

**Minister of Public Works
Ms S Sigcau
9 May 2002**

[Back](#)

Budget Vote 2002/2003

MADAME SPEAKER,
HONOURABLE MEMBERS

INTRODUCTION

Less than a decade ago, the fixed properties of the State were regarded as hardly more than just a jumble of bricks and mortar to accommodate, and in some cases, to shield the machinery of the State in its heinous activities against human rights and justice.

We inherited buildings that in most cases were not adequately supporting the work of other government departments. This was further compounded by bureaucracy, which often led to dissatisfaction from our colleagues. In the year 2000 we pledged to reverse this legacy.

Today we have given a human face and added economic value to some of these assets as we use them as catalysts for improved and efficient public service delivery to foster the culture of good governance and accountable government.

As a result of our turnaround strategy, we have received written messages of commendation and support from some of our client departments. It is our belief that as we change, we innovate and reach higher levels of customer satisfaction.

Shrewd management of the State's fixed assets has accelerated the attainment of government's socio-economic objectives including the creation of economic opportunities for our historically disadvantaged people.

Steadily our basis for innovation-fuelled action is beginning to bear fruit. Halfway through our five-year delivery pledge of Mintirho ya Vula Vula (Actions speak louder than words), the Department of Public Works is no longer the same. Productive assets in our rural areas stand as witnesses to the winds of change that have blown away the pain and despair of people in those villages where we have successfully completed projects. Many decades of deliberate and systematic marginalisation of the rural poor people have given way to the first eight years of hope, optimism and anticipation, thanks to the government of the people, for the people.

Madame Speaker, honourable members, in the past financial year this house voted for an allocation to the Department of R3.67 billion. In addition the Department had to ensure full expenditure of about R1, 3 billion which was devolved to client departments for the capital works programme.

For the financial year 2002/2003, in total, Public Works is presenting a budget of R3 730 679 000 or R3,73 billion. The provision for land and accommodation accounts for 86% and the National Public Works Programme for 8,4% of this budget, leaving less than 6% of our total budget for administration.

PROGRAMME FOR ACCELERATED CAPITAL EXPENDITURE (PACE)

In its entire history of existence, the Department of Public Works had been unable to expend completely, any capital budget in its allocation. This we found a challenge for which we needed to find a solution and a new way of doing business. This resulted in the introduction of a Programme for Accelerated Capital Expenditure (PACE).

PACE is a stringent reporting and monitoring system to force proper expenditure rates on Capital Projects, and/or to detect, at an early stage, where under-expenditure occurs in order to institute corrective, remedial measures.

(Wonder of Wonders!) I am proud to announce that for the first time, the Department of Public Works has spent just about 100% of the one billion and seven hundred and thirty six million Rand (R1,736 billion) budget allocated in 2001/ 2002 for capital works and planned maintenance.

The reason for our success is due to our uncompromising attitude towards any form of slackness, our focused efforts to achieve operational efficiency and customer satisfaction. Our "work smart" approach announced last year in this House is proving to be a resounding success.

The Department of Public Works also implemented the Repair and Maintenance Programme (RAMP) in 1999. In 2001/2002, the Department allocated R620 million towards RAMP, which represented 46% of the Department's capital works budget.

In order to address the maintenance backlog, the Department in 2001/2002 appointed engineering firms to spearhead the repairs and maintenance of an additional 146 prisons and 41 military bases in support of the Department of Correctional Services and the South African National Defence Force respectively.

Adding other prisons to the 33 major ones already on RAMP, meant that all 179 prisons in South Africa were now attended to under this programme.

With regard to Defence, a total of 69 military bases are now beneficiaries, considering that 28 contracts worth R63 million are currently being maintained comprehensively under this programme.

To date, Public Works has awarded repair and maintenance contracts valued at more than R1,4 billion with the Department of Correctional Services being the main beneficiary.

Two privately run and privately owned maximum Security Prisons became operational in the year under review, bringing to fruition the laborious work that my Department initiated in 1997.

The Mangaung Maximum Security Prison at Bloemfontein and Kutama Sinthumule Maximum Prison at Louis Trichardt are the first prisons in South Africa to be designed, financed, built, operated and maintained by the private sector as part of government's public private partnership initiative, called the Asset Procurement and Operating Partnership System (APOPS), which is the brainchild of Public Works.

Notably, more than R600 million was injected in the economy of the two towns during construction, creating economic opportunities of proportional scale for the communities including local government and locally based enterprises.

In response to requests from the Departments of Foreign Affairs, Environmental Affairs and Tourism and Education, the Department will be procuring, through APOPS, new Head Offices for these departments.

Also completed and officially handed over are the Medium and Maximum Security facilities and the housing project at Kokstad. Although there were some teething problems at one stage, the social and economic impact is expected to be the same as in our other projects.

The Department recently handed over a site to contractors in Berlin, Germany, marking the commencement of construction of the new R115 million South African Embassy situated at the embassy Boulevard of Tiergarten Strasse, neighbouring the embassies of Turkey and India. This is just one of a number of other projects that the Department is procuring on behalf of the Department of Foreign Affairs.

Our building programme is extensive and in the interest of time, I will highlight that in 2001/2002 we also completed the restoration of the Palace of Justice in Pretoria to the value of R44,7 million, improving this valuable piece of our history in human rights for generations to come.

LEASING

Within the leasing portfolio, we successfully negotiated a new standard lease contract with the private sector. Contrary to the lease agreement that favoured the landlords in the past, the revised agreement transfers most of the risk to the private sector. This is moving away from a situation where government was expected to rent as well provide maintenance for buildings owned by the private sector. In addition, in the previous financial year we have managed, through the re-negotiation of lease contracts, to save government an amount of R24 million. We are currently busy with further improvements within this portfolio.

STRATEGIC ASSET MANAGEMENT

The Department of Public Works is faced with the challenge of managing the government's property portfolio

in order to achieve government objectives of maximising returns and reducing costs. Up to now we have not had adequate capacity to really discharge the Asset Management function properly. Last year we employed a Strategic Asset Management Partner made up of (a consortium) six local and international companies. We are now in a position to propose to government a government-wide Strategic Asset Management Framework. This is a framework that will give guidance to the whole of government, including provincial government, on the management of state properties.

The Strategic Asset Management Partners are currently busy with a detailed analysis of the portfolios of the various government departments.

A critical part of the asset management function is to identify and recommend for disposal all redundant properties which are only adding to the costs of running the portfolio.

An assessment of properties that have no short, medium and long term strategic and other value resulted in a relatively high number of properties disposed of during the past financial years.

In total the Department disposed of 63 properties for commercial purposes, constituting 88 740,3 hectares that brought in revenue of more than R156 million. My Department has advanced plans for an increased number of property disposals in the current financial year.

Some of the notable disposals that have been initiated and concluded in this year include:

Property	Size	Entity disposed to	Type of disposal	Monetary income	Development details
Fernwood Estate Cape Town	16ha	Fernwood Developments (Pty) Ltd	65 year lease	R35 million	Predominantly residential
Erf 2322, Summerstrand, P.E. (known as Brooke's Hill)	65ha	Sisanda Development Services	Sale	R630 000.00	12 Luxury housing units
Remainder of Portion 442 of Farm Randjesfontein 405 JR, Midrand	125ha	Top Di-Computa (Pty) Ltd	Sale	R25 million	IT Park and related facilities
Erf 151197, Cape Town (known as Silvermine)	30ha	Jongilanga Consortium	Sale	R33 million	Predominantly residential
Toothrock Weapons range, Saldanha	111ha	Clear Seas Aquaculture	10 year lease	R875 000 pa 6% escalation	Abalone farming

We are currently working on legislation for the envisaged State Property Management Agency which we hope will enable us to compare to or even be better than the best in the industry.

NON-COMMERCIAL PROPERTY DISPOSALS

Land Reform on State land

The Department of Public Works has actively supported land reform initiatives of the national Department of Land Affairs (DLA), by prioritising and expediting the release of land under the control of Public Works. A dedicated sub-directorate to focus on land reform was created. Some of the properties that were part of the land reform projects that have been successfully concluded in the past financial year, include:

- Bethlehem & Harrismith Redistribution Project, Free State (6 farms, in extent 1 793 ha)
- Ellison & Steynberg Restitution Claim, Gauteng (113 agricultural holdings in Pretoria, in extent 431 ha)
- Kameelkop Restitution Claim, District of Glencoe, KwaZulu-Natal (43 residential erven in Wasbank Township, in extent 57 ha)
- Peeha Restitution Claim, District of Soutpansberg, Northern Province (5 farms, in extent 5 096 ha)
- Lebanon Fruit Farm Trust Redistribution Project, Western Cape (4 farms in the District of Caledon, in extent 119 ha)
- Algeria Redistribution Project, District of Clanwilliam, Western Cape (former forestry land, in extent 443 ha)

- Ndabeni Land Restitution Claim, Cape Town, Western Cape (Portion of Wingfield Military Base & adjacent State land, in extent 54 ha)

These are just a few of many land claims/reform projects that we are attending to. In the past financial year, the Department released 176 properties (in extent 7 997 hectares) with an estimated market value of R24 million, for land reform purposes.

Related to these my Department is also actively providing land to support development of low cost housing, mainly at no cost, to local authorities and provincial administrations.

In the past financial year, the Department released 19 properties (in extent 600 hectares) with an estimated market value of R8,6 million, for the provision of low-cost housing and related municipal infrastructure.

COMMUNITY BASED PUBLIC WORKS PROGRAMME

It is a welcome coincidence that our budget vote should fall in May, the month chosen by our President, Mr. Thabo Mbeki, to celebrate the inroads this government has made into rural development and poverty alleviation, while at the same time highlighting the prevalence of the spirit of Letsima / Ilima in our communities. For us in Public Works Ilima / Letsima simply means "planning together with communities and building together with communities".

For two consecutive financial years, my Department has fully expended their poverty relief allocations for the benefit of the poorest of the poor in our rural areas. And the social impact has been remarkable.

Through the Community Based Public Works Programme, in 2001/2002 the Department succeeded in creating 25 124 short-term employment opportunities with 10 627 of those taken by women, 10 300 by youth and 527 by people with disabilities. These figures exclude the contribution made by the programme to Black Economic Empowerment where 85% of all the contractors participating are emerging, historically disadvantaged entrepreneurs.

At KwaMadlala near Port Shepstone, the intervention by the Department to build four additional classrooms and a hall, and to renovate existing classrooms at Sozabe High School, not only reduced overcrowding but contributed to an increased pass rate of 51% in 2001 compared to the 21% of a year before.

In acknowledgement, the Mayor of the Ugu District Municipality, Councillor Mntomuhle Khawula said:

"The Department of Public Works has been with us for a long time. It is pleasing to know that there are those National Departments who listen. We thank you Minister for working hard towards a better life for all".

In recognition of the value of the assets we build and the role they play in both social and local economic development, I was heartened by the story of a certain Mr Isaac Tau of Danhouse in the Moretele District of North West. A beneficiary of the CBPWP, Mr Tau would wake up many times at night upon hearing suspicious sounds, to personally walk over to ensure that the projects we built were safe from vandals, thieves and criminals. This was before the projects were formally handed over to the communities.

I would like to acknowledge Mr Tau as a person who exudes a spirit of volunteerism and epitomizes our struggle for moral regeneration. He is sitting up at the gallery and I would also like to welcome him and thank all the people like him who still give hope to our country, as individuals or as groups.

A group of concerned professional people from around the country has embraced the call to lend a hand and established what they simply call "Operation Plough-Back". We shall officially launch this initiative during this month, being the rural month.

At Umzimkhulu, Plough-Back has resulted in a group of professionals using their diverse skills and knowledge to build capacity for the local government. These professionals adopted wards for voluntary work within the community to improve the quality of life. They are, in the spirit of Vukuzenzele, the true champions of rural development and we thank them for allowing Minister Zola Skweyiya and myself to take the political lead in this Operation.

Government, through the establishment of the Multi-Purpose Community Centres (MPCCs), has offered hope

to millions of rural poor people, by bringing government closer to them. These one-stop-centres house various government services such as home affairs, social development, labour and communication related functions. They make such services accessible to the rural and poor. In 2001/2002, the Department allocated R10 million for the establishment of MPCCs as part of government's roll out strategy to build at least one MPCC in all of the country's 61 District Councils by the end of 2003/2004.

Accepting the first ever MPCC to be officially opened in KwaZulu Natal, the Mayor of Umkhanyakude Municipality, Councilor Mthombeni said:

"Previously, the people of Mbazwana traveled more than 80 kilometers to access government services such as the registration of births and deaths, the applications for identity documents and other social welfare services. We thank Public Works for their foresight and believe they will continue, as before, to bring hope and a better life to the rural people".

When it comes to social cohesion related projects, the MPCCs occupy the centre stage in addressing the needs of our people, together with the Community Production Centres (CPCs) which we established together with the Department of Agriculture to promote sustainable, commercially driven and market-oriented communal agricultural ventures.

Since President Mbeki officially opened the first CPC at Lambasi near Lusikisiki on 25 November 2000, more centres have been established in other provinces. On 03 July the first 500 hectares of maize were harvested at Lambasi. The sugar bean yield amounted to 100 tons. Thirty-three people were employed on a permanent basis while people from seven villages are the direct beneficiaries.

The CPC's at Elandskraal in Limpopo and Cairn Lemon in Mpumalanga are ready and fully functional, also awaiting their first harvest of maize and lemon oil respectively. Already negotiations are at an advanced stage to sell the lemon oil to a big multinational beverage-producing company in America.

In KwaZulu-Natal, the Makhatini Flats CPC produces mainly fruit, vegetables, cotton and sugar cane. The upgrading of infrastructure has been completed, allowing the farming and productivity phase to commence. The sustainability plan is being finalised. Critical to this is the operationalisation of the Processing and Packaging facility and the co-operative to start running the business.

The Ndaya CPC, also in KwaZulu-Natal, the only CPC that is mostly run by women, has progressed well by completing their administration block, a packaging facility, an implements storage facility, the upgrading of the irrigation system; a tree planting project and an access bridge.

Deputy Minister Zondi, during his visit to this project earlier this year, identified the option for a bridge across the river to link the Ndaya CPC to the Ugu District. This will open a bigger market for their produce, linking them directly to main routes.

Many other CBPWP projects continue to commercially benefit the communities and create sustainable jobs. The Ithunzi Lodge at Port Dunford near Empangeni is a theme-park complete with sea-facing tourist accommodation in beautiful thatched chalets as well as modern-day brick chalets - all facing a pristine beach just to the south of Richards Bay. Part of the Umlalazi Poverty Alleviation cluster, this accommodation is constantly sold-out, particularly in peak season, despite a lack of telephone and fax lines. The marketing is all done purely by word of mouth and referrals.

Less than an hour's drive on the way to Pongola, the women of Hlabisa run a successful and professionally organised Zamimpilo Craft Market. The centre also houses spotless bathrooms, which come as a welcome relief for the tourists travelling on the national highway between Richards Bay and Swaziland/Mozambique.

Work organisation at the centre has meant that most women and men concentrate on the production of crafts and other artifacts while youth have been brought in to manage the sales, including lay-out and the design of stalls

All the above were achieved despite critical challenges we faced, such as the new municipalities, many without resources of expertise or capacity following the 2000 local elections.

Another area in which remarkable progress is being made, is that of the

EMERGING CONTRACTOR DEVELOPMENT PROGRAMME (ECDP)

In the year 2001/2002, we again experienced a considerable increase in contractors registering on the ECDP database. The numbers have increased to over 3 257 compared to 2 153 in the previous year. As these contractors are emerging it is challenging to access them, validate their credentials and manage their development and growth. This also makes the number of viable opportunities difficult and the sustainability of these contractors challenging. The ECDP is exploring a practical development strategy. This strategy will be to incubate targeted emerging contractors for a set period, which will ensure a sustainable award of contracts and provision of capacity building interventions

Access to Finance

Access to finance remains the single major problem facing black contractors. Black contractors in general have a high-risk profile and banks (and other financial institutions) are reluctant to lend them money. They are regarded as high-risk enterprises run by people who do not have a track record.

Efforts to promote access to finance by Emerging Contractors are beginning to show positive results. Within the Strategic Empowerment Programme the Department has succeeded in mobilising the support of Standard Bank and Khula on the one hand, and the Industrial Development Corporation (IDC) on the other hand, to provide access to bridging finance for working capital and performance guarantees to all qualifying contractors awarded contracts within the Strategic Projects Initiative (SPI) programme. Contractors requiring financing of R1 million and less are referred to the Standard Bank and Khula, whilst those requiring more than R1 million are catered for by the IDC. This year the IDC has made available a finance facility of R20 million for the Strategic Projects Initiatives. To date projects to the value of R36 636 211 are being funded through the IDC scheme to the loan value of R6 773 462. The loans cover 10% guarantees and bridging finance between 7 and 17%. With this assistance contractors were able to satisfy their contractual requirements and pay for their material and thus develop a track record with material suppliers.

The Department is still exploring mechanisms to make this finance facility available broader than the SPIs. Further relief to the emerging contractors has been brought by the waiver of guarantees for projects up to R2 million, and by the intensified campaign to shorten payment cycles.

Women in Construction

Women have won and executed significant Public Works contracts in virtually all the provinces. The number of registered women-owned business enterprises (WBEs) has increased from about 120 in 1999 to about 275 in the year 2001.

On 9 August 2001 we launched the Strategic Empowerment Programme.

At the launch 58 projects to the total value of R128 million were identified. Nineteen projects, totalling almost R30 million in value, have already been awarded to women-owned business enterprises.

BLACK ECONOMIC EMPOWERMENT

In its efforts to promote Black Economic Empowerment, the Department has allocated R908 million on capital works to black contractors.

I am very happy to announce that the Department has won at least four awards for Black Economic Empowerment in the Construction Industry. This is a record that speaks for itself as far as the performance of the Department is concerned in the area of Black Economic Empowerment.

My Department has succeeded in awarding 100 % of all Construction and Maintenance Projects in accordance with targeted procurement policies. This demonstrates our commitment to Black Economic Empowerment and the transformation of the Construction Industry.

CHALLENGES

Madame Speaker, honourable members, although we have achieved a lot of successes in the Department, many more challenges remain ahead of us. We noted that the number of complaints from our clients has been significantly reduced. However, we still have to ensure that we reduce our turn around times

significantly. We still have to ensure that we only use consultants where it is necessary and when we cannot use our own employees in the organisation.

We have to work hard on the financial management side to ensure improved audit reports.

In respect of the Community Based Public Works Programme, we have to do everything possible to ensure that we eliminate all white elephants that have been inherited and prevent the creation of any more. This will be achieved by a very close working relationship between our Department, local authorities as well as communities on the ground. We still have the challenge of coming up with a broader based public works programme - one that will ensure employment opportunities for a great number of our people. Our rural landscape should really become a hub of building and construction activities, punctuated by the soothing sounds of concrete mixers and the pounding knocks of hammers.

CONCLUSION

Madame Speaker, honourable members, we have been given a mammoth task by our government and by this Parliament. We believe that we have gone a long way to deliver on our mandate. We have laid the foundations of sustainable improvements in the management of the government property portfolio, the alleviation of poverty through the Community Based Public Works Programme and the transformation and development of the Construction Industry.

I would like to acknowledge the cooperation of our client departments, thank my colleagues and the members of the property industry, the construction industry as well as all the District Municipalities with whom at times we had differences of opinion.

Finally, please allow me to thank Deputy Minister, Umfundisi Musa Zondi, and the management team and staff of the Department for their dedication to duty and their response to my call to ensure that innovation becomes the driver of change.

I wish to thank all those members of the public who have made themselves available to serve on the various boards. Drawing from their expertise has made us move faster than we thought.

A special word of thanks goes to the members of the Portfolio and Select Committees on Public Works - who have worked closely with us and through their contributions ensured that we kept on improving.

[top](#)