

OPERATION VULINDLELA

Supporting
the Implementation
of Priority Structural Reforms



PHASE II PROGRESS REPORT

Q1 | 2025-26 | JUNE 2025



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



THE PRESIDENCY
REPUBLIC OF SOUTH AFRICA

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INTRODUCTION

Operation Vulindlela was established in October 2020 as a joint initiative of the Presidency and National Treasury to accelerate structural reforms and address the binding constraints on South Africa's economic growth. Phase I of Operation Vulindlela focused on unlocking progress in five priority areas: electricity, freight logistics, water, telecommunications, and the visa system. These reforms were selected for their high potential to catalyse investment, enhance economic competitiveness, and create jobs.

Phase II of Operation Vulindlela represents a second wave of structural reform aimed at unlocking more rapid, inclusive, and sustained economic growth. While continuing to drive implementation of reforms initiated during Phase I, the second phase introduces new focus areas that respond to evolving challenges in the economy.

SEVEN PRIORITY REFORM AREAS HAVE BEEN APPROVED BY CABINET AS PART OF OV PHASE II:



Energy Reform – Achieving long-term energy security through market restructuring and grid expansion.



Water Reform – Ensuring sustainable access to quality water through institutional transformation and investment.



Freight Logistics Reform – Restoring efficiency in the rail and port systems to unlock export growth.



Visa System Reform – Attracting global talent and investment to support economic expansion.



Local Government Reform – Strengthening basic service delivery and financial sustainability of municipalities.



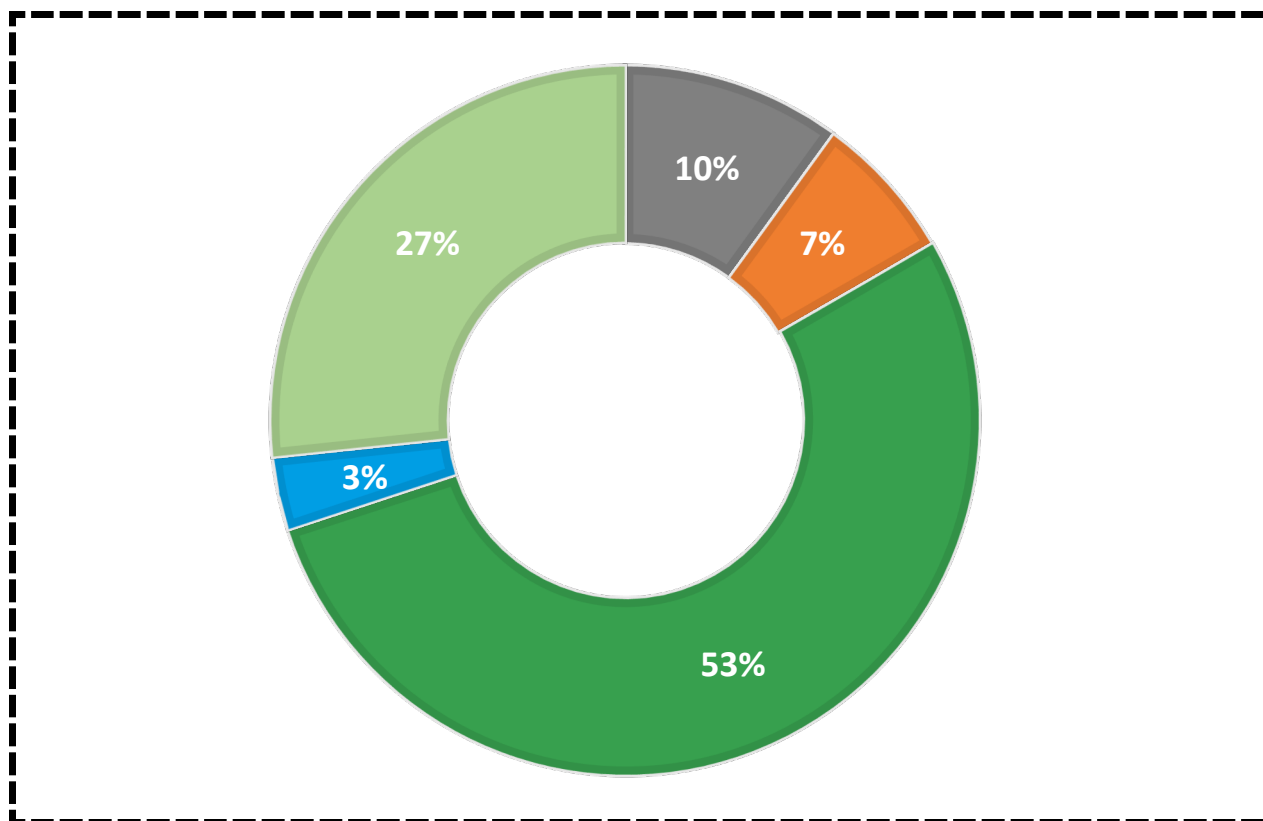
Spatial Integration and Housing Reform – Building integrated, dynamic cities that support inclusive growth and job creation.



Digital Public Infrastructure Reform – Harnessing digital technologies to improve service delivery and unlock new economic opportunities.

Operation Vulindlela Phase II is guided by the same delivery-focused model that was developed through Phase I, aiming to support execution through clear prioritisation, rigorous monitoring, and strong accountability. This report presents the first quarterly update on progress across each of the priority reform areas that were adopted by Cabinet in March 2025. A detailed overview of the reform priorities included in Phase II is available [here](#).

OV DASHBOARD



10%

3 ACTIVITIES

No data/reform not yet started

0%

0 ACTIVITIES

Reform facing critical challenges, likely not to be achieved

53%

16 ACTIVITIES

Reform progress on track

7%

2 ACTIVITIES

Reform facing significant challenges, intervention required

27%

8 ACTIVITIES

Reform delayed/off track, but work underway

0%

0 ACTIVITIES

Reform completed; no further work required

3%

1 ACTIVITY

Reform completed; further work required

OV DASHBOARD BY REFORM AREA





DETAILED PROGRESS UPDATE

DETAILED PROGRESS UPDATE

REFORM AREA		REFORM ACTION	STATUS
LOCAL GOVERNMENT	1	Shift to a utility model for water and electricity services to ensure financial and operational sustainability	
	2	Standardise and professionalise the appointment of senior officials in local government	
	3	Review the institutional structure of the local government system	
	4	Review the local government fiscal framework, including the use of conditional grants	
DIGITAL TRANSFORMATION	5	Develop and implement a Digital Transformation Roadmap for South Africa	
	6	Implement a digital identity system for secure and remote access to services	
	7	Introduce digital payments for cost-effective and dignified transactions	
	8	Create trusted digital channels for accessing information and services	
	9	Establish a data exchange for evidence-based policymaking and service delivery	
ELECTRICITY	10	Complete the restructuring of Eskom	
	11	Establish a competitive wholesale market for electricity generation	
	12	Streamline the regulatory framework to accelerate energy projects	
	13	Reform the electricity distribution industry to establish financially and operationally sustainable distribution companies	
	14	Strengthen and expand the national transmission network	

DETAILED PROGRESS UPDATE

REFORM AREA		REFORM ACTION	STATUS
SPATIAL INEQUALITY	15	Restore passenger rail services	
	16	Strengthen demand-side housing policy to support densification	
	17	Release public land and buildings for affordable housing and other development	
	18	Clear the backlog of title deeds and make the titling system more accessible and affordable	
	19	Review land use, building and other regulations to enable low-cost property developments	
VISA	20	Reform the work visa system to attract skills and investment	
	21	Streamline the tourist visa system to grow tourist arrivals	
WATER	22	Develop and implement a National Water Action Plan	
	23	Implement institutional reforms to improve the management of water resources	
	24	Strengthen the regulation of water service provision	
	25	Support the introduction of private sector participation in the water sector through the Water Partnerships Office and PPP Unit	
LOGISTICS	26	Complete the restructuring of Transnet and establish an independent National Ports Authority and Rail Infrastructure Manager	
	27	Enable open access to the freight rail network	
	28	Introduce private sector participation in ports and rail	
	29	Establish the Transport Economic Regulator	
	30	Finalise the National Rail Bill to establish a legal framework for a competitive rail sector	

REFORM AREA 1: ELECTRICITY

OBJECTIVE:

Transform the electricity sector to achieve long-term energy security, affordability, and green growth.

KEY MILESTONES:

- The Electricity Regulation Amendment Act (2024), which will establish a competitive market for long-term energy security, took effect on 1 January 2025.
- The National Transmission Company of South Africa (NTCSA) has submitted its application for a market operator license to NERSA, in terms of the new ERA Act.
- The first projects from Bid Window 5 have reached commercial operation. The Rietkloof and Brandvalley projects will together provide 288 MW of new generation capacity, helping to alleviate the supply shortfall.
- Five preferred bidders with a total capacity of 616 MW have been announced for the third round of the battery storage procurement programme (ESIPPPP 3), with projects expected to reach commercial operation by January 2028.
- NERSA approved the National Wheeling Framework on 3 March 2025, which provides a standardised set of rules for third-party wheeling across the network. This will support non-discriminatory, open access to the electricity network to enable competition and lower electricity prices.
- A Ministerial Determination was issued on 28 March 2025 mandating the procurement of 1164 km of 400kV transmission power lines and associated infrastructure, laying the groundwork for private investment in transmission infrastructure.
- The draft Electricity Transmission Infrastructure Regulations were published for public comment on 3 April 2025. This paves the way for the Department of Electricity and Energy to issue a request for proposals for the first phase of Independent Transmission Projects (ITPs) in November 2025.
- The Electricity Distribution Industry (EDI) roadmap is currently being developed which provides a pathway towards implementation of financially sustainable electricity utilities.

NEXT STEPS:

- Obtain licensing approval for the Market Operator function of the NTCSA
- Finalise and submit the Market Code to NERSA for approval to establish a competitive wholesale electricity market
- Finalise the Electricity Transmission Infrastructure Regulations and issue a Request for Qualifications (RFQ) for the first round of ITPs in July 2025.

REFORM AREA 2: FREIGHT LOGISTICS SYSTEM

OBJECTIVE:

Modernise and improve the performance of the freight logistics sector to enable export growth and reduce transport costs.

KEY MILESTONES:

- The Transnet Rail Infrastructure Manager (TRIM) was established as a separate operating division of Transnet with its own management and reporting structure on 1 April 2025.
- Following the release of the Network Statement and differentiated rail access tariffs in December 2024, TRIM has made slots available across the freight rail network to private train operating companies and received 98 requests for access. TRIM is reviewing these applications to determine which operators will be allocated slots on the network. An announcement of conditional awards of slots subject to completion of relevant permits and contracting will be made by 15 August 2025.
- A Private Sector Participation (PSP) Unit has been established within the Development Bank of South Africa (DBSA) to facilitate and fast-track private sector participation in logistics.
- A request for information (RFI) for PSP projects in the rail system and ports was launched on 23 March 2025. The Department of Transport received 51 responses relating to the iron-ore and manganese corridor, 48 for the coal and chrome corridor and 63 responses in relation to the container and automotive intermodal corridor. The RFI covers a range of opportunities, including on the iron ore, manganese, and coal lines, as well as the general freight and automotive intermodal system. The responses will inform the development of major transactions by the PSP Unit.

NEXT STEPS:

- Complete the establishment of TRIM and the National Ports Authority as wholly-owned subsidiaries of Transnet to strengthen their independence.
- Finalise the 2025/26 Network Statement and Rail Access Tariff following completion of the review process currently underway by the Interim Rail Economic Regulator (IRERC).
- Allocate slots on the rail network and commence open access.
- Launch the Request for Proposals for private sector participation in rail and ports, informed by responses to the RFI, by the end of August 2025.
- Develop the National Rail Bill to establish a legal framework for a competitive rail sector.

REFORM AREA 3: WATER AND SANITATION

OBJECTIVE:

Ensure reliable access to safe drinking water through institutional reform and strengthened regulation of water service delivery.

KEY MILESTONES:

- The Department of Water and Sanitation hosted a two-day Water Indaba on 27 and 28 March 2025, with clear resolutions to address challenges with water service delivery at the local government level. These resolutions will inform the National Water Action Plan, which the department is developing with support from Operation Vulindlela.
- Significant progress has been made towards establishing the National Water Resources Infrastructure Agency (NWRIA). Legislation will soon be tabled to list the NWRIA as a Schedule 2 entity. This will enable the formal incorporation of the NWRIA, the transfer of staff, assets and loan agreements from the Trans-Caledon Tunnel Authority (TCTA) as well as the eventual disestablishment of the TCTA by April 2026.
- A Project Steering Committee has been established to fast-track the creation of an Independent Economic Regulator in the water sector to ensure effective, transparent and accountable regulation. The PSC will oversee the delivery of a roadmap to establish the regulator, the development of legislation, and revisions of the regulatory framework.
- The Water Partnerships Office (WPO) is supporting six metros to implement performance-based contracts to reduce non-revenue water, including eThekweni, Tshwane, Mangaung, Buffalo City and Nelson Mandela Bay, and the City of Polokwane. The WPO, with support from the Infrastructure Fund, has also successfully secured funding from the Budget Facility for Infrastructure to implement a performance-based contract for the Phoenix, Inanda, Ntuzuma and KwaMashu areas of eThekweni.

NEXT STEPS:

- Introduce the Water Services Amendment Bill in Parliament to provide for the separation of Water Service Authorities (WSAs) and Water Service Providers (WSPs).
- Finalise and launch the National Water Action Plan outlining the measures to be implemented at all levels of government to ensure long-term water security.
- Complete preparatory work for the establishment of the NWRIA, including lender consents agreement with labour unions on the transfer of staff.

REFORM AREA 4: VISA SYSTEM

OBJECTIVE:

Attract skills, investment and tourism through a streamlined and modernised visa system.

KEY MILESTONES:

- The Trusted Tour Operator Scheme (TTOS) was launched in February 2025 to simplify the visa application process for tour operators from China and India, and had facilitated over 11,000 visas within the first three months – with many processed within hours.
- As part of the first phase of the Trusted Employer Scheme (TES), qualifying employers were registered and accredited by March 2025. The TES provides a streamlined process for major investors with reduced documentation requirements and faster, standardised turnaround times.
- An Electronic Travel Authorisation (ETA) has been developed by the Department of Home Affairs and is being prepared to go live in September 2025. This will improve South Africa's competitiveness as a world-leading tourist destination.
- The Points-Based System for work visas is now in full implementation, providing a streamlined process and more flexible pathways for highly skilled visa applicants.

NEXT STEPS:

- Complete development and testing of the Electronic Travel Authorisation system to facilitate tourist arrivals for countries without a visa waiver.
- Expand the Trusted Employer Scheme to additional employers and introduce an online application option from July 2025.

REFORM AREA 5: LOCAL GOVERNMENT

OBJECTIVE:

Improve the delivery of basic services and infrastructure by strengthening governance and restructuring service delivery models.

KEY MILESTONES:

- A performance-based financing mechanism has been established through the Urban Development Financing Grant to incentivise the implementation of institutional and financing reforms, including the ring-fencing of trading services such as electricity and water. In addition, a minimum threshold has been introduced to ensure that at least 56% of Urban Settlements Development Grant funding is invested in trading services.
- Six metros have submitted Performance Improvement Action Plans for their water utility and electricity utility turnarounds as part of the Metro Trading Services Reform Programme. These plans outline a clear pathway for the ring-fencing of water and electricity services within the first year of the reform. Progress against these action plans will determine access to the performance-based incentive to turn around metro trading services. The City of Johannesburg and Ekurhuleni have commenced implementation of the reform to arrest financial and service delivery decline, with the transfer of billing-related functions to the entities as the first step to enable better revenue collection.
- The review of the White Paper on Local Government has been launched, with a discussion paper published for public consultation in May 2025. The review aims to create a fit-for-purpose and resilient local government system that aligns with the Constitutional vision. The process involves extensive consultations with stakeholders and is expected to result in a revised White Paper by March 2026.
- Alongside the updated White paper, a comprehensive review of the Local Government Fiscal Framework has been initiated by National Treasury. The review will address the fiscal framework baseline, local government equitable share, revenue adequacy, the two-tier system and fiscal leakages.
- The Municipal Finance Management Act is also being reviewed with specific consideration of the role that National Treasury should play in the appointment of Chief Financial Officers and accounting officers, and whether the Municipal Minimum Competency Standards could be better enforced.

NEXT STEPS:

- Ensure that the final Performance Improvement Action Plans for water and electricity utility turnarounds are tabled for Council approval by participating metros
- Conduct an independent assessment of these Performance Improvement Action Plans to determine eligibility for the performance-based financing incentive
- Develop a draft White paper on Local Government outlining institutional reforms to the local government system for wider consultation.

REFORM AREA 6: SPATIAL INEQUALITY

OBJECTIVE:

Create dynamic and integrated cities by addressing spatial inequality and promoting affordable housing.

KEY MILESTONES:

- The Titling Symposium convened by the National Department of Human Settlements (NDHS) identified the structural barriers to the issuance of title deeds and resulted in an action plan to address the backlog of title deeds.
- A comprehensive analysis of title deeds data for all metros and provinces has been undertaken to determine the backlog for metros and provinces, and to identify properties owned by the state that could be processed for transfer without delay.
- Work is underway between Operation Vulindlela and NDHS to redesign the First Home Finance programme and to develop a demand-side subsidy programme for affordable rental housing. Design work is expected to be completed by September 2025.

NEXT STEPS:

- Implement the action plan to address the title deeds backlog, including by resolving challenges with township establishment and other structural barriers
- Complete detailed design work on strengthened demand-side subsidies for affordable rental and ownership, to accelerate the provision of housing units and leverage private sector investment in the housing market
- Conduct a comprehensive review of the legal and regulatory framework to identify obstacles to low-cost property development and incentivise housing development in city centres.

REFORM AREA 7: DIGITAL TRANSFORMATION

OBJECTIVE:

Harness digital tools to improve government efficiency, drive financial inclusion, and support economic growth.

KEY MILESTONES:

- The Digital Transformation Roadmap was approved by Cabinet and launched by the Minister of Communications and Digital Technologies in April 2025. The roadmap outlines a detailed set of priority projects to advance digital transformation over the next five years.
- A Digital Services Unit (DSU) has been established within the Presidency to coordinate the implementation of the roadmap.
- The Department of Home Affairs has upgraded its digital verification system to enable remote authentication with faster speeds and reduced downtime, as a key step towards introducing a digital identity system.

NEXT STEPS:

- Develop a fully-functional Gov.za platform and MyMzansi app to enable remote access to citizen services, including a digital wallet for verifiable credentials
- Build a data exchange infrastructure to integrate administrative databases, starting with social protection and employment data
- Introduce a digital ID with remote authentication and commence the phase-out of green ID books.