

# OPERATION VULINDLELA

Supporting  
the Implementation  
of Priority Structural Reforms



## PROGRESS UPDATE

2022 | Q1 REPORT



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



THE PRESIDENCY  
REPUBLIC OF SOUTH AFRICA



**STAY  
SAFE**

VACCINATE TO SAVE SOUTH AFRICA

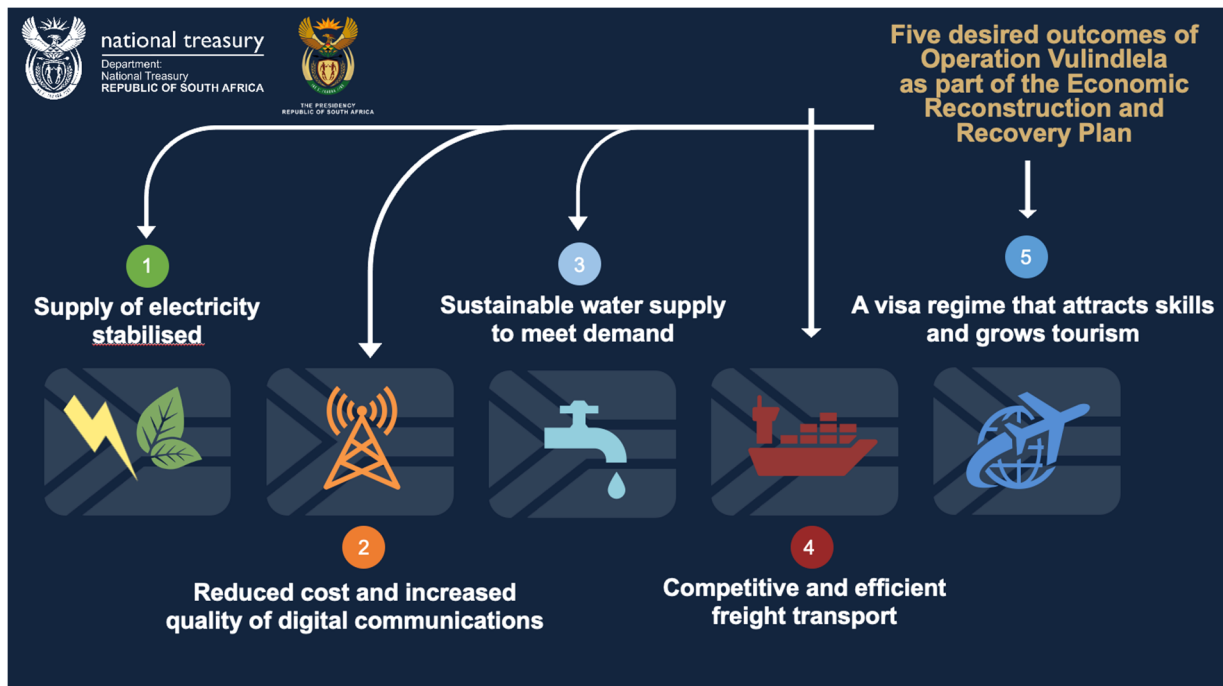
## INTRODUCTION TO OPERATION VULINDLELA

Operation Vulindlela was established in October 2020 as a joint initiative of the Presidency and National Treasury to accelerate the implementation of structural reforms. It 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, addresses challenges and actively supports implementation. Operation Vulindlela works to accelerate reform 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

“The problems in the South African economy are deep and they are structural. When electricity supply cannot be guaranteed, when railways and ports are inefficient, when innovation is held back by a scarcity of broadband spectrum, when water quality deteriorates, companies are reluctant to invest and the economy cannot function properly. With a view to addressing these challenges we are accelerating the implementation of far-reaching structural reforms to modernise and transform these industries, unlock investment, reduce costs and increase competitiveness and growth.”

- *President Cyril Ramaphosa, 2022 State of the Nation Address*



## WHY ARE STRUCTURAL REFORMS NECESSARY?

Operation Vulindlela is driving a **far-reaching economic reform agenda for South Africa**, which will fundamentally transform our economy for the better.

South Africa has experienced low economic growth for more than a decade, with rising poverty, unemployment and inequality. **Structural constraints** have limited potential growth and led to reduced 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 growth, investment and job creation.**

## WHAT DO THESE REFORMS MEAN FOR ME?

Our economic reform agenda is making a difference to the lives of all South Africans.

In a few years’ time, **energy reforms** will mean that there is competition in electricity generation, with **adequate supply to meet demand and no more load shedding.** An independent grid operator will buy electricity at the lowest price from Eskom and private generators.

We will have established a **world-class freight logistics system**, meaning **more jobs in export industries, lower costs for all of the goods that we buy, and less congestion on our highways.**

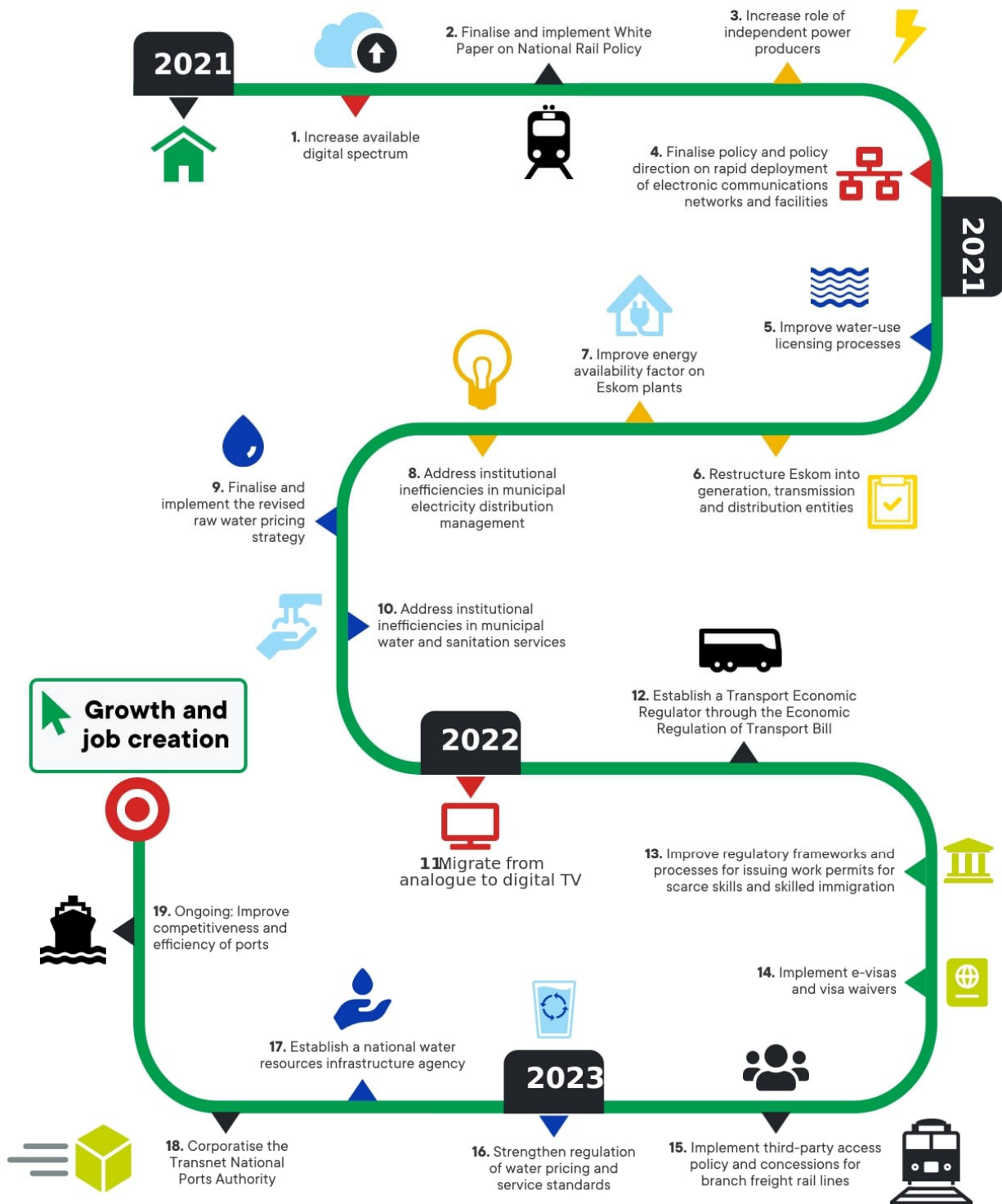
The release of spectrum will **reduce data costs, increase broadband speed and quality and expand network reach** across the country.

Stronger institutions in the water sector will mean **better maintenance of our water infrastructure, fewer disruptions to water supply, and long-term water security** in the face of climate change.

And reforms to the visa system will ensure that we can **access skills and resources that our economy needs** while protecting and increasing the employment of South Africans, especially in low-skilled and semi-skilled work.

## REFORM ROADMAP

You can find further details on [www.stateofthenation.gov.za/operation-vulindlela](http://www.stateofthenation.gov.za/operation-vulindlela)



## OVERALL STATUS OF REFORMS

#	ACTIONS	STATUS
1	Raise licensing threshold for embedded generation	
2	Implement emergency procurement of 2 000 MW	
3	Procure new generation capacity in terms of IRP 2019	
4	Enable municipalities to procure power from independent power producers	
5	Restructuring of Eskom	
6	Improve Energy Availability Factor (EAF) to over 70%	
7	Address institutional inefficiencies in municipal electricity distribution	
8	Complete spectrum auction	
9	Complete migration from analogue to digital signal	
10	Finalise Rapid Deployment Policy and Policy Direction	
11	Streamline process for wayleave approvals	
12	Improve water-use license application process	
13	Revive the Blue Drop, Green Drop and No Drop water quality monitoring system	
14	Establish an independent economic regulator for water	
15	Finalise the revised raw water pricing strategy	
16	Establish a National Water Resource Infrastructure Agency	
17	Address institutional inefficiencies in municipal water distribution	
18	Corporatise the Transnet National Ports Authority (TNPA)	
19	Improve efficiency of ports	
20	Establish Transport Economic Regulator through Economic Regulation of Transport Bill	
21	Finalise the White Paper on National Rail Policy	
22	Implement third-party access to freight rail network	
23	Publish revised Critical Skills List	
24	Review Policy Framework and processes for work visas	
25	Expand visa waivers and explore visa recognition system	
26	Implement e-Visa system in fourteen countries, including China, India, Kenya, Nigeria	

RAG STATUS			
REFORM COMPLETED	CRITICAL CHALLENGES IN IMPLEMENTATION	SOME CHALLENGES OR DELAYS IN IMPLEMENTATION	REFORM ON TRACK OR UNDERWAY

## HIGHLIGHTS OF OPERATION VULINDLELA TO DATE

### KEY ACHIEVEMENTS IN 2021

- ✓ Licensing threshold for new grid-connected generation projects raised to 100 MW, unlocking significant private investment in embedded generation and allowing the sale of electricity to multiple customers
- ✓ Bid Window 5 of the renewable energy programme opened, with preferred bidders announced for 2600 MW of wind and solar PV
- ✓ Deadline of December 2021 met for establishment of the National Transmission Company as part of Eskom unbundling, which will lay the foundation for a competitive electricity market
- ✓ National Ports Authority established as a subsidiary of Transnet, creating incentives for greater efficiency and enabling private sector participation in port operations

- ✓ Turnaround plan developed and implemented to reduce the processing time for water use license applications from over 300 days to under 90 days
- ✓ Blue Drop, Green Drop and No Drop water quality monitoring system revived to enable swift intervention where municipalities fail to meet norms and standards for water quality and wastewater treatment

#### KEY ACHIEVEMENTS IN Q1 2022

- ✓ Revised Critical Skills List published for the first time since 2014
- ✓ e-Visa system launched and fully operational in 14 countries, including China, India, Kenya and Nigeria
- ✓ Spectrum auction completed to improve network quality and reduce costs
- ✓ Electricity Regulation Amendment Bill published to enable a competitive electricity market
- ✓ White Paper on National Rail Policy finalised to guide reforms in the rail sectors

#### PROGRESS UPDATE: ELECTRICITY

South Africa's energy sector is **undergoing a fundamental transformation**, with the unbundling of Eskom and the **introduction of a competitive market for electricity**. This represents the most significant reform of the sector in more than a century, in order to **unleash investment and achieve greater energy security**.

The **revival of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP)** is creating substantial new generation capacity, with a total of 6800 MW of renewable energy being procured through current and future bid windows. Private investment in embedded generation will also increase as a result of the **removal of the licensing requirement for grid-connected projects up to 100 MW in size**, with a total of 58 projects in development representing a combined capacity of over 4500 MW. The amended Schedule 2 of the Electricity Regulation Act allows generation facilities below this threshold to wheel power across the grid and to sell power to multiple customers.

Eskom is making steady progress in its unbundling process, with a **separate transmission subsidiary now in place** that will lay the foundations for a fully independent grid operator. Intensive work is underway on **amendments to the Electricity Regulation Act and the Electricity Pricing Policy**, which will enable the emergence of a competitive electricity market.





**KEY ACHIEVEMENTS TO DATE**

- ✓ Licensing threshold for new generation projects increased from 1 MW to 100 MW to unlock private investment in generation capacity
- ✓ Preferred bidders announced for Bid Window 5 of the REIPPPP, with approvals underway (2600 MW)
- ✓ RFP released for Bid Window 6 of the REIPPPP (2600 MW)
- ✓ Several municipalities in process of procuring independent power following changes to the Regulations on New Generation Capacity
- ✓ National Transmission Company of South Africa established as a separate subsidiary of Eskom
- ✓ Electricity Regulation Amendment Bill published to enable the emergence of a competitive electricity market

**CURRENT FOCUS AREAS**

REFORM	OBJECTIVE	TIMEFRAME
<b>Rapidly expand new generation capacity</b>	Complete required approvals for Bid Window 5 and RMIPPPP projects	May/June 2022
	Receive proposals for Bid Window 6	August 2022
	Request proposals for gas power and battery storage	End 2022
<b>Enable embedded generation</b>	Accelerate investments in new generation projects < 100 MW through streamlining registration process and expediting regulatory approvals	Ongoing
<b>Complete restructuring of Eskom</b>	Complete unbundling of generation and distribution entities	December 2022
<b>Electricity market reform</b>	Introduce Electricity Regulation Amendment Bill to Parliament	July/August 2022

## PROGRESS UPDATE: DIGITAL COMMUNICATIONS

The **release of high-demand spectrum** through the successful spectrum auction in March 2022 will provide a **significant boost to the telecommunications sector**, expanding network reach and reducing the cost of data. The **completion of digital migration** with the switch-off of analogue transmission will make sub-1 GHz spectrum available for use in mobile telecommunications, enabling the rollout of 5G networks.

The **publication of a Rapid Deployment Policy and Policy Direction** by the Minister of Communications and Digital Technologies will **accelerate the expansion of telecommunications infrastructure**. Work is underway to streamline the process for wayleave approvals through a standard draft by-law, working closely with municipalities.

The implementation of these long-delayed reforms demonstrates **government's government, through Operation Vulindlela, to overcome deadlocks and ensure progress on critical reforms**.



### KEY ACHIEVEMENTS TO DATE

- ✓ Auction of high-demand spectrum completed
- ✓ Analogue switch-off completed in five provinces
- ✓ Rapid Deployment Policy and Policy Direction finalised for approval by Cabinet



## CURRENT FOCUS AREAS

REFORM	OBJECTIVE	TIMEFRAME
<b>Finalise the Rapid Deployment Policy</b>	Gazette the Rapid Deployment Policy and Policy Direction to enable investments in telecommunications infrastructure	May 2022
<b>Migrate remaining households to digital signal and switch off analogue transmission</b>	Provide a subsidised set-top box to any indigent households which have not yet migrated and complete switch-off in remaining provinces	June 2022
<b>Streamline wayleave approvals</b>	Develop a standard draft by-law for wayleave approvals	October 2022

## PROGRESS UPDATE: TRANSPORT

An **efficient freight logistics system** is crucial for economic growth – both to ensure the competitiveness of our export sectors and to reduce the cost of transporting goods. Reforms in the transport sector aim to **reposition South Africa’s ports and freight rail network for the future**.

The **establishment of the National Ports Authority as an independent subsidiary of Transnet** (rather than an operating division) will create incentives for greater efficiency and enable private sector participation. Following this reform, **significant progress has been made towards partnerships with the private sector in major container port terminals** at the Ports of Durban and Ngqura. A Request for Information was issued in August 2021, and will be followed by a Request for Proposals in April 2022. This will enable partnerships to be in place by October 2022, facilitating **new investment in port infrastructure** and improved management of container terminals.

The **White Paper on National Rail Policy** has been approved by Cabinet, and will create policy certainty for the rail sector. The White Paper outlines government’s plan to revitalise rail infrastructure, provides a clear policy direction on the devolution of passenger rail to local government, and provides for third-party access.

**Third-party access to the freight rail network** was initiated in April 2021, with Transnet Freight Rail (TFR) making slots available for private rail operators on the Durban-City Deep main line. In the medium term, the establishment of **an independent Transport Economic Regulator will enable transparent and non-discriminatory access** to the freight rail network.

In addition, the Economic Regulation of Transport Bill is currently before Parliament. Once promulgated, the Bill will establish a single economic regulator for the transport sector, as a necessary condition for broader private sector participation.

While these reforms are underway, Transnet is working to **address immediate operational challenges in both ports and rail**. Through a partnership with the private sector, TFR is enhancing security and preventing vandalism and theft of rail infrastructure. A multidisciplinary team has been established, led by the SAPS, to enable **a coordinated response to crimes targeting economic infrastructure**.



**KEY ACHIEVEMENTS TO DATE**

- ✓ National Ports Authority established as an independent subsidiary of Transnet
- ✓ Request for Information published for private sector participation at the Ports of Durban and Ngqura
- ✓ Accounting separation of Transnet Freight Rail completed to enable third-party access to the rail network
- ✓ RFP released for available slots on the Durban-City Deep rail line and the Pretoria-East London line
- ✓ White Paper on National Rail Policy finalised and approved by Cabinet

**CURRENT FOCUS AREAS**

REFORM	OBJECTIVE	TIMEFRAME
<b>Introduce private sector participation in container port terminals</b>	Release RFPs for private sector partnerships in the Ports of Durban and Ngqura	May 2022
<b>Enable third-party access to the freight rail network</b>	Make slots available for third-party access on the Durban-City Deep and East London corridors	Applications received in May 2022
<b>Establish a single Transport Economic Regulator</b>	Pass the Economic Regulation of Transport Bill and establish the new regulator	Bill before Parliament

## PROGRESS UPDATE: WATER

Reforms in the water sector aim to **strengthen governance** and **increase investment in infrastructure** to ensure a **sustainable supply of quality water**.

A turnaround plan is being implemented to **reduce the time it takes to get a water use license**, with a target of issuing 80% of all water use license applications within 90 days in 2022/23. Operation Vulindlela has provided technical support to the Department of Water and Sanitation to implement this plan.

The **Blue Drop, Green Drop and No Drop system has been reinstated** for the first time since 2014 to ensure effective water quality monitoring. This will enable **swift interventions where municipalities and water service providers fail to meet minimum norms and standards** for water and wastewater treatment. The first report was published on 1 April 2022.

Substantial progress has been made towards the **establishment of a National Water Resources Infrastructure Agency (NWRIA)**. Draft legislation has been submitted to Cabinet and will be published for public consultation in April 2022. The agency will enable better management and greater investment in bulk water resources, as a “SANRAL for water.”

An agreement has been concluded between the Department of Water and Sanitation and the Development Bank of Southern Africa (DBSA) to establish a Water Partnerships Office. This will develop mechanisms to enable private sector participation in the water sector, enabling **efficient management and expansion of infrastructure while ensuring public ownership of water assets**.



**KEY ACHIEVEMENTS TO DATE**

- ✓ Reinstated the Blue Drop, Green Drop and No Drop water quality monitoring system, with the first report published
- ✓ Developed and implemented a turnaround plan to improve processing times for water use license applications

**CURRENT FOCUS AREAS**

REFORM	OBJECTIVE	TIMEFRAME
Revise the raw water pricing strategy	Finalise the revised raw water pricing strategy to create certainty and ensure cost reflectivity	May 2022
Establish the National Water Resource Infrastructure Agency	Submit NWRIA Bill to Parliament	May/June 2022
Improve the water use license application process	Complete implementation of turnaround plan, with 80% of applications processed within 90 days	August 2022

**PROGRESS UPDATE: VISA SYSTEM**

South Africa's labour market suffers from an unusual combination of high unemployment at a low skills level and an acute shortage of skills in certain sectors, which constrains investment and growth. In addition, the processes for obtaining a work visa create a high administrative burden, with frequent delays in issuing visas.

A dynamic, growing economy requires **a visa regime that is flexible, efficient, and geared to attract the skills that the country needs, while protecting and promoting the employment of South Africans**. A comprehensive review of the work visa system is currently underway, which will provide recommendations on how to achieve this balance.

In addition, reforms are being implemented to **promote the growth and recovery of the tourism sector**. The **rollout of the eVisa system** in February 2022 and its expansion to fourteen countries, including promising new markets such as China and India, will facilitate greater tourist arrivals by making it quicker and easier for visitors to obtain a visa online.





**KEY ACHIEVEMENTS TO DATE**

- ✓ eVisa system implemented in fourteen countries to facilitate growth in tourism
- ✓ Comprehensive review of the work visa system underway

**CURRENT FOCUS AREAS**

REFORM	OBJECTIVE	TIMEFRAME
<b>Complete review of the work visa system</b>	Provide recommendations on changes to the policy framework and processes for issuing work visas	May 2022
<b>Establish feasibility of a visa recognition programme</b>	Explore the possible introduction of visa recognition, which would allow the holders of certain visas of recognised third countries to enter South Africa	September 2022