

# The workings of public works

An interview with **Jeremy Cronin**

*Jeremy Cronin is the deputy minister of public works. Ben Turok interviewed him on 23 September 2014*



President Jacob Zuma in King William's Town.

**Ben Turok:** What is the primary focus of the department of public works (DPW) at the moment?

**Jeremy Cronin:** The primary focus is the big turnaround under Minister Thulas Nxesi, who was appointed at the end of 2011. The minister has given extremely good leadership in dealing with deep-seated corruption challenges and the loss of morale and professionalism in the department. Audit figures are not the be-all and end-all, but they are suggesting a significant improvement.

Essentially, we lease out state-owned property to public entities. The big “clients” are the key national services, like the police service, the justice department, home affairs, correctional services: departments with lots of localised premises. It’s been a space in which a large amount of corruption has been occurring.

**BT:** Do you prosecute?

**JC:** Yes, we’ve prosecuted. I don’t have figures at the tip of my fingers, but I could give you large numbers of disciplinary actions and criminal charges laid against people. It’s a continuing process. We’ve literally had to sift through millions of documents.

## STATE PROPERTY

**BT:** I was an advisor to Jeff Radebe [minister of public works, 1994–99] for a short time. They were having great difficulty to get a proper register of the state’s property assets. That’s a long time ago. Has it been done?

**JC:** Again, I would say that it’s only under Minister Nxesi that we now have a register that is 95 percent accurate. We are, by a factor of seven, the largest



property entity in South Africa. Growthpoint, which is private, is the next biggest. It's a massive portfolio.

But the asset register has been in total confusion for a number of reasons. With the new constitutional order, the matter of who owned what was a great muddle. Take, for example, properties that were in the old Bantustans, or the transfer of properties between provinces. It's been quite an effort just to work out where the property should be vested. At a national level, we're now confident – and the auditor-general agrees – that we've made very significant progress.

Clearly, without a sense of what properties you hold, you can't steer anything, you can't deal with corruption, you can't assess what you're doing strategically. We are turning up all kinds of anomalies. A huge amount of the leased property appears not to be occupied by who should be occupying it – or, alternatively, it's not occupied by anyone, or the private sector is occupying it. There are other properties that disappeared in the transition in the early 1990s.

Very significant progress has been made on that front, which is also related to the major institutional issue in the department: the decision to establish the Property Management Trading Entity (PMTE). It would be, technically, a "government component" with a CEO, but not a board of directors. It would have a direct line of accountability to the minister. But, critically, it is audited separately and has a separate ring-fenced accounting system.

The idea was also to develop it into a more professional, rather than an administrative, entity. That will be a challenge, because professionals don't come cheap. The model is like the South African Revenue Service. An agency, staffed with quantity surveyors and architects and the kind of professionals you require, rather than having a few quantity surveyors at a chief director level, overseen by DDGs [deputy directors-general] who don't have the understanding.

## SOCIAL CONSTRUCTION

**JC:** Another core function of the department is construction, which is very weak and underdeveloped. Related to that would be the future of the Independent Development Trust (IDT).

**BT:** What is your relationship to the IDT? It used to be an independent entity.

**JC:** Well, it was called "independent". It was set up with a trust fund of R2 billion by the apartheid regime as an endgame play to build up a buffer black middle class. In 1997, I think, the cabinet decided that it would report to the department of public works.

It's become a kind of parastatal entity, but the trust remained its funding source. At its best, it's been very

good in community facilitation and consultation, working with community structures and NGOs. They proudly boast – I don't know if it's true, but I like to believe it – that none of their facilities have ever been burnt or chopped up, because there is a sense of ownership in the community. That involvement in the community is something we desperately need, so that we don't just parachute in some facility that we imagine is the community's priority – without consultation, without ensuring that there will be skills development in the community.

Basically, it was doing a lot of work but it was living off the interest from the trust. For example, they would be commissioned by a municipality or a provincial or national department to project manage the construction of a school. The funding would come off the budget of the department, and the IDT would charge a minimal administrative fee. This made them quite popular with line departments, but they have run into difficulty.

We are keeping them afloat through a R500-million injection from the Treasury, annually, over the last couple of years. It is just keeping their nose above water. We are now going to introduce legislation to change their character, to see how we can set them up on a more sustainable footing.

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We haven't decided firmly on this, but we are moving to bring the IDT in as a government component, like the PMTE, to become a construction wing with a focus on two things: public buildings occupied by departments, and IDT's residual capacities and skills in the project management of social infrastructure in communities. They would earn some of their money from administrative fees and try to develop a niche capacity in social infrastructure and consultation and community involvement. I also think – and this is a wider discussion – that maybe we should not have a single public construction entity. There are several operating and that's fine.

**BT:** That kind of construction is a key area of government.

**JC:** There is some frustration with the department, perhaps based on a false expectation. As Jeff Radebe nicely put it, there is a great nostalgia for the 1930s



era, when public works departments built dams, roads, and everything. Globally, that has changed dramatically, and certainly in our country as well. We can't aspire to be "the" constructor of social and economic infrastructure in South Africa. That is long gone.

But that doesn't mean to say we don't have a construction role. And construction should be, first, for the public sector. We should still be active in the maintenance of that property: the greening of it, the retrofitting needed to make it more disabled-accessible, proper planning and so on. We are currently working very closely with the City of Tshwane to improve the inner city, which is scrappy and really messy, and to also develop proper precinct planning, with pedestrian ways, north, south, east and west access, all of those things. We hold a lot of property stock there, so our PMTE committee is working very closely with Tshwane.

## INTEGRATION AND CO-ORDINATION

**BT:** I keep coming across silo practices<sup>1</sup>. What happened to the cluster system that was introduced during Thabo Mbeki's presidency to develop integration and co-ordination across government?

**JC:** There are still clusters. I was involved in the infrastructure cluster from the beginning, back in 2009, when I became deputy minister for transport. I can certainly say that it was at best the sum of its parts, and never more than that. Each cluster basically consists of equals, of ministers, with no presidential override.

**BT:** And there is no top civil servant who cracks the whip, as they have in the UK.

**JC:** Exactly. A minister would be appointed as co-ordinator of a cluster and he or she would rely on his or her DG. But that DG would then be talking to equals and typically would not have the competence to assess, say, dam-building proposals or IT broadband proposals. So there is just reporting, without any co-ordination, understanding or critique.

**BT:** Who is doing anything about that?

**JC:** Well, let's talk about the Presidential Infrastructure Coordinating Committee (PICC), because it is in many ways a direct response to the frustrations we experienced in the cabinet around the reports we were getting from the infrastructure cluster. They were just wish lists coming from different silos. No integration whatsoever.

When you are talking about infrastructure, you absolutely need co-ordination. You put out a Gauteng freeway improvement project or a Gautrain: it will be there for 50 years and it costs R25–30 billion. What is its connection to the rest of the transport system? Why are you building freeways when perhaps the



When talking about infrastructure, co-ordination is key, says Jeremy Cronin.

priority is public transport infrastructure? During a series of cabinet lekgotlas, we could see very directly that there was a big problem with co-ordinating infrastructure. In 2011, the PICC was born out of that frustration.

The PICC has been really innovative. The first evidence of that was the infrastructure build for the 2010 World Cup, which was a positive experience. We realised that the state could lead a very large public infrastructure build under very tight, impossible deadlines, and with all kinds of fancy requirements coming from FIFA. Whether it was the right infrastructure, whether it was a priority for development, is another debate, but it showed that we could co-ordinate an effort around a deadline and drive the process. But obviously, because the deadlines were so tight, because we were suddenly doing everything at once, it meant we had to pull off things. Collusion was a problem. Importing inputs was inevitable. We ran out of bitumen, timber and steel. We ran out of skilled people.

**BT:** What is the structure of the PICC?

**JC:** It has statutory standing under the Infrastructure Development Act. The Presidency has the chair. The Council, which meets three or four times a year, is chaired by the president and includes all premiers, 10 or 12 key ministers, and representatives of Salga [the South African Local Government Association].

Then there is the management committee (Manco), currently chaired by Gugile Nkwinti [minister of rural development and land reform], and the PICC secretariat, which is chaired by Ebrahim Patel [minister of economic development]. The members of Manco and the secretariat are appointed by the Presidency.



**BT:** But how does it ensure co-ordination?

**JC:** There's been a combination of circumstantial factors that I think is working quite well. One is the president's enthusiasm and strong support that can be relied upon on the say-so of Gugile Nkwinti or Ebrahim Patel.

The PICC responded to the frustration about infrastructure, and also the sense that we need to co-ordinate because of the problems that came out of 2010. At the [same] time, there is also this new department of economic development (EDD), but it's not clear what it's doing. They develop a New Growth Path, which is okay, but it hasn't got much grip. And so Patel grabs opportunities. Why shouldn't EDD position itself to become the chair of the infrastructure cluster? Ebrahim has that quality: he's an implementer. He works incredibly hard and has an eye for detail. He's very difficult to work for – he just burns out DGs and DDGs – but he is a huge asset.

There is a great nostalgia for the 1930s era, when public works departments built dams, roads and everything. Globally, that has changed dramatically, and certainly in our country as well.

And the president likes this, because he has the National Development Plan, which is wobbly. So Patel has this hotline into the Presidency.

The DG and the Presidency are available for various "ribbon-cutting" things, but also, if push comes to shove, he and Gugile can get a presidential mandate to tell a minister that he or she has to co-operate or whatever. Through this channel, we're getting a picture of what's going right and what's going wrong.

### WHERE'S THE MONEY?

**BT:** The PICC doesn't have much real budget, does it?

**JC:** No. It's basically to convene meetings of the secretariat. We meet weekly...

**BT:** Weekly? And what do you discuss there?

**JC:** Yes, we'll be meeting at 7:30 tomorrow morning, in fact. We are not inventing projects. Their budgets are in departments and parastatals. The secretariat began by making a broad sweep of infrastructure projects: what projects are underway, planned, talked

about forever but nothing done? Which are strategic? And, critically, which ones depend on integration?

**BT:** ArcelorMittal has said that the PICC has not enabled the release of infrastructure money for projects that would require their steel for market demand. As far as they are concerned, the SIPs [Strategic Integrated Projects] under the PICC are not operating. Is that true?

**JC:** No, it's not true. Of course they're operating – if unevenly. First of all, some of the biggest projects don't fall under us. The Kusile and Medupi power stations, and so forth. Projects do not roll out as quickly as we would like them to, etc., etc., etc.

Let's take one of the big ones with multiple challenges: unlocking the northern mineral belt. There is extensive coal in the northern part of Limpopo, going into Botswana and a bit into Zimbabwe. Mining houses are not mining it, basically because of critical energy and water issues and rail logistics. If companies invest, will they be able to recoup the costs? So they are waiting for the energy to come. The water authorities are not sure that there will be offtake.

That is where co-ordination comes in. Our big battle currently is the water pipeline and the size of it. [The department of] water affairs has been working on a pipeline to meet the immediate demands of mining and the power stations, but not looking into a 20-year vision. The Treasury has been putting them into that perspective, clearly, because it is cheaper to do that. In the short term. We are saying that they have to double the size.

**BT:** This kind of decision-making surely needs engineers on the secretariat.

**JC:** Absolutely. There are technical teams under the secretariat and under the SIPs as well.

The different SIPs are co-ordinated by the big parastatals. For example, for the northern mineral belt, Eskom has released a key engineer to set up a separate office as the SIP co-ordinator. He's still paid by Eskom, not us. He's co-ordinating, working closely with Transnet and the people in water, etc. So the technical capacity is vested in this technical secretariat employed by EDD. Brilliant people, but it is a bit limited structurally, and that is something I am worried about. If Ebrahim Patel goes, a lot of things will not survive.

**BT:** It's a terribly elaborate system. I think of what was being done in Japan, Taiwan, South Korea. The people who drove those developmental states were engineers, not economists. You need engineers in the decision-making structure.

**JC:** I completely agree with that. And that is the case. The hard decisions are made at SIP level. Our job is political, basically to unblock.



**BT:** And to ensure the funding is there.

**JC:** That is true. We spend quite a bit of time talking to the Treasury, for instance...

**BT:** About the R800 billion? In 2011, [then Finance Minister] Pravin Gordhan announced R800 billion infrastructure spending over three years. Where is it coming from? If you look at the budget, there is a reduction in capital spending. Industry is looking at the numbers, and people like ArcelorMittal are saying, “We can’t see the figures. What are we supposed to do?”

**JC:** The money issue is not *the* issue, in my view. It clearly is an issue, I agree. Eskom’s problem comes down to fact that the borrowings were against supply and it hasn’t been able to go onstream with Medupi because of delays. And it is the private sector that screwed up the welding and things like that. Maybe Eskom didn’t have the capacity to properly supervise and programme manage what was happening through the private sector, but fundamentally the screw-ups come from there. There is this time lag, but once it is running, and it has taken longer than it should, hopefully it will recoup through electricity supply. This idea that Eskom is in freefall is not true.

**BT:** Okay, but the question of the R 800 billion...

**JC:** We are now saying R1 trillion over five years.

**BT:** The budget doesn’t show it, the medium term expenditure framework doesn’t show it...

**JC:** But it is not in one budget.

**BT:** The suggestion is that it would come from Transnet and Eskom. But Transnet doesn’t have it, and Eskom certainly doesn’t.

**JC:** You should speak to Ebrahim [Patel]. I am not the economist, so ask him. But the amount spent over the last five years on infrastructure was R1 trillion.

**BT:** I am a bit sceptical.

**JC:** That’s good. The numbers need to be interrogated.

**BT:** We do see schools and hospitals and other social infrastructure being built, but not physical infrastructure. I am talking about rail and ports.

**JC:** I can’t sustain an effective argument on that. The critical political role we play [in the PICC] is in unblocking blockages and silo problems.

**BT:** I’ve been reading Michelle Williams’ new book, *The End of the Developmental State?* (UKZN Press/Routledge). Clearly, we have had a rather dogmatic, rigid view of the developmental state. At the same time, if you are talking about development, there has to be state direction. Is the PICC set up to look something like METI [Japan’s ministry of economy, trade and industry] – but not quite?



EPWP launch in Riverlea, Johannesburg.

**JC:** No, it’s not that. It’s more of a co-ordinating mechanism at a political level.

**BT:** But the co-ordination is not rigorous. If a minister does not comply, what happens? Nothing.

**JC:** We are a *democratic* developmental state [laughter]. I say that flippantly, but we are not going to be China or South Korea or Japan. And we shouldn’t want to be; although there are still things we want to learn from those examples. We need to build our development institutions.

## PUBLIC EMPLOYMENT PROGRAMMES

**BT:** Let’s talk about the EPWP [Extended Public Works Programme]. What is it?

**JC:** Essentially, it’s a massive response to our unemployment, poverty and inequality situation.

In the first administration, there were some public employment programmes run out of different line departments. The Working for Water programme started very early, in the department of water affairs and forestry [now water and environmental affairs], with Kader Asmal. Jeff Radebe was an early pioneer, looking at labour-intensive approaches to engineering and construction projects. S’bu Ndebele did quite well in KwaZulu-Natal with the “lengthman” approach to rural road maintenance: households along the road are given basic training and responsibility for a kilometre or whatever – to maintain it, tend the verges, fill potholes – and they are paid a stipend.

The notion of an Expanded Public Works Programme was endorsed at the Growth and Development Summit in 2003. GEAR had come and produced growth, but hadn’t produced the other parts of the acronym: employment and redistribution. (Well, there was redistribution of a kind, but certainly



not employment.) In the context of that massive unemployment crisis, at the 2003 Summit, the unions agreed. For them, this is obviously a challenge as it could displace formal-sector work. Business was not spontaneously sympathetic to it. For the Treasury, it looked like redistribution through digging holes and then filling them up again.

Nonetheless, the conditions were there to make an important agreement that we needed an expanded works programme. It was launched under the aegis of the dreadful Mbeki notion of “two economies”. This was one of several interventions into the “second economy”, for those “backward” people who couldn’t get jobs in the “first economy”, which was seen to be fine. The jobs are there, but they can’t get them...

**BT:** Because the ladder is not there...

**JC:** The taxi recapitalisation was one of these “ladder” initiatives, a one-off. Scrap the old taxis and get them a new one, subsidise it a little bit and hallelujah, they will migrate into the first economy. In the same way, you can put people into a 100-day public works programme, and then the next time they knock on the door of the boss for a job and he asks about their work experience, they can say, “I have 100 days”, and so they will get the job. That ladder approach was, unfortunately, part of the underlying two-economies paradigm. The target was 100 million work opportunities over the five-year period. That target was actually met within four years, so it showed us that there was a huge hunger in people. The stipend is currently R71 a day. It’s not a lot, but people fight to get onto the programmes.

What has evolved in South Africa is extremely interesting, globally innovative, unique and much admired in other parts of the world, but not so well known inside of our country.

There are some interesting things to look at around the world. India has had a brilliant national works programme, the Mahatma Gandhi National Rural Employment Guarantee (NREGA) scheme, with 50 million people a year – although it is now unravelling under the right-wing BJP [Bharatiya Janata Party] government. It is seasonal, rural and has one budget line. In India, there is a down season, when nothing is happening and poor peasant families fall into massive debt. For them, it was a significant intervention.

In our situation, our unemployment problems are not seasonal and cyclical, and they are not just rural. They are deeply structural and systemic, so our interventions have to have that character. We are putting pressure on a whole range of departments, all provinces and all municipalities to participate.

**BT:** And the money comes from your budget?

**JC:** No, the philosophy is that every department that

is involved in social development should fund public employment programmes. Home-based care, social work type activities...

**BT:** Who regulates and controls this sort of thing?

**JC:** That is the new innovation we have brought in. Building a little bit on the PICC, we now have a Presidential Public Employment Inter-Ministerial Committee (IMC).

We realised that the state could lead a very large public infrastructure build under very tight, impossible deadlines.

The DPW is the keeper of the data – with a hundred data capturers punching in unreliable data coming from these programmes – of how many work opportunities, headcounts. They are not going out and assessing the qualitative impact of these programmes. But something amazing – and uneven – is happening out there. We are the lead department for infrastructure in the public works programmes and [the department of] social development is the lead department for the social sector. So, uniquely in the world, we’ve got a range of sectoral programmes.

**BT:** And all the funding comes from each department?

**JC:** For example, when Barbara Creasy was the MEC for basic education in Gauteng, she had something like 8 000 participants over a couple of years, doing homework supervision, sports coaching and security on school premises.

**BT:** And she paid for it from her budget?

**JC:** Yes.

**BT:** That is quite a strong model.

**JC:** It’s a wonderful model, a brilliant model.

**BT:** But what pressure was there for her to do it? She could say no.

**JC:** Yes, she could say no. She did it because she had a crisis of failing schools in poor townships, with parents unable to provide homework supervision, but a whole lot of matriculants from those very schools were out of work or studying at Unisa, had spare time and needed pocket money. It’s a brilliant developmental model. The former pupils have a sense of ongoing ownership and responsibility to the school. The kids benefit.

**BT:** Many departments found a way to do this?

**JC:** Yes.



**BT:** And there was no compulsion?

**JC:** The pressure doesn't so much come from us. It comes much more from the popular pressure for work. It comes from the pressure of good examples. We've put in incentive grants for municipalities to top up the budgets they are meant to set aside for EPWP, but we've found that a lot of them depend just on the top-up. Sometimes that kind of incentive doesn't really work. We're dealing with real life, not some ideal model.

In the second five-year phase of the programme, we targeted 4.5 million work opportunities. We got about 4.3 million. We are now targeting 6 million. But we are now saying that we can't just be targeting headcounts. We have to be measuring much more than that: what happens to participants after participation, and, secondly, what are the assets or services? What impact does it have on a community?

If you go into any township, you'll find women – typically – holding communities together for nothing.

We have some bits and pieces of data. It's big and it's really significant, in my view. Environment is doing really well in their programmes. This is slightly contested research by CSIR, but to give you some order of the figures: Working for Water saved R400 billion worth of water resources and 71 percent of our grazing areas were saved from irreparable degradation as a result of putting people to work and providing real assets and services. It's not about digging a hole and filling it up again. At the height of the AIDS denialism, there were thousands and thousands of home-based carers visiting families, looking after them, preparing them meals, fetching medication – doing amazing things. You see, it's working with that reality. If you go into any township, you'll find women – typically – holding communities together for nothing. It's just impressive. We are trying to inject some stipends into this reality.

The NGO sector is in crisis, like Rape Crisis. We are no longer the global flavour. This provides...

**BT:** We don't know about this model...

**JC:** That's why I'm so anxious to talk about it.

**BT:** Because it's in bits and pieces...

**JC:** Which is its strength! We have now set up the Inter-Ministerial Co-ordinating Committee (IMC)...

**BT:** Under the PICC?

**JC:** No, under the deputy president, who is very keen about this.

## COMMUNITY WORK

**JC:** Let me talk briefly about the community work programme. It was initially under CoGTA [the department of co-operative governance and traditional affairs] and the Presidency. Kate Phillips was running the thing, but we have bought her on board to help with this IMC. The department of public works – and this is why I'm so passionate about it – is sort of the secretariat for the IMC. But we are going to have to work together across all the sectors and learn from each other.

The community work programme is a little bit different from the other sectoral EPWP programmes. It's not full-time, but it can be permanent. It's two days of work a week, so that people can do other things: their spaza shop or their food garden and so forth. And you get R71 a day. The idea is that it is not a government department, although CoGTA funds it. The community meets with non-profit organisations – the "implementing agencies" – and decides what work it will do. Trying to get that sense of community planning and trying to identify key tasks. They tend to be low-skills tasks. The community identifies a need for a food garden, or for cleaning up the graveyard or the stream that's polluted.

There is a bit of a trilemma in this space. On the one hand, there is the good pressure to get the maximum number of people into these programmes, for income relief. On the other hand, there is the challenge of training and skilling so you get some kind of graduation out of the project. And then, thirdly, there are the assets or services that are provided or created and so forth. Different programmes work with different emphases, because you can't do all of those equally. If you put money into building, then you are not going to create that many work opportunities. If you put it into training, ditto: you are draining money out of the materials you need, and so on. Some of the programmes that the DPW runs provide an artisanal trade, typically through a Seta [sector education and training authority]. Less numbers, but more training. But even with community work, there must be some basic training: clothing, safety, whatever.

We're launching Phase Three in October in Keiskamashoek. There's a wonderful set of projects there. And we want to use publications like *New Agenda* to popularise these programmes.

## NOTE

1. "Silo" refers to "an insular management system incapable of reciprocal operation with other, related information systems" (Wikipedia).

