

BUILDING ON OUR INFRASTRUCTURE HERITAGE

Biennial Symposium: 26 – 27 May 2015



Technical Delivery of Infrastructure Projects Whilst Meeting Socio-Economic Criteria – A Risk Management Process

Mr Fana Marutla Pr Eng

Senior Associate - Rail Sector, GIBB

&

Dr Bridget Ssamula Pr Eng

Market Sector Lead – Aviation & Freight Rail, AECOM



RAILWAY & HARBOUR DIVISION



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Background

1.1

Social
Development

- Historically project success has been measured by time, cost, quality and budget.
- Socio-economic needs, however, suggests that project success should be measured by the project's ability to meet socio-economic objectives over and above the traditional ones.
- World Bank (WB):
 - Program level: Social analysis in the implementation of 'WB' projects is defined under the framework through Poverty and Social Impact Analysis (PSIA).
 - Country level: Country Social Analysis for Bank supported projects → Focus on social development concerns in a project cycle.

1.2

Paper Focus
Areas

- The paper focused on assessing the implementation of social and environmental objectives in South Africa through large infrastructure projects (limited to the recent Gautrain and Transnet projects) .
- The risk management process of implementing the social agenda in these projects is the major outcome of the paper.

The World Bank (1994) report on linkages between transport and economy states that transport helps an economy in the following ways:

- Giving access for people to engage in income-generating activities, access to services or engage in leisure services.
- Transport serves as part of a supply chain process in trade, manufacturing and production of goods and services. As such improving transport may lower the cost of production of the good or the cost of logistics in delivering the good to the end market.
- On a national level, improved transport increase trade and competition. Countries that have efficient customs, good transport networks and fewer document requirements – making compliance with export and import procedures faster and cheaper – are more competitive on a global scale.
 - Globally this leads to more exports - and exports are associated with faster economic growth and more jobs.

South Africa: National Development Plan (NDP)



- *“No political democracy can survive and flourish if the mass of our people remain in poverty, without land, without tangible prospects for a better life. Attacking poverty and deprivation must therefore be the first priority of a democratic government.” – RDP, 1994*
- *NDP Objectives:*
 - *Creation of 11 million jobs by 2030.*
 - *Unemployment reduced from 27% in 2011 to 14% in 2020 and 6% by 2030.*
 - *GDP to increase by 2.7 times in real terms, requiring an average annual growth of 5.4% over the period.*

Source: National Development Plan, November 2011

Gautrain



During its development phase (Sept 2006 – June 2012), this Public Private Partnership between the Gauteng Provincial Government and the Bombela Concession Company presented various opportunities, including empowerment of its citizen.

Description (Sept 2006 - June 2012)	Target	Actual	Achievement
Procurement from or sub-contracted to black entities	R 2 520 million	> R5 350 million	390 black entities benefited
Procurement from or sub-contracted to new black entities	R 1 300 million	> R2 610 million	120 new black entities benefited
Procurement from or sub-contracted to SMMEs	R310 million	> R1 370 million	> 310 SMMEs benefited
Job creation (personnel based in South Africa)		36 920 jobs	
Job creation (South Africa citizen)	18 280	33 100 jobs	181%
Job creation (HDIs)	13 030	28 350 jobs	218%
Job creation (Women)	1 305	3 290 jobs	252%
Job creation (people with disabilities)	160	220	138%

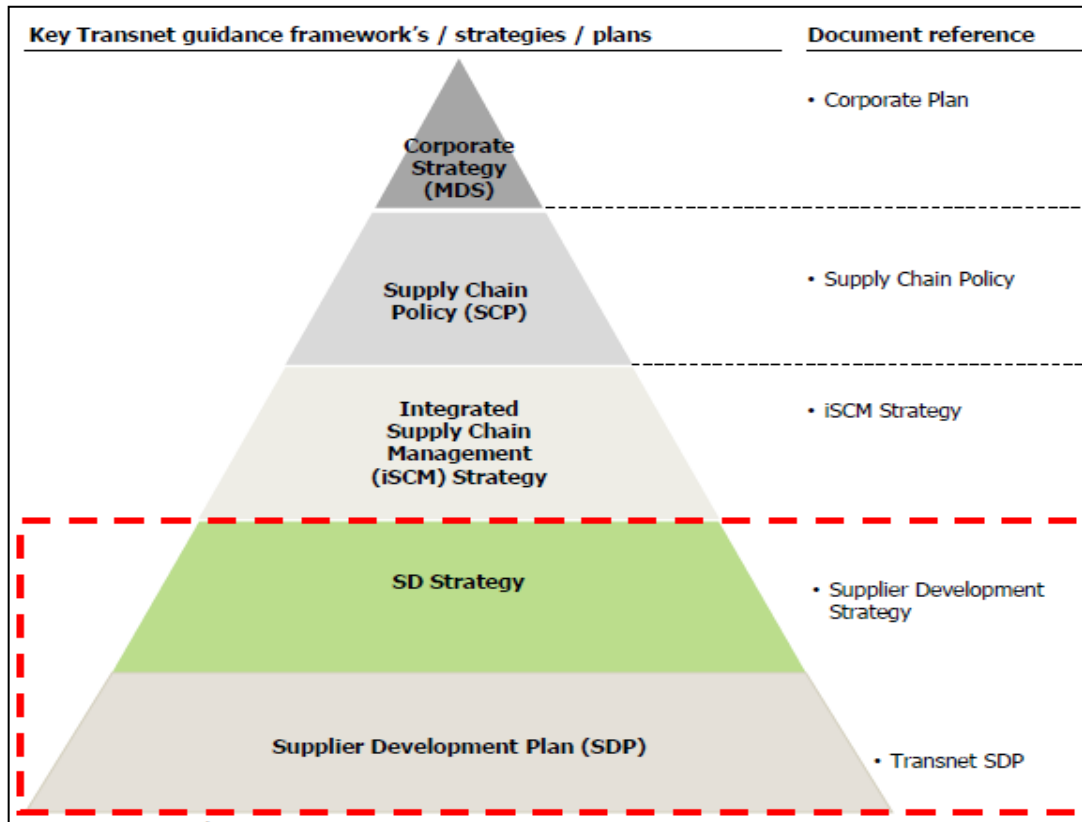
Source: Gautrain (van der Merwe, et al, 2012)

Coega Development Corporation (CDC)



- The Coega Industrial Development Zone (IDZ) is one of South Africa's premier location for new industrial developments.
- The CDC is the licensed developer and operator of the IDZ's 11 500Ha of land and have created the necessary infrastructure and facilities to offer potential investors 6 443Ha of prime lettable industrial space.
- Since inception (15 yrs ago), 47186 construction and 4409 operational jobs have been created.

Description	2012/13 Target	2012/13 Actual	Achievement
Revenue	R230mn	R290.8mn	126%
Number of signed Investors	7	8	114%
Investment Value	R1.7 bn	R1.21bn	71%
Job creation	10 056	13 569	134%
Number of people trained	10 826	13 607	126%
Number of Interns	73	124	170%
Driver training	300	398	132%
SMMEs Procurement	35%	41%	117%



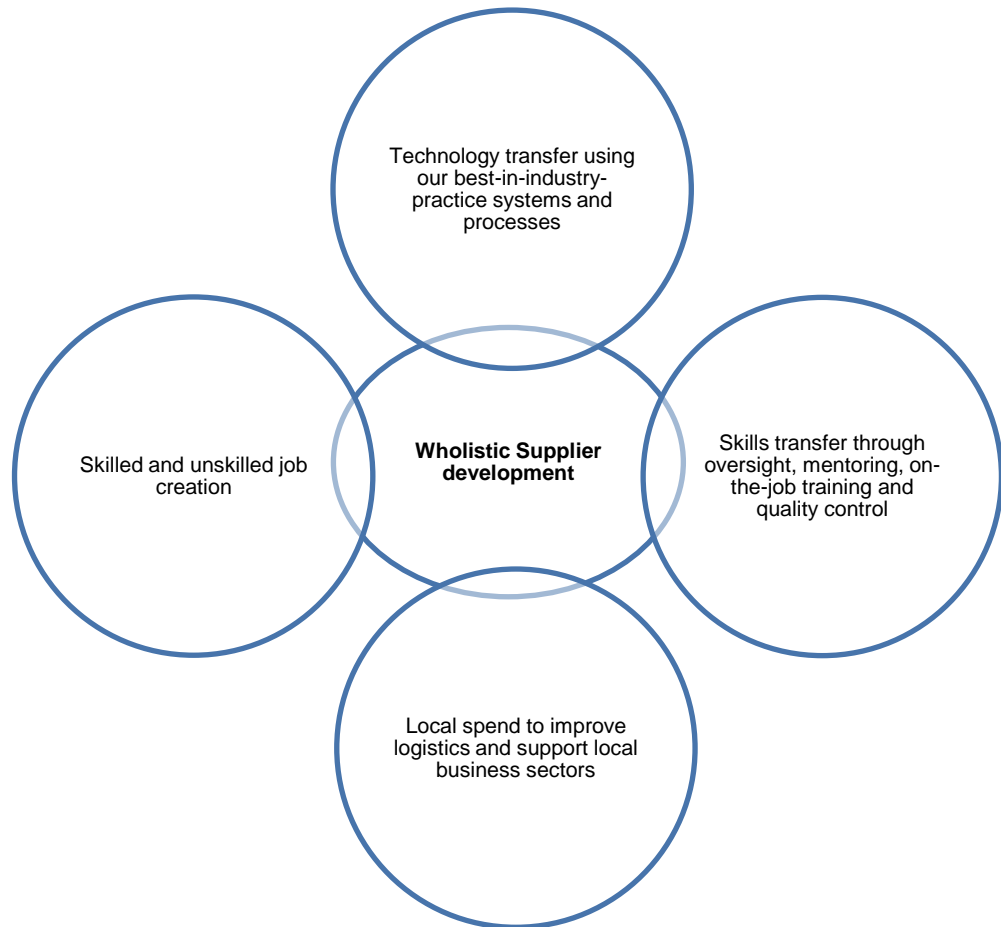
- Transnet's mandate is to lower the cost of doing business in SA whilst promoting shared growth and transformation.

- The SD strategy is aimed to achieve the Government's objectives of job creation, industrialization, skills development and transformation.

Source: Transnet

Pillars of Supplier Development

- One of the pillars of supplier development that Transnet emphasises to be met in its infrastructure implementation is skills development.



Pillars of Supplier Development (cont)

Job creation/ Retention/ Preservation: The increase in the number of jobs by the service provider/contractor as a result of the award of business from Transnet.

Small business promotion: The strategy is to encourage growth and expansion of emerging micro-enterprises, qualifying small enterprises and start-ups through procurement and support mechanisms provided during the contract period.

- Recent projects at implementation stage have seen Transnet dictate as a high as 30% of Black Owned (BO), Black Women Owned (BWO), start-ups and 100% Generics.

Pillars of Supplier Development (cont)

National Spend: Value-add activities of the local industries through manufacturing or service related functions.

- Inclusion of local suppliers in the supply chain of the procurement spend.

Regional Spend: Planned % monetary spend on procurement of goods and services from SA owned suppliers within a region/ local area where project works are being executed.

- The intention is to improve local economic development and encourage community participation through project implementation.

5 SD Implementation: A Risk Management Approach



5 SD Implementation: A Risk Management Approach (cont.)

Objectives of the risk management framework in the implementation of SD:

- Restrict new hires on the project to qualifying individuals.
- Prioritise and engage qualifying small businesses.
- Include mentoring and skills development in the resourcing plan.
- Employ an independent company to monitor, audit and ensure compliance.
- Formalise the skills development and mentoring process using structured professional accreditation programs.
- Engage technical teams earlier in the resourcing plans and the implementation plan.
- Compile a database of qualifying small enterprises and black businesses that also qualify for regional spend.

5 SD Implementation: A Risk Management Approach (cont.)

Component	Detail Required	Risk Mitigation
Supplier Development Management Systems	<ul style="list-style-type: none"> • Contract management: performance, scope, etc. • Cost management: invoices, cash flow, etc. • Document management: Evidence, Report. • Quality Assurance 	<ul style="list-style-type: none"> • Online system that is easy to link into and provide reporting information. • Independent audit process • Build a portfolio of evidence.
Job creation, Preservation, Retention	<ul style="list-style-type: none"> • Contracts for new and retained jobs. • Project roles and hours • Candidate profiles • Preserved jobs and project roles • Skilled & unskilled profiles 	<ul style="list-style-type: none"> • Pre-planning job designations in the resourcing plan for supplier development for all project phases.
Small Business Promotion & Local Spend	<ul style="list-style-type: none"> • Company compliance: taxes, BBBEE, etc • Financial Support • Non-financial support – mentoring, oversight teams • Contract scope • SD compliant database 	<ul style="list-style-type: none"> • Compile a database that allows SD compliant companies to register and be audited. • Technical teams need to pre-plan based on companies available
Skills Transfer	<ul style="list-style-type: none"> • Accreditation programs • Work-based training • Performance management (sub-consultants) • Skills development program plan 	<ul style="list-style-type: none"> • Identify train the trainer skilled individuals in the resourcing plan • Reduce subjectivity of the training and make it structured
Technology Transfer	<ul style="list-style-type: none"> • Business Process Training – cash-flow management, pay-rolls, etc. • Software training (e.g. PRIMAVERA, MICROSTATION, etc) • Project reporting systems 	<ul style="list-style-type: none"> • Identify technology and IP training and software transfer that can be utilised.

6 Conclusions

- SD needs to be run as an independent project management program with key linkages to the components of supplier development.
- The team needs to be fully aligned in their understanding of what constitutes and qualifies as supplier development spend and what deters it.
- The use of a transparent SD management system that can be used as a repository of information, qualifying and approved SD beneficiaries and a report template should be setup to make SD as easy to report on.
- The project specific SD strategy, implementation plan, spend calculations and portfolio of evidence should be agreed by the project team and client beforehand so as to manage risk.