



public works

Department:  
Public Works  
REPUBLIC OF SOUTH AFRICA

**MINISTER OF PUBLIC WORKS  
REPUBLIC OF SOUTH AFRICA**

**Department of Public Works  
Annual Strategic Lekgotla 2011  
St George Hotel  
17-19 November 2011**

**Hon Thulas Nxesi MP**

Chairperson of the Portfolio Committee

Chairperson of the Select Committee on Public Services

Chairperson of the Audit and Risk Management Committee

Acting DG and senior managers of the Department

Invited presenters

Colleagues

**I. Introduction**

It gives me great pleasure to be here today and to have this opportunity to share some thoughts with you – and in turn to hear your ideas and to learn from your experiences. I need those inputs from you. This is a multi-faceted and very complex Department. It requires a professional and dedicated team to make it work – that's you. But it also needs strong, clear and determined political leadership.

I believe that as the Department and the Ministry we are fundamentally united in a common goal of making this Department work better – and delivering the services which our people demand and are entitled to.

This is my third week as Minister of Public Works. It has been a roller coaster – let me share some of my initial experiences:

- Between the announcement of my appointment on the Monday and the swearing in on the Tuesday, I was accosted by numerous MPs with lists of complaints about their accommodation – that's before I'd even been sworn in. Last Friday, we opened and handed over the impressive new Supreme Court of Appeals Annex in Bloemfontein - an occasion graced by judges representing the various courts and divisions. As soon as the ceremony was over – the learned judges formed into an orderly queue – again bringing their accommodation problems to me – led by the Chief Justice – I should add.

Prestige is causing problems out of all proportion to the small space it occupies in this Department. We are going to have to sit down with Prestige and address these challenges. I'm hoping that this Legkotla will also provide some direction in this regard.

- In my first week as Minister I had the pleasure of attending the EPWP Municipal Summit – dealing with a lead programme of this Department and government whose central focus is job creation and skills development as part of the wider programme of economic growth and community development.

My pleasure was short-lived however. We were informed that there was a real likelihood of serious under-expenditure on the EPWP programme this year. Colleagues this is a real threat to the reputation and image of the Department. In the midst of mass unemployment we cannot have an under-expenditure on

government's lead job creation project. You are going to have to apply your minds to this colleagues.

- When I arrived in Public Works, it was no secret that a number of negative reports and investigations had cast the department in a bad light. But I wasn't expecting yet another lease scandal to break within a few days of taking office – the ICD lease. I've now heard from the Public Protector of yet another questionable lease – for the IEC of all people. Obviously, we are going to have to reflect on the management of leases during this strategic planning session.

But what also concerns me colleagues is that we are slow to respond to these matters. For instance, two weeks after the ICD revelations, we were unable to respond to the request of the Police Portfolio Committee for further particulars. This compounds the problem. The Department appears to be defensive and lacking in transparency. We will also need to review the communications strategy of the Department.

- Let's not even mention the weekly articles in the Mail and Guardian – which now refers to us as the Department of Irregular Expenditure. Again colleagues, we have to review our modus operandi if we are going to address these challenges.

So colleagues, that was my first three weeks in Public Works.

When I was appointed, the media were very quick to ask me: Minister, you've been handed this poisoned chalice – what is your turn-around plan for the Department?

My answer has been consistent, as follows:

- First, we are aware that there are serious challenges, but I want to find out for myself, and I will not allow the media to dictate the pace or content of my response;
- Moreover, it cannot be correct that every time you have a new minister, then we scrap everything and start again from ground zero. We have to review our operations; assess what is working; identify gaps and begin to fill these.
- I said that the best I could do at this stage was to embark on a listening campaign – and read and research for myself – what is a very complex portfolio – and engage with people on the ground. That is an on-going process.
- But of course as Minister I cannot listen for ever. I have to act. That is why the President put me in this position. And I see this strategic planning session as an important transition – from the listening phase – into a period of focused planning – informed by the deliberations of this Legkotla.

So what do we need to do at this Legotla? You would expect that such an event would focus on the following:

- to engage with and refine the draft strategic plan for 2012-13
- to evaluate the performance of the Department, branch by branch and region by region
- to refresh the mission of the organisation, and
- to clarify a common vision which we all buy into and which guides service delivery in line with national priorities.

These are all important tasks – and in normal circumstances this would be what we would be doing. But clearly – in Public Works – we are not dealing with normal circumstances. We sit with an audit disclaimer and negative reports from the Public Protector - with more to come from the Special Investigations Unit - which should send a very loud message that it cannot be business as usual.

So colleagues, what is it we need to do – as Public Works – to address the very clear challenges we face. In the time available I want to cover the following areas:

- The values and ethos of the Department
- Major threats and priorities
- Key outcomes and deliverables expected of the Department, and
- Proposals for a way forward: in particular, the kind of processes we need to put in place as a Department to take us forward.

## **II. Values and ethos**

The problem I am having with this Department is that whilst I have been welcomed with goodwill by people who are articulate, talented and professional – and yet – the Department is clearly in trouble – with a very poor public image, and negative reports from at least three very credible agencies. How do we explain this paradox? Let's try and understand where we are.

First, we have to point to the lack of stability and firm leadership in the Department. Someone told me that in the seven years she had been with Public Works – since 2004 – there have been nine different DGs and acting DGs, and five different ministers. Currently we sit with a suspended DG, a suspended Acting DG and an Acting DG – and it cascades down so that a large number of senior management are also acting.

It has to be a priority for me to sort out this situation, and to ensure that we put in place stable leadership to provide a clear strategy and direction to the Department. I am committed to making that happen.

Secondly, we need to tackle the very negative effects of corruption and tenderpreneurs on the Department. These are not unsubstantiated rumours, colleagues. Fortunately we have a highly effective investigative unit in the form of

the SIU. They investigate and then they assist us to formulate charges. That is where we are now. I am very confident that corrupt individuals will be dealt with – sooner rather than later.

Allow me to digress and make some general comments about corruption in public life:

- First, corruption undermines the public's trust in the institutions of government.
- It also represents a massive betrayal of our people – particularly the poor. Let's be clear here. When you defraud government, you are defrauding the poor – you are robbing the hungry and those in need.
- Public corruption is also hugely demoralising for all those honest, hard-working public servants who do try to make a difference.

Third, corruption thrives where control systems are weak. This is the clear message we are getting from the Office of the Auditor General. But they have said that they will help us to address this. I will say more about this in relation to projects.

Fourth, is the issue of appropriate skills. Now I am well aware that we have skilled people in the Department – indeed they tell me that generally the professional staff – are under-utilised. But – given the scale and persistence of the problems experienced – we have to ask the question: do we have enough of the right skills in the right places?

We have to address this – let me hasten to add – not in a negative, punitive way which seeks to place blame on the officials. The problems of Public Works are systemic. I am committed to providing support and development to officials who want to build this Department. Where there are gaps in the skills mix we have to move rapidly to fill these.

Finally, we have to look at attitudes, and the work ethic and culture of the organisation – particularly at the level of top management. I have been talking to the SIU, the Public Protector and the Auditor General. The story is the same: they say they have received only grudging cooperation from the top management of the Department. The Auditor General's Office goes as far as to say that the actions of management border on unlawful conduct in terms of the PFMA. This will not be tolerated.

The AG's Office also tells me that even when Department officials say they agree to a course of action – in reality nothing happens. They simply do nothing. This is why major programmes of the Department have been stalled for years. Just some examples:

- The review of the Expropriation Act – a process which began in 2005
- A commitment to draw up a Register of Immovable Assets was made as far back as 2006
- There were similar delays in addressing systemic problems identified with the PMTE – going back to 2006.

We have to turn this situation around, colleagues. To this end I have requested the Acting DG to arrange for regular engagements between myself and the management. I want to take it one step further. I will be requesting one-on-one meetings with all members of Exco – so that we can better understand each other.

The end point of this process – which we must strive for together - is a situation where there is a strong, unified management in the Department which understands the mandate of Public Works and is committed to making the necessary changes to make it happen.

### **III. Major threats and priorities**

The programme of Day One of this Lekgotla revolves around the notion of threats and priorities. I know it sounds very negative – very short-term – but honestly colleagues, that is where we are as Public Works right now. If we – as Public Works – don't sort out these problems ourselves – and soon - someone else will come in to do it for us.

It's time to wake up and smell the coffee. Colleagues, read the negative reports on a daily basis in the media. Scan the political environment. Get a sense of how we are perceived by the elected representatives of the people – the MPs who vote on our budget.

Sometimes, I have to feel pity for your Acting DG – in the next week he is being summoned to appear before the Standing Committee on Appropriations, the Select Committee and the Portfolio Committee on Public Works, and the Police Portfolio Committee – and he has to support me as I answer oral questions in Parliament. He doesn't know whether he's coming or going. But that's what we have to expect if the Department is in perpetual crisis.

Let me focus on some of the main threats and priorities – as I see it. I will speak briefly to the following:

- The Audit disclaimer
- The Register of Immovable Assets
- The PMTE
- Lease management
- Projects and construction
- Procurement
- Prestige
- EPWP and job creation
- The transformation agenda
- The DPW brand



## **The Audit disclaimer**

The disclaimer is an indicator of very deep rooted challenges in terms of financial controls – I know that. But we have to focus on removing the disclaimer in the next audit – that gives us three or four months. I am glad to see that the CFO is leading a commission tomorrow that focuses on this. My own sense is that we are going to need help. That is why I want you to carefully interrogate the proposal by Ernst and Young this afternoon – which focuses on the audit whilst striving to embed good accounting practices – which we have lost in some instances – whilst working on the longer term issue of skills, procedures and appropriate structures.

## **The Register of Immovable Assets**

Again, listen carefully to the input from Ernst and Young. We may have something to celebrate. After years of false starts, false hopes and false promises – Public Works is about to announce the adoption of a solid plan to draw up and verify an accurate Asset Register. Let us ensure as a Department, that we give the necessary support – and closely monitor – to make sure the process is a success.

## **Lease management**

This is causing huge embarrassment to the Department. It is also the subject of investigation – and probably criminal charges down the line. We are going to have to look at this in depth – I will need to consult with experts in the field. But the process starts here. In the commissions tomorrow I need you to tell me where we are going wrong – and how we can deal with these tenderpreneurs – who are draining the resources of the Department and undermining government itself.

## **Unfinished, perpetual projects**

I want to spend some little time on this. Two days ago I was invited to a meeting with the Minister of Health and his managing engineer – a Dr Shaker – some of the professionals here may know him. He presented statistical evidence indicating some of the problems hampering service delivery in the health field – from the side of Public Works. Let me give you some examples:

- *Under-expenditure* – the amount of capital under-expenditure in Health has doubled each year since 2007 – with the result that in real terms there has been no expansion in the stock of social infrastructure for Health in four years. Last year the Department of Health stopped this trend of escalating capital under-expenditure – not by building new hospitals – but by expediently transferring the unspent capital budget to buy new equipment.
- *The absence of clear norms and standards for projects* – resulting in over-charging and wildly different per capita costs across provinces – by a factor of 4. In other words it can cost between one and four million to provide a hospital bed, depending on what province you are in.
- *Unfinished projects* – not only do these unfinished projects delay the delivery of health services to our people, they also result in massive over-run costs and interest payments. It has reached the stage where the Minister of Health is going to propose that all new projects be put on hold as far as Public Works is concerned – until we have completed the existing projects.

So we have the situation where there is massive under-spending on the budget and over-spending – by an average of 40% - on individual projects. [The norm would be a variation of about 15% we are told.]

Fortunately I know the Minister of Health very well. He was telling me this not to score political points or as part of a turf war – but to ask for our help in improving the delivery of health infrastructure to the people.

And that must be our response as a Department – to see how we can work together and learn from each other. I must say I am a little cautious of the refrain: “reclaiming our mandate” – although I understand the reasons for it – because it suggests that as Public Works we are in a battle for turf with other departments and agencies.

I would propose an alternative slogan along the lines: “fulfilling our mandate” – implying that we do this in cooperation with other departments.

The good news is that it is already happening. The Health Minister’s managing engineer made a number of proposals for improving operations including:

- Augmenting the core group of professionals in the provinces and nationally, based on a detailed analysis of the functional needs of the mandate.
- Introducing strict governance and infrastructure protocols and procedures
- Greater over-sight of procurement

All of this is designed to result in improved service delivery, reduced costs and reigning in the tenderpreneurs.

I said the good news was that it is already happening. The process has already been rolled out in Western and Eastern Cape, and currently in Free State. I want to meet with any of the Public Works professionals who have been involved in these processes – to get their take on it. Please contact me. Meanwhile, we are going to need a detailed session with Dr Shaker and the Projects and Professional Services to discuss these issues – and I am talking here of a positive engagement where we seek to learn from each other.

### **The PMTE (Property Management Trading Entity)**

Again we are going to have to look at this in depth. This is core business and clearly there are many challenges. My thanks to the Auditor General's Office who agreed to step in at short notice to kick-start the discussion.

## **Procurement**

This is an area which is attracting the attention of the Public Protector and the SIU. Watch this space for further developments. In the meantime, I'm appealing to the honest and patriotic public servants amongst us – who I believe to be in the majority – to tell us what the problems are: why are we being overcharged as government, and how do we stop it?

## **Prestige**

Prestige – you are making my life miserable. I used to be well-liked amongst my peers in Parliament. Now I'm rapidly becoming Public Enemy No 1. Prestige manages to combine fruitless and wasteful expenditure on a grand scale with universal client dissatisfaction. You do not fix bad management by throwing more money at it. If I exaggerate the situation please set me straight.

Crucially we need to do the following:

- Improve management of leases, maintenance and renovations – based on a careful needs analysis
- Develop clear policies which cap wasteful expenditure – that's your job, and
- Sell the policy to the clients. That's my job – and I commit to having this discussion with cabinet colleagues.

## **EPWP and job creation**

We heard at the Summit two weeks ago of the good work that is being done in EPWP. I want to hear how we are going to strengthen the existing programme, and

replicate and expand into new areas and sectors – in order to prevent under-expenditure – but more crucially to roll out work opportunities and skills development on an increased scale to our people.

This goal, I believe, will benefit from a broad discussion about how EPWP fits into government's vision for community and economic development captured in the New Growth Path.

### **The transformation agenda**

I have formed the impression – and correct me if I'm wrong – that the Department's transformation agenda has stalled, or at least it's stuck in a low gear:

- The black professionals and subcontractors are complaining about the lack of transformation in construction and the property sector;
- In relation to the green economy, we are doing good work, but we are not leading;
- On gender and disability, we are doing something – but we could do more.
- Crucial areas of policy and legislation are on the back burner.

I want to make a suggestion. This Department announced – some time ago - that it will review the White Paper which is felt to be out-dated now. I believe that if we commit to doing this properly, the process could be a vital catalyst in revitalising the transformation agenda – and also give us an opportunity to review and re-conceptualize what we do as a Department.

Please, give me your thoughts on this.

### **The DPW brand**

None of us can be happy when we read the very negative accounts of Public Works in the newspapers. It offends us as professionals. So how do we change the public perception. Ultimately we have to change the way we operate and the kind of service we provide to clients. But equally we have to review the way we communicate our message. Let me offer some words of advice – based on my own experience:

- If there is a problem – own up, embrace the issue, and get your version of events out first.
- Secondly, when you do good – as in the case of some of the EPWP projects and some of the building projects – tell people about it. You will remember the late Minister Asmal who was a master at getting the media to carry his message. He had a saying that went like this: “In politics ... silence is not necessarily a virtue.”

I look forward to having a discussion with the Communications Department as to how we are going to rebuild the DPW brand and send a positive message.

#### **IV. Outcomes**

The January 2010 Cabinet Legkotla adopted 12 outcomes which government would strive to achieve. This required a complete change of mind-set on the part of departments which are required to cooperate as clusters and to record, monitor and evaluate their outputs in terms of the contribution to the allotted outcomes. In the case of Public Works, we contribute to the following outcomes:

- Outcome 4: Decent employment through inclusive economic growth
- Outcome 8: Sustainable human settlements and improved quality of household life
- Outcome 12: An efficient effective and development oriented public service and an empowered, fair and inclusive citizenship.

This outcomes approach entails a radical rethink of government processes and outputs. I am not convinced that Public Works has made this transition.

I have to ask: has the Department played its full role in the various clusters and implementation forums?

And within the Department, we have to ask – have we understood the new approach to service delivery? At the level of branches and regions do we identify with the various outcomes? Most importantly, are we measuring departmental outputs in relation to the stated outcomes, or is it business as usual. That is one reason why it is vital to have a strong functioning M&E (Monitoring and Evaluation) Unit – to measure performance against the defined outcomes which government has set.

That is the standard by which you we will be judged as a Department, and that is how I will be assessed as a minister. Colleagues this is core business. Let's be open about this. If colleagues do not understand the approach, or if they don't see the relevance – let's have that discussion and address the concerns.

That is also why it is important to track expenditure – by branch and by region. In particular we need to be able to pick up actual or projected under- or over-expenditures – so that we can take remedial action. I will be asking for monthly meetings in this respect – where we meet with management to receive and analyse the updated data. That is essentially what I am asking for in session 5 today – high level reporting which indicates financial performance by branch and region and alerts us to the possible danger areas going forward.

Some of the earlier drafts of this programme – suggested that we would be doing this in the early hours of the morning. I think we can agree that that will not be necessary.

## **V. The way forward: processes**

Colleagues, it cannot be business as usual. We have to mobilise everyone in this Department to combat the immediate threats to the organisation. Equally we need to be very clear that short-term wins – such as removing the disclaimer – can only be sustained – if they are part of more fundamental, deep-rooted structural change. This will not happen by itself. This will require profound thought and reflection, capable management and commitment from all of us.

As a Department we need to conceptualise a process of organisational review and renewal which involves the participation of every member of the Department.

Perhaps this can be linked to the review of the White Paper – a process by which we refresh the vision and mission of the Department – rooted in the changing mandate from government.

And then we have to put in place a process to review the structures and design of the Department with the express intent of improving service delivery to clients and the public generally.

From my side, I have already met with the ministers from Finance, Public Service and Administration and Home Affairs to establish a political team to support and advise me. I will also call on them for technical support as we confront the challenges that lie ahead.

I want to reiterate what I said earlier. Fundamentally - as the ministry and as the Department – we have a common interest in turning this Department around and making it a success. It's my job to convince people that it can be done and to start to mobilise the goodwill and resources required. Your job – as managers – is to unlock the talent and knowledge that resides in the people who work in this Department. At the risk of being accused of plagiarism, let me conclude by saying that: “working together we can achieve so much more.” I thank you.