

Minister of Public Works
Mr J Radebe
20 May 1998

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Budget Vote 1998

National Council of Provinces

Honourable Chairperson
Delegates of the NCOP
Ladies and Gentlemen

The NCOP provides our democracy with a special function. Through your members and your work you bring the concerns, opinions and deliberations of provincial legislatures and local authorities to the centre of our parliamentary authority. By breaking the traditional party oriented seating arrangements, this chamber symbolically reflects the importance of the provincial and local spheres of government as representatives of constitutional entities as opposed to the formal party representation of the National Assembly. The way you were selected to represent your provinces and authorities, as well as the way you go about your work, seeking mandates from the bodies you represent, brings a unique form to the deliberations of our parliament.

It is with this unique role in mind that I have selected to address you this afternoon in a manner which allows me to outline specifically how the work of the national Department of Public Works impacts on the people of our country represented by our provinces and local government structures. It also allows me to expand the level of my department's constitutional interaction with provinces beyond the work of the frequent Public Works MinMec meetings.

The structure of parliament's work this year also ensures that I address this Council *before* the presentation of my department's Budget Vote to the National Assembly. Chairperson, I believe that this afternoon's interaction can only add to my department's understanding of the challenges confronting Public Works during the course of this financial year. The National Assembly debate can only benefit as a result.

Let me begin with a brief outline of the function and operation of MinMec as I believe this Council should also be aware of the merits and challenges of those meetings, specifically as they relate to the public works function.

MinMec as it is currently structured brings together the MECs from each of the Provinces, myself as Minister and the Deputy Minister, Mrs Shandu, the Director-General and senior officials from my Ministry and the national Department. When we started out with MinMec meetings, provincial officials also attended but the political office bearers came to the conclusion that MinMec should rather be a forum for providing broad agreement on the direction of policy, consensual definition of problems and policies, as well as being a structure designed to highlight generic issues rather than getting bogged down in the specific details of a day to day nature. The Director-General for his part convenes departmental meetings that bring together the regional and provincial leadership of the national and provincial departments of public works to handle the implementation of decisions reached at MinMec, and also to determine from time to time which issues the departments feel should be discussed by MinMec. In this way I believe we have developed a suitable system which allows for a clear division of function and a working atmosphere which achieves results. However, I should also point out that we still seem to have a problem in some instances of adequate communication between provincial departments and MECs, and provincial and national departments. In some instances this has led to a situation where decisions of MinMec sometimes take time before they are implemented, or are not implemented evenly.

We also have a situation today that we only have one MEC of Public Works, Cde Thobile Mhlahlo from the Eastern Cape, who has been in the portfolio continuously since our democratic election in April 1994! New faces have also come on the scene in the departments of provinces as well. Whilst continuity of policy and implementation are often thought of as simple matters, the reality is that it does take time for people to settle in to new functions and jobs. These comments aside, I am pleased to report, that at least from my side, I believe that the changes have not caused any disruptions of note in the implementation of the functions given each of us in terms of the Constitution.

I should emphasise that MinMec is not designed to force unnatural uniformity on provinces in either the design or implementation of policies. We prefer to see it as a useful mechanism in which the specific problems of provinces can be assessed through team effort, recognising that provinces have different,

unequal resources - financial, human, institutional and administrative - to work with. One area that clearly does require more work is the integration of our national transformation agenda with budgetary reprioritisation at the provincial level. I am sure that MECs and others will raise the difficulties many face in dealing with core functions of the department within the context of provincial budgetary allocations.

The situation demands that we work harder to co-ordinate all our efforts as public works departments as well as with other client departments and spheres of government. We would all like more funds to deal smoothly with the major challenges we face, but we must grasp the nettle and move away from assumptions that more money is the panacea for all our woes. Increased efficiency of our staff should be prompted from a change in work attitudes as much as from a far more determined effort to expand in-house skills development and human resource development. At the national level we are currently establishing a specialised unit within the department to combat fraud and corruption. The unit will work in combination with improved internal audit structures that aim to reduce waste, duplication, poor accounting and delayed payment procedures.

These initiatives follow successful programmes instituted during the course of the last two years that have seen a major revamp of our leasing policy. In the past the Department has been contracted in many instances to uneconomical leases. If not overseen thoroughly and often, the state would continue to experience significant net losses as well as receiving poor value for money. The results of an audit I ordered into the department's leasing programme has revealed enormous problems with the system as we inherited it from the pre-1994 regime. These problems only became clear during the course of my department's work of renegotiating leases in some of the major centres for our client departments. We have already instituted new measures and controls at the national level which have resulted in significant improvements and savings to the state. My officials report that already there has been a marked improvement. The co-operation and reasonable attitude of most landlords we deal with are appreciated and recognition must be given to the majority of lessors who operate ethically and according to accepted norms and standards. The message we wish to send out is a simple one: government will no longer be exploited in the area of lease agreements. We are not going to be a money-making market for unscrupulous landlords and corrupt officials who end up smearing the name of the property sector and the public service.

Chairperson, DPW data is not structured to give costs per province. Expenditure in provinces is the result of general client needs and is not required for client purposes by the DPW. Client departments determine their particular needs and transfer funds accordingly to DPW. However, as projects are administered for the national department through the structures of the nine regional offices, we are able from time to time to produce breakdowns in some of the key functions we perform. I will reflect on these shortly.

In terms of our budget structure, Programme 2, or the provision of land and accommodation, which represents some 97% of DPW expenditure per province can be calculated. This year also sees for the first time an outline of the estimated expenditure on each client department and institutions. In this manner we are better able to assess the comparative costs of each department in this area, giving us the opportunity of moving towards a situation where departments will ultimately pay for their accommodation needs.

The provincial allocations reflect the extent of government requirements in each province, rather than a simple arithmetical division according to the formulae used to calculate general provincial shares of the budget. Thus, Gauteng administers some R1.4bn of the total R3.7bn for land and accommodation, which represents 37,4%. This is followed by KwaZulu-Natal with 21%; Western Cape 17,5%; Eastern Cape 8,3%; Free State 4,5%; Mpumalanga 3,5%; Northern Province 3,4%; Northwest Province 3,1%; and Northern Cape 2,5%.

The address list compilation phase of the National Asset Register has been completed along with the leasehold reconciliation phase. We are currently in phase 3 of the project which involves physical visits to properties by contractors to ascertain further details such as state of maintenance, nature of the premises etc. which we believe are necessary to transform the register from a list of addresses to a coherent and up-to-date management tool. The Asset Register forms one important pillar of the developing policy for the management of the state's property portfolio. In dealing with client departments' needs, DPW has restructured its Client Services Unit so that there are now dedicated units responsible for specific clients which will ensure that all accommodation needs are dealt with interdepartmentally from as early an opportunity as possible. Furthermore, we have recently established an Investment Analysis Unit which is designed to help government departments and the state in general to formulate prudent decisions when engaging in property transactions.

The custodianship of State property assets vests in the national Department of Public Works and is performed internally by the State Property Holdings Unit. Our mandate as state custodian of property assets has in the past been overshadowed by other activities of the department as well as by the activities of other departments who sometimes acted a little too enthusiastically. During the course of last year a number of events highlighted the need to project and clarify the custodianship role more prominently. Not least of these events

was the implementation of the new Constitution and specifically developments that saw some provincial authorities instituting various measures aimed at the management, procurement and disposal of state land under provincial government control or mandated authority.

The state owns a large and valuable portfolio. It is extremely varied, ranging from farms and abattoirs, mortuaries and aircraft hangers, vacant lots in cities and towns, office blocks and buildings, restaurants, museums, libraries, parking lots, shops, living quarters and houses, police stations, court buildings, hospitals, clinics and so on. These properties span the length and breadth of our country, and their location in many instances reflects the distortions of infrastructural investment engineered by a myriad of government authorities of the colonial and apartheid era. It is the belief of the Government of National Unity and the ANC in particular that state land must be managed as a state asset in a manner which allows us to identify and dispose of superfluous property that has become a liability. But such disposal must be determined within the framework of the reconstruction and development of our country, our local areas and communities. The impetus behind disposal is not short-term financial gain for the state, nor should it be speculative and irresponsible. If it were so, we could very well end up in a situation where the baby gets thrown out with the bathwater: short-term intermittent relief cannot replace coherent strategies aimed at maximal utilisation and development of the resources we have. As custodians, Public Works' job is first and foremost to protect and oversee the rational and constructive use of state land. We will not act as a glorified estate agent with an eye on the commission we can make.

To these ends, the DPW locates the whole question of the development and, where suitable, the disposal, of redundant and underutilised state-owned land within the general framework of government's socio-economic objectives.

Particularly, we have established a framework for co-ordination and co-operation between the different spheres of government in deciding the proposed development on State properties. Second, the identification of property for disposal must be based on both macro and micro spatial, economic and social development frameworks. Part of this involves fostering the active participation of previously marginalised individuals and/or firms who were excluded from meaningfully participating in the property industry in all facets of proposed developments. Third, we must ensure that the state achieves a financial return based on the property's highest and best optimal use, as opposed to obtaining unimproved value when selling unimproved and/or poorly maintained properties to the highest bidder in an open tender process.

A number of steps have been taken in an attempt to ensure that a major portfolio such as state property does not become subject to knee-jerk policies aimed at the short-sighted alleviation of so-called provincial budget shortfalls, to upset the property markets unexpectedly, and to create uncertainty within government circles in all spheres about our relative roles and functions.

The Inter-governmental Forum has been briefed extensively on the various statutes affecting state revenues, not least the Exchequer Act. As a result Provinces can be in no doubt that revenue from the sale of superfluous assets flows back into the central revenue fund according to normal procedures. Disbursal of such funds takes place according to the criteria of the relevant budgetary structures. These details have also been made very clear at various other forums, including Public Works MinMecs. This is what happens in other areas as well, for example, with regard to the privatisation of assets such as Telkom, Eskom and so on.

The point quite simply is this: regardless of their physical location, state assets remain state assets, and any benefit that accrues from their sale or otherwise shall be determined by the state itself according to constitutional requirements. Provision is made for effective provincial and local inputs into those processes which serve to provide a mechanism whereby the resources of the state find their way into the areas of most need rather than merely serving to buttress the relative wealth or position of one or other province against others.

The DPW signed a relationship agreement with the Department of Land Affairs which clarified the roles and the nature of the close-working relationship between the two departments. The agreement created a framework for participation by all national government departments, provincial administrations and local authorities in the disposal of superfluous state land. Provincial State Land Disposal Committees have been established in all Provinces, comprising representatives of Public Works and Land Affairs and the relevant Provincial Administration. These committees also have the power to co-opt officials from other national and provincial departments, as well as local authorities. The prime function of the committees is to identify state land which is superfluous to state needs and can be considered for land reform or development purposes and to submit recommendations in this regard.

Initially we expected that these committees would become fully operational during the course of this year and we had hoped that their smooth functioning would greatly expedite the release of superfluous state land. Part of the process was aimed at facilitating agreement on a national protocol on best and uniform practice in the acquisition and disposal of state property assets. However, in the course of its ongoing deliberations with a number of role players, my Department has become sceptical as to whether the desired co-operation between some of the provinces may be obtained on a purely voluntary basis. The fact is that the Land Disposal Committees have operated with limited success in their attempts to forge meaningful co-operation with and participation by some of the Provincial role players so far. It seems that some provinces have proceeded from the obvious misconception that the Committees represent some sort of threat to what they would like to think is their unfettered discretion in dealing with fixed assets under their control. It is also of serious concern that there are land disposal transactions that are currently taking place without uniform guidelines.

If the co-operation and co-ordination envisaged by our earlier efforts cannot materialise I will have no choice but to pursue other options open to me in terms of the Constitution. I am not prepared to tolerate a situation which allows forms of short-sighted anarchy to develop in the administration of the state's land and property assets. There is nothing wrong with Provinces adopting legislation, but we all need to be convinced that such laws are framed and implemented in a manner that does not detract from the demands of our goals of transformation, socio-economic development of communities and of our people.

Another component in the complex area of disposal, is the Special Projects Unit that operates in the Property Advisory Services Division of the DPW. It is responsible for projects of a prominent and complicated nature within the division and which require special treatment. So for example it has driven the processes behind the Nasrec Viability Study as well as the Asset Register.

The Special Projects Unit has also examined various alternative approaches to the disposal of state land. Our aim is to identify viable plans other than simply selling land to the highest bidder. The need for these investigations is reinforced by the almost daily flow of letters and proposals which cross my and my official's desks from prospective developers and other interested groups. One of the methods which has found favour entails the disposal of property assets through the invitation of development proposals known as the "proposal call" model. What the model does, simply put, is take advantage of the knowledge of market forces of a variety of developers and the creative inputs that emerge from the private sector in the area of development. We also ensure that new developments on state-owned land provide public facilities and amenities, as well as being sound investment opportunities for the prospective developer. Ultimately the system creates a situation where the development of public land by a third party reinforces local community interests and concerns whilst achieving beneficial use of otherwise underutilised or vacant land so that such land does not remain a maintenance burden but rather becomes a tax-producing land parcel.

So far the Department has identified five sites which form a pilot project for the "proposal call" model. These have been highlighted in media and other reports, but I can simply mention them here to indicate their geographic spread: a 125 hectare site in Midrand adjoining the DBSA; 2 former SANDF sites approximately 6300m² situated in Brooke's Hill, Port Elizabeth; a 32,5 hectare site in Waterkloof, Pretoria; the Old Supreme Court in Pietermaritzburg, and the 96 hectare Silvermine site adjoining the Naval and Maritime complex.

I am aware of press reports emanating from the Western Cape that indicate a certain unhappiness and perhaps even ignorance of the procedures that have been followed and which are in place. I trust that my previous comments adequately answer some of these concerns. In particular, I am aware of Mr Louis's considerable interest in and knowledge of the property industry and I look forward to the results of his and other department's interaction with the working groups who are currently preparing a Green Paper on the Property Industry which we wish to release for public discussion later this year.

Let me conclude this section by saying that of course we recognise that provincial and local authorities will play an important role in the disposal of redundant state property and land. Their role in the disposal of redundant state housing, agreed to by Cabinet last year and carried out according to set criteria has resulted in the identification and sale of the 834 housing units will commence in June 1998. I believe that there will be more to follow. The division of government functions between spheres of authority is not an abstract formulation that operates in cloud-cuckoo land: the central state does not exist geographically as a separate unit hovering above the geographical provincial boundaries that are outlined in the Constitution. All our land and property is located within provinces: it is the nature of the authority and administrative structures that determines roles and functions.

Chairperson, the introduction of the multi-year budgetary system of the MTEF will address another area of major concern for DPW: capital projects. Previously, because funds were allocated on an annual basis, large projects which could take up to three or more years to complete were subject to considerable risk. This was

particularly true with regard to the question of commencing the design before the actual allocation of funds was known. Capital Works Projects form one of the budgets from which public works projects are delivered. The other is the Maintenance budget. This year the Capital Works allocation has increased significantly, from R602 180 to just over R1,1bn, an increase of 92,7%. The increase for maintenance is less dramatic, representing a problematic 7,7% increase this year to a final figure of only R528 900. Thus, in short we face a problem of being able to build new buildings while existing buildings deteriorate. During 1997, the Rapid Delivery Procurement System, the RDPS, was used to upgrade 19 Magistrates offices in the Eastern Cape for a sum of R64m. A significant element of that project was the first time grant the department received from USAID of approximately R8m towards costs. The completion of the renovation and upgrading of 53 police stations in the former Transkei also used the RDPS system which is designed to deliver strategic assets at a much faster rate than normal tender routes whilst ensuring that the Affirmative Procurement principles the department espouses are implemented. Currently, the department is also involved in upgrading 105 police cells at police stations countrywide, at a cost of about R36m to the so-called "Five Star" level in conformity with International Red Cross norms.

One important feature of upgrading and the development of new facilities is accessibility for disabled people along the lines of barrier-free designs. The department has been hard at work completing its accessibility policy programme and I expect this to be formally implemented by November. In the interim, however, significant projects have already been implemented. One obvious example is the work that has been done providing suitable access to the parliamentary complex itself. To date, 33 architectural firms have been appointed to document the necessary adaptations at 557 buildings and construction at 228 have been completed. The estimated costs of the programme for 1998/99 is just over R13,5m, a substantial increase from last years' allocation of R4,4m.

These and other projects are important indicators of the nature of our work and of the challenges facing us. More care will have to be taken in project management in future, and we will also need to examine deeper involvement of private-public partnership approaches in the funding of some of these maintenance and renovation projects.

17 new construction projects of over R10m each will commence in 1998. These projects are spread over 7 provinces. Work for the Justice Department accounts for 11 projects in the Free State, Western Cape, Gauteng, Northern Cape, and Eastern Cape valued at a total R262m over 5 years. The Department of Defence has 6 projects worth R110m over 4 years in the Western Cape, KwaZulu Natal and Gauteng.

Of the 17 projects, the department has identified 11 collectively valued at R283,4m which will be produced by Joint Venture specifications which target the development and capacity building of prime black contractors. This has been done largely as our investigations into the operation of the APP countrywide revealed that although the participation of black contractors has increased remarkably to about 44% of all Public Works construction projects, there has been a negligible increase, if any, in ABE participation at a prime contractor level, especially in the project category above R2m. We are determined to use procurement systems as a mechanism to fulfil the constitutional obligations we have to work for the reversal of previous discrimination. These new projects will be carried out in Western Cape, Gauteng, Free State, KwaZulu Natal and Eastern Cape.

The Affirmative Procurement Programme has had remarkable successes since its inception in August 1996. If we consider that we started from a position in 1994 when less than 5% of government work was performed by ABEs, it is worth noting that in the space of just 21 months, ABE participation has grown by leaps and bounds. Besides the increase in ABE participation mentioned above, other successes include the fact that despite the views of experts that the programme would cost anything up to a 15% premium, we have in fact been able to achieve our results at a limited financial premium of 0,8%.

My department has completed an intensive investigation into the APP experience to date. The conclusions were recently released in Pretoria and I simply summarise them here. Following the success of the APP, Premiers have endorsed the programme at last November's inter-governmental forum. Public Works MinMec has done likewise and Cabinet has also recently endorsed the continued implementation of the programme. Delegates should know that we now seek to establish specific targets. APP specifications should be applied to 90% of the National and Provincial Public Works projects; 25% of local government projects, and 15% of projects procured by parastatals. I have already referred to the projects which we hope will provide an initial mechanism to encourage the development of a black prime contracting capacity. Mentorship programmes also form an essential element in all of these schemes.

Chairperson, I have dealt at some length with the state property issue, as well as the question of construction projects as these two elements together are at the heart of our vision of reconstruction and development. The

Constitution requires and our people demand that government departments implement practical measures to redress the injustice of the past, to provide the necessary resources to allow socio-economic development to develop apace, and to ensure that our people themselves are empowered to take control of their own lives. I wish to turn now to the last theme of my address this afternoon: community-based public works programmes, and the rural anti-poverty relief programme.

The Committees of Parliament have been briefed extensively on the CBPWP over the last months. As a result of our assessments of the programme, the department has now designed a re-aligned programme that seeks to improve the targeting of women and youth, the management of projects, and their monitoring and evaluation. Furthermore, MinMec has agreed that future projects under the CBPWP must be better co-ordinated with other initiatives that seek to alleviate and eliminate poverty. Adoption of programmes in the poorest provinces and areas, coupled with expanded ideas around the SDI and development nodes, should accomplish our objectives. CBPWP projects are best administered from the local level. We believe that it is essential for local authorities to become more involved in these projects not only because of their first-hand experience of problems, but also because of the need to develop their own capacities in this important area of delivery.

We are currently in discussion with State Expenditure over an allocation from the R500m set aside in the budget for poverty relief. The R85m set aside late last year has been committed already for projects in the Northern Province, KwaZulu-Natal and the Eastern Cape. The projects were selected differently from the procedures laid down for the CBPWP. As special projects funded from separate funds, and collaboration was undertaken between the government and the provincial governments. In the Eastern Cape, for example, arising from the Deputy President's visit to the Province in the wake of the violence in the Tsolo-Qumbu areas, both national and provincial governments concluded that the area would be selected to help in alleviating the dreadful socio-economic problems in the area. Details of these are well-known and I do not need to expand on them here. However I have been alerted to some local difficulties, particularly in the start-up implementation of some projects but am confident that my officials have the situation in control.

Chairperson, honourable delegates,

I referred to the special role which the NCOP fulfils in our constitutional democracy. The size of the chamber, the ambience here, and the nature of your representation tend to take issues away from the hurly-burly of the National Assembly. In some ways, perhaps the situation lends itself more to a question and answer format, or for greater interaction almost in seminar style. I am accompanied today by my Deputy Minister in the Council itself, and by my officials in the Officials' Gallery. Between us we will endeavour to respond at the end of this debate to the questions, concerns and issues which you will no doubt raise. I would also urge delegates to feel free to raise issues around the numerous other areas of endeavour which Public Works finds itself involved with.

Thank you for the opportunity to address you.

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