



EXPANDED PUBLIC WORKS SUPPORT PROGRAMME

LARGE INFRASTRUCTURE PROJECTS: SCALING UP THE EPWP

PHASE 1:

Report on Phase 1 Preliminary Project Scan and Large Contractor Engagement

22 September to 19 October 2005

1. INTRODUCTION

At the recent Cabinet Lekgotla, a decision was taken to increase the impact of the EPWP and other second economy interventions. Indications are that some of the concerns of Cabinet which need to be addressed are:

- that the numbers of jobs being created by the EPWP is too small in relation to the scale of unemployment;
- that the EPWP is not visible enough;
- that EPWP projects tend to be small (especially infrastructure projects), eg upgrading only a couple of km of a road instead of upgrading a complete length of road;
- that the impact of the EPWP needs to be increased.

There is also an indication that additional funding might be made available to expand the EPWP, although this would be subject to Treasury approval.

The purpose of the assignment was thus to identify possible initiatives to address Cabinet's concerns and this report covers the first phase of the assignment.

This phase comprised a scan of key municipal and provincial departments to identify possible labour-intensive infrastructure projects and programmes, for which funding is not available, or for which insufficient funding is available, or which could be expanded over the next five years with additional funding. The work was undertaken by six teams focusing on the following areas:

- Eastern Cape
- Western Cape
- Free State and Northern Cape
- KwaZulu Natal
- Gauteng and Mpumalanga
- Limpopo and Northwest

Information was collected for each area and covered the following broad aspects:

- Description of the project/programme.
- Project status:
 - o Funding secured and designs in progress/completed
 - o Project identified but not yet funded
 - o Project responding to a specific need but not yet structured

- Project implementing agent (including budget and expenditure of the project implementing agent to assess the capacity for absorbing additional funding).
- Approximate project cost and construction/maintenance programme.
- Approximate value of project cost that can be undertaken using labour based construction methods.

2. PROCESS

A range of engineering consultants practising in the respective Provinces and major municipalities were identified. A selection process taking cognisance of the consultants experience, network with relevant authorities, ability to undertake the scans in the limited time period and proposed fees resulted in professional (local) consultants being appointed for the respective Provinces. A list of the consultants and contact details is attached as Annex 1.

To facilitate the co-operation of the relevant authorities, the consultants were also provided with a letter from National Department of Public Works: EPWP Unit. This is attached as Annex 2.

The project scan, dissemination of project data sheets and interim briefings to National DPW: EPWP Unit took place over a 5-week period in September and early October 2005.

3. SUMMARY RESULTS OF PROJECT SCAN

Attached as Annex 3 is the project list compiled from datasheets assembled by the local consultants. The potential projects are all those that are still in preliminary planning stages and, in most cases, are not yet recorded as EPWP projects.

The list should be accepted as a high level indication of potential projects. In this regard, it indicates potential for significant investment / funding into large infrastructure projects and scaling up of the EPWP.

a) Overall Summary

Estimated Total Value of Potential Projects:	R12,052 billion
Estimated Total Funding Required:	R9,158 billion
Estimated Total No. of Potential Projects:	246
Estimated Total Labour Based Construction Component Value:	R2,372 billion

b) Project Value Components

- **> R100 Million Projects:**
- No. of potential projects exceeding R100 million: **21**

- Total component value:	R5,083 billion
- Percentage of component value / overall value:	42%
- Estimated labour based construction component value:	R0,874 billion
➤ Between R30 Million and R100 Million Projects:	
- No. of potential projects between R50 and R100 million:	51
- Total component value:	R4,562 billion
- Percentage of component value / overall value:	38%
- Estimated labour based construction component value:	R0,955 billion
➤ Less Than R30 Million Projects:	
- No. of potential projects less than R30 million:	174
- Total component value:	R2,405 billion
- Percentage of component value / overall value:	20%
- Estimated labour based construction component value:	R0,541 billion

Several of the projects in the R30 to R100 million range comprise a cluster of small projects currently planned. This "1st cut" clustering has in general been made in accordance with common implementer / utility, eg Joburg Water undertaking several water reticulation projects in different locations, ie the combining of future projects into one contract seems acceptable, in principle, with some local authority utilities. In some locations, however, provision of sanitation is also required and, ultimately, a sewer and water project for one specific local area could be a more practical cluster / implementation arrangement. The clustering concept may need to be interrogated further when the next phase of this assignment, or variation thereof, is undertaken.

In conclusion, the results of the project scan have been used by National DPW: EPWP Unit to further inform and support proposals it is developing for Government to consider the establishment of a large infrastructure project funding mechanism. To this end, the mobilisation of the inherent and locally under-utilised capacity of the large contractors would be required.

4. ENGAGEMENT WITH LARGE ESTABLISHED CONTRACTORS

For initial collective engagement with the established contractors, a briefing document was proposed – see Annex 4. This was prepared in light of Government's multiple objectives, including large scale delivery of infrastructure, job creation and Black economic empowerment. Proposals have identified high level funding and project specifications and criteria in order to facilitate the attainment of these objectives. The proposals are, however, dependant on the correct structuring of tender / contract documentation and procurement processes.

The resultant key items for discussion with large contractors were:

- The scope of the contractual and operational aspects required of the large (main) contractors, taking cognizance of given criteria and nature of EPWP.
- The most suitable procurement process to be adopted given the above item as well as compliance with prevailing procurement regulations, particularly competitive building and the EPWP Tender and Design Guidelines.

Alternative forms of competitive bidding procurement processes put forward were:

- Conventional public open tender based on reasonably complete designs, specifications and schedule of quantities, where quantities do not generally separate out labour, plant, material and overhead components.
- Above, but for selected / invited tenderers.
- Two-stage tender process where several tenderers are pre-qualified on high-order criteria, schedule of rates, etc, usually for design, etc, that cannot be completed in sufficient detail before construction commences.
- Direct negotiation on a cost-plus basis but where the “plus” is bid on a competitive basis.
- Hybrid of some of the above components.

Further discussions have been held and a final “position paper” is currently being drafted. This will then be put forward to the EPWP Unit of National DPW.