

KEYNOTE ADDRESS BY PREMIER DAVID MAKHURA ON THE OCCASION OF THE GAUTENG MEGA HUMAN SETTLEMENTS INFRASTRUCTURE FUNDING SUMMIT

GALLAGHER ESTATE

4 MAY 2017

MEC for Human Settlements, Cooperative Governance and Traditional Affairs in Gauteng, MEC Paul Mashatile;

MEC Barbara Creecy and MEC Mamabolo;

President of United Cities and Local Government and SALGA, Councillor Parks Tau;

Executive Mayors and MMCs;

Distinguished Business Leaders;

Senior Government Officials;

Ladies and Gentlemen:

I would like to start by congratulating MEC Paul Mashatile and the Human Settlements team for convening a summit that focuses specifically on mobilising funding for building Mega Human Settlements and post-apartheid cities in conjunction with key public and private sector partners.

In July 2015, the Gauteng government convened the Inaugural Gauteng Infrastructure Investment Conference which focused on investment opportunities in key areas of infrastructure such as mega human settlements and new post-apartheid cities; public transport; industrial infrastructure for new economic nodes and revitalising existing industrial parks; water and energy; broadband connectivity, building new government precincts and social infrastructure.

This Human Settlements Infrastructure Funding Summit comes at the right time as we are preparing for the Biennial Gauteng Infrastructure Investment Conference which will be held in July 2017 to look at the progress and new prospects in implementing our Fifteen-Year Infrastructure Master Plan on the basis of public-private partnerships.

Since 2015, the Gauteng Infrastructure Funding Agency has worked very closely with the Department of Infrastructure Development in order to package bankable projects that will attract private sector funding. Substantial progress has been made on energy, industrial parks, public transport and the government precinct.

However, we need more and decisive progress on mega human settlements because of the scale of the backlog in housing delivery in Gauteng.

I am therefore very glad that today we meet here to focus on unlocking investment opportunities in the mega human settlements and post-apartheid cities. Hopefully, we will emerge from this Summit with specific deals and concrete partnership agreements that will take us closer to our vision. What is our vision?

Through our ten-pillar programme for Transformation, Modernisation and Re-industrialization (TMR), we are striving to build Gauteng into an integrated, economically inclusive, social cohesive and globally competitive City Region; a leading economic hub with world class infrastructure.

Investment in the state-of-the-art infrastructure is not a luxury but a necessity that offers citizens to enjoy good quality of life and enables industries to be globally competitive and continuously modernise. More specifically, infrastructure investment contributes directly to economic growth in general and job creation in specific communities where the infrastructure is being built. Infrastructure spend also has a huge potential for empowerment and thus contribute to economic transformation.

For instance, between 2013 and 2016 Gauteng government spent R30 billion on infrastructure developments. The infrastructure spend contributed to:

- the creation of 92 000 direct jobs;

- R15 billion went directly to household incomes;
- Stimulated additional economic activity in the Gauteng economy worth R26 billion;
- added R6 billion to government revenue;
- every R1 spent on infrastructure, adds 92 cents to the Gauteng economy.
- 91% of our infrastructure spend is on empowering HDIs;

Over the next three years, our provincial government will spend R46 billion on infrastructure, which contribute significantly to economic empowerment, radical economic transformation, improving the quality of life of citizens and enhancing the global competitiveness of the Gauteng City Region.

However, it is important to indicate that the Gauteng Infrastructure Master Plan estimates that we need R1.8 trillion investments in order to meet our infrastructure needs over the next decade and half. The Government fiscus will never be enough in helping us to meet the growing infrastructure needs of this dynamic province.

It is for this reason that we look to the private sector and state owned companies to help us reshape the spatial economy of the Gauteng City Region. It is for this reason that this Summit is timely.

When I announced the vision of mega human settlements and post-apartheid cities in the 2015 State of the Province Address, it generated a lot of excitement and interest across the public and private sector.

The approach of mega human settlements must be understood as part of the three pillars of TMR - radical economic transformation, decisive spatial transformation and modernization of human settlements.

When we talk of mega human settlements, we have to take into account the full economic, spatial, social and ecological dimensions of this concept. We must also are into account issues of scale, location, design, densification and integration.

MEC Mashatile, let me take this opportunity to unpack what we mean by mega human settlement and post-apartheid cities. There are several imperatives that we are seeking to realize through the concept and programme of mega human settlements.

Firstly, it is important to remind you that despite the fact that our province has the best record of delivering 1.2 million houses since 1994, we have a stubborn and persistent backlog of about 600 000 houses, due to the high rate of urbanisation and in-migration. We can't address this moving and shifting backlog through the delivery of smaller numbers. We need mega developments that will deliver larger numbers. Scale is an important imperative: anything less than 10 000 units should not qualify as a mega human settlement project.

Secondly, urban sprawl is financially costly and ecologically unsustainable. Inefficient and unplanned land use patterns runs against the logic that ours is a densely populated province that occupies only 1.4 percent of our country's land mass, whilst 24 per cent of the population lives in our province. We must therefore promote densification and compact settlements for reasons of land scarcity and efficiency of infrastructure provision. We must build high density developments that are aesthetically beautiful and ecologically attractive. Densification is the second important imperative.

Thirdly, we can no longer afford to accommodate our people in far-flung human settlements developments that are far from economic opportunities and transport nodes. Location is another important imperative.

Fourthly, we can no longer afford to build houses without the simultaneous planning for and delivery of educational, health, public transport and sporting facilities. Integrated planning and multi-sectoral delivery of comprehensive services is another important imperative.

Lastly, we must deliberately seek to allocate housing opportunities in a manner that integrates communities across municipal and geographic boundaries as well as racial and income divide. Social cohesion is important.

In other words, central to the shift towards the vision of mega human settlements is scale, densification, location, integration and social cohesion. Without these four dimensions we cannot talk of mega human settlements and post-apartheid cities.

I am confident that you will emerge from this Summit with the kind of deals and partnership agreements that will help us to deliver mega human settlements and post-apartheid cities and change the spatial landscape of our province.

Given the fact that this is a summit to raise capital for our mega human settlements infrastructure, it will be remiss not to talk about the recent sovereign ratings downgrades by international ratings agencies Fitch and Standards and Poor's. Moody's is still going to make its decision later in June.

As the Gauteng Executive Council, we have spent time analysing the impact of the downgrade. Anyone who thinks that the downgrade can be downplayed cannot be taken seriously by society. Putting the sovereign into a sub-investment status will hurt society and the economy due to higher inflation and the increase in the cost of borrowing.

It is our view that everything necessary must be done to return our country to investment grade. In this regard, efforts by labour government and business to restore our sovereign ratings to investment grade must be strengthened.

Ladies and Gentlemen; notwithstanding the implications of the downgrades, here in Gauteng we will continue to forge ahead with the implementation of our programme for Transformation, Modernisation and Re-industrialisation, with a specific on increasing the drive on infrastructure investment.

In the light of the fact that the World Economic Forum on Africa is currently underway in eThekweni, Gauteng should just remember that we remain a key driver of industrialization and have critical advanced manufacturing capabilities. We are a sub-national economy that punches way above fifty countries in our continent.

We draw strength from the reality that Gauteng's economy has continued its resilience and up to this day Gauteng remains the financial, industrial, services and technology nerve centre of our country, the SADC region and our continent.

Gauteng continues to be the economic engine of our country, contributing 35 per cent to our country's GDP and 62 per cent to national exports. We remain the industrial hub of Sub-Saharan Africa, contributing 10 per cent to Africa's GDP and we are the fifth largest economy in Africa.

We run an accountable, transparent, responsive, efficient and clean administration. Through Ntirhisano Service Delivery War Room, Open Tender Process and a comprehensive system of ensuring strict adherence integrity and performance management

We deeply detest bureaucratic processes that delay decision-making and we want to ensure that government is efficient and prompt in regulatory function. Consequently, I have appointed MEC Mashatile to lead a Task Team on Cutting Redtape. Redtape is the enemy of responsive service delivery.

For instance we have succeeded in reducing the time for Environmental Impact Assessment approvals from up to 24 months previously to the current 3 months. A report on cutting red-tape is part of the discussions of this Summit.

Ours is a government that values transformative partnerships with the private sector, whom we know too well is responsible for up to 80% of Gauteng's Gross Domestic Fixed Investment. The private sector is therefore our strategic partner.

Together with our municipalities we continue to work on implementing a set of incentives with a view to attracting investment to our city region.

The Gauteng Growth and Development Agency and the Gauteng Investment Centre are doing world class investment facilitation that promotes our City Region as a preferred destination for investment and business tourism.

As a result, Gauteng continues to be a major destination for Foreign Direct Investment. Between January 2014 and December 2016, R 69 billion worth of FDI inflows have come into the Gauteng economy.

Ladies and Gentlemen, our message to all of you today is that: even as we face challenges in our economy, Gauteng is still a competitive investment destination. We are open for business!

As government we are intervening boldly to build a modern, inclusive and sustainable economy that creates jobs and spreads wealth and prosperity. Ours is an economy that works for all – where no one is left behind.

We take this opportunity to call on the private sector to partner with us as we build infrastructure to support both social and economic development.

To us your presence here today at this Summit is an indication of your willingness to work with us. As the provincial government we are ready to work with you!

We also take this opportunity to urge our municipalities to continue implementing infrastructure projects that are necessary towards the goal of changing the lives of our citizens for the better.

Ladies and gentlemen, I would like to once more reiterate that infrastructure development and maintenance is the backbone and lifeblood of a thriving, modern and sustainable economy.

Infrastructure is also a vital cog in our ongoing drive to break permanently the back of apartheid spatial planning. It is also crucial in promoting social and economic inclusion as well as in ensuring the ease and reducing the cost of doing business.

As Economist Guntur Sugiyarto once put it: “infrastructure is synonymous with development, and the lack of infrastructure services signals barriers to growth and overall development”.

I want to emphasize that infrastructure investment must also help to drive industrialisation and re-industrialization; broad-based black economic empowerment and inclusive growth.

We must make sure that black businesses play a central role not only in construction, professional services but also in the building materials industries.

In particular, we must use the infrastructure development programme and budget to propel to the development of black industrialists and open opportunities for women, youth and township enterprises in the procurement and supply chains of public and large private sector. These black, women, youth and township enterprises should become more sustainable and grow beyond public sector into private sector supply chains.

We must meet all our strategic objectives fundamental change whilst upholding integrity, ethical and competent governance.

I trust that this Summit will go some way in helping us respond to this challenge.

Government acting alone will not succeed in meeting the huge demand out there, including for mega human settlements and post-apartheid cities. We need partnerships.

Let us turn our province into a permanent construction site. Let the cranes go up everywhere across Gauteng - in the Northern Corridor, in the Eastern Corridor, in the Southern Corridor, in the Western Corridor and in the Central Corridor.

Gauteng is open for business. Gauteng means business.

I wish you a successful Summit.

Thank you

