

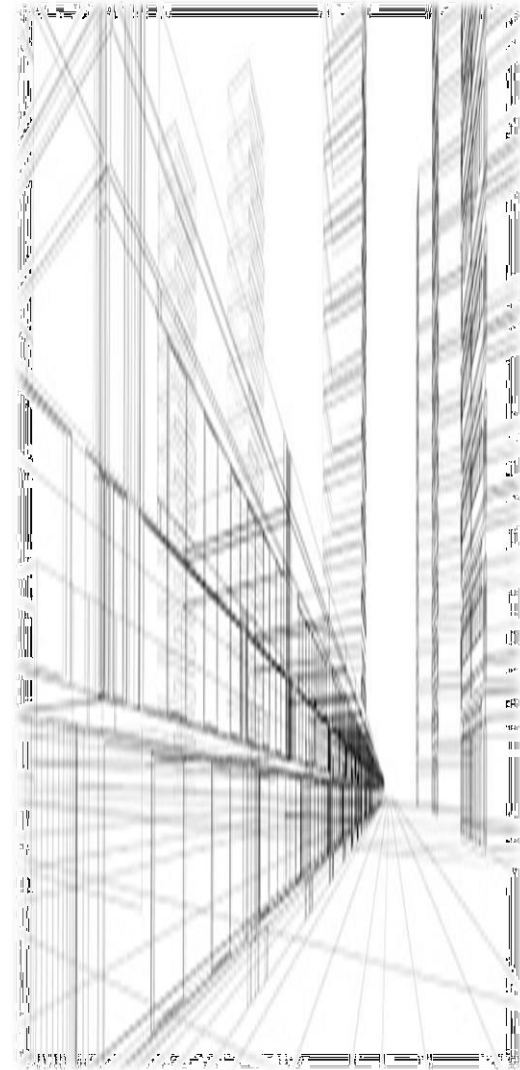


Department of Public Works and
Infrastructure

DPWI
Presentation to
SCoA

**STANDING
COMMITTEE ON
APPROPRIATIONS**

MEETING DATE: 17 MAY 2023



PRESENTATION OUTLINE

1. Overview: **CFO, Mr Sithole**
2. DPWI Preliminary Spending Outcomes for 2022/23: **DPWI Budget, Mr Mazibuko, PMTE, Ms Prinsloo [Slides 2-13]**
3. Plans to Utilize the Proposed Allocation for 2023/24: **ADDG GRC, Ms Sebati [Slides 14-30]**
4. DPWI Vacant Positions and DPWI Role in Job Creation: **DDG CS, Mr Masilo Maake [Slides 31-36]**
5. DPWI Contribution to the Broad-Based Black Economic Empowerment and Localisation of Goods and Services: **CD SCM - DAM, Mr Tlhasedi [Slides 37-41]**
6. DPWI Contribution to the SA Economic Reconstruction and Recovery Plan: **DDG ISA Ms Masemola [Slides 42-45]**
7. Policy and Legal Impediments affecting DPWI in Achieving Economic Transformation and Proposals: **DDG Policy, Ms Mhlongo & CD Legal, Mr Makgoba [Slides 46-54]**

2. DPWI

Summary of the Expenditure per Programme and Economic Classification

31 March 2023

Summary – Expenditure per Programme

Programmes	Final Appropriation 2022/23	Exp. as at 31 March 2023	Variance as at 31 March 2023	% Spent as at 31 March 2023	Drawings as at 31 March 2023	Variance between Drawings and Expenditure
	R`000	R`000	R`000	%	R`000	R`000
Administration	555 009	501 103	53 907	90%	555 009	53 907
Intergovernmental Coordination	59 505	47 776	14 415	80%	62 205	14 429
Expanded Public Works Programme	3 023 397	2 982 840	37 667	99%	3 023 131	40 291
Property and Construction Industry Policy and Research	4 447 159	4 329 002	118 157	97%	4 444 519	115 517
Prestige Policy	67 659	49 447	18 212	73%	67 865	18 418
Total	8 152 729	7 910 167	242 562	97% 4	8 152 729	242 562

Summary- Expenditure per Economic Classification

Economic Classifications	Final Appropriation 2022/23	Exp. as at 31 March 2023	Variance as at 31 March 2023	% Spent as at 31 March 2023	Drawings as at 31 March 2023	Variance between Drawings and Expenditure
	R`000	R`000	R`000	%	R`000	R`000
Compensation of employees	596	514		86%	596	
	930	158	82 772		930	82 772
Goods and services	479	428		89%	479	
	358	556	50 803		358	50 803
Transfers and subsidies	7 055	6 955		99%	7 055	
	745	732	100 013		947	100 013
Machinery and equipment	19	10		53%	19	
	095	121	8 974		095	8 974
Payment for financial assets	1	1		100%	1	-
	601	601	-		601	
Total	8 152 729	7 910	242	97%	8 152	242
		167	562		729	562

Notes to expenditure - Summary

Total expenditure for the period ended March 2023 is R7.9 billion and is equivalent to 97% of the total adjusted budget allocation of R8.153 billion. The variance between expenditure and drawings amount to R242 million and the spending variance relates to the below economic classification:

Compensation of employees - expenditure as of the end of March 2023 amounts to R514 million and is equivalent to 86% of the adjusted budget allocation of R597 million. The positive spending variance of R83 million against the drawn budget is due to the non-filling of vacant priority positions mainly relating to the funded senior management positions for Infrastructure South Africa as well as funded vacant positions by the branches. As at financial year-end, the number of filled positions had increased by 12 (net balance) from the number of positions that were filled in April 2022 (i.e. 691), and this is due to some of the positions that were filled being vacated or some of the officials being promoted internally. The underspending is R83 million for the current financial year.

Goods and services - expenditure as of the end of March 2023 amount to R429 million and is equivalent to 89% of the adjusted budget allocation of R481 million. The positive amount of R52 million against approved drawings of R481 million relate to the following:

- delays in appointment of a service providers for implementing EPWP Infrastructure projects and planned acquisition of movable assets for residences of members of Parliament.
- late receipt of invoices for computer services and other administrative expenditures.
- lower than projected expenditure for state functions.
- implemented cost containment measures on travel and subsidies and meetings being held virtually which resulted in low spending on catering.
- low consumption on municipal services for property payments.

Notes to expenditure - Summary

Transfers and subsidies - expenditure as of the end of March 2023 amount to R7.055 billion and is equivalent to 99% of the adjusted budget allocation of R7.056 billion. The positive variance of R100 million against the drawn budget relates to the Industrial Development Corporation (IDC) due to a delay in receipt of the formal communication from Treasury regarding the conditions set before a transfer can be made to the Industrial Development Corporation (IDC), and ultimately delaying the appointment of service provider for the implementation of the project preparation. The department has submitted a request to roll-over the funds to 2023/24 financial year.

Payment for financial assets- expenditure as of March 2023 relating to write-offs for irrecoverable expenditure amount to R1.6 million. Funds were shifted within Programmes from goods and services to offset the reported expenditure.

Detailed report for Transfers and subsidies

	Adjusted Budget Allocation 2022/23	Exp. as at 31 March 2023	% Spent as at 31 March 2023
Transfers and Subsidies			
	R`000	R`000	%
Construction Industry Development Board	80,012	80 012	100%
Council for the Built Environment	54,495	54 495	100%
Agreement South Africa	33,951	33 951	100%
Property Trading Entity Management	3,912,823	3 912 823	100%
Infrastructure Development Coordination*	190,375	90 375	47%
Independent Development Trust	70,300	70 300	100%
Commonwealth War Graves Commission	28,432	28 432	100%
Construction Education and Training Authority	581	581	100%
Parliamentary Villages Management Board	5,838	5 838	100%
EPWP Integrated Grant for Municipalities	778,395	778 395	100%
EPWP Integrated Grant for Provinces	433,098	433 098	100%
EPWP Social Sector Incentive Grant for Provinces	424,848	424 848	100%
EPWP Non –State Sector Programme	1,032,693	1 032 693	100%
Total	7,045,841	6 945 841	99%

*The department has submitted a request to roll-over funds to 2023/24 financial year for the underspent R100 million budget adjustment to the Infrastructure Development Coordination relating to the PICC project preparation.

Recommendations

It is recommended that the Standing Committee on Appropriation to note the:

- ❑ Preliminary Spending report as at 31 March 2023
- ❑ Actual underspending of R243 million for the current financial year and the reasons for the underspending.

2. PMTE

Summary of the Expenditure per Programme and Economic Classification

31 March 2023

2022/23 Performance

- The Entity receives a transfer amount of R 2 912 823 000 from DPWI. The allocation and spending against this amount are as follow:

Budget Item	Allocation	Expenditure 2022/23	Balance	% Spent	Comment
	R'000	R'000	R'000		
DPWI Infrastructure	596 794	586 941	9 853	98%	The bulk of the budget was spent. The two projects that did not fully spend their allocated budgets were the projects related to the roads, storm water, gates and other infrastructure at Bryntirion. 60% of the allocated R 21 million was spent. The balance will be spent in the first quarter of the 2023/24 financial year.
Refurbishment	111 324	111 324	0	100%	This budget has two sources of funding. This only illustrates the performance against the transfer received. The balance of the budget is sourced from accommodation charges.
Property Budget (Leases and Municipal Services)	596 022	596 022	0	100%	Municipal Services fluctuates from month to month based on consumption. The full budget was spent

2022/23 Performance

Budget Item	Allocation	Expenditure 2022/23	Balance	% Spent	Comment
	R'000	R'000	R'000		
Compensation of Employees	2 155 560	2 011 809	143 751	93%	The compensation budget was not fully spent as there was just more than 500 vacancies at the end of the year
Goods and Services	399 425	389 253	10 172	97%	Goods and services are also linked to the filling of posts on the establishment. More vacancies will lead to an underspending of Goods and services as operational costs will be less than anticipated
Machinery & Equipment	53 698	53 440	258	100%	The full budget was spent.
	3 912 823	3 748 788	164 035	96%	

Corrective measures to ensure improved spending:-

- The rate of filling of vacancies has to improve in order to spend the full budget.
- The Budget Management Committee will continuously review the expenditure on a quarterly basis to identify areas where controls have to be strengthened to ensure full spending

3. Plans to Utilise the Proposed Allocation

The 2023/24 DPWI Annual Performance Plan is developed in line with the priorities outlined in the NDP and the Medium-Term Strategic Framework (MTSF) priorities namely:

PRIORITY 1: Economic transformation and job creation

PRIORITY 2: Education, skills and health

PRIORITY 3: Consolidating the social wage through reliable and quality basic services

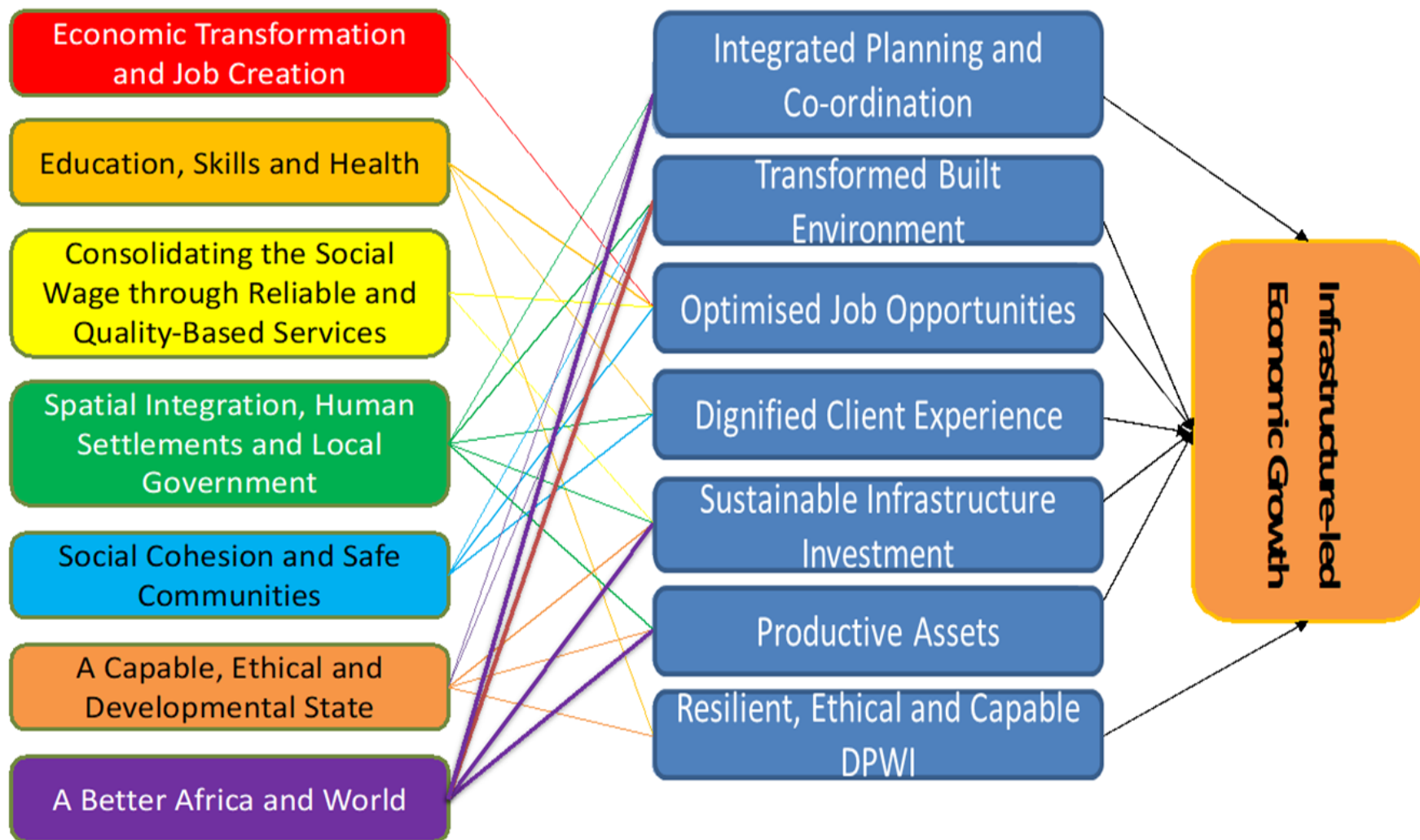
PRIORITY 4: Spatial integration, human settlements and local government

PRIORITY 5: Social cohesion and safe communities

PRIORITY 6: Building a capable, ethical and developmental state

PRIORITY 7: A better Africa and world.

Further, the APP takes into account the Economic Recovery and Reconstruction Programme (ERRP), the National Annual Strategic Plan (NASP) and priorities emanating from the most recent Cabinet Lekgotla, which are to focus on job creation (especially for the youth), poverty alleviation, and socio-economic equality and transformation.



public works

Department:
Public Works
REPUBLIC OF SOUTH AFRICA

MTSF Priority	SP Outcome	Programme name	APP Indicator	2023/24 target	2024/25 target	2025/26 target
PRIORITY 5: SPATIAL INTEGRATION, HUMAN SETTLEMENT AND LOCAL GOVERNMENT	Outcome 2: Integrated Planning and coordination	Intergovernmental Relations	Number of sector performance reports	2 sector Performance reports	2 sector Performance reports	2 sector Performance reports
		Professional Services	Number of beneficiaries participating in the DPWI's skills Pipeline Intervention Programmes	1 200	1 200	1 300
PRIORITY 2: ECONOMIC TRANSFORMATION AND JOB CREATION	Outcome 6: Optimised Job Opportunities	Expanded Public Works Programme	Number of progress reports on EPWP-RS validated work opportunities reported by public bodies	4 Progress reports	4 Progress reports	4 Progress reports
PRIORITY 2: ECONOMIC TRANSFORMATION AND JOB CREATION	Outcome 2: Integrated Planning and coordination	Property and Construction Industry Policy and Research (ISA)	Number of integrated reports on the status of Strategic Integrated Projects (SIPs) submitted	4	4	4
PRIORITY 1: A CAPABLE, ETHICAL AND DEVELOPMENTAL STATE	Outcome 5: Dignified Client Experience	Prestige Policy	Number of planned state events supported with movable structures	6	8	8

MTSF Priority	SP Outcome	Programme name	APP Indicator	2023/24 target	2024/25 target	2025/26 target
PRIORITY 5: SPATIAL INTEGRATION, HUMAN SETTLEMENT AND LOCAL GOVERNMENT	Outcome 2: Integrated Planning and coordination	Real Estate Investment Services	Number of government precinct development plans aligned with the national spatial development framework and smart city principles	1 Government Precinct Development Plan completed for Kunye precinct in Johannesburg	1 Government Precinct Development Plan completed for Tshwane Northern Gateway	1 Government Precinct Development Plan completed for Mpumalanga Carolina Precinct
	Outcome 4: Productive Assets	Real Estate Registry Services	Number of immovable assets physically verified to validate existence and assess condition per year	22 273	22 273	21 244
PRIORITY 2: ECONOMIC TRANSFORMATION AND JOB CREATION	Outcome 5: Transformed Built Environment	Real Estate Management Services	Percentage of leases awarded to companies in categories A, B and D of the approved property empowerment policy per year.	55%	60%	65%
	Outcome 4: Productive Assets		Number of private leases reduced within the security cluster	8	10	10
		Facilities Management	Number of critical components (lifts, boilers, HVAC and gensets and Water systems) assessed to determine their conditions per year	484	532	540



MTSF Priority	SP Outcome	Programme name	APP Indicator	2023/24 target	2024/25 target	2025/26 target
PRIORITY 2: ECONOMIC TRANSFORMATION AND JOB CREATION	Outcome 4: Productive Assets	Construction Management Project	Number of infrastructure projects completed	109	110	110
	Outcome 2: Integrated Planning and coordination	Real Estate Management Services	Hectares released from the DPWI portfolio for development of infrastructure programs and socio-economic objectives	10 126	12 959	8 868

Budget Estimates

4.

Public Works & Infrastructure	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Audited outcome	Audited outcome	Audited outcome	Adjusted Appropriation	Revised Baseline	Revised Baseline	Revised Baseline
Programmes	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Administration	460 670	384 339	416 495	555 008	554 813	568 789	595 093
Intergovernmental Coordination	52 448	42 296	44 202	62 205	59 787	63 167	65 501
Expanded Public Works Programme	2 638 163	2 412 105	2 811 509	3 035 949	3 077 951	3 226 633	3 368 960
Property and Construction Industry Policy and Research	4 583 839	4 643 784	4 757 194	4 427 739	5 028 151	5 242 216	5 469 476
Prestige Policy	85 094	48 510	52 796	71 828	61 403	66 810	69 977
Total for Programmes	7 820 214	7 531 034	8 082 195	8 152 729	8 782 105	9 167 615	9 569 007
Economic classification							
Current payments	868 279	721 400	776 951	1 093 897	1 282 567	1 329 562	1 380 265
Compensation of employees	503 535	484 989	497 360	597 158	587 601	622 362	640 502
Goods and services	364 744	236 411	279 591	496 739	694 966	707 200	739 763
Interest and rent on land	107	-	-	-	-	-	-
Transfers and subsidies	6 934 183	6 807 042	7 299 156	7 038 737	7 490 793	7 826 976	8 176 950
Provinces and municipalities	1 598 232	1 580 545	1 594 154	1 636 351	1 642 637	1 716 407	1 793 301
Departmental agencies and accounts	4 486 911	4 402 071	4 526 375	4 170 920	4 647 216	4 856 594	5 074 394
Foreign governments and international organisations	24 620	29 013	28 265	28 432	29 533	30 859	32 241
Public corporations and private enterprises	65 000	209 301	180 972	160 675	110 722	114 796	119 043
Non-profit institutions	750 424	578 484	956 134	1 032 693	1 052 431	1 099 695	1 148 961
Households	8 996	7 628	13 256	9 666	8 254	8 625	9 010
Payments for capital assets	17 479	2 422	5 953	20 095	8 745	11 077	11 792
Machinery and equipment	17 022	2 422	5 953	20 095	8 745	11 077	11 792
Software and other intangible assets	457	-	-	-	-	-	-
Payments for financial assets	166	170	135	-	-	-	-
Total economic classification	7 820 214	7 531 034	8 082 195	8 152 729	8 782 105	9 167 615	9 569 007

Breakdown of the Budget

- Over the medium term, the Department will continue to focus on creating work opportunities and facilitating the development of skills in the construction and built environment sectors.
- Compensation of Employees accounts for an estimated 56.9% (R1.9 billion) and Goods and Services accounts for an estimated 7.4% (2.1 billion) of the Department's budget over the MTEF period.
- An estimated 85.6 % (R23.5 billion) of the Department's total budget over the medium term period is allocated to Transfers and Subsidies for the operation of its entities, and conditional grants to provinces and municipalities for the implementation of the Expanded Public Works Programme.
- The EPWP has a total budget of R9.7 billion, increasing at an average annual rate of 3.6%, from R3.0 billion in 2022/23 to R3.4 billion in 2025/26. Of this amount, R610.6million is allocated over the medium term for compensation of employees in the programme, and R605.8 million for goods and services.

Expanded Public Works Programme

- The Department will continue to lead and coordinate the Expanded Public Works Programme, which aims to create work opportunities, using labour-intensive methods across the 3 spheres of government. An estimated R8.5 billion for transfers and subsidies, mainly to provinces, municipalities and non-profit organisations to create further employment opportunities.
- The Department will monitor and evaluate the implementation of the EPWP over the medium term by ensuring 200 public bodies are provided with technical support at an estimated R1.2 billion.

Inter-governmental Relations

- The Department leads and coordinates policies and legislative frameworks that guide the implementation of the public works concurrent function. This is done through regular inter-governmental governance structure engagements (e.g. MinMec, Technical MinMec and their expert advisory clusters).
- The 5-Year Public Works Sector Plan, which is implemented through sectoral structures over the medium term, is monitored by the IGR Branch of the Department. This Sector Plan will also be reviewed in the 2023/24 financial year by IGR.
- IGR further provides coordination and oversight support for joint programmes between the three spheres of government, particularly in the operationalisation of the District Development Model for service delivery (e.g. Welisizwe Rural Bridge Programme, relevant public participation and social facilitation initiatives).
- IGR meetings, including addressing disputes/ differences that may impact on service delivery are convened either virtually or physically.
- For the Department to carry out this oversight role, R98 million over the medium-term period is allocated to the Intergovernmental Relations and Coordination sub-programme in the Intergovernmental Coordination Programme.

Skills Development

Building state capacity in the built environment and property management sectors is central to the Department's work. Activities within the Intergovernmental Coordination Programme aim to restore the skills pipeline in the built environment and meet the country's longer-term infrastructure delivery objectives.

The Department seeks to increase the number of beneficiaries participating in Skills Pipeline Intervention Programmes from 1 100 in 2022/23 to 1 300 in 2025/26. For activities related to skills development, R90 million is allocated over the medium term in the Professional Services sub-programme, in the Intergovernmental Coordination programme.

Project Preparation

Infrastructure South Africa (ISA), as a single point of entry for national priority infrastructure projects, has identified the need to provide direct project preparation support to sponsors of priority public infrastructure projects, to expedite investor friendly projects and programmes. It is widely acknowledged that a lack of financing and funding is not the challenge, but rather the availability of robust, credible and bankable project pipelines.

National Treasury has allocated a total of R600 million to DPWI/ISA for project preparation over the medium term. This is after DPWI earmarked R100 million in-year (2022/23) funding for ISA to commence with the project preparation process.

	2023 MTEF ALLOCATION		
	2023/24 R'000	2024//25 R'000	2025/26 R'000
Property Management Trading Entity	4,470,819	4,672,050	4,881,358
Construction Industry Development Board	80,320	83,927	87,687
Council for the Built Environment	54,704	57,161	59,722
Commonwealth War Graves Commission	29,533	30,859	32,241
Parliamentary Villages Management Board	6,720	7,246	7,795
Construction Education Training Authority	571	597	624
Agrément South Africa	34,082	35,613	37,208
Industrial Development Corporation	110,722	114,796	119,043
EPWP Integrated Grant for Municipalities	781,385	816,477	853,055
EPWP Integrated Grant for Provinces	434,762	454,287	474,639
EPWP Social Sector Incentive Grant for Provinces	426,480	445,633	465,597
EPWP Non-State Sector	1,052,431	1,099,695	1,148,961
Household (Programme 1)	947	989	1,032
Household (Programme 2)*	6,462	6,752	7,054
Household (Programme 3)	226	236	247
Household (Programme 4)	392	409	427
Household (Programme 5)	238	249	260
Total	7,490,794	7,826,976	8,176,950

* Programme 2 Household budget includes non-employees bursaries allocation

Revenue Sources	Audited Outcome			Adjusted Appropriation	Medium-Term Expenditure Estimate		
	2019/20	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Management fee on Municipal Services	203 902	181 113	164 634	255 006	279 522	309 545	-
Accommodation Charges - Client Infrastr. Projects (freehold)	2 213 370	1 805 551	1 424 804	2 042 809	1 767 847	1 847 400	1 936 075
Accommodation Charges - User Charges (freehold)	5 124 597	4 783 258	5 201 365	5 882 457	6 146 263	6 447 304	6 763 407
Accommodation Charges - Leasehold	4 666 345	5 064 584	5 069 279	5 092 737	5 509 718	5 757 655	6 034 023
Municipal Services Recovered	4 078 043	3 622 268	3 292 673	5 100 126	5 590 431	6 190 890	-
DPW Transfer	4 315 736	4 239 987	4 349 655	3 912 823	4 470 819	4 672 050	4 881 358
Rental Debtors	49 100	53 455	56 524	73 468	79 346	82 917	86 897
Interest, Fines, Recoveries and Other Receipts	-	336 210	1 350	30 000	5 000	5 225	5 476
Construction Revenue	264 596	84 150	67 741	-	-	-	-
Grand Total	20 915 689	20 170 576	19 628 025	22 389 426	23 848 945	25 312 986	19 707 236

<u>Programmes</u>	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2019/20	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Administration	778 042	1 015 645	861 722	848 818	882 981	925 499	941 075
Real Estate Investment Services	183 195	177 800	171 358	233 409	211 383	203 778	207 378
Construction Management Services	4 189 212	3 030 737	3 476 790	4 038 190	4 574 773	4 765 877	5 266 953
Real Estate Management Services	11 713 984	11 365 606	11 547 487	12 751 757	13 899 951	15 004 297	9 387 385
Real Estate Registry Services	62 995	59 856	57 006	104 656	86 260	68 689	69 937
Facilities Management Services	4 050 667	2 912 215	3 629 905	4 412 596	4 193 598	4 344 846	3 834 509
Grand Total	20 978 095	18 561 859	19 744 268	22 389 426	23 848 945	25 312 986	19 707 236

<u>Economic classification</u>	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2019/20	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Current Payments							
Cleaning & Gardening	276 746	307 542	346 451	388 700	375 673	392 579	411 422
Repairs	1 057 534	762 561	781 820	959 686	1 310 764	1 453 468	1 283 672
Maintenance	1 987 729	1 090 976	1 704 233	2 229 999	1 674 734	1 643 552	1 268 891
Compensation	1 813 276	1 867 317	1 969 628	2 155 559	2 165 416	2 197 897	2 230 866
Admin goods & Services	454 156	633 882	401 816	482 672	480 737	466 664	478 597
Municipal services recoverable	4 986 501	4 696 256	4 479 745	5 100 126	5 590 431	6 190 890	-
Municipal services non-recoverable	482 792	411 033	471 562	480 646	506 359	546 868	590 618
Operating Leases	5 081 000	4 841 085	4 639 244	5 259 340	5 686 317	6 027 496	6 389 146
Construction Expenses	264 596	84 150	67 741	-	-	-	-
Sub-Total Current Payments	16 404 330	14 694 802	14 862 240	17 056 728	17 790 431	18 919 414	12 653 212
Transfer Payments							
Property Rates	1 008 110	1 273 334	1 838 706	1 742 199	1 916 414	2 069 727	2 235 305
Sub-Total Transfer Payments	1 008 110	1 273 334	1 838 706	1 742 199	1 916 414	2 069 727	2 235 305
Capital Payments							
Refurbishments	976 779	695 237	776 463	907 926	1 343 680	1 394 590	1 746 939
Client Capital - Recoverable	2 003 368	1 332 750	1 648 904	2 042 809	1 767 847	1 847 400	1 936 075
Machinery & Equipment	30 409	15 192	33 674	42 970	44 869	46 866	48 966
DPWI Infrastructure	555 099	550 544	584 281	596 794	985 704	1 034 989	1 086 739
Sub-Total Capital Payments	3 565 655	2 593 724	3 043 322	3 590 499	4 142 100	4 323 845	4 818 719
Total	20 978 095	18 561 859	19 744 268	22 389 426	23 848 945	25 312 986	19 707 236

<u>Economic classification</u>	Analysis of items that can be linked to performance	R'000
Cleaning & Gardening	There are fixed contract for cleaning and gardening that are not linked to performance indicators	375 673
Repairs	There are fixed contractual obligations for the duration of the project.	1 310 764
Maintenance	Day to day maintenance is not linked to target, if the pipe or geyser burst such must be fixed as it happens.	1 674 734
Compensation	It is a fixed cost as soon as officials are appointed	2 165 416
Municipal services recoverable	As long as we use properties, we must pay for utilities and is not linked to performance targets	5 590 431
Operating Leases	Leases are fixed for the period, REMS may have a target to procure new leases within 3 months. Once those leases are concluded, no performance target can be linked for the duration of the lease	5 686 317
Property Rates	Rates are fixed as long as we are the custodian of state properties and no performance target is linked to budget or expenditure	1 916 414
Refurbishments	There are fixed contractual obligations for the duration of the project.	1 343 680
Client Capital - Recoverable	There are fixed contractual obligations for the duration of the project.	1 767 847
DPWI Infrastructure	There are fixed contractual obligations for the duration of the project.	985 704
Total		22 816 890

THE TOTAL BUDGET OF R20B IS FUNDED BY USER DEPARTMENTS, OF WHICH USERS CANNOT PAY OR REDUCE THE BUDGET AND IT AFFECTS COMMITMENTS MADE BY THE DEPARTMENT, FURTHERMORE R22 BILLION CANNOT DIRECTLY ALIGNED TO BUDGET AS OUTLINED ABOVE.

- Included in the expenditure items over the medium term, R17.1 billion is allocated for infrastructure projects for 24 departments, including correctional centres, police stations, courts and office buildings. *As part of this, an amount of R19 million will be spent over the MTEF on projects to retrofit buildings to allow access for people with disabilities.*
- Overall, R41.3 billion is allocated for property management functions, which include repairs and maintenance of state-owned buildings, payment of municipal services as well as payments for private leases. Of this, R4.6 billion is allocated for ad hoc building maintenance.
- R8.1 billion is allocated to the operational expenses of the entity (compensation of employees, goods and service, machinery and equipment). Included in this amount, R415 million is allocated towards ICT projects which includes the Digitalisation & modernisation for projects such as Digitised Immovable Asset Register, Digital Signature Solution, Business Intelligence (Data Analytics) Solution, Digital Worxstation, etc.

4. PWI Vacant Positions and DPWI Role in Job Creation

FILLED/ VACANT PER REGION (DPW AND PMTE)

Filled and Vacant Posts Per Region - Post Establishment NDPW & I April 2023

REGION	FILLED	VACANT	TOTAL	VACANCY %
Bloemfontein	227	31	258	12%
Cape Town	621	93	714	13%
Durban	579	67	646	10%
Head Office	1312	233	1545	15%
Johannesburg	410	42	452	9%
Kimberley	198	22	220	10%
Mafikeng	232	18	250	7%
Mthatha	164	14	178	8%
Nelspruit	222	17	239	7%
Polokwane	291	26	317	8%
Port Elizabeth	275	24	299	8%
Pretoria	652	87	739	12%
Grand Total	5183	674	5857	12%

Notes:

The overall vacancy rate has increased from **11%** as at 31 March 2023 to **12%** as at 30 April 2023 as a result of the moratorium



FILLED/ VACANT PER SALARY LEVEL (DPW AND PMTE)

Filled and Vacant Posts Per Salary Level - Post Establishment NDPW & I April 2023				
Salary Level	FILLED	VACANT	TOTAL	VACANCY %
99	192	0	192	0%
1	0	2	2	100%
2	234	102	336	30%
3	1458	33	1491	2%
4	189	24	213	11%
5	463	50	513	10%
6	173	12	185	6%
7	552	71	623	11%
8	583	84	667	13%
9	135	32	167	19%
10	358	44	402	11%
11	220	63	283	22%
12	444	79	523	15%
13	121	46	167	28%
14	46	21	67	31%
15	12	8	20	40%
16	1	3	4	75%
Political Office Bearers	2	0	2	0%
Grand Total	5183	674	5857	12%

FILLED VACANT PER SALARY LEVEL (DPW)

Filled and Vacant Posts Per Salary Level - DPW Posts April 202300000				
Salary Level	FILLED	VACANT	TOTAL	VACANCY %
99	1	0	1	0%
1	0	0	0	0%
2	0	0	0	0%
3	70	5	75	7%
4	6	2	8	25%
5	47	5	52	10%
6	16	1	17	6%
7	68	15	83	18%
8	85	17	102	17%
9	21	12	33	36%
10	81	10	91	11%
11	27	18	45	40%
12	156	14	170	8%
13	58	23	81	28%
14	21	14	35	40%
15	8	5	13	38%
16	0	2	2	100%
Political Office Bearers	2	0	2	0%
Grand Total	667	143	810	18%

Notes:

FILLED/ VACANT PER SALARY LEVEL (PMTE)

Filled and Vacant Posts Per Salary Level - PMTE Posts April 2023				
Salary Level	FILLED	VACANT	TOTAL	VACANCY %
99	191	0	191	0%
1	0	2	2	100%
2	234	102	336	30%
3	1388	28	1416	2%
4	183	22	205	11%
5	416	45	461	10%
6	157	11	168	7%
7	484	56	540	10%
8	498	67	565	12%
9	114	20	134	15%
10	277	34	311	11%
11	193	45	238	19%
12	288	65	353	18%
13	63	23	86	27%
14	25	7	32	22%
15	4	3	7	43%
16	1	1	2	50%
Political Office Bearers	0	0	0	0%
Grand Total	4516	531	5047	11%

NOTES

- The Department has 674 funded vacancies. Most of the vacancies have been advertised and are at various stages of the recruitment processes.
- The filling of all 674 funded vacancies will enable the Department to deliver in its mandate and strategic objectives whilst creating permanent employment opportunities.
- The Department has since placed a moratorium on the filling of vacancies in order to brief the Minister and Deputy Minister on current programmes including the organizational structures, capacitation and other critical areas requiring Executive intervention.
- As a potential challenge, the implementation of an above expected annual cost of living adjustments may impact on the filling of vacancies. The National Treasury is likely not to allocate additional funding for this purpose and may result in the reprioritization of funds from the current allocation on compensation of employees.

5. DPWI Contribution to the Broad-Based Black Economic Empowerment and Localisation of Goods and Services: SCM

DPWI Contribution to ERRP, BBEE & Localisation of Goods and Services

- ❑ As a strategy the Department of Public Works and Infrastructure (DPWI) institutionalized preferential procurement from qualifying service providers to promote inclusive economic growth that is consistent with the strategic intent of the DPWI in regard to B-BBEE participation and transformation as defined in terms of the Preferential Procurement Policy Framework Act (PPFA).
- ❑ On an annual basis the DPWI compiles a Consolidated Procurement Plan (CPP) which is a schedule (plan) of all procurement activities which will result in the award of contracts for a specific financial year.
- ❑ As a tool the CPP is used by DPWI to inform the various procurement strategies of the various projects in the different categories particularly in leveraging the procurement spend to meet the DPWI's preferential procurement objectives including 30% sub – contracting for transactions above R30 million for, EME/QSEs', Women, Youth, People living with disabilities, Cooperatives, Township and Rural Enterprises, Military Vets.
- ❑ The report against the CPP will then be used to address the request articulated in paragraph 1.1 above.
- ❑ The tables below indicate the preferential procurement spend for the 2022/23 Financial Year ended March 2023.

5. DPWI CONTRIBUTION TO THE SA ECONOMIC RECONSTRUCTION AND RECOVERY PLAN (ERRP)

Focus Area 2 of the ERRP:

No	Intervention	Intended outcome	Funding/ Budget Committed for all awards	High Level Outputs (Specify Time Lines)	Implementation Progress with quantitative & qualitative analysis including focus on women, youth and people with disabilities information where applicable
2	Industrialization / growing the productive economy	2.5 Strengthen local procurement as a tool for localisation	R 2 380 562 027	<ul style="list-style-type: none"> Targeted Procurement spend on designated groups: Rural / Underdeveloped / Township Areas 	<p>By end March 2023 – 235 out of 240 tenders worth R 2 250 893 267 were awarded to designated/targeted groups who are HDIs that are Black Majority Owned . This constitutes 98% of the total awards.</p> <p>In respect of local procurement in Rural / Underdeveloped / Township Areas the targeted areas benefited as follows:</p> <ul style="list-style-type: none"> Companies at Rural/Underdeveloped/Township Areas = 113 to the value of R 1 183 731 654

5. DPWI CONTRIBUTION TO THE SA ECONOMIC RECONSTRUCTION AND RECOVERY PLAN (ERRP)

Focus Area 2 of the ERRP:

No	Intervention	Intended outcome	Funding/ Budget Committed for all awards	High Level Outputs (Specify Time Lines)	Implementation Progress with quantitative & qualitative analysis including focus on women, youth and people with disabilities information where applicable
2	Industrialization / growing the productive economy	2.9. Strengthen SMMEs and cooperatives on the back of localisation and support for badly affected labour intensive industries (SCM)	• R 2 380 562 027	• Targeted Procurement spend on designated groups	<p>By end March 2023 – 235 out of 240 tenders worth R 2 250 893 267 were awarded to designated/targeted groups. This constitutes 98% of the total awards. Targeted groups benefited as follows:</p> <ul style="list-style-type: none"> • Black Majority owned = 235 to the value of R 2 250 893 267 • Women Black owned = 60 to the value of R 514 348 349 • Youth Black owned = 57 to the value of R 473 866 674 • Companies at Rural/Underdeveloped/Township Areas = 113 to the value of: R 1 183 731 654

5. DPWI Contribution to BBBEE & Localisation of Goods and Services

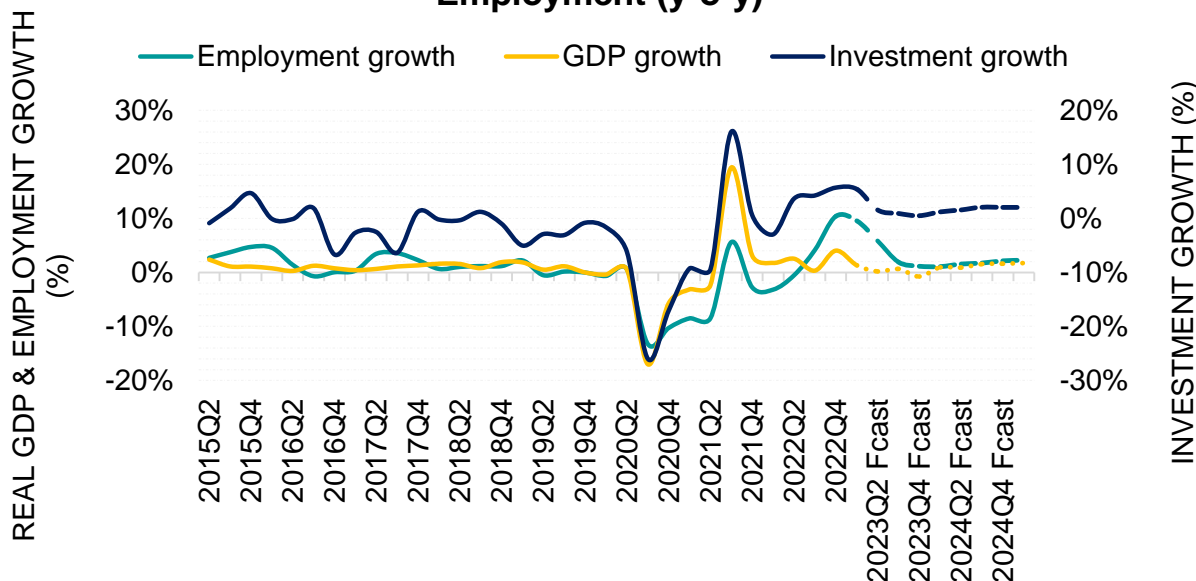
DESIGNATED GROUP - Main Contractor	COUNT OF AWARDS	VALUE OF AWARDS	% Awarded Count to the Designated Group	% Awarded Value to the Designated Group
Contractor HDI Black Majority Owned?	235	2 250 893 267	98%	95%
Contractor Youth Majority Owned?	57	473 866 674	24%	20%
Contractor Woman Majority Owned?	60	514 348 349	25%	22%
Contractor Disability Majority Owned?	0	-	0%	0%
Contractor Military Veterans Majority Owned?	0	-	0%	0%
Contractor Cooperative Majority Black Owned?	0	-	0%	0%
Contractor Category of SMME? (EME/ QSE/ NON_EME/QSE)				
EME	183	1 334 210 574	76%	56%
QSE	31	338 383 610	13%	14%
Non_EME/QSE	25	707 957 842	10%	30%
Contractor Rural/ Underdeveloped/ Township Enterprise Majority Owned? (YES/NO)	113	1 183 731 654	47%	50%
Contractor BBBEE Status Level of Contributor.				
LEVEL 1	212	2 121 495 030	88%	89%
LEVEL 2	9	144 409 325	4%	6%
LEVEL 3	1	9 490 413	0%	0%
LEVEL 4	1	2 771 464	0%	0%
LEVEL 5	0	-	0%	0%
LEVEL 6	0	-	0%	0%
LEVEL 7	0	-	0%	0%
LEVEL 8	1	579 271	0,00%	0,00%
Non_Compliant Contributor	16	101 816 524	7%	4%
Local Content and Production Awards	55	48 254 731	7%	4%
Total Number and Value of Awards to end March 2023	240	2 380 562 027		

DPWI Contribution to the SA Economic Reconstruction and Recovery Plan

MEASURING INFRASTRUCTURE PERFORMANCE

INVESTMENT, GDP AND EMPLOYMENT TRENDS IN SOUTH AFRICA

Growth in Infrastructure Investment, GDP and Employment (y-o-y)



Source: StatsSA & BER

During 2022, gross fixed capital formation (GFCF) as a percentage of GDP was at about **14.6% (improved since previous reporting)** while the **NDP 2030 Target is 30%**.

GFCF increased by **1.3%** in the fourth quarter (q-o-q), (Stats SA, 2023). Year-on-year GFCF increased by 5.4%.

Correlation between growth in Investment, GDP and Employment:

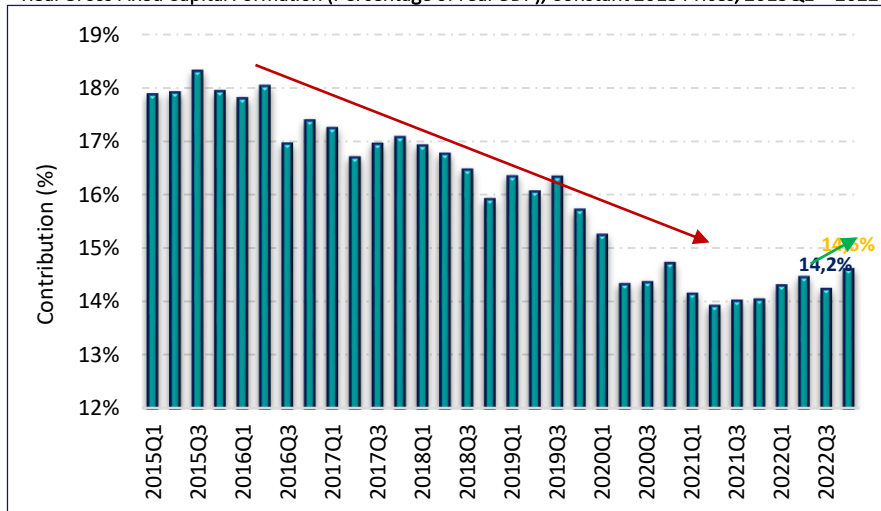
- **Investment** in infrastructure creates an **enabling environment** for economic growth
- Economic growth encourages **overall employment growth** across the economy
- Employment growth **unlocks labour absorption** for various skills levels

The figure illustrates the **interconnectedness of investment, GDP and employment**. It shows the importance of investment in improving growth prospects, which assists with creating job opportunities in the economy.

MEASURING INFRASTRUCTURE PERFORMANCE

INFRASTRUCTURE INDICATORS: GROSS FIXED CAPITAL FORMATION

Real Gross Fixed Capital Formation (Percentage of real GDP), Constant 2015 Prices, 2015Q1 – 2022Q4

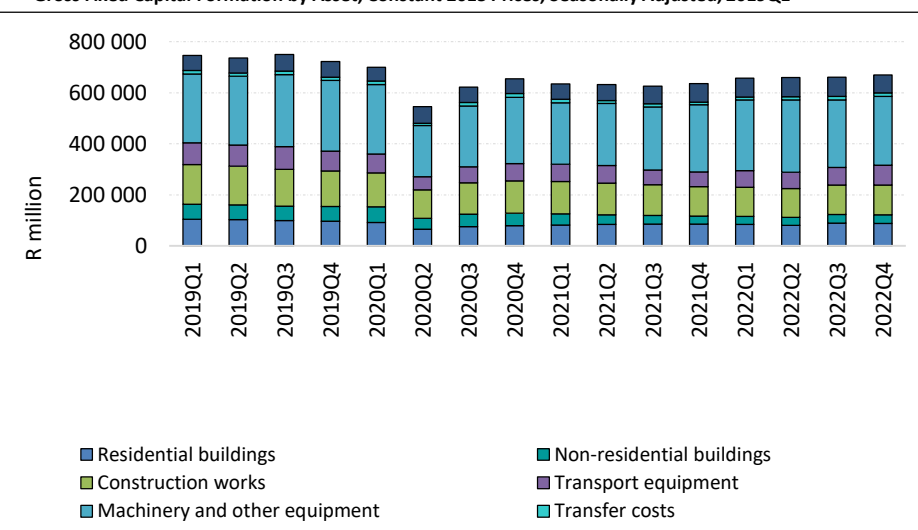


Source: Statistics South Africa

Most of the share in total fixed investment is allocated to the machinery and other equipment asset category (around 40.3% as of 2022Q4). The second asset category with high fixed investment is construction works at approximately 17.4%.

Currently, real fixed investment stands at 14.6% as of 2022Q4, which shows an **increase** as compared to the third quarter at 14.2%. Despite this increase, fixed investment's contribution to GDP is well below the target set by the NDP of 30% of GDP by 2030.

Gross Fixed Capital Formation by Asset, Constant 2015 Prices, Seasonally Adjusted, 2019Q1 –

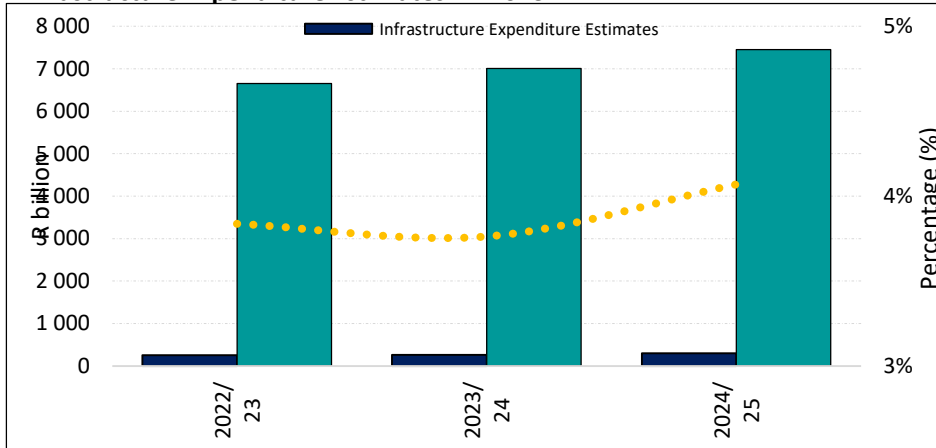


Source: Statistics South Africa

MEASURING INFRASTRUCTURE PERFORMANCE

INFRASTRUCTURE SPENDING INDICATOR

Infrastructure Expenditure Estimates BR 2023

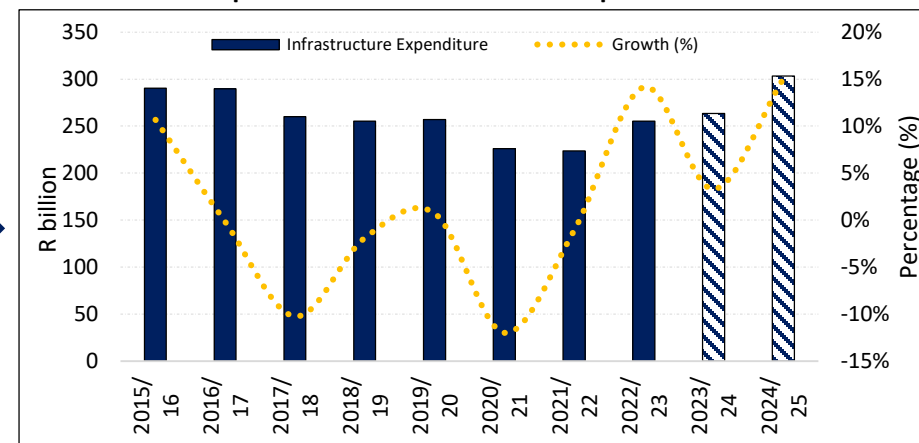


SOURCE: BUDGET REVIEW 2023

- Government infrastructure expenditure is estimated to total R255.2 billion in the current financial year - **14.1% increase** from the previous fiscal year.
- A total of R903 billion will be spent between 2022/23 and 2024/25.
- Expenditure is set to slow down to **3%** in **2023/24** and gain momentum in **2024/25 by 15%.**

- Public-sector infrastructure expenditure over the medium term as a percent of nominal GDP is estimated to be about **3.8%** for the **2022/23** and **2023/24** fiscal year and **4.1%** for **2024/25**.
- Relatively **low public sector investment as a percent of GDP**, noting that the target spending in the NDP for public infrastructure spending is **10%** by 2030.

Infrastructure Expenditure Estimates BR 2023 & previous



Source: National Treasury Various Budget Reviews

7. Policy and Legal Impediments

Policy and Legal Impediments affecting DPWI

- The DPWI about **57 pieces of legislation** that give effect to its mandate.
- Some of the above mentioned pieces of legislation are redundant and/or absolute; and as such they need to be review or amended.
- In line with the country's constitution of 1996 and the country's transformational agenda, the South African Law Reform Commission looked at the 57 pieces of the legislation, and produced the report in 2011 in line with the country's agenda. As such, the Department has one of its outcomes for the financial year 2023/24 as the drafting of the Public Works General Laws Amendment and Repeal Bill.
 - The public works general laws amendment and repeal bill deals with some the technical response in line with the South African constitution and its transformational agenda.
- The policy branch of the Department assists with the development of the policies within the ambit of the Department's mandate. Moreover, the branch takes into consideration other legislative enablers outside the custodianship of the Department that seek to promote economic transformation. Recently, the Department had an engagement and further made input on the draft National Employment Policy.
 - In line with 4 above, the implementing branches of the department, implement such policies thus record the success and failures of such policies.

Policy and Legal Impediments affecting DPWI

- It is upon the above background, the implementing branches develop the policy review position document suggesting areas to be looked at for review and/or amendment.
- The challenges and success of the current pieces of legislation and as well as internal and/or operational policies can be best alluded to by the implementing branches.
- Over and above, the Department is in the process of developing a Public Works Bill which seeks to strengthen the mandate of the Department by defining and prescribing principles to underpin the function of public works.

Legal Impediments to the DPWI for achieving economic transformation

EXPROPRIATION BILL

- Through the expropriation of land – the Bill will ensure that redistribution, restitution and land reform are accelerated.
- The new bill will also address the shortfalls of the Willing-Buyer, Willing-Seller principle by introducing expropriation powers where there is no agreement,
- Furthermore, the Bill will provide for mechanisms of expropriation of land with nil compensation under certain circumstances (public interest e.g land reform and public purpose e.g. expansion of electricity infrastructure) in order to accelerate infrastructure development programmes of Government,
- It will also introduce the determination of compensation through adoption just and equitable compensation principle as set out in Section 25 of the Constitution as opposed to market value determinations,
- Currently the DPWI is utilising the old Expropriation Act of 1975 to expropriate land for electricity infrastructure development to assist ESKOM in addressing the challenges of loadshedding, however, the current framework is not aligned to the Constitution and it emphasise market value over other criteria set out in Section 25 (3) of the constitution,
- The Bill is now under consideration by the National Council of Provinces after it was adopted by the National Assembly in September 2022, and once adopted it will be send to President for assenting.

Legal Impediments to the DPWI for achieving economic transformation

- It will also introduce the determination of compensation through adoption just and equitable compensation principle as set out in Section 25 of the Constitution as opposed to market value determinations,
- Currently the DPWI is utilising the old Expropriation Act of 1975 to expropriate land for electricity infrastructure development to assist ESKOM in addressing the challenges of loadshedding, however, the current framework is not aligned to the Constitution and it emphasise market value over other criteria set out in Section 25 (3) of the constitution,
- The Bill is now under consideration by the National Council of Provinces after it was adopted by the National Assembly in September 2022,
- Once NCOP adopts the Bill, it will be send to the President for assenting.

Legal Impediments to the DPWI for achieving economic transformation

Public Works Bill

The purpose of the Bill is amongst others, the following:

- To provide a framework for an equitable, effective and uniform system to regulate public works throughout the Republic;
- To define the public works functions of the national, provincial and local spheres of government and to set principles applicable to public works functions;
- To define the mandate of the minister responsible for public works and to provide for co-operative public works governance by establishing the Public Works Forum and Integrated Public Works Register;
- To link the performance of public and private entities operating in the building and construction environments to their performance plans; and to provide for matters connected therewith.

Legal Impediments to the DPWI for achieving economic transformation

- With this Bill having passed, it will be able to provide an integrated approach to public works functions at the three spheres of government rather than the current unstructured functions which is not adequately responsive to service delivery needs of government,
- Currently public works functions are clustered with other functions in different spheres of government which make it difficult to respond to service delivery requirements of government across the three spheres.
- The streamlining of the public works function across the three spheres of government will greatly assist in unlocking the “bottle-necks” which impede service delivery in most cases,
- It will promote norms and standards of acquisition, management and disposal of immovable assets and ensure an integrated asset register system which will assist in identification of assets which are key for strategic government service delivery programme,
- It will empower the Minister to monitor, evaluate and strengthen the performance of public works functions by the organs of state throughout the three spheres of government

Legal Impediments to the DPWI for achieving economic transformation (Cont...)

Amendment of the Construction Industry Development Board Act, 2000 (Act 38 of 2000).

- The proposed amendments aim to improve transformation, sustainable growth and participation of the emerging sector, performance improvement and work opportunities, contractor and professional service provider development, client performance improvement and non-compliance.
- The objective is to allow the CIDB to achieve its transformation objectives as well as promote performance of public and private sector clients in the development of the construction industry.

Legal Impediments to the DPWI for achieving economic transformation (Cont...)

The amendments seeks to:-

- Drive performance improvement of client Departments towards adequate infrastructure delivery,
- Government stimulates economic growth through expenditure. The introduction of a Client Recognition Scheme (CRS) will enable government to promote the performance of Clients thereby improving the effective application of budgets, while providing increased access to work opportunities.
- Drive transformation in the Private Sector with adequate access to emerging contractors. The proposal to extend the Register of Contractors to the private sector will contribute to transformation by increasing access to work in the private sector for CIDB registered contractors.
- This will be achieved through (1) driving transformation in the Private Sector with adequate access to emerging contractors, (2) transformation of Professional Service Providers in both the public and private sector and (3) performance improvement of client Departments towards adequate infrastructure delivery.

Legal Impediments to the DPWI for achieving economic transformation (Cont...)

This is pursued through the following measures:-

- Drive performance improvement of client Departments towards adequate infrastructure delivery,
- Government stimulates economic growth through expenditure. The introduction of a Client Recognition Scheme (CRS) will enable government to promote the performance of Clients thereby improving the effective application of budgets, while providing increased access to work opportunities.
- Drive transformation in the Private Sector with adequate access to emerging contractors. The proposal to extend the Register of Contractors to the private sector will contribute to transformation by increasing access to work in the private sector for CIDB registered contractors.

Legal Impediments to the DPWI for achieving economic transformation (Cont...)

- Opening up opportunities in the private sector to emerging contractors will promote the growth of the emerging sector and reduce the significant gap between emerging and established sector.
- The introduction of a register of professional service provider (ROPSP) will facilitate the transformation of the built environment professional sector and provide complete information on the state of development of the industry, which has an impact on policy development.
- The introduction of a CRS facilitates improved service delivery due to client performance, characterised by effective application of budgets and successful delivery of projects, while providing increased access to work opportunities.
- It is envisaged that the Amendment Bill will be introduced to parliament in this financial year after adoption by Cabinet.

THANK YOU



public works
& infrastructure

Department:
Public Works and Infrastructure
REPUBLIC OF SOUTH AFRICA