

**Keynote Address by the Deputy Minister of Public  
Works, Mr Ntopile Kganyago to the Construction 360  
Degree Week**

**Theme: Coping with Increased infrastructure demands  
in the Republic of South Africa**

**Venue: Al Murooj Rotana, Dubai, United Arab Emirates**

**Date: 26 May 2008**

**Programme Director**

**Honourable Ministers Present**

**Distinguished Guests**

**Ladies and Gentlemen**

**Introduction**

**I would like to firstly, express my delight at being invited to this distinguished gathering of experts and practitioners in the field of construction from around the world. This occasion is particularly special since it has drawn together specialists, researchers and practitioners to focus on the role of construction in economic and social development. Indeed it is an honour for us to be invited to share some of our experiences in the reconstruction and development of our country with regards to public works and construction issues.**

### **Background to South Africa**

**Ladies and gentlemen, South Africa is a developing country that is fourteen years into its democracy after**

**years of colonialism and racism. That particular system of racial segregation and oppression, called apartheid sought to deny the vast majority of South Africa's black citizens the opportunities of modern life, including the opportunities to being construction professionals. That is why our country is now battling with an acute shortage of skilled construction professionals in all fields of the built environment sector.**

**South Africa is a country of contrasts. On the one hand you have a vibrant cosmopolitan part, which is centred around the major urban areas and then you have a largely rural part of the country. The provision of the infrastructure is therefore quite a challenge in this dichotomous situation because rural areas are not as developed as urban areas. In your development strategy as a government you need to cater for both these**

**contrasting settings as you cannot develop one and leave the other behind.**

**It is also true that like all developing countries, South Africa is faced with problems of urbanization on a grand scale. The three most urbanized provinces of our country, Gauteng, KwaZulu-Natal and the Western Cape are also carrying the biggest burden of infrastructure demands as people flock to these urban centres for jobs and other amenities. Another complicating issue in our country is the fact that we seem to be a magnet, drawing people from across the African continent and the world at large.**

**This massive influx of people puts a huge strain on the infrastructure and the government is working very hard to keep up with the needs. But this is not the only infrastructure challenge we are currently facing. We will**

**be hosting the FIFA World Cup in June 2010 and we are feverishly working towards meeting deadlines on a whole host of infrastructure projects These range from basic infrastructure like houses with all services to highly sophisticated infrastructure like the transport infrastructure we are developing, including a high speed rail service known as the Gautrain and all the other infrastructure that is needed for a successful soccer World Cup that we will be hosting in June 2010. Right now, the whole of South Africa is a massive building site, literally.**

**In 1994, as we transitioned into the new democracy, we inherited a legacy of uneven development, a legacy shared throughout Africa and in post- colonial societies elsewhere. This legacy continues to inhibit our capacity to deliver infrastructure that supports the full economic participation of our country in the global market place.**

**Lack of infrastructure continues to marginalize sections of our population from economic participation.**

**Infrastructure development therefore occupies a central position in government's agenda to roll back the underdevelopment of decades of apartheid and centuries of colonialism.**

**In South Africa, the inherited backlog of uneven development coincides with the need for new levels of infrastructure investment to deliver South Africa's Accelerated and Shared Growth Initiative (ASGISA).**

**ASGISA aims to achieve an economic growth rate of 6% and to halve poverty and unemployment by 2014 in line with our commitment to the UN Millennium Development Goals.**

**With growth in GDP at between 4.5 and 5%, we believe we are on track to achieving these goals and are acutely aware that infrastructure investment is leading economic growth. Our government is determined to increase public sector capital budgets at an unprecedented rate of 10 – 15% per annum and to raise Gross Domestic Fixed Investment (GDFI) from 15% to 25% of Gross Domestic Product (GDP).**

**This growth path creates immense opportunity for employment, skills development and for empowerment. It also presents all stakeholders with challenges that require new responses and intensified effort to grow our capacity.**

**Our construction industry emerges from nearly three decades of declining infrastructure investment, under the ailing apartheid economy, into a period of immense growth. Despite the loss of capacity and skills during**

**the period of decline, the construction economy has doubled over the last 5 years from about R60 billion in 2002.**

**Construction Gross Fixed Capital Formation (including machinery) is continuing to grow at over 16% per annum, with some sectors rocketing ahead, such as Civil Engineering, which grew over the first two quarters of 2007 at more than 30%.**

**Ladies and gentlemen,**

**I want to assure you (and this view is confirmed by construction economists, who tend to be conservative) that this trend is set to continue way beyond 2010. In fact the 2010 stadiums and associated infrastructure represent less than 5% of the R320 billion public sector spending, earmarked between 2007 and 2010.**



**At the same time, private sector infrastructure investment is also growing and much of the planned investment consists of major projects requiring a high degree of expertise.**

**As far as government spending is concerned, key infrastructure development opportunities over the next three years are in the following areas:**

- Electricity power generation and reticulation with over R70 billion investment earmarked**
- Roads, with over R60 billion planned**
- Rail and ports, with over R60 billion planned**
- Water, dams, pipelines and sanitation with nearly R40 billion planned**
- Building including residential and non residential of more than R70 billion planned.**

**In addition, over the next 5 years, the Airports Company of South Africa will invest approximately R20 billion in new airports and upgrading.**

**The commitments for infrastructure in the medium term up to 2030 are projected to at least R400 billion.**

**Ladies and gentlemen**

**In delivering the programme of infrastructure I have outlined, our capacity constraints include the growing demand on construction materials, which constitute a market of about R95 billion per annum. Most of the building and construction materials required by the industry are manufactured locally and it is noteworthy that many producers have planned major capacity increases. Cement producers, for example, have planned capacity increases of 30% to 2011.**

**This investment trajectory means that there is ample opportunity for offshore companies, to augment our**

**capacity and to contribute to the development of our infrastructure, and our country. Indeed, we welcome new capacity, particularly by companies that are committed to a long term involvement. Equally, there is opportunity for business in South Africa to expand its role in infrastructure investment. Indeed, one of the challenges that have manifested with growth in the context of limited supply capacity and skills, is the escalation of construction costs, particularly with regard to projects, such as the 2010 stadiums, where cost estimates were prepared before the growth trajectory kicked in.**

**Indeed our country is in a grip of a great skills shortage and need. Our country is in the throes of a massive infrastructure development and improvement programme. With growth rates in construction spend of around 10% per annum, the highest that it has been in**

**the last 30 years, construction spend is in fact growing at a higher rate than Gross Domestic Product. However, there are many challenges that need to be tackled in a range of public and private sector partnerships to further unlock infrastructure bottlenecks and to create capacity and skills.**

**The challenges in the built environment are huge and need urgent attention as the deadlines are so tight as well. Even as the government accelerates the infrastructure development, the demographic profile of registered built environment professionals in the country is a problem. We have a great shortage of skilled professionals and on top of that very few have been coming through the chain of supply. There are many reasons for this, including emigration. Current trends, with specific reference to the built professions, indicate that this important skills base is in decline, with**

**very few new entrants compared to the large numbers who are leaving the profession. That is why is government is forever looking for new sources of skilled professionals.**

### **Progress going Forward**

**It is important to note that the delivery of critical infrastructure is also a central component of NEPAD, the New Partnership for Africa's Development, which constitutes a pledge by African leaders, based on a common vision and a firm and shared conviction.**

**Currently, South Africa is instrumental working with other SADC members to rebuild the energy supply chain across the sub-region and beyond. Massive water and road projects are another feature on the SADC infrastructure development topography and some of**

**these are integrated within the spatial development frameworks for further growth and sustainability.**

**Initiatives to promote information, communication and technology interconnections are also under implementation. There can be no meaningful development without trade – and there can be no trade without adequate and reliable infrastructure.**

**Given this investment trajectory I have alluded to, our government is totally committed to ensuring the growth, development and transformation of our construction industry, and to increasing its inherent ability to promote the objectives of shared growth, employment, skills and empowerment. We therefore have established institutions and programmes to drive these objectives and to regulate a level playing field for all construction companies competing on South African soil.**

**We are acutely aware that growth on its own does not guarantee full employment and improvement in the lives of ordinary people. Emerging from three centuries of colonialism and apartheid, we inherited two inter-linked economies that we characterise as the First and Second economies.**

**Confronted with these challenges our government has been clear in its conviction that the South African construction industry is a national asset in the strategy to achieve economic growth and improve the quality of life of the majority of South Africans. Therefore, our role as government is equally clear - and over the past few years we have worked relentlessly to facilitate an enabling framework for industry growth and transformation.**

## **The EPWP**

**Experience worldwide has shown that employment-intensive programmes are a cost-effective and efficient way to create jobs, while simultaneously developing the infrastructure of developing countries. That is why President Mbeki's government launched another critical initiative in 2004 to create jobs and build skills. It is called the Expanded Public Works Programme (EPWP). It is led by the Department of Public works but it cuts across all government departments. It has been a great success story ever since it was launched in 2004. The Expanded Public Works Programme is creating temporary work opportunities for the unemployed in the infrastructure, cultural, environmental and business sectors as a means of developing skills through on-the-job training, thereby increasing their capacity to earn an**



**income, either through the formal labour market or through entrepreneurial activity.**

**The overall objective of the EPWP is to create additional work opportunities, coupled with training, for a minimum of one million people by 2009. In the first four years after its launch, the EPWP had already generated approximately 976 000 such gross work opportunities by 31 December 2007. Government's commitment to this programme is underpinned by budget allocations that prescribe the objectives of labour intensity and skills development as central to the delivery of infrastructure. We are on track to deliver one million additional jobs created through labour intensive programmes and to provide many of those marginalised from the economy with skills and opportunity.**

**In order to meet this challenge, another programme was launched last year, called the National Youth Service.**

**We realize the importance of continuously and urgently replenish the human resources in the built environment with young, enthusiastic and determined young people. These young people are trained in technical skills in the built environment as artisans.**

**Our government assets, particularly dilapidated government buildings, have given us a particular leverage to be used to create employment for the youth. We are aiming for a skills revolution and empowerment for our youth. The young people who are being recruited to this programme are enrolled with our technical education colleges and industry colleges as artisan trainees so that at the end of their national youth service they emerge as rounded people having given their**

**service to their country whilst gaining skills for themselves as well.**

**The country has also developed a National Skills Development Strategy to deal with the skills shortage. That strategy is driven by an entity known as the National Skills Authority and has industry specific Training Authorities that oversee the actual training and skills transfer in different sectors of the economy.**

**Our economic challenges, including those of infrastructure investment, are critically important, they underpin our democracy, they guarantee a better life for all. To meet these challenges, the role of government is lesser than that of business. We have called on our business people to joint us as government for active service. I am confident that together we are more than**

**equal to the task. We are a winning nation as our Springboks rugby team showed us the way last year!**

## **CIDB**

**A mainstay of our enabling framework for industry growth and transformation is the Construction Industry Development Board (CIDB), which government constituted to drive a comprehensive industry development strategy on behalf of all stakeholders.**

**The CIDB's mandate includes the promotion of client and industry best practice, an enabling procurement and delivery environment, a national research agenda and the creation of a knowledge network.**

**Construction industry growth cannot be seen in isolation from the pressing need to transform the**

**industry into one that performs better in terms of quality, employment, skills safety, health and the environment.**

**In South Africa we are also determined to transform the skewed racial ownership and participation profile of the industry – another legacy of our past. Giving practical expression to this determination, we have directed public procurement towards the empowerment of historically marginalised population groups and the creation of productive employment.**

**An increasing number of black and women-owned companies are now competing effectively in this sector of the economy. The established industry has also responded positively to this aspect of transformation and last year signed the Construction Charter, which commits the industry to concrete targets in terms of**

**Black Economic Empowerment. I am pleased to say that most of the major companies have made progress towards these targets encouraging us to believe that together we can address many outstanding challenges.**

**The Register of Contractors established by the CIDB to regulate the industry now equips government and stakeholders with an important development tool and a clear understanding of the nature of contracting capacity and empowerment gaps across the industry.**

**Building on this Register, the Department of Public Works has also launched a National Contractor Development Programme (NCDP) that targets development interventions aimed at the different contractor categories and grades. Within the framework of this programme we will expand our partnerships with**

**industry and academia to address issues of skills, quality, safety and health.**

### **CBE**

**We also have an entity that governs the built environment landscape in the country. It is called the Council for Built environment and all the professional build environment bodies report to it.**

### **Closing**

**The construction industry the world over, but particularly in developing countries, has a pivotal role to play in infrastructure development. The key lies in unlocking the many impediments which curtail its tremendous potential for shaping a sustainable destiny for all of humanity. I am certain that the distilled**

**experience of this conference will stimulate progress  
towards that goal.**

**Thank you once again.**