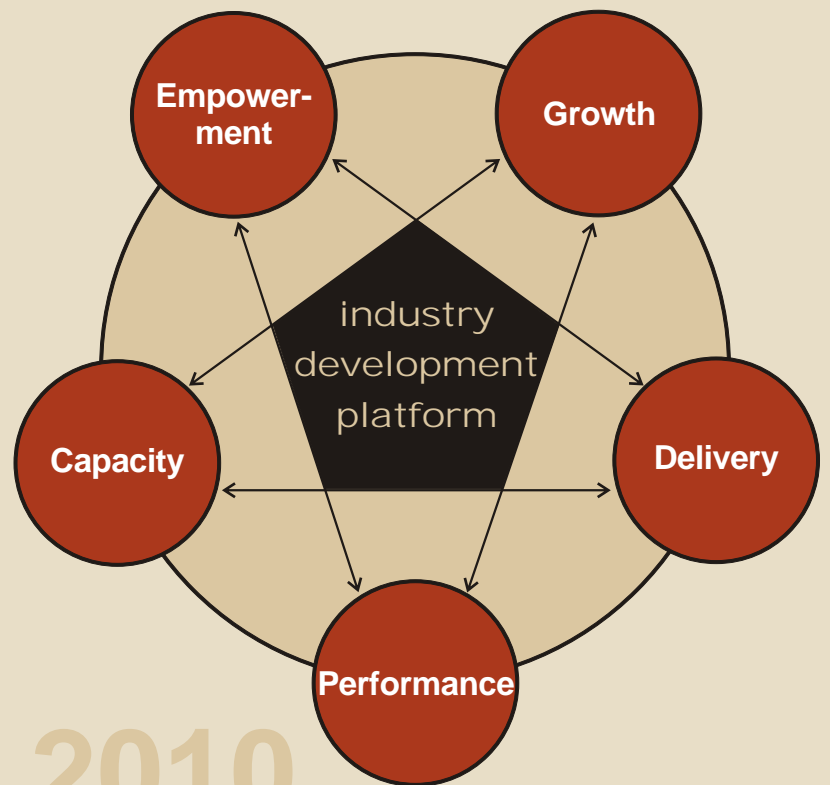




Annual Report 2005/2006
of the
Construction Industry Development Board



2010

Our commitment is unwavering!



Minister of Public Works, Thoko Didiza (MP), together with cidb CEO, Spencer Hodgson, and chairman of the cidb Board, Pepi Silinga, share a light moment during a board meeting this year.

"South Africa stands ready to scale to another level of greatness and achievement. The curtain has come down on the Soccer World Cup 2006 and the attention of the world has now shifted on to 2010. Between this special place on the global stage and where we find ourselves today stands the construction industry with its enormous potential on the one hand and significant challenges on the other hand.

Together with the cidb we have mapped a critical path to transform and harness this vital sector at the heart of the South African economy."

Thoko Didiza
Minister of Public Works

cidb is constituted to lead construction industry development in South Africa

Our aim: a regulatory and development framework to build

- a total construction capability for South Africa's social and economic growth
- a proudly South African construction industry that delivers to globally competitive standards.

Our focus: development for

- sustainable growth, capability and empowerment,
- improved industry performance and best practice
- a transformed delivery environment underpinned by consistent and ethical procurement practice
- enhanced value to clients and society.

Our people: drive this vision

- united by common values, the ethos of effective partnership and a "can do, will do!" commitment.

Our organisation is structured for enhanced delivery and service in the development of SA Construction - and accelerated and shared growth

The Construction Industry Development Board (cidb) is a Schedule 3A public entity established in terms of the CIDB Act, 38 of 2000 to provide leadership to stakeholders for sustainable growth, reform and improvement of the construction sector and the industry's enhanced role in the country's economy. The Board is appointed by the Minister of Public Works.

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Chairperson's Statement



*Pepi Silinga
Chairperson of the cidb*

South Africa is on the threshold of an exciting decade of growth, driven by probably the largest public investment in infrastructure the country has ever seen. This bold investment choice reaffirms government's commitment to the infrastructure needed for accelerated and shared growth. It is also an expression of confidence in the construction sector and its ability to optimise this capital investment. Specifically, in order to roll-back the infrastructure backlogs, government is determined to increase public sector capital budgets at an unprecedented rate of 10% - 15% per annum, rising to 6,7% of GDP in 2008 and aspiring to 8%.

This challenge tests, but also enlivens the Construction Industry Development Board (cidb) in its role to promote the industry's contribution to national growth and development. Completing the year with significant achievements to its credit, the organisation is also well aware of the need to expand and improve its service to a broad spectrum of stakeholders as they engage the transformation process required for growth.

Strategic Partnerships

Rigorously interacting with these stakeholders, the cidb's mandate has taken it along a path of creative interventions that has seen several initiatives bearing fruit during the past year. Three areas, in particular, have given me cause to be enormously proud of the organisation, its people and its partners - contractor development, construction procurement reform and public sector delivery capacity. Together, and integrally connected, these interventions have laid a solid platform for sustainable industry growth and transformation.

But while success is celebrated, the organisation has listened seriously to feedback - from clients, from contractors, from the industry - as to where it can improve its performance and better carry out its mandate.

Success in human endeavour has always come to those who have understood the fundamental principle of change - that new challenges demand new responses. Continuing with once successful responses to new challenges leads only to diminishing returns and ultimately to failure. I believe the cidb has understood this principle of progress and responded appropriately.



"We submit this annual report in special tribute to the role played by the late Stella Sigcau, Minister of Public Works."

Pepi Silinga
cidb Chairperson

Looking Ahead

Looking ahead, the cidb is at the heart of government initiatives that are key drivers of the 6% national growth target for the next five years and the goal of reducing unemployment and halving poverty by 2014. The Accelerated Shared Growth Initiative for South Africa (ASGISA), hinges on managing accelerated investment in infrastructure, which must be delivered and maintained by an efficient and skillful construction industry and its client base. The construction registers service now provides detailed information to support targeted contractor development. The national audit of construction skills nearing finalisation will enable fresh approaches to the skills challenge.

Optimising capital investment requires more from the industry than the delivery of bricks and mortar. It embraces the delivery of value to society, including cost effectiveness, quality, employment, safety and health issues that are currently impacted by low levels of industry investment in people and skills. Building on the commitment of the Construction Charter, the time seems right for SA Construction and its stakeholders to set concrete targets for both enterprise and workforce skills development.

In alignment with the vision for its establishment, the cidb will expand its outreach to support the critical role played by construction in the lives of people and in delivering a better life for all.

Acknowledgements

I am privileged to chair an organisation that is relatively small in its staffing but substantial in its impact. This is the result of focused interventions, strategically managed. I am deeply grateful to all the cidb staff, my colleagues on the Board and the Chief Executive Officer for a year of excellent achievement. On behalf of the Board and executive, it is therefore a particular honour to present this report to our new Minister, Thoko Didiza. Her vigorous leadership will be instrumental in guiding our transformation objectives, including those of the Construction Charter.



Pepi Silinga
Chairperson



CEO's Report



*Spencer Hodgson,
CEO of the cidb*

The Construction Industry Development Board (cidb) enters its fifth full year of operation ready to expand on the development framework envisioned in parliament's founding mandate.

Driven by a year of intensive roll-out, enabling legislation is redefining the environment for construction and the delivery of infrastructure to support South Africa's accelerated and shared growth initiative. Streamlined procurement, the Construction Registers Service and improving delivery capacity establish a platform for sustained industry growth to 2010 and beyond.

The systemic change of the past year has been a challenge to all associated with it across the country. Implementation, underpinned by capacity building, has required relentless effort by our executive and our partners in industry and the public sector. Together, we have continuously reviewed progress and made adjustments that recognise complexity, address unintended consequences and refine the framework for better results.

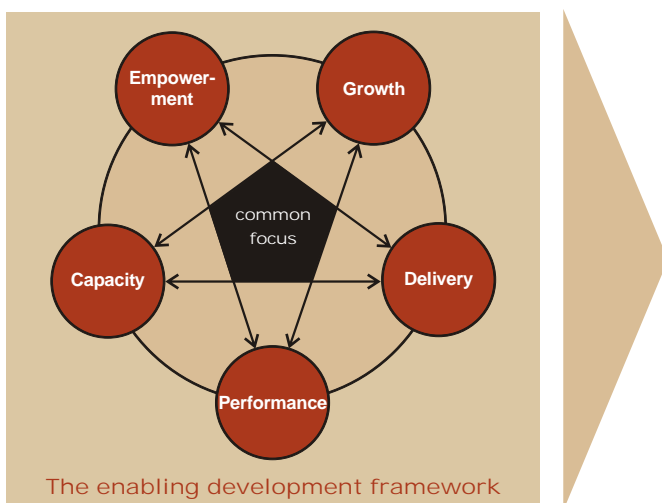
Key initiatives of the organisation are beginning to make a significant impact on skills growth, delivery best practice and sustainable empowerment. Five dynamic activity streams define the cidb's core contribution in partnership with stakeholders:

- The Construction Registers Service, opening new opportunities to link developing contractors with sustainable work based on their growing capability
- Procurement reform, the farthest reaching change ever undertaken to streamline construction procurement in South Africa
- Enterprise development - initiatives that are laying the foundation for sustainable industry growth and best practice
- Roll-out of the Infrastructure Delivery Improvement Programme (IDIP) that is improving provincial budget spend
- Tracking industry performance, skills and bottlenecks, and identifying strategic responses.

This report reflects the results of these interventions and their further potential to shape the environment for construction industry development. In the year ahead, cidb will expand its outreach and service, supporting clients and contractors to further raise the growth trajectory.



“Streamlined procurement, the Construction Registers Service and improving delivery capacity establish a platform for sustained industry growth to 2010 and beyond.”



2005/06 - snapshot results

- **Improved public spend** - of provincial infrastructure budgets (26,8% higher than previous year) under the impact of IDIP
- **Over 13 000 contractors registered** in all provinces
- **425 contractors (80% black-owned) upgraded** in the last three months demonstrating the sustainable environment of the Register of Contractors.
- **Cell-phone notification of tenders** to registered contractors
- **305 projects worth R10 billion registered** - providing information on public and private sector construction demand
- **2010 procure manual** shaped by cidb best practices
- **13 major public clients streamline procurement** (national, provincial, municipal and parastatal) by switching to standard tendering and contract documentation
- **Over 1 800 officials and consultants trained** in new procurement
- **Construction Charter** signed by major stakeholders
- **Draft Status Reports on Skills and Maintenance** strategies to support capacity and the goals of ASGISA



Partnering for Development

Once again this annual report bears tribute to the partnering activity of a wide range of stakeholders. Continuous feedback, including over 130 workshops held with clients and contractors has shaped the reform process, capacity building and the national contractor development programme that will roll out in the year ahead.

New learning has been gained from provincial departments, municipal authorities and from the delivery practices of state-owned enterprises and private sector clients. These include SANRAL, Transnet, the mining industry and Sasol. Underpinning our learning is the dynamic relationship with national and provincial public works departments.

Through the year *cidb* continued to support the Construction Charter process, including the Stakeholder Indaba and consultations in the provinces; celebrating its signature in March 2006. In the year ahead the organization will continue to play its role in preparing for implementation.

In partnership with leading institutions of learning the *cidb*'s annual post-graduate conference on construction industry development engaged the focus of the research community with over 45 papers submitted, including submissions from Africa and elsewhere. *cidb* also put its weight behind the internationally recognised bi-annual Construction Management Programme (CMP) that over the years has produced leaders in both the industry and client community.



We have continued to be guided by Status Report - 2004, which reviewed progress and challenges in development of the South African Construction Industry.

This year we took forward the agenda, convening a forum of major private and public sector clients to address issues of strategic development, including preparations for 2010. Building on this initiative we helped to develop the 2010 Procure Manual providing guidelines that are now used by the host Metro's.

The forum of major South African clients also laid the foundation for hosting by *cidb* of the 2nd International Construction Clients Forum in October 2005, enabling major clients to benchmark their performance against international best practice.

Further expanding international cooperation in the year ahead, *cidb* and the CSIR will prepare to host the CIB World Building Congress in Cape Town during the week of 14 - 18 May 2007. The theme of this congress is *Construction for Development*, focusing on the important role that construction plays in the development of nations.

Mapping the way forward in support of the Accelerated and Shared Growth Initiative (ASGISA), *cidb* has partnered with the Departments of Public Works, Public Enterprises, the DTI, CETA, CSIR and many other stakeholders to develop two key reports. These will inform a national infrastructure maintenance strategy and responses to the skills challenges ahead.



Forum of major clients: left to right - Danny Jordaan, CEO of SA 2010 World Cup, Alan Tonks of Rand Water and Pepi Selinga, CEO of Coega and chairman of cidb Board



Minister Thoko Didiza congratulates winners of National Construction Week - cidb Essay Competition. From left to right Thabiso Padi, Makhosazana Linda, Dineo Masemola, of Bokgoni Secondary School. They are accompanied by teachers Cynthia Sekwane and Samuel Mokwape



“Growing outreach and impact have defined the year's progress and the need for enhanced service to support public sector client delivery, contractor development and registration.”

Building cidb

Growing outreach and impact have defined the year's progress and the need for enhanced service to support public sector client delivery, contractor development and registration. Steadily we have built our executive and associate capacity to meet these challenges, creating an outreach team and ensuring that all programmes are accordingly structured and staffed.

Increasing demand has continued to outpace these efforts, requiring new approaches. Weekly registration applications and renewals grew from 250 to 500 per week between January and March this year. Similarly, the roll-out process has demonstrated the need for continuous coaching to boost client project delivery and procurement capability, particularly at municipal level.

The registers service and uniform public procurement establish the platform for expanded service and development targeting. Together with national and provincial public works cidb will drive the national contractor development programme, supporting client and stakeholder focus on meaningful growth and empowerment interventions. Components of this programme are well advanced and in the year ahead provincial outreach centres will support their implementation. Dynamically linked to our head office, these centres will also support a streamlined registration service.

In growing the organisation to meet these challenges we have continued to ensure staff and management equity. With over 70% black and 58% women, we remain well ahead of our internal targets. The organisation has also built specialist associate capability and in the year under review has increased its procurement from black and women-owned suppliers to over 40%.

Newsletter reaching all registered contractors and stakeholders



This year the cidb has commenced work to fulfil the requirements of the Act, namely that the Board must *“at least every 5 years obtain an independent evaluation of itself regarding its effectiveness”*. Proposals are currently being finalised for submission to the Minister that will enable completion of the review by the end of 2006.

2006 - Five-year independent assesment of cidb

- “14. (1) The Board must facilitate a review of its activities in relation to its goals and objects, at least once every five years.*
- (2) A panel drawn from the public sector and the private sector and appointed by the Minister on the basis of expertise in relation to the functions of the Board, must undertake the evaluation.*
- (3) The panel must submit its report and recommendations to the Minister.”*

CIDB Act 38 of 2000



Special Acknowledgement

Each page of this report speaks to the role played by many stakeholders, who have shaped our progress and the momentous roll-out of the past year. I thank you on behalf of the Board and our executive.

In the context of organisational growth, *cidb* is particularly proud once again to receive a whistle-clean Auditor-General's Report, underscoring the governance commitment of the Board and executive and placing the organisation in the top 1% of the public service. This achievement is a tribute to the guidance of the Audit Committee under the chairmanship of Prof Herman de Jager. We regret that his and Thabo Poee's term of office will end soon and extend thanks for their years of service supporting our early growth.

I would also like to pay tribute to the Chairperson, Pepi Silinga, and Board Members who have championed our progress, giving generously of their time and wisdom to ensure that we deliver to the best of our ability. A particular word of thanks goes to Dr Rodney Milford, who has resigned from the Board to join the organisation in an executive position. His resignation ends nearly 9 years of honorary contribution, including that made on the Inter-ministerial Task Team that preceded the Board's establishment in 2001.

Construction industry development would not have been where it is today if it were not for the giant role played by our late Minister, Stella Sigcau. I am privileged to have served under her since 1999 when she took over from Minister Jeff Radebe to champion the passage of legislation and the establishment of the *cidb*. Today, thanks to her uncompromising resolve, "*women in construction*" is an aspiration ingrained in the ethos of the industry and its stakeholders.



Nonyameko Mandindi, CEO of Intersite Property Management Services discussing strategic issues at the cidb meeting of industry leaders with Minister Thoko Didiza.

The baton of construction industry development has now passed to Minister Thoko Didiza and in the year ahead we look forward to her leadership in taking *cidb* and the industry to the new levels of achievement necessary for South Africa's accelerated and shared growth initiative.

A handwritten signature in black ink, appearing to read "Spencer Hodgson".

Spencer Hodgson
Chief Executive Officer



2005/06 Performance Summary

| Mandate | Strategic Project | Performance Indicator | Performance Achievement and Context |
|------------------------------|--------------------------------------|--|---|
| Provide strategic leadership | Build cidb | Audit report good governance and compliance | Unqualified Auditor-General's Report. |
| | | Organisation capacitated to achieve delivery | Some staff losses during 2005 - but all top management and senior posts filled as this report goes to print. |
| | | Targets for race and gender employment equity, affirmative procurement and associate professional capacity | Targets exceeded with employment of 71% black and 58% women. Proportion of procurement from black and women-owned suppliers of 41% also exceeded targets with development of associates and outreach. |
| | Stakeholder Consultation and Support | Stakeholder Forum reconstituted for next 2 years Meeting held between Minister and Stakeholder Forum | Reconstituting postponed to 2006 to allow for intensive Industry Charter process. Calls for nominations published in February 2006. Stakeholder meeting with Minister incorporated in Construction Charter process. |
| | | Support to Construction Charter process and finalisation | cidb supported the Charter process, facilitated the 2-day national Charter Indaba, including venue and attendance by emerging contractors. cidb organised provincial workshops and participated in Technical Task Teams, providing input and comment up to signature of the Charter in March 2006. |
| | | International Construction Client Forum (ICCF) | Two-day meeting in Port Elizabeth enabled the convening of a South African Forum of major clients and benchmarking against international best practice. |
| | | Public Sector Client Forums | Three national forum meetings held to support the introduction of best practice procurement and delivery in the public sector. |
| | | Support to academic institutions and research agenda - Post-graduate Student Conference | Conference held to promote research and academic excellence. Outputs include 40 research papers and a database of construction-related research. |
| | | Support to biennial Construction Management Programme (CMP) | Produced brochure in 2005 to promote this internationally-recognised course. This is a 4-week seminar of upcoming leaders in public and private sectors. The course includes an overview of cidb and construction industry development challenges. |



| Mandate | Strategic Project | Performance Indicator | Performance Achievement and Context |
|-------------------------------------|----------------------------------|---|---|
| Promote Sustainable Industry Growth | Construction Industry Indicators | Status Report - sector status reports emanating from 2004 overall Industry Status Report | Developed draft National Maintenance Strategy and draft National Skills Review in support of ASGISA and the Joint Initiative on Priority Skills (JIPSA). |
| | | Construction Industry Indicators Report produced | Published with this annual report. Indicators cover performance of industry and stakeholders during the past calendar year. |
| | | Compendium of legislation impacting on construction | Developed as a resource to stakeholders and a basis for review of regulation. Enables navigation through all relevant legislation by subject and impact. |
| | Emerging Contractor Development | Empowerment workshops with contractors | Seventy three workshops held for over 10 000 contractors to support contractor registration and inform cidb understanding of contractor development challenges. |
| | | Strategy on Emerging Contractor Development facilitated with key stakeholders | Strategy developed and unfolding. Major national focus on enterprise development is key to ASGISA and is a major cidb focus for the year ahead. |
| | | Labour-based Roads Construction Manual in support of contractor development and EPWP | A resource for contractors, available in 2006. Published on the website for comment before being formally published and distributed in last half of 2006. |
| | | Develop guidelines and training material on construction contracts and contracts management | Draft guidelines on JBCC and GCC forms of contract are ready for publication. Workshop course on the GCC has been piloted prior to roll-out. |



| Mandate | Strategic Project | Performance Indicator | Performance Achievement and Context |
|--|---|---|--|
| Establish the Register of Contractors and Register of Projects | Roll-out and Development of the Registers | Register of Contractors rolled out in terms of the implementation plan stated in the Construction Regulations | Roll out schedule achieved with national, provincial and public entities and municipalities reached; 64 national and provincial workshops held and 1 891 officials and consultants empowered to utilise the Register. |
| | | Number and nature of contractors registered | 10 297 Contractors registered at 31 March 2006 in all classes of works. An analysis, including race and gender ownership, is included in this report. |
| | | Provincial Registration Service to support contractors | Outsourced help-desks established in all provinces and will be improved in the year ahead with a comprehensive registration and contractor development service. |
| | | Register of Projects rolled out in terms of the implementation plan stated in the Construction Regulations | Roll-out schedule achieved with national, provincial and public entities by end 2005 - and municipal entities during 2006. Uptake of Register of Projects has been slower than Register of Contractors. However clients are moving towards compliance and in some cases additional training is required. |
| | | i-Tender service introduced to enable electronic registration of projects | 305 Projects worth over R10 billion registered using i-Tender electronic service; 10 550 i-Tender project notifications reached 1 278 registered contractors and this has improved dramatically as this report goes to print. |
| | | Private sector project registrations | Batching system for efficient bulk registration of projects has been developed for private sector clients such as the minerals and mining sector. |
| | | Registers Impact Assessment | Baseline established through perception survey and report to be completed in 2006. Preliminary results are positive and will feed into the 2006 five-year independent assessment of cidb, with results intended to improve our performance and impact. |
| | | Formulation of Best Practice Contractor and Project Schemes | Composite approach adopted for promoting performance through contractor development programmes as precursor to best practice schemes. |



| Mandate | Strategic Project | Performance Indicator | Performance Achievement and Context |
|---|--|--|---|
| Improve Delivery Management and Streamlined Procurement | Roll-out of Infrastructure Delivery Improvement Programme (IDIP) | Infrastructure Delivery Management Toolkit is enhanced through the pilot IDIP programme | Feedback from the pilot and implementation is informing the ongoing process of enhancements to the Toolkit. |
| | | Technical assistance placed in public sector provincial departments | Nine technical assistants are supporting client departments. |
| | | Infrastructure and Implementation Programmes produced by IDIP participating departments | Nine infrastructure plans and nine infrastructure implementation plans delivered. |
| | | Service delivery agreements (SDA's) between Provincial Education and Provincial Public Works | Eight SDA's entered into by provincial departments. |
| | | Pilot roll-out in National Dept of Public Works (NDPW) | Achieved. Tshwane regional office expenditure improved from 11th to 3rd place in National DPW rankings. Based on the successful piloting within the Tshwane regional office, NDPW sees IDIP as key to service delivery improvement in all Public Works offices. |
| | Procurement reform roll-out and development | Procurement best practice is refined by specialist focus group | With feedback from clients and industry, three procurement focus group meetings helped to improve the Standard for Uniformity in Construction Procurement. |
| | | Number of public sector officials and client agents (consultants) trained in construction procurement | 1 891 officials and consultants trained in 64 workshops country-wide. Procurement reform roll-out was simultaneous with the Registers roll-out. |
| | | Recognition of cidb procurement reform training workshop | cidb workshop, "Construction procurement - an overview of the regulatory framework in South Africa", accredited by the Engineering Council of South Africa as a development course contributing to Continuous Professional Development. |
| | | Number of public sector clients using best practice contracts and streamlined procedures | Thirteen organs of state are compliant; national and provincial Public Works plus eThekweni Metro, Coega and SANRAL. Others are making progress. |
| | | Standardised municipal bid package for 2010 infrastructure procurement | Documentation produced and successfully being utilised by Metros, notably eThekweni Metro. |
| | | Generic provincial best practice tendering and contract procedural documentation to support streamlined procurement. | Documentation issued to infrastructure departments. The generic document was well received by departments as an empowering tool in the procurement reform process and has been tailored to suit different clients. |



Executive 2006 - Structured for delivery and service

Programmes

and

People



Felicity Mochotli

Growth & Contractor Development



Gerard Naidoo



German Mphahlele



Nthabiseng Mehale



Andries Monthoadi



Ashani Omar



Kotli Molise

Delivery & Procurement



Ronnie Khoza



Phosi Mkhonza



Steve van Huyssteen



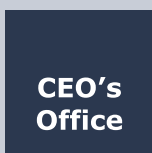
Kabelo Ntiisa



Sherman Indhul



Katherine Manuel



CEO's Office

Industry Performance



Rodney Milford



Ntebo Ngozwana



Sihle Dlungwana



Lewele Mkwanzazi



Tiny Lerumo



Spencer Hodgson

Construction Registers Service



Ebrahim Moola



Enoch Masibi



Given Seimelo



Guinevere Denton



Annah Modiba



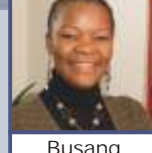
Lischen Sethako



Marina Aucamp



Ephraim Malala



Busang Tjale



Ferdinand Monareng



Aretha Johnson



Lerato Molefe

Corporate Services



Gladness Moorosi



Gynt Schoeman



Portia Mothoa

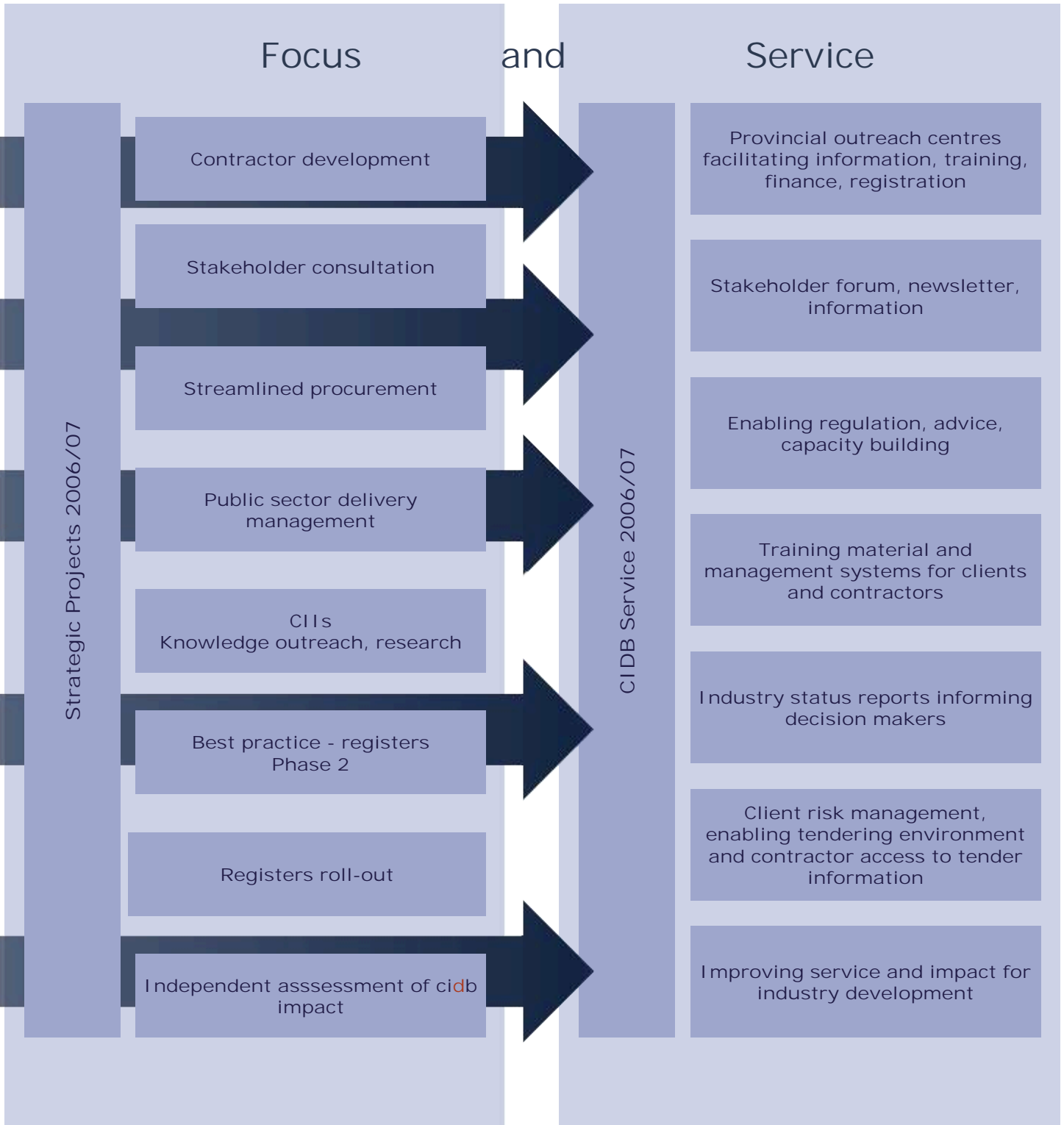


Evans Sebata



Alet Aucamp





Delivery in Progress

Sustainable Contractor Development

Our work of the past year has crystallised into action, a national strategy for sustainable contractor development. Central to this strategy is the development platform created by the Register of Contractors and streamlined procurement practice.

The registration of over 13 000 contractors across the country now enables the systematic targeting of development interventions to achieve the following strategic goals:

- To grow South Africa's contracting capacity, moving smaller contractors into mainstream construction
- To target empowerment gaps revealed by the Register
- To promote enterprise sustainability and consolidation, creating sustained employment and skills development
- To raise the performance and quality of contractors, delivering improved value to clients and society

The unfolding programme relies on the partnership of clients and industry stakeholders to address the need for improved capacity in meeting growing construction demand to 2010 and beyond. Once again we are grateful for the leadership of national and provincial public works departments that have committed support to a range of interventions and to the expansion of existing development programmes. Together, we will set concrete national and provincial targets in relation to the above goals.

"There is an impelling need to raise the focus of enterprise development in order to consolidate and grow the capacity and performance of industry. This requires partnerships that integrate the effort and contribution of government, clients and industry around a common program to accelerate the growth and sustainable empowerment of registered contractors."

cidb concept strategy for contractor development

Drawing on existing programmes, the strategy seeks to overcome piecemeal approaches, providing a comprehensive response that addresses:

- Key success factors and the role of participant stakeholders, including integration within the scorecard goals of the Construction Charter
- Targeted interventions based on the Register of Contractors, which categorises contractors in accordance with their capability
- Access to finance, information, knowledge systems and training
- Monitoring of growth and enterprise development
- Common approaches and the cooperative effort of organs of state and industry
- cidb outreach to support contractor development

To establish best practice cidb has reviewed Contractor Development Programmes, promoted by Public Works and industry:

- Vukusakhe - KwaZulu Natal
- Incubator Programme – National Department
- Stepping Stone - Western Cape
- Sakhasonke - Limpopo
- Sakhasonke - Eastern Cape
- Sakha'bakhi - Mpumalanga
- Kubakhi - Gauteng
- Contractor Development Programme - Eastern Cape Development Corporation
- Contractor Development - Royal Bafokeng Economic Board
- SAFCEC Enterprise Development Programme

These and other existing programmes form the nucleus for a national contractor development programme.



“The registration of over 13 000 contractors across the country now enables the systematic targeting of development interventions...”

2006 Products

To drive this strategy, *cidb* has reinforced its capacity, establishing a core team and mobilising the development of products that will be rolled out to registered contractors by the end of 2006.

Already in roll-out is the *i-Tender Register of Projects*, triggered by clients and alerting contractors to available tenders by sms and cell-phone. Access to finance has been guaranteed by *Nurcha* for all registered contractors on public sector contracts, provided that the tender is viable.

Promoting continuity of work, *cidb* has issued Practice Note 1 “Scaling up delivery and enhancing empowerment” that supports contractor growth, enabling access by small contractors to term contracts for maintenance work and repetitive work such as classroom blocks. Continuous workflow of this kind over a relatively long period will support sustained workforce employment and skills development.

Supporting the operations of registered contractors, the *cidb* is working with an industry focus group to develop a Toolkit Construction Tendering and Management System that supports competitive tendering and efficient construction management – improving the cash flow and profitability of SME contractors.

In further support of the Expanded Public Works Programme (EPWP), we are preparing to release a second series of labour-based construction manuals and drawings for use by contractors in the construction of low-traffic roads. The first series was published in 2005 providing design guidance to clients and consultants. The new series, developed with the Council for Industrial and Scientific Research (CSIR) and International Labour Organisation (ILO), covers practical aspects of road construction, including: basic construction theory, construction of gravel pavement layers, concrete and masonry drainage works and

structures, construction of bituminous pavement seals, and planning and contract management.

The practice guides will play a critical role in providing technical information to registered contractors, particularly small and medium size enterprises, developing the construction skills of both the workforce and management.

With four standard forms of contract being rolled out through the Standard for Uniformity in Construction Procurement, the *cidb* has compiled guidelines and workshop training material to capacitate contractors on those contracts most commonly used in the public sector, namely the GCC and JBCC contracts.

A pilot contractor training workshop for targeted contractors in Umtata by the *cidb* together with the Eastern Cape Public Works Department, was well received by over 35 registered contractors, including a significant number of women. Learning gained from the workshop will enable refinement of the workshop training material, the training of trainers and the roll-out to a larger recipient base.



Developing training material





Participants at the pilot training workshop on GCC contracts, held by the cidb for developing contractors in Umtata, Eastern Cape this year.

Outreach and Impact

In roll-out of the Register of Contractors around the country, the cidb outreach team has held 73 workshops with over 10 000 contractors, providing valuable feedback on common challenges that must be systematically addressed.

Promoting coordinated impact of the national contractor development programme in the year ahead, cidb is gearing to establish provincial contractor outreach centres. Supported by provincial departments of public works, three pilot centres will be operational in Bisho, Cape Town and Soweto in 2006. By mid 2007 this outreach will extend to all provinces.

GCC Training Material - empowering contractors to know their Rights, Responsibilities and Risks

- *This training was presented in a manner that suited everyone, i.e. in simple language that was understood by everyone. We would like the programme to visit our area from time-to-time to introduce new concepts, as this is a rural area of previously disadvantaged individuals.*
- *This training is quite more important because it empowers us with knowledge in construction.*
- *I enjoyed it and gained a lot.*
- *I wish to give a big thanks to the cidb, PWD and the Training Team for affording us this valuable opportunity to expand our knowledge. The course has surely made me a better person.*
- *...a good tool to do business. It needs to be cascaded down to other contractors across the entire region.*
- *Please keep it up. You are doing a good job.*
- *We are always attending these workshops but getting no jobs.*

Workshop Participants
Evaluation Comments

In partnership with industry and stakeholders, these centres will drive best practice to achieve the development targets of growth and sustainability, empowerment, improved quality and skills. Linked by audio-visual facilities to the cidb offices in Pretoria, the centres will facilitate access by registered contractors and clients to best practice and value-add services across the country. They will also support an improved registration service.

A contractor's view

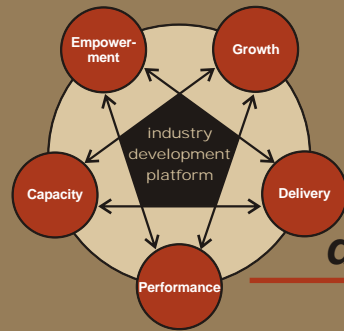
"When I was looking for bridging finance C.I.D.B helped us in accessing finance from Nurcha. I therefore want to thank you for all you have done for my Company, hoping that the help that you provided will also be given to all struggling South Africans. I would ask you to forward my thanks to your senior managers that took part in the whole process."

Nelson Mavume
Registered contractor



Some of the women contractors who took part in the cidb pilot training workshop on GCC, Umtata, Eastern Cape.





towards national contractor development programme 2010

cidb - 2006 Summary commitment to the national strategy

Further harnessing the Register's development potential, cidb will:

- Package registration information for clients and development agencies at provincial level to enhance the targeting of procurement and empowerment strategies
- Develop a monitoring system that tracks contractor growth up the grading system
- Develop a recognition scheme for contractors who demonstrate performance (for example improved safety procedures, quality systems, etc.), so that this information is available to clients in preferencing and prequalification
- Further develop the business-to-business linkage power of the registers service

Addressing key success factors, cidb will develop and assemble:

- Best practice guides to clients and consultants on the targeting of registered contractors and on supportive procurement and delivery models
- Contractor guidelines and training material on contracts, subcontracts and JVs
- Management systems for contractors that promote efficiency and competitiveness, quality, safety and health at all levels
- Guidelines on employment and access to workforce skills training and to finance
- Accessible technical "practice guides" on various aspects of construction

Mobilising skills and capacity building, cidb will collaborate with government, CETA, public entities and industry to:

- Undertake a study of skills needs and develop appropriate national responses
- Ensure that workforce skills is an integral component of contractor development
- Support registered contractors in accessing CETA resources
- Develop and assemble training material to raise contracting competence
- Develop information packages, harnessing modern technology
- Promote development of relevant "train the trainer" programmes

Establishing Contractor Outreach Centres in partnership with stakeholders, cidb will enable access by registered contractors to:

- An improved registration service
- Information and knowledge packaged by cidb and others
- A programme of training, targeting different contracting categories and grades
- Advice and mentoring on procurement and construction management
- Information technology and communication (ITC)
- Business-to-business linkage enabling contractors to find partners and skills
- Linkage to available services, including access to finance, training and advice
- Support from the private sector (contractors, consultants, materials suppliers, etc), whose contribution can be recognised within the framework of the BEE scorecard



Delivery in Progress

The Construction Registers Service

For the first time, South Africa's construction industry is starting to reveal detail on its rich resource base - the result of the information rapidly coming through the national Construction Registers Service.

Now in the second year of roll-out, the service comprises the Register of Contractors and the Register of Projects, set up in terms of the CIDB Act 38 of 2000. Driven in conjunction with procurement reform, the Register of Contractors is now effectively established, with roll-out continuing at municipal level.

We wish to thank many champions in the client departments, particularly the Department of Public Works, whose implementation has ensured that we are collectively able to regularise the industry for growth, delivery and development. Application of the Register of Projects (RoP) - i-Tender is also increasingly being taken up by client departments and its future value has been recognised in the current study to project industry skills needs.



cidb staff and staff of the CCC centre at the Soweto Construction Contact Centre.

Legal framework driving the Registers

The CIDB Act stipulates that to promote best practice, the Board must establish and maintain:

- *"... a national register of contractors ..., which provides for categories of contractors in a manner which facilitates public sector procurement.*
- *... must establish and maintain a best practice contractor recognition scheme ... which promotes contractor development and monitors contractor performance.*
- *... must establish and maintain the Register of Projects and the best practice project assessment scheme ... for the promotion, assessment and evaluation of best practice on construction contracts and may establish and maintain ... a register of suppliers, manufacturers or service providers ...".*

The CIDB Act stipulates that:

- All contractors undertaking work for the public sector must be registered
- All public and private sector projects above a certain value must be registered by clients.

The Construction Registers Service is now showing the extent and growth of an industry that had been in decline for several decades up to 2001/02 but is now set for at least a decade of rapid growth.

By the end of March 2005 just 1 296 contractors had been registered on the Register of Contractors. Up to the end of June 2006 registrations had leapt more than tenfold to 13 662 contractors. And the flow of applications has steadily increased rising from 250 per week in December 2005 to 500 per week by April this



“In the year ahead cidb will roll-out an expanded provincial registration service linked to a national contractor development programme...”

year, placing severe strain on the registers service and requiring increased capacity and enhanced systems.

In the year ahead cidb will roll-out an expanded provincial registration service linked to a national contractor development programme that is discussed elsewhere in this report. Partnerships are already in place with several provincial Public Works departments to open fully-fledged Contractor Outreach Centres supporting both registration and client strategies to target development. By October this year, pilot cidb centres should be established in Bisho, Cape Town and Soweto.



Lerato Molefe demonstrates some of cidb contractor development materials to contractors.

Summarised roll-out dates for streamlined construction procurement and the Construction Registers Service

| Implementation | Client Bodies |
|----------------|-----------------------------------|
| 30 Nov. 2006 | Low-capacity municipalities |
| 30 July 2006 | Medium-capacity municipalities |
| 30 April 2006 | High-capacity municipalities |
| 15 March 2006 | Metros |
| 30 Nov. 2005 | Public entities |
| 30 Sept. 2005 | National government departments |
| 30 Aug. 2005 | Provincial departments |
| 30 Aug. 2005 | National Public Works and regions |
| 14 Jan. 2005 | eThekwin Metro |
| 15 Oct. 2004 | Limpopo Public Works |

Complete



Construction Registers Service - an overview

The Registers drive a macro risk management process for clients and contractors regulating the construction industry around a common development agenda underpinned by best practice procurement and project processes.

As envisaged by the legislation, the Registers are the principle instruments driving improved demand and supply-side industry performance. They constitute a regulatory framework that supports sustainable delivery, development and empowerment.

The data assembled by the Registers will provide a comprehensive overview of construction demand and supply across the country.

The national Register of Contractors supports public sector risk management, reduces the administrative burden associated with the award of contracts, and promotes the performance and development of contractors.

The national Register of Projects registers all public and private sector projects above a prescribed value. The Register provides information on the nature and distribution of projects and promotes the performance of public and private sector clients in the development of the construction industry.

In its design, implementation and adjustments made over the past year, the cidb has aimed to ensure that the service meets the following objectives:

- Reduced risk to public sector clients through the Register of Contractors that will categorise contractors in accordance with their capability
- Streamlined procurement with reduced wastage, including reduced tendering costs to industry, and reduced tender evaluation costs to public sector clients
- Improved construction delivery through:
 - Requirements on private and public sector clients that promote consistent procurement practice, sustainable development and transformation
 - A contractor recognition scheme that promotes supply-side performance in terms of quality, safety, health and the environment
- A framework that supports sustainability in the tendering environment and enables clients to structure their contracting and development strategies to target appropriate sectors of the market
- An established track record for emerging contractors that will facilitate public and private sector confidence and access to credit, finance and opportunity
- Access by decision-makers, clients and service providers to live and comprehensive geographic information on construction demand and supply, including size, nature and distribution of projects and service providers
- Business-to-business linkages
- An improved industry image that fosters investment.



“cidb has shaped the Construction Registers Service as a tool for effective delivery, continuity of work, business-to-business linkage, market information and targeted enterprise development”

The Construction Registers Service regulates the industry and its clients around a common development agenda. Clients and financial institutions rely on the Register of Contractors to provide assurance of the capability of contractors while contractors are able to upgrade their performance and receive valuable on-line information on tenders through the i-Tender Register of Projects.

cidb has shaped the Construction Registers Service as a tool for effective delivery, continuity of work, business-to-business linkage, market information and targeted enterprise development. Several regulation amendments have sought to ensure enhanced application of the Registers to achieve these goals. A further amendment submitted by the cidb has now been promulgated by the Minister.

Among other outcomes, the recent amendment will:

- Allow clients greater flexibility in the award of tenders, providing some latitude where tenders are close to contractor grading thresholds
- Enable clients to award multi-year contracts of repeat nature to smaller contractors, providing greater continuity of work and growth opportunity
- Allow greater flexibility in assessing a contractor's track record based on volume of work as well as largest contract completed

These, as well as previous adjustments, are the result of continuous engagement with stakeholders during the roll-out process, informing a growing understanding of industry practice and the complex needs of clients in the delivery of construction projects.



Staff of the cidb Construction Registers Service



Delivery in Progress

Register of Projects - i-Tender

The cidb is increasing its focus on the implementation of the Register of Projects - i-Tender, which is a regulatory requirement for public and private sector clients. There are currently 21 clients active on this easy to use system and usage is steadily increasing. The mining industry and Sasol are fully compliant together with several Public Works departments. A number of municipal authorities are keen to get going and cidb has intensified the capacity building programme currently in roll-out.

The i-Tender has been established as part of the Construction Registers Service. It is a fully electronic service free to clients and contractors. i-Tender enables clients to advertise tenders on the cidb website. Registered contractors are automatically notified of tender information via sms and email. i-Tender gives effect to the Register of Projects which gathers information on the nature, value and distribution of projects. When clients register the award of projects the contractor's track records is automatically updated as well.

The Register of Projects - i-Tender online hub was set up in 2005 as a value-add to clients and contractors to facilitate government's construction tendering process. It provides for the two-stage registration of construction projects - namely, advertising tenders and awarding contracts - as well as facilitating the most efficient matching of projects with registered contractors.

The sms messaging system through i-Tender, enables the cidb to link contractors with appropriate opportunities whilst promoting transparency and openness in the tender process. Each time a government department or public entity advertises a tender on the i-Tender system an automatic sms message is generated and sent to appropriate contractors to advise them of the tender.

International recognition

The i-Tender system was the buzz of communication technology world-wide this year when Clickatell showcased its smart partnership with the cidb to bring real time communication to contractors on tender opportunities.

Major electronic media publications covered news of the cidb Register of Projects - i-Tender including Moneyweb, Press Booth, Biz Community.com, Wireless Developer Network, Wireless Warrior, Wireless Week, Webitpr, Totaltelecom, Telecompaper and UK Corporate Solutions.

Communication with more than 10 000 registered contractors on the cidb database needed to be quick and inexpensive.

For many contractors their cellphone is their main communication device especially when on site.



- National Dept. of Public Works
- Provincial Dept. of Transport
- eThekweni Metro
- Local Authority
- Transnet



"Each time a government department or public entity advertises a tender on the i-Tender system an automatic sms message is generated and sent to appropriate contractors to advise them of the tender."

Again, when public or private sector clients register the award of a contract, and any subsequent cancellation of a contract, the system automatically updates the track record of the registered contractor who has been awarded the tender. It is also able to indicate to clients how busy a contractor is so the danger of overloading is reduced.

This system allows the contractor to develop a track record and to improve his or her grades - which in turn grows developing contractors moving them into the mainstream on an earned development platform.

The number of tender notifications sent out increased to 36 993 by the end of June 2006. A total of 3 865 contractors received notifications of tender opportunities through the i-Tender service. By the end of June 2006 there were 352 projects registered on the Register of Projects.

Benefits of i-Tender

- Quick and easy access by registered contractors to relevant tender information
- A quick and effective tool for clients to communicate available contract opportunities
- Effective access to work and development opportunities by the emerging sector
- Compliance with cidb and National Treasury regulation and total tendering transparency
- Registration of projects by private and public sector clients, supporting the track record of contractors and providing clients and decision makers with up-to-date information on the nature and distribution of projects at local, provincial and national level.



Participants at the National Municipal Capacitation Workshop at the Bytes Technology Centre in Midrand, Johannesburg



cidb's Gerard Naidoo and Gauteng MEC for Public Transport, Roads and Works, Ignatius Jacobs, at the official launch of the On-site Construction Contact Centre in Soweto.



Delivery in Progress

The Register of Contractors

With over 13 000 contractors registered, the Register of Contractors is now at the core of the cidb Construction Registers Service. Clients and financial institutions increasingly rely on the Register to provide assurance of the capability of contractors and to target development interventions.

A significant benefit of the Register of Contractors and procurement reform is that contractors are beginning to tender in a secure and growing environment. This is so because the Register ensures that only contractors with recognised capability are competing at the various tender levels.

This enabling environment also supports clients because the reduced number of tenders enables easier evaluation and speeds up contract award and delivery. Some client departments have reported a significant reduction in the number of contracts cancelled since introduction of the register. Clients are also able to use the Potentially Emerging (PE) status to advance contractors up one grade provided that development support is put in place to ensure project and enterprise success.

Views of some contractors

"The cidb staff must be commended for their exemplary standards of professionalism, customer service and the spirit of Batho-Pele. Once again the professionalism with which your people assisted me ... Keep it up!"

*Regina Shai
cidb registered contractor*

"The cidb grading afforded me my rightful recognition in the industry."

*Eddie Tomes
Thabang Properties
upgraded to Grade 7 GBPE*

The Register of Contractors

The Register of Contractors categorises contractors according to capability to perform construction projects. A contractor's grade reflects the class of works and financial capability. Class of works establishes the nature of work a contractor is able to perform, general building, civil engineering, electrical engineering, mechanical engineering and specialist works.

| Grading designations | Maximum value of contracts a contractor may perform in each grade |
|----------------------|---|
| 1 | R200 000 |
| 2 | R500 000 |
| 3 | R1 500 000 |
| 4 | R3 000 000 |
| 5 | R5 000 000 |
| 6 | R10 000 000 |
| 7 | R30 000 000 |
| 8 | R100 000 000 |
| 9 | No limit |

The Register of Contractors is also stimulating business-to-business linkage with larger contractors finding local subcontractors and joint venture partners. Smaller contractors, including women, have also begun to seek larger partners, and are able to market their capability established through registration.

Similarly, contractor registration enables finance institutions to advance loans with confidence in the capability of contractors. Nurcha, for example, now provides loans to all registered contractors on public



"A significant benefit of the Register of Contractors and procurement reform is that contractors are beginning to tender in a secure and growing environment."

sector contracts, provided that the contractor's tender is viable.

The process of registration is transparent and comprehensive. Each week the Assessment Committee, made up of senior cidb management, sits to assess applications following a rigorous internal evaluation process. Continual improvements are being made to maintain the accuracy and credibility of the system.

Joint Ventures

The Register helps contractors identify potential joint venture partners so they can access larger projects.

To facilitate joint ventures, the cidb has created an on-line public joint venture calculator. This calculator accesses the precise financial and works capabilities of each JV partner in order to establish the grading designation of the combined Joint Venture.

In addition to the calculator, the cidb has created the joint venture table that provides contractors a safe guideline on the combinations that contractors can use when forming joint ventures. Successful JVs can lead to consolidation and industry growth.

A Nurturing Environment

By June 2006, 425 applications for upgrades were successful. These contractors improved on their grade by submitting updated track record, financial statements and proof of registration with the relevant built environment councils where applicable. This development is an early indication of the Register's ability to create a stable environment for industry consolidation and growth.

Of the total 425 contractors who upgraded their status, 357 (84%) are black-owned enterprises.

| Joint Venture Combinations | |
|---|-------------------------------------|
| Joint Venture combinations to achieve a higher combined grade | Grade achieved by the joint venture |
| Three Grade 2 contractors | 3 |
| Three Grade 3 contractors | 4 |
| Two Grade 4 contractors or One Grade 4 and two Grade 3 | 5 |
| Two Grade 5 contractors or One Grade 5 and two Grade 4 | 6 |
| Two Grade 6 contractors or One Grade 6 and two Grade 5 | 7 |
| Three Grade 7 contractors | 8 |
| Three Grade 8 contractors | 9 |

| Original Grade | New Grade | | | | | | | | Grand total |
|----------------|-----------|----|----|----|----|----|----|---|-------------|
| | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | |
| 1 | 115 | 20 | 20 | 8 | 3 | 2 | 0 | 0 | 168 |
| 2 | | 30 | 30 | 12 | 5 | 3 | 0 | 0 | 80 |
| 3 | | | 30 | 5 | 3 | 0 | 0 | 0 | 38 |
| 4 | | | | 32 | 21 | 4 | 2 | 0 | 59 |
| 5 | | | | | 27 | 9 | 0 | 0 | 36 |
| 6 | | | | | | 29 | 4 | 2 | 35 |
| 7 | | | | | | | 7 | 0 | 7 |
| 8 | | | | | | | | 2 | 2 |
| Grand Total | 115 | 50 | 80 | 57 | 59 | 47 | 13 | 4 | 425 |



Understanding national capacity

| Grade | Class of works | | | | | |
|-------|----------------|-------|-----|-----|-------|--------|
| | GB | CE | EE | ME | SW | Total |
| 1 | 7 481 | 1452 | 365 | 268 | 944 | 10 510 |
| 2 | 867 | 296 | 84 | 78 | 93 | 1 418 |
| 3 | 339 | 105 | 39 | 34 | 29 | 546 |
| 4 | 248 | 185 | 49 | 34 | 31 | 547 |
| 5 | 92 | 80 | 36 | 23 | 22 | 253 |
| 6 | 80 | 81 | 14 | 14 | 12 | 201 |
| 7 | 20 | 69 | 7 | 6 | 10 | 112 |
| 8 | 8 | 27 | 3 | 1 | 1 | 40 |
| 9 | 9 | 16 | 2 | 4 | 4 | 35 |
| Total | 9 144 | 2 311 | 599 | 462 | 1 146 | 13 662 |

CE Civil Engineering EE Electrical Engineering
GB General Building ME Mechanical Engineering
SW Specialist Works

Registration statistics reveal predominance in the category of General Building (70%), which has low entry barriers in terms of capital, plant and specialist skills. These low entry barriers are further highlighted by the fact that 55% of all contractors registered are concentrated in grade one, General Building. A fair number of contractors are registered in Civil Engineering (17%) and much fewer in Electrical Engineering (4%), Mechanical Engineering (3%) and Specialist Works (8%).

These, as well as empowerment statistics can be further broken down to provincial and local level. In understanding capacity it is important to note that many grade 6 and 7 contractors operate across more than one province, while grade 8 and 9 contractors operate nationally and across South Africa's borders.

Capacity in the provinces

| Region | Grade | | | | | | | | | |
|---------------|--------|-------|-----|-----|-----|-----|-----|----|----|--------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | Total |
| Eastern Cape | 704 | 76 | 31 | 50 | 15 | 23 | 11 | 2 | 1 | 913 |
| Free State | 380 | 65 | 7 | 21 | 12 | 13 | 5 | 1 | 2 | 506 |
| Gauteng | 3 415 | 380 | 96 | 132 | 80 | 53 | 50 | 24 | 28 | 4 258 |
| International | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2 |
| KwaZulu-Natal | 2 102 | 287 | 89 | 112 | 51 | 44 | 21 | 5 | 1 | 2 712 |
| Limpopo | 1 870 | 327 | 192 | 117 | 44 | 22 | 5 | 1 | 0 | 2 578 |
| Mpumalanga | 978 | 107 | 64 | 40 | 10 | 11 | 1 | 1 | 0 | 1 212 |
| North West | 604 | 59 | 14 | 23 | 10 | 4 | 0 | 0 | 0 | 714 |
| Northern Cape | 114 | 20 | 7 | 9 | 10 | 3 | 4 | 0 | 0 | 167 |
| Western Cape | 343 | 97 | 46 | 43 | 21 | 28 | 15 | 6 | 1 | 600 |
| Total | 10 510 | 1 418 | 546 | 547 | 253 | 201 | 112 | 40 | 35 | 13 662 |



Industry Capacity and Empowerment

The Register of Contractors reflects current industry capacity and empowerment progress. It also sheds light on the nature of the development challenges.

This information now enables the targeting of specific development interventions to build contracting capacity and the capability of contractors in the various classes of work and at the various grades. For example, interventions on management and technical skills can now be tailored for Grade 5 mechanical engineering contractors in a particular province.

Within the framework of the Register it is now possible to gauge growth and empowerment across the different grades and classes of work as well as the impact of policy interventions. Current statistics show, for example, that at various levels, and particularly in General Building, black-owned companies competing up to Grades 5 and 6 are deriving limited benefit from preferential procurement. This is because of their high concentration and the fact that they are largely competing with each other at these levels. The statistics also show high levels of women ownership at lower grades, which clearly reflect changes to company structures driven by the competitive advantage derived through preferential procurement.

Under the impact of the Construction Charter process over the past year, many major companies at Grades 8 and 9 have implemented empowerment transactions, achieving about 25% black ownership. These include companies listed on the stock exchange. This progress is not yet reflected on the Register. In the year ahead, the cidb will begin to incorporate the BEE status of established construction companies to enable charter implementation by public sector clients. The Register will also support the industry and clients in targeting enterprise development interventions necessary for shared growth and empowerment.

Macro ownership patterns

Overall, the Register records aggregated ownership of 94% black, 50% women and 26% youth, with ownership decreasing at the higher grades. These aggregate totals are distorted by the high number of enterprises in the lower grades (1 and 2). However overall progress is evident at the middle sized provincially based enterprises (grades 3 - 6) under the impact of public sector procurement policies.

| Grade | Maximum contract value | Black Ownership % of Total | Woman Ownership % of Total |
|-------|------------------------|-------------------------------|-------------------------------|
| 1 | R200 000 | 97 | 53 |
| 2 | R500 000 | 91 | 49 |
| 3 | R1 500 000 | 92 | 57 |
| 4 | R3 000 000 | 82 | 39 |
| 5 | R5 000 000 | 75 | 29 |
| 6 | R10 000 000 | 66 | 18 |
| 7 | R30 000 000 | 38 | 7 |
| 8 | R100 000 000 | 28 | 3 |
| 9 | No Limit | 0 | 0 |
| Total | | 94% | 50% |

Ownership patterns by grade and class of works

Disaggregated by class of works, the ownership patterns provide a strong tool for empowerment targeting. Major achievement is recorded in General Building and in Civil Engineering. The Register also reveals the empowerment gaps at the upper grades and in specialist classes of work with their higher capital and human resource requirements. These indicate the need for specific development interventions.

| Grade | Percentage Black-Owned per Class of Works | | | | |
|-------|---|----|----|----|----|
| | GB | CE | EE | ME | SW |
| 1 | 98 | 97 | 93 | 84 | 94 |
| 2 | 95 | 93 | 88 | 73 | 70 |
| 3 | 98 | 92 | 74 | 71 | 66 |
| 4 | 90 | 83 | 71 | 74 | 39 |
| 5 | 87 | 83 | 75 | 57 | 23 |
| 6 | 78 | 57 | 50 | 79 | 50 |
| 7 | 60 | 38 | 0 | 50 | 20 |
| 8 | 38 | 26 | 33 | 0 | 0 |
| 9 | 0 | 0 | 0 | 0 | 0 |



Delivery in Progress

Evaluating the Register of Contractors' impact

The cidb wants to know that its services are both relevant and efficient, and to this end it proactively seeks feedback from its stakeholders through several channels.

First, the cidb Outreach Team, including best practice agents and associates, has held 137 workshops (almost three per week) with clients and contractors around the country during the year under review. These workshops probe all aspects of registration and procurement, and the challenges faced by industry and stakeholders bringing valuable learning back into the organisation and clarifying what needs to be done to improve the cidb's service and impact.

Second, continuous client and contractor requests and complaints, ensure that the entire organisation is continually connected to stakeholders and their challenges. The weekly sessions of the Contractor Registration Assessment Committee involve all senior managers in continuous evaluation of the registration criteria. All feedback from stakeholders is reviewed at weekly strategic meetings, informing proposals for improved service and for regulation adjustments that are submitted for consideration to the cidb Board and to the Minister of Public Works.

Third, in 2005 cidb did a survey of user perceptions of the impact and value of the cidb Register of Contractors and of the service provided by cidb. The intention is that this 2005 survey will form a baseline for further surveys and monitoring.

At the time the survey was undertaken, the registration roll-out was gathering momentum with about 6 000 contractors registered. Almost 20% of the respondents

Register of Contractors - Perception Survey

The survey gathered the perceptions of respondents on whether the Register of Contractors would achieve its objectives. For the purpose of the survey, the objectives of the cidb Act were grouped together as:

- To reduce the risk to clients and contractors of project failure and poor quality
- To facilitate efficient and effective public sector procurement and delivery
- To facilitate sustainable growth and transformation of contractors
- To provide information on industry growth, empowerment and development
- To ensure compliance by contractors with minimum standards as regulated by cidb
- To improve the performance of contractors

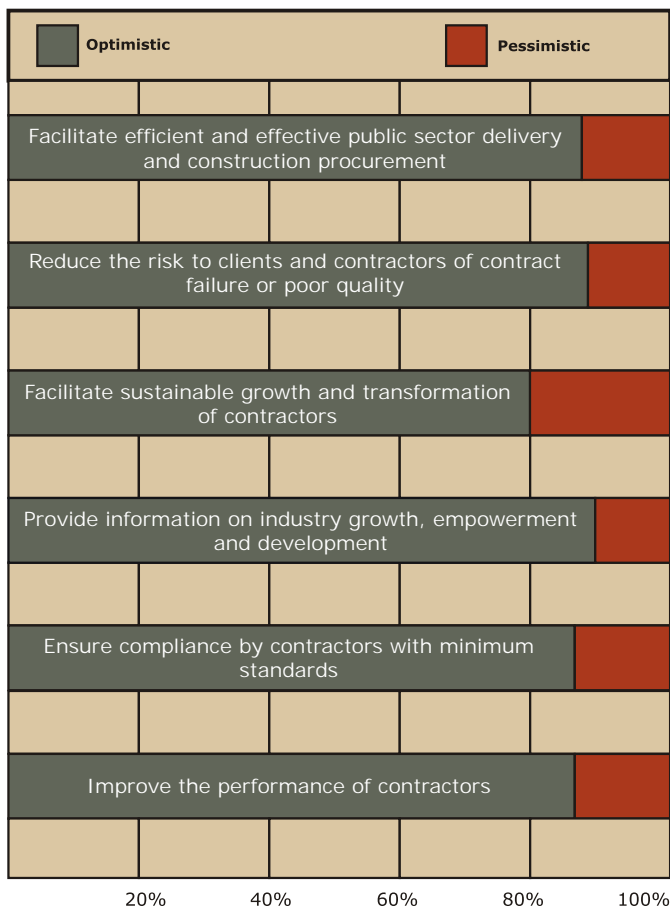
The perception survey involved 305 interviews with respondents in all nine provinces covering public sector clients (national provincial municipal and parastatal), consulting organizations and contractors. Of the 305 interviews, 112 were with contractors across all nine grades.

had worked with or through the cidb in their tendering or procurement processes. However, 44% of the respondents indicated they had "little" to "no" knowledge of the objectives and functionality of the Register of Contractors.

In all, 80% of all responses were optimistic that the cidb would achieve its objectives with the Register of Contractors. A breakdown of the optimistic and pessimistic responses per objective of the Register of Contractors is shown in the graph (opposite page).



“The perception survey indicated broad support for the Register of Contractors but also highlighted areas requiring attention by the cidb”



Each objective was also broken down into sub-objectives, more than 30 in total, exploring issues such as:

- Reducing time and cost to industry and clients in terms of tendering and evaluation of tenders
- Reducing the number of non-responsive tenders
- Facilitating greater continuity of access to work by contractors
- Enhancing preferential procurement by providing accurate BEE information

Targeted improvement of cidb's service

The perception survey indicated broad support for the Register of Contractors but also highlighted areas requiring attention by the cidb. Some of these key issues - and the cidb's efforts to address them - are noted below:

- *The need to enhance communication between the cidb and the various role players.*
cidb efforts: The cidb has endeavoured to expand communication through workshops mainly with clients and contractors. In March 2006, the cidb launched its quarterly newsletter, Infocus, which is circulated electronically to over 700 stakeholders and in hard copy to all registered contractors.
- *The request for enhanced support through regional offices to assist clients as well as contractors (registration) with cidb issues.*
cidb efforts: The cidb has established help-desks in each province. Building on the experience gained it has become evident that an expanded service is required and cidb is planning to establish Outreach Centres in all provinces (covered elsewhere in this report). The first of these centres will be set up before the end of 2006 in Bisho, Cape Town and Soweto to support contractor development, registration and client procurement.
- *Problems of duplication and confusion around the existence and operation of many other databases either within public sector clients or run by private organisations, requiring in some instances registration with more than one database in order to be eligible to tender for public sector clients.*
cidb efforts: This issue is being discussed between cidb and National Treasury in order to find ways to reduce the duplication and streamline the process for contractors.



More issues raised in the survey

- *The reliability of information provided by the cidb Register of Contractors and the extent to which cidb will take responsibility for the correctness of verified information.*

cidb efforts: Responsibility rests with cidb for verification, and measures to enhance verification and compliance are on the agenda for the year ahead. Furthermore, there are provisions in the regulations to suspend or debar contractors who provide false information.

- *The need for transparent and objective assessment of contractors and for the cidb to build integrity and reliability of information.*

cidb efforts: This is a particular priority and is achieved through the weekly meetings of the Assessment Committee, made up of senior cidb staff, which scrutinises the files and evaluates the recommendations of the Chief Assessor.

- *The view that the contractor's grading capacity should be based on both the intensity of work a contractor can complete within a financial year and on current construction commitments that will reduce the contractor's capacity for a new project.*

cidb efforts: This is important feedback with several dimensions. The Register of Contractors is a first-line risk management tool which cannot entirely relieve clients of responsibility.

- *A recommendation to extend contractor information to cover facts on the contractor's specialist fields as well as information such as Unemployment Insurance Fund, Workmen's Compensation and Indemnity Insurance.*

cidb efforts: Actions to address this are under consideration by the cidb.

- *The need for contractor grading scales to be adjusted for inflation to prevent "contractor creep."*

cidb efforts: This is a logical requirement of the Register of Contractor and will be addressed through periodic review of inflationary impacts.

- *A need for the cidb Register of Contractors to provide information on the performance of contractors by means of, for example, a rating system, and not only on the capability of the contractor to undertake certain types of work at a certain grade.*

cidb efforts: Phase Two of the Register of Contractors, the Contractor Recognition Scheme, will begin to address this. The intention is to have a system in place to rate contractors according to their performance by means of a star rating, eg. a Grade 4 contractor could be a 5-star contractor within his or her grade. Points towards a star rating could be based on quality management, on time completion, health and safety and environmental compliance and adherence to relevant labour legislation. Successful implementation of a star rating system requires that clients reward performance with preference points in the award of tenders.

To make the rating system a practical and useful element of contractor development it is necessary to have capacity-building initiatives in place and accessible to contractors. This is part of cidb's intention with the Outreach Centres and other developmental elements outlined in this report.

Practically, the cidb would like to move towards a system where a star rating becomes a sought after "badge" due to its acceptance in the marketplace as an evaluation of a contractor's performance.



“The Register protects contractors at all levels ... from opportunistic tenders ... It is also supporting the growth of small contractors... - 425 contractors had upgraded by the end of June 2006”

- *A recommendation that the higher end of the current grading designations be revisited to allow for a possible additional grade*

cidb efforts: This recommendation will be revisited by the cidb.

- *A concern by some respondents around the “negative” impact on them of disclosure of contractor financial information to SA Revenue Services.*

cidb efforts: Accurate financial information is vital for the Register’s integrity. While this information is treated as confidential by the cidb, it is the intention that registered contractors should be honest taxpaying citizens.

- *The perception by some contractors that the Register of Contractors is a tool for “big business”, as it is perceived to favour large construction companies and not smaller ones.*

cidb efforts: It is important for cidb to correct this impression. The Register is a tool for macro risk management by public sector clients and contractors alike, in that it minimises project failure and ensures contractors are capable of completing a project of a specific size.

The Register protects contractors at all levels, but particularly those at the lower grades, from opportunistic tenders by chance takers and those who are not really in the construction business. It is also supporting the growth of small contractors. It is worth noting that of the 425 contractors that had upgraded by the end of June 2006, 168 started as Grade 1, 80 were Grade 2, 38 were Grade 3 and 59 were Grade 4. In total, 84% of the upgrades (357) were black-owned contracting firms.

- *A view by some contractors that the contractor registration fee at the lower grades was too high and should be free of charge.*

cidb efforts: Careful thought has been given to this and cidb and government have endeavoured to ensure that fees at the lower grades are not a barrier to entry by those serious about the contracting business. There is a cost to the service and the biggest cost is borne by large contractors and government. Over 10 000 contractors have registered in Grade 1 and the very act of paying for registration is a sign of commitment by those who are serious about the construction industry.

- *A concern from the public sector about how they are going to meet the construction delivery demand if there are not enough contractors registered to execute larger projects.*

cidb efforts: Among the 500 contractors registering each week, there are significant numbers of larger firms who until now have remained busy with existing private sector work. The Register reflects both the available capacity and the capacity constraints. It helps us to understand and target development interventions to grow the available capacity. It does not affect the shortage of top contractors one way or another. Contractors in the upper grades are, of course, not geographically bound and operate nationally to undertake projects.

- *There is a need to address the different interpretations within the industry about the registration status, “Potentially Emerging (PE)”.*

cidb efforts: Clearly the cidb needs to communicate more clearly this and other elements of the Register. It is being addressed.



Delivery in Progress

Growth and Public Infrastructure Delivery

In continued partnership with National Treasury, the Development Bank of Southern Africa and the Department of Public Works we have begun to reap the fruit of the Infrastructure Development Improvement Programme (IDIP). The pilot project within the Pretoria Regional Office of the National Department of Public Works (NDPW) resulted in significant performance improvement with this office, moving it up from poorest performer at number 11 to third position last year.

More significantly, we are seeing the enhanced capacity of Provinces, which in 2005 improved capital expenditure by 26,8% compared with the previous financial year. This is a major achievement, since public sector infrastructure budgets have doubled over the past 5 years. The next two years will see further increases, providing sustainable work to small and medium contractors.

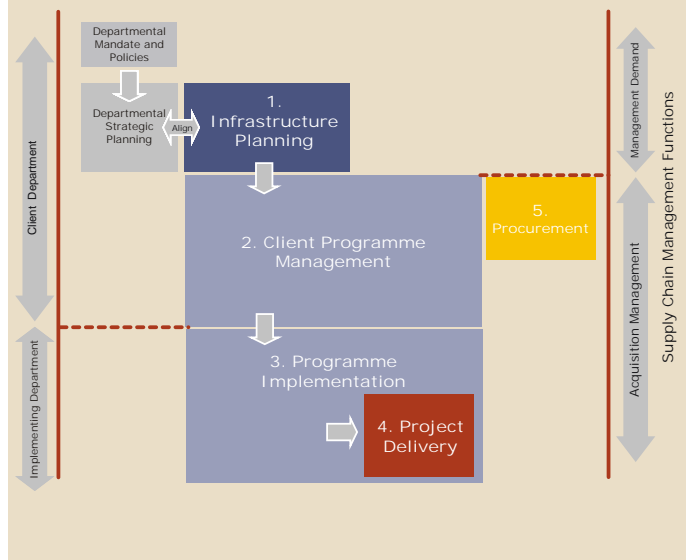
In 1998 and 2002 work done by National Treasury indicated that Provinces were under-spending their capital budgets by about 50%. The IDIP capacity-building programme has since forged cooperation between the Departments of Education (DoE) and Public Works to address the delivery cycle and eradicate the problem of children schooling under trees.

IDIP is a multiyear programme which guides and builds capacity in public sector departments to improve infrastructure delivery. Following a successful pilot, phase two of the IDIP is now being rolled out. The meeting of Education and Public Works Ministers and provincial MECs on 18th April 2005 established a joint task team to improve integration, planning and delivery between the provincial Education and Public Works Departments. The cidb has played an active role in supporting the DoE-NDPW Joint Task Team with components of the IDIP which will speed up delivery.

The key deliverables of IDIP are:

- Formulation of the inception reports, which describe the status of infrastructure delivery in provincial departments and clearly identify gaps in the delivery systems
- Forging partnerships between the provincial Education and Public Works departments through structured service delivery agreements
- Capacity-building plans which address capacity and skills deficiencies. These are developed by the Provincial Technical Assistance Teams (PTATs) together with the departmental counterparts
- Infrastructure and programme implementation plans which guide effective service delivery arrangements
- Coaching and mentoring of delivery staff to institutionalise good infrastructure delivery management practices.

Toolkit - framework for infrastructure delivery



"We need massively to improve the management, organisational, technical and other capacities of government so that it meets its objectives."

President Thabo Mbeki,
State of the Nation Address 2006

cidb support to the IDIP includes the ongoing refinement of the Infrastructure Delivery Management Toolkit that underpins capacity-building. The Toolkit maps, step-by-step in five modules, the procedures to be followed and the actions needed to plan and deliver a project. It includes procurement best practice and also supports effective monitoring and reporting systems, enabling the early detection of risk.

As a result of the success achieved, it is planned to roll-out the IDIP over the next two years across all the regional offices of NDPW and to integrate it with the Department's service delivery improvement programme "Zimesele".

As part of its contribution in the year ahead, the cidb has been requested to investigate and make recommendations on procurement blockages within the provincial delivery system. This will include improved integration of payment systems between provincial Education and Public Works Departments to overcome the challenge of delayed payment to contractors. The recommendations will be fed into IDIP to further improve delivery and industry sustainability.

"The IDIP process is of critical importance to achieving the type of future we desire in Education"

Naledi Pandor, Minister of Education
IDIP Assessment & Design Workshop, September 2005

cidb Delivery Management Toolkit 2006

The Toolkit, which forms the foundation for IDIP, has been significantly enhanced as a result of the lessons learnt in the IDIP pilot. The upgraded version will now be used in the full roll-out within provincial Education and Public Works Departments.

Toolkit 2006, including guidelines and templates, will be available on CD and the cidb website by mid-2006. It comprises the following modules:

- Overview
- Infrastructure planning and programme management by client departments
- Program implementation management
- Project delivery
- Construction procurement, including industry-approved best practice



Delivery in Progress

Rolling out Streamlined Procurement

With the roll-out in full momentum, the cidb is facilitating public sector implementation of the most comprehensive and far reaching procurement reform process ever experienced by the construction industry. Streamlined and uniform procurement practices provide a consistent and predictable environment, with real potential to transform the industry for better growth, performance and sustainable empowerment.

Underpinning this reform roll-out is the legislated schedule for different spheres of government to comply with the Standard for Uniformity in Construction Procurement and the requirements of the Construction Registers Service (see roll-out schedule on page 20).

Facilitating the change process, the cidb outreach team delivered 64 capacity building workshops country-wide, providing awareness and training to over 1 800 officials and consultants. The workshop has now received accreditation by the Engineering Council of South Africa (ECSA) under the title *"Construction procurement: an overview of the regulatory environment in South Africa"*, enabling public officials and consultants to earn credits towards Continuous Professional Development, a requirement for continued professional registration.

The reform progress would not have been possible without the exceptional leadership of committed individuals in public sector client organisations. National and provincial public works, eThekweni Metro, Coega, SANRAL, Rand Water and most state-owned enterprises have now switched over to the new tendering processes and introduced the standard forms of contract endorsed by cidb and the industry - the General Conditions of Contract, New Engineering Contract, JBCC and FIDIC.

For these and other organisations like Transnet with several divisions around the country and Metros the process has required immense effort to transform ingrained and outmoded practices.

Responding to the complex needs of different clients

"Transnet is still on track for full implementation of the Standard for Uniformity..."

"Many thanks for the way in which the meeting this morning was conducted to address particular problems relating to Transnet and Metro... By addressing this issue, the initiatives of Transnet's Supply Chain Management are now finally addressed within the parameters of the Code of Conduct.

May I also make use of this opportunity to congratulate ... cidb for what you have achieved in a short space of time. I am sure that I speak on behalf of ... my colleagues when I say that this is the best thing that has happened to the industry for a long time...

I am sure this "partnership" that has been established between cidb and Transnet can only serve as an example to other SOEs and can jointly lead to many more initiatives..."

Gerhard Bam
Transnet



“Streamlined and uniform procurement practices provide a consistent and predictable environment, with real potential to transform the industry for better growth, performance and sustainable empowerment”

We would like to acknowledge Western Cape and Gauteng Public Works for championing the use of the i-Tender Register of Projects, advertising tenders on the **cidb** website and alerting registered contractors to the departments' tender opportunities. The mining industry and Sasol helped **cidb** to understand the complex nature of their operations and assisted us to adapt requirements, enabling them to effectively use and comply with the Register of Projects.

We also wish to acknowledge Free State Public Works for its pioneering role in developing a set of internal procedural documents that supports the Standard for Uniformity. Many other client departments have been able to adapt the documentation, which is available on the **cidb** website. **cidb** has also drawn on this material in establishing guidelines for local government. The municipal roll-out commenced in March and phase one is complete with high capacity municipalities beginning to call for **cidb** registration when advertising tenders.

UCT adopts **cidb** best practices

The University of Cape Town has incorporated into its curriculum for Construction Management, the **cidb** Code of Conduct for parties involved in construction procurement. Construction Management forms part of the third year curriculum for National Diploma in Building. Also featured in the course is the **cidb** Registers of Contractors and of Projects.

The University has also incorporated into their library of resources the **cidb** Standard for Uniformity in Procurement, Procurement Best Practice Library and Best Practice Guides on Labour Based Construction Methods and Technologies.



Dave Renwick of eThekweni Metro addresses the national municipal workshop on cidb lessons learned during eThekweni's procurement reform process



cidb team - delivery and procurement



“Procurement practice has a profound influence on the construction industry, which operates in a uniquely project-specific environment, continuously combining different clients, consulting professions, as well as different contractors and subcontractors in a variable supply chain... Procurement affects the industry's ability to deliver value and to perform efficiently and competitively.”

SA Construction Industry
Status Report 2004 (cidb)

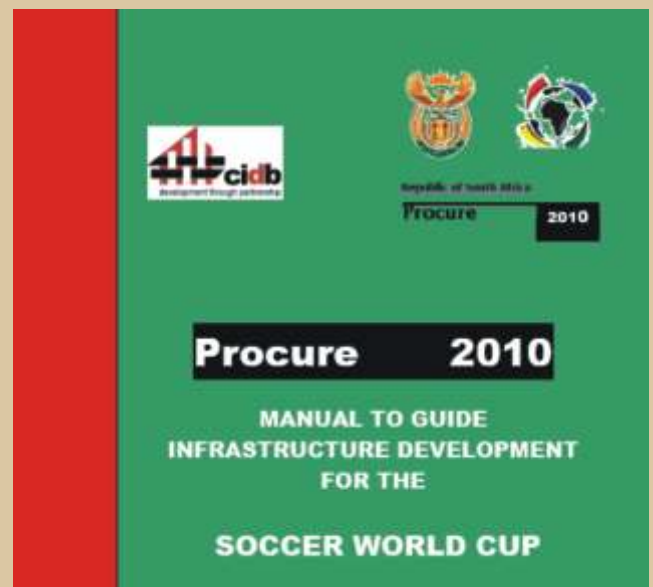
Procure 2010 Manual

cidb, with the National Department of Public Works and National Treasury collaborated with the Director-General 2010 on the development of the *Procure 2010 Manual* to guide infrastructure development and the procurement of the host cities for the Soccer World Cup.

cidb has also provided technical support to some of the host cities.

The manual, which can be downloaded from the cidb website comprises 5 modules which address the procurement requirements of the applicable legislation, compliance with the cidb requirements, delivery models for construction projects, best value procurement and the appointment of professional service providers.

Procure 2010 must be applied in the funding advanced by government for the planning and construction of stadia for 2010.



Delivery in Progress

Partnering for Performance Improvement

Expanding partnership has defined the progress of the past year and is reflected throughout this report. cidb has endeavoured to take forward the recommendations of Status Report - 2004, building stakeholder collaboration on a range of programmes to boost industry performance.

Status Report 2004
Taking forward key recommendations

"Mobilise industry leadership with the support of clients to engender in construction a culture of respect for people and the environment, including pride in the industry that builds South Africa's infrastructure"

National Construction Week (NCW) -
July 27 to August 03

Together with the industry, cidb joined forces with Public Works to ensure the campaign's success in its inaugural year - 2006. NCW builds on the concept proposal submitted by cidb to the late Minister Sigcau in 2003. We congratulate the Department of Public Works on the achievement of this inaugural year that has left an indelible mark in the minds of many young South Africans. Over 50 events were held around the country, involving thousands of pupils.

In addition to promoting the campaign with registered contractors, the cidb partnered with Bokgoni Technical Secondary School in Atteridgeville, Pretoria, to pilot its first essay competition. Next year, the cidb will expand the competition to reach more schools.

Status Report 2004
Taking forward key recommendations

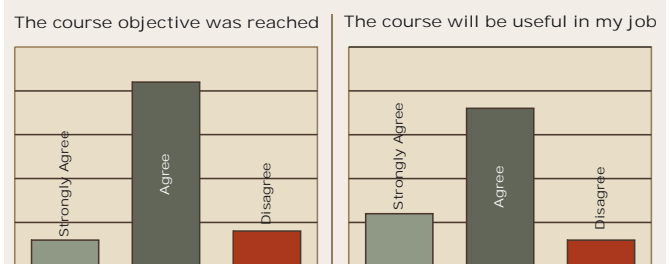
"Boost all-round capability to deliver South Africa's infrastructure by implementing measures that:

- *Attract, train and stimulate the development of young professionals and skill the workforce,*
- *Stimulate research development and academic excellence."*

Construction Management Programme (CMP)

Once again, cidb put its weight behind the internationally recognised bi-annual Construction Management Programme (CMP). Held at Stellenbosch University over the past 30 years, this course has produced leaders in both the industry and client community. In addition to three of its own delegates, cidb partnered with CMP in the production of a pamphlet to promote broader public sector participation. It also delivered course content on construction industry development that was well received by delegates.

CMP Delegate Feedback



"The overriding challenge, if the industry is to realise sustained delivery and growth, enhanced employment and empowerment, is the improving performance of all those who impact on the delivery of infrastructure and on the industry's development... Industry, government and stakeholder collaboration should promote conditions for increasing investment in infrastructure and South Africa's future."

SA Construction Industry
Status Report - 2004 (cidb)

Post-graduate Student Conference 2005

This year the cidb partnered with the University of Witwatersrand to organise the 3rd Construction Industry Development Post-graduate Conference of 9 to 11 October 2005 in Midrand.

One hundred and fifty delegates from Africa and abroad attended the conference to debate research papers presented on a wide spectrum of topics under the theme "Construction Industry Development". Over 45 research papers were accepted following a rigorous peer review process conducted by a team of experts from institutions of higher learning around the globe.

Each year the conference brings together academics, industry and post-graduate students to interrogate research on the current state and future development of the construction industry.

The post-graduate research papers are available to stakeholders on the cidb website www.cidb.org.za. The conference also reviewed and adopted the database of academic research, also available on the cidb website.

In addition to growing international participation, this year the conference attracted eminent industry experts locally and abroad to share perspectives on immediate and future delivery challenges in construction, such as the Gautrain and the 2010 Soccer World Cup. The conference was opened by Mr Ntopile Kanyago, Deputy Minister of Public Works.

3rd Post-grad student conference - Overview

Construction Industry Development has been defined as: *The deliberate and managed process to optimise the contribution of the construction industry in meeting national construction demand, in promoting national social and economic development objectives, industry performance and competitiveness, and improved value to clients and society.*

45 research papers, available on the cidb website, were accepted on the following themes:

- Industry capacity
- Quality and productivity
- Procurement strategies
- Briefing, planning and design management
- Human resource development
- Value based approaches
- Information Technology in construction
- Role of clients and the professions
- Integration of design and construction processes
- Empowerment
- Business performance
- Emerging contractor development
- Construction management
- Best practice and benchmarking
- Safety, health and environment
- Construction industry policy
- Innovation
- Decision making and risk analysis

Participants at the cidb 2005 Post-Graduate Student Conference on Construction Industry Development, hosted in partnership with the University of the Witwatersrand.





cidb's Ronnie Khoza and Principal Tim Mathopa of Bokgoni Technical Secondary School congratulate semi-finalists in the cidb National Construction Week essay competition, at Atteridgeville, Pretoria

Status Report 2004
Taking forward key recommendations

"Build on the recommendations of the GDS to promote greater public and private sector partnership. Establish a forum of major clients with industry leaders and key stakeholders to address issues of strategic development ... and establish local partnerships to address issues of improved implementation, performance and delivery."

International Construction Clients Forum

Organised by the cidb, the second International Construction Clients Forum (ICCF) took place in Port Elizabeth, South Africa, on 17 and 18 October 2005. Promoting this initiative, top South African clients joined hands with cidb, the Department of Public Works and the International Council for Research and Innovation in Building and Construction (CIB).

With active support and funding from Anglo, Coega, SANRAL, ACSA, CSIR and NDPW, fifty local and international clients of construction, from public and private sectors in eight countries including South Africa, met to learn from each other and to explore what practices are producing the greatest value and delivering the best projects. A preparatory meeting of 15 major South African clients helped shape the conference content and discussed challenges towards 2010.

The core theme of the Forum - *Clients leading the way to better performance* - underlines the fundamental belief that clients must take the lead in driving out greater value from construction projects which often under-deliver what they promise.

This theme was extensively explored, and illustrated with nearly a dozen international case studies, in the discussion document developed by cidb - and circulated prior to the Forum. The Deputy Minister for Public Works, Ntopile Kganyago, who formally opened the ICCF, also put the client's role in a nutshell: *"It is clients who determine the fundamental value proposition of their projects."*

This was a key theme in the opening keynote address of Roger Bayliss, Construction Director for the British Airports Authority, who emphasised that clients are the masters of their destiny and must accept greater responsibility for risk: *"Clients must take the lead in developing relationships with their contractors and key suppliers and, particularly, when things go wrong."*

In his address, Brian Bruce, Chief Executive of Murray & Roberts, a leading South African construction company, gave a frank view of how the construction industry perceives its clients: *"The mindset of the client is that the contractor will always bend because contractors always want the job. At which point does the client accept the contractor as a partner with the understanding that both must pull together to ensure a successful project?"*

Pepi Silinga, Chief Executive of Coega Development Corporation, which is creating South Africa's first integrated Industrial Development Zone outside Port Elizabeth, indicated how a public sector client was showing the way with best practice that includes the achievement of socio-economic objectives: *"Top private sector companies like De Beers are visiting Coega to learn from our best practice which is being institutionalised through our knowledge management system."*

Looking forward, there was strong support from the ICCF delegates for an ongoing process to share knowledge, expand understanding and identify and codify best practice. The huge challenge of under-



capacity confronting the construction industry also underlined the leadership and vision clients need to show in helping to develop industry capacity.

From a South African perspective, the cidb acknowledged the leadership role and support from the private sector and committed to undertake the following:

- Distil the ideas and lessons from the meeting and feed these back into the debate, locally and internationally
- Continue to work with leading South African clients to shape an agenda for client action
- Continue to grow the collaboration between the cidb, South African clients, the ICCF and CIB so that international best practice is exposed to as wide an audience as possible.

ICCF Discussion

Forum discussion was guided by the keynote addresses into two areas:

- How to achieve greater value in projects through outcome-driven procurement and collaborative relationships that reward performance
- How to build a value proposition that goes beyond the standard project requirements of cost and quality to include socio-economic goals and value to society as essential success factors.

In the view of the delegates, answers to these imperatives lay in clients leading a fundamental change in project behaviour, putting the focus on:

- Leadership by the client, not dominance
- Value in how the project is seen, rather than expediency
- Win-win collaborative relationships across the supply chain, as opposed to falling back on the standard contractual relationships, characterised by adversity.



Tony Jervis - Anglo American, Roger Bayliss - British Airports Authority and John Carlise - JCP, at the International Construction Clients Forum in Port Elizabeth



Joseph Choi and Johnny Tam, Hong Kong-Kowloon Railway Corporation at the ICCF Conference held in Port Elizabeth





Marianna Scott, National Business Initiative (left) and Gwede Mantashe, Development Bank of Southern Africa at a review meeting of cidb's study on Skills for Infrastructure Delivery

Status Report 2004
Taking forward key recommendations

"Implement an improved regulatory framework to drive a convergence of development focus that supports consistent delivery ... This focus will include ... improving ethics and compliance, and the elimination of unnecessary red tape."

Compendium of Legislation

To support stakeholders and as a basis for any review of legislation, the cidb has finalised a comprehensive overview of legislation that affects the construction industry. The compendium currently consists of 128 pieces of legislation. The legislation has been prioritised into four categories:

- Legislation specific to the construction industry
- Legislation directly impacting on the construction industry
- Legislation indirectly impacting on the construction industry
- Other relevant legislation.

30 key pieces of legislation with a direct impact on the construction industry have been summarised by industry experts and cidb has arranged with Jutastat to assist with updating and maintaining the legislation compendium with amended Acts. The summaries of the legislation include the Title, Purpose, Overview and Implications for affected parties.

Published on the cidb website, the Compendium of Legislation can be searched on-line by several fields including Title, Key Word, Responsible Ministry and by the following topics:

- Training
- Environment
- Procurement
- Housing
- Standards
- Labour and employment
- Property infrastructure
- Health & Safety
- Built environment professions
- Governance

Status Report 2004
Taking forward key recommendations

"Implement new BEE strategies in a comprehensive approach to transformation across the full spectrum of the industry... to achieve agreed scorecard criteria and targets, and ... focused development interventions that are supported by industry know-how."

The Construction Charter

Together with Public Works, cidb has played a key role in support of the Construction Charter, investing significant resources in support of the stakeholder process and the final product. In further support of enterprise development, we have also expanded our focus to implement the national contractor development programme, described elsewhere in this report.

In the year ahead cidb will continue with government and stakeholders to drive the Charter into meaningful implementation. It will partner to commission the Independent 3rd Party Review required by the DTI, and will incorporate BEE scorecard ratings into the Register of Contractors, facilitating procurement by public and private sector clients.

cidb message to the 2005 Construction Conference

"... our Board and executive extend special thanks and tribute to the people and organisations that have worked so hard over the past year ..."

The Construction Charter commits all of us to act for sustainable empowerment and growth of the industry that builds South Africa's infrastructure. Together with you, the cidb will mobilise its effort behind the significant task of implementation that lies ahead ..."



Mapping Skills and Maintenance Strategies

cidb is collaborating with Public Works and stakeholders on two strategic proposals in support of ASGISA and government growth objectives.

The draft *National Infrastructure Maintenance Strategy* includes a review of maintenance across the three spheres of government as well as state-owned enterprises. Following consultation within the public sector the draft strategy has been submitted to the Minister of Public Works. The main areas for concern are municipal water treatment works, water and sewer reticulation, on-site sanitation, some provincial and municipal roads, and some provincial health and education facilities.

Based on this analysis proposed interventions involve:

- Strengthening the national regulatory framework governing planning and budgeting for the maintenance of infrastructure
- Providing non-financial assistance to those institutions which require it
- Developing the maintenance industry in anticipation of growth resulting from this strategy
- Strengthening monitoring and evaluation related to maintenance.

A *Review of Skills for Infrastructure Delivery*, in collaboration with Public Works, is also near finalisation. The review has been undertaken in conjunction with the Department of Public Enterprises, CETA and various role players in three parallel phases. These include an analysis of skills demand based on the anticipated public infrastructure investment of R372bn; an audit of existing skills in the sector as reported in the workplace skills plans of relevant SETA's; and an analysis of the supply of construction related skills by various means such as further education and training colleges, higher education, and CETA learnerships.

"Under the Department of Public Works and the Construction Industry Development Board, an assessment of the state of public infrastructure maintenance is under way and improved maintenance standards and management systems will be implemented."

Minister Trevor Manuel
Budget Speech 2006

At the end of July a forum of 60 informed parties, reviewed the assumptions and draft conclusions providing valuable input. Notably, the preliminary recommendations were supported. Close collaboration with JIPSA has ensured that the work done is flowing directly into its design of interventions for priority skills. The Report will be finalised later this year.

In the year ahead a review of the construction materials sector is planned in cooperation with the Department of Trade and Industry.



Henk Langenhoven, CEO of SAFCEC, Carmel Marock, cidb Board member and Sam Amod, President of SAICE at the review meeting of the cidb's Study on Skills for Infrastructure Delivery



Delivery in Progress

Construction Industry Indicators (CIIs)

The cidb's Construction Industry Indicators are measures of progress in reaching the specific objectives of industry development in South Africa. They are based on a review of international benchmarking and performance indicators for the construction industry. A focus group of industry experts provided guidance to the cidb in the finalisation of appropriate indicators.

These indicators have been measured since 2001, when the project-based pilot measurement was based on 250 returns from a mix of clients and contractors. Since 2002 the measurement has included the consulting professions, with approximately 1 000 returns received each year. As the Registers Service of the cidb becomes established several measurements will be taken from registers data. For example the measurement of black ownership and control of contractors can now be undertaken by using data from the Register of Contractors.

In addition to the surveyed indicators, certain key economic indicators have been included to give an indication of the performance of the construction industry in the economic context of South Africa.

The summary results included in this report reflect selected indicators measured for the 2001 to 2005 calendar years.

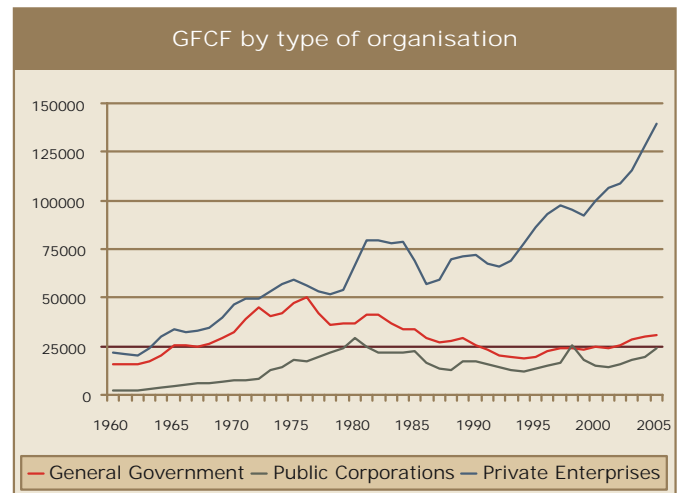
Relevance and Limitations

The samples for the various surveyed measurements have been taken from a cross-section of project or enterprise type and size/value. Apart from the pilot measures, the sample was designed to provide at least a confidence level of 90% and a reliability of 5%.

Economic Context

The primary source of infrastructure spending has shifted significantly from the government and public corporations to the private sector over the past 45

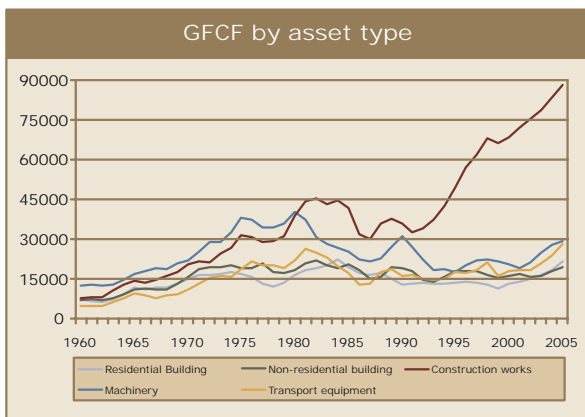
years. From the graph below, it can be seen that government and public corporations gross fixed capital formation (GFCF) was almost equal to the private sector from the early 1960's. By the late 1980's and throughout the 1990's the private sector GFCF accounted for almost double the public sector GFCF. In the 2000's, public sector GFCF accounted for approximately 25% of GFCF as government and public corporations scaled back expenditure growth.



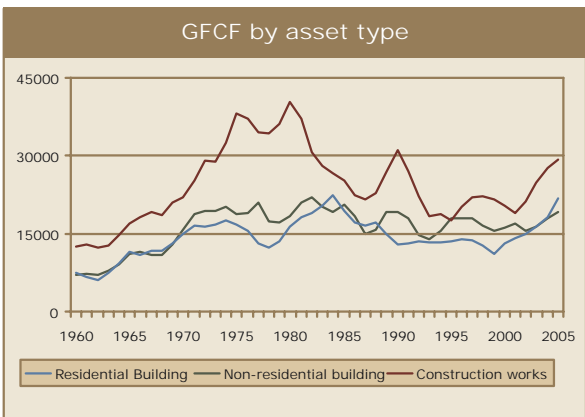
Additionally the public corporations have reflected the most volatile spending pattern with large variations (up to 51% increases and -28% decreases year on year) in investment over the past 45 years. The Government and Private Sector's spending vary within a more moderate band (approximately plus or minus 20%).

As an annual snapshot in time, the indicators provide a benchmark against which, clients, consultants and constructors can measure and improve their own performance in relation to the industry norm.

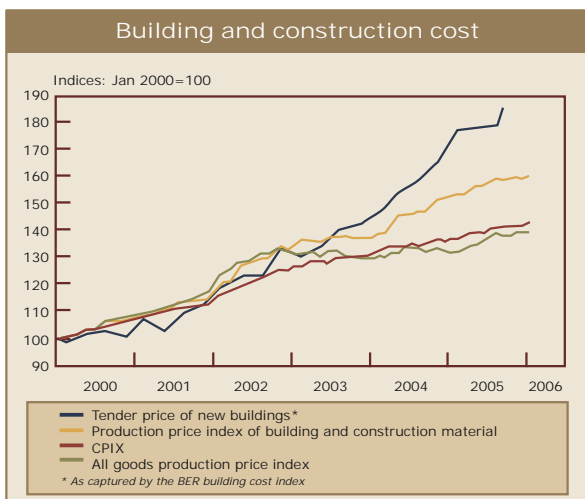




Looking at growth in GFCF over the past four decades in the graph, it can be seen that machinery and equipment came to dominate the sector by the early 1980's followed by civil engineering works.



The graph shows the construction-related components of GFCF. All construction sectors saw a dramatic rise in the 1960's and 1970's followed by an equally dramatic fall in the 1980's and 1990's. The revival of the industry in the 2000's was led by civil works followed by the residential sector.



Unfortunately in line with these increases in construction demand in the 2000's, we have also seen a significant (above general inflation) increase in construction costs. The graph published in the SARB Quarterly Bulletin (March 2006) illustrates this.



The ability of government departments to spend the allocations granted to them appears to be improving. By way of example, in the annual Medium Term Budget Policy Statement (1999 to 2001) as published by the National Treasury, national infrastructure departments only spent 79% of their capital budgets in 1998/99. This percentage improved the following year, but the budgets had been reduced.

An example of recent improvements is contained in the 2005/06 4th Quarter Year to Date Provincial Budgets Report (Preliminary Outcome) recently released by National Treasury. This shows that on average, Provinces spent 94 per cent or R13,1 billion of their almost R14 billion adjusted capital budget between the various sectors. This is an improvement of 26,8% over the previous financial year, exceeding the audited R10,4 billion spent in 2004/05 by R2,8 billion. The best performers have been the provincial departments of Public Works, Roads and Transport, who receive 34,3 per cent of the infrastructure budget. The sector spent 106,4 per cent or R5,1 billion against its combined capital budgets of R4,8 billion for the 2005/06 financial year. Provincial departments of education have spent 83 per cent or R2,8 billion of their R3,4 billion adjusted budgets. This represents an 18,5 per cent or R437 million increase in spending over the previous financial year.

| Provincial Capital Expenditure: Public Works, Roads and Transport as at March 2006 | | | | | | |
|--|------------------|-------------------------|--|--|---|---------------------|
| R thousand | Adjusted Budget | Actual as at March 2006 | Preliminary Outcome as % of adj budget | % share of PWRT Capital to total Capital expenditure | 2004/05: Audited Outcome as at March 2005 | Year-on-year growth |
| Eastern Cape | 709 006 | 739 740 | 104,3% | 48,1% | 908 215 | -18,6% |
| Free State | 214 701 | 165 403 | 77,0% | 28,6% | 169 171 | -2,2% |
| Gauteng | 407 179 | 756 010 | 185,7% | 31,2% | 726 728 | 4,0% |
| KwaZulu-Natal | 1 376 321 | 1 450 772 | 105,4% | 43,1% | 1 135 909 | 27,7% |
| Limpopo | 179 804 | 159 706 | 88,8% | 11,9% | 97 666 | 63,5% |
| Mpumalanga | 518 235 | 504 358 | 97,3% | 46,6% | 370 335 | 36,2% |
| Northern Cape | 109 863 | 110 807 | 100,9% | 35,2% | 101 480 | 9,2% |
| North West | 522 406 | 465 305 | 89,1% | 46,5% | 198 963 | 133,9% |
| Western Cape | 753 560 | 747 453 | 99,2% | 50,5% | 831 022 | -10,1% |
| Total | 4 791 075 | 5 099 554 | 106,4% | 38,9% | 4 539 489 | 12,3% |

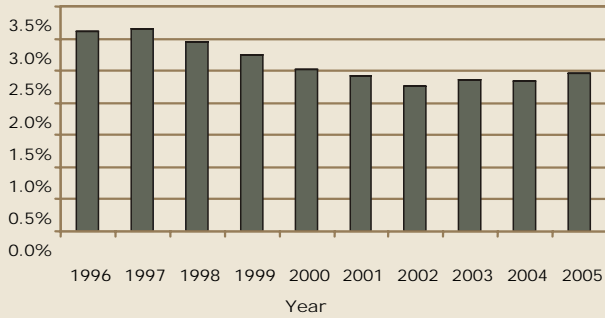
| Provincial Capital Expenditure: Education as at March 2006 (Preliminary Outcome) | | | | | | |
|--|------------------|-------------------------|--|---|---|---------------------|
| R thousand | Adjusted Budget | Actual as at March 2006 | Preliminary Outcome as % of adj budget | % share of Education Capital to total Capital expenditure | 2004/05: Audited Outcome as at March 2005 | Year-on-year growth |
| Eastern Cape | 353 620 | 339 631 | 96,0% | 22,1% | 316 339 | 7,4% |
| Free State | 84 448 | 63 114 | 74,7% | 10,9% | 109 879 | -42,6% |
| Gauteng | 585 590 | 516 273 | 88,2% | 21,3% | 685 087 | -24,6% |
| KwaZulu-Natal | 880 983 | 737 851 | 83,8% | 21,9% | 485 145 | 52,1% |
| Limpopo | 491 815 | 378 898 | 77,0% | 28,2% | 457 672 | -17,2% |
| Mpumalanga | 342 078 | 179 031 | 52,3% | 16,5% | 135 062 | 32,6% |
| Northern Cape | 31 745 | 32 799 | 103,3% | 10,4% | 16 886 | 94,2% |
| North West | 269 886 | 261 754 | 97,0% | 26,2% | 135 001 | 93,9% |
| Western Cape | 335 703 | 294 166 | 87,6% | 19,9% | 25 748 | 1042,5% |
| Total | 3 375 868 | 2 803 517 | 83,0% | 21,4% | 2 366 819 | 18,5% |



Economic Indicators

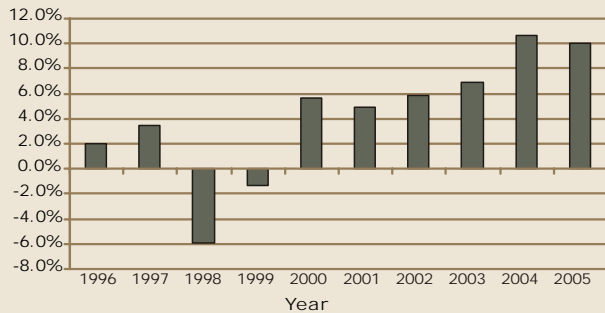
Contribution of the construction sector to the economy

Contribution: The value added by the construction industry as a percentage of the total value added by all industries at current prices.



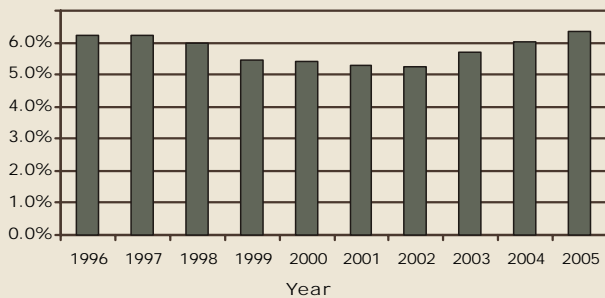
Growth of the construction sector

Growth: The percentage change in the annual gross domestic product by the construction industry at constant prices.



Investment in construction

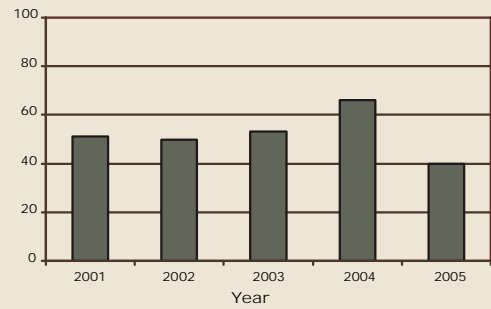
Investment: Construction-related Gross Fixed Capital Formation as a proportion of GDP at constant prices.



Client Performance Indicators

Contractors: average number of days delay before payment

Prompt payment: Percentage of contracts where the average number of days delay between certification of work and receipt of payment was equal to or less than 30 days.

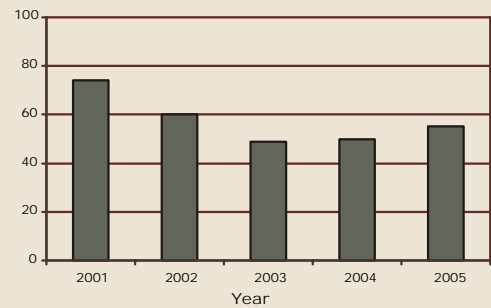


Payment is the single overriding obligation of clients in terms of their contractual relationships with contractors and consultants. The general contractual norm is 30 days from receipt of invoice.

In terms of payment to contractors the 2005 survey results show a significant decrease in client performance, placing increasing pressure on the cash flow of contractors.

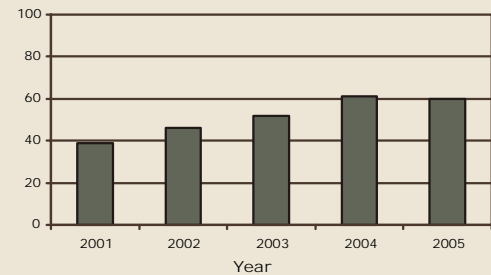
Consultants: average number of days delay before payment

Prompt payment: Percentage of contracts where the average number of days delay between certification of work and receipt of payment was equal to or less than 30 days.



Percentage (by number) of contracts meeting the principles of modern contracts

Use of modern contracts: Types of contract considered to meet the principles of modern contracts were unaltered versions of: GCC-90, GCC, NEC, JBCC 1991, JBCC 2000, and FIDIC.

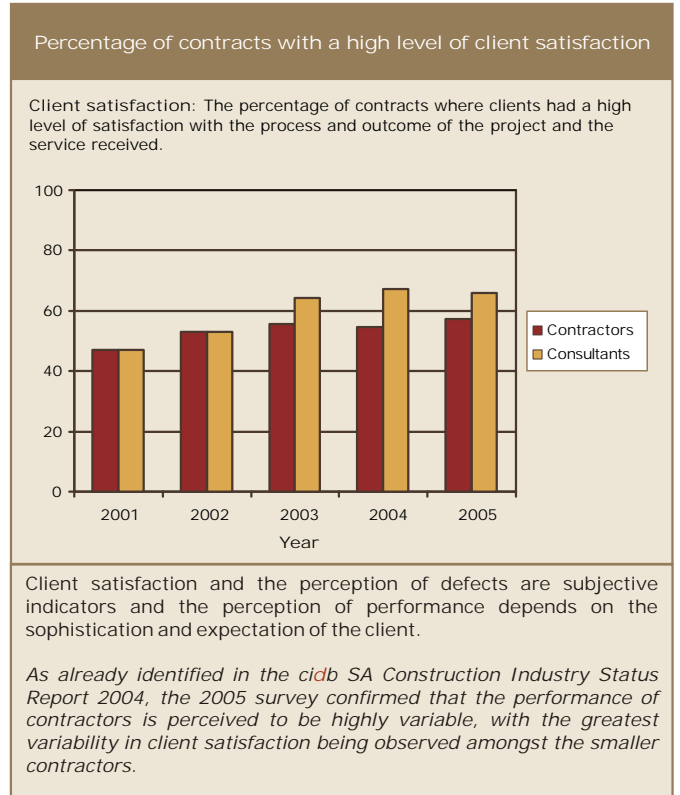
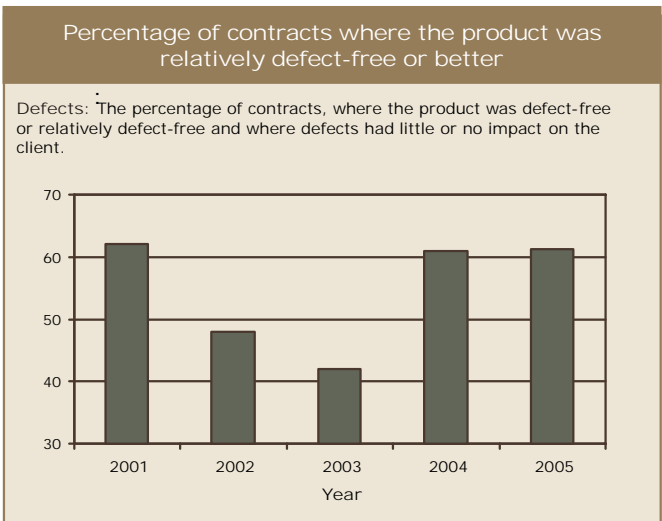
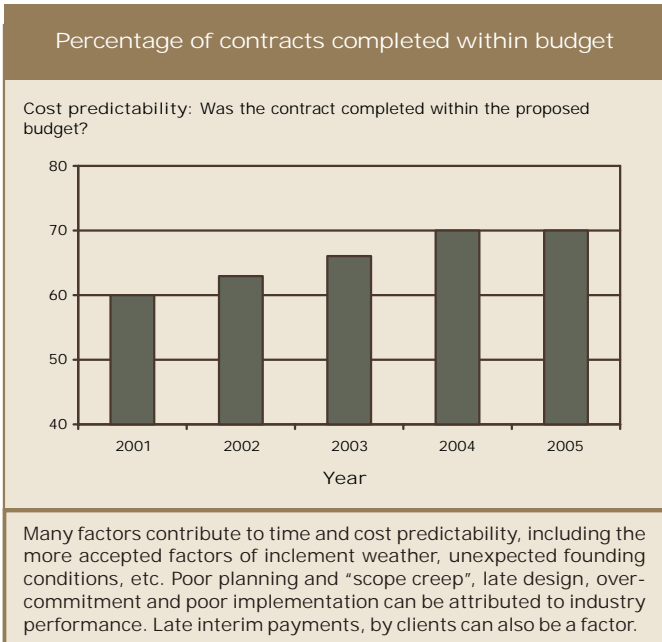


Good modern contracts are those that appropriately allocate risks, liabilities and obligations and contain administrative procedures that enable proactive management of the delivery process.

Good progress has been achieved in moving towards the use of good modern contracts and this trend is expected to increase significantly during 2006 under the impact of the procurement reform initiative being rolled out by the cidb.



Industry Performance Indicators



Empowerment Indicators (contracting sector)

As illustrated in the data below obtained from the *cidb* Register of Contractors, black ownership of contracting companies is still largely concentrated at Grade 4 and lower. Similarly, women ownership is largely concentrated at Grade 3 and lower.

As discussed elsewhere in this Annual Report, the competition at Grades 4 and lower is very high, and it is often difficult to obtain continuity of work due to the large number of contractors competing at this level. Information such as this obtained from the *cidb* Registers Service is being used to assist in the design of targeted interventions to build the capability of contractors in the various classes of work and at the various grades.

| Grade | Maximum contract value | Black Ownership (= 50%) | Woman Ownership (= 50%) |
|-------|------------------------|----------------------------|----------------------------|
| | | % of Total | % of Total |
| 1 | R200 000 | 97 | 53 |
| 2 | R500 000 | 91 | 49 |
| 3 | R1 500 000 | 92 | 57 |
| 4 | R3 000 000 | 82 | 39 |
| 5 | R5 000 000 | 75 | 29 |
| 6 | R10 000 000 | 66 | 18 |
| 7 | R30 000 000 | 38 | 7 |
| 8 | R100 000 000 | 28 | 3 |
| 9 | No Limit | 0 | 0 |

The distribution of black ownership per class of works shows that black ownership is skewed towards general building (GB) and civil engineering (CE), with lesser black ownership in electrical engineering (EE). Mechanical engineering (ME) and special works (SW) shows limited black ownership concentrated at the Grade 1 level with maximum contract values of R200 000.

| Grade | Percentage Black-Owned per Class of Works | | | | |
|-------|---|----|----|----|----|
| | GB | CE | EE | ME | SW |
| 1 | 98 | 97 | 93 | 84 | 94 |
| 2 | 95 | 93 | 88 | 73 | 70 |
| 3 | 98 | 92 | 74 | 71 | 66 |
| 4 | 90 | 83 | 71 | 74 | 39 |
| 5 | 87 | 83 | 75 | 57 | 23 |
| 6 | 78 | 57 | 50 | 79 | 50 |
| 7 | 60 | 38 | 0 | 50 | 20 |
| 8 | 38 | 26 | 33 | 0 | 0 |
| 9 | 0 | 0 | 0 | 0 | 0 |

The *cidb* Registers Service is now providing a wealth of information on the state of the industry as well as providing an additional base for the Construction Industry Indicators and for designing and monitoring appropriate intervention strategies.

Once the Register of Professional Service Providers is established, similar empowerment statistics will be available for the consulting sector.

With implementation of the Construction Charter, future statistical data will record progress related to the BEE scorecard, including equity ownership and control, management and employment equity, procurement, enterprise and skills development and corporate social investment.



Some of the women contractors who took part in the *cidb* pilot training workshop on GCC, in Umtata, Eastern Cape.



Corporate Governance Report

The cidb is a schedule 3A public entity under the executive authority of the Department of Public Works. It is charged with the role of strategic leadership for construction industry development. The cidb has a comprehensive vision and programme, concretised in the annual strategic and business plans, in accordance with the enabling legislation of the entity, (CIDB Act 38, 2000). The operating policy of the cidb upholds the principles of corporate governance through its adherence to the PFMA, treasury regulations and the advisory principles of the second King Report.

The cidb Board, supported by an Audit Committee, Remuneration Committee, the Chief Executive Officer (CEO) and the executive leadership team ensures the effectiveness of the enterprise's good governance. Proper controls are in place to identify and report any material breakdown and ensure that corrective actions are taken.

As part of the overall strategy to ensure adherence to the PFMA and good corporate governance policies, internal controls have focused on areas of risk management, accountability for assets, staff policies, sound procurement practice as well as the reliability and integrity of the financial statements.

The cidb Board

The Board of the cidb has a mandate to approve the annual financial statements and assure the auditors of their integrity and reliability. The Board also reviews the entity's executive performance and its levels of responsibility, communication and accountability as a public body. This encompasses approval of strategic plans, monitoring of strategic outputs, internal control procedures, a risk management plan and the appointment and performance of the CEO.

Non-executive board members are selected for their complementary knowledge and skills in the public and private sector. They further have an understanding and collective ability to guide and direct the entity according to its founding legislation and accepted codes of practice.

The Board was appointed on 1 November 2004 by the Minister of Public Works and members serve a three-year term and at least a third of the members are reappointed at the end of their three-year term to ensure continuity.

Board Members 2006

The cidb Board consists of the following members and the table below indicates their attendance of board meetings and other engagements:

| Non Executive Board Members | Date Appointed | Attendance at board meetings | Other engagements no. of days |
|-----------------------------|----------------|------------------------------|-------------------------------|
| Pepi Silinga | 1 Nov 2004 | 5 | 2 |
| Nonhlanhla Mjoli-Mncube | 1 Nov 2004 | 3 | 1 |
| Brian Bruce | 1 Nov 2004 | 5 | 1 |
| Carmel Marock | 1 Nov 2004 | 6 | 3 |
| Sean Phillips | 1 Nov 2004 | 5 | 0 |
| Shaun Webber | 1 Nov 2004 | 6 | 6 |
| Savannah Maziya-Sandanezwe | 1 Nov 2004 | 6 | 4 |
| Nazir Alli | 1 Nov 2004 | 4 | 4 |
| Mike Wylie | 1 Nov 2004 | 5 | 3 |
| Trueman Goba | 1 Nov 2004 | 6 | 0 |
| Rodney Milford | 1 Nov 2004 | 6 | 5 |
| Raymond Nkado | 1 Nov 2004 | 6 | 1 |
| Mandla Ndlovu | 1 Nov 2004 | 5 | 1 |
| Executive Members | | | |
| Spencer Hodgson (CEO) | 1 Dec 2001 | | |





Mike Wylie, member of the cidb Board makes a point at a Board meeting, attended by Minister Thoko Didiza of Public Works at the cidb office in Pretoria

Seven Board meetings were held during the year. Board member engagements and duties include participation in the stakeholder meetings, focus group meetings, staff interviews, the Remuneration and Audit Committees and presentations at industry and stakeholder functions.

Remuneration Committee

The Remuneration Committee comprised of the following three Board members.

- Rodney Milford (Chairperson)
- Nazir Alli
- Shaun Webber

Since financial year-end Rodney Milford has resigned. The Committee now includes Trueman Goba and is chaired by Nazir Alli. This Committee is tasked with the evaluation and review of human resource strategy and operations. The CEO and the Chief Financial Officer (CFO) attend meetings by invitation. The Committee's terms of reference include considering and making recommendations to the Board on matters relating to general staff policy, remuneration, bonuses, executive remuneration and review of service contracts and other benefits. The remuneration committee also evaluated and approved staff salaries and performance bonuses for the period ending March 2006.

Audit Committee

The Audit Committee consists of the members listed below and meets twice a year in accordance with its approved terms of reference.

- Prof Herman de Jager (Chairperson)
- Maureen Manyama
- Thabo Poee
- Mike Wylie
- Savannah Maziya-Sandanezwe

Members serve a term of three years after which only two members may remain for a further year. During the

year under review Roy Parbhoo resigned and Prof Herman de Jager and Thabo Poee were reappointed for a further year.

An independent chairperson is appointed by the Board. The Committee consists of three non-executive members and two board members. Committee meetings are attended by the CEO, CFO, members of the Auditor-General's office and members of the internal audit unit.

The Audit Committee met three times during the period under review. The most important aspects were:

- Review and approval of the internal audit plan in consultation with the head of internal audit
- Review of the risk analysis associated with the Register of Contractors' system which has been completed, as well as the internal audit plans and budget
- Internal audit reports
- Monitoring progress with the internal audit plan as well as management's follow-up of matters requiring attention
- Monitoring compliance with policies and applicable legislation
- Review of the audited annual financial statements for the year ended 31 March 2006
- Review of the audit report of the Auditor-General for the year ended 31 March 2006
- Monitoring progress with the internal audit

Internal Audit Unit

The internal audit unit plays an important role in corporate governance and has been outsourced to SAB&T. The function is mandated by the Audit Committee and advises the Committee and the CEO. The internal audit unit measures and evaluates the effectiveness and application of policies, procedures, systems, and processes designed to fulfill the requirements of the risk management policy as well as general compliance with governance principles, regulation and the safeguarding of assets. In the year





cidb team - growth and contractor development

under review, internal audits focused on the Register of Contractor's system, and on procurement policies.

External Audit

The external audit for the period ending March 2006 was performed by the Auditor-General.

Risk Management

The Board of the cidb is accountable for the process of risk management and the system of internal control. This review includes regular monitoring of the risk management plan and its effectiveness, coupled with the control policies of the organisation.

A comprehensive risk assessment process was undertaken during the year and to give effect to this, each business unit developed its own risk profile that were consolidated and reviewed by independent risk management experts and the Audit Committee.

The Register of Contractors' system continues to be the key focus area for risk management and in the period under review, internal controls focused on the registration process.

Materiality Framework

No significant items were reported in terms of the Materiality Framework.

The Leadership Team

This internal team consisted of the CEO, the Acting CFO and Programme Managers. It reviews and makes recommendations on business unit strategy and delivery, and monitors budget expenditure. It ensures that cidb deliverables are strategically aligned to enterprise objectives, and that measures are in place to monitor output and outcomes.

Human Capital

At financial year end the cidb had 38 permanent employees and 30 temporary staff. The period under review saw the departure of 12 members due to contract expiry and/or resignations. Capacity has since been rebuilt and all top management positions have recently been filled.

In order to retain and nurture the best quality personnel, capacity building and personal development plans are fostered and encouraged so as to build a committed and professional workforce and further training qualifications.

The cidb has successfully implemented a performance management system that rewards performance and identifies areas for development that will help the organisation reach its strategic objectives. The system facilitates alignment between the business plan objectives and individual performance agreements. Performance appraisal meetings are held twice yearly. Performance bonuses and salary adjustments are determined on the basis of the performance appraisal.

The cidb recognises that job profiles are ever changing depending on the complexity, content and delivery needs of the organisation. Therefore, during the year under review it appointed a professional consultant to profile, analyse and evaluate forty positions to ensure market-related compensation and a positive work environment for its employees. Attracting and retaining people with the specifically specialised skills of the organisation is a challenge, and the cidb will further evaluate its remuneration system in the year ahead.

Employment Equity

The cidb is committed to the principles of employment equity as prescribed in the Employment Equity Act, 55 of 1998. Accordingly, the Board has applied principles of fairness and equity when recruiting and appointing staff.



The cidb has met its employment criteria of 60% black and 30% women for the period under review.

| Overview of the cidb staff | | | | | | | |
|----------------------------|---------|---------|----------------|--------|-------|-------|----------|
| Age spread | | | Representivity | | | | |
| 27 - 34 | 35 - 46 | 47 - 58 | Black | Indian | White | Women | Coloured |
| 66% | 26% | 8% | 71% | 13% | 16% | 58% | 0% |

Procurement Policy

The cidb has developed a procurement policy that is aligned to the principles of the Supply Chain Management Framework prescribed by National Treasury, supports the principles of black economic empowerment and actively promotes the goals of the Preferential Procurement Policy Framework Act.

The cidb has reviewed its database of suppliers to verify their HDI status and to identify areas in which affirmative procurement can be strengthened. A systemic reporting system has now been instituted so that progress can be monitored throughout the financial year.

Preferential procurement for the period under review in all sectors was as follows:

| | |
|--------------------------------------|------------------------|
| 1. Analysis of All Service Providers | % of Total Expenditure |
| 1.1 HDI-Owned service providers | 44% |
| 1.2 Women-Owned service providers | 21% |
| 2. Analysis of Professional Services | % of Total Expenditure |
| 2.1 HDI-Owned service providers | 48% |
| 2.2 Women-Owned service providers | 21% |

These figures exceed the target of 30% and represent an increase of approximately 25% of expenditure from black- and women-owned suppliers during the previous financial year.

Health and Safety

The cidb respects the right of employees to work in a clean, safe and healthy environment and takes all necessary measures to ensure their protection and comfort.

In respect to HIV/Aids, all employees have access to awareness materials and precautionary medical advice upon request. The cidb HIV/Aids specification on the website provides guidelines for best practices in awareness and information services and is accessible to the construction industry and all interested parties.



cidb team - corporate services



Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2006.

Audit Committee Members and Attendance

The Audit Committee consists of the members listed hereunder and meets at least twice per annum as per its approved terms of reference. During the current year three meetings were held.

| Name of member | No. of meetings attended |
|--|--------------------------|
| 1 Prof H de Jager (Chairperson) (External member) | 3 |
| 2 Mr R Parbhoo (External member) (term of appointment expired) | 1 |
| 3 Mr T Pooe (External member) | 3 |
| 4 Ms S Maziya-Sandanezwe (Board member) | 3 |
| 5 Mr M Wylie (Board member) | 3 |

The Auditor-General, the representatives of the firm (SAB&T) to whom the internal audit function was outsourced, the CEO and the acting CFO were invited and attended all the meetings.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Treasury Regulation 27.1.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein. The audit committee charter was revised during the year to ensure relevance.

The Effectiveness of Internal Control

The cidb system of internal control, is designed to provide assurance, inter-alia that assets are safeguarded, liabilities and working capital and the Register of Contractors are managed effectively and efficiently. From the various reports submitted by the cidb internal auditors and the management report of the Auditor-General the Committee concluded that no significant or material non-compliance with prescribed policies and procedures have been identified. The Audit Committee is satisfied with management responses to aspects identified by internal audit and the Auditor-General for corrective actions and/or suggested improvements to controls and processes.





Meeting of the cidb Audit Committee in full session, at the cidb office in Pretoria

The internal audit continued during the review period to provide the Audit Committee and management with independent assurances that internal controls are appropriate and effective for those areas examined in terms of the Audit Committee-approved coverage plan, based on the risk assessment.

Evaluation of Financial Statements

The Audit Committee has:

- reviewed and discussed with the Auditor-General and the CEO and CFO the audited annual financial statements to be included in the annual report; and
- reviewed the Auditor-General's management letter and management response.

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements of the cidb fairly present the financial position and results of the cidb based on the report of the Auditor-General.

Management Reports

The Audit Committee is satisfied with the content and quality of the reports prepared and issued by the cidb for the period under review.

The Audit Committee

Chairperson of the Audit Committee
27 July 2006

Board Approval

of the Financial Statements

The Board is the Accounting Authority and is responsible for the presentation to stakeholders of the financial position of the entity at the end of the financial year.

cidb Board members are responsible for the integrity of the entity's annual financial statements and related information in its annual report to parliament. In order for the Board to satisfactorily discharge its responsibilities, there are in place a number of procedures and controls to facilitate the role of the Board in this respect.

Management has been delegated with the responsibility of implementing systems of internal control and maintaining accounting and information systems designed to provide reasonable assurance as to the reliability of the financial statements which have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP), and Generally Recognised Accounting practices as disclosed in note 1 to the financial statements.

The cidb's revenue is in the form of transfer payments from the National Department of Public Works as per the MTEF and income from the registration of contractors. The cidb is confident that it will remain a going concern in the year ahead and that no event of significance has occurred subsequent to balance sheet date.

During the past financial year the number of registered contractors increased ten-fold placing strain on existing fee processing systems. In terms of the Regulations administration fees are non-refundable and are only deemed income on assessment. cidb faces the challenge of refunding contractors the annual fee (or a portion thereof) as a result of non compliance by the contractors, or being assessed at a grade lower than that applied for. The disclosed amount of R4,2m as Contractors not Assessed indicates deposits yet to be allocated to the debtors account once the deposit has

cidb Board

| | |
|--|----------------|
| Pepi Silinga (Chairperson) | 28 766 |
| Nonhlanhla Mjoli-Mncube (Deputy Chairperson) | 9 120 |
| Brian Bruce | 16 565 |
| Carmel Marock | 14 040 |
| Shaun Webber | 42 287 |
| Savannah Maziya-Sandanezwa | 20 527 |
| Mike Wylie | 12 629 |
| Trueman Goba | 22 332 |
| Rodney Milford | 20 800 |
| Raymond Nkado | 10 736 |
| Mandla Ndlovu | 14 858 |
| Total | 212 660 |

Note: Total payments (R216 660) include travel payments made (R11 879) and remuneration (R68 619 carried over from 2004/05).

cidb Executives

| Executives | Performance Bonuses | Remuneration | Total |
|---|---------------------|------------------|------------------|
| Spencer Hodgson Chief Executive Officer | 66 496 | 791 615 | 858 111 |
| Gladness Moorosi Chief Financial Officer (Acting) | 21 570 | 359 503 | 381 073 |
| Gerard Naidoo Programme Manager: Construction Economy | 24 237 | 380 407 | 404 644 |
| Ebrahim Moola Programme Manager: Registers | 42 852 | 504 577 | 547 429 |
| Total | 155 155 | 2 036 102 | 2 191 257 |





The cidb Board members, 2005/06

been verified. Challenges have been identified pertaining to reconciliation of the deposits by contractors due to the lack of sufficient information on the bank statements and documents submitted for registration.

System changes have occurred after year-end to expedite the allocation process. Necessary measures have been put in place to alleviate the challenge and it is envisaged that debtor refunds of R6,9 m will be done within the first 6 months of the coming financial year.

As part of good corporate governance and adherence to the PFMA, the cidb has completed its policies and procedures manual including a review of the current human resource policy. These have been work-shopped

with management and the first six months will be dedicated to monitoring implementation and making improvements where necessary to ensure full compliance. Policies and procedures have been followed during the year under review but have only been formally approved on 2 May 2006 after assurance was given that these processes are streamlined, effective and accepted by all staff.

Chairperson

Chief Executive Officer



Report of the Auditor-General

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE CONSTRUCTION INDUSTRY DEVELOPMENT BOARD FOR THE YEAR ENDED 31 MARCH 2006

1. Audit Assignment

The financial statements as set out on pages 61 to 75, for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 25 of 2004), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements are the responsibility of the Construction Industry Development Board (cidb). My responsibility is to express an opinion on these financial statements, based on the audit.

2. Scope

The audit was conducted in accordance with the International Standards on Auditing read with General Notice 544 of 2006, issued in Government Gazette no. 28723 of 10 April 2006 and General Notice 808 of 2006, issued in Government Gazette no. 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

3. Basis of Accounting

The entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as described in note 1 to the financial statements.



4. Audit Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Construction Industry Development Board at 31 March 2006 and the results of its operations and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in note 1 to the financial statements and the Public Finance Management Act, 1999 (Act no. 1 of 1999 as amended).

5. Appreciation

The assistance rendered by the staff of the Construction Industry Development Board during the audit is sincerely appreciated.



MMR Nkai for Auditor-General
Pretoria
31 July 2006



A U D I T O R - G E N E R A L



Financial Statements

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STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2006

| | | 2006 | 2005 |
|-------------------------------------|-------|-------------------|------------------|
| | Notes | R | R |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| | | 4 005 165 | 4 342 339 |
| Property, plant and equipment | 3 | 3 271 534 | 3 021 804 |
| Lease improvements | 5 | 733 631 | 1 320 535 |
| CURRENT ASSETS | | | |
| | | 18 902 968 | 5 601 839 |
| Accounts receivable | 3 | - | 1 346 002 |
| Prepayments | 4 | 54 420 | - |
| Lease improvements | 5 | 586 904 | 586 904 |
| Cash and cash equivalents | 11 | 18 261 644 | 3 668 933 |
| TOTAL ASSETS | | 22 908 133 | 9 944 178 |
| EQUITY AND LIABILITIES | | | |
| CAPITAL AND RESERVES | | | |
| | | 7 526 910 | 5 441 149 |
| Accumulated surplus | | 7 526 910 | 5 441 149 |
| CURRENT LIABILITIES | | | |
| | | 15 381 223 | 4,503,029 |
| Accounts payable | 6 | 14 408 362 | 3 678 920 |
| Provisions | 7 | 972 861 | 824 109 |
| TOTAL EQUITY AND LIABILITIES | | 22 908 133 | 9 944 178 |



STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2006

| | | 2006 | 2005 |
|---|-------|-------------------|-------------------|
| | Notes | R | R |
| Operating Income | | | |
| Transfers from Department of Public Works | | 33 510 752 | 25 035 801 |
| Registers income | | 6 988 032 | 856 653 |
| Income from external projects | | 500 000 | 105 175 |
| Interest received | | 679 304 | 411 384 |
| Other income | 8 | 2 116 | 62 |
| Total income | | 41 680 204 | 26 409 075 |
| Operating costs | | 39 594 443 | 26 249 053 |
| SURPLUS FOR THE PERIOD | 9 | 2 085 761 | 160 022 |

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 MARCH 2006

| | Accumulated Surplus | Accumulated Surplus |
|--|------------------------|------------------------|
| Balance at 31 March 2004 | 5 281 127 | 4 933 436 |
| Surplus for the period ending March 2005 | 160 022 | 347 691 |
| Balance at 31 March 2005 | 5 441 149 | 5 281 127 |
| Surplus for the year ending March 2006 | 2 085 761 | 160 022 |
| Balance at 31 March 2006 | 7 526 910 | 5 441 149 |



CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2006

| | | 2006 | 2005 |
|--|-------|-------------|-------------|
| | Notes | R | R |
| <hr/> | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | 16 123 102 | 4 457 124 |
| Cash generated by operations | 10 | 15 443 798 | 4 045 740 |
| Interest received | | 679 304 | 411 384 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | (1 530 391) | (1 621 049) |
| Property, plant and equipment - acquired | | (1 530 391) | (1 621 049) |
| Net (decrease)/increase in cash and cash equivalents | | 14 592 711 | 2 836 075 |
| Cash and cash equivalents at beginning of the period | | 3 668 933 | 832 858 |
| Cash and cash equivalents at end of the period | 11 | 18 261 644 | 3 668 933 |



NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

The Construction Industry Development Board (CIDB) is a Schedule 3A public entity established in terms of the CIDB Act, 2000 to provide leadership to stakeholders for sustainable growth, reform and improvement of the construction sector and the industry's enhanced role in the country's economy. The cidb is under the Executive Authority of the Department of Public Works.

1. BASIS OF PREPARATION

The Annual Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Annual Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by the Act 29 of 1999).

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statements as follows:

| Standards of GRAP | Replaced Statements of GAAP |
|---|--|
| GRAP 1: Presentation of financial statements | IAS 1 (Ac101): Presentation of financial statements |
| GRAP 2: Cash flow statements | IAS 7 (Ac118): Cash flow statements |
| GRAP 3: Accounting policies, changes in accounting estimates and errors | IAS 8 (Ac103): Accounting policies, changes in accounting estimates and errors |

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 and 3 has resulted in the following significant changes in the presentation of financial statements:



a. Terminology differences:

| | |
|------------------------------------|--------------------------------|
| Statement of GRAP | Replaced Statement of GAAP |
| Statement of financial performance | Income statement |
| Statement of financial position | Balance sheet |
| Statement of changes in net assets | Statement in changes in equity |
| Net assets | Equity |
| Surplus/deficit for the period | Profit/loss for the period |
| Accumulated surplus/deficit | Retained earnings |

b. The cash flow statement can only be prepared in accordance with the direct method.

c. Specific information such as:

- i. receivables from non-exchange transactions
- ii. trade and other payables from non-exchange transactions;
must be presented separately on the statement of financial position

d. The amount and nature of any restrictions on cash balances is required to be disclosed.

Paragraph 11 - 15 of GRAP 1 has not been implemented as the budget reporting standards is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

The following are the principle accounting policies of the Construction Industry Development Board, which except where noted, are consistent in all material respects with those applied in the previous year. The financial statements have been prepared on the historical cost basis and are presented in South African Rands.

1.1 Property, plant and equipment

All property, plant and equipment are initially recorded at cost and adjusted for any impairment value.

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual value over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

| | |
|------------------------|--------|
| Computer equipment | 33,33% |
| Office equipment | 20% |
| Furniture and fittings | 20% |
| Books | 33,33% |



The useful lives are assessed annually. The residual value, if not insignificant, is also reassessed annually.

Assets costing less than R 2 000 are written off in the year of acquisition.

Gains and deficits on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to retained earnings.

Repairs and maintenance are charged to income during the financial period in which they are incurred.

1.2 Cash and cash equivalents

This figure includes monies held in call accounts as well as cash in the bank and cash on hand.

1.3 Revenue

Revenue takes the form of grants from the Department of Public Works and is received on a quarterly basis and raised as revenue on receipt.

The Construction Industry Development Board receives income by way of registration of contractors in accordance with the Construction Industry Development Board Act, Act 38 of 2000. Due to the nature of the registration of contractors, the Construction Industry Development Board only recognises this income once a contractor has been assessed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

| | |
|---|------------|
| Transfers from Department of Public Works | 33 510 752 |
| Registers income | 6 988 032 |
| Income from external projects | 500 000 |
| | <hr/> |
| | 40 998 784 |
| | <hr/> |



1.4 Expenditure

All amounts are recorded inclusive of value-added tax (VAT) .

1.5 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, receivables and payables.

Measurement

Financial instruments initially measured at cost. Subsequent to initial recognition, these instruments are measured as set out below:

- Accounts receivable are stated at cost
- Cash and cash equivalents measured at cost plus interest income as it accrues
- Financial liabilities recognized at cost namely original debt less principal payments

Credit Risk - where one party to a financial instrument fails to discharge an obligation and cause the other party to incur a financial loss.

Interest rate risk - where the value of a financial instrument will fluctuate due to changes in interest rates.

Offsetting of financial assets and liabilities - not recognized as a legally enforceable right, and will not be settled on a net basis nor will the asset be realized or the liability settled simultaneously.

Gains and losses - that arise from a change in the fair value of financial instruments are included in the income statement in the period in which it arises.

1.6 Provisions

Provisions are recognized when the cidb has a present legal or constructive obligation as a result of past events ; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

1.7 Accrual for leave pay

Employee entitlements to annual leave are recognised when they accrue to employees. A provision, based on total employment cost, is raised for the estimated liabilities as a result of services rendered by employees up to balance sheet date.



| | 2006 | | | 2005 | | |
|---|------------------|--------------------------|------------------|------------------|--------------------------|------------------|
| | R | | | R | | |
| 2. PROPERTY, PLANT AND EQUIPMENT | | | | | | |
| | Cost | Accumulated depreciation | Net book value | Cost | Accumulated depreciation | Net book value |
| Computer equipment | 4 165 848 | (2 803 661) | 1 362 187 | 3 360 310 | (2 068 177) | 1 292 133 |
| Furniture and fittings | 2 121 029 | (912 379) | 1 208 651 | 1 708 011 | (556 311) | 1 151 700 |
| Office equipment | 1 175 080 | (474 384) | 700 696 | 863 245 | (285 274) | 577 971 |
| Books | 116 954 | (116 954) | - | 116 954 | (116 954) | - |
| | 7 578 911 | (4 307 378) | 3 271 534 | 6 048 520 | (3 026 716) | 3 021 804 |

The carrying values of property, plant and equipment can be reconciled as follows:

| | Carrying value at beginning of year | Additions | Depreciation | Carrying value at end of year |
|------------------------|-------------------------------------|------------------|--------------------|-------------------------------|
| Computer equipment | 1 292 133 | 805 538 | (735 484) | 1 362 187 |
| Furniture and fittings | 1 151 700 | 413 019 | (356 068) | 1 208 651 |
| Office equipment | 577 971 | 311 835 | (189 110) | 700 696 |
| | 3 021 804 | 1 530 392 | (1 280 662) | 3 271 534 |



| | 2006 | 2005 |
|---|------------|-----------|
| | R | R |
| 3. ACCOUNTS RECEIVABLE | | |
| VAT refunds receivable | - | 1 346 002 |
| | - | 1 346 002 |
| 4. PREPAYMENTS | | |
| Deposit for conference | 54 420 | - |
| | 54 420 | - |
| 5. LEASE IMPROVEMENTS | | |
| Lease improvements: Current | 586 904 | 586 904 |
| Non-current | 733 631 | 1 320 535 |
| | 1 320 535 | 1 907 439 |
| <p>Lease improvements are in respect of a lease agreement entered into with the lessor whereby the entity undertakes to refurbish the offices in lieu of 5 years free rental.</p> | | |
| 6. ACCOUNTS PAYABLE | | |
| Trade payables | 3 204 712 | 1 833 981 |
| Debtors refunds | 6 910 613 | 363 369 |
| Contractors not assessed | 4 293 037 | 1 481 570 |
| | 14 408 362 | 3 678 920 |

The Accounting Authority Report highlights matters pertaining to Debtors refunds and Contractors not assessed.



| | Carrying value at beginning of year | Additional provisions | Amounts applied | Carrying value at end of year |
|---------------------|--|--------------------------|--------------------|----------------------------------|
| 7. PROVISIONS | | | | |
| Audit fees | 70 268 | - | (70 268) | - |
| Bonus | 322 297 | - | (322 297) | - |
| Accruals | 47 843 | 231 702 | (4 132) | 275 413 |
| Payroll liabilities | 214 932 | 401 953 | (196 515) | 420 370 |
| Provision for leave | 168 769 | 108 309 | - | 277 078 |
| | 824 109 | 741 964 | (593 212) | 972 861 |

| | 2006 R | 2005 R |
|--|-----------|-----------|
| 8. OTHER INCOME | | |
| Income from 3R's guide (Rights, Responsibilities and Risks) | 2 116 | 62 |



| | 2006 | 2005 |
|--|------|------|
| | R | R |

9. OPERATING SURPLUS FOR THE PERIOD

Operating surplus is stated after taking into account the following items of expenditure:

Auditors' remuneration

| | | |
|--------------------------------|--------|---------|
| - Fees for audit | | |
| - current year | 77 949 | 121 302 |
| - prior period under provision | - | (3 988) |

| | | |
|----------------|---------|---------|
| Board expenses | 212 660 | 119 200 |
|----------------|---------|---------|

| | | |
|--------------|-----------|-----------|
| Depreciation | 1 280 662 | 1 314 701 |
|--------------|-----------|-----------|

| | | |
|--------------------------|---------|---------|
| - Computer equipment | 735 484 | 863 004 |
| - Furniture and fittings | 356 068 | 279 293 |
| - Office equipment | 189 110 | 133 412 |
| - Books | - | 38 992 |

| | | |
|----------------|-----------|-----------|
| Employee costs | 8 940 861 | 7 311 296 |
|----------------|-----------|-----------|

| | | |
|-----------------|-----------|-----------|
| CEO | 858 111 | 792 883 |
| Other personnel | 8 082 750 | 6 518 413 |

| | | |
|-----------------------|------------|------------|
| Professional services | 21 103 456 | 10 999 218 |
|-----------------------|------------|------------|

| | | |
|----------------|--------|--------|
| Staff training | 68 401 | 53 963 |
|----------------|--------|--------|

| | | |
|-------------------|-----------|---------|
| Staff recruitment | 1 089 798 | 465 542 |
|-------------------|-----------|---------|

| | | |
|---|---------|---------|
| Rentals paid in respect of: Premises | 592 029 | 639 792 |
|---|---------|---------|

| | | |
|--------------------------|-----------|-----------|
| Other operating expenses | 6 228 626 | 5 228 027 |
|--------------------------|-----------|-----------|



| | 2006 | 2005 |
|--|-------------------|------------------|
| | R | R |
| 10. RECONCILIATION OF SURPLUS TO CASH GENERATED BY OPERATIONS | | |
| Operating surplus | 2 085 761 | 160 022 |
| Adjustment for item not affecting the movement of cash | | |
| - Depreciation | 1 280 662 | 1 314 701 |
| Less: Interest received | (679 304) | (411 384) |
| Operating surplus before working capital changes | <u>2 687 120</u> | <u>1 063 339</u> |
| Working capital changes | 12 756 678 | 2 982 401 |
| Decrease in accounts receivable and lease improvements | 1 878 485 | 6 066 |
| Increase in accounts payable | 10 878 193 | 2 976 335 |
| Cash generated from operations | <u>15 443 798</u> | <u>4 045 740</u> |

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with bank including investments in call accounts.

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

| | | |
|--------------|-------------------|------------------|
| Bank | 150 851 | 581 218 |
| Cash on hand | 487 | 4 509 |
| Investments | 18 110 306 | 3 083 206 |
| | <u>18 261 644</u> | <u>3 668 933</u> |



| | 2006 | 2005 |
|---|------------|-----------|
| | R | R |
| 12. COMMITMENTS | | |
| Amounts approved and contracted - outstanding current contractual obligations at year end. | 18 224 621 | 8 067 060 |
| 13. INCOME TAX EXEMPTION | | |
| The cidb is exempt from Income Tax in terms of section 10 (1) (cA) (i) of the Income Tax Act. | | |
| 14. FINANCIAL INSTRUMENTS | | |
| <i>Credit risk</i> | | |
| Financial assets that could subject the Board to credit risk consist principally of cash at bank and cash equivalents, deposits and accounts receivable. The Board's cash equivalents are placed with high credit quality financial institutions. Accounts receivable is presented at cost. | | |
| <i>Interest rate risk</i> | | |
| The cash flow is not significantly affected by fluctuations in interest rates. All cash is placed with reputable financial institutions. | | |
| <i>Fair values</i> | | |
| The carrying amount of cash and cash equivalents, deposits, accounts receivable and accounts payable approximated their fair values due to the short term maturities of those assets and liabilities. | | |
| 15. EMPLOYEE BENEFITS | | |
| All employees are employed on a contract and total cost to company basis, inclusive of benefits. | | |
| 16. RELATED PARTY DISCLOSURES | | |
| The registers help desks are accommodated at the regional offices of the Department of Public Works at no cost. | | |



SCHEDULE TO ANNUAL FINANCIAL STATEMENTS
AS AT 31 MARCH 2006

| | 2006 | 2005 |
|---------------------------------------|-------------------|-------------------|
| | R | R |
| OPERATING COSTS | | |
| Audit fees - external | | |
| - provision for current year | 77 949 | 121 302 |
| - prior period under provision | - | (3 988) |
| Audit fees - internal | 95 521 | 130 123 |
| Advertising | 310 124 | 262 302 |
| Bank charges | 133 128 | 28 230 |
| Board member expenses | 212 660 | 119 200 |
| Computer expenses | 528 315 | 574 508 |
| Conferences and seminars | 458 229 | 644 122 |
| Depreciation | 1 280 661 | 1 314 701 |
| Insurance | 232 441 | 164 827 |
| IT service | 173 193 | 200 104 |
| Legal fees | - | 1 328 |
| Levies | 73 940 | 53 708 |
| Office supplies | 58 779 | 33 173 |
| Printing, stationery and postage | 910 985 | 694 797 |
| Professional services | 22 193 254 | 11 562 044 |
| Publications, books and subscriptions | 219 748 | 203 462 |
| Rent/Rates/Electricity/Security | 860 862 | 856 594 |
| Repairs, maintenance and cleaning | 318 154 | 607 862 |
| Salaries | 8 198 356 | 6 814 920 |
| - bonus | 514 409 | 322 297 |
| - leave pay | 228 096 | 62 278 |
| - settlement package | - | 111 801 |
| Sponsorships | 10 000 | 132 000 |
| Staff training & welfare | 68 401 | 56 369 |
| Telephone | 828 287 | 331 098 |
| Travelling and entertainment | 1 608 949 | 849 891 |
| | 39 594 443 | 26 249 053 |



In memory of our late
Minister Stella Sigcau (1937 - 2006)



"I am in a privileged position ...because I know that I stand on the shoulders of giants like Nkosazana Sigcau, and other great women of our country who laid concrete foundations for our liberation and helped this country reach not only its political freedom but also economic liberation for all including women, the youth and the disabled."

Thoko Didiza, Minister of Public Works
National Council of Provinces, 6 June 2006

"She drew us together within the family of provincial public works departments, the family of government and the extended family of the construction and property industries. She built unity between the public and private sectors – so that we could together be strong in our purpose to serve our country to the best of our ability... and we will champion all the tasks she could not finish."

Spencer Hodgson, CEO - cidb
Memorial Service, 11 May 2006



Together with South Africans, the Board and staff of the cidb were deeply saddened in May, by the untimely death of Stella Sigcau - Minister of Public Works. We all lost a leader, a construction industry development champion and a great compatriot. She will be remembered for her unwavering support and championship of the development work of the cidb, her unstinting belief in democracy and transformation of our society and her uncompromising commitment to the economic development of women.

We will miss her visionary leadership and her courage of conviction that construction must play a greater role to improve the lives of our people and advance the struggle for economic liberation.

Minister Sigcau was born on 14 January 1937, the eldest daughter of King Botha Sigcau. She was a graduate of Lovedale Institute where she obtained a teaching Diploma, and had a Bachelors Degree from the University of Ford Hare.

At the time of her death she was serving her second five year term as Minister of Public Works and had served previously as Minister of Public Enterprises under the presidency of Nelson Mandela.

She is survived by her children Nombulelo and Leslie, and five grandchildren, Bukeka, Phila, Khanyisile, Katlego and Khumo.

*Lala ngoxolo Manyawuza Nkosazana Yase
Qawukeni*



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