

**Report presented by the MEC for Human
Settlements and Public Works Jomo Sibiya on the
Programme of Action focusing on the
Transformation of the Property Sector**

22 July 2021

Honourable Members, we appreciate the opportunity to present a Progress Report detailing our Programme of Action focusing on the transformation of the property sector.

From the outset, we wish to emphasize that we are looking forward to the inputs and guidance from the honourable members.

Collectively, we have a responsibility to move with speed to ensure the implementation of a transformation policy for the property sector.

In doing so we will realise a vision of a prosperous and non-racial society characterised by equality and a better life for all.

Critically, during this period, we need to acknowledge that the implementation of enabling transformation policies is not a luxury or a choice. But it is a must.

The people cannot wait any longer.

Historically, property has been viewed as a right. In South Africa, however, black people were denied access to productive land through the Native Land Act of 1913 and subsequent discriminatory policy and legislation.

Black people could not own property nor could they effectively trade on properties. In many cases land was held by Tribal Trusts, which precluded people living on tribal land from obtaining title deeds. These laws affected the ability of black people to create or accumulate wealth.

Consequently, significant numbers of South Africans have never in the history of their families experienced formal property ownership and its wealth creation benefits.

This has had a fundamental impact on the economic potential of South Africa and black people in particular. Despite legislative and policy interventions to eradicate these inequalities, in practice - skewed patterns of ownership, participation and benefit remain.

Black people continue to be significantly under-represented in ownership of property, whilst administrative, legal and financial constraints restrict the ability of black people to participate in the property market.

Commercially, direct property ownership is dominated by institutional investors, large private owners, collective investment schemes, property loan stocks and listed property entities, with government being the largest commercial player. There is limited participation of black people, particularly women, in ownership and control of these entities.

The commercially driven activities surrounding property, including development, management and sales, rests largely in white-owned hands

Honourable Members, we are here today to proclaim our determination to change the status quo.

We however acknowledge the fact that we will never achieve the transformation alone. We are relying on your wisdom as honourable members. We also bank on the collective efforts of the people of this province.

Critically, when the majority of people voted the African National Congress into office, they believed that this is the organization that has the capacity to usher in a new era.

As a elected public representative deployed to this department, I wish to state that I can't afford to betray the trust the people of this province have placed in the government of the day.

365 Days in Office – Focus on the Transformation of the Property Sector

At this stage, allow me honourable members to highlight our main focus in terms of our Programme of Action.

I wish to announce that on top of my activities for the 365 Days in Office, our focus as the department is the Transformation of the Property Sector.

As members are fully aware, we are empowered by the Government Immovable Asset Management Act, the KZN Land Administration and Immovable Asset Management Act, 2014 to manage and maintain government immovable assets.

Therefore in discharging our responsibilities regarding the management of immovable assets, we will use our procurement spend/budget to fast-track the entry of

those who have been previously marginalized into this sector.

In the past I have highlighted skewed ownership of properties leased by the Department of Public Works on behalf of government departments.

Today, I wish to draw the attention of the honourable members to the figures detailing the landlords of 178 leases. The overview of landlords is as follows:-

- Indians - number of leases 79
- Whites – number of leases 37
- Black Africans – number of leases 15
- Whites/Blacks – number of leases 08
- Whites/Blacks/Asians – Number of leases 08
- Other organs of states – Number of leases 01
- NGOs – Number of leases 05
- TVET – Number of leases 01
- Municipalities – Number of leases 24

The 15 black Africans who have leases with government – 14 are males and only 1 female.

Honourable Members, if we fail to work collectively to change these figures, we will be accused of prolonging the suffering of the people of this province, especially those who have endured the impact of the apartheid policies.

As part of changing these figures, I wish to report that we have established a dedicated Property Transformation Task Team.

Members of the Task Team are drawn from government departments such as the Office of the Premier, Economic Development, Tourism and Environmental Affairs as well as Provincial Treasury.

I have however, mandated the Head of Department to ensure the representation of other stakeholders such as non-governmental organizations, civil society, youth formations, people living with disability, SMMEs, Co-operatives, community property associations, industry bodies and the private sector at large.

We are planning ongoing consultations with all spheres of government – national and municipalities because we want a clear development trajectory for taking our Province to a better future. My message to the Task Team is based on the principle of “One Strategy and Plan for All.”

We are aiming at ensuring an agreed set of objectives and targets. We want to ensure that there is a common platform for all. We want to see the resource commitments of departments, municipalities and public entities in order to achieve true transformation of the property sector.

In addition, we want to reach agreements on a monitoring, evaluation, reporting and review framework which will track our performance and hold us accountable to deliver on what we have committed

ourselves to deliver in terms of the transformation of the property sector.

New Office Accommodation – Opportunities for transformation

Honourable Members, I also wish to indicate that at the moment we are currently looking for office accommodation on behalf of many government departments.

The list is as follows:

Region: Municipality	District	Number buildings	of	Total extent m²	Total Parking Bays
Southern: Ugu, Harry Gwala and Umgungundlovu districts		36		62 736m ²	3337
Midlands: Umzinyathi, Amajuba and part of Zululand Districts		29		16 46 ² 8m ²	879
Ethekwini: ILembe District		35		33 326m ²	1054
North Coast: Zululand, King Cetshwayo and Umkhanyakude		12		6674m ²	407

We have advertised some tenders for office accommodation as indicated here and others are still undergoing our procurement processes.

Challenges and Legislations

By and large, the office accommodation space required presents an opportunity to drive transformation of the sector.

To unlock these opportunities, we need the support of honourable members as Lawmakers.

I implore honourable members to debate the applicable legislations such as PPFA, PFMA and BBBEE. These legislations leaves a small room to enable the transformation of the sector.

The ring-fencing is highly impossible.

In addition, the definition of black category is problematic as it also includes the already empowered.

I must also hasten to point out that the awarding to lowest bidder is not possible when the intention is to look after the emerging property owners.

Another challenge that honourable members must debate is the fact that imposing financial limits on total value of leases already with the department is not supported by any legislative framework.

We need honourable members to debate openly the monopolizing of the property sector. As result of this, we are also seeing fronting and unwillingness to partner with small players.

We are also dealing rampant and deliberate lodging of appeals by unsuccessful bidders. In some instances, such appeals are lodged to frustrate the transformation process. This has become prevalent in Pietermaritzburg.

These are issues that I believe we need to debate openly.

Enterprise Development

Chairperson, let me turn my focus on the issue of enterprise development.

Over the next 365 Days in Office, we will ensure that we increase the number of SMMEs and Co-operatives in the property sector.

There are numerous micro and small businesses in the sector; however few of these have significant levels of black ownership and control.

We therefore undertake to ensure sustained support for the entrepreneurial development in the property sector. We will work with the private sector in this regard and other industry bodies.

We are already exploring ways and means of working with companies in the private sector to ensure that a certain percentage of their net profit before taxation is used for development of small players.

The development of small players may include any or all of the following:-

- Management, business development and technical skills transfer;
- Technology transfer, establishment of administrative systems,
- cost control systems and infrastructure support;
- Development of entity credit resources with suppliers; and
- Development of entity financial capacity and/or financial assistance.

Financial Assistance to emerging players

Ithala

Honourable Members, we know that financial constraints are an impediments for many small players in this sector. In this regard, we will be signing an MoU with Ithala.

Ithala manages fully integrated business activities that provide a range of financial and property services throughout KZN and promotes development within the province.

This MoU will ensure that Public Works and Ithala work together to reduce poverty through implementing infrastructure programmes, providing access to financial services and building the economy of KZN.

Our focus is on rural and township areas and the province's historically disadvantaged communities.

We aim to promote the participation of black people in the property sector in order to make an impact on job creation and skills development

KZN Growth Fund

We have already started negotiations with another government entity the KZN Growth Fund.

Our negotiations with the Fund are motivated by the desire to create the space for new entrepreneurs to emerge in the property sector – especially by using our lease portfolio.

The unacceptably high failure rate of SMMEs has been cited as the lack of access to both public and private

business opportunities. Other causes include the lack of finance and access to credit, as well as inappropriate policies to protect them emerging entrepreneurs.

These factors are limiting the entry of people from previously disadvantaged communities into the mainstream economy.

Therefore, KZN Growth Fund will ensure that youth and women owned SMMEs and Co-operatives that are in the property sector are assisted with fund. Our main focus are those that are located in the townships and rural areas.

Business owned by people with disability will also be prioritized for funding. We want our SMMEs in the sector to be included in the black industrialist-led projects

Skills Development – Property Sector

Chairperson and honourable Members, we have acknowledged the fact that there are few blacks and Africans in particular who have adequate skills in property management.

There is also an insufficient number of structured and accredited training programmes or curricula in property related professions.

In this regard, we commit to ensure that withing 365 Days in office, we rollout out skills development programmes in partnership with Ministry of Higher Education, Science and Innovation, institutions of higher learning, TVET, SETA, the Estate Agency Affairs Board (EAAB), regulatory bodies and the private sector.

We will be working with the private sector to ensure the implementation of internships whereby academically qualified individuals will work under supervision of qualified professionals to upgrade the professionalism in the sector.

Industry Stakeholders

Honourable Members, we are committed to towards working with industry stakeholders.

I am scheduling a meeting with existing landlords in order to ensure that we speak with one voice on the issue of transformation.

We are also planning to engage with the CEO and entire leadership of the Property Sector Charter Council (PSCC).

The PSCC is one of the 12 sector councils recognised by the Department of Trade and Industry (dti) in terms of the BBEE act.

We want to work with the Council to ensure a clear understanding of a framework which established the principles upon which B-BBEE is implemented in the property sector.

The PSCC strives to achieve its mandate through the development of Property Sector Code (PSC) legislation in terms of B-BBEE to create a conducive environment and to enable transformation of the property sector.

We do not want the people of KwaZulu-Natal be left behind,

We have planned the Property Transformation Indaba to ensure that we sustain our work around the transformation of the sector.

This event was initially scheduled for August. We will be guided by COVID-19 Regulations.

Our main focus will be around using the property sector to achieve the objectives of our Provincial Growth and Development Strategy.

Our PGDS was developed in line with the National Development Plan. The opening remarks in the introduction to the NDP – Vision 2035 states:

“South Africa has the potential and capacity to eliminate poverty and reduce inequality over the next two decades. This requires a new approach – one that moves from a passive citizenry receiving services from the State to one that systematically includes the socially and economically excluded, where people are active champions of their own development, and where government works effectively to develop people’s capabilities to lead the lives they desire. The success of this approach is premised on:

- The active efforts and participation of all South Africans in their own development.
- Redressing injustices of the past effectively
- Faster economic growth and higher investment and employment
- Rising standards of education, a healthy population and effective social protection

- Strengthening the links between economic and social strategies
- An effective and capable government
- Collaboration between the private and public sectors
- Leadership from all sectors in society”

This bold initiative under this democratic government has correctly been welcomed by South Africans from all walks of life, regardless of political affiliation, as a remarkable blueprint to chart the way forward for all of us as citizens of this beautiful land.

It cannot be argued that nothing can stop the people of this province when they are united and pulling together in the same direction. The dismantling of the most brutal system, the apartheid regime, is an example of what we are capable of doing as a nation.

Although we once looked set on to close in on the dream of a prosperous province, we face many challenges that require the same unity, hard work and stubbornness that was unleashed against apartheid.

I thank you