OPERATION VULINDLELA

Supporting
the Implementation
of Priority Structural Reforms



PHASE II 2026/27 Q2 PROGRESS REPORT

#OperationVulindlela | #EconomicReform

National Treasury
The Presidency

A NATION THAT WORKS FOR ALL

2030 NDP

TABLE OF CONTENTS

DETAILED QUARTERLY PROGRESS DASHBOARD ..... **I**

INTRODUCTION ..... **- 1 -**

PROGRESS DASHBOARD ..... **- 1 -**

OVERVIEW OF PROGRESS ..... **- 1 -**

REFORM 1: ELECTRICITY SECTOR REFORM ..... - 6 -

REFORM 2: FREIGHT LOGISTICS REFORM ..... - 10 -

REFORM 3: WATER SECTOR REFORM ..... - 15 -

REFORM 4: VISA AND IMMIGRATION REFORM ..... - 19 -

REFORM 5: LOCAL GOVERNMENT REFORM ..... - 22 -

REFORM 6: SPATIAL INTEGRATION AND HOUSING REFORM ..... - 25 -

REFORM 7: DIGITAL PUBLIC INFRASTRUCTURE REFORM ..... - 30 -

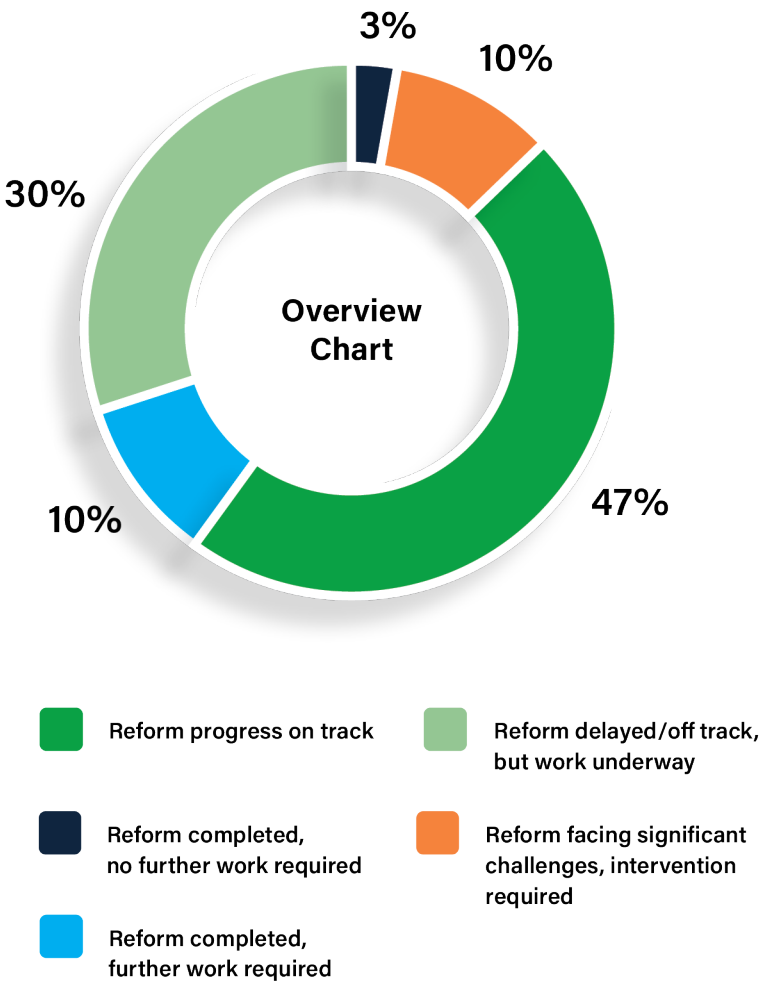
DETAILED QUARTERLY PROGRESS DASHBOARD

REFORM AREA		REFORM ACTION	STATUS
ELECTRICITY	1	Complete the restructuring of Eskom	
	2	Establish a competitive wholesale market for electricity generation	
	3	Streamline the regulatory framework to accelerate energy projects	
	4	Reform the electricity distribution industry to establish financially and operationally sustainable distribution companies	
	5	Strengthen and expand the national transmission network	
LOGISTICS	6	Complete the restructuring of Transnet and establish an independent National Ports Authority and Rail Infrastructure Manager	
	7	Enable open access to the freight rail network	
	8	Introduce private sector participation in ports and rail	
	9	Establish the Transport Economic Regulator	
	10	Finalise the National Rail Bill to establish a legal framework for a competitive rail sector	
WATER	11	Develop a National Water Action Plan	
	12	Implement institutional reforms to improve the management of water resources	
	13	Strengthen the regulation of water service provision	
	14	Support the introduction of private sector participation in the water sector through the Water Partnerships Office and PPP Unit	

REFORM AREA		REFORM ACTION	STATUS
VISA	15	Reform the work visa system to attract skills and investment	
	16	Streamline the tourist visa system to grow tourist arrivals	
LOCAL GOVERNMENT	17	Shift to a utility model for water and electricity services to ensure financial and operational sustainability	
	18	Standardise and professionalise the appointment of senior officials in local government	
	19	Review the institutional structure of the local government system	
	20	Review the local government fiscal framework, including the use of conditional grants	
SPATIAL INEQUALITY	21	Restore passenger rail services	
	22	Strengthen demand-side housing policy to support densification	
	23	Release public land and buildings for affordable housing and other development	
	24	Clear the backlog of title deeds and make the titling system more accessible and affordable	
	25	Review land use, building and other regulations to enable low-cost property developments	
DIGITAL TRANSFORMATION	26	Develop a Digital Transformation Roadmap for South Africa	
	27	Implement a digital identity system for secure and remote access to services	
	28	Introduce digital payments for cost-effective and dignified transactions	
	29	Create trusted digital channels for accessing information and services	
	30	Establish a data exchange for evidence-based policymaking and service delivery	

INTRODUCTION

PROGRESS DASHBOARD



OVERVIEW OF PROGRESS

Operation Vulindlela (OV) is a joint initiative of the Presidency and National Treasury to accelerate the implementation of structural reforms to achieve more rapid and inclusive economic growth, improve service delivery, and strengthen state capability. Through OV, South Africa is driving far-reaching reforms aimed at removing the binding constraints on growth to unlock investment, improve competitiveness, and modernise key sectors of the economy. This progress report provides an update on implementation since July 2026, highlighting key milestones achieved across the seven reform focus areas.

The reform programme continued to advance during the quarter, and sustained implementation will be critical to create the conditions needed for higher investment, economic growth and job creation. In

particular, significant momentum was built on the restructuring of state-owned enterprises to create a level playing field for competition and enable higher levels of investment in network infrastructure, with key decisions taken on the vertical separation of Eskom and Transnet. Progress was also made in establishing an enabling policy and regulatory framework for competitive markets in electricity and freight rail, as well as in advancing major private sector participation opportunities. These reforms will be the most important drivers of investment in the medium term, laying the basis for higher growth and job creation while supporting a positive fiscal trajectory.

Electricity sector reform continues to make steady progress towards a competitive wholesale electricity market. Significant progress was made during the past quarter in finalising the policy and regulatory framework for market reform, including the Electricity Sector Market Transformation Position Paper, the revised Electricity Pricing Policy and NERSA's Electricity Trading Platform Regulatory Framework. Progress continues to be made through the Eskom Restructuring Task team towards unbundling the National Transmission Company South Africa (NTCSA) and establishing a fully independent Transmission System Operator (TSO). The high-level proposal developed by the task team in its Phase I report was approved by the President in August 2026, and the task team is now working to develop a detailed implementation plan for the TSO establishment as part of Phase II. In addition, the appointment of a transaction adviser is underway to see the process through to its conclusion over the next year.

Freight logistics reform continues to deliver results, supporting both operational improvements and a return to profitability at Transnet. Cabinet has approved the approach to establishing an independent state-owned National Ports Authority (NPA) separate from Transnet, while the publication of the revised Network Statement marks an important step towards enabling open access to the rail network. Progress in private sector participation also advanced, with the launch of a Request for Qualifications (RFQ) process to select a strategic partner for the Ngqura Manganese Export Corridor. The National Rail Bill was developed to establish a coherent legislative framework for open access to the freight rail network and will be published for public comment once approved by Cabinet.

Water sector reform continues to focus on strengthening institutions, improving regulation and accelerating investment in infrastructure. Progress has been made in the implementation of the National Water Action Plan (NWAP) as well as the establishment of the South African National Water Resources Infrastructure Agency (SANWRIA), with the appointment of a board completed, and strengthening of partnerships between water boards and municipalities to improve water service delivery and infrastructure development. Regulatory reforms are advancing through the Water Services Amendment Bill, the establishment of an independent economic water regulator, and implementation of the revised water pricing strategy.

Visa and immigration reform is modernising South Africa’s immigration system, with the Electronic Travel Authorisation (ETA) system officially launched in August 2026. The reforms implemented to date have improved the efficiency of tourist visa processing and lay the foundation for expansion of the ETA to additional visa categories, including work and study visas. The implementation of Phase II of the Trusted Employer Scheme will facilitate the recruitment of highly skilled personnel while enhancing the country’s attractiveness to investors.

Local government reform is focused on strengthening municipal governance, improving service delivery and enhancing the long-term sustainability of municipal finance. The Metro Trading Services Reform Programme has progressed to full implementation, and incentive allocations to participating metros will be made in 2027/28 based on their performance in implementing the required institutional and financing

reforms to ring-fence trading services. Cabinet has approved the revised White Paper on Local Government, and the President has signed the Public Service Commission Act into law, laying the foundation for the comprehensive reform of the local government system. In addition, the Municipal Finance Management Amendment Bill has been published for public comment, and the review of the Local Government Fiscal Framework is underway to improve the management of local government finances.

Spatial integration and housing reform aims to increase the availability and accessibility of well-located affordable housing. The Inner-City Affordable Rental Pilot Framework is being refined, to be piloted in the next financial year. Work is also underway to address the title deeds backlog through the development and piloting of digital systems and tools to support verification, administration and monitoring of the backlog. In addition, progress has been made in identifying suitable state-owned land and buildings for affordable housing development, while a streamlined methodology for releasing public land and buildings is being developed to support private investment in affordable housing projects.

Digital public infrastructure reform is advancing, with MyMzansi progressing from initial development into a functional prototype operating in a controlled testing environment. The successful end-to-end demonstration of the Umalusi matric service established a foundation for the phased introduction of additional digital credentials and government services. Progress was also made on the Gov.za shared website platform, which became operational for testing by participating departments, while the MzansiXchange data-sharing pilot is progressing towards completion in December. In parallel, modernisation of the payments system continues to advance, including recent steps to open the National Payment System to non-bank players under the Payments Ecosystem Modernisation (PEM) Programme. Together, these initiatives are laying the groundwork for more integrated and user-centred digital public services and broader financial inclusion.

As reforms move from design to implementation, the focus is increasingly shifting towards delivery and measurable outcomes. While progress remains uneven in some areas, continued implementation is expected to support higher infrastructure investment, improved service delivery and stronger economic growth. Continued implementation of structural reforms has strengthened South Africa's resilience to external shocks, contributed to higher levels of fixed investment, and created renewed confidence in our growth trajectory.

ACCELERATING ELECTRICITY SECTOR REFORM THROUGH THE NATIONAL ENERGY CRISIS COMMITTEE (NECOM)

South Africa has reached a turning point in its electricity crisis. Load shedding has ended, and the country has laid a strong foundation for a more secure, competitive and sustainable electricity system. Established by President Cyril Ramaphosa in July 2022 in response to the crisis, the Energy Action Plan was designed not only to end load shedding but also to reform the electricity sector to address the underlying structural challenges. A key lesson from its implementation is that well-designed coordination structures can accelerate reform. Over the past four years, the National Energy Crisis Committee (NECOM) brought together government departments, Eskom, the National Energy Regulator of South Africa (NERSA), the South African Local Government Association (SALGA) and business to identify and remove implementation bottlenecks, align decision-making and maintain momentum across a complex reform programme. NECOM will now be wound down as planned, with Operation Vulindlela continuing to play a key role in coordinating energy reform.

The results are significant. Load shedding has ended, Eskom's performance has improved, investment in new generation has accelerated, and the foundations for a competitive electricity market have been established. Completing NECOM's mandate marks the end of an intensive period of crisis response, but not the reform journey. The focus now shifts to consolidating these gains and completing the remaining reforms needed to deliver lasting energy security. Priority areas include establishing a competitive wholesale electricity market, unbundling of the National Transmission Company of South Africa (NTCSA) and advancing electricity distribution industry reform. NECOM has laid the groundwork for these reforms and Operation Vulindlela will maintain central oversight to sustain momentum and support delivery.

NECOM NATIONAL ENERGY CRISIS COMMITTEE	**Two core goals: end load shedding and achieve energy security**
	Loadshedding free days: More than 500 days without loadshedding by end September 2026, from only 13 loadshedding free days in 2023.
	Improved Eskom performance: Eskom's Energy Availability Factor (EAF) was 75% by July 2026, ~15 percentage points higher than in July 2022.
	New investment in generation: 5.4 GW of private projects and 1.6 GW of public projects connected to the grid, with a further 19.3 GW of private projects and 8.4 GW of confirmed public projects in the pipeline. Estimates of small scale solar installations stand at > 9GW.
	Market reform underway: NTCSA established as a subsidiary of Eskom, Electricity Regulation Amendment (ERA) Act promulgated, South African Wholesale Electricity Market (SAWEM) platform developed.



OPERATION VULINDLELA

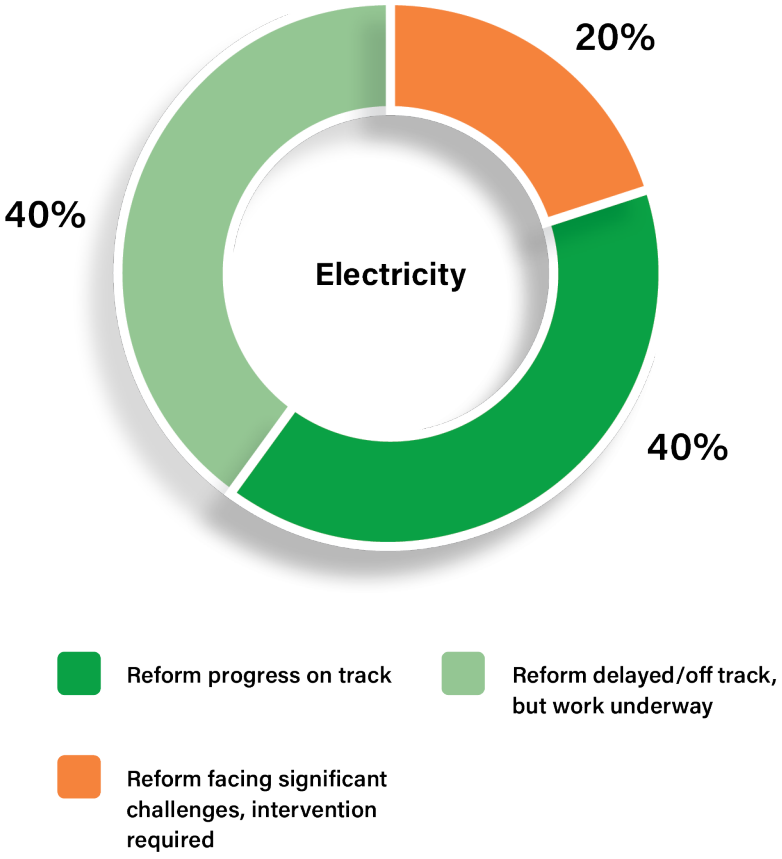
Supporting
the Implementation
of Priority Structural Reforms

PHASE II
2026/27
Q2
PROGRESS
REPORT

REFORM 1: ELECTRICITY SECTOR REFORM

REFORM 1: ELECTRICITY SECTOR REFORM

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



Progress at a Glance

Electricity sector reform continues to advance towards the establishment of a competitive wholesale electricity market. Key milestones during the quarter included the publication of the Electricity Sector Market Transformation Position Paper, the revised Electricity Pricing Policy, and NERSA's Electricity Trading Platform Regulatory Framework for public consultation. Progress also continued through the Eskom Restructuring Task Team (ERTT), with a high-level approach approved for the establishment of a fully independent Transmission System Operator, a detailed implementation plan in development, and the procurement process underway for a transaction adviser to support execution. Work is underway to develop the Independent Transmission Projects Programme and the Credit Guarantee Vehicle, while the recently announced Ministerial Determination is expected to support investment in energy storage and dispatchable generation capacity. Progress on Electricity Distribution Industry reform remains behind schedule, although some progress has been made with the establishment of a dedicated Municipal Debt Workstream under the ERTT.

Key Milestones (Q2 2026/27):

- The **Electricity Sector Market Transformation Position Paper**, published by the Department of Electricity and Energy for public comment on 21 August 2026, sets out government's vision for the future structure of South Africa's electricity sector and the respective roles of market participants within a competitive wholesale electricity market. The paper provides a coherent framework for electricity sector reform by consolidating the various reform initiatives already underway and establishing the principles and proposals that will underpin the future market.
- Cabinet approved the publication of the revised **Electricity Pricing Policy** (EPP) for public comment on 29 July 2026. The revised policy introduces greater transparency by unbundling tariffs across generation, transmission, distribution and retail activities, while strengthening the regulatory framework governing electricity prices. These reforms are expected to improve cost reflectivity, provide clearer pricing signals for investors, and support the efficient functioning of a more competitive electricity sector, while ensuring affordable electricity for users.
- NERSA published the **Electricity Trading Platform Regulatory Framework** for public consultation on 4 October 2026. The Framework provides the basis for oversight of the South African Wholesale Electricity Market, establishing the minimum regulatory, governance, operational and technical requirements that the Trading Platform must satisfy. This is to ensure that the Trading Platform operates in a manner that is fair, transparent, and efficient. The platform has also recently been opened to external participants in a simulation phase for testing, with 85 external invitations issued.
- The Phase I report of the **Eskom Restructuring Task Team** (ERTT) was approved by the President in August 2026, paving the way for the establishment of the TSO separate from Eskom. This is a key step to ensure a level playing field for competition and enable higher levels of investment in both electricity generation and transmission infrastructure. Progress continues as part of Phase II of the ERTT, with the development of a detailed implementation for the establishment of a fully independent TSO now underway. Furthermore, a Request for Proposals (RFP) for the appointment of a transaction adviser has been issued. The adviser will provide integrated financial, legal and tax advisory services to National Treasury in support of the transaction, ensuring that it is implemented in a manner that leaves Eskom no worse off than its current financial position and enables the TSO to make the required investment in expanding and strengthening transmission infrastructure.
- A second draft Request for Proposals (RFP) package under the **Independent Transmission Projects (ITP) Programme** will be issued before the end of 2026 after initial engagements with the seven pre-qualified bidders. The final RFP is now expected in the second quarter of 2027. While this extends the procurement timeline, it is intended to strengthen the bankability of the projects and support the successful mobilisation of private capital needed for grid expansion. Going forward, this programme will unlock significant private investment in transmission infrastructure for the first time. Rollout of transmission infrastructure by the NTCSA is behind schedule, with targets new high-voltage lines missed in the last financial year. Work is underway to accelerate the build programme and catch up to TDP requirements in the current year.
- Progress has been made in establishing the **Credit Guarantee Vehicle** (CGV), a key component of the credit enhancement framework being developed for the ITP Programme. The CGV was formally registered and incorporated in August 2026, with governance arrangements established and statutory directors, auditors and corporate secretariat appointments completed. A draft non-binding term sheet has also been developed and is expected to accompany the second draft RFP package.

This is important as it will provide bidders and lenders with greater clarity regarding the proposed risk-sharing and credit support arrangements.

- The new Section 34 Ministerial Determination was announced on 7 October 2026 to enable the next round of procurement for **independent power producers**, prioritising the procurement of 4 600 MW of battery energy storage and 5 000 MW of gas-to-power generation capacity. The determination responds to the electricity system's growing need for storage, flexibility and dispatchable generation.
- **Eskom Green** launched a Request for Qualifications (RFQ) process on 2 October 2026 to identify strategic partners for the development of up to 6 GW of renewable energy and storage projects. The initiative seeks to mobilise private-sector investment and expertise to support the rollout of large-scale solar, wind and battery storage capacity.
- Eskom released its 2026 annual results on 31 August 2026, reporting a profit after tax of R30.3 billion for the 2025/26 financial year (FY), marking its second consecutive year of profitability. The **improved financial performance**, despite lower sale volumes, reflects stronger operational performance, lower electricity production costs, improved plant availability, cost discipline and reduced reliance on diesel generation.

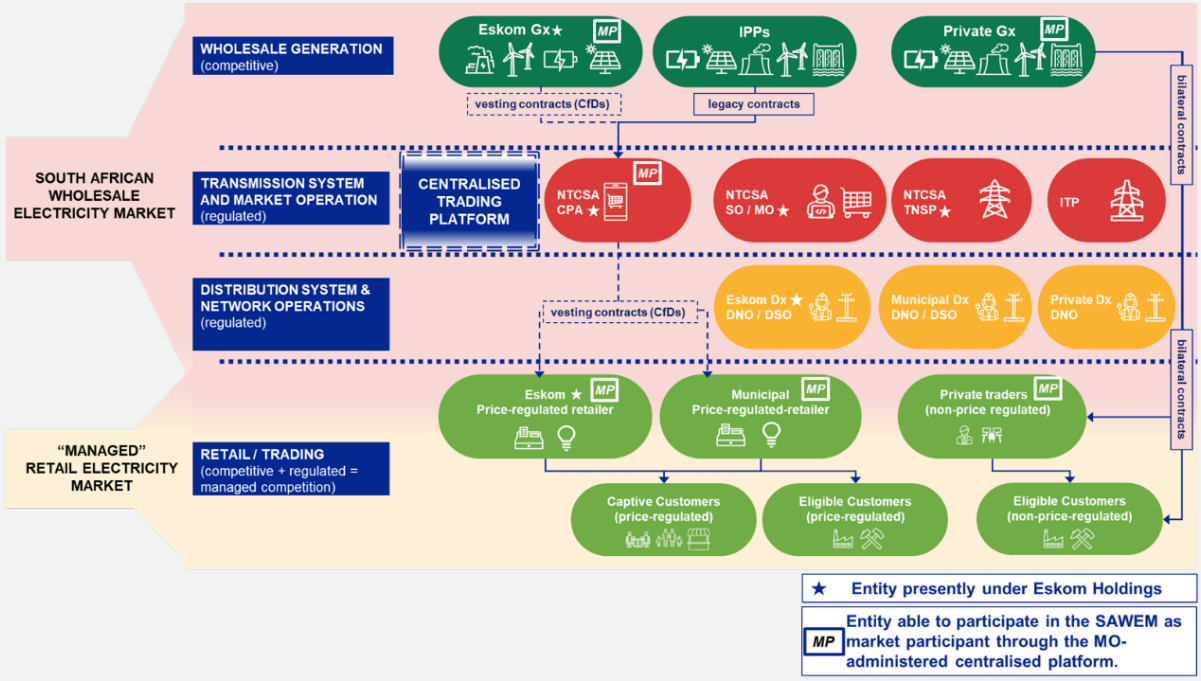
Next Steps:

- Finalise the Electricity Trading Rules and Market Code following submission of public comments (November 2026)
- Finalise the Wholesale Electricity Pricing Methodology and the Vesting Contract Framework (December 2026)
- Finalise the Phase II report of the Eskom Restructuring Task Team and a detailed implementation plan for establishment of the independent TSO (December 2026)
- Release the second draft RFPs for the first phase of the ITP programme (December 2026)
- Implement measures to ensure functional independence of the NTCSA during the transition period (December 2026)
- Consolidate existing initiatives and structures under the Municipal Debt Workstream of the ERTT and scale up effective interventions (December 2026)

AN OVERVIEW OF THE FUTURE ELECTRICITY MARKET STRUCTURE

A competitive electricity market is crucial to provide affordable, reliable electricity to all South Africans. In the long term, competition among multiple generators will reduce the risk of relying on a single supplier and drive down the cost of electricity, supporting economic growth and reducing pressure on households. Government aims to establish a competitive wholesale electricity market that enables generators, traders and eligible customers to participate. The market will be supported by network service providers (at the transmission and distribution levels), a System Operator (SO), a Market Operator (MO), a Central Purchasing Agency (CPA), and a regulator (NERSA), each acting impartially and in the best interests of all participants.

The South African Wholesale Electricity Market (SAWEM) will feature a centralised platform for wholesale electricity transactions, while also allowing electricity to be traded through bilateral agreements and government procurement programmes. Generators will compete with one another to produce electricity for customers at least cost. End-use customers will purchase electricity through intermediaries such as independent traders or the trading arms of electricity distribution companies ("retailers"). In some cases, customers will have the option to purchase electricity directly from generators ("eligible wholesale customers").



Source: Electricity Sector Market Transformation Position Paper



OPERATION VULINDLELA

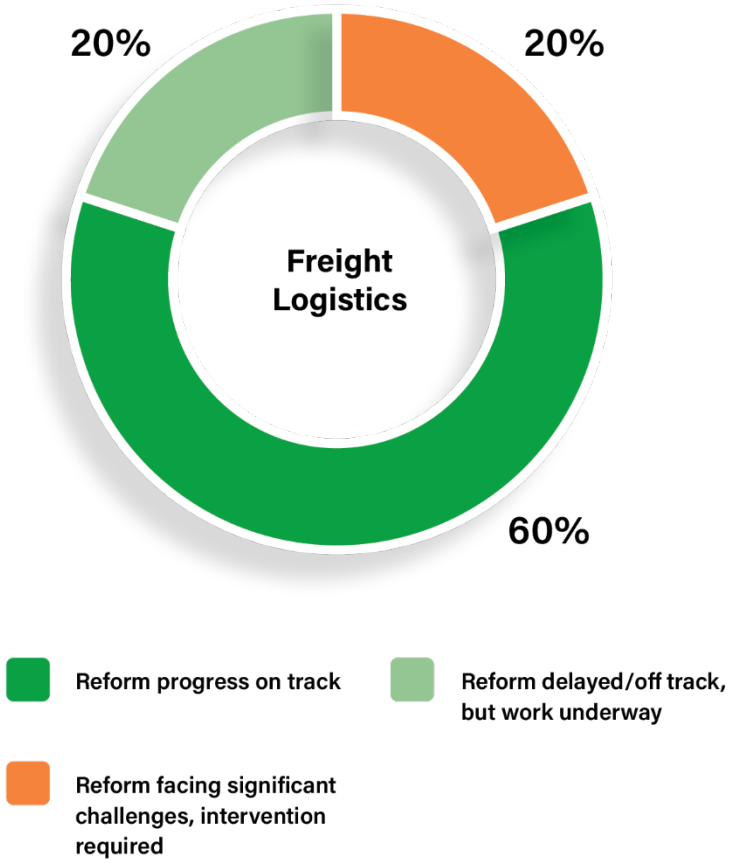
Supporting
the Implementation
of Priority Structural Reforms

PHASE II 2026/27 Q2 PROGRESS REPORT

REFORM 2: FREIGHT LOGISTICS REFORM

REFORM 2: FREIGHT LOGISTICS REFORM

Objective: Modernise the freight logistics sector to enable export growth and reduce transport costs.



Progress at a Glance

Operational recovery at Transnet continues, which is also supporting improvements in its financial position. A key milestone was reached in the restructuring of the National Ports Authority, paving the way for its independence, while the revised Network Statement was published ahead of train operating companies commencing services on the rail network in early 2027. Transnet has initiated another major private sector transaction for the Ngqura manganese corridor, demonstrating momentum in crowding in private capital and expertise to upgrade port and rail infrastructure. The National Rail Bill has been developed to establish an enabling legislative framework for open access to the freight rail network.

Key Milestones (Q2 2026/27):

- Recovery interventions at Transnet continue. The entity has reported a profit of R4.6 billion in the 2025/26 financial year (FY). While falling short of targeted volumes for the FY, these results reflect an **improvement in freight volumes** with the downward trend in performance reversed. This has been supported by a sustained focus on optimisation of existing infrastructure, equipment and processes. These interventions remain critical alongside structural reforms aimed at enhancing investment and competition.
- Cabinet has approved the approach to establishing an **independent state-owned National Ports Authority** (NPA), in line with the National Ports Act of 2005. The approval further endorses investigation of the feasibility for a minority equity partner from one of the country's development finance institutions (DFIs) to support funding of the transaction. The transaction will be implemented in a manner that will allow for an equitable assignment of liabilities between the Transnet Group and the NPA and ensure the long-term financial sustainability of the NPA. Restructuring is aimed at enabling the improvement of operational performance, infrastructure reliability and competitiveness of South Africa's freight and logistics system. Progress in corporatising the Transnet Rail Infrastructure Manager (TRIM) is behind schedule, and a dedicated TRIM Task Team is now being established to ensure stronger oversight from the Presidency, National Treasury, and the Department of Transport and adherence to the timeframes in the Guarantee Framework Conditions applied to Transnet.
- The Transnet Infrastructure Manager (TRIM) published the **revised Network Statement** on 18 September 2026, following public input and engagement facilitated by the Department of Transport. The publication also provides for updated access charges for the 2025/26 FY and revised Rail Access Agreement. This is the fourth iteration of the document, which addresses several key issues raised by industry stakeholders to ensure the bankability of investments in rail operations and supports broader interventions aimed at introducing private sector participation in rail. The revised Network Statement is critical as the first cohort of train operating companies prepare for operations from 2027.
- Transnet is also progressing its **private sector participation** programme, recently launching the Request for Qualification (RFQ) process for the selection of a strategic partner for the Ngqura Manganese Export Corridor. The corridor is expected to support the strengthening of South Africa's manganese export value chain, with the establishment of a new manganese terminal which is expected to increase rail exports by a forecasted 20%.
- Progress in establishing the **Transport Economic Regulator** (TER) has been delayed, and OV is now providing support to the Department of Transport to accelerate this process and ensure that the regulator is fully operational by March 2027. The TER will incorporate the existing Ports Regulator and will ensure independent oversight of competition in rail and ports, providing certainty to investors and ensuring efficient tariffs. The appointment of a Transport Economic Council, a key statutory feature of the TER, is advanced, with the shortlisting process completed by Parliament.

Next Steps:

- Establish a technical task team to finalise the approach to corporatising the Transnet Rail Infrastructure Manager (December 2026)
- Publish the rail and ports private sector participation portfolio and passenger rail request for information (RFI) results and analysis (December 2026)
- Secure Cabinet approval of the National Rail Bill for public consultation (December 2026)
- Finalise Transport Economic Regulator (TER) Council appointment and migration of Ports Regulator staff (February 2027)
- Finalise outstanding consultations and revisions to the National Rail Master Plan following public consultation and input (March 2027)



OPERATION VULINDLELA

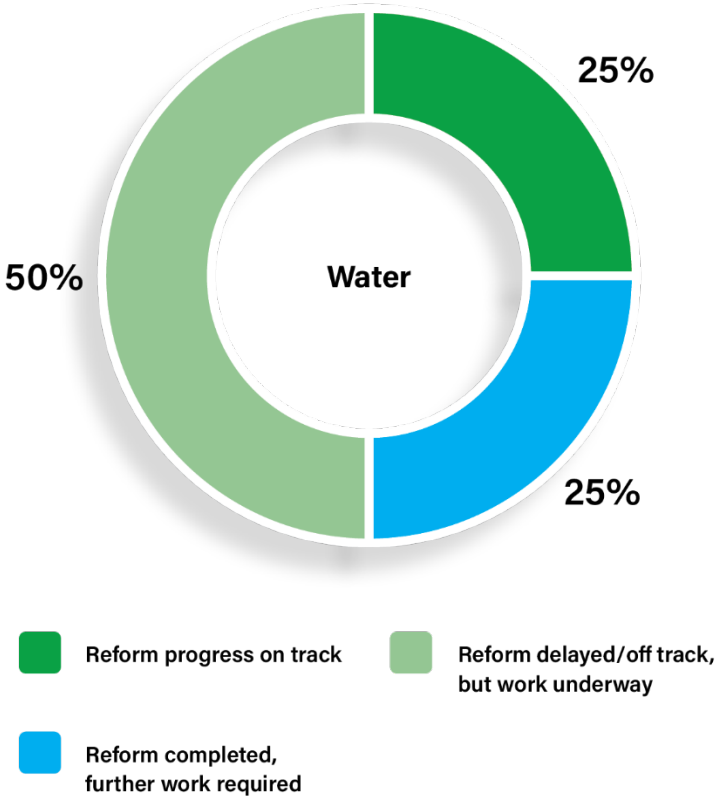
Supporting
the Implementation
of Priority Structural Reforms

PHASE II 2026/27 Q2 PROGRESS REPORT

REFORM 3: WATER AND SANITATION REFORM

REFORM 3: WATER AND SANITATION REFORM

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



Progress at a Glance

Widespread water supply disruptions and water quality issues have highlighted the critical need for local authorities to be held accountable for the delivery of water services. The core mandate of the National Water Crisis Committee (WATERCOM) is to ensure safe and reliable water for all through the implementation of the National Water Action Plan (NWAP). NWAP outlines key actions to address South Africa's water crisis through municipal service delivery reforms, infrastructure investment, strengthened regulation, and strategic partnerships between water boards and municipalities. The establishment of the South African National Water Resource Infrastructure Agency remains on track, with governance structures in place and transition planning underway. Regulatory reforms are advancing through the Water Services Amendment Bill, alongside the development of water service provider licensing and contract regulations. Establishing an independent economic water regulator remains a key goal, supported by the drafting of the Independent Water Regulator Bill and the appointment of new members of the Water Sector Economic Regulation Advisory Committee (WSERAC). The revised water pricing strategy has been implemented and applied to 2027/28 raw water charges, and the Infrastructure Finance and Implementation Support Agency (IFISA) is driving the development and implementation of priority water infrastructure projects.

Key Milestones (Q2 2026/27):

- The **National Water Action Plan (NWAP)** aims to address the root cause of South Africa's water crisis – the flawed municipal service delivery model – by ensuring the ring-fencing of water revenues, increasing infrastructure investment and maintenance, strengthening regulation and combating crime and corruption. WATERCOM oversees implementation and ensures accountability for delivery of the plan. All five workstreams of WATERCOM are operational, and progress has been made in the implementation of the short-term actions outlined in the plan.
- A key focus of the plan is introducing **new delivery models for water services through concessions, management contracts and other partnerships** where municipalities are not able to provide services effectively. Partnerships have been established between water boards and municipalities in several areas, including Umgeni uThukela Water and eThekwini (Wastewater Treatment Works management), Amatola Water Board and Nelson Mandela Bay Metro (Non-Revenue Water), and Rand Water and City of Tshwane and City of Johannesburg (NRW). In addition, National Treasury will support the development of a transversal contract for municipalities to contract with alternative water service providers.
- The **South African National Water Infrastructure Resource Agency** (SANWRIA), which integrates the Trans-Caledon Tunnel Authority (TCTA), Water Trading Entity (WTE) and the department's Water Infrastructure Branch, is on track to be established and fully operational by 1 April 2027. The registration and incorporation of the entity with the Companies and Intellectual Properties Commission (CIPC) is currently underway. The board appointment for SANWRIA has been completed, and an interim CEO is in place while the permanent position is being advertised. A draft transition plan has been developed and will be reviewed by the Board.
- The **Water Services Amendment Bill**, which seeks to strengthen the regulation of water service delivery, was tabled and presented to the Portfolio Committee on Water and Sanitation, and public consultation on the Bill has been completed in three provinces: Limpopo, North West, and Mpumalanga. In parallel, regulations relating to water service provider licencing and revised contract regulations have been developed and will be issued once the Bill has been passed.
- Progress toward establishing the **Independent Economic Water Regulator** has gained momentum through the development of the Independent Water Regulator Bill, supported by OV. The Water Sector Economic Regulation Advisory Committee (WSERAC) appointments are currently being finalised, with the Commission expected to begin work in early November 2026.
- The **Revised Water Pricing Strategy**, which sets the framework for charging for the use of water from South Africa's water resources and for discharging water into a water resource or onto land with the aim of promoting efficient and effective water management, was implemented on 1 April 2026. The 2027/28 water charges, which were determined using the revised strategy, have now been approved.
- The **Infrastructure Finance and Implementation Support Agency** (IFISA) was established in March 2026 and forms a critical part of the water infrastructure ecosystem by driving project pipeline development and implementation. The Water Partnerships Office (WPO) project pipeline forms part of IFISA and its work.

Next Steps:

- Progress the legislative drafting process for the Water Regulator Bill through the project steering committee of the Independent Economic Water Regulator (October 2026)
- Appoint members of the Water Sector Economic Regulation Advisory Committee to support the establishment of an Independent Economic Regulator for Water (November 2026)
- Initiate s63 interventions in terms of the Water Services Act in additional municipalities (January 2027)
- Complete the registration of SANWRIA, appoint a permanent CEO, and transfer staff from DWS and TCTA (March 2027)
- Establish a transversal contract for water service providers (June 2027)
- Progress the Water Services Amendment Bill in Parliament (March 2027)



OPERATION VULINDLELA

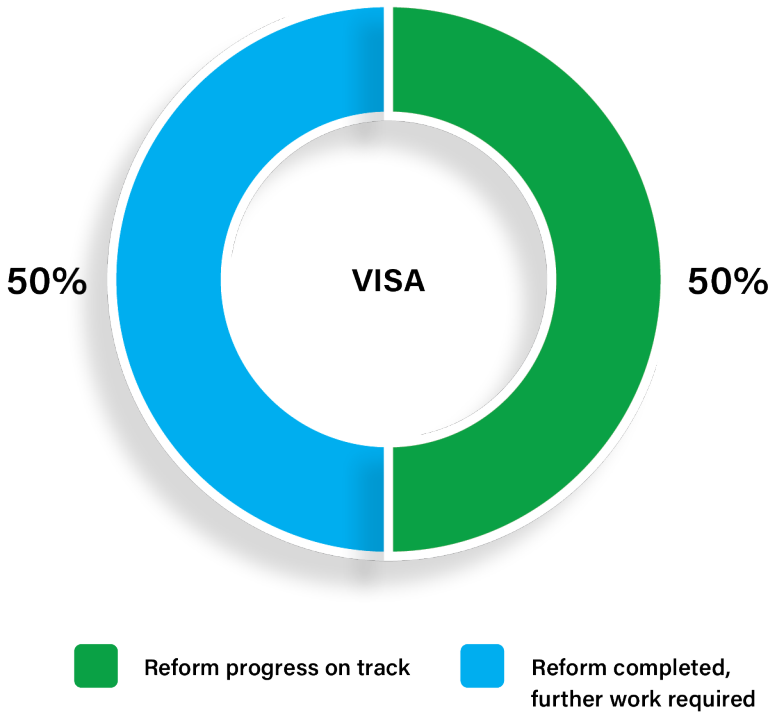
Supporting
the Implementation
of Priority Structural Reforms

PHASE II 2026/27 Q2 PROGRESS REPORT

REFORM 4: VISA AND IMMIGRATION REFORM

REFORM 4: VISA AND IMMIGRATION REFORM

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



Progress at a Glance

The Electronic Travel Authorisation system was formally launched and is streamlining visa processing, with work underway to expand the system to additional visa categories. Phase II of the Trusted Employer Scheme is progressing through the adjudication and appointment of qualifying employers, supporting faster access to critical skills and strengthening South Africa's attractiveness as an investment destination. Reforms to the waiver process have reduced backlogs, while the online platform for the Screen Talent and Global Entertainment Scheme has been developed and tested ahead of rollout, supporting South Africa's ambition to become a global destination for film and entertainment production.

Key Milestones (Q2 2026/27):

- The Electronic Travel Authorisation (ETA) was officially launched in August 2026 following a successful pilot phase, marking a significant milestone for the digital transformation of the Department of Home Affairs and the Border Management Authority. More than 216 000 applications have already been processed, with applications being completed within 24 hours. The ETA is currently live for tourist visa applications from 53 countries, with more being added weekly.

- Adjudication and appointment of successful employers is currently underway, following the gazetting of Phase II of the Trusted Employer Scheme (TES) in July 2026. This will provide qualifying employers with access to streamlined and prioritised visa processing, enabling recruitment of critical skills more efficiently. It further positions South Africa as an attractive destination for investors seeking to locate their regional offices in the country or expand their operations, with assured access to high-level skills. Phase II of the scheme includes a dedicated pathway for qualifying firms in the financial sector to locate their operations in South Africa.
- Measures are being introduced to streamline the waiver application process, including the development of a waiver platform and ministerial approval of revised delegation for faster processing of waivers. This has led to 20 000 waiver applications being finalised within two months.
- The online web-based platform for the Screen Talent and Global Entertainment Scheme (STAGES), aimed at positioning South Africa as a global film and entertainment hub, has been developed and tested with rollout expected in the coming weeks.

Next Steps:

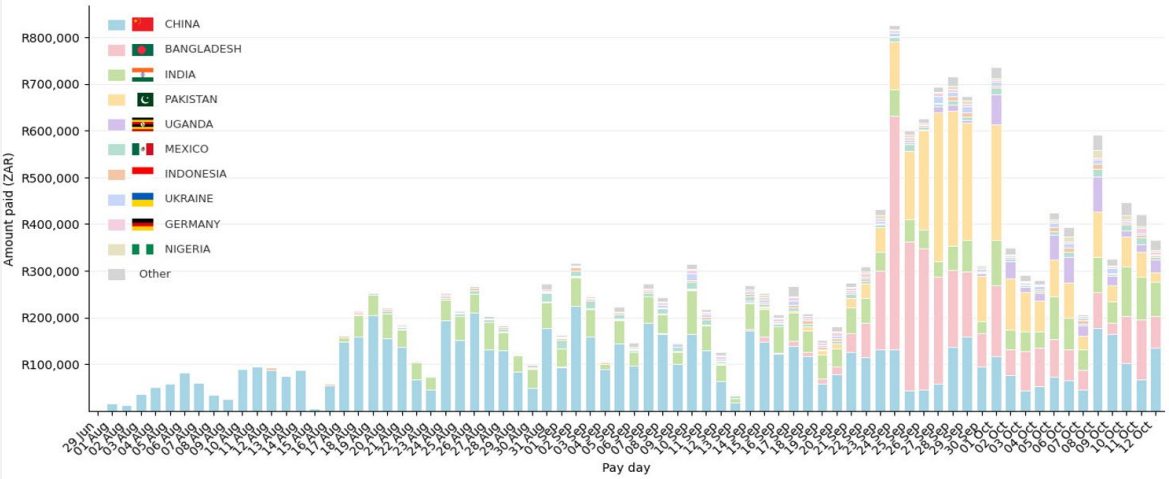
- Conclude the online web-based platform for full rollout of STAGES (October 2026)
- Adjudicate and appoint successful corporates under the next phase of the TES (October 2026)
- Expand the ETA to all countries and other visa categories (March 2027)
- Clear the waivers and appeals backlog (March 2027)

THE ELECTRONIC TRAVEL AUTHORISATION SYSTEM IS ENHANCING TRAVEL, SECURITY AND BORDER EFFICIENCY

The ETA forms a key part of South Africa's efforts to modernise its immigration and border management systems. The platform uses biometric verification, advanced machine learning and upgraded border management systems to streamline and strengthen the travel authorisation process. By making entry into South Africa more efficient and secure, the ETA is expected to support tourism, investment and economic growth while enhancing border security.

Since its rollout to 53 countries, uptake has accelerated significantly. The graph below shows a clear increase in daily ETA applications and payments over recent months, demonstrating strong user adoption and growing demand for the platform. This rapid uptake highlights the ETA's potential to improve the efficiency, security and speed of traveller processing. Building on this progress, work is underway to expand the ETA to all countries and into a single, secure and fully digital visa platform that will replace legacy visa systems and progressively accommodate visitor, work and study visas, creating a more streamlined and integrated travel facilitation system for South Africa.

ETA Revenue Generated



Source: Department of Home Affairs



OPERATION VULINDLELA

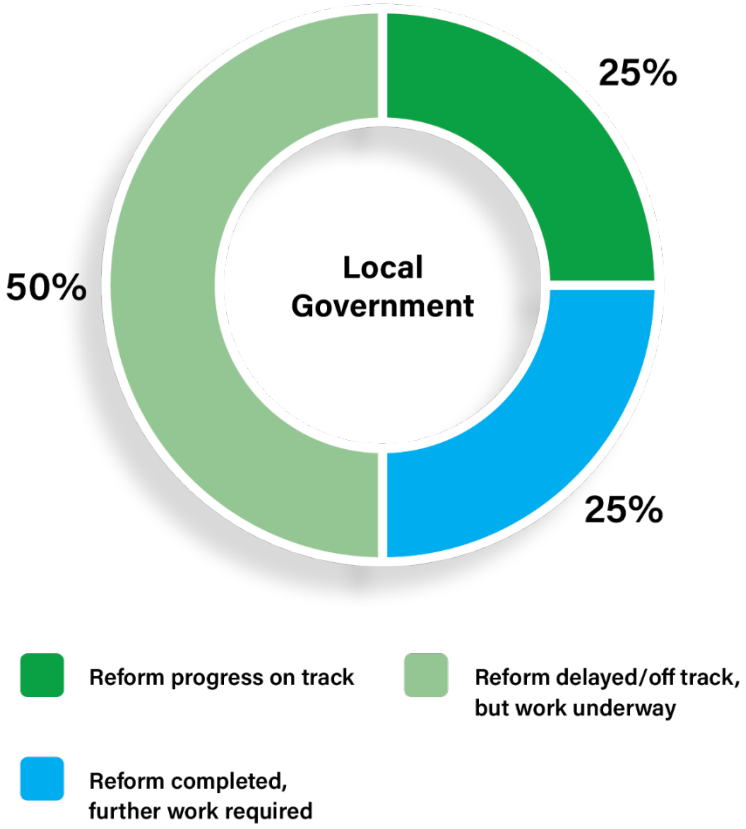
Supporting
the Implementation
of Priority Structural Reforms

PHASE II 2026/27 Q2 PROGRESS REPORT

REFORM 5: LOCAL GOVERNMENT REFORM

REFORM 5: LOCAL GOVERNMENT REFORM

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



Progress at a Glance

Several reform milestones were achieved during this quarter, which lay the groundwork for a fundamental overhaul of the local government system. Cabinet approved the Revised White Paper on Local Government and approved the release of the Municipal Finance Management Amendment Bill for public comment. The President signed the Public Service Commission Bill into law, extending the Commission's mandate to local government. Furthermore, a preliminary report on the review of the Local Government Fiscal Framework is due to guide future municipal finance reforms.

Key Milestones (Q2 2026/27):

- The **Metro Trading Services Reform Programme** is a R54 billion, six-year performance-based incentive, which rewards the eight participating metros for ring-fencing and professionalising their water, sanitation, electricity and solid waste services. During the quarter, all metro trading services

submitted their performance evidence against the eight minimum commitments for independent verification. This process is currently underway with results to be released at the end of October. This will inform the incentive transfers in November 2026, and incentive allocations in the 2027/28 national budget process. Ring-fencing is a key priority for local government reform, and imperative to ensure that revenues from the sale of water and electricity are primarily utilised for the operation, maintenance and investment into these services.

- The **Revised White Paper on Local Government** was officially launched on 22 October 2026 after approval by Cabinet in September 2026. The White Paper replaces the 1998 policy framework with a phased, system-wide reset of local government. It aims to restore basic functionality, strengthen accountability and realign municipal performance with constitutional objectives.
- The objective of the **Municipal Finance Management Amendment Bill** is to improve the enforcement of funded budgets, strengthen expenditure controls and consequence management, and equip national and provincial treasuries with stronger monitoring and intervention tools. The Bill has been approved by Cabinet and published for public comment, with submissions invited until 29 January 2027.
- The review of the **Local Government Fiscal Framework** (LGFF) is being finalised to strengthen the sustainability and equity of municipal financing, with a view to supporting sound, effective and equitable service delivery by municipalities. The expenditure and revenue components of the LGFF Review have been completed, and the evaluation of the Local Government Equitable Share formula has commenced.
- The **Public Service Commission (PSC) Act** was signed into law by the President in September 2026. The new Act strengthens the Commission's independence as a constitutional institution and extends its mandate to local government, supporting the development of a capable, ethical and professional local government. The PSC is currently undertaking implementation planning to operationalise its expanded mandate, with support from OV.

Next Steps:

- Finalise results of the independent verification of the 2025/26 performance for the Metro Trading Services Reform Programme (October 2026)
- Establish a delivery mechanism to oversee the implementation of the White Paper recommendations (October 2026)
- Finalise recommendations of the Local Government Fiscal Framework review (December 2026)
- Develop amendments to the Municipal Systems Act to enforce the separation of authority and service provider functions and streamline the process for external mechanisms (February 2027)

OVERVIEW OF THE WHITE PAPER ON LOCAL GOVERNMENT

The White Paper on Local government was launched by President Ramaphosa on 22 October 2026. The White Paper outlines a far-reaching reform agenda to reset the local government system, aligned to the OV priority reforms.

1. **Moving towards a single-tier system of local government**
   The White Paper highlights the challenges of overlapping and duplicating functions as well as weak administrations evident in the current two-tier system of local and district municipalities. It recognises that in some parts of the country, developmental governance at local level is best served by a single-tier system. In those areas, the two-tier system must be replaced with a single-tier local government system.

2. **A differentiated model of powers and functions**
   At present, all municipalities have the same powers and functions, irrespective of their size, capability and performance. The White Paper recognises that the allocation of powers and functions to municipalities is fragmented and incoherent, and that the current one-size-fits-all approach demands more than is realistic for some municipalities. Some municipalities are well equipped to carry out particular functions, while others may lack the scale, the revenue base or the capability to do so. Where a municipality is unable to carry out a particular responsibility, that responsibility should be assigned elsewhere. The White Paper outlines a clear path towards a differentiated model that would link powers and functions to a municipality's size, capability and performance. It calls for Constitutional and legislative amendments to be considered where necessary to implement this.

3. **A new approach to water and electricity services**
   The White Paper recognises that utility services (water and electricity) are key to the functioning of every community in the country and to the economy. In many areas, municipalities are failing in their Constitutional responsibility to provide these services in a reliable and sustainable manner. In order to address these challenges, the White Paper indicates that municipalities must clearly distinguish their role as service authority from that of service provider. Going forward, all water and electricity providers will require a licence from the relevant licensing authority. If a municipality is unable to meet license conditions, it must appoint a capable, licensed provider in its place. In many cases, service provision would be better undertaken at a regional scale, or through partnerships and concession arrangements.

   The White Paper also re-affirms the need for ring-fencing of revenues from the sale of trading services. Trading services, including water, electricity and solid waste management, should be ringfenced in ways that promote transparency in the allocation of costs and revenues. While allowing flexibility for different municipal contexts, revenue from these services should first cover operating costs and adequate asset investment before being used for other municipal requirements.

4. **Professionalising municipal leadership**
   All municipalities are complex organisations and require highly skilled administrative leaders, who are also committed to integrity and service delivery. The White Paper points to the need to professionalise municipal leadership and to root out corruption. The White Paper sets out a pathway to ensure that this is achieved through stronger oversight of senior appointments, protections against political interference in administrations, and greater stability in political leadership, among other key interventions.



OPERATION VULINDLELA

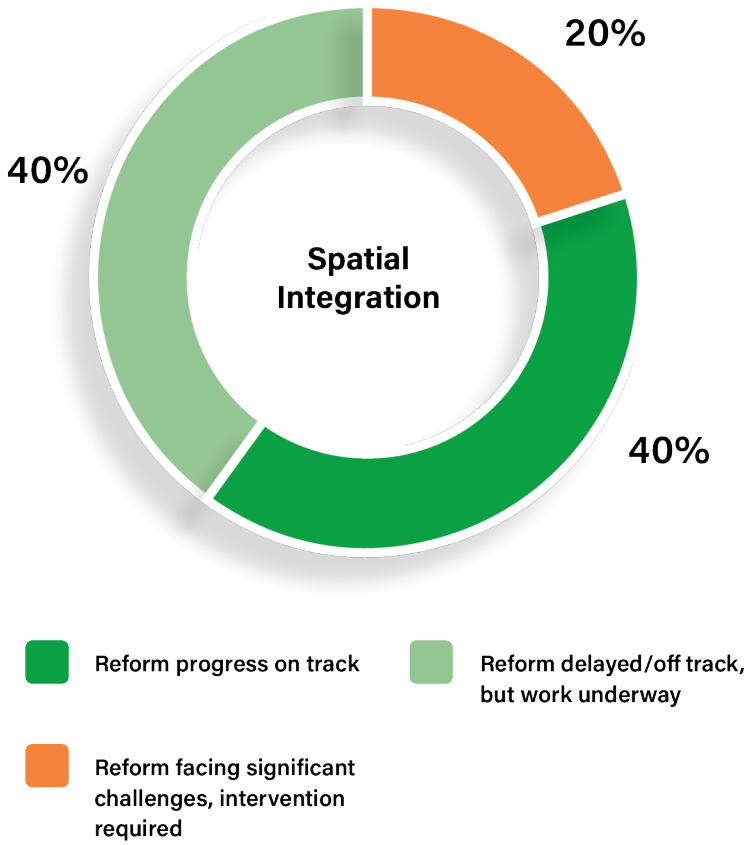
Supporting
the Implementation
of Priority Structural Reforms

PHASE II 2026/27 Q2 PROGRESS REPORT

REFORM 6: SPATIAL INTEGRATION AND HOUSING REFORM

REFORM 6: SPATIAL INTEGRATION AND HOUSING REFORM

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



Progress at a Glance

Work is continuing in support of the National Department of Human Settlements to increase availability and accessibility of well-located affordable rental housing. Progress with titling reform is underway, albeit at a slower pace, due to complex alignment needed across all spheres of government. Instruments, methodologies and systems that will support the implementation of the reforms are being designed, piloted and implementation will be expanded in the next financial year. During the past quarter, progress has been made to identify a portfolio of well-located public land and buildings suitable for low-cost housing development. Stakeholder engagements have begun to develop a simplified methodology to release publicly owned land and buildings to private developers for this purpose. The process to establish the South African National Property Company as a state-owned company is well-underway.

Key Milestones (Q2 2026/27):

- OV, the Cities Support Programme (CSP) and the National Department of Human Settlements (NDHS) are making progress in refining the **Inner-City Affordable Rental Pilot Framework** (previously described as the Capital Subsidy) to be piloted in the next financial year. The purpose of the pilot will be to determine the instrument's effectiveness in increasing the availability and accessibility of well-located rental stock.
- The design and implementation of digital systems to support the verification and clearing of the **title deeds backlog** are underway. Three tools have been developed: a titling framework, a dashboard, and a document management system to categorise, verify and monitor reductions in the title deeds backlog. A live dashboard of the title deed backlog has been launched on the CSP website. These systems are being piloted in the City of Ekurhuleni (COE) and the City of Johannesburg (COJ) and will assist in the streamlining of township establishment and beneficiary administration. These pilots will inform digitisation of the titling process, and support validation and clearing of the title deeds backlog.
- The Department of Public Works and Infrastructure (DPWI) is working to develop a **single national asset register** for enhanced recording and monitoring of state-owned properties. Criteria for identifying suitable vacant or underutilised land and buildings has been developed, and DPWI and Housing Development Agency (HAD) have drawn up a longlist of parcels. A shortlist will be finalised by December 2026. In addition, OV has conducted a review to identify opportunities to streamline land release for affordable housing development. A streamlined methodology for the release of public land and buildings is under development and will be piloted with two to three priority properties over the coming year to unlock investment in affordable housing at scale.
- DPWI is progressing the establishment of the South African National Property Company (SANPC) to rationalise and professionalise the management of the state's property portfolio, with support from OV. This is a key step towards ensuring that public land and buildings are fully utilised, effectively managed and maintained, and leveraged for the public good.

Next Steps:

- Complete the design and site selection of three pilot sites of the Inner-City Affordable Rental Pilot Framework (December 2026)
- Revise design of the demand-side rental subsidy (December 2026)
- Pilot titling tools in COE and COJ to inform township establishment and beneficiary administration (December 2026)
- Analyse and integrate deeds data with Housing Subsidy System to inform the prioritisation and sequencing of interventions needed to clear the title deeds backlog (March 2027)
- Confirm priority land and buildings for release to the market for affordable housing development and finalise streamlined release methodology (March 2027)



OPERATION VULINDLELA

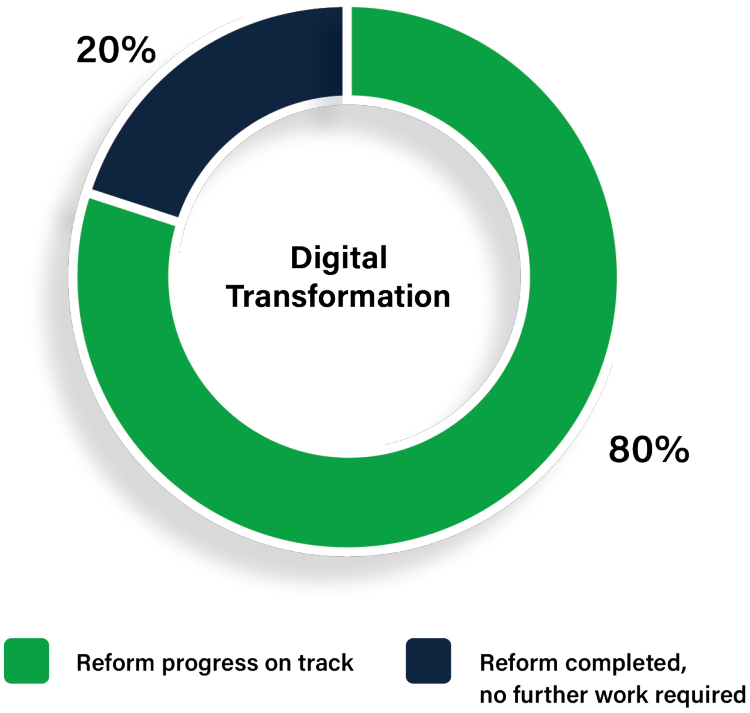
Supporting
the Implementation
of Priority Structural Reforms

PHASE II 2026/27 Q2 PROGRESS REPORT

REFORM 7: DIGITAL PUBLIC INFRASTRUCTURE REFORM

REFORM 7: DIGITAL PUBLIC INFRASTRUCTURE REFORM

Objective: Harness digital tools to improve government efficiency, enable inclusion, and support economic transformation.



Progress at a Glance

During the past quarter, MyMzansi moved from foundational development to a working prototype operating in a controlled test environment. The Umalusi matric service was demonstrated end to end, establishing the foundations for additional digital credentials and services to be added incrementally. The updated Gov.za website platform also became operational for testing with the first participating departments. The MzansiXchange data-sharing pilot progressed towards completion, while the digital payments programme launched registration for a payment-authorisation credential and prepared for controlled testing. These developments support a practical shift towards services where people can share verified documents digitally, avoid repeatedly supplying information government already holds and complete transactions more conveniently. Public availability will follow further testing and completion of the necessary legal and operational arrangements.

Key Milestones (Q2 2026/27):

- The **MyMzansi citizen services platform** progressed to a working prototype in a controlled test environment and was demonstrated to the Inter-Departmental Working Group for Digital Transformation in the Public Sector and departments implementing priority services. Building on the previous quarter's foundations, the demonstration showed how digital proof of a matric qualification could be issued, stored, shared and verified by Umalusi. The same platform components will support additional credentials and services, with work underway on employment, grants and digital driver's licences for incremental integration and testing.
- The shared **Gov.za** platform became operational in a test environment, with Communications and Digital Technologies, Home Affairs and the Presidency as the first pilot sites. National Treasury's website has also been aligned with the new design system, advancing a consistent look and feel across government websites. The shared platform provides common publishing tools and templates that departments can reuse, supporting clearer information and reducing duplication in website development.
- Implementation of the **MzansiXchange** pilot progressed towards completion in December 2026. Additional technical capacity was onboarded, implementation resumed across priority services, and participating departments and municipalities continued preparing their systems and data for secure exchanges. Work also advanced on common data-sharing standards. The pilot is laying the foundations for departments to verify information against existing government records, reducing the need for people to supply the same information repeatedly.
- The first working **Digital ID** prototype was publicly launched on 1 October 2026, following development during the quarter. It demonstrates how people could verify their identity remotely and control which personal information they share when accessing services. Public submissions on the draft Digital Identity Regulations remain under review. In parallel, access to Smart ID and passport services through participating bank branches continued to expand, with the Smart ID programme reporting 726 803 applications and 588 111 cards collected. The Department of Home Affairs announced that it will cease production of the Green ID Book by 31 March 2027.
- The **digital payments** programme advanced the development of secure payment authorisation, instant payments and digital wallets. PEMKey, a digital credential that people can use to approve payments securely, opened for registration on 1 September 2026. Preparations progressed for a controlled testing environment to test its use across payment providers and its connection with digital identity. Work also advanced on enabling payments through PayShap and QR-code payments to government. The digital wallet programme is targeting end-November 2026, supporting the broader aim of giving citizens more convenient and cost-effective ways to make and receive payments.
- Government advanced the standards, skills and partnerships needed to deliver connected digital services. The latest version of the **Minimum Interoperability Standards** was submitted for approval, incorporating standards for shared digital infrastructure so departmental systems can work together. Work on the Government-Wide Enterprise Architecture progressed to guide how departments plan and design their technology. Government capacity initiatives are being consolidated into a single strategy covering digital skills, service delivery, data use and cybersecurity. Alongside this, existing internship, scholarship and training programmes are being assessed for their contribution to Digital Government, and a partnership framework is being developed to coordinate external expertise and skills transfer.

Next Steps:

- Integrate and test additional credentials and priority service journeys for the MyMzansi citizen services platform, and finalise the arrangements needed for public use (February 2027)
- Complete the pilot phase for the MzansiXchange data integration programme and finalise data-sharing requirements and operating arrangements, and prepare for wider implementation (December 2026)
- Complete further testing and establish operating infrastructure for the Digital ID system and finalise the Digital Identity Regulations (December 2026)
- Implement the Data Sovereignty Action Plan and roadmap endorsed by the IDWG and IMC, beginning with the national diagnostic methodology (October 2026) and priority departmental assessments (December 2026) to identify data risks and capability gaps
- Digital payments: Launch the PEMKey sandbox to test secure payment authorisation across participating systems and progress instant payments through PayShap, QR-code payments to government and digital wallets (March 2027)
- Progress approval and application of the updated Minimum Interoperability Standards, alongside development of common architecture arrangements for connected government services (March 2027)
- Finalise the partnership framework and align existing training programmes and partner expertise with Digital Government delivery needs (March 2027)
- Undertake structured engagement and user testing, and review the findings to improve service accessibility, usability and safeguards (March 2027)

OPERATION VULINDLELA

Supporting
the Implementation
of Priority Structural Reforms



PHASE II 2026/27 Q2 PROGRESS REPORT

#OperationVulindlela | #EconomicReform

National Treasury
The Presidency