

**ADDITIONAL INFO AND NOTES
ON THE ESTABLISHED MAJOR CONTRACTORS
PARTICIPATION IN THE
LARGE SCALE EPWP INFRASTRUCTURE PROJECTS**

Expanded Public Works
Support Programme
A Project of the Business Trust

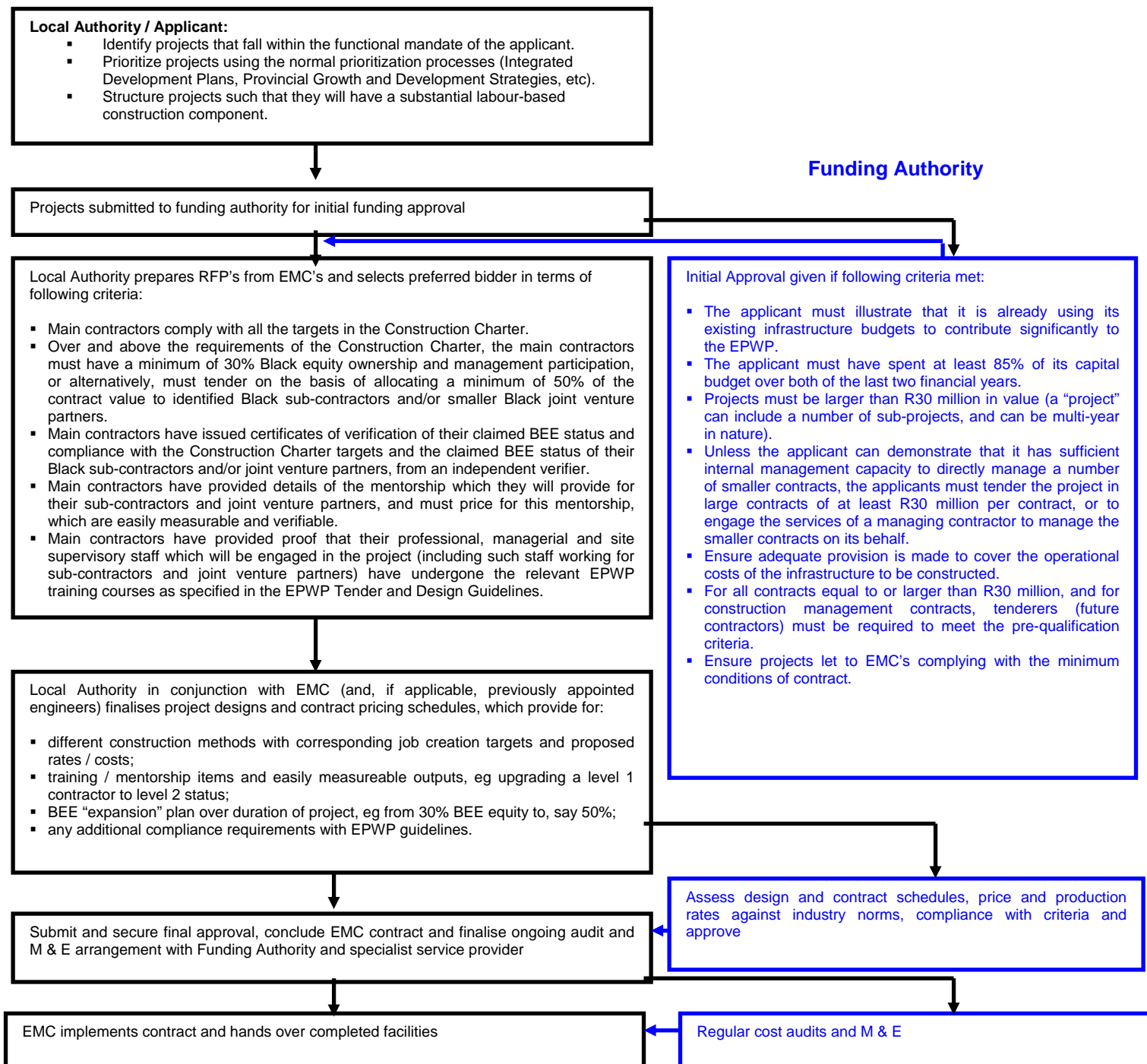


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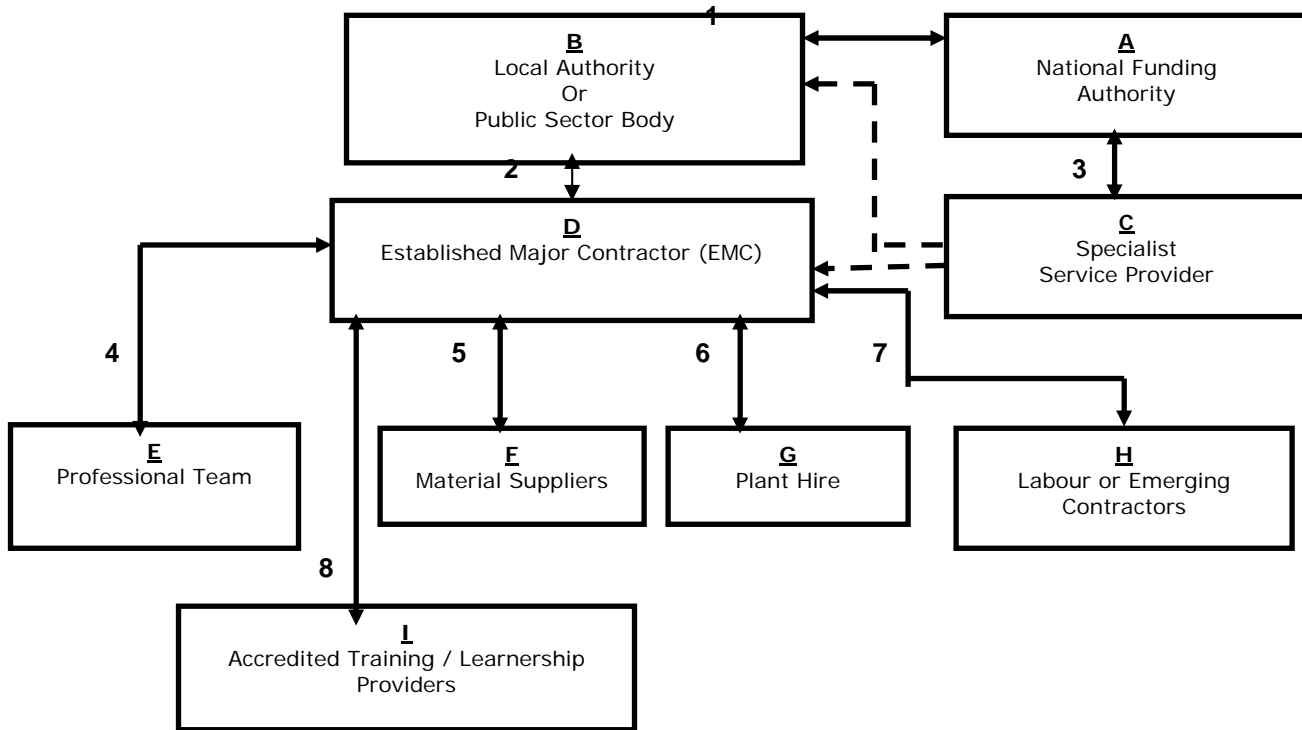
1 Anticipated Project Funding and Procurement Process (Flow Chart)

Implementing Agent / EMC



2 Participants', General functions and Contractual Obligations

Given schematically below is the general scheme of arrangements of the anticipated participants in the large infrastructure projects in terms of the Expanded Public Works Programme. The letters in the blocks relate to the participants and the numbers on the arrows relate to the contractual arrangements. Explanatory notes on the function and the contractual arrangements are given further below.



2.1 Participants' and General Functions

A) National Funding Authority:

The relevant National Department administering existing or supplementary funding mechanism specifically targeted at large EPWP infrastructure projects.

The general functions would be:

- Receive funding applications are by local government or public sector bodies for large EPWP infrastructure projects based on conceptual / preliminary project planning.
- Assess and approve funding applications in terms of key criteria, ie projects do not have to be planned and designed in detail before applications are made.
- Receive finalised designs and EMC contract documentation for independent (specialist) audit and final approval and funding release.
- Appoint specialist independent service providers for initial and ongoing contract auditing and monitoring and evaluation.

B) Local Authority or Public Sector Bodies:

The relevant applicant and public sector implementing agent of the approved large EPWP infrastructure projects. The general functions would be:

- Identified projects must fall within the functional mandate of the applicant.
- Submitted projects must have been prioritized using the normal prioritization processes (Integrated Development Plans, Provincial Growth and Development Strategies, etc).
- Structure projects such that they will have a substantial labour-based construction component.
- Ensure adequate provision is made to cover the operational costs of the infrastructure to be constructed.
- Ensure projects let to EMC's complying with the minimum conditions of contract.
- Perform the relevant contract / financial administration for the contracts to ensure progress payments, etc, are effected and take handover of completed facilities.

C) Specialist Service Providers:

Independent specialist appointed by the funding authority whose functions are:

- Assist local authorities, where necessary, in procuring construction contracts with EMC's.
- Certify / confirm schedules of EMC's rates, production targets / task orientated schedules, etc, against industry benchmarks.
- Perform regular audits on costs against contract schedules during construction and certify final accounts.

D) Established Major Contractor (EMC):

The EMC would undertake the required construction or design and construction (turnkey contract) of the infrastructure project. The former would be in cases where infrastructure projects are already in detail design stage (consultants already appointed by implementing agent). The latter would be for projects that have received initial funding approval but not yet in design stage.

The envisaged overall contractual and operational / management obligations and functions of large contractors are:

2.2 Contractual Obligations:

Assume all contractual risk and obligations that would include:

- Performance / Financial:
 - performance guarantee
 - works insurance
 - retention
 - penalties
 - defects liability period
 - latent defects liability period
- Administration:
 - payment frequency
 - payment terms
 - number of payment certificates per construction contract

- Operational:
 - quality and workmanship
 - site safety and health
 - site security for materials
 - provision and maintenance of site facilities
 - recovery of deductibles for JDA arranged works insurance

Operational and Management Functions:

Assume full responsibility in performing the following management and operating functions:

- sub-contractor / SMME identification, pre-qualification and negotiation processes
- sub-contractor training, training courses, etc
- site establishment and maintenance
- material procurement (own and sub-contractors)
- material administration (own and sub-contractors)
- plant hire and utilisation
- sub-contractor measurement and payment
- site safety and security
- site administration and reporting
- construction quality control
- liaison with affected stakeholders

In respect of turnkey projects, the detailed designs and contract schedules (pricing schedules) would need to provide for:

- different construction methods based on alternative material / manufactured components and labour versus plant;
- schedule of estimated job creation outcomes against the different methods of construction.

In respect of the EMC's functions, it would therefore have to appoint, or procure and manage the following:

- professionals for designs of the works (**Participant E – Professional Team**)
- accredited training providers to provide the necessary training / learnership courses (**Participant I – Accredited Training / Learnership Providers**)
- smaller / emerging contractors that could well comprise material suppliers, plant hire and labour entities or an combination of all (**Participant F – Materials Supplier, G – Plant Hire & H – Labour or Emerging Contractors**)

Typical Contracts / Agreements:

- Point 1:** Funding Agreement between Funding Authority and Implementing Agent (Local Authority).
- Point 2:** Construction Contract (or Turnkey) between Local Authority and EMC.
- Point 3:** Appointment / Service Level Agreement between Funding Authority and Specialist.
- Point 4 to 8:** Sub-Contracts and Service Provider Agreements between EMC and emerging / small contractors and accredited training servicing providers.