



public works

Department:
Public Works
REPUBLIC OF SOUTH AFRICA

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

Annual Strategic Planning Session: DPW and PMTE

13-15 August 2015

Input by:

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Protocol:

- Programme Director
- DM, DG and senior management of the Department of Public Works and the PMTE (Property Management Trading Entity), and
- Support staff

Greetings and thanks to the organisers of this important event for the opportunity to share some thoughts with you.

Let me first say that the content of the programme for this strategic planning workshop is a good indicator of just how far we have come as a Department and as the PMTE:

- The range of external presentations (yesterday) – indicating an intention to understand and engage with the wider environment in which we operate; and

- The intention to hold separate breakaway planning sessions for PMTE and DPW respectively – so that colleagues in PMTE start to act and think collectively as part of the process of operationalising the Entity, whilst those in DPW focus on transforming and rebuilding the capacity of the Department. It also means that we break down the planning process into more manageable proportions.
- I also welcome the theme of this workshop: *“Planning for successful outcomes”* – a clear indication that we do need see planning as a mechanical exercise in compliance – ticking boxes. In other words, we are not planning for planning’s sake, but in order to take control of our business and mandate, and to guide and better ensure successful outcomes and service delivery to clients and to the public.

I presented my Updated Policy Statement to Mintop on 23 June, and there is very little I need to add to that.

I. Priorities contained in the Updated Policy Statement

Let me reiterate: the starting point is to follow through on the separation of the PMTE from DPW:

Policy Priorities for the Department of Public Works

1. Creation of 6 million work opportunities through the EPWP – this is all the more relevant in the light of persistently high structural unemployment, and the imperative to deliver on Outcome 13: ‘An inclusive and responsive social protection system’.

EPWP Phase Three is on track with the strategic objectives of increasing numbers of work opportunities, whilst also paying greater attention to monitoring the qualitative outputs – including training, and the provision of infrastructure and services to poor communities, as well as

encouraging greater participation and ownership by communities.

It is also important that EPWP deals decisively with any outstanding challenges, particularly the A-G's concerns about verification of projects, recurring allegations of corruption and nepotism in relation to recruitment, as well as the under-achievement in terms of finding placements for people living with disabilities.

2. Operationalization of the Governance, Risk and Compliance Branch – to lead the fight against fraud and corruption, as well as to drive the efficiency enhancement phase of the turnaround through planning, risk and performance management, and service delivery improvement. We have made progress on both fronts – *I made detailed reference to this in my Budget Vote speech* - but I am aware that the branch has been working on a shoe-string.

This is not going to be sustainable unless we properly capacitate the branch.

3. Policy and regulation – we have said that the ‘new’ DPW would focus on policy, regulation and oversight. To achieve this we need a capacitated Policy Branch working closely with the entities and public works family in order to:

- Regulate and develop standards and best practice for the built environment – construction and property sectors;
- Provide expert advice to government, the public works family, the PICC and infrastructure departments, as well as to the private sector.

And incorporating two of the priorities set in 2014, the Policy Branch must:

- Lead the transformation of the built environment in consultation with entities, charter councils and stakeholders; and

- Drive the policy review of the mandate of Public Works culminating in a Public Works Act in 2017.

It is now vital that we pick up the pace in these areas – in particular the policy review and transformation of the built environment.

Given the challenges in the Construction Management Branch, there is a need for urgency in the finalisation of the business case for IDT - in order to pool resources and to develop a strong implementation arm for the delivery of social infrastructure.

I also need to make the point that the policy review has to be an inclusive process. Collectively as the Public Works family we have to debate and agree the agenda at every stage of the process in order to ensure buy-in for the final product.

4. The Concurrent Mandate

I raised the matter of the ‘concurrent mandate’ in the 2014 Policy Statement in the context of the planned policy review. At a strategic policy level clearly that is where it has to be dealt with.

But it is also obvious to me that – on the ground – as the Public Works family – we are increasingly cooperating around a number of operational areas, including on the Immovable Asset Register, municipal debt, rates and taxes, IDMS and EPWP. The 120 Days Action Plan points to new areas of cooperation. (*I will return to this later.*)

Moreover, in the new structure we have already made provision for an expanded IGR function exactly to coordinate relations with the wider public works family and entities – which function is being incubated within the Governance, Risk and Compliance Branch. That says to me that the Policy

and GRC Branches need to be working closely together with a view to:

- Developing the necessary policy positions to be implemented within a common National Framework, and
- To properly capacitate the expanded IGR function overseeing the implementation of these concurrent functions.

This is an area in which DPW provides policy guidance and consistency to the broader public works family, whilst working closely with the implementation arm (PMTE) to improve operations.

5. Improved service to Prestige Clients – we know that the perception of Public Works held by parliamentarians and members of the Executive is inevitably influenced by the kind of service they receive – as individual clients – at the hands of the Department. Despite this they continue to experience lengthy delays and poor service.

DPW has to finalise policy and norms and standards for the Prestige portfolio – and then work closely with PMTE to ensure speedy implementation, and to put in place systems to respond to the needs of the clients. The key here is for policy and implementation arms to work closely together to ensure delivery.

6. Support functions – particularly Finance and Corporate Services

In 2014, and again in this Policy Statement Update, I have focused on the core business of DPW and PMTE. But we must never lose sight of the crucial role played by support functions – which provide the foundation upon which we build the business:

- Finance – leading the clean audit project, advising and supporting line functions on how to get it right –

Finance has rescued the reputation and image of Public Works.

- SCM – working with the Chief Procurement Officer you have transformed the ‘one size fits all’ approach to reflect the different requirements of the different streams of the business – laying the groundwork for separate SCM streams to serve the distinctive needs of PMTE and of DPW. Effective implementation of these SCM streams and training of SCM staff is now paramount for the success of the SCM transformation.

- Corporate Services – you have to give leadership across a number of areas:
 - Communications and change management – this becomes vital as we seek to make the necessary changes to the PMTE;
 - HR – this becomes critical as we:
 - Finalise the structure
 - Migrate employees into the new structure

- Carry out a skills audit and develop a training plan to support the new structure
 - Oversee performance management and performance agreements
 - Support and empower line management to drive performance, work ethic and discipline.
- Crucially we need clear plans to attract, train, utilise and retain young professionals within the DPW and PMTE.

The point I want to make is that the achievement of the priorities we set for the core business of Public Works and PMTE will require highly effective support functions to be in place.

One further challenge for Corporate Services: you are going to have to grapple with the operationalisation of the decision we took to separate 'professional services' from 'construction projects'. I will say more about this later, in the context of the 120 Day Action Plan.

Policy Priorities for the Property Management Trading Entity

Although all high-level arrangements, strategies and plans for the PMTE are now in place, the PMTE is still faced with numerous organisational challenges to realise its obligations and objectives, including:

- The finalisation and approval of the PMTE functional structure – with necessary delegations and reporting lines. This includes shortening lines of accountability between national and regions.
- The filling of critical posts
- Re-engineering business processes
- Developing or updating - Operational Policies and Procedures, an ICT Plan, Performance Standards, Asset Investment Strategy and Policy, and a Pricing and Finance Model; and
- Establishing dedicated units to drive new additional sub-programmes and priorities.

Again we look to the support functions – particularly HR and IT – as well as GRC - to help facilitate this.

PMTE needs to be capacitated so that it can deliver on the ambitious value proposition that we have committed to. So what we are looking for now from PMTE is a very clear implementation plan – with activities and timelines – telling us what it means – and what is required – to fully operationalise the PMTE. Of necessity this will include a consideration of the following:

In relation to the SONA commitments:

- Our contribution to Operation Phakisa – including the development of small harbours and coastal reserves. Let me flag this – it is a Presidential priority and we are under the spotlight. I am going to require a progress report next week on this;

- Upscaling and better managing the Energy Saving Programme;
- Availing land for Human Settlements and Land Reform. We need to fast-track plans to review existing policies and processes with a view to streamlining disposal procedures. This is one of those areas requiring cooperation between the Policy Branch and the implementing arm. This also has a bearing on Operation Phakisa – and requests from other departments and entities for land or leases.
- Unlocking the potential of SMMEs, cooperatives, and township and rural enterprises – coordinating our efforts with relevant departments and entities, eg. the Department of Small Business Development, the PIC and the Development Bank.

In relation to Construction Management the priority remains to:

- Ensure spending of allocated funds;
- Tackling the backlog of projects – with renewed vigour now in the context of the 120 Day Plan;
- Going forward, we have to ensure projects are delivered on time, to the required specs and within budget;

This requires that we:

- Fully establish a PMO (Project Management Office) with necessary line of sight across the value chain and powers to ensure coordination of projects;
- Entrench IDMS and provide the necessary training, oversight, capacity and expertise to strengthen project management; and
- Clarify and strengthen the relationship with IDT.

In relation to the core mandate to provide accommodation to government and manage state properties:

- We need to give concrete reality to the objective that we set: to *'ring-fence and professionalise the PMTE in order to optimise the property portfolio'*. This must include – and it is a long list:
 - The development of existing staff through targeted training programmes
 - Developing capacity for asset investment management so that we also track the value of assets and the return on investment
 - Developing frameworks for property and facilities management
 - Improving access to, and quality of, buildings
 - Securing state assets from vandalism and unlawful occupation, and recouping those buildings that have been misappropriated;
 - Utilising unutilised properties to create a funding stream for maintenance and improvement
 - Reviving the workshops to maintain assets (*again the 120 Day Plan has relevance here*)

- Ensuring cost savings to government through a strategic shift from 'leasing-in' to utilisation of state-owned facilities
- Shifting to a client-oriented business model, and for example, assisting client departments to compile U-AMPs; as well as developing long-range plans to provide for the changing accommodation needs of clients
- Leveraging the portfolio for social and economic development, empowerment and job creation; and
- Establishing a joint team with the Department of Higher Education and training to assist in addressing the shortage of student accommodation.

PMTE will also need to maintain focus on:

- The finalisation of a compliant Immovable Asset Register - which remains the foundation upon which the property business is built;

- Assisting the Policy Branch to clarify the BBBEE policy and strategy and its application to leasing-in, leasing-out, real estate management, construction, facilities management and planned maintenance;
- Developing a holistic approach to water saving and upgrading our water treatment programme – as part of developing codes and best practices for the greening of government buildings; and
- Carrying through a major strategic shift towards the development of government precincts in small towns.
- I also need to flag the issue of municipal debt. I am getting pressure from the Cabinet and from Finance on this. Public Works is again getting painted as the villain here. I need a progress report, as soon as possible, which includes:

- An update on backlogs and timelines for payment of outstanding debts;
- As well as proposals for dealing with unreconciled claims;
- Also, details of measures and controls to ensure that no new further debt is being incurred
- I also need a Cab Memo embodying this update, together with details of the further risks that we have discussed previously relating to unrated properties – and I need that within the next 2 weeks.

II. From planning to implementation

Collectively you laid a solid basis in the 2014/15 planning cycle. The task ahead is now for Branch Heads, senior managers and operational staff to figure out the how ... how are we going to deliver on these updated priorities.

I am aware that the 2014/15 planning cycle was a difficult and onerous journey – and I hope this means that for 2015/16 you will be largely refining and tweaking the targets and indicators – but with the very clear understanding that this is not simply a process of ticking boxes.

Moreover, it is now essential that we put in place the mechanisms and processes to ensure implementation of plans and to encourage performance. This includes:

- Cascading down performance agreements
- Close monitoring and evaluation of performance on a continuous basis, as well as
- The necessary support from support services – eg. HR and IT to provide the resources to ensure that delivery takes place.
- But we need to flag that it starts here at this strategic planning session. You have to:
 - Align the APPs for 2016/17 with the 5 Year Strategic Plan; and

- You have to carefully calculate baselines, and develop measureable targets and indicators – according to SMART principles.
- You need to programatise missions, goals and actions so that we focus our efforts on priorities. One of these priorities is job creation. It follows that APPs must give a clear indication of targets for job creation.
- Most important: as you refine APPs, it is essential that you identify the inter-relationships between various branches to ensure synergies, and breakdown the silos which develop within bureaucracies like ours.

The 120 Days Action Plan

I need to make one final input: that is to say that much as we have championed the need for proper advance planning, we do not always have the luxury of time, and there will be occasions when we have to act immediately – and this is such a time.

You will have seen the writing on the wall in recent times:

- The unemployment figures remain high
- The weakening rand
- The trade deficit
- Falling commodity prices (coal and metals)
- Slow growth in the West
- The slow-down in China
- Interest rates starting to rise
- The beginnings of what has been described as 'currency wars' between China and the major currencies.

None of this is good news for emerging economies such as South Africa – and the growth forecast remains constrained.

Government is responding appropriately – we saw this in the decision to expand EPWP – the central plank of the 2014 Manifesto. Again, in the 2015 SONA there

were commitments to a raft of job-creating measures – and I believe that Public Works has moved quickly to rise to the challenge. But of course we will be judged by what we actually deliver at the end of the day.

Now, from the Cabinet Lekgotla – in a presentation from the PICC (Presidential Infrastructure Coordinating Commission) – we have the ‘120 Days Action Plan’. I believe the DG presented this to Technical MinMec last week and to the Planning Session yesterday. Let me reiterate the main points of the Plan:

- Focus on maintenance – key infrastructure; across all levels; labour-intensive
- Expand EPWP programmes – again linked to maintenance
- Unblock big construction projects
- Convert unused DPW buildings to student accommodation

- Address maintenance backlogs – especially water and sanitation at schools and 900 schools beautification project
- Address maintenance in hospitals and clinics – develop a role for DPW here
- Ensure all projects use South African labour
- Strengthen state technical capacity – including within Public Works.

Those are our instructions for the next 120 days. So why do I bring this up now – at this Strategic Planning Session where we are planning for 2016/17? The reason I am raising it here is because implementing the 120 Day Plan will materially change the environment in which we operate as Public Works and as PMTE – and must therefore impact on any plans that you develop here today.

But I also need to make the point that the 120 Day Action Plan has not dropped from the sky – but actually addresses the core mandate of Public Works. The 120

Day Plan calls upon DPW and the PMTE to focus on – and accelerate - implementation in areas that we have already planned for. Let me be specific:

- *In relation to maintenance norms and standards –* working with CIDB – we are finalising the NIMS Toolkit (National Infrastructure Maintenance Strategy). The task which the PICC has given us is now to fast-track approval of the toolkit and to communicate the National Immovable Asset Maintenance Management Framework (NAIMM) to all custodial departments. There is no point in having a state-of-the-art Toolkit if we don't use it.
- We are also required to *consolidate a DPW family maintenance programme* – and a fast-track plan to implement existing and new projects. So we are talking here about core business. It also takes to a new level the work we have been doing on the concurrent mandate with provinces.

- *In relation to EPWP*, we are required – with the wider public works family – to identify present and future potential maintenance programmes and related work opportunities on the immovable asset portfolio – including cleaning, painting, gardening etc.
- *In relation to unblocking mega projects* - the DPW family is required to identify such projects by end of August 2015. It is envisaged that this will require active oversight and monitoring by joint teams with client departments. Again, this has been a central part of our proposed business model for some time.
- *In relation to addressing student accommodation* – we are required – with DHET (Department of Higher Education and Training) - to identify the needs by the end of September 2015. Although this is a new area, it is in line with what we told Cabinet as part of the motivation for the operationalization of the PMTE – that we would better utilise unutilised state properties.

- *In relation to schools maintenance*, we are required to engage with DBE (Department of Basic Education) on water and sanitation backlogs by end of September 2015 and to provide a progress report on implementation of the schools beautification programme. Again, this is existing business of Public Works – which is taking too long to implement.
- *In relation to hospitals and clinics*, we are required to engage with the Department of Health to develop a fast-track plan to address backlogs. We have been talking about reclaiming the mandate of Public Works. That is what is on offer. If this requires further resources, we must say so and plan accordingly.
- *In relation to the use of exclusively South African labour*, we are required to engage CIDB to develop the necessary contract documentation.
- *In relation to strengthening state technical capacity*, we are required to review structures within the DPW family with a view to focusing on professional

services – and the training of technical and professional skills – separating that function from construction projects.

We have already said that this is central to any turnaround of Public Works – to rebuild that technical and professional capacity which was sacrificed on the altar of ‘outsourcing’. We also said that we have to grow our own timber – and we said that ‘construction’ should be separated from ‘professional services’ so that we focus on the training of skilled personnel – not only to strengthen Public Works, but also to capacitate state infrastructure and custodial departments and the built environment sector generally.

Let me reiterate: the 120 Days Plan:

- Calls for our urgent response to engage and plan accordingly for implementation;

- It means linking the new priorities with existing plans and capacity – and taking the necessary decisions to carry out new areas of work.
- It means a renewed focus on areas which we are already addressing – but with a new sense of urgency.
- It also means thinking of the long term implications – which is relevant to this planning exercise today. In implementing the 120 Day Action Plan – obviously – it doesn't end with the 120 day period. To the degree that we achieve the objectives of the 120 Day Plan, we will also greatly accelerate implementation of the turnaround plan for Public Works and PMTE.

I am saying: the 120 Day Action Plan rests on work already done, whilst assisting to focus and accelerate future turnaround tasks.

III. Concluding remarks

For the purposes of this strategic planning session:

In summary, the priorities for DPW are:

- The creation of 6 million EPWP work opportunities;
- Operationalisation of the GRC Branch
- Strengthening the oversight of the Public Works sector in terms of the concurrent mandate
- Capacitation of the Policy Branch to:
 - Drive transformation of the built environment
 - Lead the policy review leading to a Public Works Act
- The effective operation of the Prestige Unit

And I am adding:

- The implementation of the decision to separate ‘professional services’ from ‘construction projects’ – to support our mandate to strengthen the technical capacity of the state.

The priorities for PMTE must be:

- To address the organisational and capacity issues that have been listed (structure, processes and systems)
- To develop a detailed implementation plan for the transition to a Government Component with activities and timelines
- To implement plans to contribute to the new SONA commitments:
 - Energy saving (as part of a wider greening initiative)
 - Operation Phakisa
 - Rural development and land reform
 - Unlocking the potential of SMMEs and coops
- Eliminate under-spending on capital budgets by improving the effectiveness of Construction Management, and
- Reviewing and re-engineering the property business (across the immovable asset life cycle) with a view to

long-term efficiencies as well as short- and medium-term deliverables.

And I am adding:

- The requirement to focus on the implications of the 120 Day Plan in relation to planned maintenance and unblocking projects.

Let me end by reiterating what I said in my Updated Policy Statement:

Our watchword and motivation must now be: what can we do to 'enhance efficiency' to support service delivery?

I wish you well in your deliberations.

Thank you.