

**Minister of Public Works  
Ms Stella Sigcau  
16 August 1999**

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## **Briefing to Members of Parliament**

Honourable Members, Ladies and Gentlemen ...

### **PROGRAMME OUTLINE AND INTRODUCTION OF STAFF**

Our presentation today will be structured to cover as wide a range of responsibilities of the Department of Public Works as possible, in the short time allowed. At the same time, certain aspects of immediate high priority will be focused upon, while less important aspects may merely be mentioned.

As to the programme for this briefing:

I will present a broad overview on the functioning of the Department, some considerations for change and refined transformation assisted by the Deputy Minister for Public Works, Buyi Nzimande, while senior officials will present their areas of expertise and responsibility.

Please allow me to introduce these officials. They are:

The Acting Director-General, Sivi Gounden, will speak on the current structure of the Department and also add on to individual presentations where necessary.

Killian Masipa, Chief Director: Client Services, who will inform us on:

- Property development
- Operations
- Leasing
- and the specifically developed Public/Private/Partnership to create a shared risk in the design, financing, building and operation of specialised public accommodation such as prisons.

Andre Meyering, Director: State Property Holdings. He will address us on the property holding function. Frans Potgieter, the Director Asset Management and Special Projects will present Asset Management and Special Projects.

Spencer Hodgson, the Acting Deputy Director-General for the National Public Works Programme Branch, who will present to us the Construction Industry Development Programme, including the Emerging Contractor Development Programme and the progress thus far in forming the Construction Industry Development Board.

The other component of the National Public Works Programme, the Community Based Public Works Programme, will be presented by Bongani More, Chief Director in this component.

Our Chief Director: Human Resources Management, Joseph Moloto, will inform us on the HR programmes and development, while Sam Molautsi, the Acting DDG for Finance and Corporate Services, will share some outcomes of our financial transformation and the implications thereof on government finance with us.

The rest of the team includes Jan Hoon, from our special investigation and fraud awareness unit as well as Buks Annandale, from our legal component and Baba Botha, the Chief Director in the DG's Office.

To ensure that all areas are covered, I would suggest that we deal with questions and comments after the respective presentations have all been concluded.

### **OVERVIEW - INTRODUCTION:**

In presenting to you today the Department of Public Works, I want to talk business.

Holding a property portfolio estimated at R120 billion, means business. It means that value needs to be

determined, risks calculated and programmes and systems effectively operated to account for all activity and transactions per property in an efficient and cost-effective way. It means treating each property as a cost unit with certain forecast needs during its lifecycle, but also as a unit of possible contribution in meeting the socio-economic and development goals of government. It also means finding speedy solutions to the disposal of redundant state property, which are at present idle assets and a liability to the taxpayer in terms of rates and taxes and security. Redundant properties, or those not being optimally utilised, should be turned to generate income for the upkeep of the occupied and utilised units in the portfolio - simultaneously attempting to reduce the cost of leasing more desirable accommodation from the private sector.

I expect the same businesslike approach in the National Public Works Programme - where rural community assets are created, these should link up with other initiatives of government, including the Spatial Development Initiatives for example, and proper coordination between all three tiers government is essential. It is for this reason that we will continue the clustered approach - almost a mini development corridor - where productive and support assets created are linked to service and information facilities at central axes within rural areas.

Furthermore, I will be seeking support from you, in the interest of our country, to ensure that state fixed property is properly utilised. Having said this, let us take a systematic approach to the current Department of Public Works by starting off with the vision and mission to see what it is that we aspire to, and then look at how we are positioned in effecting our goals.

**Vision:**

To be the leader in Africa and the Developing World in the provision and management of State property and Public Works Programmes

**Mission:**

To ensure that the national State departments of South Africa have a built environment that meets their financial, technical and social requirements through the:

- Provision, development and maintenance of accommodation
- Acquisition and disposal of fixed State property
- Management and maintenance of the State property portfolio.

And

To implement the National Public Works Programme by:

- Creating assets through the Community Based Public Works Programme
- Influencing and stabilising the construction and property industries and ensuring that infrastructure is provided in a way that creates jobs, empowers communities and develops human resource.

**KEY COMPONENTS OF THE DEPARTMENT:****The National Public Works Programme**

Mandated by Cabinet, the Department of Public Works is entrusted with the responsibility to drive the National Public Works Programme (NPWP) on behalf of government.

Building on the all-round delivery capability of the Department, the NPWP constitutes a pivotal government programme for the transformation of infrastructure delivery to meet the physical, social and economic needs of South Africa's population.

The NPWP embodies a two-pronged approach to the challenge of infrastructure delivery and transformation, an approach that is addressed by its two sub-programmes, the Community Based Public Works Programme and the Construction Industry Development Programme.

As a direct delivery instrument aimed at poverty alleviation and rural development, the Community Based Public Works Programme addresses the delivery of assets to South Africa's poorest communities in a way

which creates jobs and fosters empowerment, human resource development and economic growth.

The Construction Industry Development Programme on the other hand is geared to the development and transformation of the construction industry as the central vehicle of both public and private sector infrastructure creation. It strives to promote accelerated delivery, industry stability and improved performance, growth of the emerging sector, industry skill formation and public sector delivery capacity.

### **Some achievements and challenges of the Construction Industry Development Programme**

Over the past four years, the Department of Public Works has established itself as the lead Department and champion of construction industry transformation and development. This component has been responsible for the coordination and development of a comprehensive policy framework for construction industry development contained in the White Paper entitled: "Creating an Enabling Environment for Reconstruction, Growth and Development in the Construction Industry".

Key milestones towards construction industry development and transformation include the Department of Public Works' role in pioneering the Affirmative Procurement Policy (APP) as a structured and transparent approach to promoting work opportunities for emerging black contractors.

These small and medium enterprise contractors now undertake about 30% of the Department's output as opposed to 4% in 1994. To consolidate the growth of these contractors the Department has an Emerging Contractor Development Programme to address supply side constraints such as access to information, entrepreneurial training, finance and credit. Thus, as part of the Department's transformation, each of our Regional Offices has a helpdesk to provide advice and guidance to these contractors. These helpdesks are another aspect of the reorganisation of the regional offices that I want to see treated with the necessary urgency and proper multi-skilling of staff to provide an encompassing helpdesk service. It would also entail upgrading of the technology and training of staff.

To take forward the many challenges contained in the White Paper strategy, I as Minister, am responsible for the activity of an Inter-Ministerial Task Team on Construction Industry Development with members appointed from the public and private sectors (November 1997).

The Task Team has established a structured process of consultation to lay the foundation for the envisaged Construction Industry Development Board (CIDB) which will drive the strategy on behalf of all stakeholders. A Framework Plan is being prepared as the basis for legislation to enact this entity. This plan will soon be presented to the Portfolio Committee and legislation will be introduced early in 2000.

### **Achievements and challenges of the Community Based Public Works Programme**

Since its inception in 1994, the Community Based Public Works Programme (CBPWP) has been continuously refined from the perspective of both policy and experience. In particular, its redefinition has been influenced by the ongoing refinement of government's social and economic objectives, the lessons learned in implementation and ongoing analysis of international experience.

The realigned CBPWP has evolved from a public works programme focussing primarily on poverty alleviation to one that now endeavours to promote the sustainable economic development of South Africa's poorest of the poor rural communities.

Judged by the International Labour Organisation (mid-1997) to be the leading public works programme in more than 30 developing countries in Asia, Africa and the Pacific, the CBPWP has focused on empowering and building capacity in historically marginalised, but particularly rural communities. Its core objectives emanate from the RDP and were initially defined in terms of projects which:

- Create physical assets
- Create short term employment
- Enable skills transfer
- Empower communities through the delivery process, and
- Transform the way in which projects are implemented by public and private sector delivery agents.

The Department of Public Works has worked relentlessly to address the deficiencies identified in the ILO evaluation and to redefine the CBPWP as a catalyst for sustainable economic development and a viable rural

development strategy. In the conviction that the Programme should be intensified around this central objective, the Department has significantly increased the programme's core staff capacity, has refined its targeting strategy and is establishing a rigorous monitoring and evaluation system to ensure that the programme's realigned objectives are being achieved.

In addition to the original objectives, including the job creation potential of infrastructure delivery, the realigned CBPWP is committed to, and is already implementing, the following:

- Effective targeting and the identification of poverty pockets and development projects which involve women
- The delivery of productive assets, such as irrigation schemes, market gardens, food processing and community culture and tourism
- The clustered delivery of these productive assets to create nodes for sustainable economic development
- The inclusion of rural access road networks as an integral part of the envisaged economic nodes
- The planning and conceptualisation of these economic nodes and access roads, with due cognisance taken of regional economic strategies, local development objectives and spatial development initiatives
- Reliance on the current institutional arrangements to promote the capacity building and development of local authorities, and their linkage with the targeted communities
- The development of cooperative governance by involving the different tiers of government in the delivery process
- The maximum mobilisation of corporate sector involvement to enhance the impact of public sector resources.

With the current budget allocation of R548 million, the CBPWP is expanding its operation and dozens of our poorest communities are gaining new hope in the viability of the rural areas, primarily in KwaZulu-Natal, the Eastern Cape, the Northern Province and also in Mpumalanga, Free State and the North West Province.

The Community Based Public Works Programme is also addressing a number of special projects. This is in line with the Department's belief in partnership. These include the Clean and Green Campaign (partnership with SA Breweries); Local Industrial Parks (partnership with Department of Trade and Industry) and Mbuzini Road (partnership with Mpumalanga Department of Public Works).

The most notable of the special projects is the Youth Working Towards Environmental Accessibility (YOWOTEA). This special project is undertaken in cooperation with the National Youth Commission and the Office of the Status of Disabled Persons (OSDP). This is a challenging project, promoted by our President, to instil a new ethos of service in our youth and indeed in us all. The project will equip public buildings in urban and rural areas with access and enabling facilities for disabled persons. The construction of these facilities will be performed by groups of unemployed young people who will be trained and developed during the delivery process.

### **State Property Holdings and Asset Management**

A White Paper: "Public Works towards the 21st Century", was adopted in November 1997. Its overall objective was to establish a durable strategy to meet the socio-economic objectives of government and outline a dynamic, fundamentally transformed approach to the work of Public Works, including property investment, property and facilities management and project management.

Since the adoption of the White Paper, great strides have been realised in the achievement of the initial objectives. As a considerable economic driver in the property holding and management arena, the Department has used its influence to ensure that procurement reform was piloted in the construction industry, leading to a broader acceptance of the Affirmative Procurement Programme. The targeted procurement approach was strengthened by the Strategic Projects Initiative (SPI) where specifically black contractors were targeted for rising to appointment at prime contractor level, thus unlocking their potential economic capacity.

The National Asset Register has been an achievement in now identifying all assets owned by the government in the Republic of South Africa. Refinement and maintenance of data on this register remain a challenge.

Despite these achievements, one of the major difficulties that continues to face the Department of Public Works is the lack of financial and human resources to meet the requirements of managing a very large and complex property portfolio. The number of properties and buildings within the control of both the National and

the Provincial authorities is in excess of 240 000. This represents the largest property portfolio in the Southern Hemisphere.

Although owning a huge fixed property portfolio, the State is not realising the full economic potential of these assets. The revenue generated is negligible and at the same time properties are falling into disrepair. The latter is due to under utilisation, misuse and inadequate funding of maintenance. The maintenance backlog is currently estimated to be around R10 billion. Many State owned buildings do not comply with Safety and Occupational Health standards and are constantly shut down because of the risk they pose. This seriously contributes to the increase in leases from the private sector to house government. Since 1991, lease costs have escalated by 186%. For the current financial year the Department of Public Works has budgeted R730 million for leases from the private sector. It represents a growth of about R90 million in the current financial year and compared to the total allocation for maintenance of R564 million, it illustrates that we urgently need to intervene.

Options introduced to address the maintenance backlog and other key challenges in countries such as Australia, Canada, New Zealand and the United Kingdom have been explored. In particular the Department has identified the need for improved financial structures, increased outsourcing of services and the possibility of establishing an independent authority (a Property Agency) for ownership and asset management. The introduction of such changed management would be intended to promote good governance, increased empowerment and substantial asset improvement for the State.

I am of the opinion that, based on a scientific investment analysis, the State, while disposing of some of its assets, should maintain a significant property portfolio. Some of the properties that will be kept within State ownership will be those that are of national significance, those that fulfil national security requirements, properties of strategic significance for future government use, heritage properties, highly specialised properties which would significantly inhibit commercial provision, properties with special diplomatic requirement as well as those properties that are economical for the State to retain.

We are therefore suggesting that all occupants of State property pay rent in the near future, that formal lease agreements are effected and that the feasibility and viability of phasing in a Property Agency to manage and control State Property is investigated in conjunction with State Expenditure and Finance. This goes hand in hand with introducing a trading account and the other required measures and mechanisms.

### **Accommodation**

The transformation of this component from the traditional discipline grouping into that of project management has proven to be largely successful. The single point of accountability principle has been adopted and the main challenge now lies in restructuring the delivery of this function to the regional offices which are the actual implementation arms on projects, although a core management structure and expertise is to be maintained at Head Office. Again the shortage of efficiently skilled staff is an inhibiting factor, where less than 16 people have to account for more than 300 major projects for instance. The Chief Directorate: Operations handle up to as many as 5000 projects at any one point in time. This necessitates a heavy reliance on electronic information systems, in which the State and also this Department, experience a shortfall due to the cost of these systems as well as the remuneration of adequately skilled staff.

The Department has engaged in specific training initiatives, both in-house and through tertiary institutions. Trainee appointments are also being considered, starting with current bursary holders to the Department.

### **Internal Audit, Fraud Awareness and Special Investigations**

Both these components report directly to the DG for strategic reasons. The Internal Audit component is busy identifying shortfalls in systems and procedures for redesign by executing compliance and performance audits, thereby minimising the risk and maximising the utilisation of resources. Particular areas of focus in the current financial year are:

- Unplanned maintenance
- Municipal services
- Leases and
- A risk assessment of the Finance Branch.

The Fraud Awareness and Special Investigations directorate is currently fighting fires of corruption, fraud and

mismanagement within the Department.

A number of suspensions (7) have been effected where officials were found to initiate, or cooperate with perpetrators of, fraud and corruption. Acts of corruption, fraud and mismanagement have, however, an eroding effect on the positive initiatives, the integrity of the Department, and service delivery within tight budget frameworks. It is therefore imperative that the unit continue their activities and that its impact is increased.

### **Financial and Human Resource management**

In keeping with the overall transformation of the Department, these support functions need to be strategically managed to stay abreast of development and answer in the need of good governance.

The total budget for the Department of Public Works is just more than R4 billion.

Leasing totals R730 million while Capital expenditure is budgeted at R and Planned Maintenance carriers a budget of R .

Specific focus areas include risk management and control, information and data integrity as well as the management of resources. Considering the heavy reliance on electronic information systems, our Works Control System and other databases used in the huge amount of contract administration we do, these systems and procedures, as well as the capacity of the staff, must be improved upon.

Our Personnel budget totals R272,5 million while the main challenges here are decentralisation of staff to the regions, the rightsizing of the Department through outsourcing and the creation of employee-owned business units under contractual agreement as well as the shutting down of workshops.

### **CONCLUSION**

I conclude my presentation by summarising the key challenges and opportunities for the Department of Public Works as I see it:

The Department should be managed as a business, run on sound business principles with due cognisance of accountability required and designing systems and procedures in such a way as to conform to the requirements of the Auditor-General. Emphasis is being placed on the drawing up of business plans, linked to the performance contracts of senior management, to serve as management instruments.

The Fraud Awareness and Special Investigation Directorate should intensify its endeavours in rooting out all forms of corruption affecting delivery by the Department and should prepare suggestions to this effect

The economic potential of the huge property portfolio must in all respects be utilised

Properties, including Prestige Properties, should be managed as cost units over a particular lifecycle

The maintenance backlog must be addressed, considering the huge potential for training and employment in this sector to realise socio-economic objectives while restoring the State properties to a level of suitable occupancy in order to reduce the amount of leasing from the private sector. This should happen in conjunction with assessing occupancy levels of large buildings by clients and the optimal utilisation of State accommodation by having Departments share buildings

The creation of a Property Agency should be investigated, as well as an opportune environment for disposing of redundant State properties to generate income for the upkeep of the retained fixed property portfolio

Throughout, staff and systems have to be beefed up to operationalise and ensure accelerated delivery.

Regional Offices should be reorganised via decentralisation and upgrading. There should be a particular focus on assistance to clients, contractors (emerging and women included) and the public via helpdesks, which will strengthen the client orientation of the transformed Department

Public Works will be introducing legislation relating to the built environment during the current session of

Parliament. This legislation emanates from a recently published policy document on the statutory regulation of the built environment. Both the policy document and the legislation are the products of a thorough and all encompassing consultation process over a period of five years with all the relevant stakeholders as well as the public at large. The new body to be created by this legislation is the Council for the Built Environment which will play a coordinating and capacitating role for the various professions. The various laws regulating the professions which are the administrative and legislative responsibility of this Department are also re-enacted and aligned with the said Council for the Built Environment. These are:

- Architectural Profession Bill, 1999
- Engineering Profession Bill, 1999
- Landscape Architectural Profession Bill, 1999
- Valuation Profession Bill, 1999
- Construction Management Profession Bill, 1999 and
- Quantity Surveying Profession Bill, 1999

The establishment of the Construction Industry Development Board would be a milestone to achieve, as will the continued poverty alleviation, particularly in rural areas and our continued contribution to the further roll-out of the Affirmative Procurement Programme throughout the public sector.

The policy environment has been created, refinements now should focus on implementation and accelerated delivery, and that is what I expect the Department to do.

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