



**MINISTRY
PUBLIC WORKS
REPUBLIC OF SOUTH AFRICA**

BUDGET POLICY VOTE

VOTE 11

PUBLIC WORKS & INFRASTRUCTURE

MS PATRICIA DE LILLE, MP

MINISTER OF PUBLIC WORKS & INFRASTRUCTURE

10 JULY 2019

EMBARGOED UNTIL 18h00, 10th July 2019

- Honourable Chairperson
- Members of Cabinet and MECs
- The Chair and members of the Portfolio Committee
- Honourable Members of Parliament

Let me also recognise in the gallery the presence of:

- Chairpersons and CEOs of Public Entities and Professional Councils;
- Representatives of the Auditor-General's Office
- Members of the Audit Committee;
- The Director-General and senior management of the Department of Public Works, as well as HoDs of provincial departments;
- Participants from DPW's Young Professionals training scheme and participants in the EPWP programme;
- Colleagues and friends

The 6th Administration of the democratic government of South Africa has begun its work in an era of fiscal constraint following years of economic decline.

President Ramaphosa has been leading the drive to stimulate the economy, but it is incumbent on all patriotic South Africans to contribute to our recovery and to the restoration of national pride and hope.

"Now is the time to focus on implementation," the President said in his State of the Nation Address last month. "It is time to make choices."

As part of the reconfiguration of Government, over and above the historic role of the Department of Public Works, the function of infrastructure co-ordination was assigned to my Department **which is now called the Department of Public Works and Infrastructure (DPWI).**

In addition to this function, the Department has been assigned the responsibility to coordinate the Infrastructure Delivery Management System (IDMS) – a function previously performed by the National Treasury as well as the transfer of the Presidential Infrastructure Coordinating Commission (PICC), previously performed by the former Department of Economic Development.

South Africa must invest more in infrastructure to create conditions conducive to economic growth, and it must invest wisely.

“Infrastructure is a critical area of investment that supports structural transformation, growth and job creation. It is essential to our economic rejuvenation,” President Ramaphosa said.

In addition, an infrastructure investment fund of R100 billion has been established as a commitment from Government.

Chairperson...

The President has set the focus of the 6Th Administration around the seven priorities of

- Economic transformation and job creation
- Education, skills and health
- Consolidating the social wage through reliable and quality basic services
- Spatial integration, human settlements and local government
- Social cohesion and safe communities
- A capable, ethical and developmental state and
- A better Africa and World

I have since recalibrated the Department’s Annual Performance Plan for this financial year to specifically address the 7 Priorities.

All our programmes and policies across the department and its entities are now directed in pursuit of these overarching tasks.

The processes of reconfiguration of the Department to accommodate the additional functions of IDMS and PICC coordination are being managed through the process of the National Macro-Organisation of Government (NMOG) set by the Presidency.

In line with the NMOG timeframes, these are set to be concluded by December of 2019.

This budget therefore primarily concerns the functions of the old Department.

DPWI Main Vote

The budget allocation for the Main Vote for the current Financial Year 2019/2020 is R7.8 billion.

86% of this allocation is earmarked for transfers, the bulk of which is R4.2 billion towards the support of the Property Management Trading Entity (PMTE) and other departmental entities; Construction Industry Development Board (CIDB), Council for the Built Environment (CBE), Agreement SA.

R2.3 billion has been assigned to the Expanded Public Works Programme (EPWP).

The balance of R1.1 billion is spread out to fund policy & skills development, strengthen governance, risk and compliance, and fight against corruption.

Chairperson... allow me to focus for a moment on the EPWP.

Honourable members, our country continues to confront the scourge of unemployment and poverty.

Given the significance of the EPWP programme in this regard, I will be directly involved in the monitoring and evaluation of the programme.

During Phase 3 of the EPWP, covering the previous five financial years to 2018/2019, more than 4.5 million beneficiaries have been positively impacted. This number comprises 66% women, 44% youth and 1% people living with disabilities.

It is our target to create another 8200 new work opportunities in the current financial year, and we will increase the participation of people with disabilities to 2% within the next two years.

Phase 4 will be replicating and expanding existing initiatives such as Safety Programmes, Early Childhood Development, Tourism Programme and Road & Building Maintenance Programmes.

In addition, we will improve youth participation through expanding youth programmes such as the National Youth Service, Youth Environmental Service and Youth Ambassadors.

We project that over the five years of implementation, a total of R41 billion will be transferred to EPWP programmes.

I have emphasized that the involvement of intermediaries must be minimised to maximise the benefit of this money to the EPWP beneficiaries.

Of the R2.3 Billion assigned to the programme in this financial year, approximately R700m goes to intermediaries.

Measures are in place to deal with the following pitfalls which have been experienced in the past:

- Under-reporting by public bodies (national departments, provincial departments, and municipalities) in terms of the work opportunities created.
- Concerns exist in terms of patronage in the recruitment of participants, the lack of transparency in recruitment and inconsistency in the recruitment process.
- Non-compliance of public bodies to the Ministerial Determination on EPWP, which results in auditing challenges. Examples include, projects not being reported, not all participants that worked on a project being recorded, and poor record keeping of documents such as attendance registers.

Some of these problems continue to occur. It is also a matter of great concern that some municipalities use their EPWP allocations to fund core functions instead of employing people at decent rates and placing them on municipal wage bills.

The practise of using EPWP allocations to perform core functions must stop.

Fraud & Corruption

Honourable members...

South Africans are sick and tired of fraud and corruption in the public service.

Transparency is the most important deterrent to corruption. As such, I have already instructed my officials to put measures in place for public scrutiny of our Supply Chain Management processes.

There will be no secrecy in the award of tenders: From now on, members of the public will be able to observe the evaluation and adjudication of our bidding processes.

In his 2018 State of the Nation address President Ramaphosa spoke of lifestyle audits for elected officials.

I have instructed my department that such audits must be completed between August 2019 and June 2020, and that I want my lifestyle to be audited first.

We are doing all we can to recover looted money and stem the tide of wasteful and corrupt losses.

There are presently 37 dockets registered with the police geared towards the recovery of R29m.

The SIU has conducted 2325 investigations, finalising approximately half of them and has referred the DPWI R403m that must be recovered.

We are also supporting the SIU in court processes to recover R155 million in excessive expenditure on the Nkandla project and finalizing outstanding disciplinary and criminal matters in this regard.

The department will be implementing a consequence management unit to monitor the implementation of consequent management initiatives in the department.

Allow me to expand on two areas of particular concern: The irregular appointment of staff to the department, and the Telkom Towers debacle.

I have recently been briefed on the outcome of the Public Service Commission (PSC) investigation initiated by my predecessor, Mr Thulas Nxesi, into irregular staff appointments between April 2017 and March 2018.

Phase One of the investigation has revealed that 11 of the 37 Senior Management Service (SMS) members were irregularly appointed, and recommended that corrective action be taken in terms of the disciplinary code against members of staff who participated in the appointments.

The Public Service Commission (PSC) has further recommended that the appointments be set aside.

Phase Two of the investigation concerns itself with the appointment of 677 staff at levels below Senior Management Service. Preliminary findings point to 94 staff having been irregularly appointed.

I am awaiting the final report from the PSC.

Where wrongdoing is identified perpetrators must be held accountable for their actions.

With regard to the Telkom Towers project, costs of which have ballooned over the past four years from an initial R600m purchase price to R1.6 billion, whilst the police continue to wait to take occupation of the premises, I have instructed my department to immediately withdraw all DPWI staff from the project management process and assign this task to a competent private sector project management company.

At a meeting with my colleague in the police ministry, the Honourable Cele, I requested that police withdraw its staff from the project management process, too.

I await information from the CEO of the Development Bank of South Africa (DBSA) in order to conclude investigations that are currently underway.

In the meantime DPWI will also assess the current police accommodation at Veritats and Waghuis where police are operating under terrible conditions.

I apologise to the police for this delay.

Chairperson... the looting must stop and, as public servants, we must account for the peoples' money we spend.

Audit

Positive audit outcomes are a litmus test of the Department's performance to the citizens.

They give public confidence to the work of the Department. In this regard, I am aware that the audit outcomes of the Main Vote and PMTE have realised some improvements over the period of the Turnaround intervention initiated in 2012 by my predecessor.

My goal however is that both the Main Vote and PMTE should achieve unqualified to clean audit outcomes in the next year.

To this end, all members of senior management will have a clean audit as a Key Performance Indicator in their performance contracts.

Professional Technical Skills

The Department has over the years strengthened its skills pipeline in relation to built-environment professional and technical skills.

The interventions put into place include school based programmes where the Department identifies a category of Maths and Science learners from schools in disadvantaged communities.

These schools are provided support with enrichment programmes to ensure their maths and science results are improved especially to meet University entrance requirements.

The learners who embrace a career in the built environment are then placed on bursary programmes.

The 80 students who joined our youth bursary scheme in 2014 have graduated and are currently enrolled in the Internship and Young Professionals Programme within the Department.

Currently, together with Council for the Built Environment, my department is supporting 333 more learners from disadvantaged communities as they start out on their journey to professional status in the built environment disciplines.

In addition, 112 Young Professionals are participating in the Department's technical candidacy programme, 124 Young Professionals attained Professional Registration, and 306 Artisan trainees obtained trade test certificates.

My Department intends to finalise work in this Financial Year to roll out a Public Works and Infrastructure Academy.

This Academy finds its place in the context of the State Technical Capacity Building Programme as mandated by the Cabinet Lekgotla of July 2015.

Policy Development

With regard to policy development, the recent reconfiguration of the State will refocus the work currently underway in relation to the Departmental Policy reforms

We are busy with a review of DPWI White Papers, which will form the foundation of a proposed Public Works and Infrastructure Bill.

There will also be a review of the legislation governing the Built Environment Professions, the Construction Industry Development Board Act, 2000 as well as the Draft Expropriation Bill.

This is going to be a busy year for the Department with regards to policy matters.

Allow me to briefly touch on four entities for which the department is responsible and demands impeccable governance:

- The Council for Built Environment supports the Department with a built-environment skills development Candidacy Programme, work integrated learning (WIL) as well as the Department's support to school-going Maths and Science learners.
- Agreement South Africa (ASA) is a technical assessment agency which approves products and systems incorporated in infrastructure development projects.
- The Construction Industry Development Board (cidb) has commenced a process of promoting South African Construction firms securing work beyond the borders of South Africa. It will build on this initiative during the 2019-20 financial Year as well as will drive the improvement of the skills development pipeline by facilitating access to workplace learning opportunities for 4 000 learners.
- Governance of the Independent Development Trust (IDT): The IDT has historically experienced operational difficulties, and its ability to continue as a going concern has of late been questioned on a year-on-year basis. This is a consequence of the significant decline of its business due to loss of confidence by its clients. In this context, money cannot be squandered. My department has raised a number of significant concern with the IDT over its budgeting.
- They appear to have included staff bonuses of R8m for the end of this year, and to be contemplating 18% salary increases next year. They also want 100% increases to cover travel, accommodation and telephone expenses!

The Department has identified the 10 Strategic Risks that may negatively affect its continuity as well as its ability to achieve its goals and objectives.

DPW Strategic Risks

- Inadequate service delivery leading to the erosion of the Department's mandate.
- Breach of key legislation prescripts, acts, regulations and policies (e.g. PFMA, GIAMA, etc.).
- Lack of good governance to ensure accountability by the public works sector including entities.
- Untransformed built environment disciplines, construction industry and property sector.
- Credibility of EPWP eroded due to non-adherence to EPWP prescripts by participating and/or implementing public bodies.

PMTE Strategic Risks

- Inadequate service delivery leading to the erosion of the mandate of the Property Management Trading Entity
- Inadequate maintenance and safeguarding of State assets.
- Inadequate delivery of national Government priorities.
- Weakening financial viability and sustainability of PMTE.
- Inability to maintain a reliable and accurate immovable asset register (IAR).

Given my concerns with this state of affairs, I was encouraged by the plans that the department has developed to mitigate risk exposures to within acceptable levels.

In this regard, I have also instructed management to proactively participate in monitoring enterprise risks within their respective areas of operation and to implement associated action plans as we work towards a risk free, high performance environment.

The Deputy Minister and I will be engaging with the Board of the IDT on its turnaround plan as well as codifying its mandate with the view to concluding its business case.

Besides the IDT, all the other entities have maintained their unqualified audit outcomes.

Honourable chairperson...

PRESTIGE

The Prestige Unit takes care of prestige buildings such as this august house, the Union Buildings and ministerial residences.

My message with regards to the Prestige function is simple.

The Executive is here to serve the people and lead by example.

We will avoid exorbitant expenditure on accommodation, state functions etc.

The budget must be directed toward the implementation of services benefiting the majority of the people.

We are already implementing austerity measures, as demonstrated with the recent State of the Nation event and this Budget Vote.

As an interim measure while we develop formal austerity guidelines, I have issued a notice to all Members of the Executive on the following austerity measures:

- There will be no procurement of new furniture, the Department will repair, upholster and maintain the existing furniture.
- Members of the Executive must manage their water and electricity consumption to minimum and acceptable levels. We are investigating high consumption bills with both the City of Tshwane Municipality and the City of Cape Town municipalities. Our property section is presently engaging with the City of Cape Town on over-billing amounting to R20m.
- All adhoc or emergency refurbishment of offices and residences which are not in the planned maintenance plan will not be allowed, except under exceptional circumstances that are approved by the Executive Authority.

While we apply these austerity measures in the Prestige portfolio the Department will focus on building internal capacity to ensure that there is minimum outsourcing of maintenance of these residences.

A total of R2.6 Billion has been set aside for building maintenance and repairs. Honourable members, as leaders we must lead by example.

PMTE

All these assets of Government serve as physical spaces for citizens' primary interactions with Government – from the spaces they go to register the birth of their children to the spaces they go to obtain grants, pay taxes, report crime, etc.

The way in which these “spaces” are experienced therefore profoundly impacts their view of the State and its ability to serve its citizens.

The Departments primary role is to ensure that these assets are well maintained and managed cost effectively.

The primary source of funding for the Department comes from accommodation charges (i.e. rental) from the User Departments who currently utilise approximately 96% of the property portfolio of PMTE.

During the 2019/20 financial year, the Department forecasts to collect receipts of R22.4 billion. These receipts comprise:

- The Transfer from the Main Vote of R4.2 billion;
- Accommodation charges of R5.2 billion levied to User Departments for the use of the state properties;
- Total recoveries from User Departments of R13.1 billion made up primarily of private leases to the value of R5.1 billion, municipal services of R4.2 billion and recoverable capital expenditure of R3.4 billion; and
- The balance of R430 million is management fees collected by the Department for the agency services rendered to the User Departments.

The above receipts are utilised by the Department to defray costs related to payments to private landlords of R5.1 billion, capital and refurbishment projects undertaken of R5.5 billion, municipal rates and services of R6.1 billion, repairs and maintenance of the state properties of R2.6 billion, cleaning and gardening services to our courts of R300 million

To pay suppliers within 30 days is a compliancy issue and therefore I've introduced into the KPI's of all senior management that all suppliers must be paid within 30 days.

The impact on not adhering within the 30 day period has a serious impact on SMME's.

On Empowerment

Honourable Members, the Department, has a responsibility to ensure that the empowerment objectives are achieved.

This endeavour is assisted by the adoption of a Property Management Empowerment Policy in January 2018 as well as by National Treasury reforms. These reforms support preferential procurement strategies in favour of previously disadvantaged groups.

During the 2019/20 financial year, the Department will be implementing the approved Property Management Empowerment Policy, and a target of awarding 35% of new leases to companies owned by previously disadvantaged groups has been set.

The Department has also set a target of awarding 40% of maintenance term contracts to companies owned by previously disadvantaged groups with specific bias towards women, youth and disabled citizens.

The Department will continue implementing mandatory subcontracting of a minimum of 30% of the value of contracts above R30 million, in line with the Preferential Procurement Regulations, and targets of 80% of procurement spend and bids awarded to designated groups have been set.

Asset Register

Honourable Chairperson, the department has for the past nine years sought to compile an accurate asset register, including valuations.

It is an ongoing project, and I am currently in the process of appointing an independent company to verify the register for signoff.

The asset portfolio under the custodianship of the Department currently comprises approximately 29 000 land parcels.

On this land, approximately 89 000 buildings. It's by far the largest estate portfolio on the continent.

Land Reform

Honourable members, closely linked to the asset register is land reform. As a Department we are part of the rapid land release program that also includes land restitution, land redistribution and land tenure.

In this regard, 51 land parcels were released in the last financial year for land restitution.

In addition, four (4) agricultural land parcels were availed to emerging farmers, mainly in the Free State Province.

In addition to this eight land parcels were released to support to economic development was released.

This included the release of two properties to the Airport Company of South Africa (ACSA) for expansion of Cape Town International Airport.

The Department will accelerate the release of land for Land Reform and the Human Settlements' Programmes.

This year together with other Departments we will:

- Issue 33 title deeds to emerging farmers in Limpopo.
- Release 100 land parcels to land claimants

Further, contributing to economic development of the country and expansion of transport and other strategic network linkages, 30 land parcels will be released as commercial use.

The significance of these achievements is that the Department will contribute to reversing the legacy of apartheid spatial injustice and the dispossession of land from the majority of our people.

We must intensify these efforts.

Honourable chairperson...

Infrastructure Construction

Over the past three years the department spent approximately R14 billion on its infrastructure construction pipeline, to refurbish and build facilities such as prisons, police stations, courts and office accommodation.

According to the latest Stats SA Quarterly Labour Force Survey, more than 140 000 South Africans lost their jobs in the sector in the first quarter of this year.

In this financial year the Department will be investing over R5 billion on 300 infrastructure projects with the specific aim of reigniting the struggling construction sector.

It is our hope that the private sector will come on board to contribute towards a “crowd-funding” effect.

Infrastructure Maintenance

Honourable Members...

The South African Institution of Civil Engineering has produced an Infrastructure Report Card in 2017 with a 5 point scale of the following grades: **A** world class; **B** fit-for-purpose; **C** satisfactory for now; **D** at risk of failure; and **E** unfit for purpose. According to the Report Card, South Africa’s public infrastructure was awarded the overall grade of **D** plus. The **D** rating means that *infrastructure is not coping with demand and is poorly maintained*.

It is likely that the public will be subjected to severe inconvenience and even danger without prompt action.

The reduction of infrastructure budgets within Government has posed additional risk with regard to development, repair, upgrades and refurbishments.

This lack of maintenance will result in the continued deterioration of the buildings with significant risk of non-compliance with the Occupational Health and Safety (OHS) requirements.

I have requested the Department to identify and isolate facilities that present the highest risk which will be followed by plans for urgent corrective measures.

These measures will include the quantification of funding required.

We are going to prioritise maintenance and repairs of our assets over buying more new buildings.

This month I will begin the process of directly engaging key public access points, such as the courts, which will be followed by practical management discussions with the Department of Justice and Correctional Services.

The same will apply to police facilities, and other sectors.

Green Building and Sustainability

Colleagues...

In this regard, we are implementing interventions aimed at achieving resource efficiency in State-owned buildings and contribute to achieving national commitments on Sustainable Development and climate change mitigation actions.

Together with the Development Bank of Southern Africa (DBSA) and the Government Technical Advisory Centre (GTAC), we will be concluding a feasibility study at the end of September of 2019 for a programme to introduce the implementation of solar photovoltaic systems (PV) together with fitment of energy efficient equipment and technologies on all our buildings.

This will be piloted on 300 priority sites in the last quarter of this financial year – and ultimately extended across government buildings.

For sustainability the Department is in discussions with Broadband Infra-Company.

SA Connect is a government project to provide connectivity to all government facilities nationally.

We will also be looking at new and updated technology that will allow for excess to all our communities.

Small Harbours

South Africa has approximately 3000 kilometres of coastline studded by 12 proclaimed harbours (in the Western Cape) and 55 un-proclaimed harbours in the other provinces.

These harbours provide critical infrastructure for the creation of local jobs.

Small harbours and state coastal properties are important to Operation Phakisa: The Ocean's Economy.

The Special Intervention Repair Programme to proclaimed fishing harbours in the Western Cape has thus far created a total of 274 jobs and empowered 35 local SMMEs.

The Department will now be taking this programme nationally.

Conclusion

Honourable Chairperson...

To improve Infrastructure in our country we will need the help of all sectors in society especially the private sector.

This is not a job for one department, or even the whole of government. Without significant private sector collaboration to augment the R100 Billion infrastructure fund we will not be able to stimulate economic growth and create the jobs our country so dearly needs.

Over the coming days and weeks I will be engaging with all stakeholders, starting tomorrow with the Property Sector Charter Council in Sandton.

Ladies and gentlemen...

The plans are in place. We know what needs to be done; what remains is for us to step up and do it.

I thank you

Ends...