



## Structural Reforms & Economic Growth through Operation Vulindlela

### 1. Introduction

The major challenges which South Africa has experienced over the last decade or two include slow economic growth, rising inequality and a high unemployment rate. Contributing to the slow economic growth are structural constraints in many areas, among these electricity transmission, telecommunications, logistics, water, etc. To address these structural constraints, President Cyril Ramaphosa announced in his State of the Nation address in 2020 the launch of Operation Vulindlela (OV). OV, which is a joint initiative between the Presidency and the National Treasury, was initiated “to fast-track the delivery of economic reforms”.

This briefing paper will explore the mechanics of OV, its progress since the launch, and what it could mean for our economy.

### 2. Under the Hood of OV

According to the National Treasury, “Operation Vulindlela has a government-wide approach through which Ministers, departments and entities implement structural reforms by fast-tracking the implementation of high-impact reforms”.<sup>1</sup> An operational unit has been set up in the Presidency and Treasury to monitor progress and to address obstacles or delays to ensure the execution on policy commitments.

It has a dedicated team consisting of 10 (with five core members) who are imbued with skills and capacity and are able to mobilise technical support to implement complex reforms. The core team has five members<sup>2</sup> and is headed by Dr Sean Phillips, who has worked in various government roles for over two decades; Dr

Duncan Pieterse, who is responsible for economic policy at the National Treasury; Mr Mahesh Fakir, who is known for his expertise in maritime trade and logistics; Mr Rudi Dicks, who is from the President’s office, responsible for, amongst others, supporting the implementation of the Presidential Jobs Summit Framework agreement; and Mr Saul Musker, who is director of strategy and delivery support in the Presidency.

OV’s aim is to concentrate on structural reforms, i.e. reforms that will change the structure of the economy to reduce input costs, lower barriers to entry and increase competition. A total of 19 priority reforms have been identified in the areas of network industries, including electricity, water, transport and digital communications. These network industries are critical in growing the economy and making it globally competitive. In addition, reforms to the visa regime are being prioritised to attract skills and promote tourism growth. OV supports the implementation of these reforms in the following ways:<sup>3</sup>

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

### 3. Phase 1 Progress

Since its launch in 2020, OV has had some significant achievements (completing 94% of the reforms) in implementing the necessary interventions in its key focus areas:<sup>4</sup>

## *Electricity*

- The licensing threshold for embedded generation was removed in December 2022 by amending Schedule 2 of the Electricity Regulation Act.
- The Energy One Stop Shop (EOSS) was launched in July 2023. It co-ordinates regulatory processes and fast tracks approvals for energy projects.
- Unplanned breakdowns have declined from an average of 34% in Q1 2023 to less than 30% in Q1 2024 due to the return of three units of Kusile power station in 2023, as well as increased maintenance over the summer period.
- The new solar tax incentives introduced in March 2023 have resulted in rooftop photovoltaic installations more than doubling from around 2 500 MW by December 2022 to just over 5 400 MW by February 2024. The Energy Bounce Back Loan Scheme backed by National Treasury has also aided in the increase in rooftop photovoltaic installations.
- Eskom launched the Standard Offer Programme in September 2022, enabling Eskom to purchase power from any technology on a short-term basis from Independent Power Producers that are connected to the South African grid. The programme has approved a total of 1 136.5 MW in new capacity to date, exceeding the initial target of 1 000 MW. The Cross Border Standard Offer Programme was launched in October 2023 to purchase power on a similar basis from neighbouring countries, and is currently receiving applications.
- The National Transmission Company of South Africa (NTCSA) has been established with an independent board. It has been fully operational since July 2024 and has begun trading with Eskom and independent power producers.

## *Transport*

- The National Logistics Crisis Committee (NLCC) was established in 2023 to ensure a co-ordinated response to the logistics crisis.
- The implementation of the Transnet Recovery Plan has seen a recovery of 10 million tonnes on the rail network against

the pre-recovery trend.

- The White Paper on National Rail Policy was published in 2022. The policy outlines the government's plans to make rail a competitive mode of freight and commuter transport by opening up the rail system to private sector investment and effective economic regulation.
- In July 2023, Transnet announced that it had concluded the process of selecting an equity partner for the Durban Container Terminal (DCT) Pier 2.
- The Economic Regulation Bill, which was passed by both houses of Parliament in February 2024, establishes the Transport Economic Regulator as an independent regulator for the transport sector. Among its key functions will be to oversee access to the freight rail network by private rail operators and to ensure that tariffs and access charges are fair and reasonable.
- Cabinet adopted the Freight Logistics Roadmap, which has set in motion a series of reforms aimed at introducing open access to the freight rail network by private rail operators.
- A new permanent board for the Transnet National Ports Authority (TNPA) will oversee the process of corporatizing the TNPA.

## *Water*

- The time to process water use licensing applications has been reduced from 300 days to within the 90 day target, and the backlog of license applications has been cleared.
- An independent agency to design, plan, finance and manage bulk water resources was established through the enactment of the South African Water Resources Infrastructure Agency Soc Limited Act (Act 34 of 2024).

## *Digital Communication*

- In March 2022, ICASA successfully concluded the high-demand spectrum auction, through which six mobile operators were awarded frequency spaces with a value of over R14 billion. The auctioned spectrum has enabled the rollout of more advanced 5G networks, a reduction in data costs, and improved network quality.

- Analogue transmission was switched off on 31 July 2023 for frequencies above 694 Megahertz (MHz). Work is now under way to end dual illumination and to switch off the remaining analogue broadcasting services below 694 MHz by 31 December 2024.
- The Next Generation Radio Frequency Spectrum Policy has been approved by Cabinet. It aims to advance the availability of spectrum along with the flexibility of its use, including through the establishment of a secondary market for spectrum, promoting competition in the assignment of the spectrum, and achieving optimum spectrum pricing.

#### *eVisas*

- The eVisa system was implemented in 2022 for an initial 14 countries, including China, India, Kenya and Nigeria, and has since been expanded to 34 countries in total. This means that almost all countries have been granted a visa waiver or have access to the eVisa system, contributing to the growth of tourism and expansion into new source markets.
- The Trusted Employer Scheme was launched in October 2023 and provides a streamlined, efficient process for major investors to recruit foreign talent, including reduced application requirements and faster processing times. The scheme has been operational since March 2023, with 68 companies meeting the criteria for participation in the first intake.
- The Immigration Regulations have been revised. Under the new system, points will be allocated to various criteria such as qualifications, income level, and work experience, with applicants required to reach a threshold number of points to qualify. A new visa category is introduced for remote workers, which will attract new visitors to the country for a six or twelve-month stay, providing a significant boost to the labour-intensive tourism industry.
- New regulations were published to make

visa application requirements easier by removing the requirement for a radiological report and updating the requirement for a police clearance certificate to apply five years before application.

The completion of these reforms will have a significant impact on economic growth. According to modelling done by the Bureau for Economic Research, South Africa could lift its GDP growth rate to 3.5% by 2029 if the structural reforms spearheaded by OV continue and are accelerated.<sup>5</sup> Successful implementation of these reforms could boost revenue by an additional R600 billion, and create more than 1 million jobs over ten years.<sup>6</sup>

#### **4. Shifting Focus in Phase 2**

With the success of Phase 1 in its rear-view mirror, OV is setting its sights on replicating the structural reform success in the following three focus areas:<sup>7</sup>

- the performance of local government has emerged as a significant obstacle to investment, because of its failure to deliver basic services or to process regulatory approvals that investors rely on. Reforming the local government system and improving the delivery of basic services will be prioritised;
- harnessing digital public infrastructure for growth and inclusion; and
- releasing public land for social housing and redirecting housing policy to enable people to find affordable homes in areas of their choice.

#### **5. Conclusion**

Operation Vulindlela is not a magic bullet, but its ability to find ways to work across departments and institutions to fix the prioritised focus areas is an indication that Government can get things done. The economic value-add of successfully implementing structural reforms is already evident in the investments in the energy and telecommunications sectors. There is much optimism that Phase 2 can build on the success and the gains made during Phase 1.

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<sup>1</sup> National Treasury (2021): *Operation Vulindlela Summary Booklet*.

Available online at <https://tinyurl.com/rnnpxtvt>

<sup>2</sup> Shaun Jacobs (2024): *The five people who saved South Africa's economy from collapse*.

Available online at <https://tinyurl.com/2f9vn43v>

<sup>3</sup> National Treasury (2021): *Operation Vulindlela Summary Booklet*.

<sup>4</sup> National Treasury (2024): *Operation Vulindlela Phase 1 Review*.

Available online at <https://tinyurl.com/ycxwwztd>

<sup>5</sup> BusinessTech (2024): *South Africa doesn't need a miracle*.

Available online at <https://tinyurl.com/2mt2utfw>

<sup>6</sup> National Treasury (2024): *Operation Vulindlela Phase 1 Review*

<sup>7</sup> Engineering News (2024): *Vulindlela 2.0, green industrialisation, infrastructure at centre of GNU's growth vision*. Available online at <https://tinyurl.com/ykmhpmza>

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