



public works

Department:
Public Works
REPUBLIC OF SOUTH AFRICA

**MINISTER OF PUBLIC WORKS
REPUBLIC OF SOUTH AFRICA**

**PUBLIC-PRIVATE INFRASTRUCTURE FORUM
Government and Industry meet to plan the way forward**

Killarney Country Club, Johannesburg, 21-22 June 2012
(8.15–9.00 presentation and 10.00-10.30 panel)

KEYNOTE ADDRESS

TW Nxesi MP

Message from Minister Nxesi:

I regret that I am not able to be with you today due to a personal tragedy. As you may know I lost my beloved daughter in a car accident on Monday.

- Chairperson
- Invited speakers
- Ladies and gentlemen

It gives me great pleasure to address this important gathering of built environment role-players. Thank you for inviting me to share some ideas with you today.

In the time available I want to cover the following areas:

- The DPW Turnaround Strategy
- The role of DPW in Transforming the Built Environment
- The National Infrastructure Roll-out Plans
- Skills Development and Job Creation, and
- The role of the Private Sector

The DPW Turnaround Strategy

As the Department of Public Works, we are coming from a dark place characterised by corruption and mismanagement - evidenced by 8 years of qualified audits, topped off by a disclaimer in the previous audit. We are fortunate that we have institutions such as the Auditor-General, the Public Protector and the Special Investigations Unit (SIU) to expose and document the wrong-doing. As DPW, we stand at a crossroads:

- We know what the problems are.

- We have developed a broad strategy to turn the department around.
- The task now is to implement.

Keep in mind, nothing I say today will come to fruition until, and unless, we tackle the underlying systemic flaws in the Department.

As DPW, we do not have the luxury of time. We are running a business. This is the paradox which faces us as a department: to stabilise the operations of the department short-term, whilst we embark on fundamental review and transformation.

I announced my turnaround strategy at the end of January, which included:

- The establishment of an Inter-Ministerial Committee to provide advice and political support to the department, as well as a Technical Advisory Committee to draw on appropriate experience and best practice.
- The establishment of a Support Team under the Office of the Director General of DPW to oversee and manage the change process. There is no point in putting such a team in the ministry – because ministers change with every election. A Team Leader has been appointed to lead this process and an expert team is being recruited to fundamentally review the business model of the Department – guided by clients' needs.

Amongst the concrete interventions already made are crucial stabilisation projects, including the following:

1. Preparation of a comprehensive reliable Immovable Assets Register

– I am glad to report that we are making real progress.

2. Audit and Review of Leases

Years of poor management, under-capacity and lack of financial controls have provided fertile terrain for fraud and corruption. Thanks to the work of the SIU we are making progress: Twenty-two irregular leases have already been identified in one region alone – involving payments of over R64 million. We have instructed our lawyers to approach the High Court to nullify these irregular lease agreements, and institute civil action against whoever benefited unduly.

Criminal cases are being opened against several officials; more are expected.

Treasury has announced a joint programme with the Department of Public Works to audit its 3,000 current leases with the following objectives:

- To further identify irregular leases and collect monies owed to the Department; and
- To review and strengthen the systems of the Department relating to lease management, and to train and capacitate staff accordingly.

3. Achieving a Clean Audit

Too little, too late - has been done to fundamentally change the audit outcome for financial year 2011-12. That is why, for the current year that has just commenced (2012-13) we have employed additional capacity. I am confident that the first positive results of this will be visible by mid-year when the Interim Audit results are presented by the Auditor-General.

The role of DPW in 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, and the construction industry has to create an environment where emerging contractors graduate into sustainable businesses. The following programmes are key:

- Implementation of the Construction Sector Charter codes;
- The National Contractor Development Programme – driven by the Construction Industry Development Board (CIDB);
- The Contractor Incubator Programme (CIP) contributing to the development of emerging contractors between grades three and seven;
- The Property Incubator Programme (PIP);
- Active participation in the Property Sector Charter Council; and
- New legislation to facilitate change in this sector. [Expropriation Bill and bill to transform the built environment professions.]

The greening of the built environment represents a major new direction in the work of the DPW. We are developing a Green Buildings Policy in line with the principles of the Green Economy Accord – which will contribute towards green jobs.

In concrete terms, over the last year, we have retrofitted 1,000 public buildings with energy saving devices. A further 100 buildings have been fitted with water saving technology. Over the next year we plan to fundamentally rehabilitate 70 state buildings – including fitting state of the art water and energy saving devices.

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

- *Agrement South Africa* - is a world class technical assessment agency whose primary role is the assessment and certification of non-standard construction products in South Africa.
- *The Construction Industry Development Board (CIDB)* – who are represented here today by their CEO. CIDB was established to mitigate risks in the public sector construction procurement environment; provide leadership to the construction industry and to stimulate sustainable growth. The Board's outputs include: developing standards for government tenders; combating fraud and corruption; and maintaining 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 Council for the Built Environment (CBE)* - advises the minister on policy for the built environment, whilst enhancing public protection by ensuring that only registered and competent professionals are allowed to practice.

It remains a concern that only 24% of registered professionals are black. The Council, in partnership with the Department of Higher Education and Training, is developing a candidacy programme to remove bottlenecks in the skills pipeline to allow aspiring young black professionals to attain professional registration.

- *The Independent Development Trust (IDT)* - supports the DPW to fulfil its mandate – 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. The Trust also delivered the following programmes on behalf of the Department: the Alternative Construction Methodology School Building Programme and the Energy Efficiency Programme.

As the Department sharpens its own vision for the future – as part of the turnaround – it will be essential to engage closely with the entities to develop synergies and coherence.

The National Infrastructure Roll-out Plan

As a member of the PICC (Presidential Infrastructure Coordinating Commission) let me comment on the national infrastructure roll-out. The Infrastructure Plan for the country has its origins in discussions held in the Cabinet Lekgotla of July 2011, which established the PICC - – and its various structures. The PICC was tasked with researching the infrastructure needs of the country and developing proposals and infrastructure development plans to present to the President.

Out of this process came the ground-breaking proposals in the State of the Nation Address and the subsequent Budget. Let us remind ourselves of the concept that the President presented in the SONA:

- It spoke to the need to develop a comprehensive plan which would address the legacy of apartheid spatial planning by integrating those parts of the country – rural areas in particular – which had been historically excluded from economic development.
- It spoke to the need to use infrastructure development as a lead sector in developing the necessary economic linkages to drive inclusive economic growth and development; and
- It spoke to the need for infrastructure development to lead the struggle against the triple evils of poverty, unemployment and inequality. This was all the more urgent in an uncertain global

economic context, where South Africa would need to rely on its own efforts to drive economic development.

You would also note that as of the key job drivers, the New Growth Path stresses the need for substantial public investment in infrastructure - both to create employment directly, in construction, operations and maintenance, as well as the production of inputs - and indirectly by improving efficiency across the economy.

The conceptual work has been done: 17 major long-term Strategic Integrated Projects (SIPs) have been developed with planned major positive effects on regional economies and job creation. Let me give some examples – to give you a flavour of what is envisaged:

SIP 1 – the Northern Mineral Belt - centred on the development of the massive mineral resources of Limpopo – coal and platinum – and related economic activities, in particular rail transport, power generation and water supply:

- It is a long-term project – we are talking 20 years and beyond – which takes into account the need to shift dependence from the depleting coal resources (principally in Mpumalanga) to opening up new mines and power stations in Limpopo.
- It will drive economic development in one of the largest and poorest rural provinces for decades to come.
- It will impact on the surrounding provinces and beyond, including the entire Southern African region.

- It also begins to address the energy needs of the country to sustain economic growth required to tackle unemployment and poverty.

SIP 3: South Eastern Node and Corridor Development – to promote rural development through:

- A new dam at Umzimvubu with irrigation systems
- The N2-Wildcoast highway to strengthen supply chains and access
- Building manganese rail capacity from the Northern Cape to PE and building a manganese smelter in the Eastern Cape.
- A possible refinery at Coega
- Development of a trans-shipment hub at Ngqura, and port and rail upgrades to improve industrial capacity and the performance of the automotive industry.

SIP6: Integrated Municipal Infrastructure Project – to assist the 23 least resourced districts to address all infrastructure, maintenance and services backlogs.

SIPs 8,9,10: deal with promoting green energy as well as expanding production of electricity.

SIP 12: Revitalisation of public hospitals and other health facilities

SIP 13: National school building programme:

- Mud schools in E Cape – PICC has instructed us – DPW and DBE - to come up with a rapid programme to address this continuing scandal
- Refurbishment of established schools

The general point here is that government has committed resources to address the massive infrastructure backlogs – Incidentally one of the consequences of the GEAR policy was to postpone critical decisions about infrastructure maintenance and investment for the long-term.

The crucial thing now is how we implement these decisions. We must be clear that the infrastructure roll-out must address the following priorities:

- To trigger sustainable economic growth that begins to address the triple challenge of poverty, unemployment and inequality;
- To ensure that we build in labour intensive methodologies to ensure more jobs; and to build in skills development to enhance the quality of those jobs;
- To support the development of emerging contractors; and
- To also use infrastructure investment to break down the apartheid pattern of spatial development – and especially to help drive rural development.

DPW: Skills Development and Job Creation

The Department has created 200,000 jobs – directly or indirectly – over the last five years as a result of capital projects. We are also

resuscitating the Departmental Workshops to develop in-house maintenance capacity, as well as providing training opportunities for some 500 graduates and students in the built environment sector. This will include the training of professionals, technicians and artisans.

More generally, as a Department we are also exploring ways of building into the specs for construction contracts, the requirement for skills development, job creation and the use of labour intensive methodologies. We have to engage vigorously with contractors and say: if we are going to give you a multi-million rand contract, in return we expect more than the completed infrastructure – including that you facilitate the training of young professionals and artisans, and upgrading of the workforce in general.

On the issue of job creation I need to mention the Expanded Public Works Programme which falls under DPW. The EPWP is part of government's response to the triple challenge of poverty, unemployment and inequality – highlighted in the President's State of the Nation Address. Our target in the second phase of the EPWP - for the period 2009-2014 - is to create 4.5 million work opportunities. More than 2 million work opportunities have already been created since 2009.

The Role of the Private Sector

The President's SONA provides a clear commitment to major infrastructure roll-out in the years ahead. But clearly the state cannot

achieve this alone. We are going to have to forge real partnerships with the private sector to provide a number of services:

- to provide capacity in the construction sector and to source high level built environment professionals and other skills that are lacking in the public sector
- to project manage and implement large projects, and
- to help unlock infrastructure spend.

As the public sector and the private sector we need each other – especially when it comes to the effective roll-out of infrastructure plans.

Having said that I think it is important to add that the relationship has to be carefully monitored and managed to ensure value for money – in terms of the public funds that we have to account for. Issues that we have to consider include the following:

- In any assessment of the correct division of responsibilities between state and private sectors in a partnership, the issue of where risk and final responsibility lies is crucial – so that we don't see a situation where after signing major contracts the service provider still comes back to request additional funding from the state.
- We can agree that where we do not have capacity – in relation to design and construction - we have to in-source. But surely this does not apply to soft facilities management (eg cleaning, gardening, security etc). These are exactly the areas – semi-skilled positions –

where we – as the public sector - need to be expanding job opportunities for our people.

- Government and client departments in general need to build capacity to manage their relations with service providers and consultants – from design and specifications, through construction phase, to maintenance and even disposal.
- Each department – that is involved in infrastructure development – needs technical capacity and expertise – to manage relations with the service provider. You cannot outsource capital projects without having capacity to oversee/assess/monitor the project designs and implementation.
- Public Works has a particular mandate and responsibility to utilise the capacity it has in this respect, and to rebuild capacity that has been lost, so that government in general has capacity – independent of the private sector – to assess designs, specifications and costing of projects, and to monitor and quality assure implementation of projects.

Obviously for big capital projects, government needs to use private providers. But the cost effectiveness of projects and the successful implementation of projects which are fit for purpose, will depend upon government's capacity to manage relations and contracts with private providers.

Working together we can achieve so much more.

I thank you