



public works

Department:
Public Works
REPUBLIC OF SOUTH AFRICA

**MINISTER OF PUBLIC WORKS
REPUBLIC OF SOUTH AFRICA**

Construction Industry Development Board (CIDB)

Inauguration of the 5th Board of the CIDB

Emperor's Palace, 29 August 2014

Keynote Address:

Honourable TW Nxesi MP, Minister of Public Works

Protocol:

- Programme Director
- Outgoing Chairperson of the CIDB Board – Mr Bafana Ndendwa
- Incoming Chairperson and Deputy-Chairperson of the CIDB Board - Ms Lindelwa Myataza and Mr Christopher Jiyane
- Members of the incoming Board of the CIDB
- The CEO and management of the CIDB
- Representatives of the construction sector
- Ladies and gentlemen

It gives me great pleasure to participate in this important event – the inauguration of the 5th term of the Board of the Construction Industry Development Board. This is a time to thank the outgoing Board and to exhort the new Board to pick up the spear and continue the work of the CIDB.

So let me thank the outgoing Board for your contribution over the past three years. A special word of thanks to Bafana Ndendwa, the outgoing chairperson, for his leadership over the past three years.

Let me also congratulate the new members of the Board. This is the start of the term of the fifth Board of the CIDB. The CIDB Act was passed in 2000 - some 14 years ago, and the Act followed an extensive consultation process that culminated in the White Paper: *“Creating an Enabling Environment for Reconstruction, Growth and Development in the Construction Industry”*. The White Paper was published 15 years ago in 1999.

The role of CIDB

Let us remind ourselves of the role of CIDB. In terms of the CIDB Act – the mandate of the CIDB is to do the following:

- Provide strategic leadership to construction industry stakeholders to stimulate sustainable growth, reform and improvement of the construction sector;
- Promote sustainable growth of the construction industry and the participation of the emerging sector in the industry;
- Determine, establish and promote improved performance and best practice of public and private sector clients, contractors and other participants in the construction delivery process;
- Develop systematic methods for monitoring and regulating the performance of the industry and its stakeholders, including the Registration of Projects and Contractors; and
- Promote uniform application of policy throughout all spheres of government and promote uniform and

ethical standards, construction procurement reform, and improved procurement and delivery management – including the Construction Code of Conduct.

[Incidentally the CIDB's investigation into collusion and breaches of the Code of Conduct focuses attention on this particular function of the Board.

Once the investigation is completed, we will need to discuss and see what we can learn from this experience – so that it enhances ethical standards in the sector and contributes to transformation];

The CIDB mandate is a wide one. But, let me add here that we also need to examine whether the mandate of the CIDB is still relevant, or whether it needs to be reviewed or enhanced. That is a process that my Department is currently addressing.

In regard to examining the mandate of the CIDB, it is useful to reflect on the White Paper - because it

provides the context that gave rise to this mandate that the new Board has the responsibility to deliver on.

Let me quote from the White Paper - and I believe that there is much in the White Paper that is still relevant today: (and I quote):

"The construction industry - comprising both the building and civil engineering sections - performs an indispensable role in the economy of South Africa and increasingly of the region as a whole. The construction industry provides the infrastructure which is fundamental to the on-going development of our country; its activities affect everyone's lives in one way or the other."

The White Paper then goes on to note the following:

"This White Paper is about change. It is about the actions needed to stimulate change, to promote increased participation of the emerging sector,

improved labour relations and sustainable employment. It is about appropriate human resource development and improved industry and client performance. And it is about establishing the institutional arrangements best suited to create a climate in which our industry can adapt rapidly to the accelerating changes impelled by globalisation."

"Above all, this White Paper is about the South African people, who are the ultimate beneficiaries of the industry's output. It is they who are the real stakeholders in our construction industry, and it is their interest in a vibrant, efficient and effective industry that this national development strategy must serve."

I believe all these sentiments are still relevant. The question we have to ask ourselves, today, is this: whether after some 15 years since the White Paper, is the CIDB delivering on its mandate? - and how can the CIDB further enhance delivery against its mandate?

The achievements of the outgoing Board

In my "Five Year Policy Statement and Vision for 2014-2019", which I presented to DPW and its entities on 20th June 2014, I said the following about the CIDB:

"CIDB is leading the process of drafting best practice regulations and contract clauses to ensure transformation, employment and training take place within the National Infrastructure Programme – whilst promoting integrity, transparency, and quality on the part of contractors."

The outgoing Board, sort to focus on the following areas:

- Stakeholder interactions to achieve buy-in and cooperation;
- Ensuring good governance – in this regard, the CIDB has received an unqualified audit report for the past two years, and has a stable top management;

- In regard to carrying out its mandate, the CIDB has made progress in the following areas:
 - Regulation Amendments which were published in August 2013, which enhanced and strengthened the Register of Contractors and Projects, while removing constraints to the development of contractors;
 - The development of a one year certificate course in collaboration with the University of Pretoria in support of the Infrastructure Delivery Management System (IDMS) and the Infrastructure Delivery Management Toolkit;
 - Further enhancement and roll-out of the National Contractor Development Programme
 - Ongoing development of the Best Practice Project Assessment Scheme, including publication in the government gazette of the

Standard for Enterprise Development, the Standard for Skills Development and the Standard for Contractor Performance Reports;

- The development and publication of key CIDB Inform Practice Notes, including ‘Allocation of Sustainable Work Opportunities to CDPs’, and ‘Blacklisting of Contractors for Non-Performance’. Furthermore, an Inform Practice Note on ‘Balancing Delivery, Development and Empowerment’ will be published shortly.

Challenges facing CIDB

Much has been achieved, but many challenges remain.

Key challenges that the CIDB must address going forward include the following:

- The pace and depth of change in the construction industry – to reflect the demographics of the country - is unacceptably slow, and transformation of the

industry remains a priority for the CIDB and other stakeholders. (I will return to this issue later.)

- Compliance with CIDB prescripts, and in particular with iTender remains low, and a key focus must be on implementation of the CIDB's compliance strategy;
- In relation to the National Contractor Development Programme (NCDP), compliance with the guidelines for Contractor Development Programmes is very low. Furthermore, the reach of Contractor Development Programmes needs to be enhanced to cover national and provincial Public Works Departments and the metros;
- Public sector procurement and delivery capacity remains a key focus area;
- The CIDB needs to move from *development* to *roll-out* of the value-added benefits and services that the

Board has approved in principle, through the application of the CIDB Best Practice Fee.

- Ongoing development and roll-out of the CIDB's Project Assessment Scheme, Contractor Recognition Scheme and Register of Professional Service Providers are key elements to enhance risk management and development;
- Introduction of Prompt Payment Regulations. [*This is very much a priority of this government, and vital to the economic health of contractors and service providers.*]
- The issue of good governance is also related to issues of oversight. The current system of quarterly meetings provides only minimal oversight. So this is an area that will receive much greater attention under the new Administration.

I need to mention an important initiative happening within the Department of Public Works with the

formation of a new branch: the 'Governance Risk and Compliance Branch' – initially conceived of to lead the fight against fraud and corruption – but now carrying a more holistic mandate to tackle governance and compliance issues in general. With this in mind, the Branch will be taking a closer look at issues of oversight in relation to the entities and professional councils.

The objective here is to strengthen governance and accountability, and promote alignment with national priorities.

In my Policy Statement, I made the point that "the President in his State of the Nation Address made it very clear that the focus now is on implementation and delivery."

So too the focus in the CIDB must be on implementation and delivery:

- implementation and delivery aligned to the programmes identified in the White Paper
- implementation and delivery on the CIDB's mandate as given in the CIDB Act, and
- implementation and delivery aligned to the priorities of the government of the day.

The 5 Year Vision for DPW

I have alluded to my five year policy statement and vision for the Department of Public Works. Let me take this opportunity to share with you. Allow me to quote the summary of key priorities:

- 1. First priority: The creation of 6 million work opportunities for poor and unemployed people through the labour-intensive delivery of public services and infrastructure. Public employment programmes must facilitate community participation,*

and provide tangible benefits to communities, the society and the economy.

2. Priority two: The operationalization of PMTE (Property Management Trading Entity) and the transformation of the core property business (including construction management). This necessarily includes a programme to rebuild technical and professional capacity.

I need to mention that CIDB has already contributed to these objectives of job creation and skills development through the Standards and contract clauses that have been developed for use in infrastructure projects.

3. Priority three: The operationalization of the Governance, Risk and Compliance branch to drive anti-corruption and to spearhead the second phase of the Turnaround – Efficiency Enhancement - using the tools of planning, Service Delivery Model

processes and performance management. This also means working with HR and Change Management to promote a committed performance driven work culture.

4. Priority four: In consultation with all stakeholders – particularly the wider Public Works family in the provinces - a policy review culminating in a Public Works Act. This will provide a solid foundation for the third phase of Turnaround: Sustainable Development, and will clarify and refresh the mandate of Public Works.

5. Priority five – and this has particular relevance for CIDB: In partnership with our entities, the charter councils and relevant stakeholders, a renewed and sustained programme of action to transform the Built Environment – the construction and property sectors – as part of the second more radical phase of transition to democracy:

- so that ownership and management better reflect the demographics of the country; and

- we produce many more black and female built environment professionals. [Currently only 24% are black; 9% female.]

In relation to transformation, I have set in motion an initial process of consultation with stakeholders in the Built Environment sector – to drive the debate forward and to assist in the development of concrete proposals. My thanks to the Registrar of the SACPCMP for assisting by providing the secretariat for the stakeholder group.

In recognising the importance of the relationship between the Department of Public Works and its entities, I also said the following in my policy statement:

I believe that we need now to engage on a continuous basis to forge a common vision and goals. This is necessary to comply with the oversight duties of the Minister. It also makes good business sense – so that

our efforts complement each other; we support each other and pool resources to maximise delivery. This approach needs to be reflected in the strategic plans of the respective organisations.

This engagement must take place in a spirit which says that a better regulated and more professional and representative construction sector are key factors both in unlocking infrastructure spend, and in expanding employment and the skills base – especially from formerly disadvantaged groups.

In closing, let me again thank the out-going Board and welcome the new board of CIDB. I wish you well in your endeavours.

Let me leave you with the words of the then Deputy President, Jacob Zuma, speaking at the launch of CIDB on 21st April 2001:

"Our launch of the CIDB is more than just a celebration of accomplishment. It is a commitment by all of us to the challenges ahead."

I thank you.