



# OPERATION VULINDLELA

## SUMMARY BOOKLET



THE PRESIDENCY  
REPUBLIC OF SOUTH AFRICA



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

## WHAT IS OPERATION VULINDLELA?

In his address to a joint sitting of Parliament on 15 October 2020, President Ramaphosa announced that “to fast-track the delivery of economic reforms, Operation Vulindlela will be implemented as a joint initiative of The Presidency and National Treasury.”

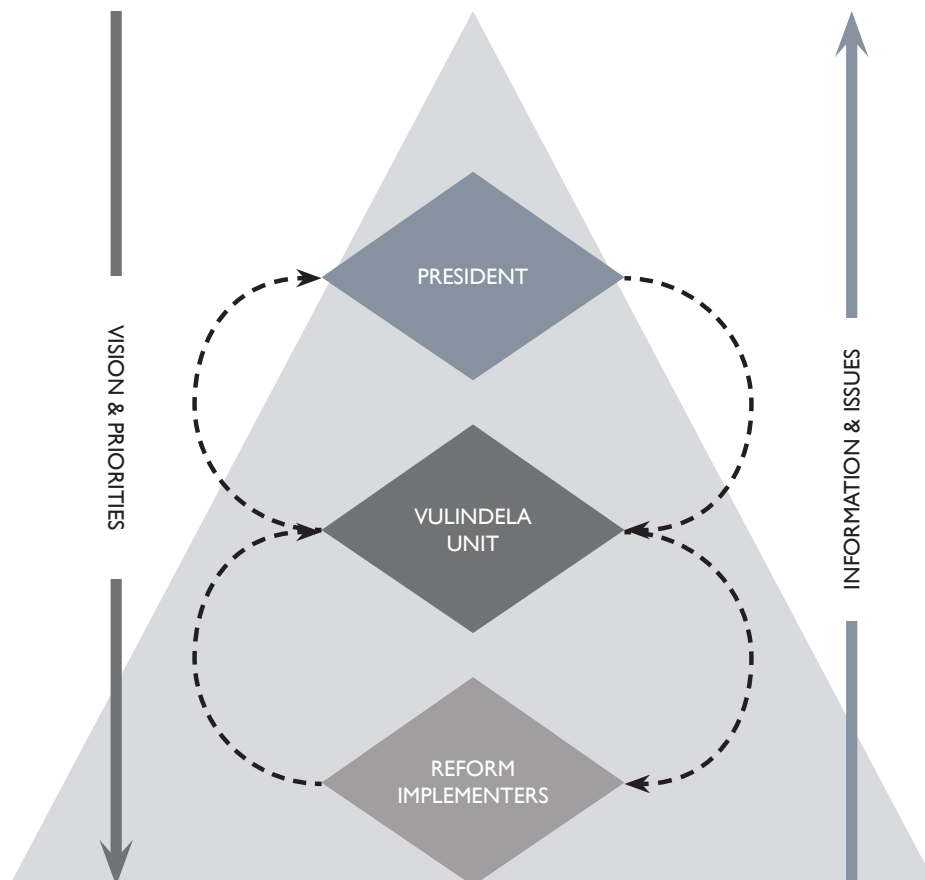
The implementation of structural reforms is crucial to sustain our economic recovery and to address the underlying causes of low economic growth and high unemployment. Many of these reforms have been delayed for a number of reasons, but their urgency is increased by the need to support a swift economic recovery.

Operation Vulindlela is a government-wide approach through which Ministers, departments and entities implement structural reforms and a Vulindlela unit in The Presidency and National Treasury monitors progress and actively supports implementation. Its aim is to fast-track the implementation of high-impact reforms, addressing obstacles or delays to ensure execution on policy commitments.

Dedicated capacity for Operation Vulindlela has been created in the Project Management Office (PMO) in The Presidency as well as in National Treasury. The Vulindlela unit reports directly to the President as well as to the Ministry of Finance, and provides updates to Cabinet and the National Economic Recovery Council on a regular basis.

Operation Vulindlela supports the implementation of reforms in three ways:

1. Monitoring and reporting on progress to identify challenges, sustain momentum and ensure accountability
2. Facilitating technical support to enable the implementation of reforms
3. Providing recommendations to the President and Cabinet where a decision or agreement is required



Operation Vulindlela is designed to support the President and Cabinet to ensure that priority structural reforms are implemented effectively.

## WHAT MAKES OPERATION VULINDLELA DIFFERENT?

Operation Vulindlela differs from previous efforts to enhance delivery in several ways:

- It has a dedicated team with skills and capacity and is able to mobilise technical support to implement complex reforms. This allows it to take a hands-on approach, working closely with implementing departments, agencies and state-owned enterprises to get these reforms over the line.
- It has widespread support both within and beyond government and has developed strong relationships with social partners. It is focusing on reforms that are supported by government policy but which have been delayed or blocked in the past.
- It reports directly to the President and Ministry of Finance, and provides regular updates to the National Economic Recovery Council and to Cabinet. This ensures that issues can be resolved swiftly where a decision is required.
- It has identified a narrow list of focused priorities where the impact on growth and employment will be greatest. It is deliberately not comprehensive, to avoid the dissipation of focus across too many issues given limited resources and capacity.

## WHY ARE STRUCTURAL REFORMS IMPORTANT?

South Africa has experienced low economic growth for almost a decade, with rising unemployment and inequality. Structural constraints have limited potential growth and led to reduced new investment in the economy.

As their name suggests, “structural reforms” are intended to change the structure of the economy to reduce input costs, lower barriers to entry and increase competition. Lower costs and greater efficiency increase the competitiveness of the economy and create new opportunities for investment. Accelerating the implementation of reforms will:

- Support rapid and inclusive growth by reforming network industries to modernise and transform the economy
- Lower barriers to entry to make it easier for businesses to start, grow, and compete
- Create greater levels of economic inclusion and address high levels of economic concentration
- Result in higher levels of employment as growth accelerates

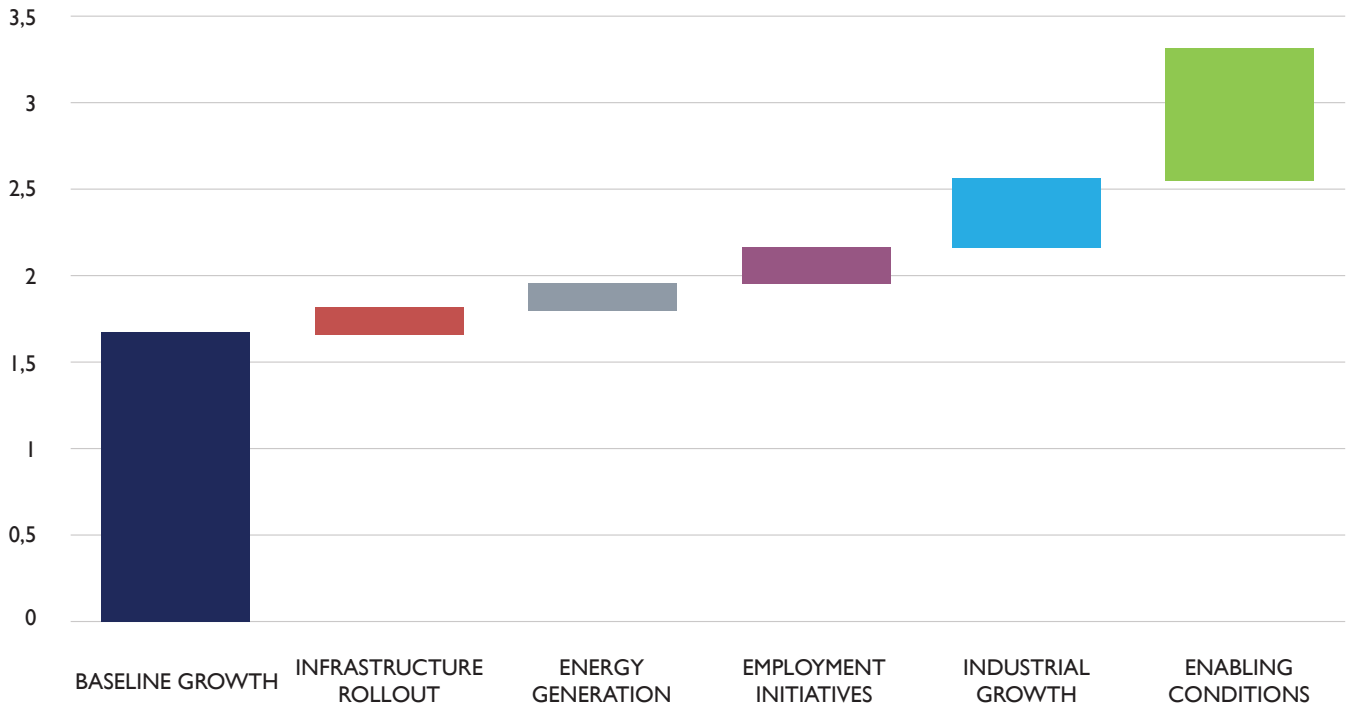
Operation Vulindlela aims to modernise and transform network industries, including electricity, water, transport and digital communications. These network industries are the bedrock of economic growth, and are essential to creating a globally competitive economy. In addition, reforms to the visa regime are being prioritised to attract skills and promote growth in tourism.

A total of 19 priority reforms have been identified in these focus areas, which together represent a bold and ambitious reform agenda to fundamentally change South Africa’s economic trajectory. Operation Vulindlela is not a new plan, but focuses on ensuring effective implementation of plans that already exist.

Most of the reforms prioritised by Operation Vulindlela require little or no additional resources, and are budget-positive or budget-neutral. In the context of fiscal constraints, structural reforms are necessary to restore growth and confidence without new funding – including by removing policy and regulatory obstacles to private investment.



## IMPACT OF ERRP ON GROWTH



Effective implementation of the Economic Reconstruction and Recovery Plan, which includes structural reforms, is expected to increase economic growth to more than 3% per annum – more than double the baseline growth rate.

## PRIORITY REFORMS IN THE ELECTRICITY SECTOR

OVERALL DESIRED OUTCOME: SUPPLY OF ELECTRICITY STABILISED

Reform	Reform actions	Reform implementer(s)	Expected timeframe
<b>Increase role of independent power producers</b> (source: SONA 2020; Economic Reconstruction and Recovery Plan)	Implement emergency procurement of 2 000 MW of power	DMRE/IPP Office	Financial close of contracts: April 2021
	Implement IPP procurement in terms of IRP 2019	DMRE/IPP Office	Procurement start: March 2021
	Increase the licensing threshold to enable increased investment in embedded or distributed generation	DMRE	May 2021
	Enable municipalities to procure power from independent power producers	DMRE/NERSA/National Treasury	Amendments gazetted 16 October 2020
	Implement Eskom short-term power purchase programme (STPPP)	Eskom/NERSA	Tender awarded: March 2021

Eskom faces an immediate electricity supply shortage of between 2 000 MW and 3 000 MW according to the IRP 2019, although the actual shortage may be as high as 5 000 MW given a reduced Energy Availability Factor (EAF). Operation Vulindlela is working with the Department of Mineral Resources and Energy to establish additional generation capacity as quickly as possible to reduce the risk of load shedding and enable economic growth. The procurement of 2 000 MW of emergency generation capacity will be

followed by the implementation of two further bid windows of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). In the short term, the licensing threshold for embedded generation projects will be raised to enable new private investment in generation capacity. Finally, following amendments to the Electricity Regulations on New Generation Capacity in October 2020, steps will be taken to facilitate the procurement of power by municipalities from independent power producers.

Reform	Reform actions	Reform implementer(s)	Expected timeframe
Restructure Eskom into generation, transmission, and distribution entities (source: SONA 2020, DPE Roadmap for Eskom; Economic Reconstruction and Recovery Plan)	Divisionalisation of Eskom	DPE/Eskom	March 2021
	Legal separation of Eskom into entities for generation, transmission and distribution	DPE/Eskom	December 2021

The separation of Eskom into separate entities for generation, transmission and distribution will create a modern, competitive and future-oriented energy sector. As outlined in the Eskom Roadmap and the Eskom Social Compact, a legally separate entity for transmission will be in place by December 2021. This will support a competitive market for electricity generation and will contribute to addressing Eskom's debt burden.

Reform	Reform actions	Reform implementer(s)	Expected timeframe
Improve Energy Availability Factor on Eskom plant (source: DPE Roadmap for Eskom; Economic Reconstruction and Recovery Plan)	Reverse decline in EAF and improve EAF from current level of approximately 65% to over 70%	DPE/Eskom	Sustained turnaround in EAF by December 2021

Eskom is undertaking an intensive maintenance programme on its coal-fired plants to improve their performance, with the current high levels of maintenance expected to have a positive impact on load shedding during the latter half of 2021.

Reform	Reform actions	Reform implementer(s)	Expected timeframe
Address institutional inefficiencies in municipal electricity distribution management (source: National Development Plan)	Enforce municipal distribution license conditions	NERSA	December 2021
	Review municipal fiscal framework to acknowledge the reduced role of electricity sales	National Treasury	December 2022
	Implement comprehensive national programme to support municipalities to improve electricity distribution performance	COGTA, National Treasury, DMRE, NERSA, SALGA, DBSA	December 2021

Weaknesses in revenue collection, maintenance and adherence to license conditions at municipal level is a threat to energy security and results in challenges for Eskom downstream. Operation Vulindlela is working with a range of government departments to put in place a comprehensive support programme for the turnaround of municipal electricity distribution businesses, starting in the metros.

## PRIORITY REFORMS IN THE DIGITAL COMMUNICATIONS SECTOR

OVERALL DESIRED OUTCOME: REDUCED COST AND INCREASED QUALITY OF DIGITAL COMMUNICATIONS

Reform	Reform actions	Reform implementer(s)	Expected timeframe
Increase available spectrum (source: SONA 2019, NT growth document, Economic Reconstruction and Recovery Plan)	Hold spectrum auction	ICASA	March 2021

ICASA is preparing to auction high demand spectrum in the 700Mhz, 800Mhz and 2.6Ghz frequency ranges by March 2021. These bands are known as the “digital dividend” as they allow signals to travel over a longer distance, resulting in fewer transmission towers and base stations being required. The auction of spectrum is likely to reduce the cost of mobile broadband and improve network quality while raising revenue for the state.

Reform	Reform actions	Reform implementer(s)	Expected timeframe
Migrate from analogue to digital TV (source: NT growth document, Economic Reconstruction and Recovery Plan)	Complete migration process	DCDT	March 2022

The migration from analogue to digital signal is necessary to free up additional spectrum for mobile telecommunications. At present, analogue television signal occupies much of the highly valuable 700MHz and 800MHz frequency bands. The switch-off of analogue transmission towers will begin in March 2021 and continue over a period of twelve months. Low-income households will be provided with a set-top box or a voucher to subsidise its purchase to ensure that they do not lose access to digital broadcasts. Operation Vulindlela is working with the Department of Communications and Digital Technologies to ensure that targets for the completion of digital migration are achieved.

Reform	Reform actions	Reform implementer(s)	Expected timeframe
Finalise policy and policy direction on rapid deployment of electronic communications networks and facilities (source: Electronic Communications Act)	Finalise policy and issue regulations	DCDT	April 2021
	Streamline approval of wayleave applications at municipal level	DCDT/COGTA/SALGA	December 2021

The deployment of broadband infrastructure is important to expand access to affordable, high-quality internet connectivity. The Policy and Policy Direction on Rapid Deployment will provide a clear framework for the rollout of telecommunications infrastructure such as fibre and network towers, enabling this infrastructure to be deployed across the country with greater speed and reduced cost. Operation Vulindlela is also working with municipalities and provinces to streamline the approval of wayleaves and expand the delivery of infrastructure to low-income neighbourhoods.

## PRIORITY REFORMS IN THE WATER SECTOR

OVERALL DESIRED OUTCOME: SUSTAINABLE WATER SUPPLY TO MEET DEMAND

Reform	Reform actions	Reform implementer(s)	Expected timeframe
Improve water-use licensing processes (source: SONA 2020)	Process long outstanding water use license applications	DWS	December 2021
	Streamline and improve water-use licensing processes	DWS	December 2021

Fast-tracking the processing and issuance of water use licenses is essential to promote investment in forestry, agriculture, mining and other sectors. Operation Vulindlela is supporting a comprehensive re-engineering of the license application process to ensure that the commitment to process all licenses within 90 days is met, while maintaining quality standards to ensure that licenses both protect water sources and meet the needs of investors.

Reform	Reform actions	Reform implementer(s)	Expected timeframe
Strengthen regulation of water pricing and service standards (source: NT growth document)	Revive the Green Drop, Blue Drop and No-Drop water quality monitoring programmes	DWS	December 2021
	Establish an independent economic regulator for water	DWS	April 2023

The publication of Green Drop, Blue Drop and No-Drop reports to assess the state of water quality, wastewater treatment and water infrastructure at municipal level played an important role in identifying and addressing challenges in the water system. These reports will be reinstated alongside other measures to strengthen the water quality monitoring system. These enhancements will provide a strong foundation for the establishment of an independent regulator for water to ensure rational pricing and effective monitoring of service standards, which Operation Vulindlela is supporting.

Reform	Reform actions	Reform implementer(s)	Expected timeframe
Finalise and implement the revised raw water pricing strategy (source: NT growth document)	Finalise the revised raw water pricing strategy for implementation	DWS	December 2021

A revised raw water pricing strategy is necessary to ensure the accurate and fair pricing of water according to the user-pays principle, ensuring that future investments in water infrastructure can be sustained at the level required. Operation Vulindlela is working with the Department of Water and Sanitation to conclude the revised strategy as quickly as possible.

Reform	Reform actions	Reform implementer(s)	Expected timeframe
Establish a national water resources infrastructure agency (source: NDP)	Establish water resources infrastructure agency	DWS	December 2023

South Africa needs to expand its bulk water infrastructure and improve the management of existing water assets to ensure water security over the next decade. Operation Vulindlela is providing technical support for the establishment of a new Water Resources Infrastructure Agency (WRIA), which will incorporate both the TCTA and the Water Trading Entity and separate these from the policy and regulatory function of the Department of Water and Sanitation. The agency will be responsible for developing and managing national water infrastructure, and will be able to mobilise finance for new projects through innovative models to crowd in private investment.

Reform	Reform actions	Reform implementer(s)	Expected timeframe
<b>Address institutional inefficiencies in municipal water and sanitation services (source: NDP)</b>	Implement comprehensive national programme to support municipalities to improve water services performance	COGTA/National Treasury/ DWS/SALGA/DBSA	December 2021

Weak revenue collection and asset management at the municipal level cascades into serious challenges for the water system as a whole, preventing adequate investment in water infrastructure and reducing the quality of water and wastewater treatment services. Operation Vulindlela is supporting a comprehensive intervention to help municipalities to improve their performance in water services, addressing these problems at root level.

## PRIORITY REFORMS IN THE TRANSPORT SECTOR

### OVERALL DESIRED OUTCOME: COMPETITIVE AND EFFICIENT FREIGHT TRANSPORT

Reform	Reform actions	Reform implementer(s)	Expected timeframe
<b>Corporatise the Transnet National Ports Authority (source: section 3(2) of the National Ports Act of 2005)</b>	Complete impact assessment and establish TNPA as a subsidiary of Transnet	DPE/Transnet	December 2023

Corporatisation of the Transnet National Ports Authority, as required by the National Ports Act, is intended to increase the competitiveness of South Africa's ports by separating its functions from other divisions within Transnet. Operation Vulindlela is working with the Departments of Transport and Public Enterprises as well as Transnet to ensure that corporatisation is implemented in a manner that protects Transnet's financial position and operational performance.

Reform	Reform actions	Reform implementer(s)	Expected timeframe
<b>Improve competitiveness and efficiency of ports (source: Economic Reconstruction and Recovery Plan)</b>	Create operational improvements within TPT	DPE/DOT/Transnet	Ongoing
	Improve coordination of all departments and entities in ports to increase efficiency and competitiveness	DPE/DOT/Transnet/SARS	Ongoing

Reducing costs and improving the efficiency of South Africa's ports is crucial to the competitiveness of our exports and the overall functioning of the economy. Operation Vulindlela is working closely with the Department of Public Enterprises, the Transnet National Ports Authority and other agencies to enhance port operations, including through concessions where appropriate, and to ensure better coordination between agencies involved in facilitating trade.

Reform	Reform actions	Reform implementer(s)	Expected timeframe
<b>Establish a Transport Economic Regulator through the Economic Regulation of Transport Bill (source: Treasury growth document)</b>	Economic Regulation of Transport Bill to be passed in Parliament	Parliament	July 2021
	Develop business plan for Regulator	DOT	July 2021
	Establish regulator	DOT	March 2022

The establishment of a Transport Economic Regulator is necessary to facilitate greater private sector involvement in the rail sector on terms that are fair, transparent and well-regulated in the public interest. Operation Vulindlela is working with the Department of Transport to finalise a detailed business case for the regulator's establishment in preparation for the passing of the Economic Regulation of Transport Bill.



Reform	Reform actions	Reform implementer(s)	Expected timeframe
Implement third party access policy and concession branch freight rail lines (source: Treasury growth document)	Develop and implement third party access policy	DPE/Transnet	July 2022
	Issue RFPs to concession branch lines where viable	DPE/Transnet	April 2021

Operation Vulindlela is working with the Department of Public Enterprises and Transnet Freight Rail (TFR) to implement the commercial separation of operations and rail infrastructure, which will enable third-party access to the freight rail network and the accurate costing of slots for third-party operators. In addition, TFR will invest together with the private sector to ensure the viability of branch lines, and is developing enabling policies and access regimes for branch line operators to operate on TFR lines. These are crucial steps to move freight from road to rail and increase the competitiveness of the rail system.

Reform	Reform actions	Reform implementer(s)	Expected timeframe
Finalise and implement White Paper on National Rail Policy	Finalise and submit White Paper to Cabinet for approval	DOT	April 2021

Rail is under-performing as a mode of freight and commuter transport relative to road transport in South Africa, and extensive reform of the rail sector is required. The draft White Paper on National Rail Policy comprehensively sets out Government's remedial interventions to achieve a rail renaissance in the country, in order to make rail a competitive mode of freight and commuter transport. Operation Vulindlela is working with the Department of Transport to fast-track the finalisation and implementation of this policy.

## PRIORITY REFORMS IN THE VISA REGIME

OVERALL DESIRED OUTCOME: GROWTH IN TOURIST ARRIVALS AND REDUCED SHORTAGE OF SKILLS

Reform	Reform actions	Reform implementer(s)	Expected timeframe
Improve regulatory frameworks and processes for issuing work permits for scarce skills and for skilled immigration (source: Economic Reconstruction and Recovery Plan)	Publish revised critical skills list	DHA	March 2021
	Carry out review of regulatory framework and processes	DHA/DHET/DEL/DTIC	May 2021
	Adjust regulatory framework and processes	DHA/DHET/DEL/DTIC	March 2022

South Africa's approach to critical skills and general work visas should be designed to attract the skills that are needed for the economy to grow, and to compete for these skills in a globally competitive market. In addition to the publication of a revised critical skills list, which was released for public comment in February 2021, Operation Vulindlela is supporting a comprehensive review of the framework and processes for issuing work permits.

Reform	Reform actions	Reform implementer(s)	Expected timeframe
Implement e-visa and visa waivers (source: Economic Reconstruction and Recovery Plan)	Implement e-Visa and expand visa waivers	DHA	December 2021
	Explore feasibility of visa recognition programme	DHA	March 2022

One of government's key priorities is to make it easier for tourists to visit South Africa, enabling the recovery and growth of the tourism sector in the aftermath of COVID-19. The e-Visa system will be fully implemented in 2021 following its pilot in 2020. Operation Vulindlela is working with the Department of Home Affairs to expand visa waivers and to explore the feasibility of introducing a visa recognition programme, which would allow travellers with a valid visa from other recognised countries to enter South Africa.





