OPERATION VULINDLELA

Supporting
the Implementation
of Priority Structural Reforms

PHASE II PROGRESS REPORT

Q2 | 2025-26 | OCTOBER 2025

PHASE II
PROGRESS REPORT
Q2 | OCTOBER 2025

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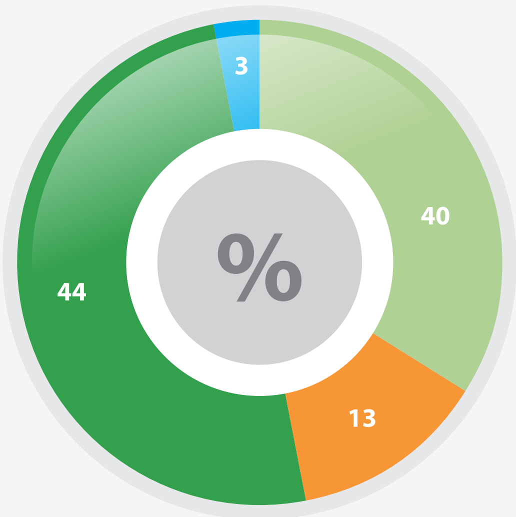
INTRODUCTION

PROGRESS DASHBOARD



0%	**0 ACTIVITIES** No data/reform not yet started
13%	**4 ACTIVITIES** Reform facing significant challenges, intervention required
44%	**13 ACTIVITIES** Reform progress on track
3%	**1 ACTIVITY** Reform completed, further work required
0%	**0 ACTIVITIES** Reform facing critical challenges, likely not to be achieved
40%	**12 ACTIVITIES** Reform delayed/off track, but work underway
0%	**0 ACTIVITIES** Reform completed, no further work required

OVERVIEW OF PROGRESS

South Africa has continued to build momentum in implementing far-reaching economic reforms during the second quarter of 2025/26. The reform priorities included in Phase II of Operation Vulindlela aim to drive more rapid and inclusive growth by removing the structural constraints which have held back our economy for more than a decade.

In the **energy sector,** work to establish a competitive electricity market is now advanced and the pipeline of private investment in new generation capacity – largely from renewable energy sources – continues to grow. A clear framework to enable independent transmission projects (ITPs) in support of the Transmission Development Plan is now in place, and work is underway to launch the first phase of ITP procurement. The National Transmission Company of South Africa (NTCSA) has submitted its application for a market operator license to NERSA, and has finalised a draft Market Code. Concerns have been raised regarding the impediments to wheeling electricity and the treatment of electricity traders in the interim grid capacity allocation rules. However, to address these challenges, NERSA is expected to finalise Grid Capacity Allocation Rules by the end of 2025 and Electricity Trading Rules by January 2026 – to which all licensees will be required to adhere. Operation Vulindlela is working closely with National Treasury and the Department of Electricity and

Energy to put in place a detailed plan for the establishment of a fully independent Transmission System Operator aligned to the requirements of the ERA. The most recent South African Renewable Energy Grid Survey shows that 220 GW of projects are now in development in the private sector, of which 72 GW are advanced.

In the **logistics sector,** significant progress has been made towards enabling open access to the freight rail network with the allocation of capacity to 11 private train operating companies across 41 routes. The revised Network Statement is expected to be published by the end of January 2026, which will establish an effective framework for operators to access the network on fair and commercially viable terms. Following an enthusiastic market response to the request for information published by the PSP Unit in March 2025, the development of opportunities for private sector participation in strategic rail and port corridors is now underway towards the release of the first request for proposals. Meanwhile, in the **water sector,** progress to establish the National Water Resources Agency is advanced and the Water Services Amendment Bill has been introduced in Parliament to reform water service delivery.

Reforms to the **visa system** have yielded substantial results, with a backlog of over 300,000 visas cleared and processing times reduced for all visa categories. The Electronic Travel Authorisation (ETA) system has been developed and is now in implementation for the G20 Summit, enabling more remote application and issuance of visas for applicable countries. The Trusted Tour Operator Scheme has supported 35,000 tourist arrivals since its inception, creating jobs and supporting local businesses.

Progress has also been in the new reform areas relating to **local government performance, spatial inequality** and **digital transformation.** The review of the White Paper on Local Government is underway, with 266 responses received to the discussion paper published in May 2025 that will inform the review of the institutional structure. The Metro Trading Services Reform Programme is in full implementation, providing an incentive for metros to ring-fence, professionalise and turn around the performance of their electricity and water services. Detailed work has been undertaken to identify and remove the barriers to investment in affordable housing and to accelerate the release of public land. And implementation of the Digital Transformation Roadmap is in full swing, with the launch of the MyMzansi data exchange to enable the secure sharing of data across government.

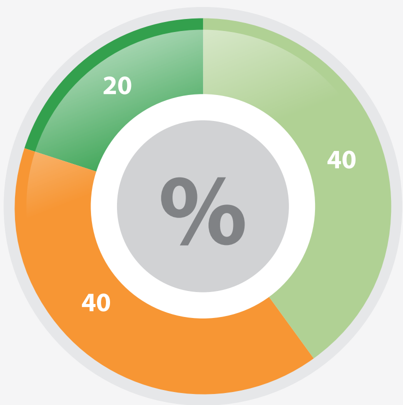
Operation Vulindlela will continue to drive progress on structural reform to place South Africa on a new economic trajectory by unlocking investment and creating jobs.

REFORM 1:
ELECTRICITY SECTOR REFORM

OBJECTIVE:

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

Electricity



20%	Reform progress on track
40%	Reform facing significant challenges, intervention required
40%	Reform delayed/off track, but work underway

Key Milestones (Q2 2025):

- The National Energy Regulator of South Africa (NERSA) is expected to make a decision on the application for a Market Operator license by the National Transmission Company of South Africa (NTCSA) in November 2025, following a public hearing held on 30 September 2025.
- The revised Market Code, which outlines the rules to govern South Africa's wholesale electricity market, has been developed through an extensive process of consultation with key stakeholders ending on 11 September 2025. The code will be submitted to NERSA by the NTCSA once the Market Operator license is obtained.
- NERSA has initiated processes to establish Electricity Trading Rules as well as Grid Capacity Allocation Rules to ensure fairness, transparency and non-discrimination in access to the grid and trading of electricity. The Final Grid Capacity Allocation Rules will be published by the regulator by the end of 2025, while the Electricity Trading Rules, which have been released for public comment, will be finalised by 31 January 2026. These rules will support the establishment of a competitive market and provide a predictable regulatory framework for investment in generation capacity.

- The 2025 South African Renewable Energy Grid Survey shows that 220 GW of solar, wind and battery storage projects are now in development, an increase from 134 GW in 2024. Of these, 72 GW are at an advanced stage, with environmental approval and a power purchase agreement signed or close to signature.
- A gap analysis of systems and processes required for the Market Operator function of the NTCSA has been completed, and work is underway to establish the infrastructure and capacity required to operate the market. The NTCSA launched the South African Wholesale Electricity Market (SAWEM) School in July 2025 to support the training and accreditation of future market participants.
- Six additional preferred bidders with a total capacity of 1 290 MW were announced for the seventh round of the renewable energy procurement programme (REIPPPP 7) in July 2025, bringing the total capacity secured through the bid window to over 3200 MW.
- The 153 MW Red Sands project under the second round of the battery storage procurement programme achieved commercial close and will now proceed to construction in the Northern Cape. The Tournee Solar Park, a 300 MW solar PV project in Mpumalanga, is the first project to reach financial close through Eskom's land lease programme – one of the initial programmes to be implemented through the Energy Action Plan.
- A Request for Qualifications (RFQ) for the first phase of Independent Transmission Projects (ITPs) was launched on 31 July 2025. These projects will enable private investment in transmission infrastructure for the first time, accelerating the rollout of new high-voltage power lines across the country.
- An additional 800 MW of capacity has been added to the grid following the commissioning of Unit 6 at Kusile Power Station, marking the culmination of Eskom's Build Programme.
- Eskom has returned to profitability for the first time in eight years following its significant recovery in operational performance and the implementation of the Eskom Debt Relief Act.
- Eskom has published a Congestion Curtailment Practice Note to unlock 3 470 MW additional grid connection capacity, particularly in the Eastern Cape and Western Cape — regions with significant renewable energy potential. This will enable the additional capacity to be allocated to qualifying projects.

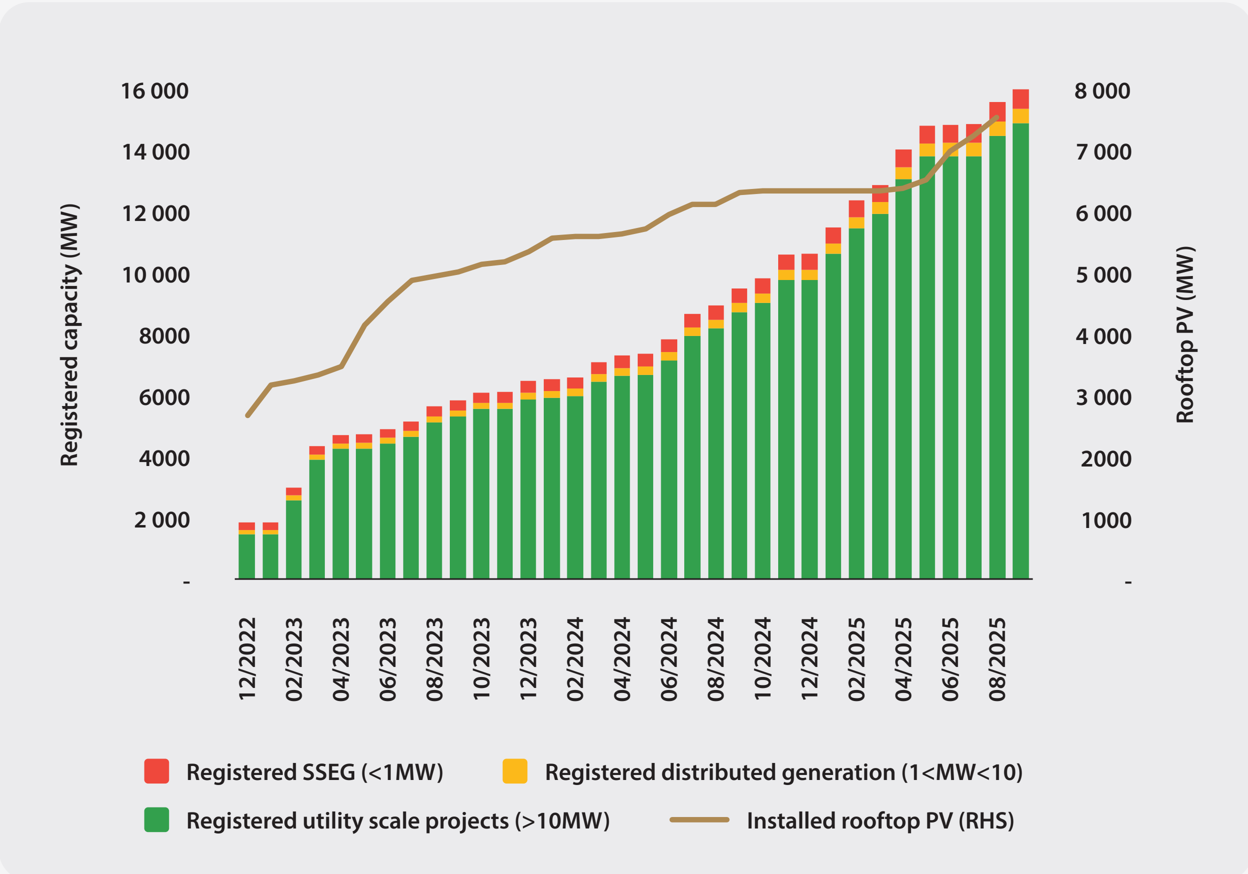
Next Steps (Q3–Q4 2025):

- Obtain a decision by NERSA on the application for a Market Operator license by the NTCSA (November 2025)
- Finalise and submit the Market Code to NERSA for approval to establish a competitive wholesale electricity market (November 2025)
- Issue a Request for Proposals (RFP) for the first phase of independent transmission projects (November 2025)
- Publish detailed guidance on the structure of the competitive electricity market (January 2026)
- Publish the final Grid Capacity Allocation Rules and finalise the Electricity Trading Rules following consultation with key stakeholders (January 2026)
- Develop a detailed implementation plan for the establishment of the Transmission System Operator (TSO) outside Eskom and implement measures to ensure functional independence of the NTCSA during the transition period (March 2026)
- Publish the Electricity Distribution Industry (EDI) Reform Roadmap for public comment (March 2026)

Nersa Registered Generation Facilities and Rooftop PV Installed

Since the amendment of Schedule 2 of the Electricity Regulation Act to lift the licensing threshold for embedded generation projects in August 2021 and subsequently remove the threshold in December 2022, there has been a significant increase in private sector investment in renewable energy projects. NERSA registration is one of the final steps in the approval process for energy. Projects with a cumulative total of more than 14 500 MW have already registered with NERSA by September 2025. NERSA announced that, during Q2 2025 alone, it registered 111 generation facilities with a total capacity of 1 916 MW and an estimated investment value of R51.91 billion. The average turnaround time for processing applications has also improved to 11 working days from 15 working days previously.

Figure 1: Cumulative capacity registered and rooftop PV installed

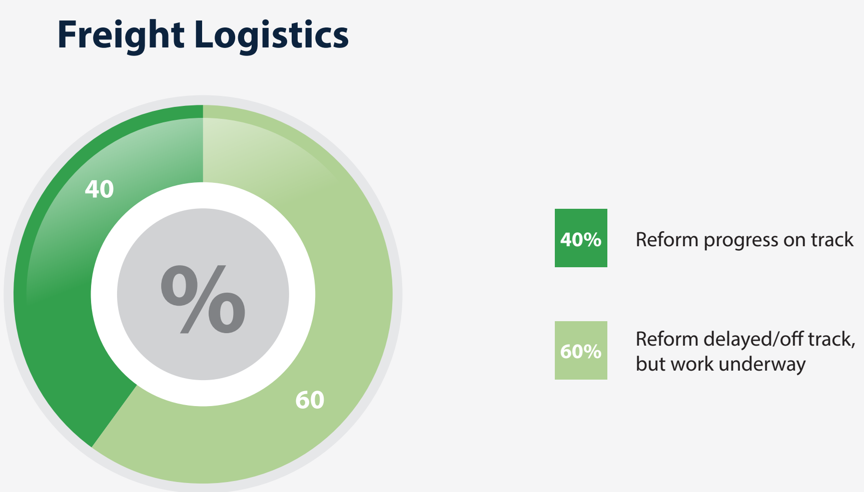


Source: Eskom, NERSA, OV calculations

REFORM 2:
FREIGHT LOGISTICS SYSTEM REFORM

OBJECTIVE:

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



Key Milestones (Q2 2025):

- Through the publication of the Network Statement (NS) in December 2024, TRIM has made slots available across the freight rail network to private train operating companies (TOCs). Of the 98 applications received, 11 new TOCs have been allocated slots on 41 routes, covering six strategic corridors.
- The Interim Rail Economic Regulator (IRERC) has finalised and submitted its recommendations for the 2025/26 Network Statement and Rail Access Tariff for a determination by the Minister of Transport. This will enable a revised Network Statement and access agreement to be published in early 2026.
- A board has been appointed for the Transport Economic Regulator (TER) to enable its establishment in the 2026/27 financial year.
- The Durban High Court has dismissed an application by a losing bidder to halt the implementation of a partnership for the Durban Pier 2 Container Terminal. This will enable private sector participation to be introduced in South Africa's largest container terminal, unlocking new investment and management expertise to improve operational performance.
- The PSP Unit has completed and published its review of responses to the request for information (RFI) released in March 2025 to inform the development of private sector participation projects in the ports and rail system, and

is now developing the first RFPs that will be issued to the market by Transnet. A further Request for Information (RFI) has been released for passenger rail projects, including fare collection systems; depot management; and long distance regional rapid transit.

- Investment in new equipment has led to improved performance at port terminals, with vessel anchorage down by 75%, higher throughput and reduced container handling times.

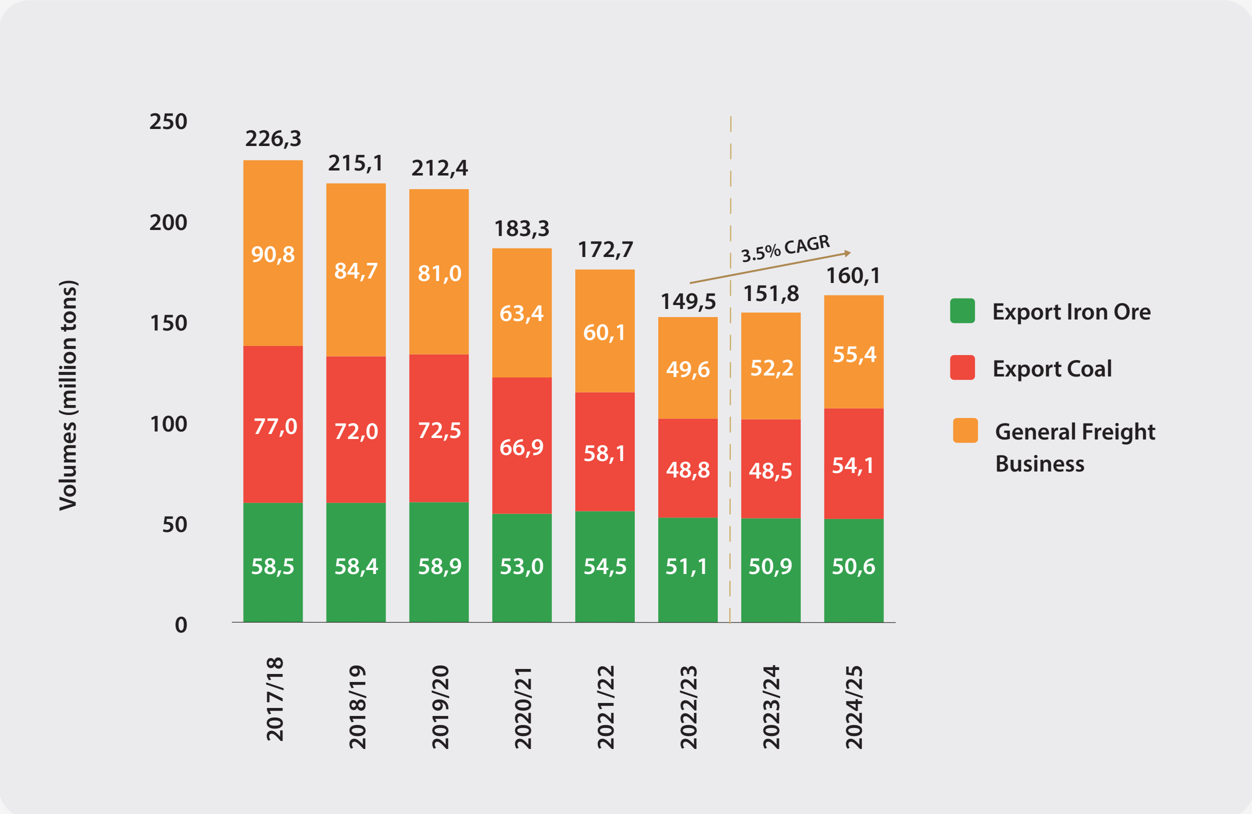
Next Steps (Q4–Q5 2025):

- Issue a revised Network Statement incorporating IRERC recommendations and an updated access tariff (January 2026)
- Launch the first RFP for private sector participation projects in strategic rail and port corridors (March 2026)
- Operationalise the Transport Economic Regulator (TER) with appointment of Board and additional staff appointments (March 2026)
- Complete preparatory work for the unbundling of the National Ports Authority from Transnet (March 2026)

Transnet progress on operational improvement and investment to increase volumes

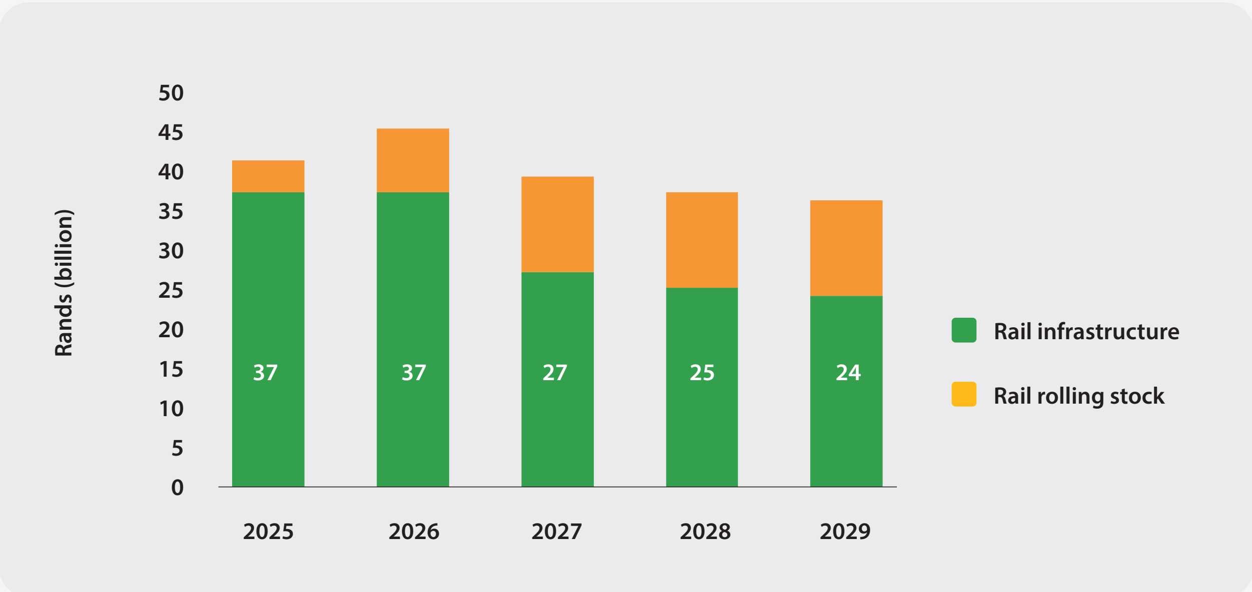
A significant driver of the logistics reform agenda was the need to arrest the decline in freight volumes as a result of weak operational performance. The implementation of Transnet's Recovery Plan, which aimed to increase the availability and reliability of rolling stock, address the maintenance backlog across the rail network, enhance customer collaboration and reduce security incidents, has been supported by the National Logistics Crisis Committee (NLCC). Transnet's financial results for the 2024/25 financial year confirm the impact of the recovery interventions that were implemented from 2023. In particular, freight volumes increased to over 160 million tons, reflecting a 5.5% increase compared to prior financial years – reversing the downward trend in volumes. With respect to ports, enhanced operations have resulted in stabilised port volumes.

Figure 2: Freight rail volumes



Source: Transnet

Figure 3: Estimated investment requirement



Source: Bureau for Economic Research

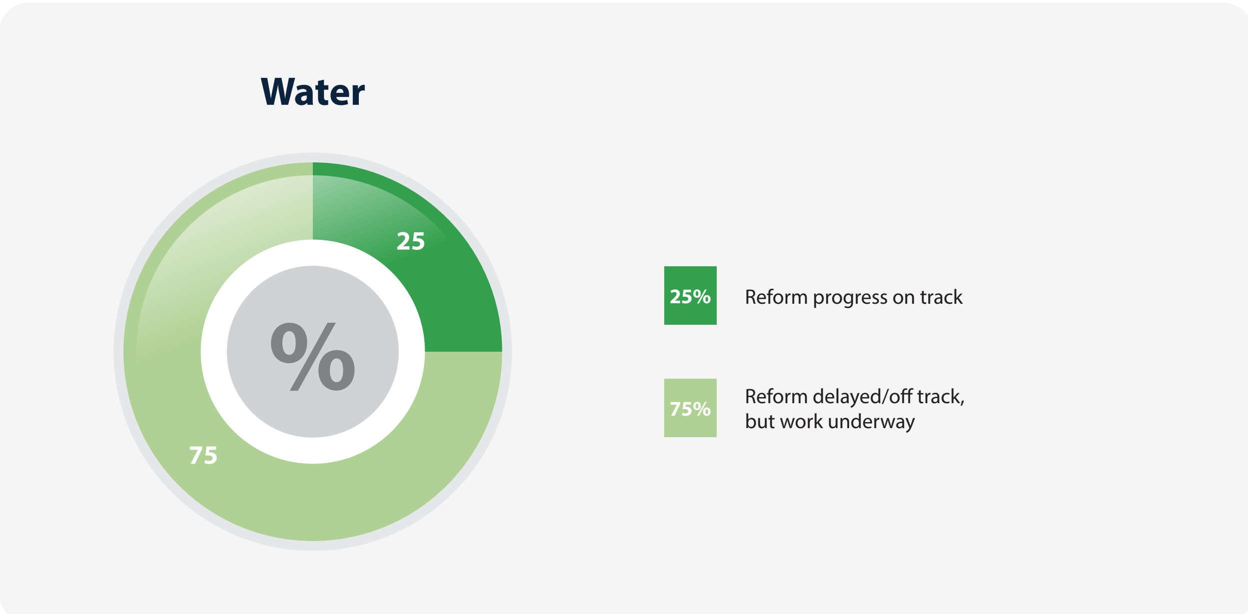
While the decline in volumes has been reversed, achieving the target of moving over 200 million tons of freight by 2030 requires significant public and private investment in infrastructure. Various initiatives are underway to enable private sector participation (PSP) in the logistics system, including through open access to the freight rail network and concessions, joint ventures and other partnership arrangements for strategic rail corridors and port terminals. The Bureau for Economic Research has estimated that these reforms could unlock investment of up to R200 billion in the logistics system over 5 years.

Additional reforms to establish the Transport Economic Regulator, complete the restructuring of Transnet and the establishment of independent entities for rail and port infrastructure, and the development of the regulatory framework through enhancements to the Network Statement will further support private sector investment.

REFORM 3:
WATER AND SANITATION REFORM

OBJECTIVE:

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



Key Milestones (Q2 2025):

- The Water Services Amendment Bill was tabled in Parliament following its approval by Cabinet in August. The Bill clarifies the separation of roles between Water Services Authorities (WSAs) and Water Service Providers (WSPs) and introduces licensing requirements for the latter, enabling stronger and more effective intervention when a WSP fails to deliver adequate service quality.

- The National Water Resources Infrastructure Agency (NWRIA) Amendment Bill was passed by the National Assembly on 18 September 2025, which will enable the NWRIA to be scheduled as a new entity. Recruitment for the first NWRIA Board closed on 1 August 2025 as a key step towards the establishment of the agency in April 2026.
- A roadmap to establish an independent economic regulator for the water sector has been finalised and will be submitted to the Minister of Water and Sanitation. In the interim, the Department of Water and Sanitation has called for nominations to the Water Sector Economic Regulation Advisory Committee (WSERAC), which will advise the Minister on economic regulation and support the establishment of the regulator.
- The Water Partnerships Office (WPO) has reached a key milestone with the Umhloti and Umkomaas wastewater public-private partnerships (PPPs) in eThekwini, now moving toward implementation. Preparation is advanced for the next round of projects, including non-revenue water and water reuse PPPs in eThekwini and Tshwane.
- The Africa Water Investment Summit was held in Cape Town from 13–15 August, which showcased 80 bankable projects (including 36 from South Africa) and secured US$12 billion in commitments, reinforcing the case for private sector participation.

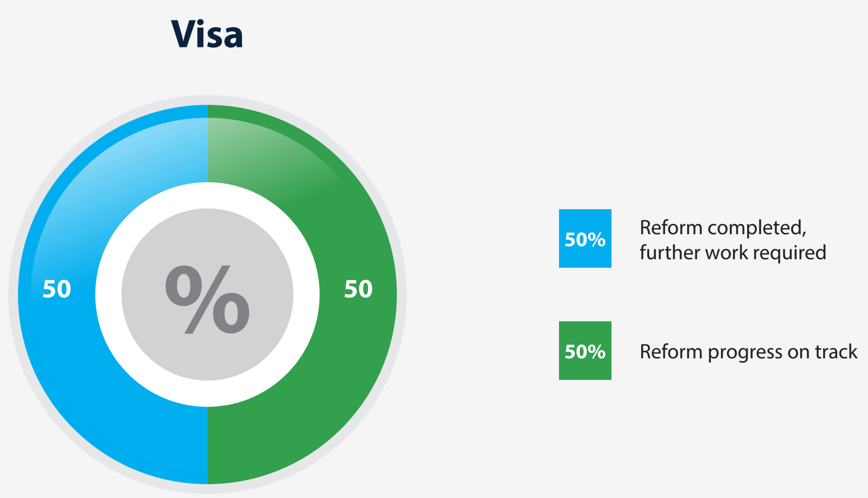
Next Steps (Q3–Q4 2025):

- Finalise the roadmap for the Independent Economic Water Regulator (IEWR) and appoint members of the Water Sector Economic Regulation Advisory Committee (November 2025)
- Complete preparatory steps for the establishment of the NWRIA, including appointment of the Board and recruitment of the Chief Executive Officer (March 2026)
- Intensify efforts to mobilize private sector participation by developing a pipeline of bankable projects, strengthening public-private partnership (PPP) frameworks, and ensuring regulatory certainty to attract investment (March 2026)

REFORM 4:
VISA AND IMMIGRATION REFORM

OBJECTIVE:

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



Key Milestones (Q2 2025):

- More than 35,000 group travellers from China and India have successfully obtained visas through the Trusted Tour Operator Scheme (TTOS) to date, enabling them to visit and spend in South Africa. 65 tour operators joined the TTOS during the first phase and it is estimated that more than 1,230 employment opportunities have been created by TTOS tourists.
- The Electronic Travel Authorisation (ETA) was launched on 18 September and is now in implementation for G20 delegates from countries which require visas for short-term travel. The system allows applicants to submit visa requests online, capture biometrics, and receive real-time approvals, reducing delays and paperwork. The ETA will integrate with the upgraded Electronic Movement Control System (EMCS), which will use facial recognition at entry points, starting with OR Tambo and Cape Town International Airports. This upgrade will streamline arrivals through automated biometric checks, minimise queues, and strengthen security, enhancing South Africa's global competitiveness as a tourist destination.
- The Department of Home Affairs has cleared a backlog of over 306,000 visa applications dating back more than a decade, following the review of the work visa system completed in 2023.

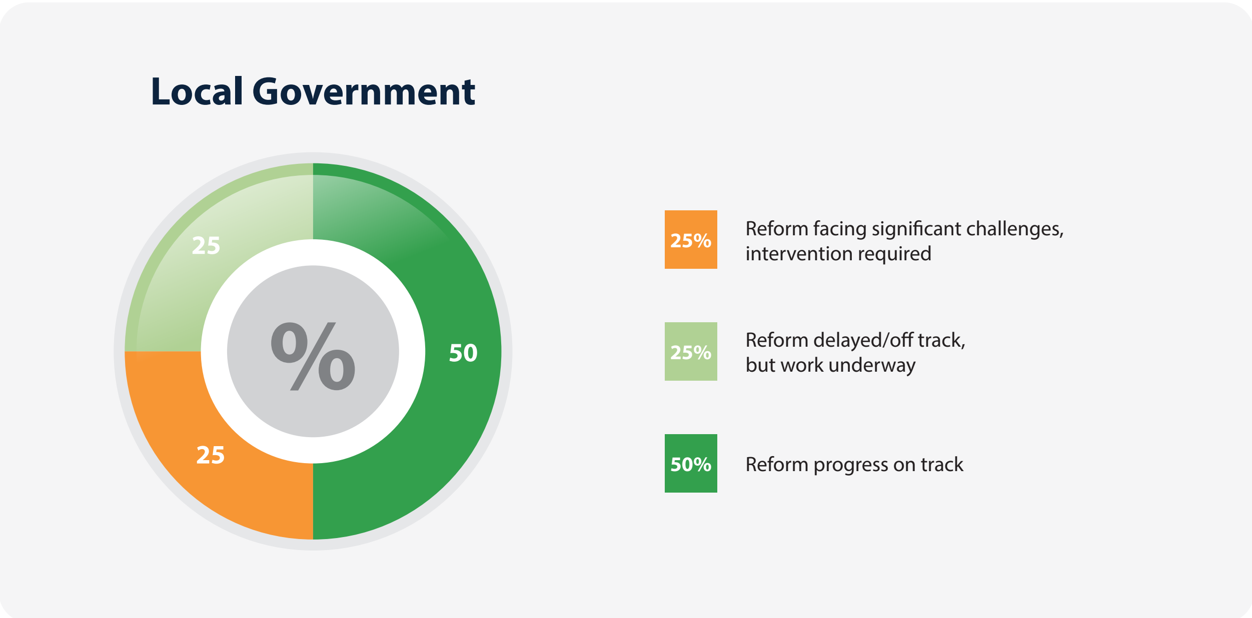
Next Steps (Q3–Q4 2025):

- Expand the ETA to all visitors from eligible countries (November 2025)
- Invite companies to apply for accreditation in the Film Industry Production Scheme (FIPS) to streamline the visa process for film productions (November 2025)

REFORM 5:
LOCAL GOVERNMENT REFORM

OBJECTIVE:

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



Key Milestones (Q2 2025):

- A total of 266 submissions were received from a wide range of stakeholders in response to the White Paper Discussion Document that will inform the review of the local government system currently underway. An updated White Paper on Local Government will be finalised by April 2026, with five thematic reference groups established to contribute to this process.
- The Public Service Commission Bill has been passed in the National Assembly. The Bill will, among other objectives, expand the mandate of the PSC to include local government and enable more effective oversight of municipal administrations.

- The Metro Trading Services Reform Programme is now in full implementation. The first independent verification of metro performance has been completed and council adoption of the eight minimum accountability commitments for all metros in the first cohort of the reform (twelve metro trading services in seven metros) has been completed. These metros will be able to access their incentive allocation through the adjustments budget and these trading services are on track to establish a single point of management accountability, financial transparency, with updated business and investment plans by July 2026.

Next Steps (Q3–Q4 2025):

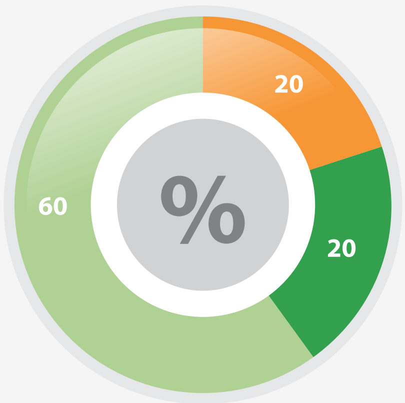
- Finalise the White Paper on Local Government following stakeholder consultations, expert input and detailed engagement in reference groups (March 2026)
- Secure passage of the Public Service Commission Bill (March 2026)
- Complete the first phase of the review of the local government fiscal framework (March 2026)
- Ensure that the second cohort of metros prepares Performance Improvement Action Plans for Council approval, to enable their participation in the trading services programme (March 2026)

REFORM 6:
SPATIAL INTEGRATION AND HOUSING REFORM

OBJECTIVE:

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

Spatial Integration



- 20% Reform facing significant challenges, intervention required
- 20% Reform progress on track
- 60% Reform delayed/off track, but work underway

Key Milestones (Q2 2025):

- A review of national, provincial and municipal legislation, policies and regulations has been completed to identify reforms required to lower the cost of development in urban centres in order to support affordable housing and densification and accelerate the use of public and land and buildings for affordable housing development.
- The design of a demand-side subsidy for affordable housing is advanced, building on existing subsidy instruments such as the First Home Finance programme, to enable pilot implementation in the 2026/27 financial year.
- A Strategic Delivery Unit has been established in the Department of Public Works and Infrastructure (DPWI) to develop a standard model for the release of public land and buildings and coordinate implementation of this model in identified properties.
- Most of the remaining passenger rail corridors have now been returned to service, resulting in increasing passenger numbers on the rail network. The Central Line in Cape Town is on track to be restored to full service by November 2025.

Next Steps (Q3–Q4 2025):

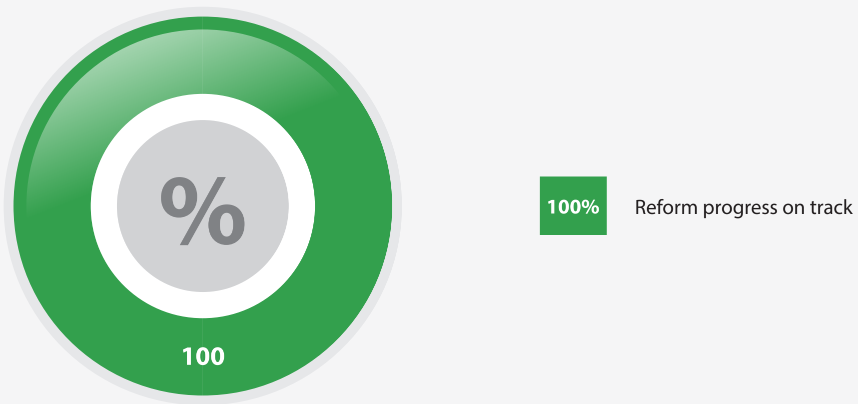
- Complete the analysis of deeds data to determine the scale of the title deeds backlog and inform the prioritisation and sequencing of interventions to clear it (December 2025)
- Complete financial modelling and design work for the implementation of a demand-side subsidy and undertake consultation with key stakeholders (January 2026)
- Identify underutilised land and buildings in urban areas to prioritise for land release, and develop a standard partnership model to accelerate the land release process while ensuring its use in the public interest (March 2026)

REFORM 7:
DIGITAL PUBLIC INFRASTRUCTURE REFORM

OBJECTIVE:

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

Digital trans-formation



Key Milestones (Q2 2025):

- South Africa has established itself as one of the leaders in the Global South for building practical, open, and inclusive Digital Public Infrastructure – focusing on delivery models that are secure, interoperable, and safeguard citizen rights.

- Development of the reimagined Gov.za website and content-management system is advanced. A cross-departmental task team is finalising the information architecture and design systems, and the alpha version remains on track for launch in November 2025.
- Work has commenced on a national Digital Government Standards Framework, which will serve as the foundation for how government systems are designed, built and connected. These standards are central to enabling interoperability across government, reducing duplication, and ensuring that new digital services built through the roadmap can be reused and scaled over time.
- The DSU has completed a working prototype of MyMzansi, demonstrating a full digital driver's licence renewal journey integrated with NaTIS. This marks a key step towards a single, secure platform through which citizens will be able to access services.
- In September 2025, National Treasury launched the first MzansiXchange pilot in Pretoria. The pilot enables real-time, consent-based data verification between participating departments, marking the first live demonstration of secure data sharing between departments.
- Collaboration with the Department of Home Affairs has progressed in defining secure approaches for remote onboarding and biometric reuse, which will form the basis for functional digital identity pilots to be undertaken in the next phase. This will provide a basis for secure remote access to citizen services using a digital identity system.
- Implementation of the Payments Ecosystem Modernisation (PEM) programme has progressed, with design validation underway for the government-to-person (G2P) payments orchestration layer and beneficiary-preference mapping tool to enable seamless payment between government and citizens.

Next Steps (Q3 – Q4 2025)

- Launch the Gov.za alpha site, followed by the migration of departmental websites and the implementation of zero-rating to ensure access (November 2025)
- Pilot the MyMzansi platform with tiered profiles and authentication to enable remote access to government services, supported by an onboarding playbook and design documentation (February 2026)
- Complete an institutional review of digital-delivery arrangements to clarify mandates, strengthen coordination, and ensure a coherent approach to government-wide implementation of digital services (March 2026)

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Supporting the Implementation of Priority Structural Reforms

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