Level Descriptions**

5.1 **Industrialisation**

Industrialisation refers specifically to industrial development that will result in leading capabilities within South Africa.

5.2 **Capability and Capacity Building**

Capability and capacity building refers specifically to development that focuses on value-added activities for the local industry through service-related functions.

5.3 **Technology transfer/sustainability**

Technology improvements are skills measured on transfer knowledge and to contribute towards capability building that will leads to improved efficiency and capability.

5.4 Skills development

Skills development indicates the company's commitment to education and whether that fits in with targeted groups (artisans, technicians, etc.). Consideration needs to be directed towards the adequate quality and value of skills so developed in order to allow for better evaluation in line with MCPF and Government's objectives.

Criteria	Description
<ul style="list-style-type: none"> ➤ Number of downstream supply chain individuals to be trained including: <ul style="list-style-type: none"> • Number of artisans trained • Number of technicians trained • Number of black people trained • Total number of people trained 	<ul style="list-style-type: none"> ➤ Number of individuals that the Building Constructor plans to train in the local industry over the contract period; training undertaken in the previous year will be taken into account
<ul style="list-style-type: none"> ➤ Number of company employees to be trained 	<ul style="list-style-type: none"> ➤ Number of individuals within the company (in South Africa) that the Building Constructors plans to train over the contract period; training undertaken in the previous year will not be taken into account as past employee training appears in the skills development pillar of the B-BBEE scorecard; criteria broken down as for industry training above
<ul style="list-style-type: none"> ➤ Certified training (yes/ no) 	<ul style="list-style-type: none"> ➤ Compliance with local and/or international skills accreditation
Criteria	Description
<ul style="list-style-type: none"> ➤ Rand value spent on training 	<ul style="list-style-type: none"> ➤ Total planned monetary value spend (as a % of contract value) on skills development /training for the contract period within the industry; money spent in the previous year will be included in year 1 to make allowance for Building Constructors who have just completed a training drive within the industry
<ul style="list-style-type: none"> ➤ Number of bursaries/ scholarships (specify field of study) 	<ul style="list-style-type: none"> ➤ The number of higher education bursaries/scholarships provided in the previous year and planned for the length of the contract
<ul style="list-style-type: none"> ➤ Number of apprentices (sector must be specified) 	<ul style="list-style-type: none"> ➤ The number of apprentices that the Building Constructor plans to enlist during the course of the contract
<ul style="list-style-type: none"> ➤ Investment in Schools in specific sectors e.g. engineering 	<ul style="list-style-type: none"> ➤ The monetary value that the Building Constructor is prepared to invest in the development and running of schools to increase technical skills development

5.5 Job creation/preservation

Job creation and/or preservation allows assessment of Government's objectives to increase labour absorption, focusing on unskilled workers and the youth.

Criteria	Description
<ul style="list-style-type: none"> ➤ Number of jobs preserved 	<ul style="list-style-type: none"> ➤ Number of jobs which would be preserved through Award of Contract
<ul style="list-style-type: none"> ➤ Number of jobs created including: <ul style="list-style-type: none"> ☐ New skilled jobs created ☐ New unskilled jobs created 	<ul style="list-style-type: none"> ➤ Number of jobs to be created during the period of the contract <ul style="list-style-type: none"> ☐ Jobs for people in a specialised field of work requiring a defined training path and / or requisite level of experience in order for them to perform that role. These people could be in possession of a certificate, diploma or degree from a higher education institution. ☐ Jobs for people where the field of work does not require extensive formal training or from whom no minimum level of education is required
<ul style="list-style-type: none"> ➤ Number of jobs created for youth 	<ul style="list-style-type: none"> ➤ Jobs created for individuals aged 16 – 35 years
<ul style="list-style-type: none"> ➤ Number of jobs created for Black youth 	<ul style="list-style-type: none"> ➤ Jobs created for Black individuals aged 16 – 35 years

5.6 Enterprise and Constructors Development

Small business promotion criteria give an indication of the Building Constructor's commitment to developing small business in line with NGP and Black-Broad Based Economic Empowerment (**B-BBEE**) requirements.

Criteria	Description
<ul style="list-style-type: none"> ➤ Percentage on commitment from: <ul style="list-style-type: none"> • Qualifying Small Enterprise (QSE) • Exempt Micro Enterprise (EME) • Start-ups ☐ B-BBEE Facilitators 	<ul style="list-style-type: none"> ➤ Refers to the planned business construction from small business as a % of the total planned
<ul style="list-style-type: none"> ➤ Sub-contracting 	<ul style="list-style-type: none"> ➤ Refers to sub-contracting to QSEs/EMEs that are preferably Black Owned, Black Women Owned, Black Youth Owned or owned by Black People with disabilities

➤ Non-financial support provided to small business	➤ Building Constructors will be credited for each non-financial Enterprise Development (ED) support that they are planning to give to small business e.g. Professional support; employee time allocated to assisting small business
➤ Financial support provided to small business	➤ Building Constructors will be credited for each financial ED support initiative that they are planning to undertake during the contract period e.g. Shorter payment terms; interest free loans
➤ Joint ED initiatives with MCPF	➤ The number of ED initiatives that the Building Constructors will jointly run with MCPF: <ul style="list-style-type: none"> • That are aligned to MCPF • That are non-financial in nature

5.7 Rural development/integration

Rural development / integration indicate the Building Constructors planned use of local labour and business which will contribute to Governments NGP objectives and result in supply chain efficiencies. Commitment to rural development will result in the alleviation of poverty and thereby contribute to development objectives. The development must be sustainable in order to have a long-term and meaningful impact.

Criteria	Description
➤ Number of local employees	➤ Number of people employed from within the town/city of operation
➤ Value spent on local business	➤ Monetary value spent on businesses within the town/city of operation
➤ Proximity of business to operations	➤ The locality of the business in relation to operations, preference is given for regional (provincial) locality
➤ Number of rural businesses to be developed	➤ The number of rural businesses that the Building Constructor plans to develop as a result of the contract
➤ Value of development to local community (sustainable)	➤ The monetary value spent on rural community development that will result in long-term social improvements

6 Market Intelligence Assistance

Building Constructors with limited knowledge of the local market, base its capabilities may require assistance in identifying local construction companies and the development needs in order to develop its Building Constructions Plan. The benchmarking tool focuses on:

- 6.1 Performance data relating to -
 - a) Financial performance
 - b) Customer data
 - c) Processes
 - d) Learning & growth
- 6.2 Company's current business situation -
 - a) Plans for the business and capabilities to manage their fulfilment
 - b) Ability to generate business
 - c) Employee relationships
 - d) Developing new markets
 - e) Developing products and services
 - f) Managing money

The benchmarking tool provides a basic framework through which an understanding of the South African market can be established. Whilst the list of criteria may not be exhaustive, building constructors can meet with further understand how they can work together to develop a deeper understanding of the market and the opportunities available.