



**MINISTRY
PUBLIC WORKS
REPUBLIC OF SOUTH AFRICA**

**BUDGET VOTE SPEECH
VOTE 7: PUBLIC WORKS**

**TW NXESI
MINISTER OF PUBLIC WORKS
8 MAY 2012**

***Turning around the Department of Public Works to transform service delivery
and expand job creation***

1. Introduction

- Honourable Chairperson
- Honourable members of Cabinet
- Honourable MECs
- Honourable Chairperson and members of the Portfolio Committee on Public Works
- Honourable Members of Parliament

Let me also recognise in the gallery the presence of:

- Chairpersons and senior management of our Public Entities;
- Representatives from DPW's Young Professionals training scheme, and beneficiaries of the EPWP programme;
- Members of my family, particularly my wife, and my Aunt – the lady who looked after me when I was growing up in Tembisa.
- Distinguished guests, ladies and gentlemen

Welcome all - to my maiden budget vote speech as Minister of Public Works. More importantly: this Budget Vote marks a milestone in the life of the Department of Public Works. We are coming from a dark place characterised by corruption and mismanagement - evidenced by 8 years of qualified audits, topped off by a disclaimer in the previous audit. We are fortunate that we have institutions such as the Auditor-General, the Public Protector and the Special Investigations Unit (SIU) – as well as Parliament – to expose and document the wrong-doing. We stand at a crossroads:

- We know what the problems are.
- We have developed a broad strategy to turn the department around.

- The task now is to implement. [*- to quote yesterday's editorial in The New Age: "Nxesi must act swiftly."*]

Keep in mind, nothing I promise you here today will come to fruition until, and unless, we tackle the underlying systemic flaws in the Department.

In the time available I want to cover the following:

- To table the budget vote - vote 7 - for the Department of Public Works
- To summarise the record of activities for 2011-12
- To highlight the main priorities for 2012-13, and
- To present the on-going turnaround strategy for the Department

2. The budget vote

We welcome the allocated budget of nearly R8 billion for DPW in the fiscal year 2012/13. This represents an increase of approximately 2% from the previous year's budget. The message to DPW is clear: don't even think of a real increase in budget until there is a real improvement in performance.

The R8 billion budget reflects government priorities and the Department's efforts to address the following outcomes:

- Outcome 4: Creating decent employment through inclusive economic growth
- Outcome 8: Sustainable human settlements and improved quality of household life, and
- Outcome 12: Creating an efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship.

My Department contributes to attaining the further two outcomes:

- Outcome 5: A skilled and capable workforce to support an inclusive citizenship, and
- Outcome 6: To create an efficient, competitive and responsive infrastructure network.

In addition to its core mandate as custodian and manager of the state's immovable assets, the Department has a mandate to create jobs and work opportunities and to address skills shortage, particularly in the Built Environment professions. All these speak to the outcomes I highlighted earlier.

It is important to make the point, that despite flaws, major sections of the DPW remain functional and productive – due to the commitment and hard work of officials. This gives me hope for the future. EPWP is a case in point.

3. Expanded Public Works Programme

EPWP is a flagship programme of this Department and of government – part of our response to the triple challenge of poverty, unemployment and inequality – highlighted by the President in his State of the Nation Address. Our target in the second phase of the EPWP - for the period 2009-2014 - is to create 4.5 million work opportunities. With more than 2 million work opportunities already created since 2009, we are well on the way to exceeding that target.

Moreover, in our choice of projects we seek to improve the quality of life of our poorest communities. Examples include:

- The social sector programmes such as community based care and Early Childhood Development.

- The Environment and Culture Programme which includes projects concerned with management of water, fire, waste and coastal regions.
- Also, large scale infrastructure projects which provide skills training to young people.

This Programme is making a real difference to people's lives, bringing back a sense of responsibility and dignity. One beneficiary stated recently, and I quote: *"because of EPWP, I am now able to walk into Shoprite and buy food for my family"*.

None of this would be possible without the active partnership, coordination and participation of municipalities, provinces and non-profit NGOs, Community Based and Faith Based Organisations. I am pleased to share with you that 98% of municipalities have now signed up for the EPWP.

In the coming year EPWP will expand into new areas including: rehabilitation and maintenance of branch railway lines; maintenance of border fences; road maintenance; as well as expanding the National Youth Service programme.

4. Capital Projects

Let me list some of the recently completed large capital projects: the major renovations to the Supreme Court of Appeal in Bloemfontein; the Kimberly Correctional Centre, and the South African Police Forensic Laboratory in Parow. The laboratory was constructed on green building principles with the purpose of contributing to the fight against crime.

In the course of 2012-13 some 250 projects are scheduled for completion. The Department has created 200,000 jobs – directly or indirectly – over the last five years. We are also resuscitating the Departmental Workshops to develop in-house maintenance capacity, as well as providing training opportunities for some 500 graduates and students in the built environment sector. This will include the training of professionals, technicians and artisans.

We have also undertaken to review the out-sourcing of jobs – such as security and cleaning – to further create quality jobs.

5. Asset Investment Management

The Department's Long Term Infrastructure Plan comprises three key elements:

- First, new buildings, replacements, upgrades and additions – to ensure service delivery to clients and the public from appropriate buildings;
- Second, maintenance and repairs – to safeguard the assets we have.
- Third, rehabilitation, renovations and refurbishments. We are committed to the conservation of state buildings – some of which are heritage buildings and some of which have fallen into disrepair. This is central to the Inner City Regeneration strategy, as well as our strategic goal of shifting the larger percentage of government accommodation away from leases to occupation of our own buildings.

Eleven buildings were rehabilitated last year, with a further 10 earmarked for this year.

As part of the Accessibility Programme, 51 state buildings were made more accessible for people with disabilities last year, with a further 100 buildings prioritised for this year.

6. Prestige

The Prestige programme covers the management of national government offices and the accommodation of The Presidency, cabinet members, MPs and senior judges – as well as the organising of national events. Prestige is a fraction of the mandate of Public Works, but takes up an inordinate amount of time. Personally, I am continually cornered by disgruntled ministers, members and judges unhappy with their accommodation. The following steps have been taken to revamp Prestige with the objective of improving service to our clients:

- Prestige has been placed under a dedicated senior official to ensure it receives the focus required;
- Policies are being developed to govern the acquisition and control of moveable assets;
- The specialised areas of facilities management and events management are being separated to provide greater focus and accountability;
- There is now close monitoring of service providers; and
- Most important, we are now committed to a process of formal consultation with MPs to ensure service to clients.

7. Policy: Transforming the Built Environment

The Department of Public Works remains responsible for the regulation and transformation of the construction and property sectors. Skewed property

ownership patterns need to be addressed, and the construction industry has to create an environment where emerging contractors graduate into sustainable businesses. The following programmes are key:

- Implementation of the Construction Sector Charter codes;
- The National Contractor Development Programme – driven by the Construction Industry Development Board (CIDB);
- The Contractor Incubator Programme (CIP) contributing to the development of emerging contractors between grades three and seven;
- The Property Incubator Programme (PIP); and
- Active participation in the Property Sector Charter Council.

The greening of the built environment represents a major new direction in the work of the DPW. We are developing a Green Buildings Policy in line with the principles of the Green Economy Accord – which will contribute towards green jobs.

In concrete terms, over the last year, we have retrofitted 1,000 public buildings with energy saving devices. A further 100 buildings have been fitted with water saving technology. Over the next year we plan to fundamentally rehabilitate 70 state buildings – including fitting state of the art water and energy saving devices.

On the legislative front, this year the Department will be tabling in Parliament the Expropriation Bill; the bill to establish Agrément South Africa as a public entity; as well as a bill addressing transformation of the Council for the Built Environment.

8. The Department's Public Entities

I need to mention the important work done by the Entities that report to the Minister of Public Works:

- *Agrement South Africa* - is a world class technical assessment agency whose primary role is the assessment and certification of non-standard construction products in South Africa.
- *The Construction Industry Development Board (CIDB)* - was established to mitigate risks in the public sector construction procurement environment; provide leadership to the construction industry and to stimulate sustainable growth. The Board's outputs include: developing standards for government tenders; combating fraud and corruption; and maintaining the contractor registration and grading system which is both a risk management tool for clients as well as a development tool for emerging contractors.
- *The Council for the Built Environment (CBE)* - advises the minister on policy for the built environment, whilst enhancing public protection by ensuring that only registered and competent professionals are allowed to practice.

It remains a concern that only 24% of registered professionals are black. The Council, in partnership with the Department of Higher Education and Training, is developing a candidacy programme to remove bottlenecks in the skills pipeline to allow aspiring young black professionals to attain professional registration.

- *The Independent Development Trust (IDT)* - supports the DPW to fulfil its mandate – as well as providing project management services to other

national and provincial departments. IDT supports the EPWP especially in relation to its management information system and the non-state sector programme. The Trust also delivered the following programmes on behalf of the Department: the Alternative Construction Methodology School Building Programme and the Energy Efficiency Programme.

As the Department sharpens its own vision for the future – as part of the turnaround – it will be essential to engage closely with the entities to develop synergies and coherence.

9. DPW: The Turnaround Strategy

I want to conclude with a progress report on the turnaround strategy for the Department. Let me clarify what I mean by a turnaround strategy:

- First, I am not talking about a one-size fits all blueprint imposed by external consultants. A successful change process has to come from within the Department, and must embed skills in the Department.
- Secondly, any successful turnaround starts with strong and determined leadership. That's my job from the side of the executive authority – but also requires strong leadership within the Department and a shared vision of what we want to achieve.
- Third, we speak about a turnaround strategy – in other words we are talking about a process, not an event.

- Fourth, as DPW, we do not have the luxury of time. We are running a business. This is the paradox which faces us as a department: to stabilise the operations of the department short-term, whilst we embark on fundamental review and transformation in the longer term.

The process has unfolded as follows: after widespread consultation, and with the assistance of the Treasury Technical Assistance Unit (TAU) which drew up a Rapid Diagnostic Report, I was able to announce a series of measures at the end of January. These necessary measures include:

- The establishment of an Inter-Ministerial Committee to provide advice and political support to the department. I have invited the following ministers to assist me: Finance, Home Affairs, Rural Development and Land Reform, and Performance, Monitoring, Evaluation and Administration in the Presidency. This broad support will be crucial in turning around the DPW – and of course are carefully studying the successes at Home Affairs and SARS in particular.

I need to share with you that one of the first people I asked to become a member of the IMC was Minister Roy Padayachie. I want to take this opportunity to pay tribute to a dear comrade – whose support and advice to a newly-appointed minister was invaluable. He will be greatly missed. May his soul rest in peace.

- A second task is the establishment of a Support Team under the Office of the Director General of DPW to oversee and manage the change process – both for purposes of stabilisation and longer term transformation. There is no point in putting such a team in the ministry – because ministers change

with every election. [*sometimes sooner*] That capacity has to be built and institutionalised in the office of the DG.

The Support Team will include a core group to institutionalise and manage the change process, as well as expertise in the core functional areas of the Department.

Amongst the concrete interventions already made are crucial stabilisation projects, including the following:

- *Stabilisation Project: The Immovable Assets Register*

It is an indictment of the Department that comprehensive, reliable and compliant registers of the immovable assets of DPW and other custodians still do not exist. I am pleased to announce that great strides have been made:

- Department officials are working closely with auditing firm, Ernst and Young – on a desk-top exercise to reconcile deeds records and other existing databases to identify gaps. This exercise will be complete by the end of this month.
- The cleansing of all gaps identified, accompanied by physical verification of select properties contained in the cleansed database, will take a further year to complete. Currently we are talking about some 35,000 properties – *so even my quick win takes a year to complete.*

The cleansing of the Immovable Assets Register allows us to complete the devolution of some 50,000 properties to provinces and fast track the vesting

process across the board. The availability of consistent and reliable data also facilitates the optimal use of state assets for policy objectives.

- *Stabilisation Project: Leases*

There are no quick wins with leases. Years of poor management, under-capacity and lack of financial controls have provided fertile terrain for fraud and corruption.

Serious irregularities have come to light, thanks to the detailed work of the SIU. It is for this reason, that shortly after my appointment I removed certain financial delegations to regions of the Department, such as withdrawing their powers to sign leases.

Twenty-two such leases have already been identified in one region alone – involving payments of over R64 million. This includes leases where DPW paid for the duration of the lease without the building being occupied. We have instructed our lawyers to approach the High Court to nullify these irregular lease agreements, and institute civil action against whoever unduly benefited.

Criminal cases are being opened against several officials; more are expected. I am informed that some criminal investigations have been concluded and arrests are imminent.

As far as the much publicised SAPS lease is concerned, the Department launched an application to the High Court to declare this lease agreement invalid. The matter is now before the Court for adjudication.

As our colleagues in the Treasury pointed out to Parliament last month, with private leases for government offices running at R3 billion per annum, costs

are rising unsustainably and represent a drain on public resources which could be used productively elsewhere.

Treasury has announced a joint programme with the Department of Public Works to audit all current leases of the Department with the following objectives:

- To further identify irregular leases;
- To collect monies owed to the Department;
- To establish a reliable lease register;
- To review and strengthen the systems of the Department relating to lease management, and to train and capacitate staff accordingly.

In fact the review had already started, building on the excellent diagnostic work done by the SIU in relation to lease audits.

A high level Steering Committee has been established – of Treasury and DPW officials – which has adopted terms of reference, and is developing a Charter to regulate the roles and responsibilities of DPW and its clients. For the review of leases we project a completion period of 12 months.

To give a sense of the scale of the task we face: DPW manages approximately 3000 leases – of which a quarter have lapsed and are being paid on a month by month basis. Recent media reports have highlighted problems experienced by the South African Police with their accommodation. To place this in perspective: we manage 1,277 leases on behalf of SAPS.

This also goes to the heart of service to client departments. This is why in relation to police leases, the Acting DG has met with the HOD of the South African Police Services to establish a Task Team to address lease related issues.

Further high level meetings with key clients – Correctional Services and Education – will take place shortly.

- *Operations Management*

It is clear that as DPW we have to reconfigure our operations to be responsive to our clients' needs. This has to be our point of departure, and we will be engaging our clients on how we propose to manage their respective portfolios. This approach will be underpinned by the creation of single points of contact, greater specialisation and focused responsibility of portfolio managers for specific clients. Key outcomes of the proposed operating model include stable and accelerated service delivery as a result of high repeatability, specialisation and systematisation; as well as lower unit costs.

- *Stabilisation Project: Clean audit*

Too little, too late - has been done to fundamentally change the audit outcome for financial year 2011-12. That is why, for the current year that has just commenced (2012-13) we are employing additional capacity. I am confident that the first positive results of this will be visible by mid-year when the Interim Audit results are presented by the Auditor-General. Core people are on board and will be driving the first phase of interventions to stabilise key areas that have been identified through a preliminary diagnostic.

To develop a metaphor I used previously: DPW is still in ICU, but we are now stopping the bleeding and stabilising the patient - before deciding on the appropriate long-term treatment.

Of course a successful turnaround depends on getting the right people in the right places and capacitating and using the people we have optimally:

- Crucial new appointments and secondments – from entities and other departments - have taken place to provide immediate support in the following areas: Operations, Finance, Monitoring and Evaluation, Supply Chain Management, Property and the Built Environment.
- A Support Team leader has been appointed whilst an open tender advert has gone out for the other members of the Team, as well as for a Panel of Experts to carry out specific projects.

In general the approach is as follows:

- Stabilise leadership as quickly as possible;
- Identify and stabilise areas of greatest threat;
- Build capacity around the office of the DG;
- As far as possible mobilise resources from within the public sector, and
- Where we have to use service providers, ensure that we embed capacity in the Department as part of the process.

10. Concluding remarks

In concluding, I know this is not the Oscars Awards Ceremony, but I would like to finish by thanking the following people.

- The President for entrusting me with the stewardship of the Public Works portfolio
- The Auditor-General, Public Protector and members of the parliamentary committees for their constructive criticism

- Members of the SIU for arming us in the fight against corruption
- Treasury – and TAU – for all the assistance and support in developing a turnaround strategy
- The Acting Director General and management of the Department who have kept the ship afloat, even as we try to turn it around.
- I particularly want to thank all those public officials of the Department of Public Works who:
 - despite the existence of corruption – remain honest, professional and committed; and who
 - despite all the negative publicity – have not lost hope and are actively assisting in the turnaround of the Department.

My message to them is this: that together we can achieve so much more.

I thank you.