

Speech prepared for DPW National Assembly DPW budget debate 20th April 2016.

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(Please note that because opposition speakers in the budget debate focused on the role of DPW and Minister Nxesi in the Nkandla matter, most of this prepared speech was not delivered. Deputy Minister Cronin devoted most time to responding to the opposition speakers on the Nkandla matter)

Minister Nxesi has underlined the Department of Public Works' core mandate – the management of an extensive public property portfolio, basically public buildings, including Parliament and the Union Buildings, but also magistrate's courts, home affairs offices, 18 odd small harbours, and much more. This is, and will remain, the core function of the DPW – but there are two other critical pillars in the DPW mandate, the regulation of the Built Environment Professions, and a coordinating role in government's massive Expanded Public Works Program.

In December last year, Parliament passed the Agreement SA Act. Agreement serves our national interest by being the internationally acknowledged, independent South African centre serving the building and engineering communities by providing assurance to users through technical approvals of the fitness-for-purpose of non-standardised construction related products or systems. This is in contrast to the role of the better-known SA Bureau of Standards, which sets standards for standard products, light bulbs, electrical plugs, padlocks for instance.

Agreement occupies a different but important niche, it certifies as fit-for-purpose innovative construction-related products and systems. However, since its inception in 1969, Agreement has not had a formal legal status.

The December passing of the Act has now regularised matters and brought Agreement SA clearly within the framework of the PFMA. This is certainly a positive step. Going forward, we now need to ensure that Agreement's legal status and the requirements that go with it, for instance, having its own CFO rather than relying on the CSIR for its financial accounting, do not detract from its core technical certification responsibilities. From the side of DPW we would like to see a significant expansion of the Agreement's work and a greater public awareness of its important role.

The CBE and CIDB are much better known and are doing good work in their respective fields. However, in their different ways, both have been experiencing certain challenges which

manifest as personality clashes, but which increasingly we are coming to the conclusion are rooted in systemic, institutional issues.

And this raises a wider question, which several other government departments in their different sectors are also beginning to ask: Are we managing, as government, our regulatory responsibilities in the public interest effectively? In particular, are the governance models of our regulatory entities assisting or frustrating effective public interest regulation?

Take the case of CBE. CBE is a structure coordinating six different, statutory, built environment professional councils – Architecture, Engineering, Landscape Architects, Project and Construction Management, Property Valuation, and Quantity Surveying.

The Council has 20 members appointed by the minister – 12 are nominated by the individual professional councils (2 each) – and those nominated tend to be the presidents/chairs and deputy presidents/chairs of the 6 different professional councils. 4 council members come from relevant government departments, and 4 are selected from public nominations. In practice, this means that 12, that is the majority, of the 20 Council members directly represent the individual interests of their respective professions, and the Department's regulatory insight into the Engineering Council of South Africa, for instance, tends to be mediated through this additional layer.

Of course, we need to acknowledge that in highly skilled professions there needs to be a significant degree of professional self-regulation. At the same time, however, and this applies especially, but not only, to the South African reality, a democratic government has a public interest responsibility to ensure that professional bodies do not become exclusionary clubs, gate-keepers.

The Construction Industry Development Board (CIDB) has also faced similar systemic challenges. I recall in the previous Parliament, the then Deputy Chair of the CIDB led the CIDB team in reporting to the Portfolio Committee, and questions came up around collusion in the construction sector. That former CIDB deputy chair was a senior manager in one of the construction companies found guilty by the Competition Commission of multi-billion rand collusive activity. I am not suggesting that the individual concerned was actively involved in collusion himself, and certainly I have no evidence whatsoever that he sought to cover up anything within the CIDB. But the case underlines the challenge – how do we ensure that statutory regulators, while having professional capacity, are not, to use a fashionable term “corporately captured”?

In the course of the coming period we hope to bring these debates back to Parliament for a wider discussion, including whether amendments to both the CBE and CIDB acts are required.

Independent Development Trust

The fourth entity reporting to the DPW is the IDT. Originally founded as a non-governmental trust in the closing years of the apartheid regime, the IDT has long since expended the trust fund upon which it was expected to survive. In 2007 Cabinet passed a resolution calling for the IDT to be formally established as a public entity with a viable business model. Unfortunately not enough progress was made in the intervening years in this direction, and the IDT has suffered accordingly. We are pleased to report that we will soon be taking a business model for approval to cabinet. The intention is to refashion the IDT as a schedule 3A public entity.

We will obviously keep Parliament informed on progress. We believe that a schedule 3A designation and an appropriate business model will enable the IDT to carry out its unique potential as the public sector entity of-choice for the project management of social infrastructure construction – with the all-important role of actively ensuring local community involvement and facilitation.

Expanded Public Works Program Chapter 3 of the National Development Plan sees the EPWP as a critical intervention to address the crisis of persistent structural unemployment in our economy. Even with its target of an average GDP growth rate of 5,4% between 2010 and 2030, it envisages EPWP participation rates in year 2030 at slightly higher than what we are currently achieving. However, in its indicative scenarios, if the average GDP rate is lower than 5,4% over the 20 year period, then the NDP calls for a significant, contra-cyclical upscaling of these public employment programs. The most pessimistic of the NDP's indicative scenarios is a 3,3,% average GDP growth rate over 20 years. In which case it envisages what would amount in the year 2030 to a 13-fold increase compared to current EPWP work opportunity participation rates, that is over 10-million annual work opportunities (currently we are achieving just over a million), or some 5,48 million annual FTEs.

Needless to say our current growth rates are well below even the most pessimistic of the NDP's scenarios. This means that, on the one hand, we need to respond with significant and sustained upscaling of these programs. And evidence suggests that we are indeed partially succeeding in this respect. On the other hand, we know and we accept, that the very reason why upscaling is so imperative, namely low growth with resultant persisting high unemployment, is also the reason why fiscal discipline is required, and these EPWP programs cost money.

That's the challenge. The good news (in a tough situation) is that independent research is showing that our EPWP programs are indeed acting as an important shock absorber, at the very least, for the unemployed, notably since the post-2008 global economic crisis has begun to impact severely on our own economy.

In December last year, the United Nations University World Institute for Development Economic Research published a major WISER research paper – “Demographic, employment and wage trends in South Africa”.

The report notes that public sector employment grew significantly between 2008 and 2014, from 14.5 per cent of total employment at the beginning of 2008, to 17.5 per cent by the end of 2014.

The report states: “This suggests that the state possibly acted as an unintended creator of jobs during a period of extreme labour market distress.” I would modify this by saying that in the case of EPWP public employment, this was not an unintended outcome but a deliberate contra-cyclical response to “extreme labour market distress”.

What is even more notable from the report is that when it breaks down the occupation categories that made up the more than half a million public sector jobs created in the 2008-2014 period, it finds that the greatest majority “fall under the category of elementary occupations (unskilled workers)...[and] the other major contributors are primarily within the service and related workers category (medium-skilled workers)” including home-based care-workers, protective services, cooks and child-care workers – all categories in which EPWP work opportunities are highly represented.

The report concludes: “From this brief analysis, it would seem that the Government’s Expanded Public Works Programme (EPWP) is an important driver of public sector job creation.”

It is important to note that this independent research bases its employment figures not on the DPW’s reporting on EPWP work opportunities, but on a quite different, and independent data set, namely Stats SA’s Quarterly Labour Force Surveys.

I have dealt at some length on this WISER report because it provides independent support to counter what might otherwise start to become a pessimistic scepticism directed at the EPWP program based, in part, on a misreading of recent statements by the Auditor General’s Office, including last week to the Standing Committee on Appropriations here in Parliament. First let me say that as DPW we are not at war with the A-G’s office. We fully support their endeavours to ensure clean and responsible handling of public resources.

I have here a tabulated summary of the key findings of the AG’s office as reported to our department. The AG’s office undertook 2015/16 Quarter 2 audits of 45 public bodies, involved in implementing EPWP projects (municipalities), 5 per province. The findings are extremely interesting. 15 EPWP projects in the Eastern Cape (in Mbashe, Buffalo City Metro, and Nelson Mandela Bay Metro), and 10 EPWP projects in the North West (Naledi and Taung) were happening on the ground, but had not been reported to the national DPW.

Similarly, the AG found that in 19 municipalities a total of 425 actual work opportunity participants, including 52 from Khayelitsha, had not been passed on to, or recorded in the national DPW’s work opportunity data for the period.

These are all cases of under-reporting of EPWP projects that are actually happening on the ground, but for the AG because at the national DPW level these work opportunities are not recorded, it has attracted an AG finding against us.

I don't want to suggest that all of the AG's findings were under-reporting to DPW. More concerning, for instance, were the 65 individual work opportunity participants in Mbomela and Nkomazi who did not appear on site-level attendance registers.

Notwithstanding these cases of under-reporting, or, perhaps fraudulent activity, we are convinced that across government we are well on track to achieve at least the 6 million work opportunity target for the 2014-19 period.

We are not in a fierce stand-off with the A-G on the EPWP, but we do have a difference and we are actively engaging with the AG's office, with Treasury, with the Department of Monitoring and Evaluation, and within the Public Employment Inter-Ministerial Committee chaired by the Deputy President.

The AG's office is auditing DPW as if WE, as a department, were responsible for all 6 million work opportunities. But the EPWP programs have four lead national departments, they are implemented by all provinces, and all municipalities. DPW has been given the responsibility for a broad, overall coordinating role and we administer an EPWP incentive grant as a top up. But our DG can't possibly be the accounting officer for every single EPWP project in the country. Just as the DG in the Treasury isn't the accounting officer for all funds transferred to other public entities.

For reasons we do not understand, in the recent months the AG's Office has begun auditing us as if the DG PW is the accounting officer for every single EPWP work opportunity – and not a range of accounting officers, municipal managers, heads of provincial departments, and other DGs.

As a result the AG's office has been insisting that DPW national has an up-to-date, certified, electronic copy ID copy for every (that's over one-million every year) EPWP participant. We have tried to achieve this task. The net result has been massive under-reporting and clogging up of reporting over the last year. Rural municipalities simply don't have the capacity (or even the technology) to down-load certified IDs. Even well-resourced metros are battling. The City of Cape Town, which in previous years has been the best performing metro in terms of work opportunities (although not in terms of Full-Time Equivalents), has now suddenly slumped to the back of the class. As of 16 March this year, CT has only achieved 7% of its targeted work opportunities.

We are not folding our arms as DPW and we are doing our best to assist colleagues, including those in the City of CT, to meet the AG's office requirements. But it is problematic, and it is also imposing a huge, bureaucratic and costly reporting burden on municipalities, provincial departments, and on the DPW. And this at a time when we need to maximise the amount of budget to employ otherwise unemployed participants in these programs. Moreover,

we want to use our lead role as DPW to move much more towards promoting best practice examples, so they are taken up elsewhere. And we want to greatly improve our understanding of the developmental impact of the EPWP programs, both for the actual participants and for the communities in which the projects are happening where participants are involved in home based care, or school feeding programs, or community safety initiatives, or the construction and paving of dusty township roads, or the maintenance of rural roads, like, as we speak, the 40,000 woman-headed households in KZN each contracted to look after 500 metres of local road.

And here, once again, we are encouraged by the growing body of independent research which is highlighting the actual developmental impact and the expansion possibilities of these programs. The Centre for Violence and Reconciliation, for instance, has produced a series of case-studies on local EPWP projects – in Manenberg, Orange Farm, Bokfontein – with a particular focus on the positive contribution to building community cohesion in often very difficult situations.

We hope that the Parliamentary Portfolio Committee and Parliament more widely will offer critical (where needs be of course) support to championing of our internationally acclaimed EPWP programmes.

As South Africans – not narrowly the DPW – we can be proud of what we have sustained and expanded since 2004.