

**Minister of Public Works
Ms Stella Sigcau
20 January 2000**

[Back](#)

Five Year Delivery Plan

**"Mintirho Yavhulavhula"
(Actions speak louder than words)**

Ladies and gentlemen,

Thank you for coming. The Department of Public Works plays a crucial role in facilitating delivery by other government departments and manages the largest property portfolio in the Southern Hemisphere. Our role is to enable national government departments to fulfil their tasks efficiently, build capacity at all three tiers of government, and at community level.

To give you some idea of the diversity of our property portfolio, we are responsible for buildings such as the Palace of Justice, Union Buildings, Parliament, all magistrates' courts, all police stations, all prisons, all military bases and the entire coastline of South Africa.

We are also charged, through the Community Based Public Works Programme, with alleviating poverty in rural areas through training, job creation and the provision of infrastructure.

Another one of our responsibilities is the development, transformation and regulation of the construction industry. Related to this we champion and supervise construction industry tendering procedures for government.

In all the work we do, we must ensure that the broader socio-economic objectives of government are met. I am referring to job creation, black economic empowerment and poverty alleviation in particular.

Our business is huge and complex. We are custodians of more than 243 000 state-owned properties, with a conservatively estimated, locked value of R120 billion and an operating budget of more than R4 billion per year.

I intend to ensure the Department of Public Works runs on sound business principles. There are no sacred cows; we are prepared to question every aspect of our business and to answer every media question honestly and openly. The first thing I want to stress is that we are facing considerable challenges but we have carefully formulated the way forward.

Staffing was my first challenge. When I took over I felt as if I had arrived in Hollywood - everybody was acting. Top management was virtually non-existent. At the highest level, the Department comprised of one Acting Director-General with key Deputy Directors-General posts vacant.

Senior management suffered from severe staff depletion, particularly in key areas such as Leasing, Provisioning of Accommodation and State Property Holdings. For example, before 1994 the Leasing component had 600 staff. Currently there are 50 people doing this job. This at a time when the number of leases has increased.

The Regional Offices, our delivery arm, were not sufficiently staffed in terms of professional skills and senior management. In some instances, junior staff headed Regional Offices.

These severe problems are now being addressed.

Perhaps the greatest area of weakness I inherited is around financial management, as illustrated by consecutive adverse Auditor-General's reports. Weaknesses revealed were poor compliance and non-adherence to internal control procedures. I anticipate that the 1999/2000 financial report might also be negative, even though we have started to address the problems.

I inherited a situation where the Standing Committee on Public Accounts (SCOPA) concluded that Public Works was one of the three worst government departments in terms of financial accountability and declared that the Department has a financial crisis with a high propensity for corruption. Contributing to this were

unintegrated financial systems, a lack of management information systems, poor financial management knowledge and capability.

To make things worse, Public Works was perceived by its clients as inefficient, offering poor service and under performing.

In short - I faced a tremendous challenge, to put it mildly.

However, when Tami Sokutu was appointed Director-General, I made financial management his top priority and we have since made great strides in improving the situation.

Human resources

Tami Sokutu's appointment in September 1999 was the first step in improving management capacity. This was followed by the appointment of Lydia Bici as DDG with effect from 1 October 1999. We are in the process of filling other key posts at head office and regional offices, including upgrading of management levels in regional offices.

The objective of upgrading regional offices is to transform them into operational business units.

Financial Management

Financial reporting structures have been revamped and a new financial reporting framework created, which, on a monthly basis, keeps track of key operational areas.

We have now instituted stringent control measures in many areas where there were glaring shortcomings. I introduced a 5-Point Anti-Corruption Drive to the MECs for public works in October 1999, which they have adopted. The Director-General, together with the provincial Heads of Departments are currently implementing it. It comprises:

- training of officials to improve their knowledge of procedures and control measures,
- internal control measures,
- proactive corruption-busting investigations,
- measures to be taken against officials and contractors involved in the promotion of corruption and,
- Strengthening of administrative and financial capacity.

The work of our Fraud and Corruption Investigations Unit and our internal audit structures has paid dividends for the Department and people of South Africa:

- Expenditure levels on vulnerable accounts, such as day to day maintenance, have shown a huge decline
- Investigations of mismanagement and fraud in respect of magistrates' courts and residential property involving ±R54 million have led to 40 officials being implicated. The Heath Commission is investigating these officials. Nine have already been subpoenaed; others will be subpoenaed shortly.
- 15 contractors have been blacklisted and removed from the department's contractor base; criminal investigations are under way in some instances.
- Stolen warrant vouchers with a value of 600 thousand rand, were recovered before any loss was incurred by the Department
- Four corrupt department officials have been dismissed and 12 suspended. Investigations are continuing.

Service delivery

In October 1999 a lekgotla strategic planning session took place to address the crucial challenges facing the department. The following action plans have been formulated:

1. DEVELOPMENT OF THE PROPERTY BILL

There is duplication, inconsistency and inefficiency in the acquisition, management and disposal of the State's fixed assets. To resolve this we have prepared a Property Bill targeted for adoption by parliament by October 2000. The Property act will ensure consistency and efficiency in state property transactions.

2. UNLOCKING OF THE VALUE OF THE STATE'S FIXED ASSETS

Now that a domestic asset register is in place, the Department is embarking on a drive to unlock the latent value of the State's fixed properties.

The first phase of this project is disposal of all redundant State- owned houses by mid 2000, many of which are being vandalised or are illegally occupied.

Over the next two years we intend to put on the market for sale or lease, five large properties that are under utilised and 10 redundant military bases.

In the longer term, say five years, 10 large properties and 20 redundant military bases will also be released into the broader economy. These include properties such as Nasrec, near Soweto, 100 hectares of prime land, south of the Development Bank in Midrand, Waterkloof Ridge in Pretoria, Silvermine in Cape Town and various other properties throughout the country.

Since I took office I have made 4362 hectares available throughout the country for low cost housing and community development. A great deal more land will be released over the next five years.

3. RE-IMAGING OF STATE OWNED PROPERTY

Some State owned properties still carry the stigma of the country's apartheid past. I intend to profile the significance of these properties and re-image them to reflect our democratic society.

Among such properties are Parliament, the Union Buildings, Vlakplaas, Cinderella Detention Barracks in Boksburg, Constitutional Hill in Braamfontein, and the Palace of Justice where Nelson Mandela was sentenced.

(pictures)

4. ECONOMIC EMPOWERMENT IN ACQUISITION, MANAGEMENT AND DISPOSAL OF THE STATE'S FIXED ASSETS

Skewed property ownership and lack of participation in the property industry by previously disadvantaged groups persist in South Africa. The first phase is to draw up an economic empowerment policy to address this problem.

In the medium term when we acquire or dispose of property or grant management contracts, we will ensure that at least 20% of the transactions will benefit the previously disadvantaged. This figure will increase substantially in the longer term.

5. BEYOND THE ASSET REGISTER

A national asset register has been compiled. Now we have to investigate and seek prosecutions in cases where properties were acquired or sold through clandestine means. In addition my Department is immediately embarking on the compilation of a Foreign Asset register.

Until now government departments have not paid rent or contributed to the maintenance of the state-owned buildings they occupy. We will introduce a system under which government departments will pay market-related rentals.

At the moment there are complaints about the quality and speed of Public Works maintenance. We have a three-year plan to redress these problems.

6. REDUCING THE MAINTENANCE BACKLOG

In order to address the maintenance backlog R10 billion must be invested over the next ten years. Clearly, the State cannot afford this.

To solve this problem the private sector will be involved in innovative financing and delivery mechanisms. It is envisaged that 25% of the R10 billion backlog will be addressed within the next five years.

Several other components of property related functions will also be managed in partnership with the private sector, for instance the area of property and facilities management.

Leasing is an area that has been identified for more effective management. Savings generated will be used to help reduce the maintenance backlog. We envisage reducing the leasing portfolio by up to 30% in the next five years.

COMMUNITY BASED PUBLIC WORKS PROGRAMME (CBPWP)

7. Community Production Centres (CPC's)

The CPC concept is an initiative by the Department in conjunction with the Ministry for Agriculture and Land Affairs to rehabilitate rural irrigation schemes and provide agricultural infrastructure. The main object of this approach is to ensure that our poverty alleviation programmes have broader impact on improving the quality of life of many people in rural areas in a sustainable way. These centres will only be funded by government only at their initial stages. Thereafter they will be self funding through generation of marketable crops. Pilot projects are under way in Makhathini Flats (200 000 people) in KwaZulu Natal, Lambasi(56 000 people) in the Eastern Cape and Veeplaas in the Northern Province.

8. Multipurpose Centres

The Department has also initiated a new approach of clustering projects, which incorporates a number of villages. The idea behind the Multipurpose centres is integration of service delivery by different Government Departments with the purpose of achieving better social cohesion.

The following pilot projects will be launched during the course of the year:

- Ladysmith in KwaZulu Natal
- Bizana in the Eastern Cape
- Northern District Council in the Northern Province
- Willovale in the Eastern Cape

9. Accelerated delivery

The confirmation of funding through the MTEF over the next three years has presented an opportunity to accelerate the implementation of the programme. The planning for CBPWP projects which normally takes about six months will now take three months and will be done before the end of each financial and thus allowing for implementation in the beginning of the next financial year. At our Workshop on Monday, we will deliberate on the further roll out of the Emerging Contractor Development Programme throughout the public sector.

CONSTRUCTION INDUSTRY DEVELOPMENT PROGRAMME (CIDP)

10. Focus on Black Economic Empowerment

- **Affirmative Procurement Policy (APP)**

The Affirmative Procurement Policy, piloted by the Department, has helped create economic and business opportunities for emerging contractors. The SMME contractors now undertake 30% of the Department's output (as opposed to 4% in 1994). The emerging contractor development programme that addresses supply side constraints such as finance, training and information is being expanded to other departments and public sector institutions.

- Women empowerment

Promotion of Women in Construction is one of the key focus areas of the Emerging Contractor Development Programme. A draft Memorandum of Understanding has been developed with South African Women in Construction (SAWiC) which focuses on training in business skills, tendering procedures and technical advice.

- Youth Skills Development and Mentorship Programme

A total of 503 youth, largely women, were trained in specific construction skills. The aim of the programme is to link the training of youth from local communities to employment of construction projects, to improve the skills base and create employment.

11. Construction Industry Development and Transformation

- Construction Industry Development Board

Legislation for the establishment of a Construction Industry Development Board is currently out for public review and will be tabled in the forthcoming Parliamentary session. The objectives of the Board are to:

- Establish a National Register of Contractors and Register of Projects as an instrument to promote best practice
- Optimise industry's contribution in meeting national construction demand and promoting socio-economic development objectives, performance, efficiency, competitiveness, and improved value to clients.

Ladies and gentlemen, that is our plan, we will deliver.

"Mintirho Yavhulavhula"

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[top](#)