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MEDIA STATEMENT

Department of Public Works: Annual Review Media Statement 2014 by Minister TW Nxesi MP

In the interests of transparency and accountability, I have instructed the Department of Public Works to release a media report for the year 2014.

Immediately after the May General Election, as the Department of Public Works, we went into planning mode with the objective of improving service delivery to the public at large.

I set the following 5 priorities for the Department:

- **One:** The creation of 6 million work opportunities for poor and unemployed people through the labour-intensive delivery of public services and infrastructure. Public employment programmes must facilitate community participation, and provide tangible benefits to communities, the society and the economy. This is a commitment to the people of this country – made by the President and enshrined in the ANC Election manifesto - which I take very seriously.
- **The second priority area:** The operationalization of the PMTE (Property Management Trading Entity) and the transformation of the core property business of government (including construction

management). These involved a plan to ring-fence and professionalise the operations of the PMTE, and necessarily include a programme to rebuild technical and professional capacity in the Department.

This is the core business of Public Works – custodianship of state immovable assets and provision of accommodation to government – and accounts for 75% of the budget. This is also an area where we can stimulate employment, e.g. through maintenance, and engaging SMMES and BBBEE companies market and maintain unutilized stock.

- **Three:** The operationalization of the Governance, Risk and Compliance Branch to drive anti-corruption and to spearhead the second phase of the Turnaround – ‘Efficiency Enhancement’ - using the tools of planning and performance management. This also means working with Human Resources and Change Management to promote a committed performance driven work culture.
- **Fourth priority area:** In consultation with all stakeholders – particularly the wider Public Works family in the provinces - a policy review and development of a White Paper to culminate in a Public Works Act. This will provide a solid foundation for the third phase of Turnaround: ‘Sustainable Development’, and will clarify and refresh the mandate of Public Works.
- **Five:** In partnership with our construction entities, and the Property and Construction Sector Charter Councils and relevant stakeholders, a renewed and sustained programme of action to transform the Built Environment – the construction and property sectors – as part of the second more radical phase of transition to democracy. (This must include support for black and female contractors and property

practitioners; as well as the production of black professionals and artisans in the Built Environment disciplines. We cannot be complacent that only 25% of built environment professionals are black.)

Reporting on progress for this year, I can say that 2014 has been a decisive year in the history of the Department of Public Works. In 2014 we began to see the positive results of our Turnaround Strategy.

We are now nearly three years into the Seven Year Plan to Rebuild Public Works. In the first phase of this Turnaround, we have managed to stabilise the Department.

Key indicators are the following:

- Clean Audit Project – DPW received an unqualified audit; PMTE moved from multiple disclaimers to a qualified audit.
- Lease Audit – carried out jointly with National Treasury: We have re-taken control of the leases – after multiple scandals – and laid charges against corrupt elements. SIU investigations are ongoing in this area.
- Immovable Asset Register – for the first time in its history, DPW is close to having a credible and comprehensive register of its properties. 98% of these have been physically verified. We now know what the state owns and, in 2015, will be able to utilise state properties to leverage economic development and job creation. [Just a word of caution: as the Deeds Office simultaneously updates its records, so the running total of properties for Public Works is likely to change.]

A major reason for our success has been the stable and committed leadership in the Department headed up by a DG and Clean Audit Team committed to good governance and accountability.

We are now in the second phase of the Turnaround – ‘Efficiency Enhancement’ – where we improve the way that DPW does business. Key programmes during this phase are the following:

- Full operationalization of the Property Management Trading Entity;
- Full operationalization of the Governance Risk and Compliance Branch – to fight fraud and corruption. The backlog of 250 fraud cases will be concluded by the end of the financial year. Several implicated officials have been dismissed. A number of criminal and civil cases are underway;
- The enhancement of core mandates of the DPW:
 - Policy regulation and transformation of the Built Environment;
 - Coordination and leadership of the wider public works family in the provinces, in line with the concurrent mandate of the Department.
- The expansion of the EPWP (Expanded Public Works Programme) – quantitatively and qualitatively with the following goals in view:
 - The creation of 6 million work opportunities between 2014 and 2019. In the first two quarters of 2014/15 we are ahead of target with the creation of 630,700 work opportunities;
 - To provide incomes, work experience and training to poor and unemployed people;
 - Much greater community participation and ownership;
 - The delivery of useful infrastructure and services to poor communities.

We have succeeded in moving this Department forward by owning up to problems, analysing the systemic challenges and developing solutions. One major outstanding failing of Public Works has been the delays on completion of construction projects – a backlog of approximately 1,000 projects at different stages of execution – roughly half in the planning stage - and the consequent capital underspending which results.

The Official Opposition has quite rightfully requested a breakdown of all the delayed projects – and where underspending has occurred. From our side we will provide the detailed breakdown to Parliament today – with analysis of the stage each project is at – and an estimate of delivery dates. Fortunately, my team has already done a lot of detailed work on this area – in the same way that we took control of irregular expenditure, leases, and the Immovable Asset Register – with the understanding that the starting point in addressing this challenge is to clearly understand what work we have in hand – and where it lies in the process.

I also need to assure the public that the Department has developed a comprehensive plan to re-engineer DPW construction project management systems to enhance and streamline service delivery, resolve the backlog and tackle capital under-spending. This will necessarily involve the following:

- Intensification of control, coordination and breaking down the silos between the different functional areas which are required to work collectively to deliver projects;
- Operationalise joint technical teams to service major client departments;
- Improve ICT (Information Communication Technology) systems to drive improvements in planning, execution and monitoring of projects.

Principally, we are training the staff for implementation of IDMS (Infrastructure Delivery management System);

- Ensure compliance with GIAMA (Government Infrastructure Administration Management Act) and IDIP (Infrastructure Delivery Improvement Programme)
- Establish a dedicated team to address a significant number of projects on litigation;
- Improve construction project management and establish a clear line of sight along all the projects – from strategic planning at national level to the regions where construction project delivery takes place;
- A fundamental overhaul of Supply Chain Management systems – undertaken jointly with National Treasury - where delays occur. This also involves an overhaul of the Bid Adjudication and Evaluation processes with the intent of enhancing transparency, reducing opportunities for fraud and corruption, and to streamline the process.
- The Department has analysed cost escalations across projects – and has now adopted a very strict approach to variation orders;
- We will also be addressing the lack of adequate professional construction and project management personnel. As Public Works we will be increasing the number of training and mentorship opportunities available in this field, as well as seconding relevant skills through the professional councils and associations – as well as from other government departments. As a result of this action we intend to reduce the ration of Project Managers to projects from an average of twenty to ten.

DPW Construction Projects Delivery for 2014

- As things stand at the end of November 2014, the following expenditures have been achieved for 2014/15 financial year:

	PROGRAM	ADJUSTED BUDGET	EXPENDITURE	%
1	DPW CAPITAL	R 510 369 000	R 267 854 325	52%
2	PMTE MAINTENANCE	R 2 219 188 439	R 1 408 438 974	63%
3	PMTE CAPITAL	R 1 757 820 749	R 861 776 949	49%

- The National Department of Public Works has so far delivered in this financial year more than 80 multi-million rand essential nation-wide community projects that include police stations, Magistrate's Courts, Home Affairs Offices, the improvement of accessibility for people with disabilities to about 40 Government Buildings, and the upgrading of facilities in more than 15 prisons being run by the Department of Correctional Services.
- They also include the improvement or construction of facilities for the SA National Defence Forces and museums for the Department of Arts and Culture.
- Under the PMTE Capital Program, some of the achievements include the following:
 - R82-million upgrading of the hospital for the SANDF in Bloemfontein.
 - R62-million new police station in Keimoes in the Northern Cape.
 - R14-million upgrading and renovations and provision of accommodation of Home Affairs in Limpopo.
 - R16-million maintenance of integrated security system for Correctional Services in Kimberley.

- R18-million upgrading of cells and renovations to staff quarters in Besters.
- Under the DPW Capital Programme, more than 20 projects have been delivered to improve accessibility for people with disabilities to Government Buildings such as prisons, police stations and courts.
- Under PMTE Maintenance Program, the projects delivered include:
 - R76-million repairs and renovations at the Zonderwater Prison in Gauteng
 - R63-million renovations of administrative offices and living quarters in Ulundi Police Complex
 - R66-million repair and maintenance of water and sewerage works at the Helderstroom Prison in Swellendam
 - R18-million repairs and maintenance of buildings, civil infrastructure and electrical installations at the Hermanus.
- The Department's delivery takes place against the backdrop of a series of challenges that are being gradually addressed through the implementation of the Turnaround Strategy.

I am determined – that in the same way that 2014 has been a decisive year for property management, 2015 will be a breakthrough year for construction projects.

As the Department of Public Works we have to continue to grapple with these strategic issues, even as we continue to strive to improve the day to day operations of the Department.

None of this progress would be possible without the hard work and commitment of the majority of honest public servants who continue to serve often in difficult conditions.

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