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## 2022 BUDGET VOTE 13: PUBLIC WORKS AND INFRASTRUCTURE

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### 1. INTRODUCTION

This paper provides an overview of the budget allocation of the Department of Public Works and Infrastructure. The analysis is based on the information contained in the 2022 Estimates of National Expenditure (ENE), and the Department of Public Works and Infrastructure's 2022/23 Annual Performance Plan and 2020-2025 Strategic Plan.



## 1.1 Vision and Mission of the Department of Public Works and Infrastructure

The Vision of the Department is:<sup>1</sup>

“A trusted choice for innovative asset management and quality infrastructure delivery for sustained economic growth.”

While, the Mission of the Department is:

“To provide strategic direction and quality services that offer innovative and proactive socio-economic infrastructure delivery and maintenance of public assets, while protecting the environment and the cultural and historic heritage, safety in the working environment and safer communities towards sustainable development.”

The Department of Public Works and Infrastructure is mandated (through the Government Immovable Asset Management Act (No. 19 of 2007), to be the custodian and portfolio manager of Government’s immovable assets.<sup>2</sup> The Department derive specific functional areas of concurrent national and provincial legislative competence in terms of Schedule 4 (Part A) of the Constitution.<sup>3</sup> The Department’s objectives are to:<sup>4</sup>

- Transform the Construction and Property Sectors through the development of policy and legislative prescripts.
- Provide oversight of the Public Works Sector.
- Provide an oversight role in the implementation of the Public Employment Programmes through the Expanded Public Works Programme (EPWP) standardised frameworks.
- Oversee the efficient delivery of identified services to Prestige Clients.
- Support service delivery in a smart, proactive and business centric manner, that is, aligned to statutory requirements.
- Build State capacity in the Built Environment Professions.

The Department’s mandate includes the following functional responsibilities following the operationalisation of PMTE:<sup>5</sup>

- Undertake the custodial and portfolio management of national Government’s immovable assets.<sup>6</sup>

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<sup>1</sup> Department of Public Works and Infrastructure (2021), p. 33.

<sup>2</sup> National Treasury (2019), p. 213.

<sup>3</sup> Schedule 4 (Part A) highlights concurrent functional areas for Public Works only in respect of the needs of provincial Government departments in the discharge of their responsibilities to administer functions specifically assigned to them in terms of the Constitution or any other legislation.

<sup>4</sup> Department of Public Works (2018), p. 18.

<sup>5</sup> The PMTE was operationalised in the 2015/16 financial year.

<sup>6</sup> Department of Public Works (2014), p. 43.



- Formulate policy, coordinate, regulate and undertake oversight in the provision of accommodation and expert built environment services to Client Departments at national government level.
- Plan, acquire, manage and dispose of immovable assets under the Department's custodianship.
- Coordinate and provide strategic leadership in job creation initiatives through the implementation of the EPWP.<sup>7</sup>

## 2. POLICY PRIORITIES FOR 2022/23

The 2022 State of the Nation Address (SONA) focus includes job creation, infrastructure development, and maintenance. The Government further plans to finalise a comprehensive social compact to grow the economy, create jobs and combat hunger. The long-term decline in investment resulted in unemployment due to low growth.<sup>8</sup>

Apart from the above, the focus for Public Works and Infrastructure remains on the following overarching priorities:<sup>9</sup>

- The Government will be taking measures to enable businesses to grow and create jobs, alongside expanded public employment and social protection.
- The Infrastructure Fund, with a R100 billion allocation from the fiscus over 10 years, is working with State entities to prepare a pipeline of projects with an investment value of R96 billion in student accommodation, social housing, telecommunications, water and sanitation and transport.
- Over the next three years, the Rural Roads Programme will use labour intensive methods to construct or upgrade 685 kilometres of rural roads.
- Recruit the first cohort of 50 000 young people through a revitalised National Youth Service to create opportunities for young people to contribute to their communities, develop skills and improve employability.
- The Department of Public Works and Infrastructure will finalise the transfer of 14 000 hectares of State land to the Housing Development Agency.<sup>10</sup>
- The Government to establish specialised multi-disciplinary units to address economic sabotage, extortion at construction sites and vandalism of infrastructure.
- Fight against corruption, to create jobs, and achieve a more just and equal society.
- Government to build a capable, ethical and developmental State, that includes tighter measures for recruitment of public servants, continuous professional development through the National School of Government and partnerships between State bodies, professional associations and universities.

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<sup>7</sup> National Treasury (2020), p. 181.

<sup>8</sup> Ramaphosa, C. (2022), pp. 3-4.

<sup>9</sup> Ramaphosa, C. (2022), pp.5 -23.

<sup>10</sup> Ramaphosa, C. (2022), pp.15 -23.



### 3. BUDGET ANALYSIS

**Table 1: Budget Allocation Public Works and Infrastructure**

Programme	Budget				Nominal Rand change	Real Rand change	Nominal % change	Real % change
	R million	2021/22	2022/23	2023/24	2024/25	2021/22-2022/23	2021/22-2022/23	2021/22-2022/23
1. Administration	504,5	512,2	509,1	526,4	7,7	- 14,4	1,53 per cent	-2,85 per cent
2. Intergovernmental Coordination	58,5	63,8	63,0	65,0	5,3	2,6	9,06 per cent	4,36 per cent
3. Expanded Public Works Programme	2 921,1	3 074,7	3 085,2	3 231,1	153,6	21,2	5,26 per cent	0,73 per cent
4. Property and Construction Industry Policy and Research	4 781,0	4 816,2	4 834,0	5 051,4	35,2	- 172,2	0,74 per cent	-3,60 per cent
5. Prestige Policy	89,1	80,4	77,6	80,3	- 8,7	- 12,2	-9,76 per cent	-13,65 per cent
<b>TOTAL</b>	<b>8 354,2</b>	<b>8 547,3</b>	<b>8 568,9</b>	<b>8 954,2</b>	<b>193,1</b>	<b>- 175,0</b>	<b>2,31 per cent</b>	<b>-2,09 per cent</b>

Source: National Treasury (2022) and own calculations

The Department receives a voted allocation of R8.55 billion for 2022/23 with which to accomplish the priorities listed above. This represents an increase of 2.3 per cent in nominal terms, and a decline of 2.1 per cent in real terms (calculating the impact of inflation) from the 2021/22 adjusted appropriation of R8.35 billion. The Department's budget represents approximately 0.1 per cent of the national appropriation by vote, excluding direct charges.

In terms of economic classification, the departmental budget includes Transfers and Subsidies totalling 87.1 per cent of the budget, with a total monetary value of R7.45 billion (compared to R7.36 billion in the adjustment period). This constitutes a 1.2 per cent nominal increase, and a decline of 3.2 per cent in real terms since the growth in the allocation is below the projected average inflation rate of 4.5 per cent for 2022/23.

R1.64 billion of the Transfers and Subsidies is in the form of conditional grants to Provinces and Municipalities, while a total of R4.63 billion is allocated to Departmental Agencies and Accounts. For 2022/23, Current Payments amount to 12.6 per cent (i.e. R1.08 billion) and Capital payments to 0.2 per cent of the budget (i.e. R20.1 million).<sup>11</sup>

Compensation of Employees decreases by R1.5 million (from R582.7 million in the 2021/22 adjusted period) to R581.2 million in 2022/23

Goods and Services increases by R106.0 million (from R393.1 million in the 2021/22 adjusted period) to R499.1 million, of which the following line items are subcategorised in the Table 2 below:

<sup>11</sup> National Treasury (2022), p. 203.



**Table 2: Goods and Services**

Programme	Budget		Nominal Increase / Decrease in 2022/23	Real Increase / Decrease in 2022/23	Nominal Percent change in 2022/23	Real Percent change in 2022/23
	R million	2021/22				
Administrative Fees	52,6	93,5	40,9	36,9	77,76 per cent	70,10 per cent
Computer Services	39,9	40,7	0,8	- 1,0	2,01 per cent	-2,39 per cent
Consultants: Business and Advisory Services	25,7	42,8	17,1	15,3	66,54 per cent	59,37 per cent
Agency and Support/ Outsourced Services	60,1	82,5	22,4	18,8	37,27 per cent	31,36 per cent
Operating Leases	38,3	43,1	4,8	2,9	12,53 per cent	7,69 per cent
Travel and Subsistence	34,8	49,7	14,9	12,8	42,82 per cent	36,67 per cent
Interest and Rent on Land	0,0	0,0	0,0	0,0	n/a	n/a

Source: National Treasury (2022) and own calculations

### 3.1 Departmental Receipts

The Department generates revenue through the PMTE, by letting properties and official quarters, and the sale of land and buildings. It is projected, that the Department will collect revenue to the total value of R1.35 million for 2022/23.<sup>12</sup> This is a decrease of R835 000 from the R2.18 million reported in adjusted period of 2021/22. The Department sub-categorises the sale of Goods and Services it produces according to Sales generated through market establishments and Other sales.

- R298 000 is expected to be generated through the Sale of Goods and Services produced by the Department, of which:
  - R125 000 is generated through Market establishment (covered and open rental parking).
  - R 3 000 is generated through Administration fees (Servitude rights).
  - R170 000 is generated through Other Sales: Tender documents.

The Department also generates revenue through the following:

- R700 000 in Interest, dividends and rent on land.
- R350 000 in Transactions in financial assets and liabilities.<sup>13</sup>

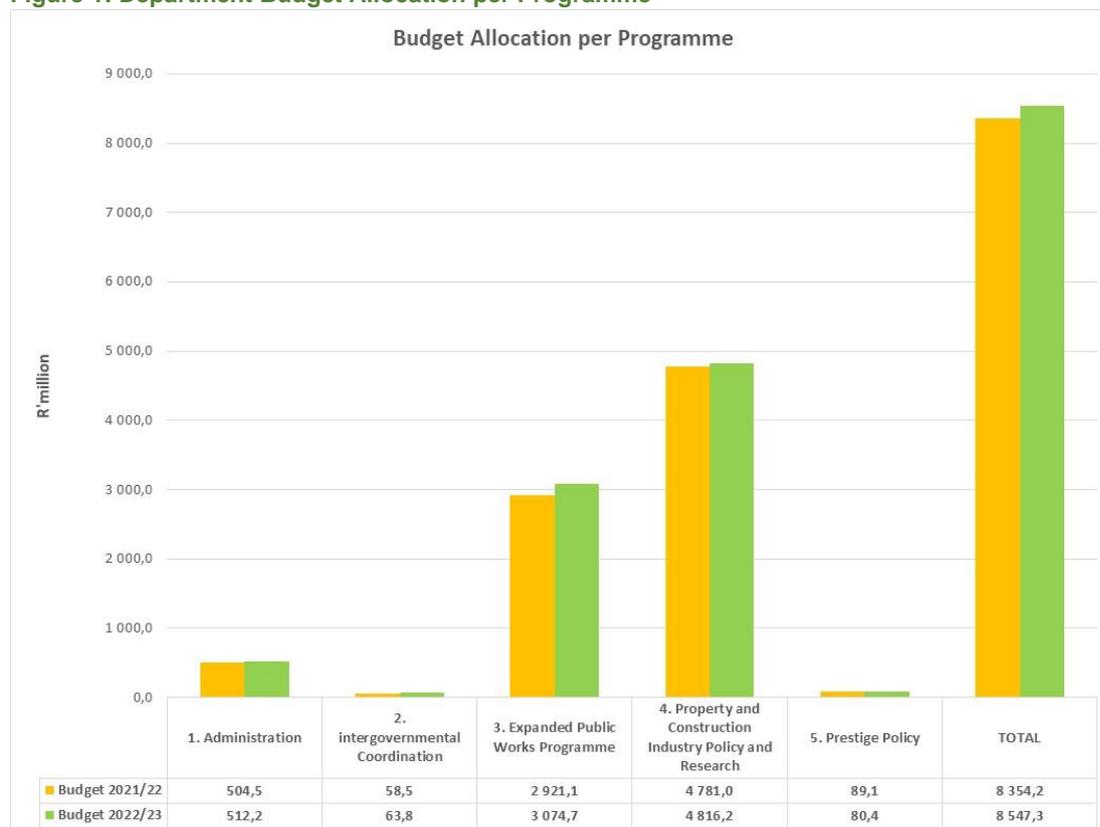
The Department consists of five main programmes, which include sub-programmes. Following below is an expenditure analysis by programme.

<sup>12</sup> National Treasury (2022), p. 205.

<sup>13</sup> National Treasury (2022), p. 205.



**Figure 1: Department Budget Allocation per Programme**



Source: National Treasury (2022) and own calculations

### 3.1.1 Programme 1: Administration

**Programme 1 provides strategic leadership, management and support services to the Department.**

Programme 1 performance targets for 2022/23 are:<sup>14</sup>

- Reach an Ethics and Fraud Perception survey rating of 41-60 per cent.
- A good governance compliance management practices rate of 100 per cent.
- A performance information level of 81-100 per cent.
- Spend 100 per cent of the allocated budget.
- Percentage of vacancy rate at 11 per cent.
- Provide designated groups of 40 per cent women and 2 per cent people with disabilities with empowerment and opportunities.
- Ensure 30 per cent of business process automation.
- Information, Communication and Technology (ICT) architect to enable business solutions for digitisation and modernisation of 30 per cent of the system.

For 2022/23, the *Administration* programme receives an allocation of R512.2 million, which proportionally represents 6.0 per cent of the overall departmental budget. Its allocation

<sup>14</sup> Department of Public Works and Infrastructure (2022), pp. 62-3.



increases by R7.7 million and constitutes (a nominal rate increase of 1.5 per cent and a decrease by 2.9 per cent in real terms) from the R504.5 million revised allocation of 2021/22.

In terms of economic classification, the *Administration* programme budget includes Current Payments to the value of R501.7 million, (of which R290.2 million is to be spent on Compensation of Employees). The budget for the Compensation of Employees under Programme 1 decreases by R2.3 million or 0.8 per cent in nominal terms and a decline of 5.1 per cent in real terms in 2022/23.

Further, the Department allocates R211.5 million to Goods and Services. This constitutes an increase of R8.0 million (or 3.9 per cent in nominal terms), and a decline of 0.54 per cent in real terms from the R203.5 million adjusted allocation in 2021/22. Further expenditure trends for Goods and Services (in real terms) for 2022/23 is illustrated in Table 3 below:<sup>15</sup>

**Table 3: Goods and Services: Programme 1**

Programme	Budget		Nominal Increase / Decrease in 2022/23	Real Increase / Decrease in 2022/23	Nominal Percent change in 2022/23	Real Percent change in 2022/23
	R million	2021/22				
Communication	12,3	18,5	6,2	5,4	50,41 per cent	43,93 per cent
Computer Services	39,9	40,6	0,7	- 1,0	1,75 per cent	-2,63 per cent
Legal Services	25,4	18,0	- 7,4	- 8,2	-29,13 per cent	-32,19 per cent
operating Leases	34,8	38,6	3,8	2,1	10,92 per cent	6,14 per cent
Property Payments	17,1	21,1	4,0	3,1	23,39 per cent	18,08 per cent
Travel and Subsistence	11,6	16,9	5,3	4,6	45,69 per cent	39,42 per cent
Interest and Rent on Land	0,0	0,0	0,0	0,0	n/a	n/a

Source: National Treasury (2022) and own calculations

A total of R9.5 million is allocated towards Capital expenditure. This constitutes an increase of R1.9 million (or 25.0 per cent in nominal terms and 19.6 per cent in real terms), from the R7.6 million of the previous year. The above-allocation is for Machinery and Equipment.

As noted above, a large portion of the Administration budget is allocated towards Compensation of Employees and Goods and Services. The Department indicates that the key role is to align people to processes and systems to drive organisational performance.<sup>16</sup>

### 3.1.2 Programme 2: Intergovernmental Coordination

**Programme 2 seeks to promote sound sectoral and intergovernmental relations and strategic partnerships. Coordinate with Provinces on Immovable Asset Registers; construction and property management; and the reporting of performance information within the Public Works Sector.**

<sup>15</sup> National Treasury (2022), p. 206.

<sup>16</sup> Department of Public Works and Infrastructure (2020), p. 117.



Programme 2's targets for 2022/23 is to:<sup>17</sup>

- Coordinate the updating of the Immovable Asset Registers, the construction and management of State infrastructure, the implementation of the Government Immovable Asset Management Act (No. 19 of 2007), and performance information reporting within the Public Works Sector by holding regular meetings and engagements with Provinces over the medium term.
- Ensure coordination in the Public Works Sector through the development, implementation and monitoring of the approved Sector Plan by holding regular meetings over the medium term.
- Coordinate and manage the supply of Built Environment Skills to support State infrastructure delivery by increasing the number of Built Environment graduates in the Department's Skills Pipeline Strategy to 3 500 over the medium term.
- Complete the review of two Sector Performance Reports.<sup>18</sup>
- Ensure the participation of 1 100 beneficiaries in the Department Skills Pipeline Intervention Programmes; aimed at restoring the skills pipeline in the built environment.

#### Issue for Consideration

- The Department to clarify the correct number of beneficiaries participating in the DPWI's Skills Pipeline.
- In the 2022 ENE the total is 3 500, while the 2022/23 Annual Performance Plan indicates 1 100, a difference of 2 400 beneficiaries.<sup>19</sup>

Programme 2 was one of the main programmes of the Department prior to some of its sub-programmes and functions being shifted to Programme 4 (see below). It proportionally represents 0.7 per cent of the overall departmental budget allocation for 2022/23.

**Table 4: Programme 2 Budget Allocation**

Programme	Budget		Nominal Increase / Decrease in 2022/23	Real Increase / Decrease in 2022/23	Nominal Percent change in 2022/23	Real Percent change in 2022/23
	2021/22	2022/23				
Monitoring, Evaluation and Reporting	6,3	6,2	- 0,1	- 0,4	-1,59 per cent	-5,83 per cent
Intergovernmental Relations and Coordination	23,5	25,6	2,1	1,0	8,94 per cent	4,25 per cent
Professional Services	28,7	32,0	3,3	1,9	11,50 per cent	6,70 per cent
<b>TOTAL</b>	<b>58,5</b>	<b>63,8</b>	<b>5,3</b>	<b>2,6</b>	<b>9,1 per cent</b>	<b>4,36 per cent</b>

Source: National Treasury (2022) and own calculations

<sup>17</sup> National Treasury (2022), pp. 206-7.

<sup>18</sup> Department of Public Works and Infrastructure (2022), p. 67.

<sup>19</sup> Department of Public Works and Infrastructure (2022), p. 67.



Its 2022/23 allocation of R63.8 million, constitute an increase of R5.3 million. This represents a nominal increase of 9.1 per cent (and 4.4 per cent in real terms) from the R58.5 million allocated in the 2021/22 financial year.

Expenditure for Programme 2 for the 2022/23 financial year currently consists of the following three sub-programmes:

- *Monitoring, Evaluation and Reporting* receives an allocation of R6.2 million.<sup>20</sup> This is a decline of R100 000 from the R6.3 million received in 2021/22, which constitutes a nominal decrease of 1.6 per cent (and 5.8 per cent in real terms) from the previous year.
- *Intergovernmental Relations and Coordination* receives an allocation of R25.6 million. This is an increase of the R2.1 million from the R23.5 million received in 2021/22, which constitutes a nominal increase of 8.9 per cent (and 4.3 per cent in real terms) from the previous year.
- *Professional Services*<sup>21</sup> is allocated R32.0 million. This is an increase of R3.3 million from the R28.7 million received in 2021/22, which constitutes a nominal increase of 11.5 per cent (and 6.7 per cent in real terms) from the previous year.

In terms of economic classification, R57.1 million is allocated to Current payments. This constitutes an increase of R6.6 million or 13.1 per cent in nominal terms (8.2 per cent in real terms) from the R50.5 million of the previous year.<sup>22</sup> Of this amount:

- Compensation of employees consists of R42.1 million (an increase of R1.9 million).
- Goods and Services is allocated R15.0 million (an increase of R4.7 million from R10.3 million in 2021/22).

In terms of assisting to build a capable State and placing the economy on the path to recovery, Programme 2's Professional Services Branch (PSB) contributes to the development of competent, skilled and motivated Built Environment professionals through supported learning interventions and focused experiential learning processes.<sup>23</sup>

### 3.1.3 Programme 3: Expanded Public Works Programme

**Programme 3 seeks to ensure the coordination of the implementation of the Expanded Public Works Programme (EPWP), which aims to create work opportunities; and the provision of training for unskilled, marginalised and unemployed people in South Africa.**

<sup>20</sup> National Treasury (2022), p. 207.

<sup>21</sup> In 2018 the Professional Services sub-programme was a new addition under Programme 2.

<sup>22</sup> National Treasury (2022), p. 207.

<sup>23</sup> National Treasury (2022), p. 207.

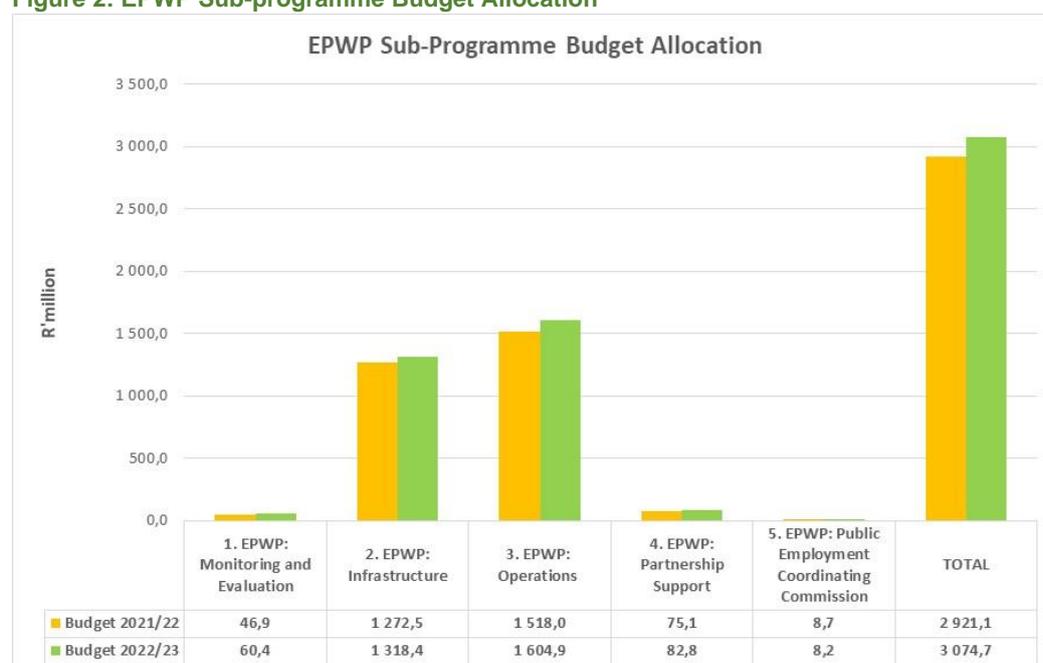


Programme 3's goals are to monitor and evaluate the implementation of Public Employment Programmes within the Expanded Public Works Programme (EPWP) over the medium term as follows:<sup>24</sup>

- Ensure that 69 Public Bodies are provided with programme coordination support on the EPWP.
- Support Public Bodies in implementing Public Employment Programmes within the EPWP in the Infrastructure; Social; Environment and Culture Sectors by ensuring that 290 public bodies are provided with technical support.
- Produce four Progress Reports that reflect the work opportunities reported by Public Bodies on the EPWP Reporting System.<sup>25</sup>

For 2022/23, Programme 3 is appropriated R3.07 billion<sup>26</sup> which proportionally represents 35.9 per cent of the overall departmental budget. Expenditure under Programme 3 increases at a nominal rate of 5.3 per cent (which translates into a real increase of 0.73 per cent).

**Figure 2: EPWP Sub-programme Budget Allocation**



Source: National Treasury (2022) and own calculations

The allocations for the *Expanded Public Works Programme* (EPWP) are mainly for the *Integrated Grant for Provinces and Municipalities*; and the *Performance Based Incentive Allocations*.

<sup>24</sup> National Treasury (2022), p. 208.

<sup>25</sup> Department of Public Works and Infrastructure (2022), p. 70.

<sup>26</sup> National Treasury (2022), p. 209.



**Table 5: EPWP Budget Allocation per Sub-programme**

Programme	Budget		Nominal Increase /	Real Increase /	Nominal Percent	Real Percent
	2021/22	2022/23	Decrease in 2022/23	Decrease in 2022/23	change in 2022/23	change in 2022/23
R million						
1. EPWP: Monitoring and Evaluation	46,9	60,4	13,5	10,9	28,78 per cent	23,24 per cent
2. EPWP: Infrastructure	1 272,5	1 318,4	45,9	- 10,9	3,61 per cent	-0,85 per cent
3. EPWP: Operations	1 518,0	1 604,9	86,9	17,8	5,72 per cent	1,17 per cent
4. EPWP: Partnership Support	75,1	82,8	7,7	4,1	10,25 per cent	5,51 per cent
5. EPWP: Public Employment Coordinating Commission	8,7	8,2	- 0,5	- 0,9	-5,75 per cent	-9,81 per cent
<b>TOTAL</b>	<b>2 921,1</b>	<b>3 074,7</b>	<b>153,6</b>	<b>21,2</b>	<b>5,3 per cent</b>	<b>0,73 per cent</b>

Source: National Treasury (2022) and own calculations

The allocations are reported under the following five EPWP sub-programmes:

- EPWP: Monitoring and Evaluation receive R60.4 million. In real terms this sub-programme allocation increases by 23.2 per cent from the previous year.
- EPWP: Infrastructure receives R1.32 billion. In real terms, this sub-programme allocation decreases by 0.85 per cent from the previous year.
- EPWP: Operations receives R1.61 billion. In real terms, this sub-programme allocation increases by 1.2 per cent from the previous year.
- EPWP: Partnership Support receives R82.8 million. This sub-programme allocation increases by 10.3 per cent in nominal terms and 5.5 per cent in real terms from the previous financial year.
- EPWP: Public Employment Coordinating Committee receives R8.2 million. In real terms, this sub-programme allocation increases by 0.73 per cent from the previous year.

In terms of economic classification, Programme 3's budget includes Current Payments to the value of R388.5 million, of which R183.4 million is allocated to Compensation of Employees. Compensation of Employees decreases with R2.8 from the R186.2 million of the previous year.<sup>27</sup>

Expenditure on *Goods and Services* amounts to R205.2 million, an increase of R87.7 million (which translates into a real increase of 67.1 per cent from R117.5 million of the previous year).

The bulk of the expenditure under Programme 3 constitute Transfers and Subsidies amounting to R2.69 billion, (from the R2.16 billion in 2021/22) representing a nominal increase of R68.8 million or 2.6 per cent and (a decline of 1.8 per cent in real terms). Of this amount, R1.64 billion is assigned to Provinces and Municipalities and is allocated as follows:<sup>28</sup>

- R1.05 billion is allocated to Non-profit institutions.
- R778.4 million towards the *Integrated Grant for Municipalities*.
- R433.1 million towards the *Integrated Grant for Provinces*.
- R424.8 million towards the *Social Sector Incentive Grant for Provinces*.

<sup>27</sup> National Treasury (2022), p. 209.

<sup>28</sup> National Treasury (2022), p. 209.



### 3.1.4 Programme 4: Property and Construction Industry Policy and Research

**Programme 4 promotes the growth and transformation of the construction and property industries, as well as a standardised approach and best practice in construction and immovable asset management in the public sector.<sup>29</sup>**

Over the medium term, Programme 4 aims to undertake research and develop:<sup>30</sup>

- Promote growth, transformation and competition in the property sector by conducting research and developing policies, legislation and best practices over the medium term.
- Develop four Integrated Reports on the status of strategic infrastructure, annually.

Programme 4 includes the following targets:<sup>31</sup>

- Public Works Bill Gazetted.
- Amendment of the Construction Industry Development Board (cidb) Act (No. 38 of 2000) submitted to the Minister.
- Infrastructure Development Act Regulations gazetted.
- Infrastructure Development Act amendments submitted to Cabinet.
- Submit four Integrated Reports on the status of the Strategic Integrated Projects (SIPs).
- Submit one NIP 2050 Phase 2: Social and Distributed Infrastructure to Cabinet.

Programme 4's budget nominally increases from an allocation of R4.78 billion in 2021/22 to R4.82 billion in 2022/23,<sup>32</sup> which proportionally represents 56.4 per cent of the overall departmental budget. This allocation constitutes an increase of 0.7 per cent in nominal terms and a decline of 3.6 per cent in real terms.

**Table 6: Budget Allocation for Programme 4**

Programme	Budget		Nominal Increase / Decrease in 2022/23	Real Increase / Decrease in 2022/23	Nominal Percent change in 2022/23	Real Percent change in 2022/23
	2021/22	2022/23				
1. Construction Policy Development Programme	43,0	45,6	2,6	0,6	6,05 per cent	1,48 per cent
2. Property Policy Development Programme	11,8	12,2	0,4	- 0,1	3,39 per cent	-1,06 per cent
3. Construction Industry Development Board	78,2	80,0	1,8	- 1,6	2,30 per cent	-2,10 per cent
4. Council for the Built Environment	53,5	54,5	1,0	- 1,3	1,87 per cent	-2,52 per cent
5. Independent Development Trust	93,0	0,0	- 93,0	- 93,0	-100,00 per cent	-100,00 per cent
6. Construction Education and Training Authority	0,6	0,6	0,0	0,0	0,00 per cent	-4,31 per cent
7. Property Management Trading Entity	4 349,7	4 453,7	104,0	- 87,8	2,39 per cent	-2,02 per cent
8. Assistance to Organisations for the Preservation of National Memorials	28,3	29,4	1,1	- 0,2	3,89 per cent	-0,59 per cent
9. Infrastructure Development Coordination	123,0	140,2	17,2	11,2	13,98 per cent	9,08 per cent
<b>TOTAL</b>	<b>4 781,0</b>	<b>4 816,2</b>	<b>35,2</b>	<b>- 172,2</b>	<b>0,7 per cent</b>	<b>-3,60 per cent</b>

Source: National Treasury (2022) and own calculations

<sup>29</sup> This programme, was known as the Property and Construction Industry Policy Regulation, which promoted the growth and transformation of the construction and property industries, as well as uniformity and best practice in construction and immovable asset management in the public sector.

<sup>30</sup> National Treasury (2022), p. 201.

<sup>31</sup> Department of Public Works and Infrastructure (2022), pp. 73-5.

<sup>32</sup> National Treasury (2022), p. 211.



Programme 4 consists of nine sub-programmes,<sup>33</sup> including the *Property Management Trading Entity* (PMTE), which receives the bulk of the allocation, with R4.45 billion for 2022/23 from the R4.35 billion of the previous year.

The PMTE was established in April 2006, as part of a longer-term reform programme to provide improved property management services to Client Departments. With the establishment of the PMTE, all accommodation-related costs were devolved to Client Departments. In this regard, it has been issuing invoices and collecting user charges from Clients on a quarterly basis, based on amounts devolved to them. In March 2015, the Department operationalised the PMTE, which resulted in it being shifted (along with its functions), to Programme 4.

A large portion of the budget for 2022/23 is allocated to Transfers and Subsidies, which amount to R4.74 billion and accounts for 98.5 per cent of the programme budget. This constitutes an increase of R16.4 million (but a decrease of 3.9 per cent in real terms) from the total allocation of R4.73 billion in 2021/22.

- Departmental Agencies and Accounts (non-business entities) receives R4.62 billion, which is an increase R107.7 million from the R4.52 billion received in 2021/22.

The sub-programmes below received the following allocations for 2022/23:

- *Construction Policy Development Programme* is allocated R45.6 million, a real increase of 1.5 per cent in real terms from the previous year.
- *Property Policy Development Programme* is allocated R12.2 million, (a nominal increase of R400 000 from the R11.8 million) and a real decrease of 1.1 per cent.
- *Construction Industry Development Board* (cidb) is allocated R80.0 million (a nominal increase of R1.8 million from R78.2 million), a decrease of 2.1 per cent in real terms from the previous year.
- *Council for the Built Environment* (CBE) receive an allocation of R54.5 million (an increase of R1.0 million from R53.5 million), and a 2.5 per cent decrease in real terms.
- *Construction, Education and Training Authority* (CETA) receive an allocation of R600 000, (an increase of R0 from the R600 000 in 2021/22), which constitutes a decrease of 4.3 per cent in real terms.
- The PMTE (as noted above) receives an allocation of R4.45 billion, a decrease of 2.0 per cent in real terms.

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<sup>33</sup> Previously, up until 2009/10 the two programmes: Construction Industry Development Programme and the Property Industry Development Programme) fell under Programme 3, but have since been renamed as of the 2014/15 financial. As of 2020/21, a new sub-programme Infrastructure Development Coordination has been added to Programme 4.



**Note:** Has the Department effected the integration of the function of the Presidential Infrastructure Coordinating Commission (PICC), transferred from the Minister of Economic Development to the Minister of Public Works and Infrastructure. The functioning came into effect in April 2020.<sup>34</sup> The aim is to improve the coordination and efficiency of Government in implementing the mandate to grow the economy through inclusive integrated planning and investment.

The following is a new sub-programme that was included in 2020/21, which provides support to the Presidential Infrastructure Coordinating Commission, in line with the Infrastructure Development Act (No. 23 of 2014):<sup>35</sup>

- *Infrastructure Development Coordination* receives an allocation of R140.2 million, (an increase of R17.2 million, from the R123.0 million for 2021/22), an increase of 56.3 per cent in real terms.

The Department also made transfers to the:<sup>36</sup>

- *Foreign Governments and International Organisations*,<sup>37</sup> to the value of R29.4 million, an increase of R1.1 million (0.6 per cent decline in real terms) from the R28.3 million adjusted allocation in 2021/22. This is mainly to address the fluctuations in the exchange rate when transferring the funds. The unpredictable weakening of the Rand against the major foreign currencies may result in the Department requiring an increase in its allocation from National Treasury.
- *Agrément South Africa* is allocated R34.0 million, (an increase of R900 000) from the R33.1 million allocation of 2021/22.<sup>38</sup>

While the following entity received no allocation:

- *Independent Development Trust (IDT)*, which receives no allocation for 2022/23, from the R93.0 million adjusted allocation of 2021/22. The IDT is a Schedule 2 entity, it should be self-sustaining and not receive an allocation from the Department, as is the case for Schedule 3 entities.
- Past allocations from the Department should be viewed as assisting in the continued operational functioning of the entity, in the context of the IDT having developed into a responsive development agency with a well-established presence across the country. The IDT's total revenue for 2022/23 is R219.7 million,<sup>39</sup> an increase of R41.2 million from the R178.5 million total revised revenue of 2021/22.

<sup>34</sup> Department of Public Works and Infrastructure (2020), p. 128.

<sup>35</sup> National Treasury (2020), p. 191.

<sup>36</sup> National Treasury (2022), p. 211.

<sup>37</sup> National Treasury (2015), p. 193. This payment is made to the Commonwealth War Graves Commission of which South Africa is a member. It is comprised of 6 member countries: Australia; Canada; India; New Zealand; South Africa and the United Kingdom.

<sup>38</sup> National Treasury (2022), p. 211.

<sup>39</sup> National Treasury (2022), p. 222.



Other Transfers is made to the *Industrial Development Corporation (IDC)*, which coordinates sectoral planning for, and the implementation of development and investment in public infrastructure.<sup>40</sup> The IDC receives an allocation of R90.4 million for 2022/23. This is an increase of R2.4 million (and a decline of 1.7 per cent in real terms) from the R88.0 million adjusted allocation in 2021/22.<sup>41</sup>

In terms of economic classification, Current Payments totals R72.5 million, which is an increase of R18.3 million (or 28.0 per cent in real terms) from the R54.2 million adjusted allocation in 2021/22.<sup>42</sup> Compensation of employees receives an allocation of R34.5 million, which is an increase of R800 000 (or a decline of 2.0 per cent in real terms) from the R33.7 million adjusted allocation in 2021/22. Goods and Services totals R38.0 million for 2022/23. This constitutes an increase of R17.5 million (or 77.4 per cent in real terms) from the R20.5 million adjusted allocation of the previous year.

### 3.1.5 Programme 5: Prestige Policy

**Programme 5 seeks to provide norms and standards for the Prestige Accommodation Portfolio and meeting the protocol responsibilities for State functions.<sup>43</sup>**

The 2022/23 targets include the improvement of service delivery services to Prestige Clients over the medium term.<sup>44</sup>

- Support 19 planned State events with movable structures.
- Provide movable assets to Prestige Clients within 60 working days.
- Support five planned State events with movable structures.<sup>45</sup>
- 100 per cent of movable assets provided within 120 working days approval by Prestige Clients.
- 80 per cent provision of movable assets from a Condition Assessment Register of Movable Assets.

#### Issues for Consideration

- The Department to clarify the difference in targets reported in the 2022 ENE and the 2022/23 Annual Performance Plan.<sup>46</sup>

<sup>40</sup> National Treasury (2022), p. 210.

<sup>41</sup> National Treasury (2022), p. 211.

<sup>42</sup> National Treasury (2022), p. 211

<sup>43</sup> This programme was known as Auxiliary and Associated Services and sought to fund various services, including: compensation for losses on the Government-assisted housing scheme; assistance to Organisations for the Preservation of National Memorials; and meeting protocol responsibilities for State functions.

<sup>44</sup> National Treasury (2022), p. 212.

<sup>45</sup> Department of Public Works and Infrastructure (2022), p.79.

<sup>46</sup> Department of Public Works and Infrastructure (2022), pp. 79-80.



- Reports supporting five planned State events, instead of the 19 above. Clarify the discrepancy of 14 events?

**Table 7: Budget Allocation for Programme 5**

Programme	Budget		Nominal Increase / Decrease in	Real Increase / Decrease in	Nominal Percent change in	Real Percent change in
	R million	2021/22	2022/23	2022/23	2022/23	2022/23
Prestige Accommodation and State Functions	77,7	68,7	- 9,0	- 12,0	-11,58 per cent	-15,39 per cent
Parliamentary Villages Management Board	11,4	11,7	0,3	- 0,2	2,63 per cent	-1,79 per cent
<b>TOTAL</b>	<b>89,1</b>	<b>80,4</b>	<b>- 8,7</b>	<b>- 12,2</b>	<b>-9,8 per cent</b>	<b>-13,65 per cent</b>

Source: National Treasury (2022) and own calculations

The budget for Programme 5 equals R80.4 million in 2022/23 and proportionally represents 10.6 per cent, of the overall departmental budget. The allocation declines by R8.7 million from the R89.1 million in the previous year and represents a nominal decrease of 9.8 per cent and 13.7 per cent in real terms.

A large portion of the budget is allocated to Current Payments, which amount to R60.4 million. A total of R31.0 million is allocated towards Compensation of Employees. The Transfers and Subsidies budget of R11.9 million includes an allocation of R11.7 million to Departmental Agencies and Accounts (i.e. Parliamentary Villages Management Board); R200 000 to Households and R8.1 million to Payment for Capital Assets (i.e. Machinery and Equipment).<sup>47</sup>

#### 4. OBSERVATIONS

The Department allocates a large portion of its budget towards the Compensation of Employees as well as to Goods and Services to ensure that it implements the priorities listed above.

Another large portion of the budget goes towards Transfers and Subsidies under the EPWP, the Property Management Trading Entity and the entities reporting to the Executive Authority, (except for the IDT). These amounts speak directly to the creation of work opportunities as well as the Department's other main task, namely the provision of accommodation to Government Departments.

The Department, under Programme 4 allocates a portion of the budget for the provision of leadership in the legislative and regulatory environments, particularly that of the Construction and Built Environment Sectors. It also includes the planned gazetting of the Public Works Bill, the amendments of the Construction Industry Development Board Act and the Infrastructure Development Act and Regulations. These pieces of legislation are of

<sup>47</sup> National Treasury (2022), p. 213.



importance, as it relates to the management, reorganisation and future functioning of the Department of Public Works and Infrastructure sector as a whole.

What effect has the COVID-19 pandemic had, (since the national lockdown imposed in March 2020 to the present), on the Department and the PMTE in the implementation of its planned programmes? What processes has the Department and the PMTE instituted to address the continued impact of the possible variants and additional COVID-19 pandemic waves in the future?

## 5. KEY ISSUES FOR CONSIDERATION BY PARLIAMENT

- Monitor the conclusion of the implementation of the Department's Turnaround Strategy and its results.
- The Department to report to Parliament on continued progress made on the implementation of Phase IV of the EPWP.
- The Department to report on how the Infrastructure Development Coordination function has been integrated and carried out.
- The Department to report on the status of the Strategic Integrated Projects (SIPs).
- The Department to report if, it plans to ensure the continued viability of the Independent Development Trust, given its sustained operational and financial challenges over the last few years.
- The Department to report on the progress made in the updating and completion of a reliable and accessible Immovable Asset Register, and what financial implications this has on the Department.
- The Department to report on the progress made in the assessment of the compliance of the nine Provincial Immovable Asset Registers.
- The Department to report on progress on the planned gazetting of the Public Works Bill, which had to be postponed to the 2022/23 financial year.
- The Department to report on the amendments to the following legislation:
  - Progress on gazetting of the Infrastructure Development Act Regulations.
  - Progress on planned submissions of Infrastructure Development Act amendments to Cabinet.
- Report on continued progress on the Department's leasing portfolio.
- The Department to report on progress made in terms of the continued operationalisation of the PMTE.
- The Department to report on the progress and workings of the Presidential Infrastructure Coordinating Commission and Infrastructure South Africa.
- The Department to report on progress in the filling of vacant positions, particularly those at senior management level, as well as in specialist areas, such as, property lawyers, engineers, economists and quantity surveyors.
- The Department should ensure the continued monitoring of the Supply Chain Management (SCM) and procurement processes.
- The Department to report on its internal controls of its budget, this includes the timely payment of invoices within 30-days of its receipt.
- The Department to report on consequence management as well as progress in preventing fraud and corruption.



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