



MINISTRY
PUBLIC WORKS
REPUBLIC OF SOUTH AFRICA

**BUDGET POLICY VOTE
VOTE 11: PUBLIC WORKS**

**TW NXESI MP
MINISTER OF PUBLIC WORKS
15 MAY 2018**

Zero tolerance of corruption

Improving the way we do business

Utilising state property for economic development

EMBARGOED UNTIL 14h00 15th May 2018

- Honourable Chairperson
- Members of Cabinet and MECs
- The Chair and members of the Portfolio Committee
- Honourable Members of Parliament

Let me also recognise in the gallery the presence of:

- Chairpersons and CEOs of Public Entities and Professional Councils;
- Representatives of the Auditor-General's Office
- Members of the Audit Committee;
- The Director-General of Public Works, the Acting Head of PMTE and senior management, as well as HoDs of provincial departments;
- Representatives of SALGA; of labour; and of women's organisations;
- Beneficiaries of DPW's school support, bursary and Young Professionals training programmes
- Participants from EPWP programmes
- The CEO of the National Sea Rescue Institute – with whom we are partnering on Small Harbours
- Members of my family – particularly my wife;
- Ladies and gentlemen

The Budget Vote

The Departmental budget allocation over the medium term is R23.7 billion. Approximately 87% (R20.5 billion) of this budget is earmarked for transfers as follows:

- R7.1 billion for EPWP Incentives for the creation of job opportunities and income support. Deputy Minister, Honourable Cronin, will speak on this.
- R700 million will be transferred to the Departmental entities (CIDB, CBE and Agreement SA).
- R12.7 billion is for funding the operations of the PMTE (Property Management Trading Entity) The actual PMTE budget over the MTEF is R63 billion - the balance by way of cost recoveries from User Departments.

The remaining of R3.2 billion from the Main Vote is for the Department's own operations and priorities.

Audit outcomes and performance

The main vote has achieved unqualified audit outcomes for the past 3 years. The PMTE, however, received an adverse opinion in 2016/17. With respect to the value of the PMTE assets, we have substantially assigned the correct values, but for an error in assigning values to the individual buildings in a specific facility resulting in an exceptional material error, hence the adverse opinion by the Auditor-General. This error was agreed with the AG and has been remedied for the forthcoming 2017/18 audit.

If we look at the Department's MPAT scores - government's Management Performance Assessment Tool for benchmarking good management performance and compliance - the scores have increased from 38% at inception in 2012/13 to 66% last year. Our target is for 90 to 100% compliance by the end of this Administration.

Political environment

This Budget Vote debate takes place against the backdrop of new political leadership which is committed to, amongst others:

- Rooting out corruption and state capture;
- Professionalising the organs of government to strengthen service delivery;
- Generating investment and job creation; and
- Driving real socio-economic transformation in the interests of all our people – addressing the land question, unemployment, poverty and inequality.

I want to assure this House that, as the Department of Public Works and the PMTE, these are also our priorities and we are taking action on all these fronts.

The Turnaround Plan

In 2012 I announced that the Turnaround Strategy would be based on two pillars:

- Zero tolerance of fraud and corruption, and
- Improving the way we do business.

PMTE

At the core of improving the way we do business, as Public Works, is ring-fencing and fully operationalizing the PMTE to optimally manage the state's massive property portfolio (over 93,000 buildings on some 29,000 land parcels under the custodianship of National Public Works.)

The earlier work we did to verify and complete the Immovable Asset Register – provides the foundation and database upon which the business of PMTE rests.

In 2016/17 fiscal year, the deemed cost of the immovable assets was disclosed as R139 billion.

The plans for the PMTE also speak to the President's SONA commitment to drive new investment in the economy to promote growth and jobs. Examples include:

- The establishment of a specialised unit to analyse the PMTE portfolio to identify cost-savings and income generating opportunities.
- We have identified unutilised properties with a deemed value of R7.4 billion – for disposal or letting out. Appropriate properties will be advertised on open tender culminating in a National Property Marketing and Investment Conference to be held within the next 6 months.
- Over a year ago, I had commenced a process of engagement with the private property and finance sectors to identify opportunities for investment in state property – to our mutual advantage. These engagements are being revived.
- The Small Harbours and Coastal Properties programme – part of Operation Phakisa: Oceans Economy - has already attracted expressions of interest to the value of R6.3 billion from the private

sector and is generating almost R17 million in leases. Working with coastal provincial and municipal governments to identify economic opportunities, this programme has the potential to contribute R6 billion annually to GDP and to create 12,000 jobs by 2030.

Priorities for the PMTE include the following:

- Working with National Treasury's Office of the Chief Procurement Officer, we are finalising procurement processes which are both transparent and tailored for the specific needs of PMTE.
- We are beefing up our Joint Negotiating Team with National Treasury to review all leases to ensure that government does not pay exorbitant prices above market rates.
- At the same time we are moving away from reliance on leasing-in to utilising state-owned properties – starting with the security cluster.

- We are also modernising the billing system so that clients can see what they are paying for.
- Furthermore, to enhance value in the portfolio, it is necessary to properly maintain state facilities on behalf of frontline service delivery departments – to also enhance public access. In this respect I should mention:
 - the work of our Government Precinct Planning and Development - aimed at developing one-stop government Service Centres (for SASSA, Home Affairs, Labour etc) in small towns, and
 - the roll-out of the Green Building Programme and energy and water saving projects.
- New infrastructure built and upgrades remain an important mandate of the PMTE. In the year under review, 85 infrastructure projects were completed. In the current year, we are implementing infrastructure and maintenance projects to the value of R3.2 billion - including police stations (R885 million), courts (R771 million) and correctional facilities (R657 million).

Transformation

Professionalising the PMTE is being done also with an eye to other government priorities of empowerment, transformation and job creation:

- Land and properties continue to be identified for land reform and social housing – including student accommodation. [In this regard we have supplied Higher Education and Training with a list of possible buildings, and established a Joint Task Team to expedite the matter, with a focus on emerging entrepreneurs and co-ops.] 3,500 hectares are to be released to Human Settlements, whilst some 22,000 hectares have been identified for restitution and land reform.
- The work of the PMTE will be guided by the recently adopted Property Management Empowerment Policy to empower formerly disadvantaged and designated groups.

- Currently, 34% of leases are sitting with BEE landlords – representing 62% of the total value of R3.6 billion spent on leasing-in.
- Let me sound a note of caution to the tenderpreneurs. This is not an invitation to Radical Economic Looting whereby a few politically-connected syndicates receive huge contracts, in return providing minimal service. Rather, we are targeting emerging entrepreneurs who offer a real value proposition and tangible benefits to government.
- We will be holding a national meeting with landlords on 31st May - specifically to expedite the matter of expired leases and the signing of long-term leases, including so-called '9.11 leases' [9 years, 11 months]. This meeting sends the message that government is now ready to do business with the property sector and to bring certainty to the market – based on market-related pricing, improved value and service to government, and broad-based black economic empowerment.

The Main Vote: DPW

The ring-fencing of the PMTE also provides the space for the Department of Public Works to re-focus on its core mandate – to regulate and transform the Built Environment. Amongst others this includes:

- strengthening the Department's policy development capability. Honourable Cronin will provide further detail. Suffice to say that the Department is clear about its tasks for this year – to review the existing Public Works White Papers in order to refresh and clarify the mandates, roles and responsibilities of the Department and the entities.
- In strengthening its inter-governmental co-ordination, the Department is working with provinces to clarify aspects of the concurrent functions which need to be monitored and coordinated.

- We will work closely with the entities to provide policy leadership to the wider construction and property sectors:
 - With cidb – the Construction Industry Development Board - focusing on quality assurance and empowerment;
 - With IDT – Independent Development Trust - to provide community facilitation and project management in rolling out social infrastructure;
 - With Agreement South Africa – to test and accredit non-standard alternative infrastructure materials and processes;
 - With CBE - Council for the Built Environment - widening the skills pipeline - in a way which better reflects the demographics of the country; as well as
 - working with the sector Charter Councils to monitor and drive transformation.

The concurrent functions and entities will be receiving priority attention in the coming months. Already, we have taken action in regard to the Board of IDT where

there has been a failure to act on the recommendations of forensic reports which found clear evidence of corruption. The court has dismissed with costs an attempt by a faction of the dismissed Board to prevent me from taking action.

- As part of the Turnaround, we undertook to grow our own timber in relation to built environment skills, as well as – ultimately - to provide technical capacity to the public service and built environment generally. In this respect, it gives me great pleasure to announce:
 - That 31 students who joined our school bursary scheme in 2014 have graduated and are now enrolled in the Internship Programme within the Department.
 - Currently, together with CBE, we are supporting 262 grade 12 students in maths and sciences – in schools in disadvantaged communities.
 - 139 Young Professionals are participating in the Department's technical candidacy programme, and a further 30 are participating in the Internal Audit candidacy programme.

- 6 Young Professionals attained Professional Registration, whilst 120 Artisan trainees obtained trade test certificates.
- We are at an advanced stage towards establishing a Public Works Academy with 79 Candidate Professionals, and employing 12 mentors.
- PMTE is also insisting on mandatory skills development as a condition of infrastructure project and facilities management contracts awarded.
- Internal bursaries have been awarded to 350 employees – including PMTE officials registered for SAPOA programmes (South African Property Owners Association). Thirty-five officials recently completed a course in Property Management as well as the Certificate for Commercial Property Practitioners.

So that is what I am talking about when I say we are improving the way we do business.

Zero tolerance of corruption

The second pillar of the turnaround strategy is zero tolerance of fraud and corruption. We will shortly be announcing jointly with the SIU (Special Investigating Unit) some of the successful outcomes of investigations we started some years ago.

The details will follow – but suffice to say that currently the SIU is seeking to recover R1.2 billion as a result of irregular or fraudulent transactions.

Investigations into the cost of maintenance by the Department's Anti-Corruption Unit has uncovered over 16,000 suspicious payments to the value of R2 billion. We are calling for the extension of an existing proclamation to enable the SIU to investigate the matter.

We have previously reported progress on Operation Bring Back for the return of state properties wrongly transferred or occupied:

- Some 1,300 such properties were identified. These will be verified and regularised during 2018/19.
- As a result of 54 cases reported by whistle-blowers, some 14 eviction orders were obtained, and illegal transfers detected in Gauteng and KZN where a criminal syndicate was stealing vacant state land.

I have also announced that all senior managers and officials who occupy positions of high risk will undergo lifestyle audits - starting with myself.

Let me conclude by thanking the President for entrusting me with this important task, and for much more: for reawakening hope and confidence in the future of our great country.

Thank you.