



Speaking Notes

May 2025

OPERATION VULINDLELA PHASE II LAUNCH

1. In October 2020, Operation Vulindlela was established as a reform implementation structure aimed at driving a far-reaching economic reform agenda. At the time, it was recognised that the pandemic presented an opportunity not just for recovery, but for renewal and reform to shift our economic growth path onto a higher trajectory, creating jobs and therefore improving lives. The plan focused on addressing the long-standing constraints which have held back economic growth for more than a decade.

Structural reforms and growth

2. There is a strong consensus that economic growth is constrained by structural factors, such as a shortfall in electricity supply; an inefficient and unreliable freight logistics system; and crime and corruption. These constraints inhibit the real economy and undermine investor confidence.
3. In addition, rising public spending without an associated increase in economic growth has resulted in unsustainable debt burden. Further, high borrowing costs squeeze spending on real goods, services and investment. The only viable solution to stabilise the fiscal trajectory is therefore to increase the rate of growth. Higher sustained growth enables countries to further strengthen the propensity to grow, by creating the fiscal space to address other critical social and economic concerns, such as improvements and access to quality health services and education.
4. Radical economic reform is required to achieve this higher level of economic growth and create a virtuous cycle of higher confidence in the short term. This improves growth outcomes over the longer term.
5. 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.
6. The areas of focus of OV comprise the backbone of the South African economy and improving performance of these sectors is key for long-term growth and global competitiveness. As a small open economy, facing shifting global headwinds,

creating a favourable domestic environment is critical to support local firms to such that they are not only resilient but also able to take advantage of changing world markets.

What do we want to achieve going forward?

7. In order to drive more rapid and inclusive growth over the next five years, we must accelerate economic reform. A commitment to swift implementation of reforms is required across government to lower the cost of doing business, reduce regulatory bottlenecks and provide policy certainty. This in turn will promote investment, support export orientation, enable job creation and reinforce growth.
8. Enhancing efficiency in key sectors such as transport and logistics by restructuring state-owned entities, improving efficiency of investment and encouraging competition will bring down admin prices over the long term.
9. The immediate priority is therefore 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 – in the energy, logistics, and water sectors and visa regime. However, other structural constraints to growth remain thus, additional reforms will be prioritised in the next phase of OV to promote higher and more inclusive long-term growth.
10. The reform agenda will also prioritise (a) strengthening local government and improve the delivery of basic services; (b) harnessing digital public infrastructure as a driver of growth and inclusion; and (c) creating dynamic and integrated cities to enable economic activity.
11. Government will also be prioritising improving the effectiveness and efficiency of spending by making progress on the implementation of recommendations of spending reviews. With over 240 spending reviews undertaken by National Treasury and Provincial treasuries since 2013, government has a solid foundation with which to not only introduce cost-cutting measures, but to systematically assess whether public expenditure is effectively aligned with the priorities of this government and delivers the best possible value for money.
12. In closing, the road ahead is challenging but with agility, commitment to reform, we can achieve greater competitiveness and a more inclusive economy in line with this administration's priorities.