

**Minister of Public Works
Mr J Radebe
25 May 1998**

[Back](#)

**Budget Vote 1998
Vote 28**

National Assembly

It is an honour to be able to address this House and request its support for my Department's Budget Vote of R3.8 billion for 1998/99. That figure represents a 23,4% increase over last year's budget and I am thus quite aware of the importance attached to this debate and the quality of information that parliament requires to justify their support for it.

My time is limited which unfortunately restricts my ability to deal with the issues I would like to, so let me at the outset inform the House what I will not be doing today!,

I take as read the Explanatory Memorandum, and the detailed budget briefing to the Portfolio Committee. I will not cover the topics I spoke about in the NCOP last week.

The Portfolio Committee reports on provincial visits tabled in parliament over the last year I also take as read. I have not yet seen the Portfolio Committee's report to parliament on the Budget and so cannot say anything at this stage on those aspects which may require comment.

My Department's Annual Report was distributed during the course of the morning and I will only refer in passing to some of the elements in it.

I shall only highlight **three** critical areas which impact directly on the *way* we allocate our funds, *where* we spend money, and *how* we monitor our expenditure.

These are:

- the **transformed budget structure** of the department compared to previous years;
- delivery in the areas of **job creation** and **infrastructure**, and
- **affirmative action** as it is applied in my department's work..

I refer Member to the White Book, particularly the programmes that have been increased, namely Programme 1 dealing with administration; Programme 2, the provision of land and accommodation, and Programme 3, the NPWP.

The transformation of the Financial Management Branch arose from my department's responses to Auditor-General reports on its performance before 1994. Performance management and budgeting are now critical tenets of our outlook. The Branch initiated its work by remodelling the outmoded budgetary system inherited from the past. For the first time, I can submit to parliament a **transformed budget structure** designed to fit the requirements of government's new organisational structure that reflects the goals of transformation and provides greater insights into the activities of the department than ever before. Thus, the NPWP is reflected now as a specific Programme in the budget. Certain functions previously itemised under Auxiliary and Associated Services are accommodated now under the Land and Accommodation Programme, such as interstate boundary fences, rates on state properties, building and construction industry promotion, investigation of sites, and certain aspects of administration.

Most revolutionary is the total transformation of the way in which the land and accommodation programme has been shaken up. The former budget structure reflected the overall cost of items such as the erection or hire of buildings, municipal services, office accommodation, maintenance, consultant services and so on. The new structure reflects the *total* cost of these services, with the addition of the rates we pay on state properties, *per national department*, as well as a breakdown of the cost per department for *each of these services*. Administrative costs to departments are reflected on a pro rata basis.

Parliament and the public now have a much clearer picture of the actual cost of providing accommodation and land to each national department. By adding this clearly defined cost for physical facilities to the operating

costs of a department, parliament can now determine more accurately the cost of each department. In the process, government departments can also make better comparative assessments to see how they compare to each other. Each of the portfolio committees should take note of the details as they assess the cost effectiveness of each department.

Let me caution that the figures reproduced here are *estimates*. As this is the first time that we are using this method we expect some teething problems and we need to see how the system works itself out through the financial year. In fact, we have already stumbled across some discrepancies in the way in which figures were produced in the past and these are now being ironed out. Madam Speaker, I wish formally to withdraw the document entitled Building Estimates tabled today. It is an uncorrected version that should not have seen the light of day. The white paper on building estimates is being double-checked and will therefore only be tabled in parliament in about a month's time. I will ensure that a special presentation is made to the Portfolio Committee.

The major reason for this new system has been the shake-up of the division dealing with state property holdings. In particular, in expectation of the conclusion of the State Asset Register process and other initiatives, we hope to establish a trading account for the provision of accommodation to national departments. This would be a precursor for the establishment of a state Property Agency which would manage state property holdings. In terms of this, DPW would sell its services to national departments, who would consequently have to budget for physical facilities themselves on their own vote, in line with government's budget reform initiatives. This, of course, would open the way for some government departments to seek their accommodation needs elsewhere, should DPW's services not be up to the required standard. More discussion is required on these topics and parliament will form an important catalyst for those discussions.

I believe that the devolution of this important function will encourage departments to rationalise and appreciate their accommodation needs better. It is possible that the stock of potentially redundant state property could increase and be released for more effective development objectives and purposes. It is disappointing to note that in at least one instance, my Department has had to pay out more than R500 000 to a private landlord for the repair of damage caused to their building by one government department. I am pleased, therefore, as an aside, to formally declare my department's support for the Masakhane initiative designed to improve awareness of the need to look after the facilities we occupy and work in, both as members of the public and as public servants. We cannot afford to treat government buildings with contempt. After all, a healthy, clean, working environment is necessary for the quality of work we as a public service should provide.

Delivery on **job creation, infrastructure, and poverty alleviation** are covered by the work of department mainly in the areas of construction projects and the various components of the CBPWP and Rural Anti-poverty Programmes.

Full details of the Construction Industry Development Programme, CIDP, and other elements relating to the NPWP are summarised in some detail in chapter 1 of the Annual Report. Let me stress, however, the role of the department in promoting the construction industry as a critical component of the country's overall economic development. I shall table in parliament the Built Environment Statutory Council Bill before the end of June. Pending Parliament's approval of the Bill I will then be able to introduce further legislation reviewing the role, functions and structure of the various councils representing the Architectural, Engineering, Quantity Surveyors and Valuers professions.

With the MTEF government can now commit funds to projects that take a number of years to complete in a manner that commits guaranteed funds rather than on an annual basis as in the past. This will help to develop the sorely needed stable delivery environment. The CIDP means that government will expand its investment role in construction. Our contribution will remain highest in the civil engineering sector, accounting we estimate for some 76%. Our contribution in the industry as a whole is in the region of 42-45%. The increases that we have budgeted for this year in the substantial Capital Works budget and, to a lesser extent, the Repair and Renovation budget, give a total of R1,616bn.

Most of this work is in the civils sector which provides about 18 sustainable jobs for every R1m invested or a job creation potential of some 29 100 jobs for 1998. Through emphasising labour intensive construction methods, we believe that the construction sector as a whole will be able to provide at least twice the number of jobs that government can within the construction sector.

Sustainable job creation in this sector is not a short-term phenomenon and requires considerable effort along the lines of the Green Paper's recommendations. At the moment the 12 NPWP pilot projects initiated with

R145m in 1996 are drawing to an end. The department expects the analysis of the projects to be completed by mid-year, after which we will be able to report on the relative strengths and weaknesses of the programme. I expect initial results to be available for incorporation into the Job Summit deliberations.

Members will have noticed the Public Works display in the foyer of the Old Assembly Chamber. The department's work in the restoration of old buildings and the construction of new ones is conducted along labour-intensive lines wherever possible. The severe maintenance backlogs which we encounter has emphasised for us the need to ensure that new buildings are produced, inter alia, to ensure longevity so as to reduce the costs of restoration which future governments will need to pay when the time comes. I believe our new Constitutional Court, produced through an international architectural competition, will itself in time be declared a national monument. Our responsibility therefore is to stamp the gravitas and spirit of our present generations on the future without them becoming a financial albatross round the necks of future tax-payers.

The NPWP increase of some R7,3m represents a 311% increase, a figure which is less dramatic than what it sounds! The bulk of this money goes towards the establishment and operation of various initiatives to provide small and emerging contractors with the wherewithal to develop and compete effectively in the expanding, government-sponsored construction activities. They should be seen as stepping stones to assist, promote and develop the emerging sector so that they too can become prime contractors and major players in an expanding sector with the opportunity to participate in regional as well as international operations. It is a sample investment to kick-start development rather than subsidy formulations in the form of handouts or special premiums.

The final area I must touch on is **affirmative action**, more particularly, the transformation processes concerning *representivity* within the department itself, as well as *affirmative procurement*.

Of the 126 people employed at management level, 23% are black, and 20,6% are women, representing a gap of 27% and 9.4% respectively that needs to be filled if we are to reach the targets in the White Paper on Affirmative Action of 50% and 30% by 1999 for blacks and women respectively. Imbalances at other levels are also quite marked at the moment, but we are confident that this situation is changing for the better, especially if we consider the horrendous situation when we took over in 1994.

Substantial re-training and skills development occurs for all our employees, regardless of who they are or how long they have served in the public service. No one can rest on their laurels simply on the basis of their so called experience in the department for the job at hand requires new methods of work and new approaches to bureaucratic operations in a democratic environment.

We are developing systems to ensure access to adult education by all our employees. An alarming statistic indicates that just over 50% of the total workforce in public works is considered illiterate. We cannot simply throw people onto the streets and turn our backs on them. The Deputy Minister will expand on the initiatives we have taken in this regard.

Affirmative procurement has advanced tremendously in recent months. ABE and PDI participation in government procurement has increased from the low level of roughly 5% in 1994/5 to an average of 32% at the end of last year. The pace continues to increase, at a considerably low premium to the state of 0,8%. Our analysis of the situation reveals however that very little advances have been made by black contractors to develop as prime contractors in major projects. Steps have been taken to correct this through the use of our Strategic Projects Initiative which I referred to last week in the NCOP. Provinces, local authorities and parastatals have been continuously involved with the evolution of the SPI.

There are challenges to the black construction business sector and the established firms. Success does not come overnight, nor do successful companies and firms materialise out of nowhere. We need to re-examine some of the short-term relationships that have developed over the past months. Whilst there is scope for significant returns on investment, there is no room for short-term enrichment schemes linked to non-value adding participation.

The established construction sector will not be sidelined. But we are operating in an economic and political climate that requires the state to use its muscle to overcome past injustices. Whilst significant procurement opportunities for the established sector will continue to be generated, we are operating within the context of an expanding construction base - and government increases in construction capital works is an indication of our good faith in this regard.

We view the development of meaningful joint venture initiatives between the established and emerging

sectors positively and will support these where it is clear that we are not dealing with fronts and impostors. The fact remains however that the bulk of the investment comes from the private sector. It is precisely in this area of private enterprise that we need to see the same spirit of inclusivity that we implement at the national level. We frequently receive complaints that joint venture initiatives are only entertained when people seek government work, but are shunned when firms engage in private sector projects. Our attitude towards joint ventures is to show that they can be used as confidence building measures, providing a useful framework in which South African firms from different backgrounds can develop together, using the skills and expertise which they each have. I call on all those involved in the private sector to reciprocate this approach and work towards the nation-building we all desire.

Madam Speaker, I wish to conclude on the following note. The DPW contribution to job creation in our country is located within the broader strategy of government. Our experience and the lessons we have learnt will be part of the preparations and deliberations of the Job Summit. More details of our role and the way forward will emerge at that time. Furthermore, we pursue affirmative action as a broad policy to redress imbalances in a way that enriches all of our people, allowing the repressed skills and initiative of the majority of our people to grow and contribute to our overall economic development.

Last week Major Gen Tienie Groenewald from the NCOP the concern, on behalf of the Freedom Front's Afrikaner supporters, that very soon it would seem that Afrikaners would no longer win state tenders, being reduced to the category of "currently marginalised". I want to invite the Freedom Front, to bring the poorest of the poor from his communities to see where they could fit into initiatives like the CBPWP. Bring us the SMME component which espouses the new South Africanism in its heart along the lines, perhaps, of the initiatives farmers have taken in Mozambique and elsewhere. My door is open, and I believe we can address openly the twin principles of our constitution that demands both redress and reconciliation, nation-building with diversity.

I thank you.

[top](#)