



MINISTRY
PUBLIC WORKS
REPUBLIC OF SOUTH AFRICA

SUMMARY

BUDGET VOTE SPEECH

VOTE 7: PUBLIC WORKS

TW NXESI

MINISTER OF PUBLIC WORKS

8 MAY 2013

Rebuilding the Department of Public Works:

rebuild capacity, improve service delivery and expand job creation

EMBARGOED UNTIL 9h45, 8 May 2013

1. Introduction

- Honourable Chairperson
- Members of Cabinet
- MECs
- Honourable Chairperson and members of the Portfolio Committee
- Honourable Members of Parliament

Let me also recognise in the gallery the presence of:

- Chairpersons and senior management of our Public Entities;
- The Director-General and senior management of the Department;
- Representatives from DPW's Young Professionals training scheme, and beneficiaries of the EPWP programme;
- Members of my family, in particular my wife.

Welcome.

In the time available, I want to present the budget vote for 2013/2014; account for what we have done as a Department over the last year; and, most importantly, convince this House that the Department of Public Works is serious about turning itself around, and that we have a plan to take us forward.

2. The budget vote

The Departmental budget allocation has been reduced by 20% from R7.7 billion in 2012/13 to R6.2 billion in 2013/14. The decrease is attributable to the following:

- The phasing out of the devolution of the property rates grant to provinces;
- Cabinet approved budget reductions of R1.5 billion over the MTEF; and
- Shifting of R290 million to the Department of Home Affairs for border management in line with the devolution of budgets to line departments.

Adjustments to the Department's baseline reflect the on-going reorganisation of the Department and new priorities, and include the following:

- A reprioritisation of R827 million to the *Administration* and the *Immovable Asset Management* programmes to provide for the implementation of a turnaround programme in the Department.
- A reprioritisation of R150 million to the Independent Development Trust for the implementation of its transformation programme; and
- A reprioritisation of R247 million from the EPWP Integrated Grant for Municipalities to the EPWP programme for the Non-state Sector – seen to be particularly effective in the creation of work opportunities.

The Department's budget reflects government priorities and the Department's efforts to address – in particular - Outcomes 4, 8 and 12.

In relation to the National Development Plan, my Department – and the branches – are currently aligning their activities to support many of the identified goals of the NDP.

In addition to its core mandate as custodian and manager of the state's immovable assets, the Department of Public Works has a further mandate to create jobs and work opportunities and to address skills shortages in the Built Environment.

3. Expanded Public Works Programme

The Expanded Public Works Programme (EPWP) remains an effective part of government's response to the triple challenge of poverty, unemployment and inequality.

Our initial target in the second phase of the EPWP - for the period 2009-2014 - was to create 4.5 million work opportunities. This has now been increased to nearly 5 million new work opportunities – with a special emphasis on unemployed youth and women. As part of this, some 8,000 youth will be recruited for artisan training to be employed by the national and provincial departments of public works.

Moreover, in our choice of projects we seek to improve the quality of life of poor communities in particular. Examples include:

- Road maintenance projects;
- Working for Water projects involving removal of alien vegetation;
- Home Community Based Care projects;
- The Community Safety Programme; and
- A cemetery maintenance programme piloted in rural municipalities.

The EPWP programme is making a real difference to people's lives. Indeed, earlier this week – with Deputy Minister Cronin - I visited the Lentegour Police Station in Mitchell's Plain – a state of the art project of Public Works. We were thronged by community members who impressed upon us the positive impact of EPWP for individuals and the community.

I am pleased to announce that the problem of under-spending on the EPWP incentive grant – which amounted to R358 million in 2011/2012 - has been eliminated in financial year 2012/2013.

None of this would have been possible without the active partnership, coordination and participation of municipalities, provinces and non-profit NGOs, Community Based and Faith Based Organisations.

As we move into Phase III of EPWP, we have to ensure that all these stakeholders are on board, that they are supported where necessary – and that, collectively, we further up-scale EPWP programmes. Amongst others we need to investigate an expanded role for EPWP in the roll out of the SIPs, and ensure that - collectively as government departments and State Owned Enterprises - we all utilise EPWP and labour intensive methodology to maximise job creation.

4. Capital Projects

In the course of 2012/2013 some 214 projects were completed. These included high-profile projects for: the Department of Justice, Correctional Services, SAPS, and the SANDF.

Capital projects created some 18,815 jobs during 2012/2013. The target for 2013/2014 is approximately 40,000 jobs.

Some 300 capital projects will be completed by end of March 2014. This includes the Matola Raid Monument in Mozambique.

The erosion of core professional services of the Department has impacted negatively on our ability to deliver on the mandate. The following mitigating measures have been adopted:

- The Department has secured a budget appropriation of R66 million to fill 88 out of 219 vacant and unfunded core professional positions.
- Joint professional teams have been created to support smaller regional offices, and to work with major clients.
- We are currently reviewing training programmes for young professionals, technicians, and artisans – as part of our vision to rebuild state capacity in the Built Environment.
- The Department has mapped out the roll-out programme to resuscitate maintenance workshops with priority areas being Western Cape and Gauteng.

Working through EPWP, with the Eastern Cape Provincial Department of Public Works and Roads, and the Department of Defence, we are rolling out low cost bridges initially in Eastern Cape, before extending the programme to other provinces. These bridges, as well as providing safe river crossing during rainy seasons – especially for school children – also improve access and social and economic mobility for entire communities.

5. Asset Investment Management

The Department's Long Term Infrastructure Plan comprises three key elements:

- First, new buildings, replacements and upgrades– to ensure service delivery to clients and the public from appropriate buildings;
- Second, maintenance and repairs – to safeguard the assets we have.
- Third, rehabilitation, renovations and refurbishments. The conservation of state buildings is central to the Inner City Regeneration strategy, as well as our strategic goal of shifting the larger percentage of government accommodation away from leases to occupation of our own buildings.

Concrete achievements and plans include the following:

- Eleven buildings were rehabilitated in 2012/2013, with a further 15 earmarked for the current year in order to accommodate user departments.
- As part of the Accessibility Programme, 42 buildings were made more accessible for people with disabilities last year, with a further 146 buildings prioritised for the current year.
- Two properties measuring 433 hectares earmarked for sustainable human settlements were approved for release in 2012/2013. A further 5 properties have been identified for release in the current year.
- In terms of Inner City Regeneration, targets for 2013 include: the completion of Precinct Development Plans for West Capital and Paul Kruger Street – as part of the Tshwane Inner City Project and Master

Plan – and identification of four sites within the Paul Kruger Street Precinct for head office accommodations for national departments.

In implementing the Green Building Programme a number of pilot projects in water efficiency, waste management, energy efficiency and eco-labelling of construction materials are being rolled out. Key amongst these is the current base-line study on energy efficiency in public buildings. The pilot will target 1,000 buildings and contribute to the creation of green jobs.

6. Prestige

We have taken firm control of Prestige by centralising it, implementing a new structure, and creating a direct reporting line to the Director-General. This has already resulted in the cancellation of a number of high-priced projects.

All Prestige projects are now undergoing investigation. The process is complete in regard to Pretoria. We have now extended the investigation to Cape Town where R100 million was spent on renovating 11 houses.

Similarly many of the problems surrounding the security upgrade at Nkandla are rooted in the failure of supply chain management processes, poor management and lack of accountability. As a Department we completed our preliminary internal investigation at the beginning of the year. We have referred our findings to the SIU for further investigation.

We are also cooperating with the Public Protector's investigation.

Parliament is planning to discuss our report, and the Auditor-General has undertaken to audit Prestige projects.

I can assure honourable members, no stone is being left unturned. I have given an undertaking, that as a Department, we will act against any official where evidence of wrong-doing exists.

We have revived the parliamentary village boards. Our priority is to now deal with unauthorised and illegal residents and to introduce an access card system and review all aspects of security.

Additionally, policy proposals on norms and standards will be presented to the Executive for a decision by June 30th. These measures will be underpinned by the deployment of additional resources in Cape Town and Pretoria. The new systems will be fully operational within 6 months.

I also need to mention that we have completed an audit of heritage buildings and drawn up a detailed inventory of moveable assets with photos and valuation certificates. This greatly assists in safeguarding these important heritage items. It also provides a baseline for decision making on the future care of heritage sites. In this respect I need to point out that maintenance of heritage buildings is an expensive business.

7. Policy: Transforming the Built Environment

The Department of Public Works remains responsible for the regulation and transformation of the construction and property sectors. Skewed property ownership patterns need to be addressed, and the construction industry has to create an environment where emerging contractors graduate into sustainable businesses.

The following processes were finalised in the last year:

- The Construction Sector Charter Council was registered as a section 21 Company.
- The National Contractor Development Programme (NCDP) – driven by the Construction Industry Development Board (CIDB) – was launched in December 2012, and a National Contractor Development Forum - comprising DPW and other national infrastructure development departments - has been established to co-ordinate contractor development. The NCDP is also being rolled out to municipalities in partnership with COGTA and SALGA.

On the legislative front, this year the Department will be tabling in Parliament the Expropriation Bill, as well as a bill to establish Agrément South Africa as a public entity. Deputy Minister Jeremy Cronin is driving these processes and will provide further details.

[As an aside: Having recently rebranded themselves as leaders of the Anti-Apartheid struggle, I have no doubt that the DA will lend their full support to the Expropriation Bill.]

8. The Department's Public Entities

I need to mention the important work done by the Entities that report to the Minister of Public Works:

- ***Agrément South Africa*** – The Department of Public Works has utilised Agrément certificated products in the construction of new schools in the Eastern Cape and North West provinces.
- ***The Construction Industry Development Board (CIDB)*** – It's outputs include: developing standards for government tenders; and maintaining a national Register of Projects, as well as the contractor registration and grading system which is both a risk management tool for clients, as well as a development tool for emerging contractors. The CIDB can also de-register contractors for non-performance and for breaches of the CIDB Code of Conduct.

CIDB also promotes skills development through its Employment Skills Development Agency - creating 2,800 learning opportunities per year.

- ***The Council for the Built Environment (CBE)*** - ensures that only registered and competent professionals are allowed to practice. It remains a major concern that only a quarter of registered professionals in the built environment are black. Last year the CBE established a candidacy programme to help remove bottlenecks and assist young black graduates to attain professional registration.

Meanwhile, the CBE bursary scheme produced its first batch of 8 graduates last year – one of whom – is in the audience today.

Key outputs for CBE for the upcoming year include:

- Contributing to the skills plan for the infrastructure roll out programme;
 - Environmental sustainability in the built environment;
 - Research into labour intensive construction, and
 - Health and safety in construction.
- ***The Independent Development Trust (IDT)*** - supports the DPW to fulfil its mandate – as well as providing project management services to other national and provincial departments. IDT supports the EPWP's management information system – ensuring verifiable statistics - and the Non-state Sector programme. As part of SIP 13, IDT has been appointed as one of the implementing agencies for the national Schools Beautification programme.

IDT has championed women contractors in the construction sector. 30% of its projects in 2012/2013 – with a value of R1.7 billion – were awarded to women contractors.

DPW is currently working with IDT to develop a new business case to review the organisation's mandate, funding model and institutional form – to ensure the long-term sustainability of the organisation.

9. The Turnaround Strategy: Rebuilding Public Works

The Department's past performance has been characterised by corruption and mismanagement. This is a large and complex organisation where, all too often, there is misalignment between the mandate and the structure of the organisation. We are currently addressing the challenge of organisational structure with the assistance of the DPSA.

I want to assure this House that the turnaround project to 'Rebuild the Department of Public Works' is now well under-way:

- We have the funding from National Treasury;
- The core of the Turnaround Team is in place under the office of the Director-General – not in the Ministry - so if the Minister is recalled tomorrow it will not derail the whole turnaround.
- The planning processes are well-advanced – with annual, 3-year and 7-year plans in place – developed in consultation with National Treasury.
- Much of DPW's problems can be traced to a long period of unstable and constantly changing leadership. I have also said that any turnaround strategy needs to be led from the top. I believe we have now stabilised leadership with the appointment of the new DG and CFO, and other changes at leadership level.

Our strategic focus has been on taking control of five key areas:

1. Combatting fraud and corruption

We have worked closely with the SIU (Special Investigations Unit) to investigate irregular leases and projects – some 40 investigations in all, of which 23 are completed. This has resulted in successful disciplinary actions, the suspension of six officials and the dismissal of three, including one DDG. We have instituted court actions to recover monies wrongly paid by the Department. We are also awaiting reports from disciplinary hearings involving a further two senior officials.

Arising out of the completed investigations into Prestige in Pretoria, the SIU has recommended that we suspend and discipline the responsible officials – which we have started to implement.

SIU investigations, taken together with recent findings of the Competition Commission, tell the same story: over-pricing and collusion between some officials and sections of the construction industry – a timely reminder that it takes two to tango; that corruption and greed in the private and public sectors are mutually reinforcing each other.

In the light of this, we have started to enhance investigating capacity within the Department:

- Internal Audit was empowered to commission forensic investigations. Some 19 investigations have been completed.

- We are also establishing an internal Compliance and Enforcement Unit – advised by SARS – as part of a separate Risk Management Branch.
- Looking forward, we are establishing a separate Supply Chain Management (SCM) Branch. In this regard we are working closely with National Treasury to review and strengthen SCM processes.

Our broad approach can be characterised as follows:

- We will investigate and prosecute cases of fraud and corruption, but
- It is equally important to put in place robust systems – and here I am quoting from our SARS colleagues – with the intent: “to make it easy for weak people to do the right thing, and difficult for bad people to do the wrong thing.”

2. The Immovable Assets Register

The state land reconciliation with Deeds Office records has been substantially completed. This exercise involved scrutinising the records of some 180,000 land parcels, ascribing custodianship to the responsible department or level of government, and commencing the vesting process where necessary - a complex process involving numerous stakeholders. The figures we now have will form the basis of a physical verification process due to commence in July 2013.

National DPW still has to allocate custodianship to some 4,500 land parcels, and approximately 24,000 land parcels need to be vested – a lengthy process which will take until March 2016 to complete.

My main point: although this is a lengthy exercise, I am very confident that we are on-track for the creation of an Asset Register that will – for the first time ever - accurately reflect the state's assets.

Let me make a further point: that this is a real game-changer. With a sustainable register of state immovable assets in place, we will have at our disposal the tools to leverage this massive property portfolio for economic development. This will also assist us to drive the transformation of the property sector in South Africa.

3. Audit of Leases

The Department presently manages a portfolio of 2,788 leased properties across the Republic. In his 2012 Budget speech, the Minister of Finance announced Treasury's support for a national audit of leases by DPW – a timely response to the numerous lease scandals at the time.

To date, 100% of these leases have been reviewed. Of these, 1,316 required attention, revision or renewal. These we regard as backlog leases. 365 of these leases have already been addressed.

Recommendations for the remaining 951 leases will be in place by the end of June, 2013.

4. Improving audit outcomes

The Clean Audit project was initiated in December 2012 to address audit queries – and includes a consortium of specialist service providers which has been deployed across the Department’s Head Office and 11 regional offices. I am pleased to announce that the Department has appointed 64 unemployed commerce graduates as part of this initiative. Indeed this is working out so well, that the Department is considering employing an additional 40 unemployed graduates. Skills development of Finance and Property staff is a secondary, but vitally important, output of this project.

A key area of focus is the reduction of late payments and compliance with the President’s instruction to pay suppliers within 30 days. As part of this project, the DG and I are visiting the regions to meet with service providers, and to work with officials to address complaints.

Irregular expenditure is also a key focus of the Clean Audit Project. This involves the inspection of every transaction in terms of compliance with supply chain management policy. I am pleased to confirm that all transactions for the Department and the PMTE will be fully tested for the 2013/2014 financial year – in order to eliminate irregular expenditure going forward.

5. Operationalising the PMTE (Property Management Trading Entity)

Honourable members will be aware of the background to this issue. In 2006 Treasury approved the establishment of the Property Management

Trading Entity within DPW with the injunction that a business case be submitted within two years. The failure to finalise these processes contributed significantly to both DPW and PMTE receiving negative audit opinions in subsequent years.

I am pleased to confirm that we have now formalised the establishment of the Entity. A detailed business case is under development and will be submitted to Cabinet for approval in August, 2013.

I wish to assure this House that the turnaround is proceeding in full consultation with organised labour. I have also given an undertaking that no retrenchments are envisaged. The parties have agreed to develop a National Framework Agreement to guide the change process.

10. Concluding remarks

I would like to conclude by thanking the following people.

- The President for entrusting me with the Public Works portfolio
- The Auditor-General, Public Protector and members of the parliamentary committees for their constructive criticism
- Members of the SIU for arming us in the fight against corruption
- Treasury – and TAU – for the assistance and support in developing and implementing a turnaround strategy
- The DPSA for assisting us to address HR challenges.

- The Director General and senior management of the Department – as well as the previous Acting DG - who have kept the ship afloat, even as we try to turn it around.
- The entities of Public Works who have contributed their personnel and their knowledge to assist in the turnaround; and
- I particularly want to thank all those officials of the Department of Public Works who are actively assisting in the process of rebuilding.

My message to them – and to honourable members - is this:

- Whilst we must never underestimate the magnitude and scope of the task we face, even so:
- We have stabilised the Department;
- We are making real progress in tackling the immediate – and systemic - challenges;
- We have put in place the building blocks – and we have a plan – to rebuild Public Works;
- Together we can make Public Works work.

I thank you.