national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Private Bag X115, Pretoria, 0001 | Riverwalk Office Park, 41 Matroosberg Rd, Ashlea Gardens, Pretoria, 0081 | Tel: +27 12 315 5111

@Treasury_RSA National Treasury RSA National Treasury of South Africa @treasuryrsa | www.treasury.gov.za

SPEECH BY THE DIRECTOR-GENERAL DR DUNCAN PIETERSE

Keynote address at the Old Mutual Investment Group "Tomorrow" Investment Summit
11 November 2026

Thank you for inviting me to address this Tomorrow Investment Summit.

We presented the 2026 Medium Term Budget Policy Statement in parliament a few weeks ago. I have just returned from meeting investors in London, as part of the series of engagements we have with investors, parliament and other stakeholders. And this morning's event is a welcome opportunity to engage with investors at home.

A brief fiscal update

I want to start with a very brief fiscal update. In the February Budget we talked about a turning point for our public finances after more than a decade of deterioration. The MTBPS that was just tabled confirmed that we have reached that turning point. Three years ago, we set ourselves a target to stabilise debt as a share of the economy in the 2025/26 financial year. We achieved that, despite this year's global turmoil.

We stabilised debt by running a primary surplus – where revenue is increasingly greater than non-interest spending. This reduces the amount government needs to borrow each year and reduces the debt ratio over time. We have achieved a growing primary surplus for the past three years and are on track to continue to do so. We now project debt will fall below 70 per cent of GDP within five years.

So, the fiscal story is a positive one. Despite the global turmoil, we have seen the benefits in terms of improved investor confidence in South Africa, a narrower risk premium, improved credit ratings, and lower borrowing costs for government.

The reform "paradox"

But what about economic growth?

The question that we get asked most often is: "When will South Africa grow at 3 per cent?"

OLD MUTUAL INVESTMENT GROUP "TOMORROW" INVESTMENT SUMMIT - 11 NOVEMBER 2026

Faster economic growth is a priority if we want to reduce unemployment and poverty – a view that is supported by decades of economic research. Most recently, Professor Servaas van der Berg argues that economic growth is the dominant driver of poverty reduction because sustained per capita income growth generates substantial declines in poverty. He goes further to argue that South Africa requires broad-based structural reform because faster growth is the enabling condition for the employment, skills and fiscal developments that lower inequality over time.

We came to the same conclusion in 2019 when we published a paper titled "Towards an Economic Strategy for South Africa". That paper set out a comprehensive list of the structural reforms that eventually became the intellectual basis of the Operation Vulindlela initiative. I was fortunate to be head of the Treasury's economic policy division at that time and was responsible for putting that paper together with my team.

The paper was a response to the collapse in growth and investment during the period between 2010 and COVID.

It starts by articulating the five building blocks of long-run sustainable growth:

1. Improve educational outcomes with a strong emphasis on early childhood development;
2. Implement youth employment interventions, including training opportunities that remove barriers to entering the labour market and apprenticeships;
3. Create sustainable cities and inclusive transport systems;
4. Address skills constraints, including easing immigration regulations for highly skilled individuals; and
5. Ensure a capable state as well as a functional relationship between the state and the private sector.

And over the last few years, it is clear that we have seen some gains in some of these areas. The paper then goes further to articulate a long list of structural reforms that will raise potential growth and organises the reforms into five themes:

1. Modernising network industries (energy, transport, water, telecommunications);
2. Promoting competition and small and medium enterprises by lowering barriers to entry;
3. Prioritising labour intensive sectors such as agriculture and tourism;
4. Implementing focused and flexible trade and industrial policy to lower the cost of doing business and attract private investment; and

5. Growing exports and improving export competitiveness through better integration into global and regional value chains.

The paper then estimated that these reforms would lift growth to above 3 per cent a year over time.

Shortly after this paper was published, in 2020, we formed Operation Vulindlela alongside the Presidency to implement these structural reforms. We started, in line with the growth paper, by focusing on five priority areas seen as the most important blockages to growth – electricity, freight logistics, water, visas and broadband spectrum. The President added three more to the list in 2025 – local government, digital infrastructure and spatial inequality (mainly housing reform and public transport).

Operation Vulindlela's latest report, for the second quarter of this year, shows almost half of the reforms are on track. A further 30 per cent are delayed but under way while 10 per cent face significant challenges. The report card shows the reform process gained pace in the second quarter, with landmark decisions to create competitive markets in electricity and ports, and progress on items such as introducing private train operators into the freight rail network and modernising the visa system to attract skills and promote tourism.

In addition to OV's own quarterly reports, Business Leadership South Africa (or BLSA) publishes a quarterly tracker which provides an independent assessment of government's reform progress. Their recent second quarter tracker is strongly positive, with the completion index (at 72.5 per cent) giving its highest reading since BLSA began tracking the reform process in March 2024.

They note encouraging progress in the key network sectors of water, electricity and transport – whose efficient functioning provides a foundation for a strong and growing economy. Hard decisions have been taken, their report says, to create a level playing field for private investment in electricity generation, rail and ports. This represents the culmination of processes that have been underway for a long time.

And this is the apparent paradox of reform. OV is now six years old. It clearly has made gains. Yet economic growth still seems to be stuck at around 1 per cent.

Part of the answer is that reforms take time. Our experience with large scale structural reforms to date actually aligns with global experience. These reforms take time to implement. And the gains to economic growth materialise only over the medium to long term.

One reason is that structural reforms are exactly that – structural. They involve policy, regulatory and institutional changes to transform sectors of the economy and create the platform for competitiveness,

productivity and growth. They are no quick fix. In electricity and logistics, reforms are dismantling longstanding monopolies and creating new institutions to replace these. It is a far-reaching and complex process. And change inevitably causes discomfort, even resistance, which must be carefully navigated and coordinated across government.

The reform report card

Allow me to highlight the two Operation Vulindlela reform areas where government has made landmark decisions this year that will end century-old monopolies and open up markets to competition and private investment - unlock higher productivity and faster growth.

Take electricity. A signature achievement of the OV process so far was the lifting of the licensing requirement in 2022 that opened the market to new private renewable energy generators. This prompted a surge of investment into renewable energy projects and brought substantial new capacity on to the national grid. It also helped to end the electricity crisis.

That drive to new renewable energy investment continues, but the constraint is now the national grid itself, which needs more than R100 billion of investment to expand and modernise. Most of that investment will have to come from private investors. Opening up the market also requires a level playing field, where new private generators can rely on equal access to the grid, and a transmission and system operator that dispatches private power on competitive terms with Eskom power – so that prices come down over time.

The National Transmission Company of South Africa has already been created as a subsidiary of Eskom. The next step is to establish it as a fully independent, state-owned TSO that owns and controls the transmission assets and provides open, non-discriminatory access to the grid, enabling generators to compete on equal terms.

The same goes for the unbundling of the ports authority from Transnet, which took a major step forward when Cabinet approved the approach to the unbundling recently. There too, opening up the market and levelling the playing field for terminal operators across our ports will help to reduce the cost of trading with the rest of the world and improve South Africa's global competitiveness.

In freight rail, the market has been opened to private rail operators, and the first privately owned trains have started testing the lines. There too, we need a Rail Infrastructure Manager that is fully independent to ensure a level playing field between Transnet and privately owned operators.

OV continues to make significant progress in other key areas. To note just a few – In **visas** the Electronic Travel Authorisation system launched officially in August. It will improve tourist visa processing and ultimately also work and study visas, while phase two of the Trusted Employer Scheme will fast-track recruitment of highly skilled personnel and make it more attractive to invest in South Africa. In **water**, the revised water pricing strategy is in place, new raw water use charges have been approved, and progress has been made implementing the National Water Action Plan and establishing the National Water Resources Infrastructure Agency. In **freight logistics** Transnet has issued a request for qualifications for a strategic partner for the multi-billion rand Manganese Export Corridor. **Digital** public infrastructure reform is advancing with Home Affairs unveiling a digital ID prototype and MzansiExchange data sharing being piloted within government.

Finally, **local government** reform is focused on strengthening municipal governance, improving service delivery and making municipal finances more sustainable. A new White Paper on Local Government has been approved and we published the new Municipal Finance Management Amendment Bill to strengthen financial management across local government. We are also rolling out the Metro Trading Services reform. This will incentivize the big cities to ringfence revenue from water, electricity and waste services and reinvest in infrastructure to support these services. It will open the way for private investment in municipal infrastructure, along with new public private partnership regulations for municipalities which we published alongside the MTBPS.

Yet there are areas where OV is struggling to make progress. For example, reforms to the **electricity distribution** industry are well behind schedule. The roadmap that was due in June is still not published.

Many of the reforms in this latter phase of OV are complex and contested; and they are taking longer than expected. They need to be accelerated; this will require political will and cohesive action across the whole of government.

There can be no question that growth will not lift without reform: equally, more rapid progress on structural reforms will boost confidence and investment and create a virtuous cycle that will ramp up the growth rate over time, creating jobs and reducing poverty.

One criticism of the budgets we have tabled over the past couple of years is that they focus too little on growth. But of course, over the last three years, our priority was to rebuild fiscal credibility and by all accounts, we have made significant positive progress in that regard. Now that the macroeconomic

conditions have been created for faster growth, our energy and effort can shift to accelerating the work of Operation Vulindlela.

Fiscal policy and infrastructure

So let me come back briefly to fiscal policy and what we are doing to support growth, and to create opportunities for long term institutional investors such as yourselves to invest in the public infrastructure South Africa needs to improve growth and service delivery.

Our strategy relies on improving the quality and impact of government spending, but also on shifting the composition of that spending towards capital investment to support the economy. Payments for capital assets grow by 5.3 per cent over the medium term, faster than other items such as the wage bill and goods and services.

With the fiscal targets on track, we made it a priority to use some of this year's unexpectedly large revenue overrun to invest in growth. We set aside R20 billion for infrastructure investment, through the Budget Facility for Infrastructure. The BFI has approved 41 projects since 2021 with R96 billion in direct fiscal allocations, but these are designed to crowd in substantial private investment as well.

We reconfigured the BFI last year and we aim to route all infrastructure proposals through its rigorous evaluation. Our infrastructure bond programme is up and running; it will finance BFI approved projects and we will report regularly on progress. This is one of a series of infrastructure reforms we are progressing to ensure all levels of government can deliver infrastructure better and can come to the market with bankable projects that attract long-term private finance.

Finally, putting the public finances back on track helps in itself to create the conditions for higher and more sustainable growth. Building credibility and confidence in the management of the public finances has real world benefits: a narrower risk premium, improved credit ratings, a more resilient currency, and lower borrowing costs for government, businesses and households.

Add reforms to the mix to make the economy more competitive and create a better environment for doing business, and growth and investment will rise. The turnaround may not be instant, but over the next few years we have an opportunity to create a much stronger economy if we put our collective energy behind the government's reform efforts.