



MINISTRY OF FINANCE  
REPUBLIC OF SOUTH AFRICA

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## OPERATION VULINDLELA

### OPENING REMARKS BY THE MINISTER OF FINANCE, ENOCH GODONGWANA, AT A MEDIA BRIEFING ON THE PROGRESS OF THE IMPLEMENTATION OF OPERATION VULINDLELA

DATE: 13 MAY 2022

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Good afternoon

As my colleague, Minister Gungubele has indicated, Operation Vulindlela was born out of the need to urgently implement the structural reforms that are critical for raising economic growth, creating jobs and beginning to make meaningful inroads on our unacceptably high levels of poverty and inequality.

Structural reforms refer to interventions or measures, such as changes to policy processes, legislation, regulation, and institutions that address obstacles to the fundamental drivers of growth as a strategy to raise the potential growth of a country.

They are essential to promoting economic transformation, supporting labour-intensive and inclusive growth, improving the efficiency of resource allocation, as well as creating a globally competitive economy.

Their successful implementation creates a conducive business environment for investment, both domestic and foreign.

A well-implemented reform programme can also raise confidence levels, supporting a marked easing of sovereign risk and borrowing costs. This can free up much-needed fiscal space, and lower economy-wide borrowing costs. In this way, reforms enable greater job creation, support fiscal sustainability, and spur economic growth, even if only in the short-term.

Modelling work by the National Treasury indicates the value of these reforms: We can raise economic growth significantly beyond the current, anaemic level for sub-two percent, and create over 1 million jobs, relative to a scenario without reforms.

A total of 26 structural reforms were prioritised to:

- (i) modernise and transform network industries including electricity, water, transport and digital communications; and
- (ii) attract skills and promote growth in tourism through reforms in the Visa regime.

Of this total, 8 reforms have been completed; while another 11 are progressing well. A minority of reforms are facing delays in implementation.

These reforms are already bearing fruit:

- In digital communications, the successful allocation of high demand spectrum not only raised R8bn for the fiscus, but recent estimates suggest that the industry will invest over R50bn on the back of this;
- In transport, the successful implementation of third party access to the freight rail network can spur additional investment of R58bn;
- In electricity, where we are working with the private sector to unblock the remaining challenges to free up embedded generation, we can realise investment of R54bn.

While we welcome the progress of Operation Vulindlela, this has seemingly been misinterpreted as premature or ignoring the very real frustrations on the ground at the slow pace of those reforms that are not progressing well. Or, in the case of restoring Eskom's energy availability factor to 70%, seem completely unattainable.

We are mindful of these reforms and, over the coming months, will redouble our efforts to resolve the energy crisis and ensure that the reforms facing implementation challenges access the support they need to progress because we are committed to unlocking the dynamism of this economy and placing our growth on a permanently higher trajectory.

**Thank you.**