



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

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SPEECH BY DEPUTY MINISTER OF FINANCE

NATIONAL CONSTRUCTION SUMMIT ON SITE DISRUPTION 19 November 2024

Good morning/afternoon to:

- The Minister of Public Works and Infrastructure, Mr. Dean Macpherson
- Deputy Minister of Public Works and Infrastructure, Mr. Sihle Zikalala
- Minister of Police, Mr. Senzo Mchunu
- Premier of KwaZulu-Natal, Mr. Thamsanqa Ntuli
- Acting Head of Infrastructure South Africa, Ms. Mameetse Masemola
- Acting CEO of SAFCEC, Mr. Andile Zondi

Thank you for the opportunity to address this critical issue affecting the construction sector and our economy as a whole.

INTRODUCTION

Ladies and Gentlemen,

The construction industry is a vital cog in South Africa's economic engine. While it contributes around **3% to GDP**, it employs over **1.3 million South Africans**, with 176,000 jobs added just in the third quarter of 2024. This sector is a lifeline for low-skilled workers, who often struggle to find opportunities elsewhere.

Construction projects also have an unmatched **multiplier effect**. For every **R1 million** invested in construction, more than **three jobs** are created—this is the highest multiplier across all sectors in our economy.

It is no surprise that the government has identified infrastructure development as a cornerstone of our economic recovery. The **2024 Medium-Term Budget Policy Statement (MTBPS)** reaffirmed our commitment to shifting government spending from consumption to investment. This aligns with the President's call to transform South Africa into a "construction site" to drive inclusive growth and job creation.



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But as we work to expand infrastructure investment, we must also confront the disruptions that undermine the sector's potential. This brings me to the focus of today's summit: the issue of **construction site disruptions** and the interventions we must prioritize.

SITE DISRUPTIONS AND THE "CONSTRUCTION MAFIA"

The construction industry faces numerous challenges, but none is more urgent than the persistent site disruptions by criminal syndicates and community protests.

The so-called "**construction mafia**" epitomizes this crisis. These criminal groups have disrupted **over 180 projects** worth **R63 billion** since 2019, using tactics such as **extortion, intimidation, violence, and sabotage**. Their demands for up to **30% of contract value** undermine the integrity of our procurement systems and delay critical infrastructure delivery.

Let us be clear: these disruptions are not merely operational challenges. They represent a **critical stress test** for our economic governance. They expose the vulnerabilities in our institutional frameworks and the socio-economic fractures within our communities.

GOVERNMENT'S RESPONSE

To address these challenges, the government is pursuing a three-pronged strategy:

1. **Reforming Public Procurement**
2. **Expanding Public-Private Partnerships (PPPs)**
3. **Increasing Infrastructure Investment**

1. Reforming Public Procurement

The **Public Procurement Act**, signed into law earlier this year, lays the foundation for a more transparent, efficient, and inclusive procurement system.



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Under the new regulations:

- Subcontracting will be allowed **only where feasible** and must follow **due process** to prevent abuse.
- Government entities will have the option to **pay subcontractors directly**, eliminating the delays and exploitation often experienced under the current system.

These reforms are designed to empower **small and emerging contractors** while safeguarding the integrity of our procurement processes.

2. Expanding Public-Private Partnerships (PPPs)

We recognise that public sector resources alone are insufficient to meet our infrastructure needs. This is why we are simplifying PPP regulations to attract private sector investment and expertise.

Key reforms include:

- **Streamlining approval processes** to reduce delays in PPP projects.
- Establishing dedicated capacity within the government to **design and prepare bankable projects**.
- Introducing innovative financing mechanisms, such as **build-operate-transfer (BOT) structures** and other concessions, to diversify funding sources.

These measures are already yielding results, with several PPP projects in the pipeline that promise to deliver value for money while creating jobs and improving service delivery.

3. Increasing Infrastructure Investment

The **2024 MTBPS** outlines our commitment to infrastructure-led growth, with over **R900 billion** in planned investments over the next three years.



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This ambitious program is supported by:

- **Capital budgeting reforms** to ensure that projects are well-planned and implemented on time.
- Mobilising private sector funding to **augment limited public resources**.
- Prioritising **integrated urban development** to create dynamic cities that enable economic activity.

This is not just about bricks and mortar—it is about transforming lives by providing the infrastructure needed for housing, education, healthcare, and transport.

OPERATION VULINDLELA

Our efforts to revitalize the construction sector are part of the broader reform agenda under **Operation Vulindlela**, a joint initiative between the National Treasury and the Presidency.

Since its launch in 2020, Operation Vulindlela has delivered significant progress in:

1. Stabilizing the electricity supply.
2. Reducing the cost and improving the quality of digital communications.
3. Securing sustainable water supply.
4. Enhancing the efficiency of freight transport.
5. Reforming the visa regime to attract skills and grow tourism.

Phase 2 of Operation Vulindlela focuses on creating **dynamic and integrated cities** to support urbanization and economic growth. This will require substantial contributions from the construction sector to build the housing, schools, and transport infrastructure needed for our rapidly growing urban population.



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CONCLUSION

Ladies and Gentlemen,

What we are confronting today is more than a sectoral challenge—it is a national imperative.

Our reforms in procurement, infrastructure investment, and structural economic transformation are **concrete commitments** to changing the lived realities of millions of South Africans.

However, to fulfill these ambitions, we must recognize that the **construction mafia** and site disruptions reveal deeper socio-economic fractures within our country.

These disruptions are not merely an operational challenge. It is not only businesses that are being disrupted but the lives and livelihoods of our people.

They also represent a critical stress test for our broader economic governance architecture—revealing the fragile interdependencies between formal institutional frameworks and reality on the ground.

For now, these disruptions show how easily our carefully planned economic rules break down when they meet real-world challenges.

They show just how difficult it is to conduct honest business in an environment of deepening unemployment, poverty, and the desperation it often leads to.

To address this crisis, we need a **holistic response**—one that combines stricter law enforcement, improved governance, and community engagement to address the root causes of these disruptions.

The construction sector holds the potential to drive South Africa's economic recovery, but it cannot achieve this alone. My hope is that this summit will be the first step in providing the needed security so that infrastructure becomes the basis of shared future prosperity for all.

Thank you.



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