

**Deputy Minister of Public Works
N Kganyago
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National Black Contractors and Allied Traders Forum Conference Midrand

Chairperson of the National Black Contractors and Allied Trades Forum, Mr Sam Moleshiwa
Chief Executive Officer of the Construction Industry Development Board, Mr Spencer Hodgson
All Delegates to conference
Ladies and Gentlemen

1. INTRODUCTION

We would like first of all to express our sincere gratitude for the opportunity you have given us to come and address this conference under the theme, "Towards an empowering, integrated and efficient construction economy".

It is our pleasure to be here because the construction industry is, so to speak, our bread and butter. As part of our mandate we as the Department of Public Works are responsible for the regulation and growth of the construction and property industries. The Department of Public Works is also the custodian of government's fixed assets, which are worth billions of Rand. This makes us, we believe, one of the most important players in the built environment sector.

For the purposes of this conference it is important to briefly sketch the role that the Department of Public Works plays in the built-environment sector in general and the construction sector in particular.

I also plan in the course of this speech to place our construction industry in some perspective, relative to other sectors and in comparison to a few countries. In the process I hope that I also hope to tease out in broad terms some of the issues that will form part of deliberations during this conference.

2. CREATING AN ENABLING ENVIRONMENT

The attitude taken by our democratic government in 1994 was that if the construction sector was to achieve sustainable growth, it would not be able to do so without taking into account the country's new political reality. We advanced the case very strongly that the sustainable growth of the sector could only be achieved if there was full-scale transformation of the sector not only with regard to race but also with regard to gender.

We set sail against the backdrop of a report that painted a bleak picture of the prospects for women saying that in two sectors - mining and construction- women would find it difficult to scale the heights to the top levels. This clashed seriously with our own experiences of women in rural areas who use their bare hands to build and conduct repair and maintenance work on their own homes while the men are away in the cities.

We believed that the industry would not achieve sustainable growth levels unless there was a strong enabling legislative environment to spur that growth. In this regard in 2000 our parliament passed eight key pieces of legislation to kick-start a comprehensive industry development strategy.

These pieces of legislation were to establish:

- The Construction Industry Development Board (CIDB) to promote industry growth, delivery and "best practice" performance of clients and suppliers;
- The Council for the Built Environment (CBE) to promote improved co-ordination within the professions and with government for the attainment of development goals; and
- An enabling regulatory framework for the professions (The Councils for the Built Environment Professions, re-enacting the laws regulating architects, engineers, quantity surveyors and property valuers and recognising two new professions: landscape architects; and project and construction managers.

The CIDB Act equips the CIDB with statutory functions and instruments to drive performance improvement. For example, to promote best practice, the Act empowers the Board to establish a national Register of Contractors and a Register of Projects.

Our legislation called for the establishment of a Council for the Built Environment (CBE) to promote the equal application of policy on matters of national priority. The CBE promotes innovation to meet the demands of both the South African society and rapid global change. It created a dynamic interface between the professions and Government. It also enabled greater public access to professional services by recognising different categories of the professions and creating new possibilities for career path development within each profession.

One of the key deliverables of our legislative reforms was to ensure that best practices such as prompt payment and the setting of targets were championed in the entire public sector to minimize delays. We have in place committees, which are structural mechanisms to deal with any perceived delays in payments. These committees consist of Public Works senior officials, Professional associations and contractor associations. Under this system any payment complaints can be directed to Regional Managers and Provincial Heads of Departments. The long-term goal is to have a uniform, reliable payment system in the entire public sector. Against this background it is difficult to see how a contractor who did work for us say in 1999, could have a valid claim of non payment five years later, when there are very clear and public mechanisms through which perceptions of non payment on our part can be addressed.

We have identified HIV and Aids as one of the greatest threats to the construction sector. The construction sector has the 3rd highest HIV or AIDS rate in the country. We have put in place programmes aimed at creating a safe working environment, which has health and safety as one of its considerations.

3. BLACK ECONOMIC EMPOWERMENT (BEE)

As we made legislative changes, we were also keen as a country to advance a strong business case for the affirmation of black and women contractors.

From a pure business point of view no economy can fully realize its potential unless it is able to draw as economic players, the majority of its population. The economic development of particularly black people in the form of BEE, therefore assumes national priority status.

The historic underdevelopment of our people makes the business case for BEE that much stronger and says to us there is huge unexploited potential which must be brought to the centre stage.

At another level, unacceptable and perpetual levels of poverty among the majority pose another kind of threat, a security threat. This is in terms of increasing crime levels, which at their height have one of the greatest, destabilizing potentials in society.

The long-term benefits of BEE do not accrue to one section of the population, as was the case with race based job reservation of the apartheid past. The aggregate benefits are to the whole country and every South African.

It seems to us that on the scale of pain, we are able to grin and bear the cost of BEE today, as part of our investment in the future and also to insure ourselves from an even greater anguish.

As the President has said, our people might in their numbers still be poor, but they possess in abundance the wealth and richness of HOPE. The challenge therefore is to ensure that the construction sector becomes a key driver of economic growth and helps us meet the hopes and aspirations of the majority both in terms of jobs and also the provision of infrastructure, which stimulates general economic growth.

4. TARGETS

In order to realise growth we have together with the industry identified the following five targets as a measure of improvement support for the built environment sectors:

- Improved investment and capital spending as a measure of growth
 - Reduced costs, defects and delivery times as a measure of value for money and reduced risk to clients
 - Improved profit margins to industry
 - Improved participation by the emerging sector, including women
 - Improved health and safety
- With regard to empowerment, the approach of the Department of Public Works is two-fold:
- Accelerated access to work opportunities
 - Access to support measures, including training.

5. WOMEN

In 1999, the Emerging Contractor Development Programme (ECDP) comprised of a mere 1200 emerging contractors registered on its database. Of those, only 7% were women mostly involved in the lesser support side of the industry primarily providing cleaning, horticultural and catering services.

Our database has steadily grown and today women are just slightly above 10% of the over 3 300 registered small enterprises. By comparison, in North America of the 9.5 million participants in the construction industry, about 934 000 (10%) are women. For us this tells this says we are in line with the pace of the developed world, but we still believe that this is still out of step with our own value system, which aligns targets closely to demographics than do others in the rest of the world. The increase of women-headed households means we cannot rest on our laurels just because we have achieved 10%.

We are glad to say that we have experienced a leap in the quality of work and the extent of projects being awarded to, and successfully executed by women contractors and women-owned construction enterprises. Such a result is due to the deliberate but strategic interventions by the Public Works Department to turn the tide and promote the cause of women in construction.

Over the years, contracts worth more than R200 million have been awarded to, and successfully implemented by women contractors. The Department of Public Works in Limpopo is giving the majority of contracts to women.

While we hail efforts of these women they face many obstacles, which are universal and afflict women in construction the same way in many parts of the world, including developed countries. The barriers for women advancement have been identified among others as arising from the industry's past male-biased construction education courses, selection criteria, recruitment practices, sexist attitudes, male dominated work environment as well as general lack of women representation in the industry's many formal structures.

The construction industry is one of the key economic activities that will drive the development agenda of the government and indeed of the continent. The Public Service accounts for about 40% of total construction spending, its efficiency and expertise as a client and facilitator, is a vital component of the delivery process. Whilst the Emerging Contractor Development Programme continues to nurture the lower (entry) level contractors reasonably well, it has however not succeeded in graduating these contractors into serious industry players.

The NDPW has also established the Incubator Programme; a programme that will make sure that real empowerment takes place within the construction industry by:

- Facilitating contracts of significant scope and size (up to R30 million) are undertaken by black prime contractors and women-owned enterprises
- Increasing the value and number of contracts executed by prime contractors
- Increasing number of priority enterprises at both prime and sub-contract level

The objective is to ensure sustainability of government interventions by identifying selected potential contractors and putting them in an accelerated programme for their development.

6. NEW PARTNERSHIP FOR AFRICA'S DEVELOPMENT (NEPAD)

South Africa accounts for 23% of Africa's Growth Domestic Product. Construction accounts for about 10% of the world economy. The continent of Africa accounts for only 1% of global investment in the built-environment. Per capita investment in construction in the developed world is approximately US \$2500 per annum compared to US\$46 per annum in Africa.

An article in the Business Day edition of Wednesday 28 July 2004 said that Foreign Direct Investment (FDI) flows to Africa had doubled to US\$16billion over the past year while it fell in the rest of the world. One of the main reasons cited for this growth is political stability found in an increasing number of countries on the continent. South Africa is perhaps in the best position to take advantage of this positive attitude, which is as a direct result of efforts of NEPAD.

The legacy of uneven development and under-development in Africa and elsewhere in post-colonial societies is well known. It continues to inhibit our capacity to deliver infrastructure that supports the full participation of

developing societies in global economic endeavour. Although we account for a third of Africa's GDP, we are shackled by the legacy of underdevelopment.

Africa has certainly taken a giant step on its unique path of renaissance to a better and sustainable future. NEPAD, the New Partnership for Africa's Development, is a pledge by African leaders, based on a common vision and a firm and shared conviction. To paraphrase the vision for NEPAD:

"We are convinced that an historic opportunity presents itself to end the scourge of underdevelopment that afflicts Africa. The resources, including capital, technology and human skills, that are required to launch a global war on poverty and underdevelopment exist in abundance, and are within our reach.

What is required to mobilise these resources and to use them properly is bold and imaginative leadership that is genuinely committed to a sustained human development effort and poverty eradication, as well as a new global partnership based on shared responsibility and mutual interest."

NEPAD constitutes an integrated plan to promote accelerated growth and sustainable development, to eradicate widespread and severe poverty, to halt the marginalisation of Africa in the globalisation process, and to accelerate the empowerment of women.

In my own mind there is no doubt that the vision for Africa's renewal will be jointly led by the delivery of physical infrastructure and human capital. That delivery, ladies and gentlemen, will be part of an empowering, integrated and efficient construction economy.

In May 2002, a NEPAD Short-term Action Plan for Infrastructure (STAP) was put forward as a preliminary response to the need for regional integration to achieve economies of scale and to reduce Africa's economic marginalisation. There can be no meaningful development without trade - and there can be no trade without adequate and reliable infrastructure. Asset poverty is a microcosm of the larger challenge of inadequate infrastructure.

The short-term programme is to be complemented by a more comprehensive Medium and Long-Term Action Programme (MLTAP).

Its main objectives are:

- To diagnose Africa's infrastructure gaps,
- To define strategic infrastructure goals and related roadmaps; and,
- To support sub-regions in the development of medium term infrastructure programmes.

The South African government is fully committed to the NEPAD vision and the action that flows from its programmes. Bold and innovative infrastructure delivery will require global construction knowledge and capability. More importantly, the delivery of infrastructure will need to ensure skills transfer that stimulates regional construction capacity, which in turn will invigorate local construction economies. Given the uneven development of the SADC region for instance, it seems to me that there exists a huge opportunity, not yet fully exploited and understood, of cross border infrastructure projects in the region.

7. EXPANDED PUBLIC WORKS PROGRAMME (EPWP)

The construction sector will also receive its biggest boost from the Expanded Public Works Programme which seeks to address unemployment and poverty and which President Thabo Mbeki launched in May this year.

Despite the huge debt burden bequeathed by the dying apartheid system, a burden that has now been significantly reduced, our country has recorded great progress in delivering infrastructure to cities and rural areas that barely featured on the maps we inherited in 1994. But millions of South Africans remain substantively excluded from basic services including potable water, sanitation, housing, transportation and communication.

This backlog coincides with the need for new levels of infrastructure investment to stimulate economic growth and the development of a socio-economic environment that nurtures the full potential of society.

The infrastructure sector received a boost at the beginning of this month when ABSA committed itself to

providing the funding for contractors in the EPWP. As the President said in his State of the Nation address, we will have provincial launches of the EPWP by September this year. Members of the EPWP Unit that is based at head office in Pretoria, who also have been assigned provincial responsibilities, have taken their posts. We will also be communicating through all available media and forums to all our stakeholders to ensure that there is sufficient understanding to encourage uptake of the opportunities that the EPWP presents.

Municipalities will set aside R15billion out of their allocation by the Department of Provincial and Local Government for infrastructure over the next five years.

We are in constant contact with the provinces and municipalities, which are the implementing arms of the EPWP.

8. CLOSURE

Confronted with the challenges above our government is 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 all South Africans.

The construction industry the world over has a pivotal role to play in infrastructure development. Countries such as China, Singapore and the United Kingdom demonstrate to us the pivotal role knowledge and innovation play to set free the creativity of the industry in order to shape a sustainable destiny for all of humanity. We can attract investment into the sector through UK models such as Public Private Partnership in terms of which private capital is used to procure state property.

The potential for the construction industry is huge. Japan's construction industry is the second largest in the world and contributes approximately 15% of Japan's GDP. In China it is about 10% while our construction sector contributes less than 5% to GDP. We have no doubt that state and private sector construction work linked to the World Cup in 2010 and the hosting of the Pan African Parliament will stimulate growth in the construction industry and also lift the contribution to GDP.

In conclusion, I trust that this will be an invigorating conference. We have together mapped the way forward thus far since 1994. The future remains as bright as never before. In our thrust forward, I have no doubt that the intellectual capital gathered under this roof will make all the challenges along the way, diminish at an increasing pace as we move forward together with the speed necessary for us in the end to say "We are, yet again, the victors".

I Thank You.

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