



LESSONS FROM CITY OFFICIALS ON NAVIGATING THE “CONSTRUCTION MAFIA”

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Disruptions to construction sites of large-scale city projects are a major factor in the slow rate of public infrastructure delivery.

This results in public money and

resources being wasted or not spent, and threatens the safety and wellbeing of city officials, contractors and construction workers. Media reports commonly attribute these disruptions to the so-called “construction mafia” – variously described as organised

associations of small, medium and micro-enterprises (SMMEs) in the construction industry who use violence, extortion, or threats to secure a share of a project’s subcontracts or equivalent value in cash.

While the term “construction mafia” is catchy and useful, it is in instances misleading in that it glosses over the complex and varied manifestations of this phenomenon across different urban areas and the imperative for economic inclusion spelled out in national policy. New research by the South African Cities Network (SACN, 2023, *Keep the bus moving: SMME inclusion in the construction sector*), traces the divergent and parallel development of the “construction mafia” phenomenon in the country through interviews with city officials from respective metros, providing a clearer picture of the problem and offering informed solutions.

The paper finds that when city officials are able to take seriously their own mandate of economic inclusion and community engagement, huge wins are made with regards to local SMME groups.

Since the early days of democracy, and as part of an effort to lift many out of poverty, government deliberately designed the subcontracting of SMMEs within the construction sector as a low-barrier-to-entry employment solution for unskilled and semi-skilled people, with few compliance requirements when registering as a construction company. Recent regulations such as the 2017 Procurement Policy had committed a share of project labour (30%) to be allocated to local SMMEs.

What has been missing in the policy framework is a coherent national strategy for SMME inclusion to balance out this loose approach to inclusion, which has left the sector vulnerable to aggressive manipulation (particularly at the procurement stage) and SMMEs unchecked to take advantage of the sector’s neglect of them. In a context of poverty and high unemployment, the scarcity of

opportunities and the potential profit of each construction subcontract is coupled with an overly permissive registration process for first-time subcontractors, that creates a high stake, competitive and hostile environment. From around 2018, on-site disruptions and extortion by business forums spread across South African urban areas from Kwa-Zulu Natal, where the phenomenon is thought to have been started by two associations – the Delangokubona Business Forum and the KwaMashu Youth in Action Movement around 2015.

While government has strongly condemned the illegal practices of business forums, including President Ramaphosa in his 2020 State of the Nation Address, the State has not taken any significant action, creating an enabling environment for business forums to expand their activities. However, city practitioners also suggest that powerful, highly organised, and overtly violent tactics (such as experienced in Kwa-Zulu Natal) are not the norm for most business forums and that business forums’ tactics differ between cities and wards.

SACN’s paper argues that addressing

site disruptions across the country requires dealing with the underlying drivers of SMME inclusion challenges.

Interviews with city officials from three metros (Mangaung, Johannesburg and Nelson Mandela Bay), uncover innovative practices to keep projects moving, rather than relying on a law enforcement response only. The paper argues that the term “mafia” does not always accurately portray the nuances of SMME tensions in the construction sector nor its underlying drivers, and makes what should be an issue of economic development, a matter of crime and policing only.

The paper finds that when city officials are able to take seriously their own mandate of economic inclusion and community engagement, huge wins are made with regards to local SMME groups. Ultimately, the case studies find that the solution lies in incorporating SMMEs into the construction sector in a transparent, regulated and developmental manner.

Because city departments and project managers have been left on their own to figure out what to do, different cities and departments within cities have very different approaches to engaging with SMMEs. >



On infrastructure projects, the city or public entity procures a private contractor who is responsible for subcontracting local SMMEs for certain portions of the work, but often cities have to engage directly with SMMEs in order to keep projects moving smoothly.

The cities' approaches to engaging with SMMEs range from reactive and hands-off "business-as-usual" to proactive, engaged "social compacting".

The research finds that the SMME engagement approach that cities choose to utilise on their projects have a major effect on how the process will unfold, and the degree to which site disruptions will destabilise the project's construction.

The business-as-usual approach refers to the city relying solely on the main contractor to manage the relationship with SMMEs. This is a relatively common approach, as the contractor is legally responsible for the subcontracting process. However, managing the subcontracting process is complex and requires time and dedication, as well as sensitivity when engaging with communities.

Contractors are understandably more concerned with making a profit and are "not in the business of SMME development", as one city official noted.

As a consequence of this hands-off, unsupervised approach, an unregulated laissez-faire environment is created for SMMEs leading to challenges later in the project that the city must respond reactively to.

Examples of reactive responses by cities and contractors at this late stage are typically adversarial and include interdicts, additional security, accommodating extortion and negotiations with business forums. At the other end of the spectrum is a hands-on, participatory approach, that cities or entities use to engage proactively to include and



develop SMMEs throughout the construction project. This requires building consensus and trust through a transparent and rigorous process of engagement that begins long before the construction phase of the project, and includes practical support throughout the construction process, such as on-site supervision, expenditure tracking, and business development.

Development entities, such as the Mandela Bay Development Agency (MBDA) in Nelson Mandela Bay and the Johannesburg Development Agency (JDA) in Johannesburg, are particularly hands-on in their approach to SMME engagement and have dedicated SMME Development Managers and Social Facilitators. This has proven to have a hugely positive impact on the inclusion and development of SMMEs, and in turn prevents disruptive and extortive practices from taking root.

This approach is time-heavy and requires expert social facilitators to guide the engagement process, which is invariably sensitive and prone to tension.

No matter the approach taken, the process of SMME inclusion will never be without complexities and tensions. But SMME inclusion is a non-negotiable element of all public construction processes that cannot be wished (or paid) away. City officials and contractors alike need to come to terms with the footwork that is

required to keep projects moving, navigating a delicate and sensitive process, bringing on board adept social facilitators, and finding ways to manoeuvre through the tensions, complexities and blockages.

Off the back of its research, the South African Cities Network is currently working on a set of practice guidelines to assist city officials with developing coherent and holistic approaches to SMME inclusion that is governed by transparency and hands-on engagement. Business forums have the potential to be crucial pieces of the local economic development puzzle and provide opportunities for SMMEs to grow and develop without the use of violence and extortion. ■



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