

8

Public Works

■ Introduction

The public works sector manages government's immovable asset and accommodation portfolio. The functions of the sector include the acquisition, leasing, maintenance and disposal of immovable and related non-fixed assets held by the state. The sector also creates work opportunities and facilitates skills development. In terms of the Constitution, public works is a function and responsibility shared by national, provincial and local government.

Public works contribute to the NDP's vision by facilitating job creation and improving public infrastructure (economic and social infrastructure). It also contributes to Priority 1 (a capable, ethical and developmental state) and Priority 2 (economic transformation and job creation) of the 2019-2024 MTSF. The construction and maintenance of economic infrastructure and of social infrastructure (schools, community libraries, hospital and clinics) create opportunities for labour-intensive and technical or professional employment. This directly addresses Outcome 4 of the NDP (decent employment through inclusive economic growth) and includes work opportunities reported through the EPWP.

Public works contribute to Priorities 1 and 2 of the 2019-2024 MTSF.

One of the roles of public works is to provide office and institutional accommodation for national and provincial departments so that they can function effectively. It also provides residential accommodation for

members of Parliament and provincial legislatures. The size of government's portfolio of immovable assets makes it a significant player in the built environment. The Department of Public Works and Infrastructure (DPWI) develops and enforces rules and regulations for the built environment and the use of fixed assets in the public sector.

Public works helps to empower individuals and communities from historically disadvantaged backgrounds.

Public works is also mandated to support the transformation of the construction industry and the development of small, medium and micro-enterprises, cooperatives and non-profit organisations. In doing so, it helps to empower individuals and communities from historically disadvantaged backgrounds. Public works contributes directly to government's economic growth and employment creation plans.

Despite the tight fiscal space, the public works sector is working towards a number of opportunities.

The prevailing tight fiscal environment presents the public works sector with the opportunity to:

- Provide more efficient solutions to government's infrastructure requirements by eliminating fruitless and wasteful expenditure.
- Correctly value government's immovable assets portfolio.
- Update immovable asset registers and dispose of immovable assets at market-related prices.
- Budget for and provide accommodation by using market-related prices.
- Eradicate lease contract price increases that are markedly above the inflation rate and ensure fair prices for leased accommodation.
- Fight fraud and corruption and achieve the optimal mix of state-owned and leased accommodation.
- Professionalise the management of government's immovable assets portfolio.

Departments of public works are also expected to play an effective role in growing and enhancing the economy through infrastructure projects.

This chapter reviews the current public works landscape, budget and expenditure trends, service delivery achievements and plans for the sector over the medium term.

■ Current landscape

The Constitution defines the roles and responsibilities of national, provincial and local government in the public works sector.

National

- As set out in the Government Immovable Asset Management Act (GIAMA) (2007), the DPWI is mandated to be the custodian and portfolio manager of government's immovable assets. Since the creation of the Property Management Trading Entity (PMTE) in 2015/16, the department's role consists of policy formulation, coordination, regulation and oversight relating to the provision of accommodation; expert built environment services to client departments at national level; and, through the entity, planning for, acquiring, managing and disposing of immovable assets in the department's custody. The department is also mandated to coordinate and provide strategic leadership in initiatives to create jobs through the EPWP.

The functions of the DPWI and of the PMTE were redefined as part of the 2015/16 turnaround strategy.

This functional separation clarifies and emphasises the department's wide responsibilities in the public works sector and addresses the conflicts between the department's earlier roles as policy maker, regulator and implementer. Since 2015/16, the budgets of the DPWI and the PMTE have been restructured to reflect their functions.

The DPWI carries out its oversight function through a range of structures including the Ministers and Members of Executive Councils (MinMEC) forum, the Government Immovable Asset Management Act Implementation Technical Committee, the Chief Financial Officers' Forum, the Asset Register Management and Infrastructure Delivery Management System Committee and the national Planning, Monitoring and Evaluation Forum. The purpose of decisions taken by these intergovernmental structures is to ensure alignment of policies and strategies.

The DPWI provides an oversight role through various forums.

The GIAMA provides for effective and efficient management of government's fixed asset portfolio. Through the DPWI's project management facility, with technical support from the Construction Industry Development Board (CIBD) and the National Treasury and in consultation with national and provincial government structures, the DPWI has developed the National Immovable Asset Maintenance Management (NIAMM) framework. This forms part of government's national infrastructure maintenance strategy and was endorsed by the DPWI MinMEC in July 2017 as the policy that guides the public works sector. The framework emphasises the importance of planning and of providing for the management and maintenance of immovable assets using full-life costing

The DPWI, in partnership with the CIBD and the National Treasury, has developed a draft NIAMM framework.

principles. Implementation of the infrastructure maintenance strategy, with more efficient use of infrastructure budgets, is expected to help to reduce the maintenance backlog and, over time, to enable government to acquire the capacity needed to efficiently maintain its immovable assets.

The PMTE is responsible for planning, acquiring, managing, maintaining and disposing of immovable assets under the custodianship of the DPWI.

The PMTE is responsible for planning, acquiring, managing, maintaining and disposing of national immovable assets under the custodianship of the DPWI. To do this, the entity needs an accurate and reliable immovable assets register. This register has been updated and, in the view of the DPWI, has on record about 99 per cent of the national government's immovable assets. The quality of the assets register continues to be improved by updating the asset values and space measurements in accordance with norms and standards. Similarly, provincial and municipal governments' immovable assets registers are being updated by the respective public works or property management entities.

Expanded Public Works Programme

The DPWI is responsible for coordinating implementation of the EPWP.

The DPWI developed the policy relating to and coordinates the implementation of the EPWP, a nationwide government-led initiative with the objective of providing work opportunities and income support to poor and unemployed people through labour-intensive delivery of public and community assets and services. The programme also aims to empower urban and rural communities and aspiring contractors from historically disadvantaged backgrounds, many of whom lack relevant skills. The programme identifies opportunities in the infrastructure, economic, environment, culture, social and non-state sectors. The Minister of Public Works and Infrastructure has been mandated by the Cabinet to champion the EPWP. The department is responsible for:

- Coordinating and supporting implementation of the EPWP
- Providing technical support for designing labour-intensive programmes in particular
- Reporting on the department's implementation of the EPWP
- Monitoring achievement of the EPWP's targets
- Evaluating the impact of the programme
- Documenting and publicising EPWP best practices
- Reporting on the EPWP reporting system
- Managing and monitoring the utilisation of EPWP conditional grants.

Implementation of the EPWP began in 2004 and is now in Phase 4 which will end in 2024.

Introduced in 2004, the EPWP is now in its fourth phase; this started in 2019 and will end in 2024. Phase 1 was implemented from 2004 to 2009 with a target of 1 million work opportunities. The target of Phase 2, implemented from 2010 to 2014, was 4.5 million work opportunities and of Phase 3 (2015 to 2019) 6 million work opportunities or 2.5 million full-time equivalent (FTE) jobs. Phase 4 of the EPWP builds on lessons learned over the

preceding fifteen years and on international experience. It aims to take public employment to the next level by expanding the programme through replicating and improving programmes across all sectors; implementing projects and programmes attractive to young people who are not in education, employment or training (NEET); and increasing women's participation in all programmes and sectors. Guided by the targets set out in the 2019 MTSF, the goal is to realise the EPWP's developmental potential.

Debts owed to municipalities

The DPWI is leading a project to verify debts, reported in terms of Section 71 of the Municipal Finance Management Act (MFMA) (2003), that national and provincial departments owe to municipalities and to facilitate settlement of these debts. The national intergovernmental task team on debt is made up of representatives of the Office of the Presidency, the DPWI, provincial departments of public works, the Department of Rural Development and Land Reform, the Department of Cooperative Governance and Traditional Affairs, the National Treasury and the South African Local Government Association (SALGA) and was established to coordinate and oversee the government debt verification and settlement process. Debts to municipalities relate mainly to the services offered by municipalities including water, electricity and waste management and to tax charges such as property rates.

As at 30 July 2020, government owed municipalities R14.8 billion. Of this, national departments accounted for 39.2 per cent (R5.8 billion), provincial departments for 51 per cent (R7.5 billion) and other organs of state for 10.1 per cent (R1.5 billion).

As at the end of July 2020, government owed about R14.8 billion to municipalities

Table 8.1: Debtors age analysis for provinces as at 30 July 2020

R' 000	180 days to				Total
	0 -30 days	31 - 180 days	1 year	Over 1 year	
Eastern Cape	30 078	259 816	40 704	116 287	446 885
Free State	414 350	214 498	161 279	1 039 416	1 829 543
Gauteng	251 553	215 139	65 118	98 122	629 932
KwaZulu-Natal	182 302	195 659	178 327	568 301	1 124 589
Limpopo	26 635	85 958	59 710	530 280	702 583
Mpumalanga	29 189	82 383	54 758	711 771	878 102
Northern Cape	27 172	109 041	95 451	569 183	800 847
North West	37 892	81 141	146 536	669 709	935 278
Western Cape	73 908	59 503		17 947	151 358
Total	1 073 080	1 303 137	801 884	4 321 016	7 499 118

Source: National Treasury Database

Table 8.1 gives the age analysis of debt that provinces owed to municipalities as at 30 July 2020. While 0-30-day debt stood at R1.1 billion, over-one-year debt amounted to R4.3 billion.

Public works sector planned policy reviews

The process of reviewing the 1997 and 1999 Public Works White Papers began in the fourth quarter of 2017/18 and was completed in March 2019. The main purpose of the review process was to:

- Clarify the roles and functions of the national and provincial public works departments including concurrent functions in Schedule 4, Part A of the Constitution
- Reinforce the DPWI's role in driving transformation in the construction and property sectors
- Review and update policy goals for and approaches to addressing current events in the local and global construction and property sectors.

The intention of the review was to enable more effective and efficient functioning of the departments. Key stakeholders in the Construction Industry Development Board Act (2000) and the Council for the Built Environment Act (2000) were consulted to provide inputs on the existing policies. The aim was to identify policy gaps needing amendment. Draft policy is in the process of development.

Provincial

There is an increasing demand for office accommodation.

The Constitution assigns concurrent powers to provinces for the construction, maintenance and management of fixed, or immovable, assets. These activities are carried out in support of services provided by other provincial departments. Provincial public works departments provide, maintain and lease property for office accommodation for provincial departments and agencies that provide government services. The sector has significant responsibility as implementing agent for constructing and maintaining facilities for social and economic sectors areas such as health, education, social development, community safety and agriculture.

Municipalities

The role of municipal public works departments is to provide services such as water, sanitation, municipal roads and electricity distribution.

The Constitution gives concurrent functions to municipalities for municipal public works. In line with applicable norms and standards, national and provincial governments regulate how they carry out these functions. Most municipalities carry out infrastructure planning and delivery functions for the services that they provide such as water, sanitation, municipal roads and electricity distribution. Municipal planning, which includes spatial, economic and social planning, is supported through five-year integrated development plans.

The *expanded public works programme integrated grant* to municipalities, managed nationally, encourages local government to increase labour-intensive employment through infrastructure programmes that maximise job creation and skills development. The grant is allocated by the DPWI through a formula based on municipalities' past performance in creating jobs. Poor and rural municipality allocations are given an extra weighting. In 2018/19, the grant amounted to R693 million, 100 per cent of which was transferred to 245 eligible municipalities and created 223 789 work opportunities.

Provincial public works departments institutional arrangements

Table 8.2 shows the institutional arrangements for provincial public works departments. The Eastern Cape, the Free State, Gauteng and KwaZulu-Natal have stand-alone public works departments. In other provinces, they are combined with roads and transport; in the case of these departments, this chapter analyses only their public works expenditure.

Provincial public works departments generally have two broad spending programmes:

- Public works infrastructure
- The EPWP (known as community-based programmes in some provinces).

Table 8.2: Public works, roads and transport functions per province, 2019/20

Public Works, Roads and Transport	Public Works and Roads	Public Works
Mpumalanga	Limpopo	Eastern Cape
	Northern	Free State
Western Cape	Cape	
	North West	Gauteng (Infrastructure Development)
		KwaZulu-Natal

Source: National Treasury provincial database

Public works infrastructure

Provincial public works departments provide, manage and maintain non-moveable assets.

Through the Public Works Infrastructure Programme, provincial public works departments operate as implementing agents and/or appoint other service providers to fulfil their mandate of planning, designing, constructing and maintaining provincial non-moveable assets and of providing office accommodation for provincial departments and entities.

With its mandate derived from the GIAMA, this aspect of the public works sector became applicable to provinces in April 2010. As noted above, the GIAMA provides a uniform framework for the efficient management of immovable assets and for coordinating the use of these assets with service delivery objectives; and provides guidance on the provision of accommodation to provincial departments using government and privately-owned properties.

Subject to the relevant provincial land administration laws and to the GIAMA, public works departments acquire, manage and dispose of immovable assets. Public works departments act as caretakers or custodians of government properties and are required to have Custodian Asset Management Plans (C-AMPs) in place for the life cycle of all immovable assets in their custody.

Provincial public works departments are working to improve implementation of the GIAMA.

To improve the roll-out of and compliance with the GIAMA, provincial departments have prioritised filling critical posts. However, challenges that provinces face in complying with the GIAMA, including limited budgets, have meant that only certain government buildings have been identified for condition assessment.

Budget and expenditure trends

Provincial public works infrastructure

Expenditure per province

The infrastructure budgets for public work departments relate to their roles as implementing agents while client departments' infrastructure budgets are within their own baselines and managed by them. Table 8.3 indicates that between 2015/16 and 2019/20, provincial expenditure on the public works infrastructure programme increased by R3.7 billion from R9.3 billion to R13 billion, an average annual increase of 8.6 per cent. There were particularly notable increases in Mpumalanga (15.5 per cent), Gauteng (12.5 per cent) and KwaZulu-Natal (10.4 per cent), largely attributable to inflation-related adjustments, wage adjustments, filling posts critical to the delivery of infrastructure, an additional allocation for addressing the backlog in building maintenance and settling property rates and tax debts.

Provincial public works infrastructure expenditure increased by R3.6 billion between 2015/16 and 2019/20.

Between 2019/20 and 2020/21, the budget for the public works infrastructure programme is expected to decline by 0.8 per cent, with marked decreases in the following provinces:

- Northern Cape (23.9 per cent)
- KwaZulu-Natal (16.3 per cent)
- Gauteng (2.9 per cent)
- Mpumalanga (1.6 per cent)
- Limpopo (1.3 per cent).

The reduction in the 2020/21 budget allocation in the Northern Cape and KwaZulu-Natal is due to a once-off allocation in 2019/20 for property rates paid to municipalities to settle old municipality debts. The reduction in Mpumalanga's 2020/21 budget allocation is due to non-allocation of the coal-haulage portion of the *provincial road maintenance grant* (PRMG) allocated in the previous years and ending in 2019/20. The declines in Gauteng and Limpopo are due mainly to budget cuts implemented by the provinces. The allocations to North West and the Eastern Cape are expected to increase above inflation, with the increase of 12.7 per cent in North West largely due to expected appointments to strengthen capacity. The Eastern Cape's expected increase of 8.1 per cent is mainly due to provision for filling critical positions to build capacity and for settlement of old municipal debts. The Western Cape 2020/21 allocation increases by 2 per cent due to an additional provision for planned urgent maintenance and construction, acquiring office accommodation and increased municipal services costs.

Provincial public works infrastructure expenditure is expected to reach R13.4 billion in 2021/22.

Over the 2019/20 medium term, the budget for the provincial public works infrastructure programme is expected to grow slightly by 1.2 per cent, or

R481 million, from 2019/20 to 2022/23. This increase does not allow for the growing pressure to pay municipal rates and taxes. The annual rate at which the budgets for the Free State, Gauteng, Limpopo and the Western Cape increase over the 2020 MTEF is below the expected rate of inflation. The equivalent rates for the Northern Cape and KwaZulu-Natal decline by 5.7 per cent and 3.6 per cent respectively. The 2020 MTEF allocations thus do not cover the pressure on budgets from municipal rates and taxes.

Table 8.3: Provincial public works infrastructure expenditure by province, 2015/16 - 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million	Outcome				Revised estimate	Medium-term estimates		
Eastern Cape	1 255	1 359	1 548	1 698	1 775	1 918	1 995	2 065
Free State	1 207	1 216	1 200	1 408	1 503	1 506	1 563	1 639
Gauteng	1 677	1 797	2 237	2 402	2 687	2 609	2 704	2 762
KwaZulu-Natal	1 053	1 083	1 152	1 260	1 565	1 310	1 347	1 404
Limpopo	701	749	794	777	887	875	1 029	1 009
Mpumalanga	669	756	798	978	1 193	1 173	964	984
Northern Cape	178	190	138	158	237	180	190	199
North West	1 025	931	1 033	1 004	1 003	1 130	1 156	1 235
Western Cape	1 566	1 696	1 843	1 911	2 146	2 189	2 134	2 182
Total	9 330	9 777	10 743	11 595	12 997	12 891	13 082	13 478
Percentage growth (average annual)	2015/16–2019/20				2019/20–2020/21	2019/20–2022/23		
Eastern Cape	9,1%				8,1%	5,2%		
Free State	5,6%				0,2%	2,9%		
Gauteng	12,5%				-2,9%	0,9%		
KwaZulu-Natal	10,4%				-16,3%	-3,6%		
Limpopo	6,1%				-1,3%	4,4%		
Mpumalanga	15,5%				-1,6%	-6,2%		
Northern Cape	7,4%				-23,9%	-5,7%		
North West	-0,5%				12,7%	7,2%		
Western Cape	8,2%				2,0%	0,5%		
Total	8,6%				-0,8%	1,2%		

Source: National Treasury provincial database

Expenditure per subprogramme

Table 8.4 shows provincial public works infrastructure expenditure by subprogramme for the years 2015/16 to 2022/23.

Programme support

The subprogramme provides administrative and professional support services to ensure effective implementation of the GIAMA Between 2015/16 and 2019/20, expenditure increased by 8.6 per cent. The increased costs for programme support from 2015/16 to 2019/20 were the result of wage adjustments, the appointment of officials in accordance with occupation specific dispensation (OSD) salary scales and provision for improving infrastructure support. Some provinces, such as KwaZulu-Natal, appointed consultants to assist the department with preparing its immovable asset register; conduct its financial statement audit; and assist with training and

Funding for management and operational support is expected to decline by 8.3 per cent in 2020/21.

development. The budget for this subprogramme is expected to decline by 8.3 per cent between 2019/20 and 2020/21 and to increase slightly, by 0.4 per cent, over the 2020 MTEF.

Table 8.4: Provincial public works infrastructure expenditure by subprogramme, 2015/16 - 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million	Outcome				Preliminary Outcome	Medium-term estimates		
Programme	365	1 417	1 556	1 654	1 991	1 827	1 932	2 013
Planning	58	152	142	124	181	175	199	197
Design	117	78	93	58	54	69	74	78
Construction	1 355	1 290	1 262	1 163	1 461	1 468	1 113	1 001
Maintenance	1 217	1 582	1 734	1 835	1 664	2 020	2 123	2 229
Immovable Asset Management	5 534	4 378	4 931	5 605	6 612	6 179	6 438	6 687
Facility Operations	685	879	1 025	1 156	1 034	1 154	1 203	1 273
Total	9 330	9 777	10 743	11 595	12 997	12 891	13 082	13 478
Percentage growth (average annual)	2015/16–2019/20				2019/20–2020/21	2020/21–2022/23		
Programme	52,8%				-8,3%	0,4%		
Planning	33,1%				-3,4%	2,8%		
Design	-17,7%				28,9%	13,4%		
Construction	1,9%				0,5%	-11,8%		
Maintenance	8,1%				21,4%	10,2%		
Immovable Asset Management	4,6%				-6,5%	0,4%		
Facility Operations	10,8%				11,6%	7,2%		
Total	8,6%				-0,8%	1,2%		

Source: National Treasury provincial database

Planning

The budget for the planning subprogramme grew by 33.1 per cent between 2015/16 and 2019/20. The main purpose of the increase was to assist provincial public works departments to comply with the GIAMA, to assist client departments with the development of user asset management plans (U-AMPs) and to develop and monitor norms and standards in line with GIAMA requirements. Over the 2020 MTEF, the budget is expected to grow slightly, at an average annual rate of 2.8 per cent.

The budget for the planning subprogramme is expected to reach R197 million in 2022/23.

Design

Table 8.4 indicates that, between 2015/16 and 2019/20, the budget for infrastructure projects at the design stage declined at an average annual rate of 17.7 per cent. The decline was due to reprioritisation to cater for planned maintenance of buildings and settlement of property rates and taxes. The budget for projects at the design stage increases by 28.9 per cent between 2019/20 and 2020/21. The largest increases are in the Free State, Mpumalanga and North West.

Construction

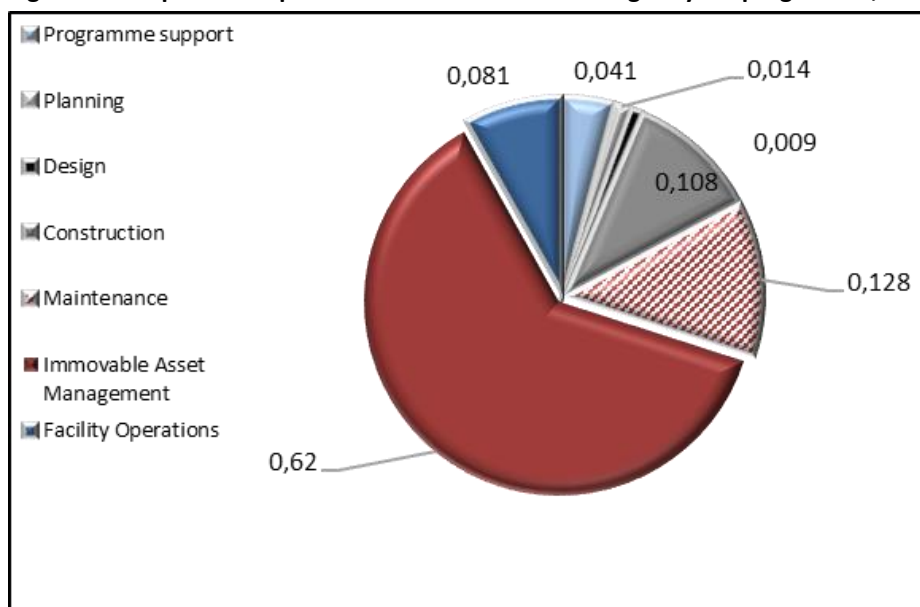
Over the 2020 MTEF, the budget for the construction sub-programme, which includes upgrading and refurbishing of immovable assets, is expected to decrease by 11.8 per cent. This decline is due to the need in 2019/20 to allocate R141 million for the demolition of the Bank of Lisbon building in Gauteng, severely damaged by fire in September 2018, and a decrease in the allocation for the Mpumalanga Parliamentary Village from R215 million in 2019/20 to R90 million in 2020/21.

Maintenance

Figure 8.1 shows that the maintenance subprogramme has the public works infrastructure programme's second largest budget, accounting for approximately 13 per cent of the total. The maintenance allocation caters for routine and scheduled maintenance, alterations and condition assessments for provincial buildings. Table 8.4 shows that, from 2015/16 to 2019/20, the maintenance budget grew by R447 million, an average annual rate of 8.1 per cent. Over the 2020 MTEF, this budget is expected to increase by R564 million, an average annual growth rate of 10.2 per cent; this is above the expected rate of inflation. The increase is largely informed by reprioritisation to cater for maintenance of and repairs to buildings to address the maintenance backlog.

To address the maintenance backlog, the provincial public works sector maintenance budget is expected to increase by 10.2 per cent over the 2020 MTEF.

Figure 8.1 Proportion of public works infrastructure budget by subprogramme, 2019/20



Source: National Treasury provincial database

Immovable asset management

Immovable asset management is the largest subprogramme in the public works infrastructure programme and, as Figure 8.1 indicates, accounts for 62 per cent of the budget. The purpose for the programme is in line with the sector's core focus which is to:

- Manage provincial property portfolios
- Provide accommodation for all provincial departments and other institutions
- Acquire and dispose of properties
- Manage leasing-in and leasing-out
- Monitor and evaluate the utilisation of provincial government facilities
- Monitor property rates payments.

As Table 8.4 shows, between 2015/16 and 2019/20 expenditure on immovable asset management increased by R1.1 billion or an average annual rate of growth of 4.6 per cent. The increase in expenditure is attributed to an additional allocation for rates and taxes and departments' constantly increasing demand for office space. Between 2019/20 and 2020/21, the budget for this subprogramme declines by 6.5 per cent mainly due to a once-off allocation in 2019/20 during the adjustments for municipal rates and taxes. The 2020/21 allocation does not cater for the pressure to settle property rates and taxes; over the MTEF, the budget is only expected to increase at an average annual rate of 0.4 per cent, or by R76 million. Payment of rates and taxes thus remains a challenge.

Between 2015/16 and 2019/20, the increase in immovable asset expenditure is attributed to an additional allocation for rates and taxes.

The subprogramme's allocation for providing accommodation for all provincial department and other government institutions includes the cost of monthly rentals for office accommodation leased from private owners. During 2017/18, the Government Technical Advisory Centre (GTAC) carried out an expenditure review of 645 leases of commercial office accommodation in provinces; 473 were current leases and 172 expired. The review excluded expenditure on rental of agricultural land and on facilities such as schools, hospitals, clinic and police stations.

Table 8.5: Total office rental expenditure per month by province, including above market rentals as at July 2016

Province	Number of leases analysed	Extent m2	Total rental expenditure per month (Rands)	Total rental expenditure per month above market (Rands)	Percentage share of expenditure above market
Eastern Cape	80	146 052	18 904 566	4 788 780	25%
Free State	56	118 764	18 191 828	8 419 841	46%
Gauteng	45	351 372	41 280 818	9 271 914	22%
KwaZulu-Natal	149	222 014	28 186 758	6 305 610	22%
Limpopo	59	114 890	20 780 150	8 748 207	42%
Mpumalanga	49	49 108	10 960 285	5 114 678	47%
Northern Cape	50	71 976	6 733 828	1 016 002	15%
North West	52	57 613	6 666 296	1 597 651	24%
Western Cape	105	93 452	11 573 547	2 769 571	24%
Total	645	1 225 241	163 278 076	48 032 254	29%

Source: National Treasury: GTAC

Table 8.5 summarises the findings of the review and shows the number of leases analysed, monthly rental expenditure and monthly rental expenditure above the market (including current and expired leases) per province. Based on the data analysed, as at July 2017 provincial governments were leasing 1.2 million square metres of office accommodation at an average cost of R120/m². Total monthly rental expenditure was R163.3 million or approximately R1.96 billion per year. R48 million was expenditure above the market, of which R8.1 million per month was for expired leases (R97.2 million per year). The review thus concluded that reverting expired leases to market rates could save R97.2 million annually.

Facility operations

The facility operations sub-programme manages operations of buildings. Table 8.4 shows that, between 2015/16 and 2019/20, the budget increased by R349 million, an average annual increase of 10.8 per cent. Between 2019/20 and 2020/21, it is expected to increase by 11.6 per cent and, over the 2020 MTEF, by an annual average of 7.2 per cent.

Expanded Public Works Programme (EPWP)

Expenditure per province

The purpose of this programme is to provide poverty and income relief by creating temporary work opportunities for unemployed people through socially beneficial activities. The public works sector is responsible for implementing, monitoring and reporting on the EPWP for the DPWI and provinces. The budget for the programme consists of a conditional grant

The EPWP budget in some provinces is expected to decline.

from the DPWI and an equitable share allocated to the provinces by the National Treasury. To maximise job creation opportunities, provinces are encouraged to supplement the grant from the equitable share.

Table 8.6 shows that, from 2015/16 to 2019/20, EPWP expenditure increased at an annual average rate of 3.4 per cent. Between 2019/20 and 2020/21, there is an overall decline of 7 per cent with marked decreases in the Free State and North West but some significant increases in KwaZulu-Natal, Limpopo, Mpumalanga and Gauteng. Over the 2020 MTEF, the EPWP budget is expected to grow at an annual average rate of 0.1 per cent, below the anticipated rate of inflation. There will be above-inflation increases in KwaZulu-Natal (16.4 per cent), Mpumalanga (11 per cent), Limpopo (6 per cent) and Gauteng (5.4 per cent); the budgets of the other provinces are expected to increase at rates below inflation or to decline.

Table 8.6 Expenditure on the Expanded Public Works Programme by province, 2015/16 - 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20 Revised estimate	2020/21	2021/22	2022/23
R million	Outcome					Medium-term estimates		
Eastern Cape	620	644	796	741	776	787	723	755
Free State	186	162	180	159	172	151	146	149
Gauteng	296	317	286	285	267	305	298	313
KwaZulu-Natal	30	32	34	53	30	42	44	47
Limpopo	38	40	51	48	58	69	66	69
Mpumalanga	71	76	73	75	66	87	86	90
Northern Cape	92	107	103	120	124	130	122	122
North West	163	134	84	128	213	122	198	158
Western Cape	47	56	53	56	57	58	62	64
Total	1 543	1 569	1 660	1 665	1 763	1 750	1 743	1 766
Percentage growth (average annual)	2015/16– 2019/20				2019/20– 2020/21	2019/20– 2022/23		
Eastern Cape	5,8%				1,4%	-0,9%		
Free State	-1,9%				-12,3%	-4,6%		
Gauteng	-2,5%				13,9%	5,4%		
KwaZulu-Natal	0,0%				40,6%	16,4%		
Limpopo	10,9%				18,7%	6,0%		
Mpumalanga	-2,0%				32,5%	11,0%		
Northern Cape	7,6%				5,4%	-0,4%		
North West	7,0%				-42,7%	-9,6%		
Western Cape	5,1%				2,4%	4,1%		
Total	3,4%				-0,7%	0,1%		

Source: National Treasury provincial database

Community development subprogramme

This subprogramme is responsible for managing the implementation of programmes that empower impoverished communities. The objective is to ensure that, by supporting individual beneficiaries and enterprises, the construction sector is a catalyst for skills development, job creation and the development of sustainable communities. Government encourages departments to create jobs and support communities through the incentive-based EPWP grant. In 2019/20, the community development

The budget for the community development programme is expected to decrease over the 2020 MTEF.

subprogramme accounted for 72 per cent of the EPWP budget. Between 2015/16 and 2019/20, this subprogramme increased at an average annual rate of 4.6 per cent and is expected to decline at an average growth of 3.4 per cent over the medium term as indicated in table 8.7.

Table 8.7 Provincial expenditure on the Expanded Public Works Programme by subprogramme, 2015/16 - 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Revised estimate	Medium-term estimates		
R million								
Programme Support	224	238	100	125	197	265	275	289
Community Based/EPWP								
Community Development	1 059	1 091	1 320	1 258	1 266	1 175	1 143	1 139
Innovation and Empowerment	182	165	160	196	228	220	229	238
Co-ordination and Compliance Monitoring	77	74	80	85	72	91	96	99
Total	1 543	1 569	1 660	1 665	1 763	1 750	1 743	1 766
Percentage growth (average annual)	2015/16–2019/20				2019/20–2020/21	2019/20–2022/23		
Programme Support	-3,2%				34,7%	13,7%		
Community Development	4,6%				-7,2%	-3,4%		
Innovation and Empowerment	5,8%				-3,6%	1,5%		
Co-ordination and Compliance Monitoring	-1,7%				26,1%	11,3%		
Total	3,4%				-0,7%	0,1%		

Source: National Treasury provincial database

■ Service delivery achievements

Provincial public works infrastructure

One of key purposes of the public works infrastructure programme is to ensure that construction and maintenance of social facilities projects such as schools, hospitals and clinics are completed on time and within budget. Table 8.8 gives information about provincial performance in 2019/20. It shows that provincial public works departments completed 222 of 462 targeted construction projects on time and 328 of 467 within budget. All provinces thus underperformed in terms of these two indicators.

During the year, against a target of 396 the sector completed 280 maintenance projects on time and 298 within budget. Due to projects carried over from the previous financial year and completed in 2019/20, the KwaZulu-Natal department of public works recorded more completed maintenance projects than the target for the year.

Table 8.8: Public works infrastructure projects, 2019/20 (pre-audited)

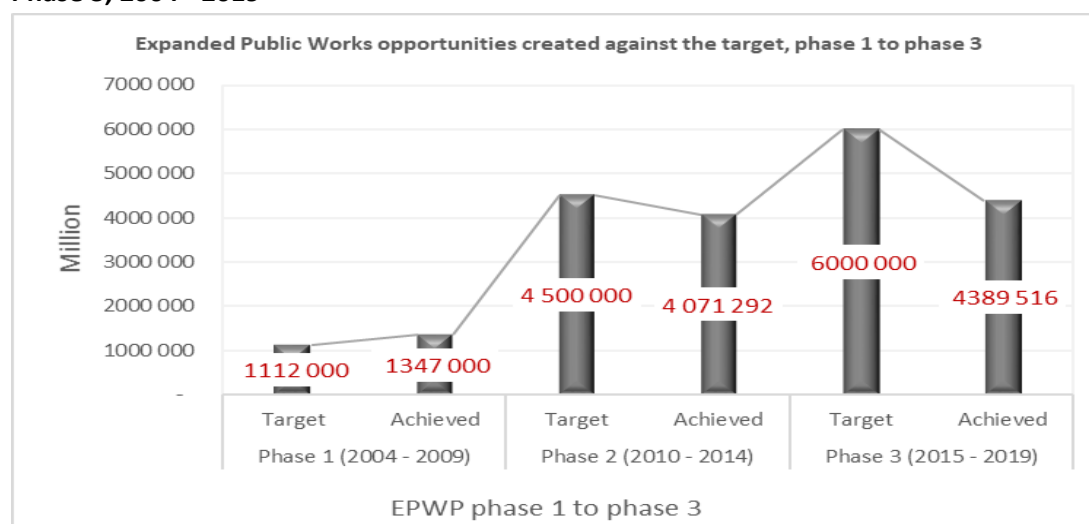
Province	Construction				Maintenance			
	Number of projects completed within the contract period		Number of projects completed within budget		Number of projects completed within the contract period		Number of projects completed within budget	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Eastern Cape	7	2	7	3	6	3	6	3
Free State	26	18	26	18	28	7	28	7
Gauteng	33	15	33	20	70	70	69	69
KwaZulu-Natal	14	2	14	12	20	23	20	28
Limpopo	8	7	13	23	47	27	47	30
Mpumalanga	254	152	254	202	16	18	16	16
Northern Cape	24	12	24	18	30	13	30	17
North West	54	6	54	8	23	7	23	11
Western Cape	42	8	42	24	156	112	156	117
Total	462	222	467	328	396	280	395	298

Source: Department of Public Works and Infrastructure (quarterly performance reporting System)

Expanded Public Works Programme

The target of Phase 1 of the EPWP programme, from 2004 to 2009, was to create one million work opportunities. The figure 8.2 shows that the target was exceeded. The target for Phase 2, implemented from 2010 to 2014, had a target of 4.5 million works opportunities; only 4 million were achieved.

Figure 8.2: EPWP work opportunities created against target, Phase1 to Phase 3, 2004 - 2019

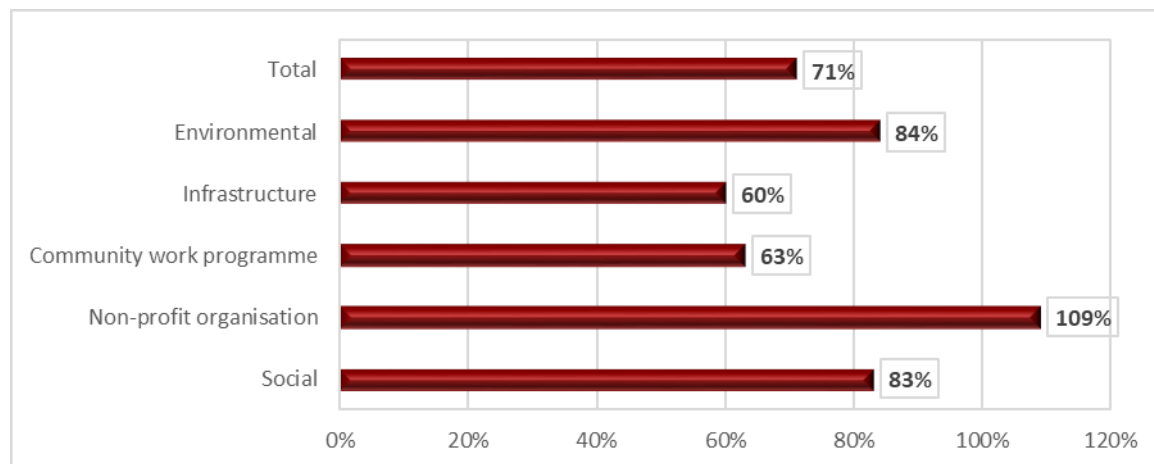


Source: Department of Public Works and Infrastructure

Phase 3 reported 4.5 million work opportunities against a target of 6 million, or 75 percent of the target. In terms of FTEs, Phase 3 created 1.7 million against a target of 2.5 million, or 69 per cent of the target. The underperformance on FTEs can be attributed to the short duration of the work opportunities reported. Based on the number of FTE jobs created, provincial departments may become eligible for the *EPWP integrated grant*

and the *social sector EPWP incentive grant* which incentivises provinces to create jobs.

Figure 8.3: EPWP Phase 3 work opportunities created per sector against target, 2015 – 2019

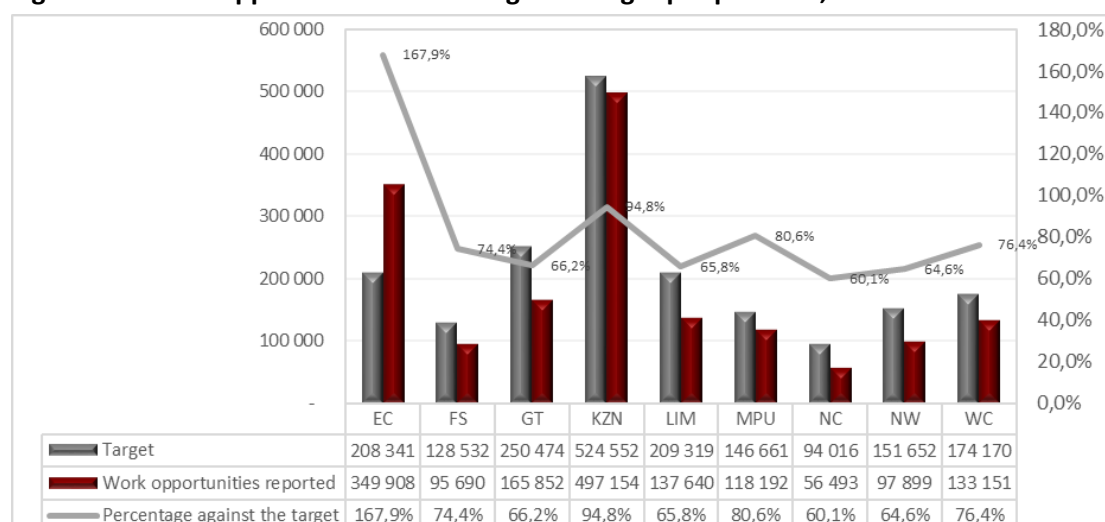


Source: National Department of Public Works and Infrastructure

The work opportunities created through the EPWP were delivered by the following sectors:

- Environmental
- Infrastructure
- Social
- Non-profit organisations
- Community works programme.

Figure 8.3 shows that, between 2015 and 2019, 71 per cent of the total planned EPWP work opportunities were created. At 109 per cent, non-profit organisations created more jobs than targeted; environment created 84 per cent of its target and social 83 per cent. The lowest performing sectors were infrastructure and the community work programme, at 60 per cent and 63 per cent respectively.

Figure 8.4: Work opportunities created against target per province, 2015 - 2019

Source: Department of Public Works and Infrastructure, 2018/19

The national sphere contributed 1 774 301 work opportunities, the provincial sphere 1 651 979 and the municipal sphere 963 236. Figure 8.4 shows the performance during Phase 3 across the provinces. KwaZulu-Natal created the most work opportunities at 497 154, followed by the Eastern Cape at 349 908.

Medium-term outlook

The provincial public works departments plan to spend approximately R44.7 billion over the 2020 MTEF, of which R39.5 billion will be spent on public works infrastructure and R5.2 billion on the EPWP. This investment is expected to contribute to inclusive growth by providing public infrastructure, addressing the backlog on building maintenance and creating jobs. By building the capacity and skills needed for effective implementation of the GIAMA and the IDMS, the provincial public works sector will improve human resource capacity. The sector will also strive to ensure that critical posts are filled.

The provincial public works sector plans to spend about R39.5 billion on public works infrastructure over the 2020 MTEF.

The provincial public works infrastructure programme has a strong focus on maintaining government buildings as well as continuing with implementation of GIAMA-compliant projects, including condition assessments and ensuring compliance with occupational health and safety standards. Approximately R6.4 billion will be made available for these purposes over the 2020 MTEF, an investment that is expected to improve the condition of buildings and reduce maintenance backlogs.

The provincial public works sector plans to spend about R19.3 over the medium term on providing office space for provincial departments and settling property rates and taxes.

The provincial public works sector will continue to provide office accommodation for all provincial departments; it will also cater for property rates. About R19.3 billion will be made available over the 2020 MTEF.

The sector will continue to ensure that the EPWP generates work opportunities and FTEs towards creating sustainable jobs. Approximately R5.2 billion will be made available over the 2020 MTEF to ensure implementation of the EPWP in the provinces.

The DPWI will continue to focus on:

- Creating jobs
- Building a capable and developmental state by strengthening its governance, risk and compliance functions
- Fighting corruption by strengthening its oversight of the public works sector
- Strengthening its research and policy development capacity.

These aims support the realisation of Outcome 4 (decent employment through inclusive growth), Outcome 6 (an efficient, competitive and responsive economic infrastructure network) and Outcome 12 (an efficient, effective and development-orientated public service) of the 2019-2024 MTSF.

The DPWI has established an intergovernmental coordination branch to promote and facilitate collaboration and cooperative decision-making within the public works sector. The branch aims to ensure that policies and priorities across all three spheres of government encourage service delivery that effectively meets the needs of the citizenry. The branch will oversee the development of appropriate tools for guiding integrated development planning and reporting to enable better governmental coordination. Over the medium term, the department intends to sign 60 joint service delivery agreements with provinces and municipalities to foster better coordination for more effective service delivery. It will also continue to provide support and guidance to the public works sector on planning and performance management and will establish monitoring mechanisms to address negative audit outcomes and improve performance.

The national department is playing a leading role in the transformation of the built environment in consultation with stakeholders.

The national department is playing a leading role in the transformation of the built environment in consultation with its entities, built environment professional councils, charter councils and other stakeholders. Over the medium term, the DPWI will continue its review of the Construction Industry Development Board Act and the founding Acts for the six built environment professional councils. The development of a property management empowerment policy will serve as the overarching framework for the department's empowerment initiatives and programmes to promote transformation of the property industry. The department will also review

relevant policies, such as the 1997 and 1999 White Papers on Public Works, and will consult with the public works community in working towards the proposed Public Works Act which will focus on the concurrent nature of the public works function and seek agreement on the functions to be carried out by the national and provincial spheres of government, including providing accommodation for national and provincial departments. Once the Act is promulgated, the department will be empowered to perform oversight and performance management functions in relation to the activities and programmes of the provincial public works departments.

Conclusion

Increased investment over the years has contributed to improved government infrastructure delivery to the public and to the creation of EPWP jobs. However, lack of capacity continues to hamper efficient implementation of the GIAMA and operationalisation of the IDMS. Provincial public works departments need to improve the efficiency of their spending, prioritise maintenance projects and ensure compliance with the Occupational Health and Safety Act (1993). They also need to address property rates arrears and renegotiate expired leases to realise savings.

Over the medium term, expenditure will grow at below-inflation rates. To fund maintenance, immovable asset management, property rate payments and filling of critical posts, the sector has reprioritised across programmes and economic classifications.