



Advertorial

Coega, DRPW partnership benefits construction SMMEs on the REDP

AUGUST 9, 2012: A PIONEERING partnership between the Coega Development Corporation (CDC) and the Eastern Cape Department of Roads and Public Works (DRPW) is pushing the envelope when it comes to Small, Micro, and Medium-sized Enterprise (SMME) development in the roads construction industry.

As a result, the community of the Eastern Cape has welcomed the initiative as they continue to directly benefit in terms of work opportunities, training, and support of the local economy, said the CDC.

The Roads Enterprise Development Programme (REDP) is a ground-breaking initiative which sees the dual benefit of roads construction in the Eastern Cape and simultaneous training and development of SMMEs. The enterprise development programme targets contractors, material suppliers, quarry operators, plant hires, consultants and mechanics on road infrastructure construction and maintenance in the region. An overall 80% of the total roads construction projects have been awarded to SMMEs over the past year.

“The REDP is equipping Eastern Cape roads construction companies – particularly SMMEs – with skills and experience that will enable them to grow as enterprises. It is also empowering them to provide the critical infrastructure needed in the province,” said Ayanda Vilakazi, CDC head of marketing and communications. “This approach ensures delivery and high impact skills development.”

The R500-million per annum programme has yielded significant results when it comes to expenditure, with SMMEs securing 80% of the total yearly funds.

“In the 2011/12 financial year over R310-million was paid out to SMMEs, with main contractors receiving just over R61-million. The REDP has an 80/20 rule where 80% of the funding is earmarked for SMMEs with other main contractors receiving the balance,” said Vilakazi.

“The impacts are staggering and filter down through the construction companies to workers and families – not to mention the benefits that thousands of people gain from the newly constructed or improved roads system.”

“This project is really important to the communities as it bridges the gap between poverty and meeting basic needs, both tangibly and intangibly. The roads provide a bridge through which people can access employment opportunities, youth can access education, and the focus on SMME development means that contractors can employ and train local people.”

In the current financial year a total of R124-million has been paid to SMMEs and just over R30-million to managing contractors. The ripple effect moves through backward and forward



linkages in the construction industry supply chain and the REDP's bearing on socio-economic development is particularly patent when one starts to look at the numbers, the CDC believes.

It has created 1257 jobs in the first year of its implementation. It has also seen work opportunities awarded to 216 SMMEs in the construction and related industries. The impact is boosted by 100% SMME participation in roads maintenance contracts, reseals and social facilitation.

A local entrepreneur from Dutywa has said that the programme has given his company "huge potential for growth". "At the beginning of the contract we were a Construction Industry Development Board (CIDB) level four. With the help of this contract we have moved up to a level five and round about next year this time we hope to move up to a level six," said Phindile Qwesha, owner of PE Qwesha Business Enterprises, which is performing a routine maintenance contract on the roads R408 and R409 near Butterworth.

Qwesha has managed to employ 62 people as casual labourers and 13 on a full time basis, including three managers, a health and safety officer and a site foreman. "The real impact is on families," said Qwesha. "There are quite a lot of happy families out there because of the income this project generates for our labourers."

PE Qwesha Business Enterprise also sources labour from the surrounding community where the company is building roads, meaning that the economic spinoffs roll into the local community. "Our presence here also means that people spend money in local shops and a significant amount of money has also gone into local accommodation establishments who provide us with a place to stay while working on the project."

He added that being part of the REDP initiative had been a "tremendous experience" for his company and for each employee. "The experience has been so good – this is our first project on black (tarred) top roads; we used to do yellow (dirt) roads, so we are really growing as a company."

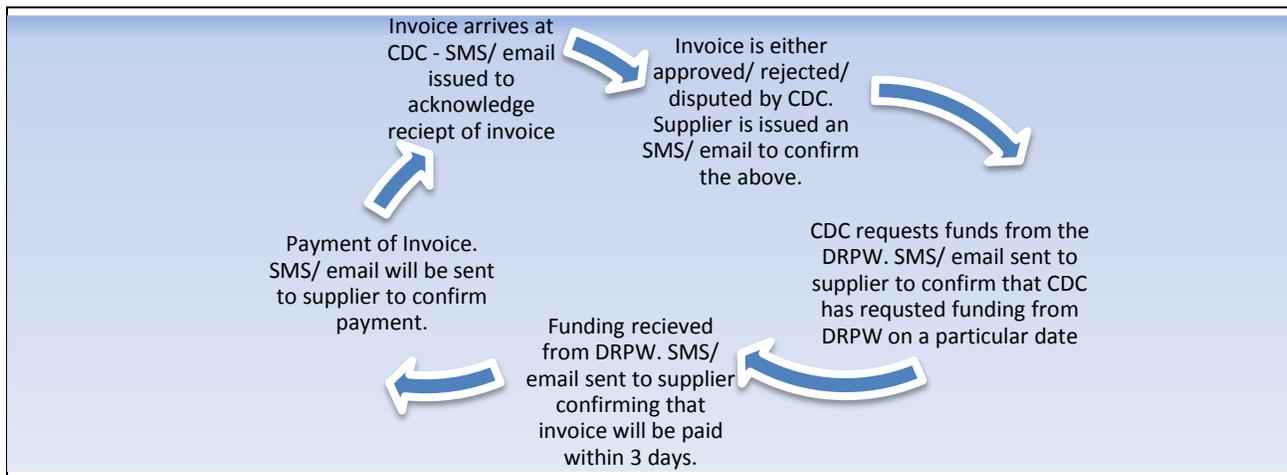
The three-year contract between the CDC and DRPW was signed in March 2011, with the CDC taking on the role of an implementing agent. A training and developmental plan was established and SETA accredited training then rolled out using FET Colleges. A total of 891 people in three districts in the Eastern Cape immediately received both technical and soft skills training. The CDC boasts a database of 765 REDP suppliers in various grades starting from Grade 1 up to Grade 7 as per the Construction Industry Development Board (CIDB) grading levels which can work on the programme.

"The complexity of the REDP programme has presented significant opportunities but also some obstacles," added Vilakazi saying one of which was the management of timeous payment of contractor invoices.

To address this challenge, “the CDC has implemented an expedient solution that provides REDP contractors with real-time updates on the progress of their payment through an information communication system that includes an SMS and email update services and a well-resourced call centre. The contactors on the REDP programme can contact Coega via the call centre 041 403 0693”.

The system is based on a set of key communication touch points at which the REDP suppliers are informed – via SMS or email – of how far along in the process their payment is.

COMMUNICATION PROCESS



“The newly established process enables contractors to plan their cash flow around expected payment dates– another key skill in managing a business they learn on the programme,” added Vilakazi.

The CDC believes this approach has enhanced its relationship with the REDP contractors and also strengthened organisational processes for both this programme and future integrated project management initiatives.

The REDP programme is being rolled out in all district municipalities in the Eastern Cape including Joe Gqabi, Chris Hani, Alfred Nzo, Cacadu, Amathole and OR Tambo. It also includes the Nelson Mandela Bay and Buffalo City municipalities.

Another contractor on the programme, M3yam Civils CC managing director Thobela Mwezo has hailed the programme as “brilliant”.

“This definitely is a great programme in that it assists small businesses with skills development, this is something that you cannot trade, it remains with you. Our way of doing business has changed through this programme because we are taught various aspects of running our businesses,” said Mwezo.



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