MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

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SPEECH BY DEPUTY MINISTER OF FINANCE

REMARKS BY DEPUTY MINISTER, DR DAVID MASONDO, AT THE SUNDAY TIMES TOP 100 COMPANIES AWARD CEREMONY

20 November 2024

Masters of Ceremonies, Ms. Thami Nkadimeng and Mr. Jason Goliath

Ladies and gentlemen,

The Arena Holdings team:

- Led by its Chairperson, Mr. Tshepo Mahloele,
- Mr. Pule Molebeledi, CEO, and
- Mr. Lyndon Barends, MD of Strategic Partnerships, who reminds us of the importance of collaboration and connection.
- Editor Mr. Makhudu Sefara, the Editor of the Sunday Times, who has recently succeeded Mr. Sthembiso Msomi
- Ms. Ruwayda Redfearn, CEO of Deloitte,

Business leaders,

Government officials,

I have also seen some of South Africa's most iconic business leaders, whom I will not mention each one of them by name.

Tonight's awards celebrate the resilient performance of the listed companies in South Africa, even in the toughest of times, of COVID years, load-shedding and geo-political tensions.

Their resilient performance does not only enhance shareholder returns, but it also contributes to the competitiveness and growth of South Africa's equity markets.

This enhances South Africa's position as a preferred investment destination, thus contributing towards economic growth, which is necessary for reducing unemployment.

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It is a well-known fact that South Africa has an economic growth problem.

We also know that companies, including the ones present in this room tonight, can play a more pivotal role in growing the South African economy. Yet we understand that companies cannot do this alone. As the government, we need to create an enabling environment for their continued growth.

Tonight, I would like to briefly make 6 points about what we, as the government, **continue to do, and should do with the private sector, since the 6th administration,** to enable economic growth.

First, the collective act of establishing a multi-party government – the Government of National Unity, seems to have been well received, given the positive market sentiment as reflected in the financial indicators.

We have seen a downward trend in the bond yield, which reflects an improvement in our credit profile as a country, which again also makes our equity market competitive. The stock market has also performed reasonably well. The recent S&P upgrade of South Africa's outlook to positive, reflects optimism about political stability and reform-driven growth.

Second, we continue to maintain the macro-economic policy stance to realize stable and low inflation and sustainable public debt levels.

When inflation is low, stable and thus predictable, it reduces uncertainty and helps people and companies to better plan their savings, spending and investment. That helps the economy to grow, in turn creating jobs and prosperity.

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When public debt is at sustainable levels, it reduces the sovereign risk premium, thus making the South African jurisdiction more attractive for investment.

Third, we continue to reform our economy to address the binding constraints which have limited its growth potential.

Over the past few years, under the leadership of President Ramaphosa, we have implemented far-reaching economic reforms through Operation Vulindlela, focused primarily on modernising network industries, to address the underlying causes of low economic growth, and improve the competitiveness of the economy.

This work has been supported by an unprecedented partnership between government and business through Business for South Africa, which has mobilised resources behind a joint effort to address the key focus areas of energy, logistics, crime and corruption. Business for South Africa and the government have also agreed that we will also focus on SMMEs and employment as new areas of collaboration.

The willingness of business to work together with government to overcome our most important challenges is a key driver of renewed confidence in our economic trajectory; and many of the business leaders in this room have been part of this crucial effort. We should build on this government-business collaborative effort during our South Africa G20 Presidency, which starts on 1st December 2024. As President Ramaphosa always says: this must not be a government event, but a South African and an African event.

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Phase II of Operation Vulindlela will continue with the reforms in Phase I. Phase II will introduce new reforms to address both long-standing and emerging constraints in local government, spatial inequality and digital infrastructure.

Fourth, we need to accelerate the investment in infrastructure, which is critical for economic growth. However, there is a huge infrastructure financing gap. The private sector will need to play a significant role to fill this gap given the fiscal constrains we face. The key question is: how do we enable private capital to flow into the infrastructure space within South Africa?

As the government, we will continue to respect the role played by fund managers as they seek to generate returns for asset owners. We will continue to respect their discretionary mandate in selecting asset classes that deliver the best returns for asset owners. We need more incentives and financial structures that will make private sector investment in infrastructure more attractive.

In the 2024 Medium Term Budget Policy Statement we announced several initiatives to crowd-in private sector infrastructure investment.

a. We have introduced revised Private Public Partnerships (PPPs) regulations aimed at simplifying the rules governing PPPs. This includes a differentiated and simplified approach for smaller projects, reducing administrative burdens, and streamlining mechanisms for unsolicited proposals. These changes will make it easier for the private sector to participate in infrastructure projects.

b. We are working with the World Bank to create a Credit Guarantee Vehicle (CGV), which will have credit guarantees insurance instruments, to systematically derisk large government infrastructure programs without the need for sovereign guarantees. The initial pilot of this

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CGV will be on transmission infrastructure to derisk the off-taker risks that will be faced by the private sector when making investments linked to the National Transmission Company South Africa (NTCSA). Once established and fully understood by the market, the plan is to extend the CGV to other infrastructure programs, such as water or electricity distribution in municipalities.

c. As the government, we intend to issue infrastructure instruments such as bonds, bilateral transactions, project finance to crowd-in private capital. These instruments will be in the listed and unlisted space.

The role of the PIC in infrastructure

The Public Investment Corporation (**PIC**) plays a central role in funding South Africa's infrastructure roll-out. As the manager of public sector retirement funds, the PIC operates with a triple bottom line approach of balancing social, environmental, and financial returns.

Rather than being viewed as a "bailout" institution, the PIC is positioned as an anchor investor in South Africa’s infrastructure landscape, acting as a catalyst to attract other local and foreign institutional investors. Its involvement is critical in ensuring the long-term sustainability and success of these infrastructure projects.

The PIC has been instrumental in supporting South Africa's infrastructure development through substantial investments in the bond market, particularly in state-owned enterprises (SOEs). These investments have been pivotal in enabling these entities to finance critical infrastructure projects, thereby contributing to the nation's economic growth and development.

Additionally, the PIC has made significant investments in renewable energy projects under South Africa’s Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). By funding solar, wind, and other renewable energy initiatives, the PIC contributes to diversifying South Africa's energy mix, enhancing energy security, and reducing carbon emissions.

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Sixth, we need to future-proof the economy in the context of climate change.

Climate change risks have generated increased global pressure for mandatory sustainability disclosures, tying them to financial performance metrics.

These disclosures now impact compliance, access to capital, investor confidence, and market valuation, making alignment with sustainability goals crucial for long-term financial performance and resilience.

We see investors with a long-term perspective, such as those managing retirement funds, frequently experiencing strong gains from sustainable investments. Examining successful companies, such as those consistently ranked among the Top 100, reveals a commonality: the genuine integration of sustainable practices into their core operations, which positions them for enduring growth and resilience.

It is therefore important to recognize that the relationship between sustainability and returns is not mutually exclusive. Rather, it is complementary when strategically integrated within the core of your investment philosophy.

Conclusion

Tonight, we are celebrating the hard work, courage, and resilience of South African businesses and individuals. Their forward-looking spirit inspires hope for a brighter future for our economy and all South Africans.

Congratulations to all the nominees and winners. Ladies and gentlemen, please enjoy the rest of this special evening. Thank you.