

Micro-Enterprises To Get A Boost From Changes To Procurement Rules

Current regulation impeding the implementation of projects – Department of Public Works.

Roy Cokayne / 11 October 2019 00:06 No comments so far



It has been recommended that the 30% sub-contracting regulation be a condition of tender, which is likely to affect the activities of the so-called construction mafia. Image: Moneyweb

Government is looking to change procurement regulations to make it easier for micro-businesses to implement projects.

The Department of Public Works has recommended amendments to the 30% small, medium and micro-enterprise (SMME) sub-contracting requirement in the Preferential Procurement Policy Framework Act (PPPFA) regulations because implementing it was problematic.

Read: [How the construction 'mafia' business model jumped to other sectors](#)

Wasnaar Hlabangwane, chief director of construction management at the department, said this regulation resulted in more bidders being non-responsive, many bids being awarded at higher cost, and led to community unrest.

All of this also results in project stoppages and the lives of all parties involved in the project being placed at risk.

Hlabangwane told the Council for the Built Environment (CBE) Transformation Indaba this week the aim of the regulation is to transform the construction industry while uplifting the previously disadvantaged.

“Inadvertently the regulation is impeding the implementation of projects due to the vast number of non-responsive bids, resulting in missed employment opportunities either as direct labour as SMMEs or as suppliers.

“We have huge projects currently that we cannot conclude on the basis of these processes, which could be far better handled post the award.

“The budget has already been allocated by National Treasury but you cannot spend because of all these impediments but there are other factors as well,” he said.

Hlabangwane said insisting that main contractors had to enter into agreements with SMMEs at tender stage was totally impractical.

This is difficult as the list of SMME sub-contractors at this stage is bound to change, and the level of achievement would only be determined upon completion of the project.

It is estimated that 30-50% of SMMEs would be changed during the construction period for some period, he said.

Agreements entered into with SMMEs created expectations when it was not known which bidder would be successful and SMMEs incurred vast cost to re-register and become active in the hope of getting some work.

Hlabangwane said it also unfair to expect the bidder to enter into agreements with SMMEs prior to the invitation of bids or even just prior to award because in most instances the services of SMMEs would only be required after six months or up to three years after the commencement of the project.

Labour unrest

He stressed that in the event a tender was awarded to a bidder who had not sourced SMMEs from the “right area” or group in terms of locality of that particular project, it was guaranteed that there would be labour unrest and the project brought to a standstill by the local communities, resulting in huge financial costs to the state.

Hlabangwane said the bidder would be forced to source other SMMEs, which nullified the requirement of having to submit details and agreements prior to tender as a responsive criteria.

It was therefore recommended that the 30% sub-contracting regulation must be a condition of tender, which could be managed post-tender award through a transparent process, he said.

Transformation

Many other speakers bemoaned the lack of transformation in the construction industry.

Tasneem Motara, Gauteng MEC for infrastructure and property management, said that while some progress has been made, the South African built environment remains arguably one of the sectors within the country that still requires transformation.

“One of the barriers to transformation is the optimal functioning of the regulatory environment that governs businesses in South Africa.

“Built environment professional service providers, in particular those from historically disadvantaged communities, are in the most part negatively affected by these regulations,” she said.

Invisible barriers

Maphefo Mogodi, acting chair of the CBE, said it was obvious to everyone in the industry that there were some invisible barriers to transformation.

“The general feeling is that we need legislative changes, we need to change the way we do business and above all we need things to be monitored because if you intend to change something, you must monitor and evaluate it and come up with corrective measures to ensure you actually realise your objective,” she said.

Priscilla Mdlalose, chief executive of the CBE, said legislation such as the Preferential Procurement Policy Framework Act (PPPFA) and Broad-Based Black Economic Empowerment Act (BBBEE) were created to redress the imbalances of the past but had not yielded the desired outcomes for built environment professionals.

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