



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

**SPEECH BY THE MINISTER OF FINANCE, MR ENOCH GODONGWANA, AT THE
SOUTH AFRICAN INSTITUTE OF BLACK PROPERTY PRACTITIONERS (SAIBPP)
ANNUAL CONVENTION**

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Programme Director

The President of the South African Institute of Black Property Practitioners, Mr Tholo Makhaola
The Executive Director Ms Kululwa Muthwa; and the entire Executive Board
Members of the South African Institute of Black Property Practitioners
Distinguished Ladies and Gentlemen.

INTRODUCTION

Thank you for the opportunity to address this important occasion of the 2022 Annual Convention of the South African Institute of Black Property Practitioners. My presence here, this morning, signifies government's commitment to working with various stakeholders towards common goals, for ours is a shared future – a shared destiny.

The focus of my speech will be on what government is thinking and doing when it comes to using property and infrastructure, more broadly, to build an inclusive and fast-growing economy that embraces the necessities of transformation and the deepening of Black ownership in the property and construction sectors. This, I think, is a matter close to the hearts of members of the South African Institute of Black Property Practitioners.

I wish to indicate that we too in government place a high premium on the role of infrastructure in reviving our economy, transforming it and placing it on a higher, more sustainable and inclusive growth trajectory. In this regard, we remain resolute in our ongoing efforts to use infrastructure to build an economy that leaves no one behind. We are also mindful of the important role that infrastructure investment and delivery can play in advancing Broad-Based Black Economic Empowerment.

In an ANC paper titled; ***“Reconstruction, Growth and Transformation”***, published in July 2020, we made the point that: in order to build a new, inclusive economy, the first pillar of our strategy must be to mobilise society around an infrastructure-led recovery, with new investments in energy; water and sanitation; roads and bridges; human settlements, health and education; digital infrastructure and public transport.

We further said that in order to achieve significant job creation multipliers, and broaden economic participation, emphasis must be on localisation, including maximising the use of South African materials and construction companies as well as labour-intensive methods. We argued that state capacity will need to be strengthened, including through improved infrastructure investment capabilities and through the effective implementation of the District Development Model of service delivery.

These views have found concrete expression in the Economic Recovery and Reconstruction Plan launched by President Ramaphosa in October 2020. Through the Plan we seek to restore our economy in the wake of the COVID-19 pandemic and set it firmly on a path of reconstruction, growth and inclusion. A key pillar of this Plan is aggressive infrastructure investment.

Specifically, in terms of the Plan, we have committed ourselves that in the delivery of infrastructure, we will privilege local industries and companies and that the empowerment of black people, women, young people and people with disabilities will be strengthened in a manner that fosters competitiveness and resilience.

INCLUSION, TRANSFORMATION AND OWNERSHIP PATTERNS

Programme Director, the pursuit of aggressive infrastructure investment, is in line with our view that infrastructure-led growth is the most effective way to lift our economy to higher ground and to expand participation in the economic mainstream. This approach speaks directly to how we define inclusion: on the one hand as a tool that ensures that everyone can participate in the growth process, both in terms of decision-making as well as in the growth itself.

On the other hand, inclusive growth must ensure that everyone shares the benefits of growth in an equitable manner. Our history and our current state of transformation demand that we pursue both these objectives at once. It has become popular to suggest that we must abandon or postpone employment equity and affirmative action objectives in order to achieve faster growth.

This cannot be!

Expanding the participation of black people, women, people with disability in the economic mainstream and in strategic economic sectors such as property and construction can and must go hand in hand with faster growth. As a government, we must and are focusing on creating an enabling environment for businesses. This we are doing by implementing policy reforms that address fundamentals such as access to funding and other barriers to entry, as well as improving basic infrastructure and services such as reliable water and sanitation, electricity and roads.

The list of Strategic Integrated Projects that we launched in 2020 speak directly to these objectives. That we paired these projects with a requirement that companies involved must have at least a Level 2 B-BBEE speaks of our unwavering commitment to drive empowerment

and transformation. The most recent report by the BEE Commission shows that we are losing ground when it comes to transformation, broadly and in the property sector in particular.

In 2021, there was a 1.5 percent decrease in the levels of transformation, with overall black ownership declining from 31 percent in 2020 to 29.5 percent last year. In the property sector, which is valued at around R8 trillion, average black ownership across residential and non-residential categories almost doubled, to nearly 18 percent in 2021. The increase is worth celebrating but viewed over a five-year period there is some cause for concern. In 2017 black property ownership stood at 34 percent.

Black ownership in the construction sector has been more consistent. It reached a high of 56.4 percent in 2020 but declined to 47 percent in 2021. Beyond ownership, and despite the Broad-Based Black Economic Empowerment Codes of Good Practice, a number of organizations are struggling to diversify their workforces. These companies are failing to benefit from the clear link between higher diversity and inclusion and increased growth and performance.

For example, black representation on the boards of JSE-listed companies showed an increase from 28 percent to 38 percent, yet more can still be done. The statistics on empowerment targets of the financing companies show that access to funding remains a hurdle.

OUR RESPONSES AS GOVERNMENT

This skewed participation in the mainstream economy, especially in an environment of economic stagnation, feeds into income and wealth inequalities. It also has knock-on effects on social stability, as it threatens our national project of unity, reconciliation and prosperity for all.

As government we continue to work on remedying this situation, by implementing progressive legislation and policies that seek to address weaknesses in our economic framework.

At a macro-policy level, we are using instruments such as preferential procurement, employment equity and Broad-Based Black Economic Empowerment to correct the massive distortions in our economy.

We are also strengthening the structural transformation of our economy, which is about changing ownership patterns to enable inclusive and equitable growth. To achieve this, we have prioritised localisation, and our Preferential Procurement Policy Framework Act (PPPFA) of 2000 is aimed at providing the incentive for government and businesses to procure from BEE certified suppliers.

The ruling by the Constitutional Court in February this year; that certain aspects of the PPPF Act are unlawful, is a set-back. We have since issued new regulations to the PPPF Act for public comment. We are confident that the revised PPPF Act will not only address legal concerns, but also will help us make new and decisive advances in our quest to broaden participation in the economy.

INFRASTRUCTURE DEVELOPMENT

As we have said before, infrastructure investment and development have the potential to genuinely move the growth needle. To achieve this, there are interventions, at a macro and micro level that need to be made. At a macro level, the more efficient use of public land and public buildings is a critical lever to achieve spatial and economic justice by connecting people to each other and to their places of work and recreation.

In this regard, government has already gazetted projects worth nearly R140 billion in the human settlements sector. We are working on expanding this pipeline as well as those in other sectors. Access to these projects and the awarding of approvals and development rights is contingent on BEE certification to ensure that we empower businesses that are both competent and compliant with our national transformation objectives.

At the micro level, we are seriously looking at overhauling how investment in infrastructure is implemented at local government level. One of the innovations we are looking at is for the National Treasury to work with provinces to allow them to front-load their multi-year grant funding and use it to finance their infrastructure requirements on a large and accelerated scale. Development Finance Institutions such as the Development Bank of Southern Africa are at the frontline of these initiatives. Further details in this regard will be announced in due course.

CONCLUSION

Programme Director, as I conclude I wish to say that as black property practitioners, you are uniquely poised to take advantage of the government's renewed commitment to both a massive rollout of infrastructure to stimulate economic growth and jobs, as well as our objective to ensure that growth is inclusive and underpinned by the structural transformation of the economy. As government we view you as a partner in the pursuit of a common goal. Accordingly, let us continue to join hands for as I said earlier ours is a shared future – a shared destiny.

Thank you.