



MINISTRY
PUBLIC WORKS
REPUBLIC OF SOUTH AFRICA

NATIONAL COUNCIL OF PROVINCES (NCOP)

**POLICY DEBATE ON BUDGET VOTE NO. 7:
PUBLIC WORKS**

**TW NXESI
MINISTER OF PUBLIC WORKS**

24 JULY 2014

Rebuilding the Department of Public Works

EMBARGOED UNTIL 14h00 24 July 2014

1. Introduction

- Honourable Chairperson
- Honourable members of Cabinet
- Honourable MECs
- Honourable Chairperson and members of the Portfolio Committee on Public Works
- Honourable Members of Parliament
- CEOs of Public Entities
- DG and senior management of the DPW
- Ladies and gentlemen

Welcome. In the time available I want to cover the following:

- To present the budget vote for 2014/2015, and to share with you what we intend to accomplish with the funding that is being availed;
- To account for what we have done as a Department over the last year – 2013/2014;

- To provide a progress report to the House on the strategy to turnaround the Department of Public Works; and
- To briefly share with the House my vision for the next 5 years of this Administration.

Let me start with the Turnaround – mindful that we can only achieve the targets we set for ourselves, if we continue to improve the performance of the Department.

2. Turnaround Strategy: Rebuilding the Department of Public Works

During 2012 we developed a Seven Year Plan to Rebuild the Department of Public Works – this was done with the support and expertise of National Treasury. The plan envisages 3 phases:

- Phase 1: Stabilisation
- Phase 2: Efficiency enhancement, and

- Phase 3: Sustainable development

- **Phase 1:** The stabilisation phase was necessitated by poor performance by DPW and the lack of adequate management and financial controls culminating in eight years of adverse audit findings – as well as high levels of fraud and corruption evidenced in the reports of the Public Protector and the SIU. We are two years into the Seven Year Plan and we have stabilised core business areas: leases, the Immovable Asset Register and finances:
 - **Lease Review** – With National Treasury we have conducted an audit of the 2,162 properties leased-in from the private sector, and introduced more robust systems to manage the leasing portfolio. The Department has overhauled SCM processes in the leasing environment and negotiated, with National Treasury, a special dispensation to fast track the re-signing of expired leases.

As a result of the audit and the re-signing campaign:

- We were able to renegotiate leases downward in 50% of cases (with a saving of R33 million per annum).
- The Treasury dispensation places a 5.5% ceiling on escalation of leases (ie. below inflation) – with further savings to the state. The majority of property firms have accepted these terms.
- The Audit also highlighted leases where fraud and collusion is suspected. Findings included:
 - The DPW has been paying rental – to the tune of R5 million per month for 108 properties that were vacant or unoccupied;
 - The DPW leased accommodation for government user departments, but 12 properties were occupied by non-

government tenants, at a cost of R1 million per month;

- The size of the actual accommodation of certain leased accommodation occupied by user departments differed from the occupancy as agreed in the lease agreement and paid for by the DPW;
- The escalation rates of certain leased accommodation differed to the market escalation rates;
- There were 578 leases where no lease agreements could be located, leading to potential irregular expenditure.

The Department has already taken the following steps to address the findings:

- Stopping payments relating to these vacant properties;
- Referring the matter to the SIU for forensic investigation

Further interventions include:

- A review of leased-out government stock is being undertaken;
- Employees and businesses who are involved in this corruption will face the full might of the law, and DPW will approach the courts to recover monies fraudulently paid out.

In the past, the poor management in the leasing environment saw increased cases of the contravention of the Occupational Health and Safety Act in both the state and leased buildings due to irregular and erratic inspections. These inspections will now be prioritized on an annual basis.

- Another area of stabilisation: ***The Immovable Asset Register*** – Simply put: for the first time in the history of the South African state, Public Works has produced a reliable register of state properties which is 95% complete. National Public Works accounts for 107,000 properties on

some 30,000 land parcels. 95% of these assets have been physically verified. This is a game changer: we now have a much better idea of what we own. And we can start to use this massive property portfolio to leverage economic development and job creation.

I need to mention that in cleaning-up and developing the Immovable Asset Register, DPW could not have succeeded alone. We have had the cooperation of the Department of Rural Development and Land Reform and the Surveyor-General. We have also worked closely with provincial departments of Public Works to assign custodianship of land parcels. This has also been instrumental in revitalising MinMec structures.

- **Clean audit project** – This was urgently required to stabilise the finance and supply chain management environment. For the 2012/13 financial year, the audit outcome of the

Department's main account improved from a disclaimed opinion to a qualified audit opinion. The qualifications that affected the Department's Main Account were reduced from eight (8) to three (3). The qualifications that remained in 2012/13 related mainly to unresolved matters within the PMTE (Property Management Trading Entity) that also impacted the Main Account such as irregular expenditure and the lease dispensation. It is our firm belief that these issues will be resolved in the 2013/14 accounts to ensure that the Main Account receives an unqualified audit opinion for this financial year.

The audit outcomes of the PMTE also improved considerably. Although the disclaimed opinion remained in 2012/13, the number of qualifications reduced from twelve (12) to four (4). The team is committed to further improve the audit outcome of the PMTE in 2013/14.

A review of the supply chain management function led to the development of specialised streams dealing with: procurement of goods and services; immovable assets acquisition and disposal, leases and infrastructure development. The National Treasury Government Technical Advisory Centre (GTAC) is assisting in enhancing supply chain management - as well as in capital projects - to ensure compliance and alignment.

The employment of 64 unemployed commerce graduates as interns has been a success story of the clean audit project. Performance assessments on these interns indicated that more than 70% were ready for recruitment into full-time positions. However, the skills and experience acquired by these interns has resulted in some of the original recruits taking up full time positions in the market as the project unfolded. Fifty (50) interns remain deployed in the department and are available for internal recruitment processes - which have been prioritised.

Before the service providers conclude their work, a formal skills transfer programme and informal on-the-job training on the new and revised processes in finance and supply chain management have been implemented to enhance the sustainability of the stabilisation initiatives. The staff already trained in their new and revised functional responsibilities, will form the nucleus to train, support and skill the next generation of Finance and Supply Chain employees.

In relation to irregular expenditure, all transactions were revisited for the period 2009/10 to 2012/13 for the Department's Main Account. This process was completed in 2012/13 and appropriately reported on in the financial statements of 2012/13 financial year. PMTE has now revisited all payments and reviewed all bid files processed between 2009/10 and 2013/14 and has submitted the results to the Auditor-General for regulatory audit on 31 May 2014.

This was a key milestone as this exercise entailed trawling through over 1.5 million payments batches and tender files for both the Main Account and the PMTE. All irregular expenditure and fruitless and wasteful expenditure identified will be thoroughly investigated, and action taken.

30 Day Payments to service providers:

I am very pleased to announce that compliance with the President's injunction to pay service providers within 30 days has greatly improved. This is a very obvious way in which government departments can support small and emerging businesses.

This improvement was achieved by implementing, nationally, an Invoice Tracking Register, and by work-shopping service providers on the invoicing requirements of the Department.

In the construction environment, the CIDB will this year develop regulations to ensure prompt payments to contractors and sub-contractors.

Phase 2 of Turnaround: Efficiency enhancement – This is where we seek to improve the business model and processes of the Department. This will be the focus of the next 5 years. Critically this involves the following:

- First, fully operationalizing a structure which aligns with the mandate of the Department, principally:
 - The operationalization of the PMTE (Property Management Trading Entity) in line with earlier Cabinet decisions – to ring fence and professionalise the property business – which crucially accounts for 75% of the Departmental allocation. This massive property portfolio (7 times the size of GrowthPoint) includes 73,000 properties used by government departments, and

some 30,000 properties largely unutilised. The priorities of the PMTE include:

- At a strategic level, to advertise and headhunt property professionals from the private sector to be employed on performance based contracts;
- To consolidate the improvements in the lease environment;
- To improve the maintenance and security of state assets (This will be done in partnership with EPWP; the Department of Small Enterprise Development; and DTI to form co-operatives);
- To progressively reduce leasing-in in favour of rehabilitating our own stock for occupation by government. (Currently 2,700 buildings are leased-in at a cost of R3.2 billion);

- To work with emerging black estate agents to market our unutilised stock and to manage the leases;
- To seek public-public partnerships with other entities already working in the property management space – such as PRASA, PIC, Transnet – to develop state assets.

In relation to PMTE and the management of state properties, the vision is as follows:

- to ring-fence, better manage, maintain and optimally utilise this massive state property portfolio to build value and to bring savings to the state;
- as well as other socio-economic benefits – particularly job creation and empowerment;
- whilst improving service to client departments.

- The second focus of organisational development in the Department is to fully operationalize the Governance Risk and Compliance Branch - to drive compliance and the anti-fraud and corruption campaign, focusing on: prevention, detection, investigation and resolution (*ie. disciplinary measures and possible prosecution and litigation.*)

In 2012, I announced that the Turnaround Strategy stood on two legs: improving the way we do business as DPW, and combatting fraud and corruption. In the stabilisation phase, we depended heavily on the expertise of the SIU to investigate fraud and corruption.

Ninety-five (95) cases were referred to the SIU for investigation, of which 75 have been finalised. This resulted in disciplinary action against 50 employees; 23 of which resigned before the commencement of the disciplinary hearing. Of the remaining 27, five received final written warnings,

seven were dismissed and 15 cases are pending. [This includes cases against 12 employees in relation to irregularities in the security upgrades at Nkandla. Further action will be taken against officials and service providers found to have acted illegally, once the final SIU report is submitted to the Department.]

Civil action has been instituted against employees and contractors in eight matters, mainly claims for damages or action to have voidable lease agreements set aside.

For serious cases we will continue to use the SIU. However, the establishment of the GRC Branch marks a milestone: embedding capacity, in-house, to detect and prosecute wrong-doing, and developing systems to quash opportunities for those who would wish to engage in fraud and corruption. The Branch is tackling a backlog of 250 internal cases reported since 2009/2010. Of the 158 completed investigations, 93 disciplinary

charges have been recommended and 15 criminal cases reported to the SAPS.

- The GRC Branch is also driving a proper process of strategic planning incorporating risk management, performance management and process re-engineering. The objective is to develop a new Service Delivery Model – in line with DPISA (Department of Public Service and Administration) requirements - which is based on the needs of client departments and enhancing the performance of DPW.

- In the Construction Project Management environment, lack of planning over years has led to under-spending on the budget, as well as cost over-runs and delays on individual projects. This is being addressed through:
 - greater coordination between branches and units along the construction value chain;
 - The establishment of Technical Joint Teams to liaise directly with clients, and

- The introduction of a proper planning methodology – in the form of IDMS (Infrastructure Delivery Management System) and training of officials with the assistance of National Treasury.

- The Department has also developed an ICT (Information Communication Technology) plan to be implemented as part of the second phase of Turnaround. In the modern era – the so-called information age – an appropriate and robust ICT platform is essential to the success - and the very survival – of any business.

- *Human Resources Management and Organisational Development* – It is not enough to have a good plan. You also need the right people – committed and willing to embrace change – together with the right mix of skills. At Exco level, the key management positions of Director-General, Chief Financial Officer and Deputy Director-General: Corporate Services were filled. An acting Deputy Director General was

seconded from the State Security Agency to commission the newly established Governance, Risk and Compliance Branch.

We are addressing the lack of technical and professional capacity as follows:

- Insourcing skills during the stabilisation phase. This necessary spending on consultants will reduce, as we build capacity in-house.
- Recruiting – some 45 professional and technical positions have been filled to date. The remaining 279 vacancies have been prioritised.
- Developing our own skills. The Department's Schools Programme to improve Maths and Science teaching and learning supports 10,000 learners over 5 years. Together with the CETA (Construction Education and Training Authority), the Department, this year, awarded 132 bursaries to students enrolled in built environment

undergraduate and postgraduate programmes. Currently there are 1,149 participants in the various training programmes of the Department (*Bursary holders, artisan development, learnerships, Young Professionals, internships and management trainees.*)

- **Phase 3:** Sustainable development – this is where we fundamentally review the mandate, purpose and responsibilities of Public Works (across the different spheres of government). This will involve a process of research and consultation with stakeholders - culminating in a Public Works Act

Let me summarise where we are with the Turnaround:

- As a matter of urgency we are consolidating the stabilisation work;
- As the main focus of the next five years we seek to enhance the efficiency of our current business

operations – employing better planning, performance management and ICT solutions as our tools; and

- Simultaneously, we are embarking upon a fundamental policy review, culminating in a Public Works Act, to refresh and clarify the mandate of Public Works and to establish a platform for sustainable development.

3. The budget vote

The total budget for DPW for 2013/2014 is R6.121 billion, consisting of:

- R1,175 million for programme 1 (Administration)
- R2,861 million for programme 2 (Immovable Asset Management)
- R1,951 million for programme 3 (Expanded Public Works Programme)
- R41 million for programme 4 (Property and Construction Industry Policy Regulation) and

- R92 million for programme 5 (Auxiliary and Associated Services)

The Department's budget reflects government priorities – drawn from the National Development Plan and the Medium Term Strategic Framework.

In addition to its core mandate as custodian and manager of the state's immovable assets, the Department of Public Works has a further mandate to create jobs and work opportunities and to address skills shortages, particularly in the Built Environment professions.

Consistent with the Cabinet's decision to rein in government spending, the overall reductions to the department's baseline over the MTEF are R1.3 billion in the following areas:

- R650 million on infrastructure projects
- R150 million on non-core goods and services items

- R26.2 million on compensation of employees
- R150 million on transfers to the property management trading entity, and
- R308.3 million on the Expanded Public Works Programme.

Our task, as a line department, is to now use the scarce resources available more efficiently and productively.

4. Expanded Public Works Programme (EPWP)

It has been ten years since government launched the Expanded Public Works Programme as a flagship Programme in fighting the triple challenges of poverty, unemployment and inequality. More than 5 million work opportunities were created between 2004 and 2014.

This indicates the successful implementation of the Programme by all spheres of government, municipalities and civil society organisations, and driven through the

four sectors – namely infrastructure, social, environmental and the non-state sectors.

The success of the Programme is substantiated by the following:

- The Programme exceeded its targets with 60% of the participants being women and 50% being youth, compared to the targets of 55% women and 40% youth, respectively.
- A total of some three-and-a-half million (3,486,096) hectares of land was rehabilitated and cleared of invasive alien plants through the Working for Water and Land-care programmes.
- 1,000 unemployed young people benefitted from the Chefs Youth Training Programme.
- More than 6,000 SMMEs benefitted from programmes implemented by the sector programmes.

- A total of 288 wetlands were rehabilitated over the last three years, with incalculable value to the economy, given the effects of global warming and climate change.
- 74,130 km of roads were maintained through planned maintenance.
- A total of 3,105 km of road were constructed or rehabilitated through the EPWP.
- More than 27,500 youth were trained on the National Youth Service programme in artisan trades in the built environment on projects implemented by the National and Provincial Departments of Public Works.
- More than 161 labour-intensive contracting companies are being developed across all nine provinces through the Vuk'Uphile contractor development programme.

We are now launching Phase 3 of the EPWP with the aim of creating 6 million work opportunities by 2019 – in

line with the Manifesto of the ANC and the National Development Plan. Phase 3 will be characterised by the following:

- A much greater degree of community participation and ownership.
- The Community Work Programme will provide an employment safety net by giving participants a minimum number of regular days of work, typically two days a week. In this manner the CPW will provide a predictable income stream.
- During Phase 3, there will be strong collaboration with the National Skills Fund and Skills Education and Training Authorities (SETA's) to source funding for training of participants.
- A Presidential Public Employment Coordinating Commission – involving relevant departments and stakeholders - will be established to oversee Phase 3, with a view to ensuring synergies and leveraging

existing anti-poverty, training and job creation initiatives.

5. Construction Management: Capital Projects

Spending on the DPW infrastructure programme has decreased over the past 5 years from R1.3 billion in 2010/11 to R510 million in the current year. This is symptomatic of poor performance and under-spending. We had to be pro-active: reprioritising some of the infrastructure funds to provide funding for the Turnaround Programme – using the resources, amongst others, to begin to turnaround Construction Management.

The allocation for 2014/15 is R510 million, with a total allocation of R2.2 billion over the MTEF period. The funds have been allocated as follows:

- R448 million for the construction and major refurbishment of the Department's own

accommodation needs, to reduce maintenance backlogs and our reliance on privately leased accommodation;

- R306 million to minimize the level of exposure to risk of our capital assets built on non-stable soil conditions because of dolomitic activity;
- R30 million to make public buildings more accessible to people with disabilities;
- R795 million for the construction, maintenance and upgrading of border control infrastructure projects to support regional integration through the Southern African Customs Union and SADC, as well as the promotion of trade within the continent – alluded to by the President in his State of the Nation Address.
- R346 million for the management of government's Prestige Portfolio and,

- R314 million to facilitate regeneration of the Tshwane inner city through the provision of the office accommodation needs of national government departments

[I need to mention, that the Construction Management Branch also manages a budget of R2 billion on behalf of client departments.]

The Inner City Regeneration Branch, soon to be renamed “Spatial Planning and Development”, has broadened its scope to include Metros other than Tshwane, as well as towns, districts and small rural towns. This also supports the broader outcomes of rural development and improved local government, and gives impetus to the impending Integrated Urban Development Framework as announced by the President.

As part of the Turnaround, we are restructuring the way we plan, finance, execute, and monitor infrastructure

projects for government – so as to improve service to client departments. These initiatives include:

- The development of a new Service Delivery Model and Service Delivery Improvement Plan
- Training in IDMS (Infrastructure Delivery Management System) with the assistance of national Treasury
- The establishment of Technical Joint Teams to liaise directly with clients, and
- Capacitating Professional Services by employing professionals – as well as expanding skills development in the Department.

In 2013/14, we completed 179 capital projects out of the projected target of 300. Challenges included:

contractors' disputes with their subcontractors, disputes in payments claims, general under-performance by small contractors, and contractors' cash flow problems.

The following major capital projects were completed during 2013/14: Golela Port of Entry Residential Complex, the Makhado Home Affairs Service Centre,

South African Medical Services Medical Depot at Thaba-Tshwane, Thaba-Tshwane Nursing College Residences and Wonderboom Officers Living Complex.

The following major projects are approaching completion: Matola Raid Monument (98% complete); Tzaneen Prison (95% complete); while Upington 8 SAI, Lohatla, Mafikeng 10 SAI, and Doornkop 10 SAI will be handed over in September 2014. The completion of Skilpadhek Port of Entry has been delayed by the need to relocate from operational buildings, but is scheduled for completion in December 2014.

6. Asset Investment Management/PMTE

The Department of Public Works is managing a massive property portfolio that comprises approximately 30,000 land parcels and 107,000 improvements (buildings and structures) countrywide.

These assets are held in support of the service delivery obligations of the government and other social imperatives such as land reform and habitable human settlements. But often the state (and Public Works) is found wanting when it comes to managing and maintaining these assets.

As part of the Turnaround, the first step was to undertake a massive Asset Register Enhancement Programme to ensure certainty on the extent of the state's immovable assets and validate completeness and accuracy of registered and unregistered state land parcels and facilities under custodianship of the Department - as a springboard for portfolio management and investment decisions.

A desk-top analysis of the portfolio will commence during this year in alignment to the approved Immoveable Asset Management Policy.

The physical verification of state assets revealed a number of irregularities and illegal occupations which

will be addressed as part of the Department's Operation Bring Back/Take Back campaign.

Some of the significant achievements of the Asset Register Enhancement Programme include:

- Sufficient audit evidence was provided for all properties disclosed in the Annual Financial Statements for 2013/2014 through the Paper-Trail Project, where supporting documentation such as Title Deeds and Surveyor-General diagrams per property are uploaded on the system.
- Application of municipal values on approximately 10% of DPW's vacant land in 2013/14 was performed to determine deemed cost and ensure the Immovable Asset Register complies with GRAP (Generally Recognised Accounting Practice) accounting requirements by 31 March 2016. This resulted in the disclosure of DPW's vacant land at R4 billion for the year ended 31 March 2014, as opposed to R49 million in 2012/13 financial year. DPW is continuing to apply

municipal values to its portfolio, and other valuation methods will be applied to determine fair value of immovable assets where municipal values do not exist or are qualified.

- The Vesting Business Case, highlighting enhanced processes and resources, was approved and is currently being implemented to ensure vesting of land parcels under DPW's custodianship is complete by 31 March 2016.
- The development and approval of the Immovable Asset Register Operating Model to ensure that there is adequate capacity in the government to maintain the Register and provide leadership, support and guidance to the national and provincial departments, is underway. The Model is GIAMA compliant and once refined, will form a benchmark for the extension of GIAMA prescripts to the local sphere of government.

As part of property portfolio investment and analysis, three buildings were rehabilitated in 2013/2014, with a

further nine earmarked for the current year to accommodate user departments.

Under the Accessibility Programme, 15 buildings were made more accessible for people with disabilities, seriously under-achieving on our stated target of 100 buildings for 2013/2014. This was due to contractual problems – but there can be no excuses for this. I fully expect Parliament to hold us to account on this matter. However, we are now confident of an improved procurement environment and, a further 51 buildings are prioritised for this current year.

Rehabilitation of buildings is reactive and expensive hence the need for planned maintenance of existing and new infrastructure. This will be undertaken through the National Infrastructure Maintenance Strategy (NIMS), approved by Cabinet, for implementation by DPW to maintain state assets, retain value and ensure the training of maintenance operatives. The present NIMS project aims to establish best practice and propose

regulations, norms and standards and will be finalised by 31 March 2015.

One property measuring 128 hectares, earmarked for sustainable human settlements, was approved for release in 2013/2014. A further 22 properties were identified for release in the current year as suitable for human settlement. Resulting from our physical verification exercise and as part of our on-going property portfolio analysis, we shall continue to identify suitable properties to support land reform and restitution programmes.

In addition, the Department has initiated the process of releasing land and the Water Waste Treatment (WWT) plant to the Kouga Municipality. This will contribute to eradicate the bucket system in the area and build onto the work of the Inter-Ministerial Task Team on service delivery established by the President and led by the Minister of COGTA.

7. Property and Facilities Management

Greening

The Department has developed a Green Building Framework that contributes to the implementation of the National Climate Change Response Strategy. The Department is also developing Green Building Policy covering Energy Efficiency, Water Efficiency, Sustainable Waste Management, and retrofitting of public buildings occupied by Government.

To this end, the Department has identified 10 state buildings as pilots for Greening in compliance with energy and water efficiency and has submitted these for audit purposes and retrofitting interventions. We will focus on Energy Efficiency Smart Metering (targeting 200 buildings), Lighting, and Water Efficiency through Water Smart Metering.

These green initiatives and concomitant technologies will contribute to skilling and training particularly of youth, with the Department committed to funding for

training stipends and equipment to a value of R125 million. This will create jobs through the employment of building auditors, installers, and ground personnel.

Municipal Rates & Taxes

The DPW, in collaboration with National Treasury, COGTA, DPME and Provincial Public Works Departments, has developed a detailed action plan to finalise the process of verification of the debt and payment thereof to municipalities. The process is scheduled to be completed by the end of the financial year.

Resuscitation of Workshops

We are resuscitating the Workshops, as part of the Turnaround, to improve the quality of service to clients and to develop scarce technical skills and capacity. In collaboration with private sector companies some 293 artisans are being trained by the Department during 2014/2015.

8. Prestige

The Prestige programme covers the management of national government offices and the accommodation of the Presidency, cabinet members, MPs and senior judges – as well as the organising of national events.

The Prestige Property Management Unit is now centralised in the DG's office and is undergoing restructuring with a view to greater specialisation. The key here is to improve the management of customer relations and communication with departments and individual clients.

The following actions have been taken in respect of the Parliamentary villages:

- We have revived the Parliamentary Villages Management Board;
- The first phase of renovations in the Parliamentary villages was completed during May and June. The

second phase will start during the recess period in September;

- We have identified furniture items that need to be changed. New beds, fridges, coffee tables and dining room chairs are being delivered to the Parliamentary villages;
- Upgrading of the security system is underway;
- A development plan has been drafted and will be put to the Parliamentary Villages Management Board for consultation and implementation.

In respect of Ministers' and Deputy Ministers' official accommodation, the following actions have been taken:

- I requested SIU to investigate all Prestige projects involving excessive cost escalations:
 - In Pretoria, the cost of renovations of seven ministerial houses came to R60 million. Amongst other irregularities, the SIU found approximately

R2.6 million paid had been overpaid to a contractor without supporting documentation. As a result, the Director of Prestige was charged and dismissed.

- In Cape Town, 25 ministerial houses were renovated at a cost of R100 million. We will report to Parliament on the matter, once the SIU completes its investigation.
- Costs for renovation of State-owned houses have now been capped at 30% of the market value of the property;
- Due to the expansion of the Cabinet, we will need to lease or buy additional property to accommodate Members of the Executive.

9. Policy: Transforming the Built Environment

The Department of Public Works remains responsible for the regulation and transformation of the construction

and property sectors. Skewed property ownership patterns need to be addressed; the construction industry has to create an environment where emerging contractors graduate into sustainable businesses; and we have to produce more built environment professionals, particularly from disadvantaged communities. (Currently only 24% of professionals are black, and 9% female).

You will have seen the construction industry survey last week which highlights the dire skills shortage in the industry. This represents a major risk to the safety of construction sites, as well as our ability as a country to roll out infrastructure development. This is an area that government has flagged for urgent attention.

Transformation must also address issues of labour relations and bargaining - particularly in the construction sector – to ensure stability and the mutual benefit of the parties.

Baseline studies conducted by the Construction and Property Sector Charter Councils indicated that whilst the industries have complied with the Charter Codes, there is still much room for improvement. In this regard, we will continue working with the Charter Councils and stakeholders to achieve our goal of transforming these sectors.

Further, the Department is currently working together with the Councils to align the Charter Codes to the revised BBEE Codes gazetted by the dti (Department of Trade and Industry) in 2013. It is envisaged that the alignment process will be finalised by March 2015.

On the legislative front, this year, the Department will table in Parliament the Expropriation Bill, as well as a bill to establish Agrément South Africa as a Public Entity - contributing to the creation of a dynamic and innovative construction industry that positively impacts on job

creation while contributing to Government's infrastructure plans.

The existing Expropriation Act, of 1975 predates the Constitution and it is therefore imperative to align the overarching legislation governing the expropriation of property to the values and provisions of the Constitution.

The Expropriation Bill introduces certain measures that differ significantly from the 1975 Act. Noteworthy is the recognition and compensation of unregistered rights in property in all expropriations. The Bill also embodies the constitutional principle of just administrative action.

Given the array of authorities within the national, provincial and municipal spheres of government that have the power to expropriate property, there is a need to ensure uniformity in the way organs of state undertake expropriations.

The draft Expropriation Bill does not seek to interfere with the powers of expropriation conferred by specific

legislation, but prescribes uniform procedures to be followed by all expropriating authorities when exercising their powers.

My Department will submit memoranda before Cabinet in August 2014 to seek approval to table the above mentioned bills in Parliament, the anticipated date of submission to Parliament is October 2014.

The Department will, in addition:

- Develop a Public Works General Laws Amendment and Repeal Bill, to amend or repeal legislation assigned to the Department that is inconsistent with the Constitution; or redundant or obsolete.
- Review the Construction Industry Development Board (CIDB) Act, 2000 and its Regulations to determine legislative or regulatory challenges that may hinder the CIDB from achieving its mandate, and

- Revise CIDB Regulations on the Register of Contractors addressing, among others, requirements for submission of BBBEE recognition level for registration; and incorporating a demerit system with reportable health and safety incidents.

10. The Department's Public Entities

I need to mention the important work carried out by the Entities that report to the Minister of Public Works:

- ***Agrément South Africa***

['Agrément' – is a French word meaning 'agreement'.]

Agrément South Africa's mandate is to undertake technical assessments of innovative construction systems, and to certificate products as fit for purpose. A recent example is that of the new 'traffic and weigh in motion system' suppliers.

There has been an important government initiative to have 60% of all its physical infrastructure development by the state constructed of non-standard construction technologies by the year 2017. This requires thorough technical assessment and management which ASA, with its highly specialised technical knowledge of the intricacies of the non-standard construction technologies, is equipped to provide.

- ***The Construction Industry Development Board (CIDB)*** - was established to mitigate risks in the public sector construction procurement environment; to provide leadership to the construction industry and to stimulate sustainable growth. The Board's outputs include: developing standards for government tenders; and maintaining a national Register of Projects, as well as the contractor registration and grading system which is both a risk management tool for clients as well as a development tool for emerging contractors. The CIDB can also de-register

contractors for non-performance and for breaches of the CIDB Code of Conduct.

The National Contractor Development Programme (NCDP) – driven by the Construction Industry Development Board (CIDB) – remains a driver of contractor development. CIDB will continue to support government departments and state entities in the development and implementation of contractor development programmes.

At the same time, I commit – personally – to work with all stakeholders to support, empower and develop emerging female and black contractors in the construction sector.

- ***The Council for the Built Environment (CBE)*** - advises the minister, whilst enhancing public protection by ensuring that only registered and competent professionals are allowed to practice.

The key challenge within the built environment professions, as coordinated by the CBE, remains the slow pace of transformation of the built environment professions (*architects, engineers, landscape architects, project & construction managers, property valuers and quantity surveyors*) in terms of race and gender composition. At the end of 2013/14, 76% of all built environment registered professionals were White and 24% were Black (Africans, Indians and Coloureds); 91% were male and 9% were female.

The Department has undertaken a review of the Built Environment Professions Policy with an eye to tabling legislative amendments to Parliament. I would like to thank all those that have taken time to provide my Department with comments on the Policy. It is important that we have a thorough debate on this matter - in a spirit which says that the built environment professionals are a key factor both in unlocking infrastructure spend, and in expanding the skills base – especially from formerly disadvantaged groups. We need to agree on the best institutional

arrangements to ensure that this happens – and at an accelerated pace.

- ***The Independent Development Trust (IDT)***

IDT supports the DPW to fulfil its mandate to deliver social infrastructure – as well as providing project management services to other national and provincial departments.

IDT supports the EPWP especially in relation to its management information system and the Non-State Sector programme. As part of Strategic Infrastructure Project (SIP) 13, IDT has been appointed as one of the implementing agencies for the construction of schools and for the national Schools Beautification programme.

DPW has worked with IDT to develop a new business case. The mandate of IDT has been developed. DPW is currently working with IDT to develop the funding model and institutional form – to ensure the long-term

sustainability of the organisation. It is envisaged that this process will be completed by March 2015.

I believe that, as the Department of Public Works, we need now to engage on a continuous basis with the Entities to forge a common vision and goals. This is necessary to comply with the oversight duties of the Minister. It also makes good business sense – so that our efforts complement each other and we pool resources to maximise delivery. This approach needs to be reflected in the strategic plans of the respective organisations.

11. The Strategic Vision for 2014-2019

Last month I announced – to the top management of the Department - my five year policy statement and vision for the Department of Public Works. Allow me to quote the summary of 5 key priority areas:

1. **One:** *The creation of 6 million work opportunities for poor and unemployed people through the labour-intensive delivery of public services and infrastructure. Public employment programmes must facilitate community participation, and provide tangible benefits to communities, the society and the economy.*

This is a commitment to the people of this country which I take very seriously. We are expanding EPWP both quantitatively and qualitatively. Yes we provide a stipend to unemployed people; but the programmes deliver much more – to individual participants and to their communities.

2. **The second priority area:** *The operationalization of PMTE (Property Management Trading Entity) and the transformation of the core property business (including construction management). This necessarily includes a programme to rebuild technical and professional capacity in the Department.*

This is the core business of Public Works – custodianship of state immovable assets and provision of accommodation to government – and accounts for 75% of the Departmental allocation.

3. Three: *The operationalization of the Governance, Risk and Compliance Branch to drive anti-corruption and to spearhead the second phase of the Turnaround – Efficiency Enhancement - using the tools of planning, Service Delivery Model/ Improvement Plan processes and performance management. This also means working with HR and Change Management to promote a committed performance driven work culture.*

Parliament has – rightly – demanded greater accountability from line departments. That is our objective here – to translate plans and targets into individual performance agreements to be cascaded down from the top.

4. Fourth priority area: *In consultation with all stakeholders – particularly the wider Public Works family in the provinces - a policy review culminating in a Public Works Act. This will provide a solid foundation for the third phase of Turnaround: Sustainable Development, and will clarify and refresh the mandate of Public Works.*

5. Five: *In partnership with our entities, the charter councils and relevant stakeholders, a renewed and sustained programme of action to transform the Built Environment – the construction and property sectors – as part of the second more radical phase of transition to democracy.*

This must include support for black and female contractors and property practitioners; as well as the production of black professionals and artisans in the Built Environment disciplines. We cannot be

complacent that only 24% of built environment professionals are black.

I have now started a process of consultation with stakeholders to accelerate the pace of transformation in the Built Environment sectors.

12. Concluding remarks

In his State of the Nation Address, President Zuma made it very clear that this Administration is committed to picking up the pace of delivery. In my engagements with the senior management, we have reached a common understanding that to deliver on our commitments, we have to radically change the work culture of Public Works. We do this by driving an effective performance management regime. We have to make it very clear – starting from top management down – that non-performance comes with consequences.

Senior Managers are expected to lead by example and drive performance, productivity and professionalism.

In my 2012 Budget Vote, I likened the Department of Public Works to a patient in ICU. In 2013, with some improvements, I said that we had now stopped the bleeding and the patient was being stabilised. Today, in 2014, I can inform Honourable members that the patient is fully stabilised and responding well to medication. We confidently expect that the patient will be discharged in the very near future.

I would like to conclude by thanking the following people and bodies:

- The President for entrusting me with the stewardship of the Public Works portfolio
- The Auditor-General, Public Protector and members of the parliamentary committees for their vigilance and constructive engagement

- The SIU for arming us in the fight against corruption
- National Treasury for strategic guidance and the Government Technical Advisory Centre for their assistance and support in developing a turnaround strategy
- The Department of Public Service and Administration for assisting us to address challenges of Human Resources management and organisational development
- The Director General and senior management of the Department who have led the Turnaround of Public Works.
- The public entities of Public Works who have contributed their personnel and their knowledge to assist in the Turnaround

- I particularly want to thank all those officials of the Department of Public Works who are actively assisting in the process of rebuilding. My message to them – and to honourable members - is this:
 - We have stabilised the Department;
 - We have put in place the building blocks – and we have a plan to rebuild Public Works;
 - Together we can make Public Works work.

I thank you.