



**MINISTRY
HUMAN SETTLEMENTS
REPUBLIC OF SOUTH AFRICA**

**REMARKS BY THE MINISTER OF HUMAN SETTLEMENTS, MMAMOLOKO
KUBAYI, BBC SUMMIT, MIDRAND, 19 MAY 2022**

Programme Director

Mr. Elias Monage, President of BBC

Mr. Kganki Matabane, Chief Executive Officer of the BBC

Captains of industry

Distinguished Participants,

Ladies and Gentlemen,

Let me start by sending my sincere condolences to the family and friends of the former Executive Mayor of Johannesburg, Mr Mpho Moerane, who passed away yesterday.

Let me also thank the organisers of this summit for inviting me to participate in this important discussion this afternoon.

The theme of this year's summit is: "Creating Jobs, growing the economy through supporting localization, industrialization, SMMEs, black owned, women owned and youth owned businesses"

The theme is quite a mouthful but it speaks to most of the elements which the Economic Reconstruction and Recovery Plan (ERRP) identified as its pillars. The ERRP was deliberately conceptualized with the notion of reconstruction because there was a recognition that as the economy recovers from the impact of the pandemic, it needed fundamental change. The change that was envisaged was that of making the economy more inclusive in terms race, gender, geography and age. The plan called for the continued deracialisation of ownership in the economy, deepening the

empowerment of women, more impactful rural development programmes and increasing opportunities for youth in the work force and business ownership.

The adoption of the ERRP was a significant step in the effort to arrest the decline of our economy, in that it was a framework developed with the participation of all social partners including the BBC. There was a realization by all social partners that as a country, we would not be able to tackle the triple challenges of unemployment, poverty and inequality if each social partner continues to pursue its selfish interest without regard for the national interest. For the partnership forged through the development of the ERRP to achieve tangible results, there is a need for all social partners to engage in a process that is more explicit about the trade-offs, timeframes, contributions, and sacrifices to be made by specific constituencies towards rebuilding the economy.

You will recall that in 2020, the South African economy suffered one of the worst recessions as a result of the COVID-19 pandemic, contracting by 6.4%. In contrast, the South African economy grew by 4.9% in 2021 and marginally higher than the projected growth of 4.8%. In fact, last year our economy demonstrated its resilience and outperformed a number of pessimistic predictions. The recovery in economic activity was driven by a robust recovery in global economic activity and elevated commodity prices which provided favorable external support, along with less stringent COVID-19 restrictions compared to 2020.

What is also encouraging is that the real fixed investment increased by 2% in 2021 after plunging by about 15% in real terms during 2020. Despite recording this positive growth, our economy is not growing at a level that will help us to make a significant impact in the fight against unemployment, poverty and unemployment. The COVID-19 pandemic has also brought to a sharp relief the fact that these challenges disproportionately affect black people, women, rural communities, youth and persons with disabilities.

As I have already mentioned, there is a recognition that a social compact that was forged through the ERRP is a necessary tool for us to tackle our challenges. As a mixed economy in which both the public and private sector play a role in generating economic growth and job creation, it is important for us to maintain a balance that will maximize the achievement of these objectives. Our intervention in the economy includes both utilizing state assets to stimulate growth and also creating a conducive environment for investment and growth that allows the private sector to prosper. More

importantly, we are committed to creating a sustained public investment programme that meets public needs and expands economic infrastructure and economic opportunity for all.

Underlying our economic approach is the focus on ensuring that the structural reforms of network industries, which including electricity, telecommunications, water, rail, and road infrastructure are implemented. We believe that we have made great progress in implementing the reforms, although admittedly there is still a lot of work to be done.

We are aware that, in the short term, our inability to generate enough electricity to meet the demand has been a major drawback for investment and business confidence. In this regard, we have implemented a number of initiatives to increase our generation capacity. These include the Bid Windows 5 and 6 for Independent Power Producers in the renewable energy sector to build generators, government's emergency power procurement programme, and raising the threshold to allow 100 MW self-generation plants to be built without requesting a license. These collectively have a potential to put up to 11,000MW into the national electricity grid.

Central to the implementation of the Economic Reconstruction and Recovery Plan, is the stimulation of aggressive infrastructure investments. This requires government to make effort to crowd-in private sector investments through mutually beneficial public private partnerships. To further demonstrate our commitment to creating a conducive environment for attracting investments, His Excellency President Cyril Ramaphosa announced the appointment of Mr. Sipho Nkosi to head up a team in the Presidency to cut red tape across government. Amongst other things the team is tasked with is unblocking specific obstacles to investment and business growth and to simplify processes relating to property registration, cross-border trade and construction permits.

The human settlements sector that I now lead, is a major component of the infrastructure development. Private/public partnerships in the sector are designed around the social housing and student accommodation, whose demand has risen very sharply. Our Social Housing Programme has about R140bn worth of assets. In his fourth State of the Nation Address, the President announced that R64bn of the R700bn from the Infrastructure Fund will be spent on social housing and student accommodation. To deepen transformation and inclusion, the Social Housing Regulatory Authority (SHRA) has partnered with the Infrastructure Fund to develop six

new social housing projects from transformed delivery agents, with an allocation R305 million over the next 2 years.

The National Home Builders Registration Council (NBRC) has reviewed its Investment Strategy and has included as one of its investment portfolios in the NBRC's Warranty Fund, a "Housing Development Investment Fund". The objective of the Housing Development Investment Fund is to invest in projects that facilitate access to affordable housing, whose beneficiaries will be the low-to-middle income South African households, most of whom do not qualify for subsidy houses and do not qualify for home loans ("the Gap Market").

This proposed solution is underpinned by the NBRC's commitment in assisting with funding housing developments. The operationalisation of the fund will commence this year.

The Property Practitioners Regulatory Authority (PPRA) came to effect on the 1st February 2022, replacing the Estate Agency affairs Board (EAAB). The PPRA has got an expanded mandate that covers property practitioners in the value chain which requires extensive stakeholder management. The entity is expected to establish a transformation fund to enable the transformation of property ownership in South Africa. The fund will provide grant support to historically disadvantaged property practitioners who are in the business of developing residential properties in the affordable and secondary housing markets.

Funding remains one of the most fundamental barrier in this sector, leading to project failure and most concerning, the slow pace of transformation. The social housing policy had envisaged that the NHFC would be a key lender in the short to medium term, and commercial lenders in the long-term. However, this has not happened. As a response, the process of converting the NHFC into the Human Settlements Bank is at an advanced stage and it should be completed in this financial year. Upon its launch, the Bank will start consolidating the funding streams for projects and crowd-in an inclusive broader section of the private sector.

What I have just outlined is just but a fraction of the initiatives that our government has put in place to stimulate investment and growth. We still need to put in more work in getting all elements of our economy to function harmoniously towards achieving our

goals. Most importantly, we are working very hard to build an ethical capable state that will enable us to implement our plans and policies.

Communities, the labour movement and large and small businesses should be fully involved in developing strategies for successful economic growth, inclusion and equity, as partners with government. However, to get our economy back on its feet, there is a need for all social partners to understand that there has to be honesty, trade-offs and sacrifices.

I thank you