



## SMME SPECIFICATION

### SMME UNIT

26 March 2025



## **DOCUMENT INFORMATION SHEET**

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SMME SUB-CONTRACTORS  
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# DOCUMENT CONTROL SHEET

The purpose of this form is to ensure that documents are reviewed and approved prior to issue. The form is to be bound into the front of all documents released by the CDC.

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**PROJECT NAME** : COEGA INDUSTRIAL DEVELOPMENT SEZ AND EXTERNAL PROGRAMMES

**DOCUMENT TITLE** : SPECIFICATION FOR THE EMPLOYMENT OF SMME SUB-CONTRACTORS

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## SIGNING OF THE ORIGINAL DOCUMENT

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## **SMME SPECIFICATION**

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## ACRONYMS

CDC	=	Coega Development Corporation (Pty) Ltd
CIDB	=	Construction Industry Development Board
EM	=	Executive Manager (CDC)
EMEs	=	Exempted Micro Entreprises
FIDIC	=	Fédération Internationale Des Ingénieurs-Conseils
GCC	=	General Conditions of Contract
IP	=	Implementing Agent
JBCC	=	Joint Building Contracts Committee Building Agreement
MT	=	Management Team
NEC	=	New Engineering Contract
PA	=	Principal Agent
PrDir	=	Programme Director (CDC)
PrMn	=	Programme Manager (CDC)
PM	=	Project Manager (CDC)
QSEs	=	Qualifying Small Enterprises
SARS	=	South African Receiver of Revenue
SCM	=	SMME Construction Mentor
SES	=	Specification for Employment of SMME sub-contractors
SMEs	=	Small and Medium Enterprises
SMME	=	Small, Medium and Micro Enterprise
SOT	=	SMME Operation Template

## D1 INTRODUCTION

This document contains the specification that governs the procurement of SMMEs as Sub-Contractors on CDC projects. It is one of the methods that are implemented to enhance the development of SMMEs by CDC. This document is binding to the Principal Contractor and is designed for the execution of CDC projects.

## D2 APPLICABLE DOCUMENTATION

This Specification is to be read together with following applicable documents:

- (a) Any applicable form of contract used between the Principal Contractor and CDC (JBCC, NEC, GCC and FIDIC)
- (b) Tender Document for the appointment of the Principal Contractor;
- (c) Preferential Procurement Policy Framework Act (PPPFA);
- (d) CDC's SMME Policy;
- (e) CDC's Procurement Policy & Procedure; and
- (f) CIDB's Code of Conduct for all parties engaged in construction procurement.
- (g) The CIDB NCDP framework Practice Note 29: Allocating Sustainable Work Opportunities to Contractor Development Programmes
- (h) CIDB Regulations
- (i) CIDB Inform Practice Note 32 (Application of potential emerging status)

## D3 APPLICABLE FORMS

These forms are applicable for implementation of this Specification:

Procurement/ Phase 1

- (a) **SMME 003** SMME Packages Schedule
- (b) **SMME 004** SMME Request Form

Monthly Reporting/Phase 2

- (c) **SMME 005** SMME Manager Monthly Report – SMME SED

Close Out/Phase 3

- (d) **SMME 006** SMME Certificate of Experience



#### **D4. THE SCOPE**

This specification governs the procurement of SMME subcontractors on all CDC Projects.

#### **D5. THE DEFINITIONS AND INTERPRETATIONS**

For the purposes of this of the Specification, the definitions given in the relevant form of contract used either between the Principal Contractor and the CDC or the Principal Contractor and SMME, other project specifications, together with the following additional definitions shall apply:

**“Agreement”**: Shall have the meaning assigned thereto in the relevant form of contract;

**“Contract Value”**: A monetary value that initially is equal to the contract sum that is subject to adjustment;

**“Direct Contractor”**: A party appointed directly by the employer to do specialist work on site prior to practical completion;

**“Domestic Subcontractor”**: are specialists and other subcontractors executing work or supplying and fixing any goods and who are selected by the contractor;

**“Nominated Subcontractor”**: are specialist and other subcontractors executing work or supplying and fixing any goods who may be nominated by the Principal Consultant

**“Management Team (MT)”**: A team that is set up for the contract by the CDC Project Manager, consisting of the Principal Contractor, the Project Quantity Surveyor, the Engineer/Principal Agent, a delegated person from the CDC SMME Unit (PM/PrM, Procurement Representative and Technical Manager) and CDC Project Manager. The function of the MT will be to consult regarding the management of the subcontracts involving SMMEs. The MT will also evaluate the Principal Contractor’s performance regarding the goals set for SMME involvements. The CDC Project Manager and the CDC SMME UNIT representative are to decide on the party to chair and lead the MT. Proper minutes of these meetings will be taken by the Principal Agent;

**“Selected Subcontractor”**: are specialists and other subcontractors executing work or supplying and fixing any goods who may be selected by the contractor in consultation with the Principal Consultant;

**“SMME Unit”**: Supporting structure provided by the CDC to monitor the procurement and work of SMMEs and provide limited mentoring (business management) services directly to SMME’s;

**SMME Construction Mentor:** Person/support priced for in the project budget by the Principal Contractor, administered through the Principal Contractor to guide, assist and mentor all eligible potential SMMEs tendering and awarded a contract as SMME Subcontractors as per section D of this Specification;

**Small, Medium and Micro Enterprises:** A business concern operating in any business sector and which complies with the qualitative and quantitative criteria outlined in the Schedule contained in the National Small Business Act (Act No. 102 of 1996), providing a Commercially Useful Function as provided in the CDC Procurement Procedures policy;

**“Specification”** means this document containing the CDC’s specifications for the utilisation of SMMEs on all CDC projects;

**Sub-contractor:** A contractor who is subcontracted with the Principal Contractor to provide works as part of the total services required by the CDC for that Contract;

**SMME Work Allocation:** Specified work identified for execution by SMMEs. The identifiers are CDC, Principal Contractor and the PSP;

**Training:** The process of providing an SMME Contractor with theoretical and practical work allocation specific education as agreed to by the Principal Agent and Contractor;

**Guidance:** The process of advising an SMME Contractor, in writing regarding the appropriate execution of work bundles in part or whole;

**Monitor:** To check, correct and oversee the orderly and appropriate execution of the works, as well as the overall assessment of all aspects of the SMME development programme

## **D6. EMPLOYMENT OF SMMEs**

### **D6.1 SMME Targets**

Thirty Five Percent (35%) of the tender value (excluding socio-economic value, escalation, contingency, EPWP allowance (if applicable), and **Value-Added Tax (VAT)**) must be executed by SMMEs. Ten percent (10%) of the committed percentage will be earmarked for designated groups i.e. Women-owned businesses, Youth-owned businesses, Rural/township-based businesses, Military veteran-owned businesses (requisite Military Number confirmed by the Department of Military Veterans), and people living with disabilities( a letter of confirmation from a medical professional is required). It becomes compulsory for the Principal Contractor to achieve this target once committed. The Principal Contractor’s performance against this target will be monitored

monthly through the submission of the mandatory SMME Manager's Monthly Report through monthly form submission (SMME 005).

## D6.2 Definition of SMME

A **SMME** is defined as follows:

- (a) A targeted enterprise;
- (b) A business concern operating in any business sector and which complies with the qualitative and quantitative criteria outlined in the Schedule contained in the National Small Business Act (Act No. 102 of 1996);
- (c) An entity which must have an active registration status with the **CIDB**, targeted CIDB Grade designations 1 to 6;
- (d) An entity which must be at least 51% black-owned and managed, **and**
- (e) A local entity. Depending on where the site of the CDC project is located, then locality will be judged on a sliding scale, with the **immediate local municipality preferred, followed by the district municipality and then the Province in which the project is located.** .

## D6.3 Targeted SMME Participation

The Principal Contractor's SMME participation goal is to be achieved by employing entities in the following categories:

- (a) Built Environment Works; and
- (b) Specialist service providers (e.g. Mechanical, HVAC, Structural Steel, Electrical etc.).

For Built Environment Works, the below mentioned goals are to be achieved:

Description	Thirty Percent Participation target Split	Five SMME Targeted Enterprise
Built Environment Works	35%	EME's - Must be at least 51% black-owned and managed.  10% of the 35% will be set aside for designated groups (Women-owned businesses, Youth-owned businesses, Rural/township-based businesses, Military veteran-owned businesses (requisite Military Number confirmed by the Department of Military Veterans), and people living with disabilities (a letter of confirmation from a medical professional is required).
<b>TOTAL</b>	<b>35.00 %</b>	

## D6.4 Contracting Process

After the Award of the Contract, the Principal Contractor will have to start the process as stipulated in this Specification for the involvement of SMMEs to achieve its tendered SMME Participation Goal. This contracting process for subcontracting SMMEs must be completed in accordance with the detailed construction programme of the Principal Contractor for the various works as to ensure momentum of the contract works at all times. The Principal Contractor shall take due cognisance to also programme this SMME contracting process in its detailed construction programme.

- (a) The Principal Contractor must undertake the following tasks in approximately the order given below:
  - (i) Complete and submit the schedule of work(s) to be performed by SMME(s) using form **SMME 003A and B** (attached under [Appendix A](#)) which is to be directly submitted to the SMME Unit by the SMME Construction Mentor when the Principal Contractor submits the detailed construction programme as per the letter of appointment or award.
  - (ii) Start and complete the tender or quotation process in consultation with the MT.
  - (iii) Submit to the SMME Unit the subcontract agreement for review before signing with the SMME.
  - (iv) Sign a subcontract agreement for each work activity with the successful SMMEs;
  - (v) Mentor and monitor the SMME Subcontractors and their work output and quality;
  - (vi) Issue a Certificate of Experience to each Subcontractor;
  - (vii) Go through the tender and appointment phase for replacement SMMEs in the event of termination of an SMME Subcontractor due to failure by them to perform.
- (b) Before the SMME tender phase, the Principal Contractor in consultation with the SMME Unit, shall be responsible for identifying:
  - (i) the scope and extent of the works to be included in any particular SMME subcontract
  - (ii) the total number of subcontracts to be used;
  - (iii) the time at which subcontracts will be used; and
  - (iv) the duration of the subcontract;
- (c) in such a manner as will facilitate the achievement of all objectives and principles pertaining to SMMEs use and development as are stated in or as may reasonably be inferred from the conditions of this Specification, due cognisance being taken of:
  - (i) the training and assistance to be provided to the SMMEs in terms of this Specification;
  - (ii) the period allowed in the Appendix to Tender for completion of the contract works in accordance the approved detailed programme of works

- (iii) all constraints and conditions contained in this Specifications, as may impact upon the subcontract.

## **D7 IDENTIFICATION OF SMME's TO PARTICIPATE AS SMME SUBCONTRACTORS**

As an on-going process, the CDC has established a database for all interested businesses to register their interest to work in CDC projects using form available from the CDC's SMME Unit offices or the CDC's website. The CDC then encourages all interested businesses to be assessed and graded according to their sector/industry, specialisation and capabilities through the CIDB. The SMME Unit can assist SMMEs during this process. SMMEs that are in the grading process are graded and captured in CDC's special database called the SMME Supply Pool which supplies the SMMEs to service providers that are looking to employ SMMEs in CDC projects. SMMEs will also be encouraged to keep updating their data (grades and contact details) on this database using form which is available on request from the SMME Unit offices.

The Principal Contractor shall employ SMME subcontractors to the extent specified in the tender Goal Declaration under functionality, or as negotiated with the CDC upon award. The participation level is determined relative to the value of the Accepted Contract Amount, or as adjusted, excluding Contingencies, Contract Price Adjustment Provisions, socio-economic deliverables and Value Added Tax.

- D7.1** The Principal Contractor must request a list of SMMEs from the SMME Unit Office using form **SMME 003 and 004** attached as **Appendix B**.
- D7.2** Within two working days, the SMME Unit will forward the list of SMMEs with their contact person, numbers, and CIDB grades. The Principal Contractor will only invite SMMEs on the list. Any problems encountered during invitation should be reported back to the SMME Unit or the MT before the Site Inspection Meeting (sometimes referred to as the Mandatory meeting).

## **D8. IDENTIFICATION OF WORK TO BE PERFORMED BY SMME's**

### **D8.1 Tender Stage**

The tenderers must, during the tendering stage identify works in accordance with the functionality criteria that can be performed by SMMEs in order to achieve the SMME Participation Goal.

## **D8.2 Construction Stage**

During Construction phase, the Principal Contractor or CDC may identify additional work to be performed by SMMEs above those committed to under functionality. This additional work will also follow the same specification in terms of scheduling and procuring SMMEs for such work.

The Principal Contractor will note that all work measured in the Bills of Quantities is the Principal Contractor's sole responsibility.

The SMMEs will be responsible for procuring all required materials, labour, equipment and any other incidentals to undertake the works subcontracted to them unless otherwise specified by the CDC before tender or approved by the MT during construction.

The Principal Contractor will mentor, supervise and manage the SMME work at all times to ensure compliance with the specifications and drawings. The Principal Contractor shall provide support for SMME contract administration and shall ensure that SMME monthly reports are reviewed, collated and verified by the Principal Contractor before onward submission to the CDC SMME Unit.

## **D9. TENDER PROCESS FOR SMME's**

The tendered SMME Packages Schedule must be registered in form **SMME 003** where after the Principal Contractor will start with procurement of SMMEs to partake in the tendering or quotation process.

SMMEs sourced through a competitive process in conjunction with the SMME Unit and the MT shall not be considered as Nominated Subcontractors unless specifically directed by the CDC.

The following process must be followed by the Principal Contractor unless agreed otherwise with the MT:

### **D9.1 Tender invitation**

A minimum of 6 (six) SMMEs are to be invited for each subcontract to be performed by SMMEs. The Principal Contractor will request the SMME list from SMME Unit using SMME 003 and 004 forms.

The CDC database of registered enterprises is to be used to solicit tenders. Any other SMME(s) that are not registered (or have applied to be registered) on this database will not be eligible for work.

## **D9.2 Compilation and issue of tender documents**

The Principal Contractor shall compile the tender documents (Brief Description, TGP Spec (CRS Number, Original Tax Clearance Certificate, BBBEE Certificate), Contract Wage Schedule –of the Principal Contractor, Contract data, Bill of Quantities, Specification and drawings) in such a manner that it will facilitate the achievement of all objectives and principles pertaining to SMMEs use and development as stated in or as may reasonably be inferred from the conditions of this Specification.

All tender documentation shall be issued by the Principal Contractor with all copies of tender documents compiled for the various SMME work packages. The tender or quotation document will be issued to invited SMMEs at NO EXTRA COST and the Principal Contractor is to make due allowance for this cost in its tender price.

## **D9.3 Facilitate a Mandatory Briefing Session**

The Principal Contractor shall facilitate a briefing session for the invited SMMEs. The Principal Contractor will also make sure that all relevant parties' representative of the Principal Agent or Engineer, SMME Unit, CDC Project Manager and Principal Contractor's Occupational Health and Safety Project Manager are present and given an opportunity to present specific aspects of the CDC requirements pertaining to their sections.

## **D9.4 Assistance to the SMMEs**

- (a) The Principal Contractor shall be responsible for ensuring that prospective SMME tenderers fully comprehend the:
  - (i) Implications of the liabilities and responsibilities inherent in the particular basic level of subcontract applicable;
  - (ii) Implications of the tendered rates;
  - (iii) Scope and extent of the portion of the works included in the subcontract;
  - (iv) Proper procedures for the submission of the tenders;
  - (v) Procedures and basis on which tenders will be adjudicated and the subcontracts awarded.
- (b) The Principal Contractor shall, in addition to the requirements of the relevant sub clause of the applicable form of contract, teach, guide, assist and mentor all eligible SMMEs wishing to submit tenders, in the proper completion and submission of their particular tenders, provided always that such assistance, guidance and mentoring by the Principal Contractor shall:

- (i) be given at a level and to the extent which is commensurate with the particular basic level of subcontract applicable, due cognisance being taken of the capability which could reasonably be expected of potential SMMEs eligible to submit tenders for the particular level of subcontract applicable;
- (ii) be given in a manner which is neither prescriptive, dictatorial, nor coercive towards the party wishing to submit the tender;
- (iii) be given in a manner which does not unfairly prejudice or favour any particular eligible party wishing to submit a tender,

All with the view to enabling all interested SMMEs to submit valid, balanced, rational tenders.

#### **D9.5 Adjudication**

- (a) The Principal Contractor shall receive all tenders at the construction site location identified by it with all sealed tender submissions to be placed in a proper tender box to be provided by the Principal Contractor for this purpose. A submission register is to be maintained by the Principal Contractor for all tenders received.
- (b) All tenders received shall be evaluated by the Principal Contractor and MT for final approval. The draft tender evaluation must be sent to the MT members 2 working days prior to the MT meeting for comments and perusal in order to finalize the evaluation before the meeting. The format of the tender valuation must be acceptable to the MT and be agreed upon at the first MT meeting.
- (c) The SMME Unit shall have the right to interview any tenderer for the purpose of:
  - (i) clarifying any aspect of the tender;
  - (ii) verifying the eligibility of the tenderer;
  - (iii) conduct a rate breakdown exercise to clarifying rates and prices
- (d) The Principal Contractor shall provide all reasonable opportunity to such tenderers who have been interviewed, to correct obvious and patent errors, provided always that this can be achieved without altering the total tendered sum.
- (e) After the award, the CDC reserves the right to review the transparency of the Principal Contractor's SMME subcontracting and award process.

#### **D9.6 Award of Tenders**

The Principal Contractor shall explain his evaluation process of adjudication to the MT for endorsement. All enquiries about the process thereafter will be referred to the SMME Unit Offices.



The Principal Contractor will appoint the work to the successful SMME tenderer where after a subcontract agreement will be signed between the Principal Contractor and the successful SMME tenderer.

It is assumed that the Principal Contractor has allowed adequate time in the construction programme for training of SMMEs and included such training costs for the non-accredited training deemed to be either included in the tendered rates or mark-up provision allowed for the various SMME work packages. the non-accredited training to be provided by a responsible, competent and qualified person/s of the Principal Contractor to each of the awarded SMMEs within five (5) days after award and ten (10) days before the commencement of the works package shall include but not limited to:

- (a) Compilation and maintenance of the Occupational Health, Safety and Environmental File and compliance with Construction Regulations by a CHS Officer (CHSO) registered with the South African Council for the Project Management Professions – 2 days,
- (b) Setting up and Maintaining Cash Flow, Construction Programme and Method Statement – 2 Days ,
- (c) Setting up and Maintaining Quality Management Plan and Risk Register – 1 Day,
- (d) Basic Conditions of Contract of the relevant contract and setting up short term contracts for labour as per the main contract – 2 Days,
- (e) Balancing of Bill of Quantities, Financial Control and Management – 2 Days,
- (f) Site Administration – Principal Contractor shall provide for each SMME a daily site diary, A4 triplicate book for recording site instructions and a measurement book, train to complete and update – 1 Day;
- (g) Technical Training - Interpretation of Technical Drawings, Setting Out and General -2 Days;
- (h) Weekly Report Writing – 1 Day;
- (i) Methods of Measuring Resource Productivity – 1 Day,
- (j) Measurement of Work Done, Interim Payment Certificate and Compilation – 1Day, and
- (k) Dispute Avoidance and Resolution Procedures – 1 Day.

The CDC Training Compliance Officer will be notified five (5) days prior the commencement of the non- accredited training. Proof of such training is to be recorded on SMME 009 and forwarded to the CDC SMME Unit for capturing & filing.

## **D10. TERMS AND CONDITIONS OF SUBCONTRACT AGREEMENTS**

### **D10.1 Contractual Obligations**

In accordance with the provisions of relevant clause of the form of contract being used and subject always to the further provisions of this Specification, the terms and conditions of each subcontract agreement shall be as mutually agreed in writing between the Principal Contractor and the SMME. Each subcontract agreement, which is entered into by the Principal Contractor in accordance with

the requirements of this Specification, shall contain terms and conditions, which assign the responsibilities and liabilities of the two parties to the subcontract.

The terms and conditions of the subcontract agreement shall further be such as to specifically ensure that the provisions of this Specification pertaining to:

- (a) the allowable sources from which workers may be drawn in terms of the contract;
- (b) the terms and conditions relating to the recruitment, employment and remuneration of workers engaged on the contract works; and
- (c) any training to be provided to the temporary workforce;

shall apply as is in respect of all workers engaged and employed by any SMME.

#### **D10.2 Compilation**

The Principal Contractor shall be responsible for the compilation of each subcontract agreement and ensuring that the terms and conditions are consistent with all requirements therefore as are specified in or reasonably to be inferred from the provisions of this Contract. All costs associated with the tender process including the conclusion of the agreement are for the Principal Contractor's account.

In addition, each subcontract agreement shall be subject to the approval of the SMME Unit, which approval shall be obtained by the Principal Contractor prior to entering into the subcontract.

The Principal Contractor may not enter into any subcontract that contains terms more onerous or disproportionate to the risks inherent in the main contract for the Principal Contractor. The Principal Contractor is required to use a standard form of subcontract and follow recommended practice contained in the CIDB Best Practice Guideline #D1 March 2004 Edition 1 of CIDB Document 1012, or as later amended, where not in conflict with this Specification.

#### **D11. CONTRACTOR'S OBLIGATIONS TO SUBCONTRACTED SMMEs**

The Principal Contractor shall on a fulltime basis closely mentor, manage and supervise all SMMEs and shall manage, guide and assist each SMME in all aspects of management, execution and completion of its subcontract. The Principal Contractor shall provide additional developmental support initiatives to Potential Emerging (PE) status SMME sub-contractors that are recommended for appointment. Such development support shall be determined by conducting a needs analysis and approved by the SMME Unit. The support by the Principal Contractor shall include, but not limited to:- Mentorship, Training, Financial management support, Management support in the improvement of performance and quality of work, and all other construction management services required. This shall typically include the on-site productivity planning and management of:

- (a) **Materials Management:** This includes, assisting the SMME Sub-contractors in planning their material's requirements per stage, ordering the correct materials, preventing over usage (wastage) and under usage of required materials and ensuring that the Material's suppliers invoice the correct materials and ensuring the effective integration with the Materials supplier;
- (b) **Cost Management:** This includes, assisting the SMME Sub-contractors in invoicing correctly to the Principal Contractor, ensuring that the correct amount for the materials is reflected on the invoice and ensuring that all labour is invoiced and paid accordingly;
- (c) **Contract Management:** This includes hands-on practical effective construction contract management and administration to SMMEs to take them through step by step analysis of the entire project life cycle and contract administration tasks and equip them with the skills they need to determine risks associated with each stage of the life cycle. Use practical advice that will show them how to avoid problems and how to approach dispute resolution for optimum results;
- (d) **Health & Safety Management:** This includes training the SMME Sub-contractor in compiling the Occupational Health and Safety File, ensuring that the SMME Sub-contractors are compliant, in the form of PPE, Safety registers, updating of files and general site safety. The Principal Contractor will mentor and assist SMMEs on the induction of labour;
- (e) **Quality Management:** This includes, creating templates for quality management, to be approved by the Engineer/Principal Agent, and ensuring that the SMME Sub-contractors build to the required quality standards as per specifications;
- (f) **Communication Management:** This includes, attending all site meetings and the effective contract management between the Principal Contractor, CDC Project Manager/SMME Unit, Principal Agent, construction labour, materials supplier and the community; all site instructions to SMMEs should be written in the site instruction book. All SMMEs are to communicate through the SMME Construction Mentor on-site to the Main Contractor, failing which communication can be through the CDC SMME Unit and
- (g) **Handover Documentation Facilitation:** This includes, ensuring that all the necessary handover documentation is in place prior to the handing over of houses to the beneficiaries. These may include but not limited to NHBRC requirements, Department's requirement etc.

The extent and level of such management, guidance and assistance, to be provided by the Principal Contractor shall be commensurate with the basic level of subcontract applicable and shall be directed at enabling the SMMEs to achieve the successful execution and completion of his subcontract. Payment for such on-going assistance is deemed included in the rate tendered for the administrative cost of SMMEs and or mark-up provision allowed for the various SMME work packages.

Such support and mentorship shall form part of the monthly reporting by the Principal Contractor to the SMME Unit and MT Meeting.

## **D11.1 Guide, Assist and Mentor SMMEs**

### **(a) 1. SMME Construction Mentor for the SMME Subcontractors**

The CV of the SMME Construction Mentor is to be submitted at tender stage together with those of proposed key personnel. The Principal Contractor shall, guide, assist and mentor all eligible potential SMMEs wishing to submit tenders, in the proper completion and submission of their particular tenders, including calculation and guidance on rates. The CV of the SMME Construction Mentor is to be reviewed and approved by the CDC SMME Unit.

The Principal Contractor will conduct a compulsory tendering training workshop, provide a venue, study material and allow a period of two (2) days (16 hours) for the training of the prospective SMMEs by a Senior Quantity Surveyor and/or Senior Estimator with ten (10) or more years' experience on Pricing Built Environment Tenders/Bids. Training will comprise but not limited of the following: Mandatory and Compliance requirements, Pricing in relation to the Contract Package Specification, Resource requirements, Completion of Tender Document, Wage Schedule and Occupational Health and Safety Requirements. All costs for providing these services are also deemed included into the tender price.

The Principal Contractor shall employ an SMME Construction Mentor, on a full-time basis, who must attend at site for the duration of the contract. The minimum requirements for this appointment are as follows:

- (a) An accredited National (Higher) Diploma and/or B-Tech/BSc qualification in the Built Environment field of study with a minimum of five (5) or more years' relevant post-graduate construction practical experience and experience in managing subcontractors;
- (b) have a minimum of five (5) or more years in the built environment and experience in the areas identified under D11 CONTRACTOR'S OBLIGATIONS TO SUBCONTRACTED SMMEs;
- (c) shall be registered with a professional body in the built environment as a professional and/or as a candidate;
- (d) the ability to transfer skills and assess an SMME's capabilities;
- (e) competence in construction contract administration and dispute resolution;
- (f) competence in commercial aspects of construction contracting; and
- (g) Competence in construction project management activities.

**2. The Principal Contractor is to provide for the SMME Construction Mentor with the following:**

- (a) Adequate office space fully equipped for him/her to conduct the management of SMMEs on the contract (office desk, chairs, whiteboard, cabinet for filing, etc.) a landline telephone and must be able to accommodate the CDC SMME Representative/s for the duration of the contract. The office must meet the following minimum standards external dimensions 6058 x 2438 x 2850 mm, elevated panels, two number plugs, 80 mm thermal insulation of walls, have air condition unit, PVC Windows 1800 x 1135 with roller shutter, PVC floor covering with increased resistance to abrasion +120 mm on the wall, steel door and standard raster lamp 4 x 18W;
- (b) all stationary as required and a laptop (Intel Core i3, 4 GB RAM, 250 GB hard drive, Wireless, Bluetooth (Built in, not dongle), DVD-RW drive, 15.4" display, USB Keyboard and Mouse, Carry bag, Additional charger, 3 year warranty, SABS Approved and the Principal Contractor is responsible to ensure that all power plugs are 3 prong connections) with all the required software for him/her to conduct his/her duties and internet connectivity to send and receive emails;
- (c) A digital camera of a 22.3 megapixel resolution coming from a full frame CMOS sensor. It also incorporates the DIGIC 5+ image process. The camera should have a 61-point AF module and a wide ISO range from 100 to 25,600, which is further expandable to 102,400. Must be able to add the time, date and geo-tagging to the photo metadata;
- (d) a copy of the contract document and a set of drawings (updated with the latest revision/s as and when issued) for the contract and a printer and/or photocopying machine (Standard functions - Copy, Email, Fax, Print, Scan; Print speed- up to 29 ppm; Connectivity- 10/100BaseT Ethernet, High-Speed USB 2.0, Wi-Fi b/g/n; Duty cycle - Up to 30,000 images/month; Maximum print resolution- 600 x 600 dpi (up to 4800 x 600 enhanced image quality); and
- (e) the soft and/or printed copy of the updated/latest revision of the detailed construction programme for the contract and complete plan of procuring SMMEs on the following forms SMME 003 and 004.

The SMME Construction Mentor will manage the SMMEs and report monthly on progress of each SMME to the MT using SMME 005 form. Such SMME Construction Mentor must be adequately experienced with SMME work(s) and the development thereof and will be subject to the approval of the CDC. The SMME Construction Mentor will render full-time on site assistance to and mentor the SMMEs and such assistance, guidance and mentoring by the Principal Contractor's SMME Construction Mentor shall:

- (i) be given at a level and to the extent which is commensurate with the particular basic level of subcontract applicable, due cognizance being taken of the capability which could reasonably be expected of potential SMMEs eligible to execute works for the particular level of subcontract applicable;
- (ii) be given in a manner which does not unfairly prejudice or favour any particular eligible party working on the same site;
- (iii) Identify the gaps in capacity of SMMEs and propose the required training and/or relevant intervention;
- (iv) where a training gap has been identified the SMME Construction Mentor together with the SMME Unit will arrange for the SMME to attend the required training and ensure that it does not delay the progress on site;
- (v) complete all the required SMME and Log Book Forms for each SMME Monthly;
- (vi) Adjudicate the SMME tenders and prepare the adjudication report;
- (vii) Present the Adjudication report to the MT;
- (viii) Assist the SMMEs in preparing Implementation plans for their packages and the required documentation to implement the package / project;
- (ix) Assist the SMMEs in measurements and preparation of payment certificates together with the Principal Contractors Quantity Surveyor on site;
- (x) Monitor the performance of emerging enterprises and update the logbook;
- (xi) Prepare the final payment certificates and certificate of experience for the SMMEs on completion of the awarded package; continuous monitoring of the quality of work of the SMME and providing support where required, taking measurements and samples on site to make sure that the SMME work and the materials meet the specifications and quality standards;
- (xii) negotiate and/or arrange for purchase of materials and payment terms on behalf of the SMMEs, no contra charges are to be applied and the SMME is to be invoiced for materials purchased and must have created value for money; and

- (xiii) maintain the program of the subcontract, ensure continuous monitoring and implementation of necessary interventions.
- (xiv) SMME mentor to advise each SMME of key personnel required on their work, how many labourers are required, what plant is required and at what stage. SMME mentor with the Site Manager set daily production targets for all SMMEs on site, to ensure that they complete their work on time and they are making profit. SMME mentor to invite each SMME Technical personnel with a director and do a daily costing calculation for them to see if they make money or not.
- (xv) Notify each SMME that is not reaching their daily production plan, request recovery plan or assist and advise them to create recovery plan. Also elaborate very early in the project the repercussions of them defaulting i.e., penalties or them losing their profits for prolonging their work.
- (xvi) The principal contractor and Project Manager through SMME mentor or SMME Manager must share any Variation Order occurred in the project and share that work with appointed SMMEs through SMME management processes to ensure fairness and transparency in the project.

The SMME Construction Mentor will guide, assist and mentor the SMME Subcontractors throughout the Contract using SMME 005 to report on performance of the SMME on monthly basis. On completion, the SMME Construction Mentor will issue a Certificate of Completion within seven days after the final completion (form **SMME 006**).

**(b) Quality of work and performance of the SMME Subcontractor**

The SMME Subcontractor shall have 14 days from the date of receipt of the letter of warning by the Principal Contractor to address and rectify the issues raised by the Principal Contractor, with the exception of points (d) and (e) of clause D11.3, for which the rectification time shall be 24 hours. Failure to do so will be sufficient grounds for the Principal Contractor to terminate the Contract provided the MT is satisfied that the Principal Contractor has made every effort to correct the performance by the SMME Subcontractor. The MT will establish a 'change control procedure' for the process of making changes to subcontracts and the work thereof as the contract proceeds.

**(c) Training**

The SMME Contractors registered in the CDC Database will be assessed in order to identify areas that require intervention and develop a growth plan for the SMME Contractor. Any deficiencies or specific skills that can be addressed during construction stage, the Principal Contractor shall provide such training or skills transfer. The provisional sum will be allowed for under the relevant item in the bill of quantities. It is deemed that the Principal Contractor has allowed for all training requirements to accommodate SMMEs included in the mark-up provision.

The schedule of training requirements for the SMME contractor shall be forwarded to Principal Contractor, using form SMME008 and the Principal Contractor will be required to provide a method statement schedule to address the identified deficiencies. The accredited training provided by the service provider to the SMMEs will include but not limited to:- Project Management, Occupational Health and Safety – Construction Regulations , Resource Productivity, Business Administration, Financial Management, etc. The provisional sum amount will fund the accredited training and training will be done in conjunction with the training and development manager at the CDC SMME Unit.

**(d) Reporting**

SMME Reporting forms shall form part of the monthly interim payment certificates of the Principal Contractor and failure to submit the required forms and monthly mentorship report will result in the payment certificate being rejected by the CDC.

<b>Form code</b>	<b>Description</b>	<b>Reporting</b>
SMME 003A	SMME Package schedule - Provisional Amount	35% to be completed once off beginning of contract
SMME 003B	SMME Package schedule - PMT identified	35% to be completed once off beginning of contract
SMME 004	SMME Request form	Request for SMME Names for Packages
SMME 006	Certificate of experience	Completion of Project
SMME 009	Declaration form	Monthly



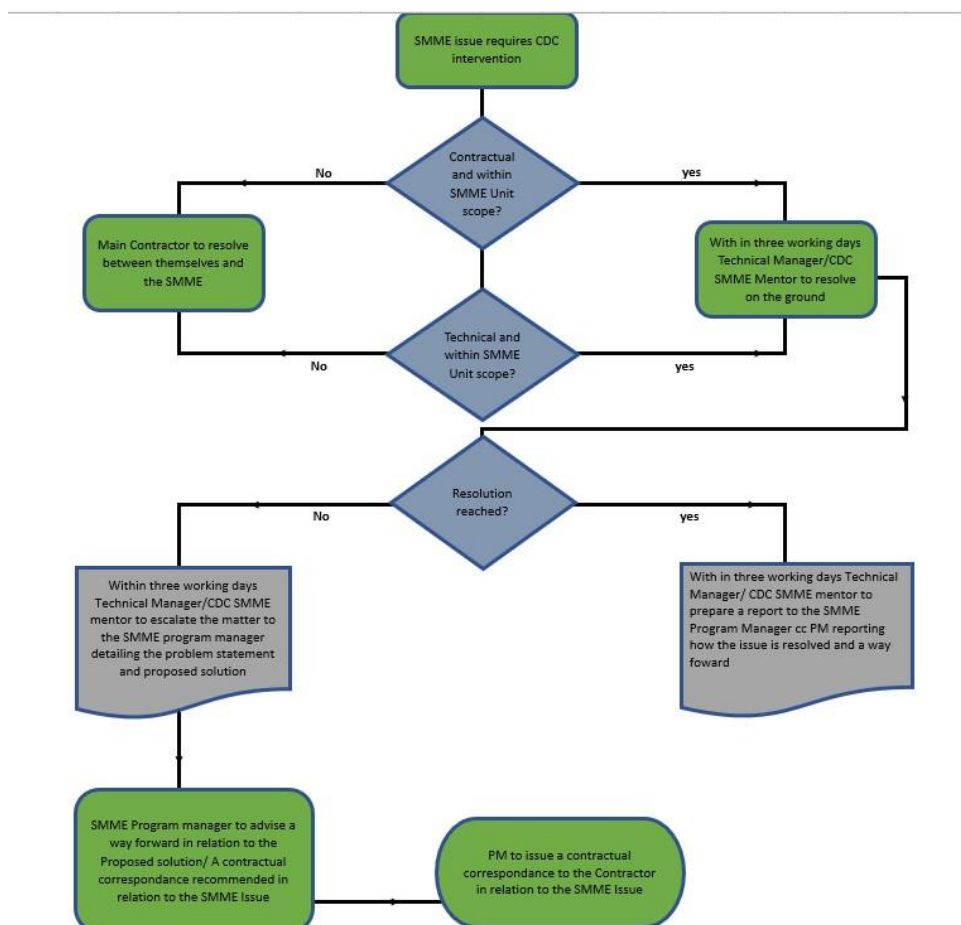
## D11.2 Dispute Avoidance and Resolution Procedures

The Principal Contractor shall at all times:

- (a) apply the terms and conditions of the subcontract fairly and justly, taking due cognisance of the level of sophistication and experience of the particular SMME concerned, as well as the level of subcontract applicable;
- (b) closely manage and supervise all SMMEs and wherever feasible, shall give reasonable warning to SMMEs when any contravention of the terms of the subcontract has occurred or appears likely to occur. The Principal Contractor shall, whenever feasible, give the SMMEs reasonable opportunity to make good any such contravention or to avoid such contravention and shall render all reasonable assistance to the SMME in this regard.

When taking any disciplinary actions or imposing any penalties as are provided for in the subcontract, the Principal Contractor shall explain fully to the SMMEs that such actions are provided for in the subcontract. If any dispute should arise between the Principal Contractor and a SMME such dispute shall be resolved in accordance with the provisions of the subcontract.

Below is a process flow with respect to dispute resolution where an SMME issue is encountered within the contract:



### **D11.3 Quality of Work and Performance of the SMME**

If the SMME, in the opinion of the Principal Contractor, fails to comply with the criteria as listed below, the Engineer/Principal Agent shall issue a written warning to the Principal Contractor, stating all the areas of non-compliance. A copy of the letter of warning shall be forwarded to the Client. These criteria are as follows:

- (a) Acceptable standard of works as set out in the specifications in the subcontract tender document
- (b) Progress in accordance with the time constraints in the SMME's tender document
- (c) Punctual and full payment of the workforce and suppliers
- (d) Site safety
- (e) Environmental impacts.

The Subcontractor shall have 14 days from the date of receipt of the letter of warning by the Principal Contractor to satisfactorily address the issues raised by the Contractor, with the exception of point (d), for which the response time shall be 24 hours. Failure to do so will be sufficient grounds for the Principal Contractor to terminate the contract provided the SMME Unit is satisfied that the Principal Contractor has made every effort to correct the performance by the SMME.

### **D11.4 Payment to SMMEs**

The following payment conditions shall form part of the Sub Contract Agreement entered into between the Principal Contractor and SMME:

- (a) The Principal Contractor shall draw up a schedule with dates of measuring/certifying works, submitting invoices and payment dates. This schedule is to be issued to the CDC Project Manager, SMME Unit, SMME Mentor and awarded SMME's;
- (b) The main contractor will pay all SMME subcontractors appointed directly once certified by the Project Quantity Surveyor.
- (c) The Principal Contractor must instruct the SMME subcontractors to submit their payment certification or claim monthly in line with the requirements of the contract between the CDC and the Principal Contractor to ensure that their claims are processed and paid by the main contractor timeously.

## **D12. PRINCIPAL CONTRACTOR'S DUTIES UPON COMPLETION OF EACH SMME PACKAGE**

The Principal Contractor shall, on completion of each and every subcontract completed in accordance with the provisions of this Specification, issue free of charge to the SMME within 7 days of the completion of the subcontract, a Certificate of Experience on a single A4 page stating:

### **(a) Contract data:**

- (i) Contract title;
- (ii) Contractor's full name and address;
- (iii) Principal agent's name and address;

### **(b) Subcontract data:**

- (i) SMME name and address;
- (ii) Scope or extent of the subcontract works;
- (iii) Value of the subcontract works;
- (iv) Applicable level of the subcontract;
- (v) Duration of the subcontract;
- (vi) Date of completion of the subcontract; and
- (vii) Description of the training undergone by the SMME;

### **(c) Certifying the SMMEs completion of the subcontract.**

SMME 006 form provides the format, layout and appearance of certificates to be issued but the Principal Contractor may suggest revision to MT for approval which shall be respectable and presentable in accordance with the general standards of normal business practice. All certificates issued shall be co-signed by the Principal Agent/Consulting Engineer and a senior representative of the Principal Contractor, who has been duly authorised thereto.

## **D13. CONTRACTOR'S LIABILITY**

**D13.1** No provision or requirement set out in this Specification shall be deemed to relieve the Principal Contractor of any liability or obligation under the contract between the CDC and the Principal Contractor, and the Principal Contractor shall be fully liable for the acts, defaults and neglects of any SMMEs, his agents or employees, as fully as if they were the acts, defaults and neglects of the Principal Contractor, his agents or employees.

#### **D14. PERFORMANCE GUARANTEE**

**D14.1** No provision or requirement set out in this specification shall be deemed to relieve the Principal Contractor of any liability or obligation under the contract, and in accordance with the provisions of the relevant clause of the applicable form of contract, the Principal Contractor shall be fully liable for the acts, defaults and neglects of any SMMEs, his agents or employees, as fully as if they were the acts, defaults and neglects of the Principal Contractor, his agents or employees.

Any failure or neglect by the Principal Contractor to comply with the provision of the specifications, or any omission or neglect by the Principal Contractor in adhering to or applying the principles as are described and inherent in the specifications, shall be deemed to constitute a warrant for the Principal Agent/ Consulting Engineer to act in terms of relevant clause of the applicable form of contract.

SMMEs will be required to produce a Performance guarantee in line with the value of the subcontract work as follows:

0 to R2, 000,000 - 0%;

R2, 000,001 to R4, 000,000 - shall be 2.5%;

R4, 000,001 and higher - shall be 5%;

Where such guarantees are provided by SMME subcontractors the return of same will be related to the time when the work carried out by the SMME subcontractor is complete to the satisfaction of the Principal Contractor and the Principal Agent/ Consulting Engineer.

#### **D15. RETENTION**

**D15.1** Fifty Percent Retention on SMME subcontractors excluding VAT, will be released half on practical completion and balance on final completion as follows:

**Special Condition:** Retention on subcontractors, whose subcontract value is less than R 1 000 000.00 (One Million Rand), will be released 3 months after the subcontract work carried out by the subcontractor is complete to the satisfaction of the Principal Contractor.

#### **D16. MEASUREMENT AND PAYMENT**

The price tendered will be deemed to include all incidentals by the Principal Contractor to comply with the conditions of this specification. No other claims will be entertained should SMMEs negatively affect the contract works in any way, and the Principal Contractor shall be deemed to have included such effects in the handling cost percentage for the different SMME work packages above.

#### **D17. SUBCONTRACTING BY SUBCONTRACTORS**

The Principal Contractor is not to permit SMME subcontractors to further subcontract on any other conditions than those applying in the project specification to subcontractors or SMME subcontractors.

#### **D18 JOINT VENTURING & CONSORTIUM**

The SMME sub-contractors are not permitted to enter into Joint Ventures or form a consortium with other SMME(s) sub-contractors.

#### **D19 REPEAT APPOINTMENTS**

The SMME shall be afforded a maximum of two active packages on **ONE** particular CIDB Grade and shall not be considered for any further works until they've provided proof to the SMME Unit of upgrading with CIDB.

This will only apply to SMMEs that have successfully completed their packages within the specified time, achieved the desired quality and adhered to all contractual obligations.

The CDC SMME Unit has the right through the MT to query any or all of the recommendations of the Principal Contractor. Once the MT is satisfied with the recommendations of the Principal Contractor, it reserves the right approve or reject the repeat appointment.

This is to ensure the spread of work, mitigation of risk and realisation of the developmental objectives.

Acknowledgement of SMME Specification	Principal Contractor Representative	CDC Project Manager	Principal Agent
<b>Date:</b>	<b>Name:</b>	<b>Name:</b>	<b>Name:</b>
	<b>Signature:</b>	<b>Signature:</b>	<b>Signature:</b>