

**Minister of Public Works  
Ms Stella Sigcau  
26 May 2000**

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## **Budget Speech (Vote 26)**

Madam speaker  
Madam deputy speaker  
Honourable members  
Distinguished guests  
Ladies and gentlemen

### **Introduction**

It is still something special to be able to stand before you in this Parliament and give both an accounting and a vision of one's responsibilities in Government. It was from these seats, six years ago, that through planning, our dearest wish, to uplift the oppressed and the poor, particularly the poorest of the poor, came fully alive.

As President Mbeki said, history and circumstance provided us with an opportunity to turn the dreams of millions of our people into reality.

The words of Peter Drucker also come to mind, I quote: " Long range planning does not deal with future decisions, but with the future of present decisions".

It is from these halls of Parliament that we have vowed to bring dignity to our people, to declare a war on ignorance, debilitating diseases, crime and poverty. We have used legislation and other tools, to give hope to our people.

### **Core functions of Department**

Like an African pot, my department has three legs, three core functions. Firstly, we must ensure that the wheels of government continue to turn by providing office accommodation, specialist functional accommodation and managing state property. Secondly, we must contribute directly to the government-wide efforts to eradicate poverty and promote rural development and thirdly develop and promote the construction industry to ensure transformation and international best practices.

### **Progress**

Madam Speaker, today we will demonstrate that we have risen to the challenges set by the government and people of South Africa, that we are working for the complete emancipation of our people by helping them become full participants in the economy of our country.

Given the youth of our democracy, South Africa has made significant progress in society and the relationships within itself. Where there was once oppression and suffering, now there is transformation, we are moving from conflict to co-operation. Like a mountain climber we believe that each step we take forward will finally lead us to the top of the mountain.

### **Allocation for 2000/2001**

Today I present you with the Public Works Budget Vote for 2000/2001. I have tabled today the Annual Report for 1999 along with the memorandum outlining details of the State's capital expenditure on fixed property assets as programmed for 2000/2001 by the Department of Public Works. Time allows me to highlight only certain aspects of our work, although I am sure honourable members will refer to some other interesting activities of this portfolio in their contribution to today's discussion.

The budget allocation for the DPW for 2000/2001 is R4 452 209 000 (R4, 45 billion). This is an increase of 9,44% on the budget for the previous year.

Our Department is a service-rendering department and we mean to do just that. We spend only about 6,89% of the budget on personnel, excluding transfer payments. So 93,11% of the departmental allocation is utilised for productive delivery.

The budget for the National Public Works Programme has increased by 36,52%.

Administration has a 10,16% increase, to improve conditions of service and the carry through costs, as well as for increased costs in respect of telephone and postage expenditure, audit fees, computerised services and equipment.

On the MTEF allocation, the overall budget for Public Works has been indicated as R4 451 000 000 and R4 843 024 000 respectively for 2001/2002 and 2002/2003. This includes provision for the capital works of other departments (at R914 140 000 and R1 082 139 000, respectively) and R402 million and R405 million respectively for the National Public Works Programme. The confirmation on MTEF enhances delivery, in particular for the Community Based Public Works Programme because of the unique planning needs where rural development has in the past been delayed by up to six months in order to obtain local buy-in from the communities.

### **Client Services**

Madam Speaker, talking about Public Works without making reference to the complaints that I receive, is like writing about Everest without mentioning that it is a mountain. What comes out loud and clear is a need for a well-planned maintenance strategy.

At officials level discussions are taking place to come up with business plans leading to a realistic approach to financing the maintenance backlog. A simple exercise reveals that if we were to allocate the maintenance budget we have per building, each building would receive less than R3 000 per annum for maintenance purposes. At the same time, every year buildings depreciate. Honourable Members, this is not just a problem of the Department of Public Works, it is a problem of government, which needs to be addressed rationally with a view towards a lasting solution. We will demonstrate this morning that we have begun a programme that in the near future will obviate the need for departments to want to create their own mini Public Works departments.

The DPW adds value by providing physical accommodation to its clients, which in turn enables them to successfully execute their duties and fulfil their mandates. The greatest challenge however, is to offer quality service to the clients timeously, cost effectively and in a flexible manner.

These four competitive elements have been elusive in the Department, and regrettably you, as our clients, have suffered directly from this.

### **Facilities management**

But today I can show you the first visible step in a radical transformation. We are proud to announce that as of October / November, a new Facilities Management initiative will be launched with the private sector. This initiative will change the way our official buildings are run: the biggest initiative ever to be undertaken by the government. Its key objectives are to:

- \* Be more responsive and improve our sensitivity to our clients.
- \* Bring DPW standards closer to the private sector and to the forefront of outsourced Facilities Management.
- \* Take the DPW back to its core function.
- \* Reduce costs.
- \* Provide clients with a healthy, safe and productive work place.
- \* Establish an accurate and reliable management information system.
- \* Address the maintenance backlog.

Four pilot projects have been identified:

- \* Parliament and all Parliamentary residences
- \* Union Buildings and Brynterion Estate
- \* Pretoria Magistrate's Court
- \* Hennie De Wet Complex (SAPS), Cape Town

These will soon be run by a specialised industry and, without exaggeration, the impact of the transaction is going to be enormous. This includes:

- \* Reducing our current maintenance backlog.
- \* Creating job opportunities.
- \* Strengthening further partnerships between the public and the private sector.
- \* Holistic integration of services \ functions rendered.
- \* Transferring of risk from government to the private sector.

\* Raising the image of Public Works to its clients and public.

Pilot projects worth R50 million are already in place for selected critical services in the Departments of Correctional Services and Defence.

### **Maintenance**

We have, with the Department of Correctional Services, begun to pool our financial and human resources towards achieving high level degrees of efficiency in delivering maintenance and Capital Works services.

We have also decided to reintroduce annual maintenance contracts for day-to-day maintenance services such as electrical, plumbing, glazing and minor building operations. Client departments would then be able to contact the relevant contractors with regard to minor maintenance problems covered in the contracts.

The Department of Public Works is developing a government-wide Strategic Asset Management System (SAMS); Maintenance Management Framework (MMF) and a Capital Investment Framework (CIF). It is our intention to ensure that in three years time, the systems will be in place. This will enable a much more systematic approach to management of the state asset portfolio, because it will be binding to all spheres of government.

To build client service excellence further, we will introduce help desks in our Head Office and Regional Offices which will give online assistance and information to client departments covering the entire spectrum of our services.

Madam Speaker, it is also natural that our colleagues in government should believe that the root cause of the problem is the Department of Public Works; that somehow if we were to decentralise or even more boldly that if they were to take over the management of their own affairs, that conditions would improve. But, Honourable Members, I can assure you of two things: firstly, it takes more than five years to turn around the neglect and the almost total lack of maintenance of state owned buildings that happened in the past. Secondly (as I said right in the beginning of this speech) we have been going through a process that is not easy to see or properly describe. But we are near the end of it. Our commitment to serving you properly is also due to have its first flowering.

### **Asset register**

Perhaps the most important single enabling factor in all three of our responsibilities is the potential of our enormous property portfolio. We finalised the local asset register in mid-1999 when a total of 131 078 properties and buildings were added to the department's database.

Now my Department is investigating properties that were acquired or sold through clandestine means and considering legal prosecution of the perpetrators. This will run in parallel to the compilation of the Foreign Asset register, which will begin in June 2000.

Additionally, "user pays" project and budgetary reform related to the State's fixed assets will start soon to bring about better accountability and enable more accurate evaluation of the State's fixed assets.

Two years from now building blocks for the implementation of "user pays" and cost recovery for all types of State-owned accommodation and a trading account, together with accrual type of accounting, akin to the private sector's Generally Accepted Accounting Practice, will be in place for State-owned fixed properties.

### **Land transactions**

History books in South Africa and abroad are well peppered with stories of land dispossession of our people by the previous regimes.

My Department is currently addressing the distant history of Public Works as a usurper of the land and property rights of various communities. During the 1999/2000 financial year we have made available more than 384 hectares of free land to local authorities to meet their local socio-economic objectives and in particular for low cost housing. We want to expand this.

By mid 2000 we intend to dispose of all redundant State owned houses, which at the moment are being illegally occupied and vandalised. Cabinet has already approved the first set of residential properties to be disposed of.

In addition to this, five large scale, currently under-utilised properties and redundant military bases, will be released into the broader economy, a programme which will be expanded every year for the next four years.

These will include large scale properties like Nasrec, near Soweto, 100 hectares in Midrand, south of the Development Bank, Waterkloof Heights in Pretoria, Silvermine in Cape Town and various other large scale properties throughout the country.

#### Transformation of the Property Industry

Madam Speaker, Honourable Members, previously disadvantaged groups still do not participate in the property industry due to skewed property ownership of fixed property, as was the case during apartheid days.

My Department has embarked on an empowerment programme to address these problems and has put forward ambitious targets to achieve it.

First we will consult various parties on the policy that will address uneven property ownership patterns and general lack of meaningful participation by previously disadvantaged people, in the fixed property sector. Then we will formulate an appropriate Economic Empowerment Policy for the Acquisition, Management and Disposal of the State's fixed property.

The medium term targets of this project (2 years from now) is to have 20% of Acquisition, Management and Disposal of the State's fixed property, and related services benefiting Previously Disadvantaged Groups and individuals.

The long term targets are 35% of Acquisition, Management and Disposal of the State's fixed property, and related services, benefiting Previously Disadvantaged Groups and individuals and continued proactive donation of State's fixed property to support land reform by the Department of Land Affairs and delivery of housing and community facilities by various Provinces and Local Authorities.

#### Re-imaging

Honourable members, another project we believe is necessary to reflect the recent history of South Africa is that of re-imaging of relevant state-owned buildings. Our Struggle and resulting democracy, chapters of achievement for any nation, should be displayed and portrayed together with our recently launched new Coat of Arms - we have unity in diversity. Many government buildings played significant roles in the South African history, and history did not stop with Apartheid. It is our duty to posterity to ensure that full expression of our artistic diversity is incorporated in our built environment. Examples are the Palace of Justice where many of the significant trials of the Freedom Struggle took place and Vlakplaas which painfully reminds South Africans of the atrocities that humans are capable of inflicting against fellow human beings. To bring "new South African elements" to the finishings and furnishings of these buildings, together with clearly displayed historical information, will reflect our re-imaging. We are now at an advanced stage of conceptualising and planning for the re-imaging project. Time and space prevent me from going into details about this project. Destruction of buildings or changing the design or architecture is not what we have in mind.

#### Military base conversion

The Department of Public Works obtained funding from the World Bank to start the military base conversion programme and a grant of US\$1,030,000 was secured for this purpose.

Studies for eleven unutilised bases will be completed during August 2000 and studies for the co-use of six under-utilised bases will be completed during October 2000.

The actual conversion of bases will commence towards the end of this year when bases will be made available to the private sector, on an open competitive basis.

The objective of this project is to ensure optimal utilisation of these bases. Benefits that will accrue from this project include job creation, empowerment of the previously disadvantaged, and upliftment of communities through meeting relevant socio-economic demands.

#### Property Act

Currently there are duplications, inconsistencies and inefficiencies in the acquisition, management and disposal of the State's fixed assets by different organs of the State.

The national Department of Public Works is formulating a Property Act to provide leadership and direction on

various aspects of fixed property, which we hope will be adopted by parliament by the end of 2000.

#### Integrated Rural development - CBPWP

Turning to rural development, for the past six years the Department of Public Works has been implementing the Community Based Public Works Programme (CBPWP) as part of the National Public Works Programme. It is located squarely within government's Integrated Rural Development Programme. The CBPWP focuses on poverty alleviation, employment creation and provision of community infrastructure for rural people. The programme has produced 944 community assets in the past three financial years alone.

Despite the delays caused by the floods, particularly in the Northern Province, we have completed 277 projects out of 348 projects that were identified and budgeted for in the 1998/1999 financial year. A total of 23 808 jobs were created, of which 2 196 are sustainable, in the targeted provinces of Eastern Cape, Kwazulu-Natal and Northern Province. It is also heartening that there was a social impact: 40% women, 38% youth and 1% disabled people were employed during this period.

In the 1999/2000 financial year, we extended our focus and allocated funds to the Free State, Mpumalanga, North West, Gauteng, Northern Cape and Western Cape, in addition to the three formerly targeted provinces. A number of special projects are currently being implemented in partnership with other stakeholders. These include Clean and Green (in partnership with the South African Breweries), Youth Working Towards Environmental Accessibility (in partnership with the National Youth Commission and the Office on the Status of the Disabled) and the Local Industrial Parks (in partnership with the Department of Trade and Industry).

The CBPWP has also actively supported integrated sustainable rural development (ISRD). My Department has engaged the District Councils as Implementing Agents for the CBPWP. Not only has this helped build the capacity of local government, but it has also promoted the harnessing of public resources behind common goals and within a framework of mutual support.

#### Community Production Centres and Multi Purpose Centres

The most recent initiative, and perhaps the most important from the point of view of integration, is the new focus of the CBPWP on Community Production Centres (CPCs) and Multi Purpose Centres (MPCs).

CPCs, as a concept, is focused on rehabilitating existing disused productive assets in the rural areas. In partnership with the Department of Agriculture and Land Affairs, the Department of Public Works will revitalise infrastructure in the existing irrigation schemes to promote production activities for the market and food security for a large number of beneficiaries. Three pilot projects are being implemented at Lambasi in the Eastern Cape, Makhathini Flats in KwaZulu-Natal and Veeplaas in Northern Province, targeting between 56 000 and 200 000 beneficiaries.

MPCs, on the other hand, focus on providing a 'one-stop' service centre within rural areas for government services to communities and, where possible, cultural and heritage tourist attraction. The idea is to provide easy access to service rendering facilities such as the post office, pension pay point, crèche, library, health service, arts and craft centre as well as tourist activities. This will be done in partnership with public and private sectors. Projects will be initiated this year at Ladysmith in KwaZulu-Natal, Lusikisiki in the Eastern Cape and Bushbuckridge in the Northern Province.

The Community Based Public Works Programme is a direct attack on poverty. Only an integrated programme will achieve impact, to which we firmly contribute - working with our sister departments, provincial governments, and local structures in addressing agricultural, transport, communication, service and trade infrastructure development. We have also concluded negotiations with the European Union for technical and financial support to enhance capacity to deliver at even a higher pace to rural communities.

#### Procurement

We continue to champion the transformation of Government's procurement policies and procedures in co-operation with the Department of Finance to ensure that previously disadvantaged individuals and Affirmable Business Enterprises increase their participation in a structured way in the mainstream construction economy. Our pioneering Targeted Procurement methodology has formed a cornerstone of the new Preferential Procurement Legislation.

The results obtained from the implementation of targeted procurement resource goal specifications are a 20% participation of ABEs as prime contractors on contracts between R1 and R2 million. Overall ABE participation has improved from an initial 4% in 1995 to between 25 and 30% at present.

#### Emerging Contractor Development Programme

The premium paid for this outcome is less than 1% so our stakeholders can be proud of this particular return on investment. To consolidate growth of the sector we have established an Emerging Contractor Development Programme (ECDP) and have begun a process to roll-out both the Targeted Procurement methodology and the ECDP within the public sector.

### **Strategic Empowerment Programme**

We are, however, not content with this return. Analysis demonstrates that despite a core black construction capacity, prime contractors are not winning access contracts above the R2 million mark. There is every reason to believe that we can collectively create large-scale black construction capacity in this country and we are therefore introducing a Strategic Empowerment Programme as an extension of the Targeted Procurement Strategy.

The Strategic Empowerment Programme will build on the initiative and experience of nine projects successfully executed by prime black contractors. They range in value from R10 million (Botshabelo Magistrate's Court) to R67 million (Kokstad Prison - upgrade), targeting a total investment of about R200 million (about 20% of the Department's annual property development budget).

To ensure the success of this new programme, the Department has developed a mentorship programme in collaboration with the University of Pretoria and each project will incorporate mentorship as well as special measures to promote access to finance and sureties. We are determined to create an environment that enables the banks and financial institutions to shift their current stance in support of the emerging construction sector.

In the challenges we face as a developing country, I want to emphasise that the construction industry is a national asset, central to the delivery of infrastructure and to the process of renewal in Southern Africa. Its full potential has yet to be realised in the changing environment that is impelled by our transition to democracy and, indeed, by increasingly rapid global change. A number of structural problems and constraints retard the industry's progress and require focussed action.

### **Legislation**

This year, as an outcome of a policy-making process involving the infrastructure delivery departments and the industry, the Department of Public Works is placing legislation before Parliament that will establish a national agenda for reconstruction, growth and development in the construction industry.

The first set of legislation regulates the built environment professions. It seeks to address inconsistencies in the current legislation administered by the Department, to promote improved co-ordination and to enable a climate for the ongoing transformation and development of the professions. To achieve this the proposed legislation will establish an overarching Council for the Built Environment Professions, it will re-enact the laws on existing Councils and will establish new Councils for the two professions - Project and Construction Management and Landscape Architects.

I have asked the Public Works Portfolio Committee to conduct public hearings on the proposed legislation on 6 and 7 June 2000 to afford the public and stakeholders a final opportunity to comment and possibly improve on the final drafts of these Bills.

The new legislation reflects the precepts of our new democracy..

But unlocking the potential of the construction industry as a whole must engage, not only the professions, but also all service providers as well as public and private sector clients and investors, who have a significant role to play in shaping the performance of the industry. For this reason the Department, in consultation with the key national infrastructure delivery Departments has published a draft Bill to Establish a Construction Industry Development Board to implement a national industry development strategy. This Bill will be before Parliament later this year.

### **Construction Industry Development Board**

The Construction Industry Development Board must be a catalyst for change, promoting best practice by service providers and clients alike. It must ensure that our industry grows rapidly, that it reflects and delivers the aspirations of all South Africans, that it is increasingly representative, embraces a culture of continuous innovation, and that it prospers in the regional and global economy.

A Framework Plan for the CIDB, plans for the Register of Contractors, a business plan for the establishment

of the new Construction Education and Training Authority are some of the key outputs achieved through a process of extensive industry participation.

I would like to thank the hundreds of industry role-players who have made a committed and voluntary contribution to these and other outputs. The participation process driven by the Inter-ministerial Task Team has demonstrated that all South Africans are responding positively to the challenges of our new democracy.

### **Corruption**

Madam Speaker, talking about the work of the Department of Public Works without pointing out its predisposition to corruption would be an oversight.

Together with the Provincial MECs for Public Works we have adopted a five-point plan to address corruption in our area of work. We have made significant progress in identifying fraudsters and corrupt contractors and officials in my Department. A number of arrests and suspension of officials have been made. In turn this has led to no less than fifteen contractors being blacklisted so that they do not access work from other government departments as well. A conference on anti-corruption is planned for October this year where all departments of Public Works, nationally and provincially will be expected to attend.

### **Conclusion**

In conclusion, my Department works with many players in the construction industry, property industry and rural communities. I would like to thank all those who have gone beyond the call of duty in the partnership we are building. I wish to pay a special tribute to all MECs of Public Works for their ongoing support and also to say, we have a long journey to travel, together with the Regional Councils with whom we work on Poverty Relief Projects.

I am very grateful to Deputy Minister Buyi Nzimande for her loyal support, enthusiastic and competent contribution. Her hard work and singular ability to diplomatically nail both problems and solutions head-on, and her tireless effort to address difficult issues, is of great value to government, and indeed, myself and the Department. Thank you Buyi.

Also to my new team of senior management under the leadership of Tami Sokutu, managers and staff of the Department of Public Works, thank you for the support and willingness to go the extra mile. Madam Speaker I am pleased to mention that eleven months ago we had no top management in the Department, we now have a full complement of DDGs and we continue to build capacity in key areas of my Department.

Lastly, a special word of thanks to the staff in the Ministry for the long hours they sometimes have to work in order for us to achieve our goals.

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