



MINISTRY OF FINANCE  
REPUBLIC OF SOUTH AFRICA

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**STATE OF THE NATION DEBATE – IMPROVING THE QUALITY OF PEOPLE’S  
LIVES THROUGH INFRASTRUCTURE AND STRUCTURAL REFORMS**

**REMARKS BY THE DEPUTY MINISTER OF FINANCE, DR DAVID MASONDO**

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**Achievements so far**

The only way that we will achieve a fundamental shift in our growth trajectory is by transforming the structure of the economy. Operation Vulindlela was established as a joint initiative of the Presidency and National Treasury in October 2020 in pursuit of this imperative. Its aim is to support departments and entities to accelerate the implementation of reforms that will unlock growth and create jobs.

There is intensive work underway across government on this reform agenda, which has already shown significant progress. In the 2021 State of the Nation Address, President Cyril Ramaphosa said: “We will continue to work relentlessly and without pause to create a more modern, efficient and competitive economy that is more open to all South Africans.”

Each of the commitments which the President made in that address has been met. The President committed to raising the licensing threshold for self-energy- generation to unlock new capacity. In June last year, we raised the threshold from 1 MW to 100 MW. The President said that we would complete digital migration by the end of March 2022, and proceed with the auction of high-demand spectrum. We are on track to meet this milestone.

The President committed to revive the Blue Drop, Green Drop and No Drop monitoring system to improve the quality of our water supply. The system has been reinstated, and the first reports will be published next month. The President spoke about repositioning the ports of Durban and Ngqura, and shifting freight cargo from road to rail.

Transnet will have private partnerships in place at both ports in October this year. Our government will soon take the first steps towards enabling third-party access to the freight rail network. The President said that we would roll out an eVisa system to grow the tourism sector. The eVisa is now live in fourteen countries. These are concrete examples of progress, of a government that is following through on its commitments. Anyone who claims that the reform agenda is not moving, is not paying attention.

## **Significance of these reforms**

It is important to reflect on why we are implementing these reforms, and what difference they will make to the lives of all South Africans. In a few years' time, energy reforms will mean that there is competition in electricity generation, with adequate supply to meet demand. This will also end load shedding. The independent grid operator will buy electricity at the lowest price from Eskom and private generators.

In few years to come, a world-class freight logistics system would have been established. This will mean more jobs in export industries, lower costs for all of the goods that we buy, and less congestion on our highways.

The release of spectrum will reduce data costs, increase broadband speed and quality and expand network reach across the country, including in deep rural areas. Stronger institutions in the water sector will mean better maintenance of our water infrastructure, fewer disruptions to water supply, and long-term water security in the face of climate change.

The reforms to the visa system will ensure that we can access skills and resources that our economy needs while protecting and increasing the employment of South Africans, especially in low-skilled and semi-skilled work.

## **Growth with redistribution**

Honourable Chair, our ANC-led government stand for inclusive economic growth!

Inclusive economic growth can only be realized if both growth and redistribution take place simultaneously, not sequentially. Growth and redistribution are not polar opposites, as some who believe in trickle-down economics, would like us believe. Distribution of income places money in the hands of the poor, which generates demand for mass goods and services, thus setting market conditions for economic growth and development.

It is when mhani Mthavini at Majosi village has income that market sales will be realized. It is that R350 grant, albeit meagre and a heavy burden on the strained fiscus that also facilitate market sales of mealie meal, bread, eggs, chickens and other basic needs of the poor. It is these sales from poor people's incomes that enable farmers to realize good returns, and hopefully reinvest in the growth of their businesses, and employ more people and pay tax.

Upward income distribution in favour of a few, limits the demand for mass goods and services. Concentration of income increases conspicuous consumption of luxury goods such as Ferraris, Lamborghinis and other expensive tastes in the midst of appalling levels of poverty. These luxuries, produced in very small quantities, do not significantly contribute towards economy and more jobs.

If we are to avoid more unrests as we have witnessed during the 2021 July events, we have to take seriously economic growth with distribution of income and productive assets in favour of the poor, in addition to strengthening the security cluster.

## **Access to productive assets**

Access to productive assets such as land and housing enable the poor to engage in productive economic activities.

Honourable chairperson, title deeds enable the asset owners to secure access to finance for other productive economic activities. This year the government will be prioritising the issuing of title deeds for subsidised housing as part of the key reforms to realise economic growth with redistribution.

Government has built almost 4.8 million properties since the beginning of democracy as part of our commitment to provide housing for the poor. The housing subsidy programme is one of the most direct redistributive government programmes, transferring assets from the state to low-income households. However, the potential of many of these properties is not realised because of a complex and inaccessible system for issuing title deeds.

As part of our structural reform agenda, we have established an inter-departmental task team to expedite the issuing of title deeds for subsidised housing and clear the current backlog. This intervention will unlock more than R200 billion worth of value in properties built by government since 1994, and place these assets on the balance sheets of low-income households.

## **Financing infrastructure**

We are also implementing several reforms this year that will unlock new investment in infrastructure by the private sector. The process to amend Regulation 28 of the Pensions Fund Act to enable retirement funds to invest in infrastructure has been completed, and the Minister of Finance will gazette the amended regulations later this month.

These amendments introduce more effective maximum limits for the trustees of retirement funds to invest for the long term, in various forms of infrastructure projects. Regulatory reforms to enabling private sector participation in infrastructure The National Treasury has completed a review of the Private Public Partnerships (PPP) regulatory framework to improve the pace at which PPP projects are planned and to address regulatory challenges. This will allow greater private sector participation and crowd in higher levels of investment.

Our reform agenda is at the heart of a new consensus – a consensus that pairs structural reforms with expanded social protection and redistribution to confront the challenges that we face. Through this new consensus, we will build a dynamic economy and a society in which all can live with dignity.

**Thank you, honourable members!**