

OPERATION VULINDLELA

Supporting
the Implementation
of Priority Structural Reforms



PROGRESS UPDATE

Q2 2023 Report



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



THE PRESIDENCY
REPUBLIC OF SOUTH AFRICA

OPERATION VULINDLELA

PROGRESS UPDATE

2023/24 | Q2 REPORT

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INTRODUCTION

Operation Vulindlela is now approaching its third anniversary. In that time, progress in the implementation of priority structural reforms has gathered pace. As it stands, over 70% of OV reforms have now either been completed or are on track to be finalised within the next year. A minority of reforms – those in the municipal space and the additional reforms that Operation Vulindlela has taken on in the last year – will run beyond the 2023/2024 fiscal year.

Operation Vulindlela reached several key milestones in Q2 2023. The first of these came with the gazetting of the final date for analogue switch-off (ASO) on 15 June 2023. This has enabled analogue transmission to be switched off for all frequencies above 694 Megahertz (MHz) on 31 July 2023, marking a significant milestone in the completion of digital migration. This means that all spectrum auctioned in March 2022 can now be fully utilised by mobile network operators. The gazetting of the final ASO date and the final switch off of analogue broadcasting services above 694 MHz marks the completion of the set of reforms in the telecommunications sector, which are expected to expand network access, increase speed, and reduce the cost of data. OV will continue to monitor the impact of these reforms and support further policy development in the sector.

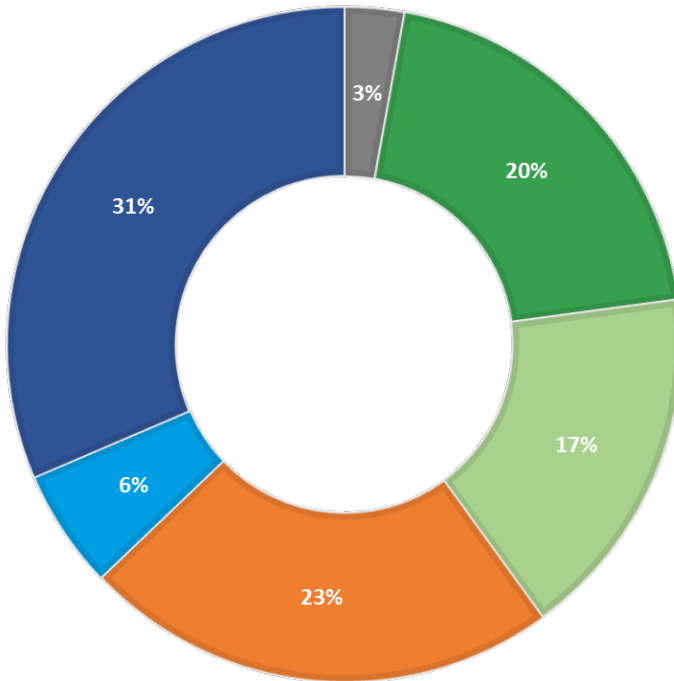
The set of priority reforms to the visa system was also completed in Q2 2023. The finalisation of the work visa review has enabled the publication of an implementation plan for the planned immigration changes, which the Department of Home Affairs will gazette in August for public comment. The DHA is also expanding its visa waiver programme to additional countries. South Africa currently waives visas for visitors from about 132 countries and is in negotiations to extend this to a further 10 countries. Where countries do not have a visa waiver, they have been included in the eVisa system rollout. Operation Vulindlela will continue to work with the DHA to ensure that these reforms are implemented swiftly and to a high standard.

Other milestones met in Q2 2023 were achieved in the electricity sector. Six projects from Bid Window 5 have reached financial close to date, with a further four expected to close by the end of August 2023 and three to close by the end of September 2023. There have also been notable improvements in Eskom's Energy Availability Factor (EAF), which has since peaked at 59% from a low of 49% at the end of last year. The newly appointed Eskom board has set a target of reaching an EAF of 65% in the current financial year. Based on current progress, we have revised our assessment from red, indicating that a reform is facing critical challenges and is unlikely to be realised, to orange, indicating that the reform faces critical challenges that require intervention for the target to be reached.

In the water sector, the National Water Resources Infrastructure Agency (NWRIA) Bill received approval from Cabinet to proceed to Parliament. The Bill, which seeks to establish an Agency to manage national bulk water resource infrastructure and attract investment in water resource development, is expected to be tabled in Parliament by August 2023.

In the transport sector, President Ramaphosa directed the establishment of the National Logistics Crisis Committee (NLCC) to oversee implementation of the Freight Logistics Roadmap, which is being developed by government and Transnet. The roadmap incorporates proposals to resolve the immediate operational challenges while developing interventions to fundamentally restructure the logistics sector to support inclusive economic growth. A key milestone was reached with the selection of an international terminal operator to partner with Transnet at the Durban Pier 2 container terminal. This will crowd in private investment and management expertise to improve the performance of South Africa's largest container terminal.

OV DASHBOARD



- 3%** **1 ACTIVITY**
No data/reform not yet started
- 0%** **0 ACTIVITIES**
Reform facing critical challenges, likely not to be achieved
- 20%** **7 ACTIVITIES**
Reform progress on track
- 23%** **8 ACTIVITIES**
Reform facing significant challenges, intervention required
- 17%** **6 ACTIVITIES**
Reform delayed/off track, but work underway
- 31%** **11 ACTIVITIES**
Reform completed; no further work required
- 6%** **2 ACTIVITIES**
Reform completed; further work required

DETAILED PROGRESS UPDATE

ACTIVITY STATUS	NO. OF REFORMS	REFORM
	1	<ul style="list-style-type: none"> Develop a fit-for-purpose procurement regime for state-owned entities
	8	<ul style="list-style-type: none"> Improve Energy Availability Factor (EAF) to over 70% Address institutional inefficiencies in municipal electricity distribution Address institutional inefficiencies in municipal water distribution Improve efficiency of ports Implement third-party access to freight rail network Create an enabling legal and regulatory environment for hemp and cannabis Create a modern and efficient mining rights system Review and adjust the fuel price formula
	6	<ul style="list-style-type: none"> Implement the energy action plan Expedite the issuance of title deeds for subsidised housing Procure new generation capacity in terms of IRP 2019 Establish Transport Economic Regulator Finalise the revised raw water pricing strategy Establish a National Water Resource Infrastructure Agency
	7	<ul style="list-style-type: none"> Develop a strategy for the devolution of passenger rail to local authorities Finalise amendments to the Electricity Regulation Act Complete restructuring of Eskom Reinstate the Blue Drop, Green Drop and No Drop water quality monitoring system Streamline and improve water-use license application process Enhance the role of Private Sector Participation in the Water Sector Strengthen regulation of price and service standards in the water sector
	11	<ul style="list-style-type: none"> Publish revised Critical Skills List Finalise the White Paper on National Rail Policy Raise licensing threshold for embedded generation Complete spectrum auction Finalise Rapid Deployment Policy and Policy Direction Implement e-Visa system in fourteen countries, including China, India, Kenya and Nigeria Enable municipalities to procure power from independent power producers Streamline process for wayleave approvals Review policy framework and processes for work visas Clear backlog of water use license applications Expand visa waivers and explore visa recognition system
	2	<ul style="list-style-type: none"> Corporatise the Transnet National Ports Authority (TNPA) Complete migration from digital to analogue signal

KEY ACHIEVEMENTS IN Q2 2023

- ✓ **The Department of Communications and Digital Technologies gazetted dates for a phased approach to analogue switch-off.** To enable the release of licensed spectrum for use by mobile operators, frequencies above 694 Megahertz (MHz) were switched off in all provinces on 31 July 2023.
- ✓ **Transnet completed its selection of an international terminal operator with which to establish a partnership for the Durban Pier 2 container terminal.** This partnership will crowd in private investment, including for upgrading equipment and expanding terminal capacity, as well as management expertise to improve operational performance. This will have a positive impact on the efficiency of the terminal, which handles 72% of the Port of Durban's throughput and 46% of South Africa's port traffic.
- ✓ **Nine projects from Bid Window 5 have reached financial close to date, with a further four expected to close by August 2023 and three to close by September 2023.** An additional five hybrid projects from the Risk Mitigation Independent Power Producer Procurement Programme are also expected to reach legal close between September and December 2023.
- ✓ **There has been a notable improvement in Eskom's Energy Availability Factor (EAF) during the past quarter, which has increased to nearly 60% from a low level of 49% at the beginning of the year.** Eskom is implementing its Generation Recovery Plan to improve plant performance and reduce unplanned breakdowns.
- ✓ **The National Water Resources Infrastructure Agency (NWRIA) Bill was approved by Cabinet in June 2023.** The Bill will soon be tabled in Parliament and is the centrepiece of institutional reforms in the water sector.
- ✓ **The Department of Home Affairs is expanding its visa waiver programme to reach almost all of the countries where South Africa has diplomatic relations.** To date, SA currently waives visas for visitors from about 135 countries and is currently in negotiations with a further 12 countries where the risk has been flagged as low.

DETAILED PROGRESS UPDATE

ELECTRICITY REFORMS

Since the announcement of the Energy Action Plan by President Ramaphosa, Operation Vulindlela has been working as the secretariat of the National Energy Crisis Committee (NECOM) to support the full implementation of the Plan. One year later, there has been an encouraging improvement in Eskom's Energy Availability Factor (EAF) which has since peaked at 59% from a low level of 49% at the end of last year. The improved EAF coupled with lower than anticipated demand, has meant lower stages of load shedding for households and businesses. OV continues to support the improvements in the sustainability of South Africa's electricity supply.

A crucial milestone has reached with the formal introduction of the Electricity Regulation Amendment Bill to Parliament. The Bill has received certification from the Office of the Chief State Law Advisor and has been

submitted to Parliament for tabling. Engagement is underway to ensure that the Bill can be considered within the Sixth Parliament, given its importance in addressing the energy crisis.

A detailed progress report was released to mark the one-year anniversary of the Energy Action Plan, available to download [here](#). Key achievements in implementing the plan this quarter include:

- **Releasing the Interim Grid Capacity Allocation Rules.** Eskom’s updated grid queuing rules aim to ensure fair, equitable and transparent allocation of the limited grid capacity. The revised rules give effect to the “first-ready first-served” principle, in which Eskom will allocate grid capacity to projects based on a demonstrated readiness of the project to build the generation facility and related grid infrastructure to connect to the grid. Further engagements are underway with key stakeholders, facilitated by NECOM, to address remaining concerns with the rules and ensure that they enable investment while allocating available capacity in an optimal manner.
- **Accelerating procurement of new generation capacity.** Three projects from the Risk Mitigation Independent Power Producer Procurement Programme have entered construction, with the remaining five hybrid projects expected to reach legal close by the end of September 2023. Project agreements have been signed for 19 of the 25 preferred bidders from Bid Window 5 amounting to approximately 1 800 MW. Of this capacity, 1 009 MW have reached commercial close, with 784 MW already in construction. The other 300 MW is expected to reach commercial close in the coming months. Six preferred bidders have been announced under Bid Window 6, amounting to 1 000 MW of new capacity.
- **Advancing critical Eskom Just Energy Transition (JET) projects.** In May 2023, NERSA provided concurrence for Eskom to proceed with crucial JET programmes, including 194.5 MW of solar PV at Komati, Lethabo and Sere and 150 MW of battery storage at Komati.
- **Driving progress on the unbundling of Eskom into separate entities for generation, transmission, and distribution.** Significant progress has been made towards the establishment of the National Transmission Company of South Africa (NTCSA) as an independent subsidiary of Eskom. The NTCSA has applied to NERSA for transmission, electricity trading, and electricity import and export licenses – of which a license to operate a transmission system was approved on 27 July 2023. The appointment of a board for the NTCSA is being finalized in parallel to ensure that the new entity can be fully operationalized by October 2023.
- **Launching the Enhanced Demand Management Programme.** This programme, implemented by Eskom, uses a performance contracting model with an incentive rate of R3 million per MW provided for achieved demand reduction during specified periods. It was launched at a Demand Management Indaba on 24 April 2023.
- **Increasing the pipeline of private sector generation projects.** The 2023 South African Renewable Energy Grid Survey revealed that about 66 GW of wind and solar energy projects have been unlocked, and of this, 18 GW are in advanced development.
- **Launching a national Winter Campaign to encourage energy saving measures.** The target is to reduce demand by approximately 1 000MW within the next six months.

CURRENT AND FUTURE FOCUS AREAS

- **Ensure that additional projects from existing bid windows proceed to close:** This includes the remaining projects from Bid Window 5 and 6 which are on track to reach financial close, as well as five hybrid projects from the risk mitigation programme.

- **Release further bid windows for solar PV, wind, gas, and battery storage:** Work is advanced on the release of an RFP for Bid Window 7, through which 5 000 MW of wind and solar PV will be procured, and further RFPs for 1 200 MW of battery storage and 3 000 MW of gas.
- **Develop special legislation to reduce or remove red tape for energy projects:** This will include measures to accelerate solar, wind and battery storage projects as well as transmission infrastructure.
- **Operationalize the National Transmission Company:** This includes the appointment of an independent board and finalization of outstanding license applications.
- **Strengthen the capacity of the grid:** A dedicated work stream of NECTM has been established to accelerate implementation of the Transmission Development Plan and unlock additional grid capacity.
- **Release RFPs for the Load Shedding Reduction Programme (750 MW) and the Cross Border Purchase Programme (1000 MW).** On 27 July, NERSA granted concurrence with ministerial determinations for the procurement of capacity under the two programmes, which will enable finalisation of the RFPs.

TRANSPORT REFORMS

PORTS AND RAIL

A well-functioning logistics system is a critical input into any economy, such that Transnet's decline poses a material risk to our economic prospects. South Africa continues to lose rail market share, with Transnet Freight Rail (TFR) volumes falling short of targeted volumes – where our rail system moves less than 40% of rail-friendly freight tonne-kilometres. South Africa's port performance is poor by international benchmarks, both in terms of efficiency and competitiveness. Actions to improve efficiencies, encourage private participation and enable increased competition and investment are required to arrest the sector's decline. However, given the extent of the logistics crisis, which in terms of rail performance resulted in losses equivalent to 5.3% of GDP in 20221, increased effort is being directed towards resolving the sector's turnaround strategy. The development of the National Freight Logistics Roadmap and instituting the National Logistics Crisis Committee will firstly expand the suite of reforms in the logistics sector and secondly, enable the prioritization of the immediate crisis while addressing structural features of the sector through policy and legislative reform in parallel.

What is the National Logistics Crisis Committee?

President Ramaphosa directed the establishment of the National Logistics Crisis Committee (NLCC), to implement the National Freight Logistics Roadmap, currently being developed by government and Transnet. The Roadmap will provide a clear reform path towards resolving immediate operational challenges driving the decline of rail and ports and develop interventions required to fundamentally restructure the logistics sector through policy and legislative intervention.

The NLCC is comprised of: The Presidency (chair); Department of Transport (DOT); Department of Public Enterprises (DPE); National Treasury; Department of Trade, Industry and Competition (DTIC) and Transnet. At an operational level, a Joint Strategic Operations Committee (JSOC) will be established between the NLCC and the private sector.

The NLCC's objectives are to **(i) improve the operational performance of freight rail and ports; (ii) restructure Transnet to ensure its future sustainability; (iii) implement reforms to modernise the**

freight transport system and restore its efficiency and competitiveness. The technical work aimed at addressing the challenges will be structured within the following workstreams:

- **Work stream 1:** Improving operational performance of the multimodal and bulk freight rail network and port system
- **Work stream 2:** Improving road transport operations and border transit
- **Work stream 3:** Restoring passenger rail services
- **Work stream 4:** Structural reform of the freight logistics system
- **Work stream 5:** Procurement
- **Work stream 6:** Financing
- **Work stream 7:** Security
- **Work stream 8:** Communications

In July 2023, the NLCC was formally instituted, with work streams finalising their respective project workplans that will drive the outcomes of the NLCC.

Work already underway includes:

- Establishment of joint collaborative structures between Transnet, the Minerals Council and business – to ensure that required interventions are taken to stabilise, recover and improve the throughput of South Africa’s rail and ports systems.
- Relevant government institutions and business representatives have initiated engagements aimed at developing interventions to address the crisis at the Lebombo Border.
- Development of the National Freight Logistics Roadmap, expected to be finalised for publication in Q3 2023.

Progress has been made in the following areas this quarter:

- **Transnet Freight Rail (TFR) has completed accounting separation of their operations and rail infrastructure units.** This is a crucial step towards functional separation and the establishment of an independent Infrastructure Manager, which is expected to be established by October 2023. This is one of the key reforms aimed at facilitating competition in the sector.
- **Transnet completed its selection of an international terminal operator with which to establish a partnership for the Durban Pier 2 container terminal.** This partnership will crowd in private investment, including for upgrading equipment and expanding terminal capacity, as well as management expertise to improve operational performance.
- **The multi-stakeholder Task Team that was established to address congestion at the Durban Port, is continuing its efforts to address issues of decongestion at the port.** The Task Team meets on a regular basis, tracking performance, challenges and interventions across areas including truck turnaround times, usage of slot allocated and performance of rail volumes. Areas of progress include a 10% reduction in the average truck turnaround time (TTT) at Pier between 2021 and 2022. Average truck staging times also improved, with Pier 2 recording an improvement of just under 13% between 2021 and 2022, with Pier 1 improving by 31% in the same period.

CURRENT AND FUTURE FOCUS AREAS

The following key steps are being prioritized over the next period:

- **Finalise and secure adoption of the Freight Logistics Roadmap.** The Freight Logistics Roadmap is currently undergoing an internal government consultative process. A final draft, for publication, is expected to be concluded in Q3 2023.
- **Corporatisation of the Transnet National Ports Authority (TNPA).** The appointment of a permanent board, to be concluded in the coming months, will complete the process to corporatize the TNPA.
- **Economic Regulation of Transport (ERT) Bill.** The ERT Bill has been transmitted to the National Council of Provinces (NCOP) for concurrence. Presentations and public consultations are currently underway with provinces to conclude the NCOP process by October 2023.
- **Establishment of the Infrastructure Manager (IM).** Transnet will be establishing the IM, separate from freight operations by October 2023. An independent IM will enable transparent and accurate pricing of slots on the freight rail network and create a level playing field between public and private rail operators.

DEVOLUTION OF PASSENGER RAIL

In keeping with its commitment to devolve passenger rail functions, the Department of Transport has convened a national steering committee to engage with all relevant stakeholders and develop a devolution strategy. The steering committee consists of representatives from the department, from local and provincial government, SALGA, PRASA and the Gautrain Management Agency (GMA), with the goal of finalising a *Devolution Strategy for Urban Commuter Rail*. Following engagement with the steering committee. The target date for completion of the Devolution Strategy is March 2024.

WATER REFORMS

The focus in the water sector in Q2 2023 was on advancing key legislation. Cabinet approved the submission of the National Water Resource Infrastructure Agency (NWRIA) Bill to Parliament. The Bill is likely to be tabled in Q3:2023 following the finalisation of a few outstanding steps. Consultations with stakeholders, including the National Economic Development and Labour Council (NEDLAC) and existing lenders, are scheduled to be completed by the end of July.

The draft Raw Water Pricing Strategy was published for public comment on 5 August 2022 and closed on 6 November 2022. The analysis of the comments from the public consultations has now been finalised. The complexity of the issues raised necessitated follow-up engagements between the Department and strategic stakeholders. The strategy is now set to be finalised in August 2023, following which it will need to receive concurrence from the Minister of Finance.

To strengthen its regulatory role in municipal water services, the Department of Water and Sanitation (DWS) is currently drafting amendments to the Water Services Act (WSA). These amendments aim to achieve three objectives. Firstly, they seek to introduce a requirement that water services can only be provided by entities (municipalities or other entities) that possess an operating license. Secondly, the amendments aim to strengthen enforcement by amending Section 63 of the Act, enabling enforcement through directives, similar to the National Water Act. As a last resort, and following due process, these amendments will empower the Minister to mandate the separation of the Water Service Provider (WSP) function from municipal administration in cases of persistent failure to meet license conditions. The licensing requirements for WSPs will be detailed in regulations gazetted by the Minister, specifying minimum competency and performance levels for water service providers, linked to the gazetted minimum norms and standards for water and sanitation services. Municipalities will be obligated to fulfil these license

conditions if they choose to provide the service themselves or must contract with a licensed WSP. Lastly, the amendments aim to clearly define the functions for which the WSP is accountable, regardless of the institutional arrangements approved by the WSA.

To assist in this reform, Operation Vulindlela is collaborating with the Cities Support Programme to develop strategic interventions aimed at enhancing the delivery of water services by local municipalities. This initiative will supplement the DWS's Water Services Improvement Programme and builds upon previous efforts with municipalities by identifying a range of reforms that can be swiftly implemented to promote efficiency.

The Department has placed energy generation and related applications as a high priority for processing to contribute the country's efforts to reduce or eliminate loadshedding. In this regard, two important actions have been taken by DWS. First, the Establishment of the Renewal Energy Task Team involving the Chief Director Water Use Licensing and representative officials from all Regions and Catchment Management Agencies (CMAs). The Task Team meets every Tuesday to discuss progress on renewable energy water use license applications.

On 11 April 2023, the department held a public briefing to inform interested individuals and entities to apply for water use licence applications for floating solar and hydropower generation. Following the briefing session, the Department received no less than 250 pre-application requests. The Department, via its nine Regional Offices and two CMAs are currently undertaking pre-application consultation meetings with applicants, which will pave the way to submission of the actual applications by end of January 2024.

Secondly, the Department has revised its General Authorisation for Section 21(l) and (i) water uses of the National Water Act to increase the thresholds for renewable energy application. General Authorisations are meant to relieve the applicants of the burden of compiling technical reports and that of the Department to process the applications. Public participation has been concluded and the comments have been incorporated into a final draft Regulation that is projected to be published for implementation by September 2023. The prioritization of related energy water use license applications has seen the Department finalizing 135 applications from the beginning of the 2023/23 financial year to date. The 135 applications include both Eskom applications and that of independent power producers.

Progress has been made in the following areas in Q2 2023:

- ✓ **Approval of the NWRIA Bill by Cabinet.** The Bill will now be submitted to Parliament, and a detailed business plan for the NWRIA has been developed.
- ✓ **Addressing lender concerns.** An independent review of the Bill's potential impact on loans has been conducted.
- ✓ **Finalisation of Raw Water Pricing Strategy.** Public consultations have been completed and the issues raised are being addressed through various engagements.
- ✓ **Advancement of Norms and Standards.** The Minister of Finance is reviewing tariff-setting norms, closely linked to the Raw Water Pricing Strategy.

CURRENT AND FUTURE FOCUS AREAS

- **Advancing key legislation.** The next quarter will focus on advancing key legislation, including the submission of the NWRIA Bill to Parliament and completing the process with NEDLAC.
- **Strengthening regulatory role of DWS.** The DWS is strengthening its role in the regulation of municipal water services through amendments to the Water Services Act, including introducing licensing requirements for water service providers and clarifying their functions and accountability.

- **Enhancing municipal water service delivery.** Operation Vulindlela and the Cities Support Programme will jointly develop strategic interventions to enhance the delivery of water services by local municipalities, with a focus on promoting efficiency.
- **Addressing municipal service decline.** The DWS will continue its efforts to address the decline in municipal water and sanitation services by standardizing regulatory protocols, providing support and intervention to municipalities, and identifying the root causes such as poor governance, management, and maintenance practices.

DIGITAL COMMUNICATIONS REFORMS

The current reporting period marks a critical milestone for reforms in the digital communications sector, as all reform targets have now been met. This is a significant achievement for the departments and entities that have been at the centre of these reform interventions. Ensuring the positive impact of these reforms is realised remains a key objective and Operation Vulindlela will continue to support the department in this regard. These reforms will allow for a reduction in the cost and improvement in the quality of communication, which alongside investments in infrastructure and expansion of new technologies, should enhance growth.

Key achievements to date against OV's objectives include:

- ✓ **In March 2022, the regulator ICASA concluded the auction of high demand spectrum.** Since the auction, a significant share of the spectrum has been released to operators, enabling deployment of additional infrastructure, and enhancing service offerings. For instance, MTN increased its 5G offering by rolling out 598 sites in 2022 to increase their national coverage to 21.5%. Vodacom also reported continued rollout of 3G, 4G and 5G network sites to increase population coverage, with targets to reach 32% population coverage for 5G.
- ✓ **A Standard Draft By-law for the Deployment of Electronic Communications Facilities was gazetted by the Minister of Cooperative Governance and Traditional Affairs.** The guidelines are available for municipalities to adopt and are aimed at streamlining the municipal process for the approval of wayleaves to support infrastructure deployment.
- ✓ **The National Policy on Rapid Deployment of Electronic Communications Infrastructure was gazetted by the Minister of Department of Communications and Digital Technologies (DCDT).** The policy provides a clear framework for the rollout of telecommunications infrastructure.
- ✓ **On 15 June 2023, the DCDT Minister gazetted the new analogue switch-off date of 31 July 2023 for frequencies above 694 Megahertz (MHz).** The switch-off of these frequencies has now been completed. This phased approach will enable the release of licensed spectrum to mobile operators, while efforts continue to end dual illumination and switching off the remaining analogue broadcasting services below 694 MHz by 31 December 2024.

CURRENT AND FUTURE FOCUS AREAS

- **Complete analogue switch-off (ASO):** On 31 July 2023, the DCDT switched off the final transmitter above 694 MHz, concluding the first step of the revised ASO process. Work is continuing with relevant entities to ensure that the end of dual illumination and switching off remaining analogue broadcasting services below 694 MHz is achieved by 31 December 2024.
- **Introduce a secondary market for spectrum trading:** ICASA initiated its work to develop a regulatory framework for enabling implementation of dynamic spectrum sharing, which will facilitate the

development of a secondary market by inviting public input into its Discussion document on Dynamic Spectrum Access and Opportunistic Spectrum Management.

- **Implementation of policies for infrastructure deployment.** Operation Vulindlela will support the adoption and implementation of the standard draft by-law to streamline wayleave approvals by municipalities. Support will be provided to a few key municipalities, where lessons from this process can be used to support other local governments to move ahead and ease the deployment of electronic communications infrastructure in their jurisdictions. Furthermore, DCDT and ICASA will finalise required regulations and mechanisms to enable implementation of the National Policy on Rapid Deployment of Electronic Communications Infrastructure.

REFORMS TO THE VISA REGIME

Operation Vulindlela reforms to the visa regime achieved a critical milestone with the completion of the work visa review and publication of a detailed implementation plan by the Department of Home Affairs (DHA). Key policy and process updates that will be introduced include streamlining document requirements for work visa applications to ease the burden on applicants; introducing a trusted employer scheme which will ease processing of work visa application for qualifying employers; creating new visa categories for remote workers and start-ups; and establishing a points-based system which will introduce greater flexibility and transparency into work visa application routes. The DHA has developed revised regulations to include these changes which are currently awaiting approval by the Office of the State Law Advisor before they can be published for public comment in August 2023.

There has also been progress with visa reforms to support the growth of the tourism industry. South Africa's eVisa platform currently covers 34 countries (up from an initial 14 countries). The DHA has introduced system and personnel updates to the eVisa platform and the eVisa Hub to enhance user experience and strengthen the eVisa offering. Further to these actions, the DHA has implemented an extensive visa waiver programme which covers 132 countries. This means that visitors from over 160 countries have eased access into South Africa, accounting for countries with access to the eVisa platform and those where visitor's visas have been waived. This number will potentially increase as the DHA is currently in negotiations to extend visa waivers to 10 more countries. As a result of this progress, OV has now completed all reforms that were introduced with the DHA and will move its attention to strengthening impact of the introduced reforms by supporting the DHA's implementation.

Key achievements to date against OV objectives include:

- ✓ **Publishing the Critical Skills List** and putting in place measures to ensure that the List will be updated and published on a predictable schedule.
- ✓ **Implementing and updating the eVisa system** to facilitate the growth of the tourism sector.
- ✓ Completing and publishing a **comprehensive review of the policy framework** and processes to facilitate skilled immigration.
- ✓ **Expanding visa waivers** and explore the introduction of a visa recognition programme.

CURRENT AND FUTURE FOCUS AREAS

- Over the next quarter, OV will support implementation of the recommendations made in the work visa report, including the publishing of the revised immigration regulations and facilitating the proper capacitation of the new initiatives like the trusted employer scheme and the points-based system.

- OV will also track and assess the impact of the eVisa programme to ensure it succeeds in delivering on its stated objectives.

CREATING AN ENABLING LEGAL AND REGULATORY ENVIRONMENT FOR HEMP AND CANNABIS

The Cannabis and Hemp sector is one of fourteen priority sectors in the Country Investment Strategy, identified as showing significant potential for investment, job creation and sustainable support to rural livelihoods. Since Cabinet's decision in 2019 to implement a development plan to commercialise the sector, progress has been slow. To address the need for more urgent implementation, the Department of Agriculture Land Reform and Rural Development (DALRRD) together with the Presidency, through Operation Vulindlela, convened a Phakisa Action Lab from 19 to 23 June 2023, bringing together over 100 representatives of national and provincial government, business, labour, communities, traditional leaders, Rastafari leaders, scientists, legal experts, and other key stakeholders.

The Phakisa Action Lab was intended to secure policy coherence and agreement on a stronger programme of action across multiple government departments working in close collaboration with all other stakeholders, and to provide a basis for more urgent implementation of the Cannabis Master Plan. Participants collectively agreed to the regulatory reforms required to enable sector development and investment, including reviewing the schedules to the Medicines Act to allow for cannabis grown for industrial purposes; to explore mechanisms to fast-track the removal of cannabis from the Drugs Act; and to reinforce previous instructions to all South African Police Services (SAPS) members to respect the privacy rights of cannabis cultivators and users.

The emphasis of the Phakisa is on a whole plant approach across all the demand pathways that includes pharmaceutical; African traditional medicine; food products and multiple industrial applications – with the importance wherever possible, on the inclusion of Black farmers and indigenous knowledge communities.

The detailed programme of action emerging from the Phakisa is being finalised. This will include:

- Scaling up support for the existing catalytic projects put in place by the Department of Science and Innovation (DSI) and the Council for Scientific and Industrial Research (CSIR) to support and enable private sector investment in product aggregation, processing, and manufacturing technology for end-user demand.
- Securing an optimal financing framework which enables private sector investment with some public sector financing support, targeted at Black farmers and SME entrants in the emerging market and where appropriate, assisting to de-risk private sector investment.
- Deploying a set of pragmatic interventions concerning investment promotion, export support and standards and conformity assessment.
- Working with all provinces to further the activities currently underway and ensure alignment across government.
- Enabling legislative and regulatory reform such as:
 - reinforcing that no arrests for personal and private cannabis cultivation or possession takes place;
 - removing cannabis from the ambit of the Drugs Act (although trading will remain illegal); and
 - amending the schedules to the Medicines and Related Substances Act such that the South African Health Products Regulatory Authority (SAHPRA) will only regulate cannabis cultivation with the

specific intention to manufacture active pharmaceutical ingredients (APIs), while the Department of Agriculture, Land Reform and Rural Development (DALRRD) will regulate cultivation of cannabis in terms of the Plant Improvement Act and amended Regulations for other demand pathways.

CURRENT AND FUTURE FOCUS AREAS

- The DTIC has commissioned research on a situational analysis, value, and demand economic analysis; and analysis of a possible funding framework and mechanisms to support investment and inclusive growth in the sector. This work is still underway and due to be completed by the end of 2023.
- The OV team is finalising the outcomes agreed to at the Phakisa Action Lab, and resultant detailed programme of work. This includes finalising the foundational policy framework for the hemp and cannabis sector and overarching, whole plant all purposes hemp and cannabis legislation, together with the legal team appointed by OV to support short- and longer-term regulatory reform.

EXPEDITING THE ISSUANCE OF TITLE DEEDS FOR SUBSIDISED HOUSING

Operation Vulindlela initiated a reform programme to strengthen titling in South Africa through title regularisation, formalisation and preservation. Title regularisation is needed to tackle the primary transfer backlog, as it exists for an estimated 1.1 million subsidised properties developed by the state; title formalisation is necessary to bring back into the formal system properties that have transacted off-register – these would include deceased estates as well as informal transactions; and title preservation will ensure the creation of an affordable, accessible formal system that makes it as easy as possible to preserve title going forward. The programme seeks to leverage the significant investment in housing made by the state since 1994.

Since March 2023 OV has convened a monthly steering committee comprising National Treasury, the Department of Human Settlements, the Office of the Chief Registrar of Deeds, the Department of Agriculture, Land Reform and Rural Development, the Department of Justice and Constitutional Development and the Department of Planning, Monitoring and Evaluation. Work is underway to assess the scale and nature of property registration problems, identify specific interventions that are required to create a functioning formal system, and to produce a cross-cutting implementation plan to address the title deeds backlog and reform the titling system.

CURRENT AND FUTURE FOCUS AREAS

- Analyse detailed data to determine the scale and nature of the title deed backlog across the country, and specifically within metropolitan municipalities and selected provinces
- Identify relevant data sets that contain useful data to enable the quantification of the title deed backlog, and identify any discrepancies in the data
- Prepare an implementation plan outlining the resources, processes and underlying systems required to resolve backlog projects

CREATE A MODERN AND EFFICIENT MINING RIGHTS SYSTEM

South Africa currently manages the allocation of mining rights, which facilitate investment into the sector, through the online South African Mineral Resources Administration System (SAMRAD). However, since its introduction in 2011, the system has been viewed as dysfunctional and ineffective. The key reasons cited are that it is not integrated, most processes supported by the system are manual, and the software it runs on is now obsolete.

Operation Vulindlela has been working with the Red Tape Reduction Programme in the Presidency, to support the procurement of a new mining rights system. In the first quarter, the Department of Minerals and Energy (DMRE) published a Request for Bidders (RFB) for a new mining rights system. This system is required to enhance efficiency and transparency in the granting and management of mining rights and permits. Specifically, the required system should:

- Provide automated services to various stakeholders within the mining rights ecosystem.
- Integrate critical data already developed and in use within the DMRE.
- Ease processes involved in attracting and supporting existing and prospective investors within the mining right ecosystem.
- Reduce turnaround time for applications from application to adjudication and issuance.
- Ease compliance by industry by reducing the number of false rejections due to duplication of information and / or a lack of information.
- Reduce the number of appeals due to false rejections, eliminating an added administrative burden for the DMRE.

CURRENT AND FUTURE FOCUS AREAS

- The DMRE is expected to announce the preferred bidder by the end of August 2023. Development of the system is expected to commence in September and will take about 14 months to complete.

WHAT TO LOOK OUT FOR IN Q3 2023

- **Release of further bid windows** for solar PV, wind, gas and battery storage
- **Finalisation of the Energy Security Bill** to reduce or remove red tape for energy projects
- Establishment of the **National Transmission Company of South Africa** as a fully independent entity
- Release of RFPs for the **Load Shedding Reduction Programme** (750 MW) and the **Cross Border Purchase Programme** (1000 MW)
- Finalisation of the **Freight Logistics Roadmap**
- Gazetting of the **revised Immigration Regulations** to give effect to the recommendations of the work visa review
- **Announce the preferred bidder** for the creation of a new mining rights cadastral system

ASSESSING IMPACT: ERADICATING THE BACKLOG OF WATER USE LICENSE APPLICATIONS (WULAs)

THE WULA TURN-AROUND IN ACTION

One of the early reforms that Operation Vulindlela has provided support to is that of improving the turnaround time of the Water Use Licence Application (WULA) process. The allocation of water use licenses is often a requirement for projects to be initiated and investments to be made in key sectors such as agriculture and mining. Following engagements with organised business, which raised not only issues with the long application turnaround time, but also issues with inappropriate licenses, impractical licensing conditions and licenses which didn't respond to what was being applied for, OV was requested to provide support to the initiatives already underway at the Department of Water and Sanitation (DWS) to improve the WULA process. The processing of WULAs is conducted by Catchment Management Agencies (CMAs) or Proto-CMSs, and the issuance of licenses is done by the DWS. Preceding OV's involvement, the WULAs processing period was 300 days and could take as long as five years. The DWS set a target to improve the turnaround time for the processing of WULAs to 90 days between 2020 and 2022, which was announced in the 2020 State of the Nation Address (SONA).

OV's involvement sought to address the problem statement; *"how can the current WULA process be improved in order to reduce turnaround times for issuing water licences and therefore meet the new 90-day target, while at the same time improving the quality of licences being issued?"* OV facilitated the appointment of business process reengineering experts to assist DWS to carry out a review of its water-use license processes, which was completed in June 2021. The first step in the project was to identify the root causes and key factors which had delayed the WULA process, causing inefficiencies and making the process ineffective. A review of the process identified several key areas of concern, namely:

- **Inadequate human resources:** at the time there were no dedicated staff processing applications and high turnover rates which meant that very little institutional knowledge retention.
- **Ineffective business processes:** the licensing evaluation process was not clearly defined and the responsibilities for each task were not adequately explained or delegated. Furthermore, there was insufficient focus and attention to the detail required for the WULA process to be carried out effectively.
- **Standardisation:** the interpretation of water use differed across regions, resulting in different requirements for the same license being imposed, different utilisation of tools for water application assessments and different standards for the execution of water use licences.
- **Lack of performance monitoring:** while there was a standard operating procedure in place which defined the roles and timeframes for officials involved in the WULA value chain, there was no monitoring system in place to ensure that timeframes were adhered to.
- **Ineffective system:** at the time of the project implementation, the applications were done manually and the Electronic Water Use Licence Application and Authorisation System (e-WULAAS), which had been developed, was not being utilised. The manual system also made it difficult to access for those in remote or rural areas.

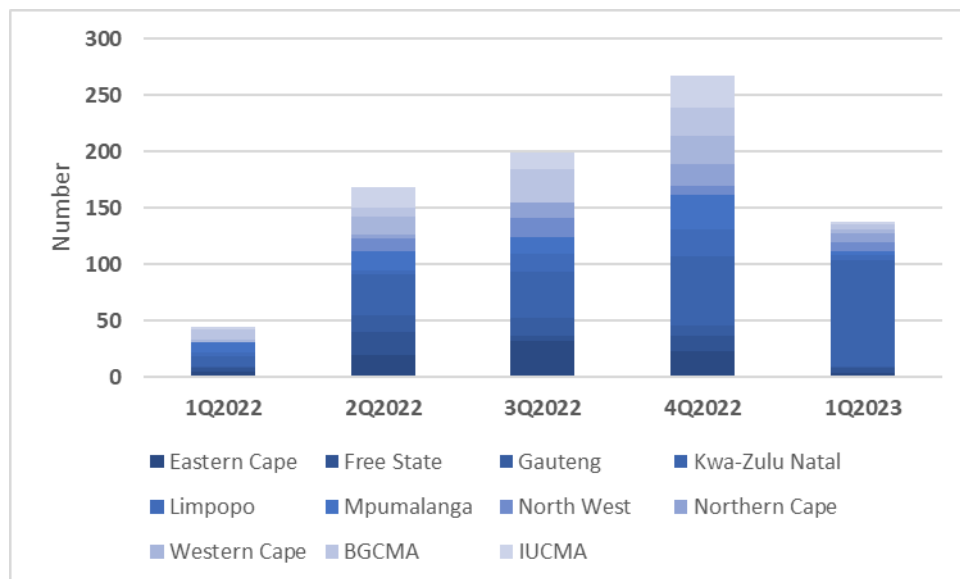
The second step in the project was to provide technical support to DWS to implement the recommendations which stemmed from the review. This was carried out by DWS with the ongoing support of the experts. The project was carried forward with a three-pronged approach:

- 1. Improve the business process:** the application process was streamlined and standardized. The pre-application process was also improved, and applicants were encouraged to use the e-WULAAS system, which was made operational. The process improvement also included the separation of the general authorization process from the licensing process.
- 2. Improve the System:** the e-WULAAS system was developed as an Open-Source platform, which allows DWS to have full ownership of the system. The e-WULAAS was re-designed based on the new 90-day licensing business process and to cover all the steps in the process, linking each step to a responsible official and turn-around time.
- 3. Improve the Organisational Structure:** the strategy sought to improve the change management process. In order to ensure the sustainability of these improvements, a new structure that has dedicated sub-directorates with assessors and specialists at the regional level was developed and approved.

During the implementation of the turnaround strategy, a directive was sent out to identify existing employees who would focus solely on processing WULAs. These individuals were also supported by contract personnel that were involved in alleviating the backlog of applications. Additionally, induction and training of licensing officers was prioritised to be implemented on a quarterly basis. The DWS has finalized drafting and is due to publish a regulation for the 90-day process to replace the 2017 timeframe of 300 days.

Following the implementation of the WULA turnaround strategy, the WULA backlog was eradicated during the 2022/23 financial year, and the average turn-around time was greatly improved. Additionally, in 4Q2022, 70% of all applications were approved within 90 days.

Figure 1: The progress made in processing Water Use License Applications (WULAs)



Source: Department of Water and Sanitation

ECONOMIC IMPACT OF IMPROVING THE WULA PROCESS

At an average cost of R2 billion per province over the implementation period of the WULA project, the benefits to the economy far outweigh the project costs. At full implementation of the turn-around strategy, the WULA system unlocks R43 billion to GDP per year for the next 5 years. With the programme having

achieved a 70% performance rate by the end of 2022, the programme has potentially unlocked an estimated R30.1 billion additional to GDP, with employment spillovers to the broad economy estimated at 63 300 jobs during the year.

Maintaining the achievements in the WULA reform has focused on institutionalising the turn-around strategy developed in 2022. Whilst clearing the backlog of license applications has been the main achievement for the WULA team, the work to ensure that all applications are duly considered and processed within the 90-day turnaround time continues.

THE BENEFITS TO COMPANIES LIKE ISUZU

On 13 July 2023 the DWS granted Isuzu Motors SA (Pty) Ltd a water use licence for its Struandale Industrial Plant in the City of Gqeberha, Eastern Cape Province. This license was for water abstraction which would be critical in its strategy to avert drought impacts on its business. The Water Use Licence was granted slightly beyond the targeted 90 days; however, the licence brings much relief to the company as it will ensure that its plant is sustainable regarding the provisioning of its water needs in the context of water shortages. In the event of Day Zero, with no water supply, the Isuzu Motors SA Struandale Plant would need to close, as vehicles cannot be built without a water supply. This risks the jobs and security of the employees and contractors, as well as their families. Continued water supply brought by the authorized groundwater abstraction will ensure continued manufacturing and assembly, enabling Isuzu Motors SA (Pty) Ltd to also sustain its socio-economic footprint through not only employment, but its numerous corporate social investment programmes. The Isuzu Motors SA Assembly Plant in Gqeberha directly employs 996 plus 783 indirectly employed individuals, with a larger number being HDIs.

WULA REFORM REMAINS A WORK IN PROGRESS

The trajectory of the WULA progress on a year-on-year basis indicates a significant improvement in addition to the clearing of the backlog of applications. While the number of applications passed has dropped from 70% in 4Q2022 to 61% in 1Q2023, this is still an improvement from the 35% achievement for the same period in 2022. Notable progress has also been made in KZN, which processed 97%, and Limpopo, which processed 80% of all applications within 90 days.

Despite the progress made in re-engineering the WULA process and eradicating the backlog of applications, concerns have been raised about the manner in which the backlog was eliminated, including allegations that this was achieved through a wholesale rejection of applications instead of affording them proper consideration. Anecdotal reports from industry suggest that some sectors continue to struggle to obtain WULs and that the licensing conditions attached to these are overly onerous. In addition, the 90-day target does not consider the full value chain of applications (including pre-phase applications), which can be further streamlined.

As the turnaround strategy matures and the implementation is finalised, the sustainability of the turn-around hinges on retaining dedicated, trained staff to maintain performance. The DWS is currently in the process of appointing new individuals to conduct the evaluation process. OV will continue to monitor the progress underway and support the DWS in achieving the goals of the WULA reform.

