

**2024/25 BUDGET POLICY SPEECH BY THE MINISTER OF
PUBLIC WORKS AND INFRASTRUCTURE, MR DEAN
MACPHERSON**

***THEME: TURNING SOUTH AFRICA INTO A
CONSTRUCTION SITE – #LETSBUILDSA***

House Chairperson,

My Colleague, the Deputy Minister of Public Works
and Infrastructure, Hon Sihle Zikalala;

Provincial MEC's

Chairperson of the Portfolio Committee on Public
Works; (Hon. CM Phiri)

Members of the Portfolio Committee on Public Works
and Infrastructure

The Director General for Public Works and
Infrastructure, Sifiso Mdakane

Deputy - Directors General

CEO's of Entities

Honourable Members;

INTRODUCTION

Ladies and Gentlemen, if you had asked me three weeks ago if I thought I would be standing before you presenting the budget vote for Public Works and Infrastructure, I would have taken a bet against it.

It seemed an impossible idea that different political parties would work together to form a Government of National Unity, a reality which has given me the opportunity to lead a department as critical as this one.

But here I am today, and it is an opportunity that I want to commit every possible working second to. I will work day and night to make this department one which South Africans can be proud of, and which delivers the services that the Constitution demands of it.

I want to promise that the department will be transparent, so that we build public trust that holds us accountable to deliver. This promise will be our guiding light in every decision we make. Similarly, each program and branch will need to adhere to this commitment we make to South Africans, and is what the public must hold us accountable to.

I also want to thank President Cyril Ramaphosa, and the Leader of the Democratic Alliance, Honourable John Steenhuisen, for entrusting me with the responsibility to serve all South Africans through this Government of National Unity.

I want to ask each of you to join me and us in this incredible journey as we work to turn South Africa into a construction site. We must become obsessed with infrastructure led economic growth that will ignite job creation throughout South Africa.

INTERNATIONAL MANDELA DAY

House Chairperson, we present this Budget Vote a few days before we commemorate Mandela Day, a day in which all of us are called to make a difference in the lives of our communities.

As we embark on this crucial journey of the GNU to grow our country together and improve the lives of the most vulnerable, we are inspired by his message where the former President said: *“May your choices reflect your hopes, not your fears.”*

On Thursday, I will be leading our team to celebrate Mandela Day by lending our time and effort to a project in Langa and invite all of you to join us.

BUILDING SOUTH AFRICA TOGETHER AND TURNING SOUTH AFRICA INTO A CONSTRUCTION SITE

As the Minister responsible for the department, I want to bring a new hope to our country that will see:

- DPWI playing a leading role in growing an inclusive South African economy through infrastructure led growth.
- Infrastructure development becoming a top priority by putting in place measures that will increase the ratio of gross fixed capital formation from 14% to 30% of GDP.
- Work relentlessly to build new public-private partnerships to rollout new energy, communication, water, and transport infrastructure.
- Amplify the SDGs' use and impact by leveraging private sector involvement through procurement. We must get more value for our money when the

- state procures goods and services that actually benefit local communities, and not just the few
- Ramp up maintenance and utilisation of the state property asset portfolio.
 - Reposition the DPWI to assume its role as a strategic catalyst for job creation and poverty alleviation.
 - Building a professional, capable and ethical department that creates the conditions for private enterprise to flourish.
 - Promoting non-racialism and a culture of meritocracy in the public service. Posts in the Department will be filled with competent and qualified individuals who must ensure that we have an effective, non-partisan and professional public service.
 - Building a new culture based on excellence, transparency and succession planning throughout the Department, and which is based on evidence backed research ensuring good decision making.

- Eliminating red tape and supporting the growth of small businesses.
- Invest in research, technology, innovation to improve business systems and project management.
- Develop an appropriate skills pipeline that will meet the demands of the South African Built Environment.
- Root out corruption, criminality, and sabotage of the construction sector.

We call on all South Africans and stakeholders in the construction and property sectors to join us to build South Africa together by turning it into a construction site.

We intend to add urgency to the pace of infrastructure delivery by innovating and inviting new ideas to achieve what needs to be done.

The success of our country lies in us working together using our collective strength to build a country that we are all shareholders of. We are embarking on a new path to build partnerships with stakeholders and business to invest in our bankable infrastructure projects.

With relentless determination, we intend to get more cranes in our skyline by creating an enabling environment for the private sector to invest in our infrastructure.

In turning South Africa into a construction site, we must address the challenges that impedes the implementation of goals which include:

- Disruption and hijacking of construction sites
- Projects not being completed on time and within budget
- Corruption and poor project management

- Construction Industry safety standards not being adhered to
- Strengthening the professionalism of Public Works

Honourable Members, Infrastructure serves as the foundation of a nations' economy by providing the necessary physical and social systems for sustained growth and development. Through the infrastructure networks, we can improve productivity, attract investment, and enhance the overall well-being of every South African.

Transformation and jobs can only come from economic growth. We must therefore support every entity that can help us achieve this target. In this regard, Infrastructure South Africa (ISA) is expected to lead in creating a conducive environment for increased private sector investments.

ISA will receive extra special attention as our special purpose vehicle that will focus on ensuring that we have well packaged projects that are financially viable, catalytic in nature and are delivered on time with all stakeholders meeting their commitments.

I am absolutely committed to see ISA become the focal point of infrastructure planning in our country. We can no longer afford a fragmented approach to infrastructure delivery, which has only delivered indifferent results.

To this end, I have engaged the President and Cabinet for ISA to play a bigger role, as well as highlighting the need to broaden our funding models for infrastructure development. I will be having meetings with both the Minister of Finance and Treasury very soon to look at how better we can work together.

ASSET REGISTER

House Chairperson, the Department of Public Works and Infrastructure is the biggest landlord in South Africa. However, there is no accurate picture on what we own as a department. We have committed ourselves to ensuring in the medium term, we will deliver a comprehensive asset register for the government and the owners of these assets, the people of our country, and we will make it public in the interests of transparency.

We have pledged to address the mismanagement and underutilisation of government assets. There is an urgent need to establish a systematic approach to asset management through a credible and integrated asset register.

Such a register will aid in making informed decisions regarding asset lifecycle management, from acquisition, to maintenance, to either repurposing or

disposing via lease or sale. We must be in a position to track all assets to prevent loss or theft and maintain compliance with financial reporting standards.

As I have said publicly, we must ensure that public assets are used for public good, and this is non-negotiable going forward.

Currently, the Department manages an extensive property portfolio of 27 303 registered and unregistered land parcels on which 80 049 improvements (buildings and structures) are recorded in the department's Immovable Asset Register (IAR).

The total value of properties under the custodianship of DPWI was R154 billion as at 31 March 2024. We need to ensure this value is correct so that we can leverage state assets to fund maintenance and building projects.

In the previous financial year, 19 762 land and buildings were verified to validate existence and assessed conditions in line with section 13(d) of GIAMA (Act 19 of 2007).

The Department will continue implementing the compliance criteria to assess the immovable asset registers of all Provinces on an annual basis to ensure that they are complete and accurate and in line with the PFMA and National Treasury Guidelines.

The compliance assessment rating for the Provinces stood at 93% average in the previous Financial Year. For the 2024/25 financial year, the Department will continue with the Limpopo survey project to finalise 887 SDFs.

Research has been initiated with a view to commence survey and registration of identified un-alienated land, including islands, in the rest of the country with the assistance of the Chief Surveyor-General.

This will enable the Department to pay rates and taxes to municipalities in terms of the provisions of the Municipal Property Rates Act, Act 6 of 2004.

The Department successfully vested 25 190 properties against its target of 27 303 – translating into 92% progress in vesting properties.

We planned to vest a further 420 properties in the 2024/25 financial year, but we must speed up the completion of the vesting project to ensure it is completed in the shortest time possible.

PROPERTY MANAGEMENT (BUILD OPERATE AND TRANSFER / RENOVATE OPERATE AND TRANSFER)

House Chairperson, the leasing portfolio has grown significantly in the past due to a lack of available, suitable government properties. User departments have increasingly opted for leased properties, leading to a budget exceeding R5 billion per year.

This is unsustainable and the Department's goal is to reduce the department's leasing portfolio. I want to see government departments leasing government buildings on not those in nice areas with sea views. We must use our buildings to lead inner city regeneration.

It is against this background that we have made a call for the prioritisation of available state properties for the accommodation and offices for government departments.

Similarly, I want to work with the public to ensure that we are able to identify buildings and land that are a threat to public health and safety, in order that we can either intervene or look to partners in other spheres of government who may want to take this asset over for public good uses.

The Department has developed a Property Optimisation Strategy which has been approved by the 6th administration Cabinet. The strategy seeks to repurpose and reposition the Property Management Trading Entity (PMTE) as a viable and efficient vehicle to deliver a comprehensive value creation through the state immovable asset portfolio.

Further, it seeks to attract direct private sector investment, projected over R10 billion during the 7th Administration within the State Property Portfolio.

The strategy focuses on Property Development through asset recapitalisation and the BOT/ROT Model, Asset Management, Total Facility Management (TFM), Commercialisation of spaces, which includes advertising, parking system and conference facilities. In addition, there will be a greater focused approach on itemised billing, User charge

Model, Disposal of Obsolete Assets and Lease of under-utilised assets.

We will also continue to renegotiate high rental rates for the remaining leased properties to achieve more favourable terms.

SOCIAL FACILITATION AND FIGHTING EXTORTION

The Department will continue to strengthen social facilitation and improve communication with stakeholders and communities on infrastructure projects. These are important for managing community expectations and for community buy-in.

Equally, the Department will work closely with law enforcement to bring an end to work stoppages or disruptions at construction sites. Lawlessness must not be tolerated and we must all seize the moment to

end violence, intimidation, and extortion in the construction sector. We will have no mercy on any of our officials who may be involved in corruption and giving a bad name to the construction sector.

WAR ON PIT TOILETS:

House chairperson, it is unthinkable that in 2024, we still have pit toilets in our schools. This remains a risk to the lives of our children. I cannot in good consciousness allow this danger to continue without urgent intervention. In this regard, I have engaged the Minister of Basic Education, Siviwe Gwarube and we have agreed in principle that we need to collectively declare war on pit toilets and will be meeting with Treasury, and MEC's in Public Works and Education on how this pit toilets will be eradicated from our schools once and for all.

LIFESTYLE AUDITS

House Chairperson, we will continue implementing measures to detect, prevent, and prosecute corruption.

In 2023, the Department completed phase one of the lifestyle audits of its senior management with the assistance of the Special Investigating Unit (SIU). Forty-eight (48) senior managers completed the exercise and the outcomes shared with them. Most managers were found to be low risk.

In 2024, I have instructed the Director-General to [initiate](#) phase two of the assessment, focusing on high-risk areas within the Department. Around 380 officials will be involved in this phase, which is projected to span over 24 months.

The SIU is assisting us in this effort. These audits are essential management tools for preventing and uncovering fraud and corruption in the public service. They are a key component of a department's risk management system and act as a strong deterrent against unethical and criminal conduct.

DPWI MAIN VOTE

House Chairperson, the Departmental budget allocation over the medium term expenditure framework (MTEF) is R23.8-billion (2024/25: R7.6-billion; 2025/26: R7.9-billion; and 2026/27: R8.3-billion).

The focus of this Budget Vote is thus on the 2024/25 budget allocation of R7.6-billion.

The budget will be spent towards creating work opportunities by leading and coordinating the Expanded Public Works Programme (EPWP);

providing policy and sector oversight; building state capacity to facilitate skills development and strengthen the skills pipeline; and providing direct support to sponsors of priority public infrastructure projects.

These areas of focus contribute toward the realisation of the National Development Plan's vision of facilitating job creation and improving public infrastructure, and priorities 1 (economic transformation and job creation) and building a capable, ethical and developmental state.

An estimated 83 per cent or R6.3-billion of the department's total budget over the 2024/25 financial year is allocated to transfers and subsidies for the operations of its entities, and for conditional grants to provinces and municipalities to implement the expanded public works programme. The remaining balance of 17 per cent or R1.3 billion is earmarked for spending on compensation and goods and services to

support the achievement of these priorities by the Department.

The **Expanded Public Works Programme** has a total budget of R2.2 billion in the 2024/25 financial year, decreasing at an average medium-term rate of 7.7 per cent, from R3 billion in 2023/24 to R2.2 billion.

The decrease in the budget was due to the baseline reduction implemented under the transfer for the Provinces, Municipalities and the non-state Sector Programme.

The baseline reduction has resulted in the review of the work opportunities to be created over the medium term. However, I think it is time we start to consider what a reimagined EPWP program looks like that is skills outcomes based and which leads to South Africans climbing up the opportunity ladder, rather than being stuck in EPWP for years on end.

PMTE

It must be noted that 56 414 state properties are occupied by government departments at an average of R26 per m² while more than 2 000 privately owned properties are occupied by government departments at an average of R120 per m².

Therefore, there is a funding shortfall of R7.7-billion for PMTE to provide quality accommodation to government departments.

The entity will focus on developing precincts to support efficient and integrated government planning by grouping departments that provide similar services to make service delivery more efficient.

In addition, the Department will also carry out refurbishment, repair and capital projects for 24 departments, including correctional centres, police stations, courts and office buildings.

The execution of these projects is expected to cost R 3.5-billion in 2024/25. Of this amount, 167 projects will be executed at police facilities (R 375-million), 171 projects will be executed at judicial facilities (R 542-million) and 20 projects will be executed at correctional facilities (R 286-million). The balance will be spent on office buildings, residences and other facilities.

Payments and Debt Collection

Honourable Members, in terms of monies owed to DPWI, the total amount invoiced for the financial year ended 31 March 2024 (unaudited) is to R20.9-billion, of which R16.7-billion (80%) was recovered from client departments.

As some user departments do not pay invoices issued, it affects the ability of the Department to provide quality services and settle invoices to service providers and municipalities.

The user departments owe an amount of R12.6-billion as at 31 March 2024 (unaudited), more than 67% of the said amount relates to old claims for previous years.

The Department has been engaging National Treasury and affected departments to improve debt collection. As the Executive Authority, I will be engaging affected ministers of affected departments to ensure that they pay what is rightfully due to us, or else we may have to consider other options which may not be to everyone's liking.

Furthermore, we will be engaging with the AGSA to request that departments that don't pay us have audit disclaimers made against them.

CONCLUSION

Honourable Members, the budget we just presented concludes the Medium Term Strategic Framework of 2019-2024.

This lays the ground for the 7th administration to build from and accelerate the tempo to Build South Africa and turn it into a construction site.

In undertaking the task to rebuild South Africa through infrastructure that delivers economic growth and job opportunities, we will draw courage from the words of wisdom of our Statesmen Nelson Mandela when he said

“Sometimes it falls upon a generation to be great. You be that great generation.”

We commit to work and use the mandate of the Department of Public Works and Infrastructure to

deliver the South Africa of our dreams. We must be that generation that Builds South Africa.

But we cannot do it alone. That is why I will be looking to establish a number of stakeholder forums and an advisory council to the department which will allow South Africans to share their ideas on how best to use public assets for public good, and how to turn South Africa into a construction site.

I wish to extend my gratitude to the Deputy Minister, Sihle Zikalala for all the support. May I take this opportunity to also thank the Director-General, Mr Sifiso Mdakane and the staff at Team DPWI for their warm welcome, support and commitment to the vision we are putting forward.

A word of appreciation also goes to you Honourable Members and I look forward to your continued guidance, wise counsel and constructive criticism, and

above all, being transparent and accountable to the people of South Africa through you.

We also acknowledge all the messages of support from our partners in the built environment sector. We invite all of you to join us on this journey.

Let's Build South Africa!

I thank you