



**DEPARTMENT OF PUBLIC WORKS AND
INFRASTRUCTURE BUDGET VOTE 2023**

SPEECH BY HON. SIHLE ZIKALALA, THE MINISTER OF THE DEPARTMENT OF PUBLIC WORKS AND INFRASTRUCTURE, ON THE OCCASION OF THE BUDGET VOTE 2023/24, 23 MAY 2023

Honourable Chairperson and Honourable Members;

Members of the Portfolio Committee;

Chairpersons and CEOs of our Statutory Bodies and Councils;

Guests joining us this afternoon.

Remembering Slovo during Africa Month

We present this budget policy vote of the Department of Public Works and Infrastructure (DPWI) on a day coinciding with Joe Slovo's birthday, a distinguished stalwart and icon of our liberation.

To honour his sacrifices, we must build, brick by brick, a South Africa that is truly united, non-racial, non-sexist, equal, and prosperous.

As a Department, we will make our contribution in cementing the vision of a South Africa that leaves no one behind as clearly articulated in the 2023 State of the Nation Address by His Excellency, President Cyril Ramaphosa.

During Africa Month, we reaffirm our commitment to a Better Africa and a Better World which can be concretised through "*world class infrastructure that criss-crosses Africa*".

As a department mandated to coordinate infrastructure development and champion the implementation of catalytic Strategic Integrated Projects (SIPs), we are rolling up our sleeves and breaking new ground to meet the aspirations of our people.

Repositioning DPWI as an Implementing Agent of Choice

Honourable Chairperson, the Department co-ordinates infrastructure development and is central to South Africa's Economic Reconstruction and Recovery Plan (ERRP).

Our objective is to use our role in the property and infrastructure sector to build assets, deliver climate-resilient smart infrastructure, facilitate spatial transformation, support economic empowerment and drive job creation.

In the year ahead, we will robustly coordinate the provision of a social facilitation framework to mitigate against community unrests which delay construction projects.

We are determined to enhance the participation of communities in projects, drive localisation of supplies, and involve locals in the maintenance of the property ecosystem.

We are resolute that benefits of our programmes should benefit the youth, women, military veterans, and People Living with Disabilities in the construction and property sector.

The construction branch will work closer with Infrastructure South Africa (ISA) on unclogging delayed projects.

Attention is given to contract management through capacity building, risk management, and continuous monitoring of projects. We have introduced the War Room approach and the establishment of Project Management Units (PMUs) to fast track the implementation of projects and reduce the number of projects that are stalled.

We are going to re-introduce the turnkey delivery method and establish panels of contractors and consultants to avoid prolonged procurement processes.

The Department is also addressing vacancy rates which impede the capacity to effectively deliver projects on time and on budget.

No matter the odds, we are determined to close down the curtain on the history of the Department being associated with corruption, ineptitude, and poor infrastructure delivery.

We will be regular on project site visits where we will inspect, monitor, and unblock service delivery challenges.

Shovels must be on the ground. South Africa must become a construction site again.

In the same manner that we used the construction sector to cushion our country from the effects of the global financial crisis and built world class stadia in time for the 2010 World Cup, we must use the infrastructure and the property sector towards the reconstruction and recovery of our economy.

ISA continues to be our special purpose vehicle that will focus on ensuring that we have well packaged projects that are financially viable, catalytic in impact and are delivered on time with all stakeholders meeting their commitments.

The Department does not take for granted our client departments, and in this regard, we will be paying greater attention to client care.

Our supply chain, legal and other line function units as well as departments will meet regularly to address all transversal challenges. Matters that need to be escalated will be referred to the cluster or Inter-Ministerial Committee for speedy resolution.

The Department must not be a soft target for unscrupulous service providers who at times fleece it through shoddy workmanship and project stoppages claiming liquidation of companies.

Equally, we will ensure that our programmes contribute towards transforming the construction, maintenance and management of the infrastructure sector in the country. We must address the imbalance that still persists from the misrule of the era of apartheid-colonialism.

Rebuilding After the Floods

Honourable Chairperson, in KwaZulu-Natal, 18 land parcels measuring 533 hectares were released by the Department for the purposes of accommodating communities, including those displaced by floods in 2022.

At the start of March 2023, four land parcels measuring 2.8ha were released to Msunduzi Local Municipality for the purposes of accommodating communities including those displaced by flooding.

Land Restitution

In support of the country's initiative to restore dispossessed land to rightful owners, 221 land parcels measuring 148 796ha have been released from the Department property portfolio to the Department of Agriculture, Land Reform, and Rural Development (DALRRD) for transfer to the approved land claimants. The target of 10 000ha has thus been significantly exceeded. Approximately 1 576ha is earmarked to be released within the 2023/24 financial year.

Land for Human Settlement

In support of Human Settlement Development, 44 land parcels measuring 2 560ha have been released to the Housing Development Agency to fast track development of houses within the approved Priority Housing Development Areas. In the 2023/24 financial year, an approximated extent of 6 320ha is earmarked to be released.

Land Redistribution

To address the skewed patterns of land ownership, 125 land parcels measuring 25 549ha of agricultural land was released from within the Department's portfolio to support subsistence farming and food security. An estimated additional 50 land parcels are earmarked to be released within the 2023/24 financial year.

Land for Socio-Economic Purposes

The Department released extensive extents of land in support for socio economic programs of Government. Eleven (11) land parcels measuring 15ha were released for a variety of SANRAL road construction projects.

In addition, 24 land parcels measuring 117ha were released for the registration of ESKOM servitudes for the construction of generation, transmission and distribution power lines that will provide much needed

electricity to communities nationwide. A further 6 land parcels are being considered for release to Eskom in the 2023/24 financial year.

The Department also processed 27 requests from Eskom for expropriation of private land parcels to enable the construction of key transmission power lines in the Limpopo province.

Twenty three (23) requests for expropriation of private land to enable the transmission of electricity will be considered and processed in the 2023/24 financial year upon receipt from Eskom.

In addition, a further 49 land parcels measuring 211ha from the DPWI portfolio were also released in transferring the custodianship of 19 Land Ports of Entry to the Border Management Authority (BMA) for their integrated management of the country's border posts. The transfer of the remaining 3 Land Ports of Entry to the BMA will be processed in the 2023/24 financial year.

In support of socio-economic purposes, approximately 2 230ha are earmarked to be released within the 2023/24 financial year.

Welisizwe Bridges

Honourable Chairperson, We will continue to partner with the Department of Defence, the Department of Transport, and the six participating provincial governments to speed up the construction of the Welisizwe Bridges. To support enterprise development, construction material and bridge components should be sourced locally.

The project budget for the entire MTEF is R3.8 billion. In the 2023/24 financial year, 96 bridges at a cost of R1.1 billion are planned as follows: KZN (17), EC (17), NW (17), MP (17), NW (14), FS (14).

Small Harbour Development

Honourable Members, the first phase of the Small Harbours Development project focused on redeveloping existing proclaimed small harbours here in the Western Cape.

The repair and maintenance programme of the 13 Proclaimed Fishing Harbours empowered over 100 SMMEs to the value of over R116 million.

The next phase is to identify opportunities for establishing small harbours in the Eastern Cape (EC), KwaZulu-Natal (KZN) and the Northern Cape (NC). We welcome the involvement of the Chinese government in the feasibility study aimed at developing marine infrastructure that are utilised by the coastal communities. Plans are advanced to ensure that the feasibility in the other coastal provinces commences this financial year.

Progress on Strategic Integrated Projects (SIPs)

Through ISA, we are implementing the Infrastructure Investment Plan as approved by Cabinet in May 2020 and enhancing the operation of the Infrastructure Fund.

In addition to what was reported in 2022, South Africa has amassed a pipeline of Green Hydrogen Projects with a value of over R300 billion, which are in project preparation stages. These projects are benefiting from the gazetted status as SIPs ensuring that multiple authorisations, permitting and approvals required from government are expedited in line with the Infrastructure Development Act (IDA).

Among these projects, is the Boegoebaai Green Hydrogen in the Northern Cape with a potential to create around 35 000 work opportunities when it commences.

The IDA provides for the Minister responsible for infrastructure to gazette infrastructure projects that are of economic significance and social importance. To date, 88 SIPs have been gazetted covering foundational infrastructure networks in energy, water & sanitation, transport as well as digital communications infrastructure. The SIPs also cover human settlements, agriculture, and agro-processing.

We wish to update the Honourable Members that the project sponsors and owners have reported the following progress:

- Total value of projects completed is R21.4 billion – mainly roads, energy and human settlement projects.
- Total value of projects currently in construction is R 313.5 billion.
- Projects in procurement are standing at R295.2 billion.
- The energy sector infrastructure project pipeline registered with ISA includes the R180 billion of embedded generation investment programme, R50 billion of the Risk Mitigation Independent Power Producer Programme (RMIPPP); R12.1 billion for REIPPP programme Bid Window 6; and R50 billion for the same programme for Bid Window 5.
- ISA has already unlocked, as per the provisions of the IDA, 225 MW for Scatec of approximately R16 billion investment and almost 1 GW of solar, wind and PV projects for 3 projects built by Red Rocket South Africa with an investment value of approximately R9.3 billion.

The Infrastructure Fund Project Pipeline

For the first time in the history of the Budget Facility for Infrastructure (BFI), the allocations for Window 6 was surpassed, owing to quality of project submissions by the Infrastructure Fund.

In December 2022, the National Treasury confirmed approvals of blended finance projects through the BFI process that includes bulk water projects, with a total project value of R57.7 billion. The fiscal support as approved by the National Treasury amounts to R21.7 billion. Against this backdrop, the Infrastructure Fund will be structuring and engaging with financial markets to develop financial instruments that will enable investment in projects by private investors and thereby ensure the financial close of these projects.

Outside of these projects, the Infrastructure Fund is earmarking a total of 9 projects amounting to R45 billion that are at an advanced stage, and these will be submitted to the BFI Window 7 for approval. These include the six ports of entry programme, container terminal upgrades and human settlements projects.

Project Preparation Funding

We welcome the announcement in the State of the Nation Address by President Ramaphosa that ISA has been allocated R600 million in the MTEF for project preparation, specifically in rural and under-resourced areas.

Integrated Renewable Energy and Resource Efficiency Programme (iREREP)

The Department together with the Ministry of Electricity, supported by National Treasury's Government Technical Advisory Centre's (GTAC) is finalising the first Request for Proposals (RFP) under the Integrated Renewable Energy and Resource Efficiency Programme (iREREP/Programme).

The RFP will be published by the end of June 2023. This will be followed by the convening of the Bidders Conference for interested parties. This will be the largest programme for the procurement of renewable energy and resource efficiency on the African Continent. It will contribute to addressing electricity and water supply challenges as well as reducing waste to landfill by one-million tonnes.

This Programme will introduce up to 3 740 MW of equivalent capacity through renewable energy. Envisaged socio-economic benefits include up to R1.3 trillion direct contribution to the GDP, the creation of over 13 100 new small enterprise, an estimated 503 000 jobs, and skills opportunities for at least 475 000 people

Construction Project Management (CPM)

Honourable Chairperson, the Construction Project Management (CPM) branch is responsible for the delivery of accommodation needs for the Department and User Departments.

In the financial year 2022/23, R3.05 billion was spent on contractors and consultants for infrastructure projects. Approximately 95 infrastructure projects were completed and 65 sites were handed over to contractors.

Completed projects include:

- NababEEP Police Station in Namakwa District, Northern Cape.
- With respect to Emanguzi, phase 1 of Emanguzi Police Station in Umkhanyakude District, KwaZulu-Natal is completed. The construction of the jersey barriers will soon commence in uMkhanyakude to curb cross border crime.
- The Department's ICT Disaster Recovery Centre in 49 Fennell Street, Johannesburg.
- Komatipoort Police Station in the Ehlanzeni District Municipality, Mpumalanga Province.

Top Fifty (50) Construction Projects

The Department has identified top 50 significant projects in terms of budget allocation and significance.

The projects will be closely monitored to drive performance and meet delivery deadlines. They include:

- The Durban High Court in KwaZulu-Natal.
- Burgersdorp Correctional Centre in the Joe Gqabi District, Eastern Cape.
- Groote Schuur Estate Heritage in Cape Town.

Planned Construction Projects

In 2023/24, the target is to hand over 168 infrastructure sites for construction, complete 109 infrastructure projects, and deliver 154 design solution for user departments.

Support to Victims of Gender Based Violence

Working closely with the Department of Social Development (DSD), the Department continues to release properties to serve as shelters for victims of gender based violence.

The Department will prepare and release more properties this year across the country for Social Development to utilise in the fight against GBV. We have called on provinces and municipalities to also release some of their own buildings for GBV purposes.

The Deputy Minister, Honourable Bernice Swarts, will elaborate further on the Department's contribution in the fight against GBV.

Leases

Honourable Members, the leasing portfolio has grown exponentially due to unavailability of ready to use government properties. Over the years, user departments preferred to use leased properties and consequently ballooned the budget to over R5 billion per annum.

We are determined to reduce the department's leasing in portfolio. The Department will enhance its refurbishment, operate and transfer (ROT) programme.

In terms of the Top 20 compliance Q4 Report, the initial leases were 571 and have been reduced to 132. This translates into 77% reduction.

The Department has achieved a total reduction of R273 million for 330 leases through renegotiation of existing leases with various landlords.

A target of R200 million reduction in this financial year 2023/24 has been set.

Maintenance of Infrastructure

Honourable Members, poor maintenance of infrastructure compromise our economy and poses a risk to the lives of people.

The ring fencing of budgets for infrastructure maintenance through National Treasury now requires implementation with precision. This challenge is worse at local government level where there is underspending on infrastructure budgets and grants are recalled by National Treasury.

We intend allocating maintenance teams and conducting planned maintenance to each client department and submitting a quarterly report on the maintenance assessments to departments for Accounting Officers to budget for.

Together with the Deputy Minister, we are setting new standards to inform Service Level Agreements (SLAs) with leased buildings, focusing on maintenance, and building smart, energy-efficient buildings.

Facilities Management

The Department is determined to reduce the over reliance on reactive maintenance by implementing preventative contracts through term contracts as well as Total Facilities Management contracts.

There are three (3) Total Facilities Management contracts for Batho Pele House, Civitas and 1 Military that have been successfully implemented over a period of 3 years, which are concluding in August 2023 at a total cost of approximately R414 million.

The total number of term contracts awarded for 2022/23 are 163.

The number of condition assessments completed for 2022/23 are 107 on prioritised properties and 140 condition assessments completed on critical components.

Targets and spend for 2023/24

In the current financial year, a total of 15 Total Facilities Management (TFM) contracts are projected at an estimated value more than R434 million for a period of 3 years for various User Departments.

All Total Facilities Management Companies (TFMC) are aligned to SMME development, creation of job opportunities for women, youth and people with disabilities.

Condition assessments will be carried out by a Multidisciplinary Technical Team from a panel in place for an initial 82 facilities with an estimate of over R16 million.

Eradication of Asbestos Project is underway with the budget estimate of R10 million.

The repairs and follow up maintenance of 110 water and waste water treatment facilities as identified by the green drop audit with a projected budget requirement of R250 million over the MTEF.

Economic Sabotage and Hijacking of Project Sites

We call on law enforcement, the private sector, and communities to work together to end the hijacking of construction sites in the country.

The Global Initiative Against Transnational Organised Crime Report reveals that extortion in 2019 led to the delay of 183 construction projects worth R63 billion in South Africa.

Criminal syndicates who sabotage the economy, impede the delivery of infrastructure, and obstruct job creation are nothing but enemies of the poor people of our country.

Skills Development in the Built Environment

Honourable Members, In 2023/2024, DPWI is awarding about 100 bursaries across all Provinces for youth who will study built Environment qualifications, valued at R16 million.

More needs to be done to address the skills shortages and to train black women in particular in the Built Environment. We support the call by the CBE that public sector employees in the department should be supported to obtain professional qualification in an effort to build capabilities of the developmental state and to better manage contracts.

Through the Young Professional Programme, 79 Candidates will be recruited for 2023/24 financial year.

Currently, a total number of 108 youths are employed under the Work Integrated Learning Programme and Graduate Internship Programme.

In partnership with BankSETA, DPWI employed 994 youth under the Graduates Internship Programme during 2022/23 financial year. The programme is further extended to the 2023/24 financial year.

In 2023/24, we will embark on Massification of Skills Development Programme by appointing and training 2 500 youth within the Artisans Trades as a contribution to the Artisan Development as stipulated by the President during the SONA.

A total number of 1 500 youth will be appointed under the Graduates and Work Integrated Learning Programme Internships within the Built Environment fields across all Provinces.

We intend training at least 200 youths under the Ocean Economy Skills Development Programmes. In addition, 500 unemployed youth will be appointed under Water and Energy Efficiencies skills development Programmes.

By the end of July 2023, the CBE will engage stakeholders to develop a position paper on the possibility of establishing DPWI Skills Academy or College to address the skills needs of the Department and the sector.

In 2023/24, the CBE will partner with the National School of Government (NSG) to conduct a skills audit and support skills development in Design thinking, Project Management, and Contract Management. The Deputy Minister will provide further details on our skills interventions in the sector.

Main Budget Vote

Honourable Chairperson, having reflected on a number of our programmes and policy mandates, let us present the budget allocation, starting with the main vote.

The Departmental budget allocation over the MTEF is R27.5 billion. The allocation for 2023/24 is R8.782 billion.

The allocation will be spent towards creating work opportunities by leading and coordinating the Expanded Public Works Programme (EPWP); providing policy and sector oversight; building state capacity to facilitate skills development and strengthen the skills pipeline; and providing direct support to sponsors of priority public infrastructure projects.

These areas of focus contribute toward the realisation of the NDP's vision of facilitating job creation and improving public infrastructure.

An estimated 86 per cent or R23.5 billion of the main vote's total budget over the next 3 years is allocated to transfers and subsidies for the operations of its entities, and for conditional grants to provinces and municipalities to implement the Expanded Public Works Programme. The remaining balance of 14 per cent or R4 billion is earmarked for spending on compensation and goods and services to support the achievement of these priorities by the Department.

The Expanded Public Works Programme has a total budget of R9.7 billion over the MTEF period, increasing at an average medium-term rate of 5 per cent, from R2.96 billion in 2022/23 to R3.2 billion in 2024/25.

For the 2023/24 financial year, the main vote will be spending the following allocation in the EPWP for the following sectors:

- R1.2 billion in the Infrastructure Sector, through the Integrated Grant Incentives for Provinces and Municipalities.
- R1 billion for the Non-state Sector Programme implemented through the Independent Development Trust
- R426 million for the Social Sector EPWP Integrated Grant for Provinces.

The Department's Infrastructure South Africa division has identified the need to provide direct support through the allocation of project preparation resources to sponsors of priority public infrastructure projects, with the aim of expediting investor-friendly projects. To prepare these projects, R600 million is allocated over the medium term period.

The compliance rate for the 30 days payment compliance for the financial year ended 31 March 2023 is at 98 per cent, an improvement from the achievement of 97 per cent in the previous financial year.

PMTE Budget

Honourable Chairperson, the budget allocation for the PMTE over the medium term is R 68.9 billion of which R23.9 billion is allocated for the 2023/24 financial year. R 4.5 billion of this amount will be received as an appropriation from National Treasury through a transfer from the main vote.

The balance of the budget will be generated through revenue generation and recoverable services. This revenue, which is generated mainly from user charges to client departments for accommodation, is

expected to decrease at an average annual rate of 4.2 percent, from R22.4 billion in 2022/23 to R19.7 billion in 2025/26. This is because of a projected decrease in the collection of management fees on municipal services as a result of the municipal payment function being devolved to client departments.

Over the medium term, the entity will further focus on developing precincts to support efficient and integrated government planning by grouping departments that provide similar services to make service delivery more efficient.

Furthermore, the department will also carry out refurbishment, repair and capital projects for 15 departments, including correctional centres, police stations, courts and office buildings.

The execution of these projects is expected to cost R17.1 billion over the medium term with R 4.5 billion in 2023/24. Of this amount, 276 projects will be executed at police stations at an estimated costs of R 510 million, 35 projects will be executed at court buildings at R 285 million and 103 projects will be executed at Correctional facilities at R 470 million. The balance will be spent on office buildings, residences and other facilities.

Spending on goods and services – mainly for repairs and maintenance of state-owned buildings, and lease payments – accounts for an estimated 62 per cent (R42.5 billion) of the entity's total budget over the medium term, whilst compensation of employees make up 9.6 per cent or R6.6 billion with the balance of 28.7 per cent or R19.8 billion being spent on property rates and infrastructure.

Under the PMTE allocation, an amount of R 983.7 million is allocated to DPWI specific infrastructure projects in the current year (R 3.1 billion over the medium term) and will be used as follow:

- R71 million is allocated for precinct development which also includes the PMTE contribution towards the installation of bulk services at the new precinct development at Salvokop in Pretoria.
- R350 million is allocated for the Repairs and Maintenance of the 53 Land Ports of Entry.
- R90 million for Dolomite Risk Management where Government buildings are at risk to collapse because of sinkholes and dolomitic problems as at Waterkloof Air Force Base and the Olifantsfontein Trade Test Centre in Ekurhuleni.
- R248 million will be utilised for the construction and upgrading of facilities used by public representatives, this includes projects such as the demolition and replacement of prefab houses in Acacia Park and the security in of Bryntirion Estate.
- The balance of R225 million will be allocated to various other projects on DPWI occupied buildings, of which the upgrading of its workshop in Pretoria is a project of note.

Payments

In terms of monies owed to the PMTE, the total amount invoiced for the financial year ended 31 March 2023 is R20.3 billion, of which R17.8 billion (88%) was recovered from client departments.

The user departments owe an amount of R9.6 billion as at 31 March 2023. More than 77% of the said amount relates to old claims for previous years.

Recovery of Fraudulently Stolen Properties

Honourable Members, on 9 September 2022, the Asset Forfeiture Unit obtained Preservation Orders on 3 fraudulently stolen properties reported in 2017.

The first judgment was received on 13 February 2023 regarding the property in Hurlingham in Sandton. The High Court in Johannesburg has found in favour of the Department and returned the property with a range of punitive measures for the perpetrators.

The SIU, during their investigations, uncovered numerous additional properties belonging to the state, which were similarly hijacked and stolen. The properties were transferred to the Provincial Government.

Update on the Expropriation Bill

Honourable Members, during 2022/23 financial year, the Expropriation Bill public participation processes by the Portfolio Committee (PC) on Public Works and Infrastructure were concluded by the adoption of the public participation's report of PC by the National assembly. In the year ahead, the Department will embark on a nationwide communications campaign to explain the Bill and remove any misunderstanding around it.

Update on the Construction Industry Development Bill

On the draft Construction Industry Development Board Amendment Bill, two legal opinions were received from the Office of the Chief State Law Adviser (OCSLA) which required further consultations with the National Treasury (NT) and the Department of Justice and Constitutional Development (DoJ&CD). We have so far received a written opinion from the DoJ&CD.

Update on the Public Works Bill

The Draft Public Works Bill which aims to provide for a framework for a uniform system to regulate public works throughout the Republic will be consulted with stakeholders during 2023/24 and submitted for introduction to Parliament by the end of the fourth quarter of 2023/24.

Working together, we can alter property relations and utilise infrastructure development to invent the South Africa and Africa of our dreams.

South Africa Works Because of Public Works!

I humbly thank you Honourable Members.