



public works
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Working together, We can build South Africa

(Note to editors: This speech was delivery by Public Works & Infrastructure Minister, Dean Macpherson at the Steel and Engineering Industries Federation of Southern Africa's (SEIFSA) Metals and Engineering Industries Ministerial Conference at Emperors Palace, in Johannesburg, on Tuesday afternoon.)

Programme Director, Faith Mangope,

Panel Facilitator, Tumi Tsehlo,

Deputy Minister of Energy and Electricity, Samantha Graham

Deputy Minister of Water and Sanitation, David Mahlobo

Group Chief Executive Officer at Macsteel, Mike Benfield

Group Chief Executive Officer at ACTOM and SEIFSA Non-Executive Director, Mervyn Naidoo

Distinguished Guests,

Ladies and Gentlemen,

It is truly a privilege to be joining you here today at the Metals and Engineering Industries Ministerial Conference, and I would like to extend my gratitude to the Steel and Engineering Industries Federation of Southern Africa (SEIFSA) for organising this gathering. The last time I attended your conference I was a member of the opposition, and here I am today a member of the Government, that is what I would call real transformation!

I know my fellow Ministers in the Government of National Unity on the stage today will agree with me that gatherings such as this one are important as we work to develop partnerships which will help us drive economic growth and job creation.

At a Cabinet lekgotla shortly after we were appointed on the third of July this year, Cabinet Ministers agreed that the success of the 7th Administration should be judged on whether we were able to meaningfully improve the lives of all South Africans by igniting economic growth that will lead to the creation of thousands of new jobs which will meaningfully improve the lives of our people.

That has now become the daily obsession for us in Public Works and Infrastructure, and which we will measure all decisions against.

The theme of today's panel, namely "Infrastructure, Investment, and Industrialisation: Opportunities for the Metals and Engineering Sector, Stimulating Demand and Contributing to Growth," therefore resonates deeply with the work the Government of National Unity seeks to achieve. And as government, we are aware that we will be unable to achieve this goal unless we work with different role-players, many of whom are present here today. We have to admit that we don't have all the answers, skills or money and so partnerships are what we are building our foundation for growth on.

What the GNU does represent, is a wave of renewed optimism that role-players can work together, and with the government for the greater good. But, as the government, we must also show goodwill and genuine preparedness that we are willing to listen and negotiate on key policy and legislative issues that are contested.

Each Minister, myself included, has a responsibility and role to play to ensure that the headlines don't become about our personal comments or views, but about our plans to build trust in this new political system.

As the Department of Public Works & Infrastructure, we are committed to playing our role to achieve the seventh administration's goal of sustained economic growth which creates jobs.

When I was appointed as Public Works & Infrastructure Minister roughly two months ago, I pledged that the department will work to become an economic delivery unit by turning South Africa into a construction site. We are fully behind President Cyril Ramaphosa's call to see construction cranes across the skies across the country to build infrastructure to benefit all South Africans.

As someone who worked for many years in the private sector, I am acutely aware how partnerships with public and private entities will be essential to achieve our goal of increased infrastructure investment and construction projects.

Not only does the state simply not have the finances available to fund all infrastructure projects in a fiscally constrained environment, but we often also lack necessary skills and expertise to ensure that infrastructure projects are completed on time and within budget.

This has become our second daily obsession. On time and on budget.

The Auditor General's 2022-2023 Local Government Audit alone revealed that not only does local municipalities underspent infrastructure grants by R3.34 billion, but also that 61% of local government infrastructure projects face delays, 9% encounter cost overruns, and 24% suffer from poor construction quality. These findings underscore the urgent need to inject skills and expertise into construction projects to provide the private sector with the confidence that infrastructure projects will be executed effectively and yield strong returns on investment.

Ladies and gentlemen,

This is why one of my commitments as Minister of Public Works & Infrastructure is to expand the role and capacity of Infrastructure South Africa, or ISA. In the months ahead, I want to work towards ISA becoming a single point of entry for all priority infrastructure projects in South Africa. In this way, it can help streamline the bureaucratic processes for large construction projects and reduce the inefficiencies which have previously hampered project delivery. Not only will this help to reduce any wastages within construction projects, but it will also help ensure that projects are prioritised which have the greatest social and economic impact.

This will have a major impact in municipalities in South Africa who will then be able to deliver much needed bulk services to residents, but also be able to attract private funding to their projects, as we have seen in the City of Cape Town.

Having spent the past few weeks visiting some of Infrastructure South Africa's projects, from the uMkhomazi water project in rural KwaZulu-Natal to Wolf Wind Farm in the rural Eastern Cape, I have first-hand experience of the role Infrastructure South Africa can play to expedite infrastructure delivery. Infrastructure South Africa has recently unveiled its updated investment book worth billions and I look forward to working with public and private financing institutions to see how we can fund these projects to get more shovels into the ground.

Having met with private and public sector financing institutions both in South Africa and recently during a state visit with President Ramaphosa in China, I know there is a strong appetite to fund infrastructure projects in South Africa. I look forward to working with Infrastructure South Africa and the Infrastructure Fund in the National Treasury to see how we can increase private and public funding in construction projects, reduce the red-tape involved and launch more construction projects. We will be continuing our discussions with private and public funding institutions in this regard when we join Deputy President Paul Mashatile on a working visit to the United Kingdom later this month.

As mentioned, private and public funding from financing institutions will be essential to turn South Africa into a construction site, whether it be through blended funding mechanisms or Public-Private Partnerships.

In order to build out our infrastructure plan, we need to ensure that a number of regulatory issues are dealt with including policy and legislative. This includes modalities on Public-Private-Partnership (PPP) which will also allow the State to accept unsolicited bids on infrastructure development. This is crucial to maintain a pipeline of bankable projects going forward.

We also need to work on private sector confidence in the capacity and capability of the State to deliver infrastructure projects. And this for me is achievable through our co-working models we want to see.

Linked to this confidence is accountability and transparency in the progress of catalytic projects that are identified. This is how we build trust and partnerships with the private sector.

I am deeply passionate about finding new funding models for public infrastructure and have been meeting with a number of domestic and Foreign institutions to conceptualise how to do so.

The focus has to be on PPP's, blended finance and alternative delivery models.

It is not that we don't have a pipeline of projects, it's that we don't have a pipeline of funding available.

To this end, we are conceptualising three ideas:

1 – 100% finance options for public infrastructure to avoid the lag in government approvals,

2 – creating funding pools with multilateral banks, development finance institutions and commercial banks to ensure a “pipeline” of funding is available subject to due diligence and government requirements,

3 – seeking out more project preparation finance to bring projects to finance close.

It's clear that we have to think outside the box and get creative on financing. We also need to see the market bring more projects to us and this is what we are committed to do.

While this is ambitious, we are left with no choice. Tinkering around the edges won't do.

I have said to ISA and my team that “NO” is a swear word. It is an acceptance of failure and failure is not an option for me or the GNU.

If we get this right, it represents the economic opportunity that SEIFSA members have been waiting for.

I am convinced that infrastructure-led growth can move the economic dial in South Africa and create jobs. This path is a win-win opportunity for business and government.

Ladies and gentlemen,

This is why, within the coming weeks, I will be finalising two advisory committees to my office: one to focus on how we can expedite infrastructure delivery, and a second on Public Assets Management. These advisory committees will be formed by the best minds in the public and private sectors to help advise my office on how we can work to use public assets for public good, and how to South Africa into a construction site.

I specifically want the advisory committee on Public Asset Management to look at how we can possibly restructure the Property Management Trading Entity, or PMTE, into a South Africa Property Company. Such an entity would focus on how we can convert state-owned assets to become income-generating. The revenue generated in return would be reinvested into the maintenance of critical public infrastructure such as hospitals, schools and police stations. As one of the largest land owner in the country it is imperative that we leverage our assets to support South Africans broader economic goals.

Another issue which the Department of Public Works & Infrastructure will be unable to resolve on our own is the rising trend of the construction mafia across South Africa which hinders constructions projects and inhibits private sector investment. We can't build infrastructure if it is going to be overrun by crooks and thugs.

This is why, within the coming weeks, I am committed to host an urgent summit in KwaZulu-Natal with Public Works MECs in their respective provinces as well as ministers in the law enforcement cluster to develop a sector wide response to the construction mafia. I applaud the work the Minister of Police Senzo Mchunu has already done to restore the rule of construction sites across the country, including the recent arrest of alleged culprits in KwaZulu-Natal.

However, it is my belief – a belief shared by the Black Business Council's Deputy President, Gregory Mofokeng - that 30% local procurement rule, intended to empower Small, Medium, and Micro Enterprises (SMMEs), has unfortunately been hijacked by criminal elements. It is therefore imperative that we have a conversation on how we can reform this rule to meaningfully empower black owned businesses without making room for it to be exploited by criminal elements.

It is through these collective efforts, by building a firm foundation in the Department of Public Works & Infrastructure, implementing reforms to combat abuse and to expand the role of public and private funding, that we will be able to use public assets for public good and turn South Africa into a construction site.

Ladies and gentlemen,

Now is truly the time to put one's hand to the plough to ignite a wave of construction across South Africa which will ignite sustained economic growth and create thousands of new jobs. This alone will meaningfully improve the lives of our people, and together with other efforts by the Government of National Unity, will achieve a truly prosperous South Africa.

As mentioned, the GNU represents a fresh opportunity for collaboration, but it also represents a fresh opportunity for public and private role-players – such as the ones represented here today – to get involved and build a better South Africa. Not only can private and public funding institutions assist in investing in our construction projects, but expertise can help us reform our policies towards greater execution, but also ensuring that construction projects are completed on time and within budget.

I want to extend my open hands to SEIFSA to work with me.

I can't do it alone. We can't do it alone.

I look forward to delivering on our promise to build a better South Africa. The opportunities are truly boundless. But, it will not happen without working together towards a common goal to increase investment, expand infrastructure projects, grow the economy and create jobs.

Let us now, regardless of where we come from, do the work to build South Africa.

Thank you.

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