MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

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SPEECH BY DEPUTY MINISTER OF FINANCE

REMARKS BY DEPUTY MINISTER OF FINANCE, DR DAVID MASONDO, AT THE RMB THINK SUMMIT 2025

15 MAY 2025

Good day ladies and gentlemen.

Last week we launched Phase II of Operation Vulindlela, South Africa's economic reform programme, which aims to accelerate the implementation of structural reforms to drive more rapid and inclusive growth.

This reform programme is at the centre of our strategy to revive South Africa's economy and tackle poverty and unemployment.

As the President said in his remarks at the launch:

We have a simple choice to make. If we do not reform our economy, it will not grow, and we will not create jobs. Unemployment will rise, and poverty will increase. On the other hand, if we implement these reforms – if we do so swiftly and boldly – we will place our economy on a path of growth and renewal.

Our economy has not grown at a rapid enough pace to enable rising incomes and increase employment for at least fifteen years.

The absence of growth has meant declining incomes in real terms for most South Africans. It has meant rising unemployment and limited opportunities for those entering the labour market for the first time.

Low economic growth has also had a direct impact on the condition of our infrastructure and the quality of service delivery. Without growth, we have not been able to increase spending to keep pace with an expanding population, and investment in infrastructure from roads to water distribution networks has declined. Frontline services such as healthcare and education have had to serve an increasing number of citizens with the same or fewer staff.

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The lack of growth thus creates a vicious cycle, in which low growth leads to lower revenues and lower spending on public goods, further dampening the economy. Conversely, higher growth would create a virtuous cycle of increasing revenues, higher spending on infrastructure and social services, more effective government services and a better functioning economy.

We know that it is possible to create this virtuous cycle. In the early 2000s, our economy grew at an average rate of above 5% per annum. We have seen this rate of growth before, and we have felt its benefits for our society as a whole.

To shift our economy's growth trajectory and achieve a similar rate of GDP growth, we need to confront the binding constraints which have held back growth since the Global Financial Crisis in 2008.

There is significant evidence – in our own work as the National Treasury – that the constraints on growth in South Africa are structural, which require structural reforms and transformation.

On the one hand, these structural constraints are difficult to address. They require far-reaching reform of our network industries and changes in the structure of our economy to increase potential growth. There are no quick fixes or easy solutions to structural challenges.

On the other hand, unlike cyclical factors, these constraints are entirely within our control. We can decide to address them, and we can take steps to resolve them ourselves. In fact, we already know what needs to be done in order to remove these constraints and enable the economy to grow.

This is the basis for Operation Vulindlela, and the reason why the reform programme is crucial to getting our economy back on track.

In its first phase, the reform programme focused on five areas which were identified as the most important constraints on economic growth: energy, logistics, water, telecommunications, and the visa system.

We have made significant progress in advancing the reform agenda in each of these areas, and almost all of the reforms included in Phase I are either completed or on track.

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It is worth reflecting on the progress that has already been made in this regard, given the widespread cynicism with which promises and commitments to reform are often met.

In the energy sector, we have implemented sweeping changes since 2021 to allow private investment in electricity generation for the first time. These changes have unlocked massive new investment, largely in renewable energy sources, and stimulated economic activity across the value chain.

We are now seeing utility-scale projects which were initiated in response to those reforms connecting to the grid, and more are in various stages of development.

Alongside these reforms, we are introducing private investment in transmission infrastructure through Independent Transmission Projects to accelerate the expansion and strengthening of the grid.

The Minister of Electricity and Energy has published a Ministerial determination for over 1,000 km of new transmission lines to be built by private sector participants in the first round, in addition to the new lines already in construction through the Transmission Development Plan.

Work is underway to establish a competitive wholesale electricity market, following the promulgation of the Electricity Regulation Amendment Act in January 2025.

The National Transmission Company of South Africa (NTCSA) has been set up as an independent entity, and a market operator is being created within the NTCSA. This will lay the foundation for a fully independent Transmission System Operator to be established within the next five years.

A market code has been developed which outlines the rules of the market and is expected to be finalised by April 2026. This will facilitate greater competition in electricity generation and enable private investment.

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These reforms will fundamentally change the structure of our electricity sector, from a vertically integrated monopoly utility to a liberalised competitive market, unlocking trillions of Rands in new investment in the process.

A similar process is unfolding in the logistics sector, where we are on the cusp of introducing open access to the freight rail network to allow private rail operators to compete with Transnet.

The Freight Logistics Roadmap has outlined a clear path for the modernisation and reform of the rail sector, with a sequenced implementation plan coordinated through the National Logistics Crisis Committee (NLCC). The roadmap includes a set of actions to resolve Transnet's immediate operational challenges and reform the logistics system to improve its competitiveness and efficiency.

Transnet published a final Network Statement in December 2024 which outlines the process for allocating capacity to operators, and requests for access to the network have since been opened. An independent Transport Economic Regulator is being established to oversee open access and regulate tariffs.

To support these reforms, Transnet is being unbundled into separate entities for infrastructure and operations, through the establishment of the National Ports Authority and the Rail Infrastructure Manager as subsidiaries with their own boards.

In parallel, significant progress has been made to introduce private sector participation in port and rail infrastructure. An international terminal operator has been selected to partner with Transnet at the Durban Pier 2 container terminal, which will enable the introduction of private sector participation in container terminal operations for the first time.

An RFI was released to the market in March 2025 to develop further opportunities for private sector participation, covering the iron ore and manganese corridor; the coal and chrome corridor; and the container and automotive port terminals. This will be followed by an RFP later this year.

Last week, the Department of Trade, Industry and Competition published regulations to enable firms to collaborate in repairing and upgrading network infrastructure in our ports and rail network, to support cooperation between Transnet and the private sector in undertaking short-term interventions to address challenges while the longer-term reforms take effect.

In the water sector, significant changes are underway to enable private sector participation and ensure a reliable supply of quality drinking water to all South Africans.

To enable greater investment in bulk water resources, a National Water Resources Infrastructure Agency (NWRIA) is being established as an independent agency to design, plan, finance, and manage bulk water infrastructure. The agency will be able to leverage its balance sheet to raise appropriate financing for infrastructure projects.

A Water Partnerships Office has been established to facilitate private sector participation in water infrastructure, with several projects already in the pipeline related to water re-use, desalination, non-revenue water and other areas.

In addition, the Water Services Amendment Bill will create a separation between Water Service Authorities and Water Service Providers and ensure the appointment of capable service providers to provide water at local government level through various models, including regional utilities, concessions and management contracts.

Finally, we have already implemented sweeping changes to the visa regime through the introduction of a points-based system for work visas, which allows skilled applicants to obtain a visa based on their qualifications, income and experience, and the establishment of a Trusted Employer Scheme to attract skills and investment.

The impact of these reforms should not be underestimated. Over the coming years, they will release some of the most important constraints on growth and enable significantly higher levels of investment.

That does not mean that we are comfortable with the pace of progress, or that we are resting on our laurels.

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In addition to following through on all of these reforms to ensure that they realise their full impact, the next phase of Operation Vulindlela will unleash a second wave of reform targeting new areas of growth.

These new focus areas include improving the performance of local government, addressing spatial inequality through housing policy and other reforms, and advancing digital transformation.

These reforms include establishing ring-fenced and professionally managed utilities to deliver water, electricity and waste services in metros, in order to ensure that the revenue earned from those services is reinvested in infrastructure and in the upgrading and maintenance of assets.

They also include a radical shift in housing policy, away from a supply-driven model of providing fully constructed houses on the urban periphery and towards a demand-driven model with subsidies for home ownership and affordable rentals.

This will give people more choice and enable them to live closer to areas of economic opportunity, while stimulating investment in property development in our inner cities.

And it will include a rapid rollout of digital public infrastructure such as digital identity and payments to enable economic activity and improve access to government services, through the Digital Transformation Roadmap which, the Minister of Communications and Digital Technologies launched earlier this week.

We all agree that profound economic reform is required to achieve a higher level of growth and restore confidence in our economy. Operation Vulindlela is the key to delivering on this reform agenda and to achieving a virtuous cycle of confidence, growth and jobs.

There is no doubt that reform is difficult. It requires complex institutional as well as legislative and regulatory changes, as well as changing the way that government works.

Reform will always be contested, and there will be those with vested interests in the status quo who seek to challenge the reform programme.

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We are clear-eyed about these challenges, and we will not allow them to stop or to delay the implementation of these reforms. Operation Vulindlela has strong political support within the government and backing from the President and Cabinet.

We have built a strong and capable team to drive the reform agenda within the Presidency and National Treasury and are drawing on the expertise and capability that exists within the private sector.

While we have a long way to go to complete the reform of our economy, I am more confident than ever before that we will get there. We have the solutions, we have the capability, and we have the political will to deliver on these reforms and to change the fortunes of our economy.

I thank you.