

## **ABSTRACT**

This study investigates the feasibility of introducing the start-up capital system for contractors as opposed to demanding performance guarantees and retention fees to municipal contractors in infrastructure projects. A qualitative research method was used to collect data from a cross-section of key stakeholders from major municipalities in South Africa. The results are drawn from the interviews that were conducted accordingly and Atlas-ti version 7 was used to analyse the qualitative data. The analysis is based on the current contract requirements of performance guarantees and retention fees as well as the likelihood of start-up funds for SMMEs in construction within the respective municipalities. The results illustrate that, in general, waiving of performance guarantees and retention fees is possible if there is joint project management, risk management structures; and related policies with regards to waiving guarantees are in place. Furthermore, it is drawn from the results that providing start-up funds would be possible but that may face serious challenges and that was always bound to fail. This study accordingly recommends some options as well as a model for start-up funding. However, there is a need for exploring such a model further and any other options that could be considered instead of performance guarantees and retention fees.

**Keywords:** Performance guarantees, Retention fees, contracts, start-up financing, venture capital

