

OPERATION VULINDLELA

Supporting
the Implementation
of Priority Structural Reforms



Operation Vulindlela Phase II

A second wave of reform for more rapid
and inclusive economic growth



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



THE PRESIDENCY
REPUBLIC OF SOUTH AFRICA



**STAY
SAFE**

VACCINATE TO SAVE SOUTH AFRICA

South Africa's economic reform journey

Operation Vulindlela is accelerating structural reform...

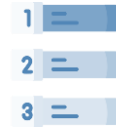
National Treasury Growth Paper published in 2019, setting out binding constraints on growth & reforms required

OV established in October 2020 to support the President and Cabinet to drive the implementation of priority reforms

Dedicated Vulindlela Unit created in the Presidency and National Treasury with capacity to support implementing departments

National Energy Crisis Committee (NECOM) and National Logistics Crisis Committee (NLCC) established as coordination structures in 2022 and 2023 respectively

...through a unique delivery model



Determining priorities and translating political objectives into **actionable strategies**



Designing solutions to complex problems through an **iterative and adaptive** approach



Identifying and aligning partners around the key interventions – **convening power**



Unblocking obstacles when monitoring shows progress is off-track or slow



Introducing and using best practice **performance management** approaches (while maintaining agility)

Impact of reforms in OV I



94%

Number of Phase I reforms completed or progressing well



R500 billion

New investment unlocked through reforms



22 500 MW

Pipeline of private investment in renewable energy projects



51%

Reduction in the cost of data for a 1.5 GB bundle



90

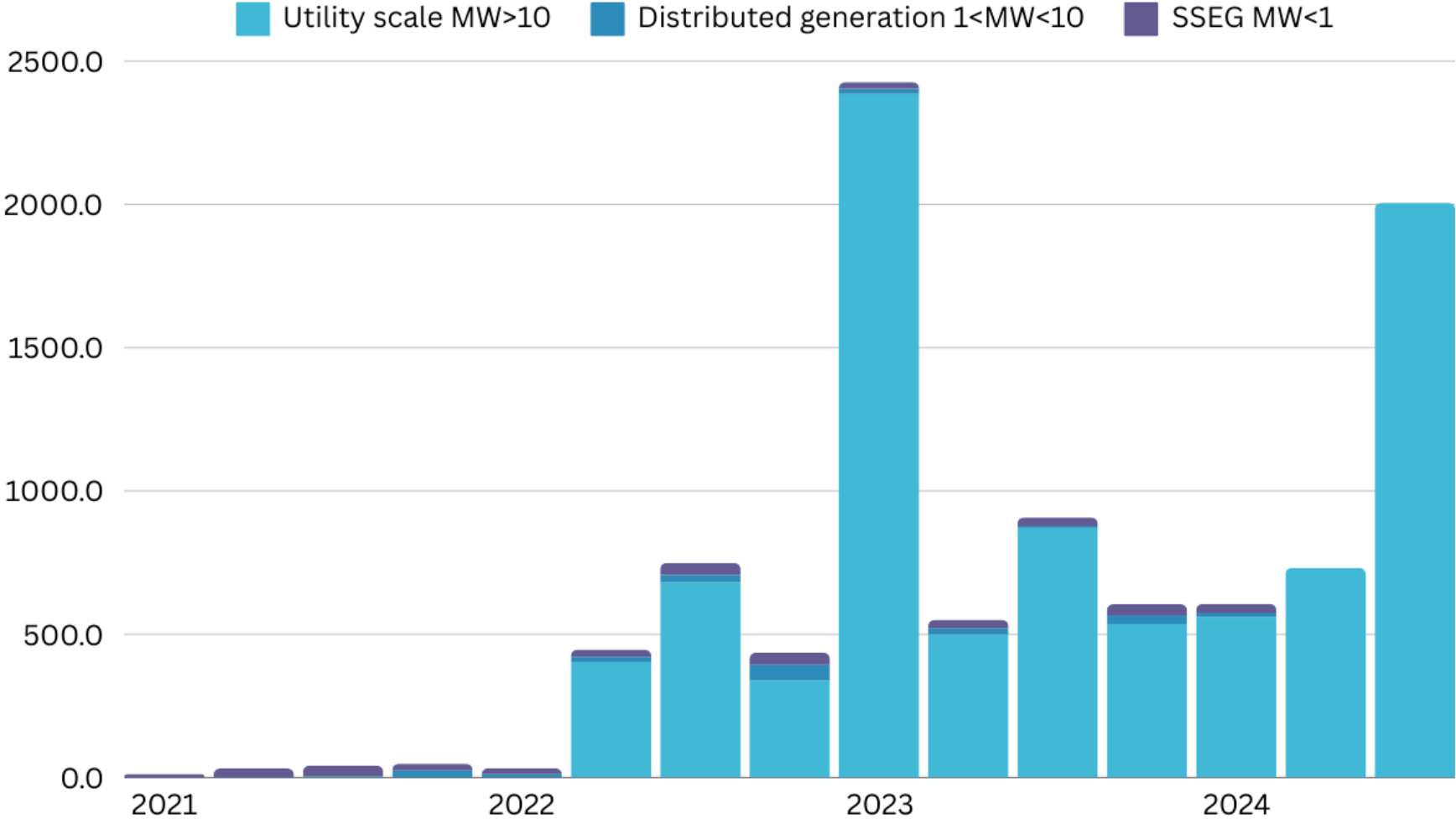
Number of days to obtain a water use license, down from 300

The economic reform programme is already showing results

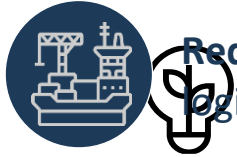
Energy sector reforms have unlocked over R400 billion in private investment to date.

Projects registered with NERSA (i.e. confirmed projects) now total over 9500 MW since the raising of the licensing threshold in 2021.

The most recent SA Renewable Energy Survey shows a pipeline of 134 GW of projects in development, of which over 60 GW are advanced (with environmental and other regulatory approvals in place).



Recent milestones



Requests for Information published to initiate major private sector participation (PSP) transactions in the freight logistics system, including in the iron ore corridor, the coal corridor, and the automotive and container terminals



Groundwork laid for the introduction of Independent Transmission Projects, including the publication of a Ministerial Determination for 1164 km of transmission lines to be procured as part of the first round and draft regulations to govern the process



New regulatory rules for wheeling approved by NERSA to enable customers to buy electricity from private generators and ensure non-discriminatory access to the grid – a key step to enable competition in generation



Trusted Tour Operator Scheme established to make it easier for tourists to travel to South Africa from new source markets – building on the successful trusted Employer Scheme introduced as part of OV Phase I



Discussion paper on the updated White Paper on Local Government published by COGTA to initiate the process of local government reform

Vulindlela reforms could boost growth to 3.5% by 2029

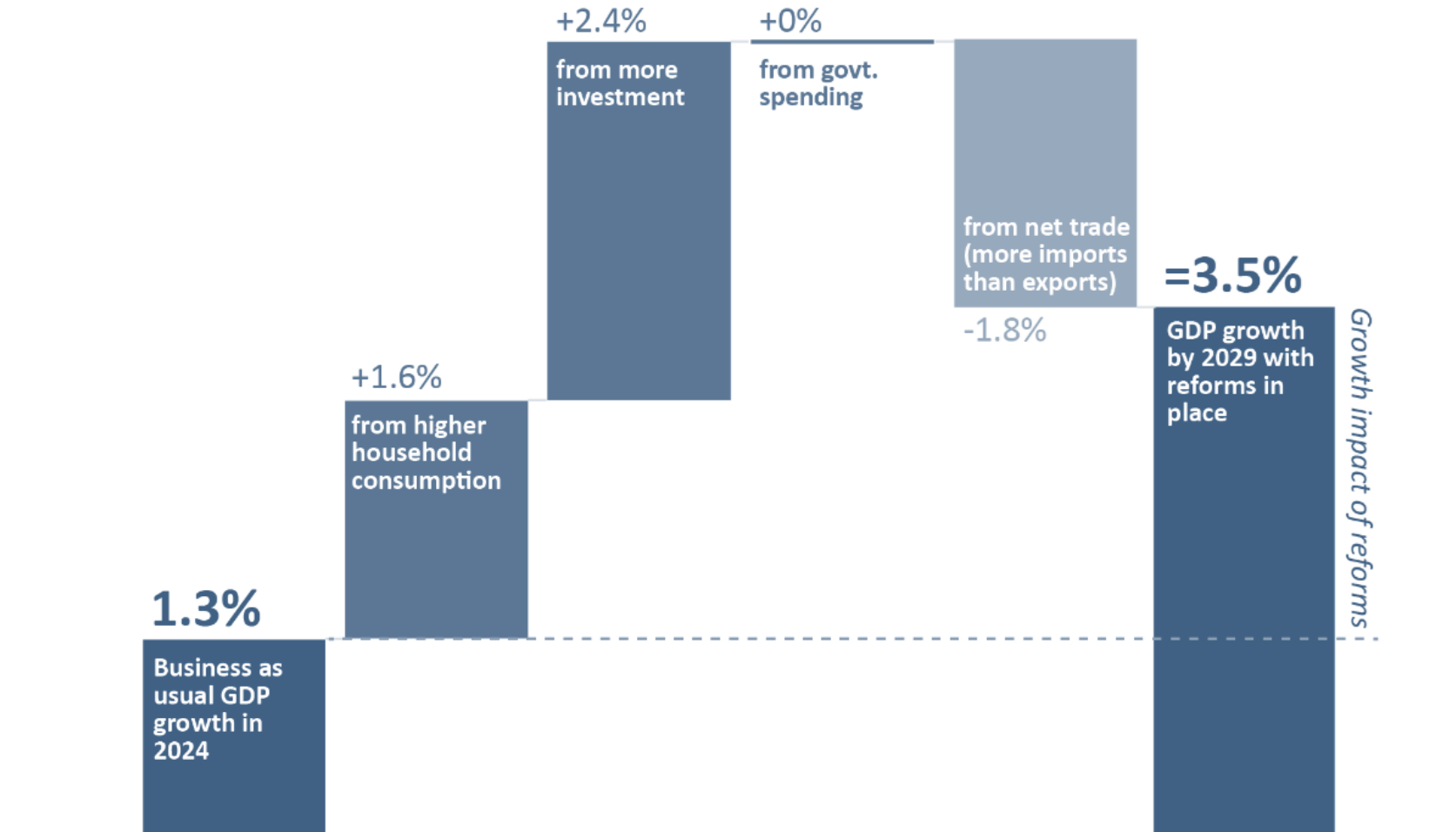
Independent modelling by the Bureau for Economic Research finds that:

Implementing the OV reforms can boost real GDP growth by 1.5% above the baseline of 2%.

The largest driver of this improvement is fixed investment, which is 4% higher by 2029.

Given improved energy availability and access to ports and railways, exports perform significantly better, reaching growth of almost 5% in 2029 vs. 3% in the baseline.

In the reform scenario, real GDP is R399.6bn (+7.7%) higher than in the baseline by 2029, and investment is R196.7bn (+22.3%) higher.

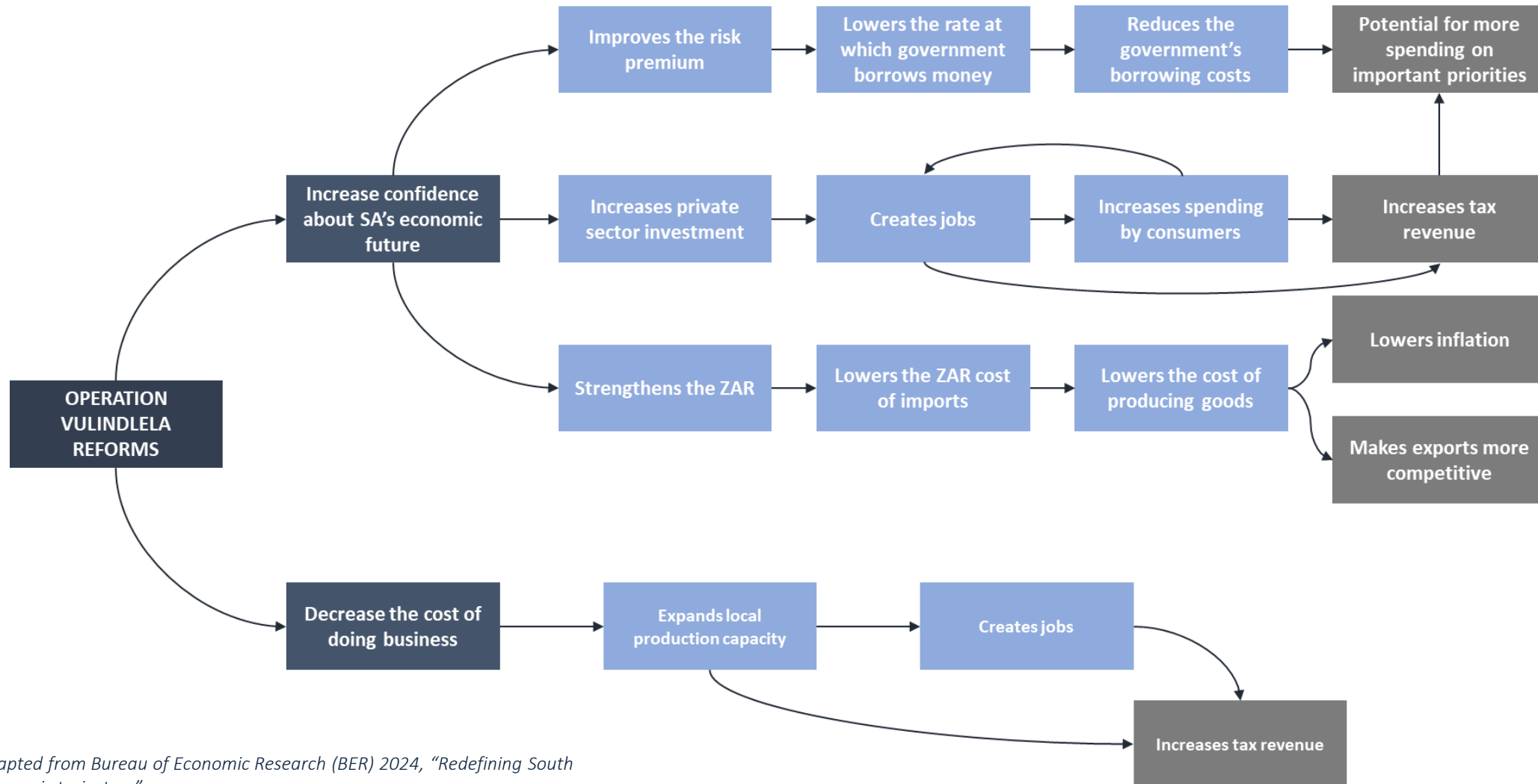


Looking ahead: the next phase of reform

OV II: A “second wave” of reform

- By alleviating load shedding, improving the performance of the logistics system, reducing the cost of data, improving water supply, and enabling the country to attract the skills it needs, **the reforms already underway through OV Phase I will provide a significant boost to the economy** in the medium term once fully implemented.
- In addition, they will **support the repositioning of strategic state-owned enterprises** by strengthening their balance sheets, enabling higher levels of private investment in infrastructure, and improving their operational performance.
- The immediate priority is to sustain the momentum already developed and **follow through on the implementation of existing reforms**, in order to realise their full impact. This will require completing the reforms underway, as well as deepening those reforms which have already been initiated.
- However, while these reforms are a *necessary* condition for growth and job creation, they are not *sufficient* to drive structural transformation in the economy. To achieve not only higher, but more inclusive long-term growth, **additional reforms have been included** in the next phase of OV.
- These new reforms must address both long-standing and emerging constraints which hold back growth and job creation in South Africa, such as the **deteriorating performance of local government** and **spatial inequality**.
- Over the past six months, OV has undertaken a process of in-depth engagement within and beyond government (including with sector experts) to **identify priorities for Phase II based on their potential impact on growth and jobs**. These priorities were approved by Cabinet in March 2025.

The logic of the reform programme



Source: Adapted from Bureau of Economic Research (BER) 2024, "Redefining South Africa's economic trajectory".

Focus areas for OV Phase II

Following through on existing reforms



Transform the electricity sector to achieve energy security



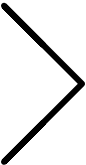
Create a world-class logistics system to support export growth



Ensure a secure and reliable supply of water



Reform the visa system to attract skills and investment



Expanding to new reform areas



Create dynamic and integrated cities to enable economic activity



Harness digital public infrastructure as a driver of growth and inclusion



Strengthen local government and improve the delivery of basic services



Achievements in Phase I



Regulatory changes to **enable private investment in electricity generation**



National Transmission Company of South Africa established as an independent entity



Electricity Regulation Amendment Act passed to introduce a competitive electricity market



Rooftop solar more than doubled in one year as a result of tax incentives and feed-in tariffs



World-class renewable energy procurement programme revived with over 10 GW of wind, solar and storage currently in procurement

Priorities for Phase II

1

Complete the restructuring of Eskom and establish an independent Transmission System Operator

2

Establish a competitive wholesale market for electricity generation

3

Streamline the regulatory framework for energy projects through the Energy Security Bill

4

Reform the electricity distribution industry to establish financially and operationally sustainable distribution companies

5

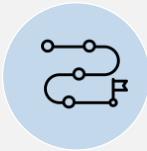
Strengthen and expand the national transmission network



Logistics

Opening the rail network and port terminals to private sector participation to improve efficiency

Achievements in Phase I



Freight Logistics Roadmap published to outline a clear path for reform of the logistics system



Draft Network Statement developed for the freight rail network to enable third party access by private rail operators



Private sector participation introduced in container terminals for the first time



Economic Regulation of Transport Act passed to provide independent regulation and enable competition in ports and rail



Private Sector Participation Unit established to package and oversee implementation of PSP projects through Transnet and PRASA

Priorities for Phase II

- 1 **Complete the restructuring of Transnet and establish an independent National Ports Authority and Rail Infrastructure Manager**
- 2 **Enable open access to the freight rail network**
- 3 **Introduce private sector participation in ports and rail through a dedicated PSP Unit**
- 4 **Establish the Transport Economic Regulator**
- 5 **Finalise the National Rail Bill to establish a legal framework for a competitive rail sector**



Water

Investing in water infrastructure and ensuring a secure and reliable supply of water

Achievements in Phase I



Water use licenses backlog cleared - unlocking billions in investment



National Water Resources Infrastructure Agency Act passed to provide for a dedicated agency to own and manage bulk water infrastructure



Water quality monitoring system reinstated for the first time since 2014 to enable effective intervention in failing municipalities



Raw Water Pricing Strategy revised to ensure cost recovery and renewed investment in infrastructure



Water Partnerships Office established to develop pipeline of PSP projects in the water sector



Priorities for Phase II

1

Develop a National Water Action Plan and establish a coordination structure to ensure water security

2

Implement institutional reforms to improve the management of water resources

3

Strengthen the regulation and oversight of water service provision

4

Support the introduction of private sector partnerships in the water sector

Achievements in Phase I



Comprehensive review of the work visa system completed with recommendations for reform



Revised Immigration Regulations published to provide for points based system and new visa categories



Trusted Employer Scheme established to create fast-track process for major investors



eVisa system introduced to 34 countries, including China, India, Kenya and Nigeria



More than 50% of the backlog of existing visa applications cleared and processing times reduced

Priorities for Phase II

1

Implement the Points Based System for Critical Skills Visas and General Work Visas

2

Implement the Remote Work Visa

3

Expand the Trusted Employer Scheme

4

Implement an Electronic Travel Authorisation (ETA) for tourist visas



Local government

Institutional, governance and financial reforms to address the root causes of deteriorating performance

Priorities for Phase II

1

Shift to a utility model for water and electricity services to ensure financial and operational sustainability



Require all metros to establish or appoint ring-fenced, professionally managed and independently licensed utilities for water & sanitation and electricity within two years, with support from National Treasury and line departments.

2

Standardise and professionalise the appointment of senior officials in local government



Ensure that all Municipal Managers and CFOs meet the minimum standards for qualifications, experience and integrity, and extend the mandate of the Public Service Commission to oversee compliance at local government level.

3

Review the institutional structure of the local government system through an updated White Paper on Local Government



Publish an updated White Paper on Local Government to outline a modern and fit-for-purpose local government system, including a review of powers and functions as well as the appropriateness of the two-tier system.

4

Review the funding model and functions assigned to local government, including the use of conditional grants



Undertake a review to ensure that local government revenue matches its responsibilities, and that funding mechanisms incentivize improved service delivery performance.



Spatial inequality

Creating dynamic cities that support economic growth and generate employment

Priorities for Phase II

1

Revitalise and restore passenger rail services



Complete the restoration of strategic corridors and upgrading of stations and rolling stock, and develop a roadmap for the future of passenger rail.

2

Strengthen demand-side housing policy to support densification



Redesign the First Home Finance programme to increase uptake, and introduce a demand-side rental subsidy for affordable housing.

3

Release public land and buildings for affordable housing and other development



Make available under-utilized land owned by national government departments and entities through sale or long-term lease for affordable housing.

4

Clear the backlog of title deeds and make the titling system more accessible and affordable



Address obstacles to titling by resolving outstanding planning approvals for subsidized housing developments, raising the small estates threshold, and establishing mechanisms to resolve disputes over ownership.

5

Review land use, building and other regulations to enable low-cost property developments



Review the current regulatory framework to support low-cost developments, for example by relaxing land use zoning schemes in certain areas to allow households to build a second or third dwelling.



Digital transformation

Investing in digital public infrastructure to enhance service delivery and expand financial inclusion

Priorities for Phase II

1

Develop and implement a Digital Transformation Roadmap for South Africa



Put in place a clear, practical roadmap to drive catalytic projects, overseen by an Inter-Departmental Working Group on Digital Transformation.

2

Implement digital identity for secure and remote access to services



Establish universal biometric enrolment and introduce a foundational digital identity system, together with a digital wallet for citizens to access their digital ID, drivers license and other verifiable credentials.

3

Establish a data exchange for evidence-based policymaking and service delivery



Create a data exchange to integrate key administrative databases, enabling improved programme design and targeting while reducing leakages and fraud.

4

Introduce digital payments for cost-effective and dignified transactions



Enable real-time payments at no cost through multiple channels to reduce cash transactions, and establish a payment bridge for government departments and agencies to make payments to citizens directly.

5

Create trusted digital channels for accessing information and services



Relaunch Gov.za as a fully functional platform for citizens to access information and services, and make procurement and other government data transparent.

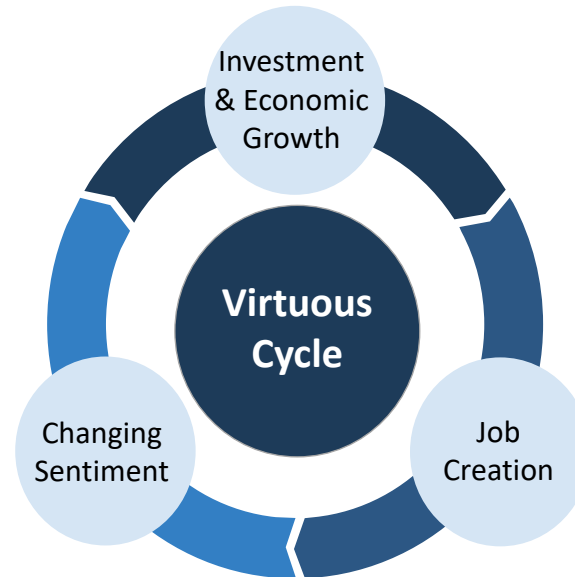
We need to sustain momentum of the economic reform agenda to achieve more rapid and inclusive growth

Impact of proposed reforms will accelerate in coming years



Virtuous cycle leading to growth and job creation

-  Massive increase in renewable energy through private investment
-  More efficient ports and rail through private sector operators
-  Highly attractive and flexible visa system
-  Improved service delivery for citizens and businesses at all levels of government



Key objective

Drive more rapid and inclusive growth over the next five years by accelerating economic reform

Thank you