

OPERATION VULINDLELA

Supporting
the Implementation
of Priority Structural Reforms



PROGRESS UPDATE

Q3/Q4 2023 Report



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



THE PRESIDENCY
REPUBLIC OF SOUTH AFRICA

OPERATION VULINDLELA

PROGRESS UPDATE

Q3/Q4 2023 | REPORT

REPORT OUTLINE

INTRODUCTION.....	1
OV DASHBOARD.....	3
DETAILED PROGRESS UPDATE.....	4
KEY ACHIEVEMENTS IN Q3 2023.....	5
DETAILED PROGRESS UPDATE	6
ELECTRICITY REFORMS	6
TRANSPORT REFORMS.....	7
WATER REFORMS	9
DIGITAL COMMUNICATIONS REFORMS	11
REFORMS TO THE VISA REGIME	11
CREATING AN ENABLING LEGAL AND REGULATORY ENVIRONMENT FOR HEMP AND CANNABIS.....	12
EXPEDITING THE ISSUANCE OF TITLE DEEDS FOR SUBSIDISED HOUSING.....	13
CREATE A MODERN AND EFFICIENT MINING RIGHTS SYSTEM.....	13
WHAT TO LOOK OUT FOR IN Q1 2024	14
ASSESSING IMPACT: DIGITAL COMMUNICATIONS	15

INTRODUCTION

This quarterly report marks the three-year anniversary of Operation Vulindlela (OV). OV was formed in the nadir of the COVID-19 pandemic, with the aim of driving the implementation of reforms that could set the South African economy on a faster, stronger growth trajectory.

In the three years since OV was established, it has worked closely with the responsible government departments to drive the implementation of wide-reaching reforms across key network industries.

In electricity, it has paved the way for private investment in electricity generation, with reforms underway to establish a competitive electricity market for the first time in South Africa's history. Schedule 2 of the Electricity Regulation Act was amended in December 2022 to remove the licensing threshold for generation facilities. Since the implementation of regulatory changes, the pipeline of confirmed private sector generation projects has increased to over 120 projects representing more than 12 GW of new capacity, which will begin to connect to the grid from this year. These projects will result in over R220 billion of new investment once implemented. The removal of the self-generation licensing threshold has unlocked an estimated 66 GW of wind and solar energy projects, and of this, 18 GW are in advanced development¹. Projects with a cumulative total of more than 5 600 MW have been registered with Nersa to date.

Further regulatory reform is underway. The Electricity Regulation Amendment Bill has been formally tabled in Parliament and published for public comment. The Portfolio Committee concluded public hearings on 30 November 2023. The Bill outlines the powers and functions of the Transmission System Operator and establishes a competitive wholesale market for electricity.

In telecommunications, ending a more than ten-year delay in the auction of high-demand spectrum, completing the switch-off of analogue signal for frequencies above 694 Megahertz (MHz) and facilitating the rollout of digital telecommunications infrastructure through the streamlining of regulations has enabled substantial new investment in the telecommunications sector and an improvement in the quality of broadband internet.

In logistics, greater private sector participation in port terminal operations has been enabled. Transnet has appointed 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.

Transnet Freight Rail (TFR) has also completed accounting separation of its operations and rail infrastructure units and has established an interim Infrastructure Manager. This is a crucial step towards the establishment of a fully independent Infrastructure Manager, which is expected to be in place by September 2024. The establishment of an independent transport economic regulator is also progressing: the Economic Regulation of Transport Bill has been passed in the National Council of Provinces, and the Bill is expected to be signed into law in early 2024. Both of these key reforms are aimed at facilitating competition in the sector and will allow for open access to the freight rail network by private rail operators.

In water, the backlog of water use licenses, which once stood at over 1000, has been cleared and the license application system re-engineered. Over 70% of WULs are now processed within 90 days (from a starting point of over 300 days) which has unlocked billions of Rands in investment. At full implementation of the turn-around strategy, the WULA system is expected to unlock R43 billion to GDP per year for the next 5

¹ According to the 2023 South African Renewable Energy Grid Survey

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.

On visa reforms, 20 more countries have been added to the eVisa system, bringing the total number of countries in which the system is available to 34. The eVisa platform has been enhanced with system changes to improve the user experience and additional adjudicators have been employed to expedite the application process. SA is currently in negotiations with 12 countries to extend its visa waiver programme, which currently waives visas for visitors from 135 countries.

Operation Vulindlela has also supported a comprehensive review and overhaul of the work visa system with recommendations on both policy and process changes. The Department of Home Affairs has since published a detailed implementation plan to take forward these recommendations, which include the establishment of a points-based system to introduce more flexible pathways for skilled visa applicants; the introduction of a trusted employer scheme; and new visa categories for start-ups and remote workers. The revised regulations will shortly be published for public comment.

A number of additional milestones have been reached in the last quarter, including further progress in 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 transmission license for the NTCSA was approved on 27 July 2023 while the remaining two licenses were approved on 18 September 2023. The appointment of a board for the NTCSA is being finalised and it is envisaged that the new entity will be fully operationalised from the start of the next financial year in April 2024.

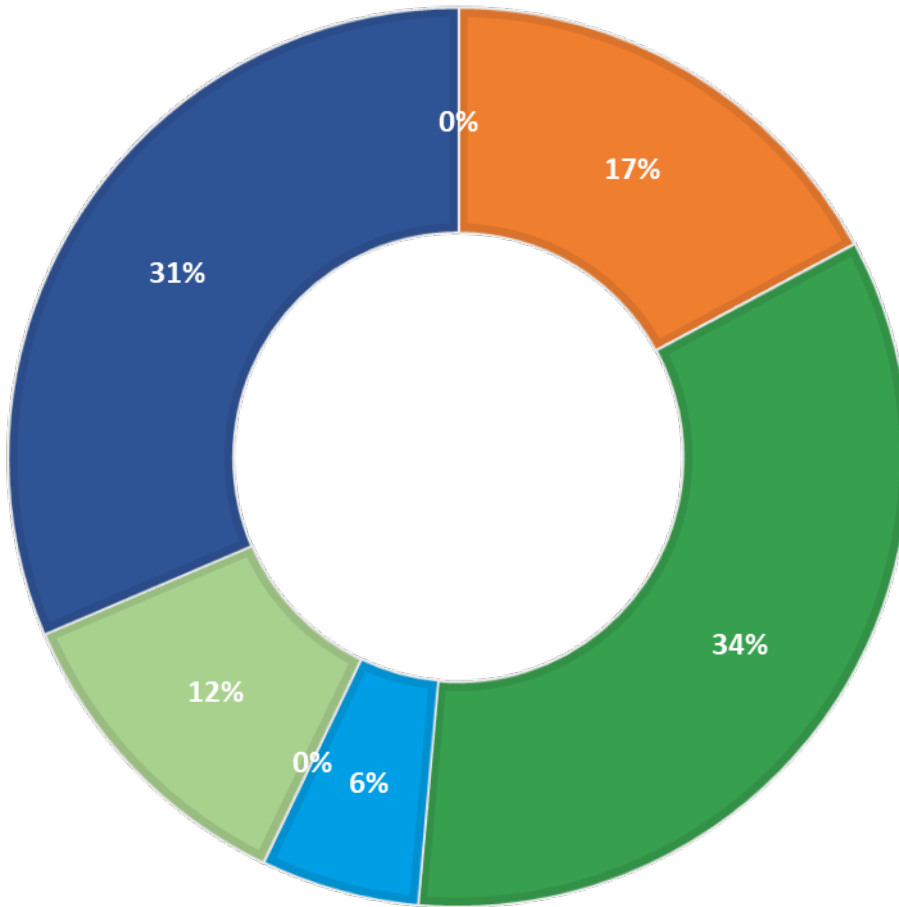
The Freight Logistics Roadmap has been finalised and approved by Cabinet. Implementation of the roadmap, which provides a clear reform path towards resolving challenges in the rail network and ports, will be overseen by the National Logistics Crisis Committee (NLCC), which has now been fully constituted.

A new board has been appointed for the National Ports Authority to advance the establishment of the entity as an independent subsidiary of Transnet. Ensuring the functional independence of the TNPA will allow for the introduction of competition, leading to improved container freight operations and lower costs for businesses, which can be transferred to consumers.

The NWRIA Bill has been formally tabled in Parliament. The Bill aims to establish an independent agency to design, plan, finance and manage bulk water resources, establishing a “SANRAL for water.” Further reforms in the water sector are underway, including the finalisation of a revised Raw Water Pricing Strategy and measures to strengthen service and quality standards through amendments to the Water Services Act.

Beyond this, Operation Vulindlela’s impact is being felt in the forging of a new kind of partnership between government and business. The establishment of the National Electricity Crisis Committee (NECOM), followed by the National Logistics Crisis Committee (NLCC) and now the Joint Initiative to fight Crime and Corruption (JICC), has brought together government and business in a partnership to tackle our economic challenges head on. The focus is on decisive action and interventions with significant impact, and which add up to a coherent strategy to place the country on a clear path of recovery. Rather than new policy commitments, this collaboration will support the implementation of government’s existing plans, such as the Energy Action Plan announced by the President in July 2022. Strong public-private collaboration will help to rebuild our economy, restore confidence and demonstrate a united front to tackle critical challenges.

OV DASHBOARD



0% **0 ACTIVITIES**
No data/reform not yet started

0% **0 ACTIVITIES**
Reform facing critical challenges, likely not to be achieved

34% **12 ACTIVITIES**
Reform progress on track

17% **6 ACTIVITIES**
Reform facing significant challenges, intervention required

12% **4 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
	6	<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 Create a modern and efficient mining rights system Review and adjust the fuel price formula Procure new generation capacity in terms of IRP 2019
	4	<ul style="list-style-type: none"> Improve efficiency of ports Implement third-party access to freight rail network Implement the Energy Action Plan Expedite the issuance of title deeds for subsidised housing
	12	<ul style="list-style-type: none"> Develop a strategy for the devolution of passenger rail to local authorities Amend the Electricity Regulation Act to provide for a competitive electricity market 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 Establish Transport Economic Regulator Create an enabling legal and regulatory environment for hemp and cannabis Finalise the revised raw water pricing strategy Establish a National Water Resource Infrastructure Agency Develop a fit-for-purpose procurement regime for state-owned entities
	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 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 Q3/Q4 2023

- ✓ **A new board has been appointed for the National Ports Authority to advance the establishment of the entity as an independent subsidiary of Transnet.** Ensuring the functional independence of the TNPA will allow for the introduction of competition, leading to improved container freight operations and lower costs for businesses, which can be transferred to consumers.
- ✓ **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 transmission license for the NTCSA was approved on 27 July 2023 while the remaining two licenses were approved on 18 September 2023. The appointment of a board for the NTCSA is being finalised and the new entity is expected to be fully operationalised by April 2024.
- ✓ **The NWRIA Bill has been formally tabled in Parliament.** The Bill aims to establish an independent agency to design, plan, finance and manage bulk water resources, establishing a “SANRAL for water.”
- ✓ **The Freight Logistics Roadmap has been approved by Cabinet.** The roadmap was finalised through several rounds of consultation and approved by Cabinet on 8 December 2023. The roadmap provides a clear reform path towards resolving challenges in the rail network and ports and will be overseen by the National Logistics Crisis Committee (NLCC).
- ✓ **Three units at Kusile power station have been returned to service ahead of schedule.** This additional capacity has enabled a reduction in the severity of load shedding.
- ✓ **Eskom has launched the Cross Border Standard Offer Programme (CBSOP).** This programme enables Eskom to purchase up to 1 000 MW power of power on a short-term basis from cross-border utilities and Independent Power Producers that are connected to the South African grid.
- ✓ **The Department of Home Affairs has launched the Trusted Employer Scheme,** which is a key recommendation of the work visa review. Applications for the scheme opened on 11 October and closed on 20 November 2023, with more than 100 firms applying to participate. The scheme will allow major investors and large employers to follow a streamlined process with improved turnaround times.
- ✓ **The National Assembly has approved the Cannabis for Private Purposes Bill** to regulate the use, possession, and cultivation of cannabis by adults for personal use. This is a critical step in creating an enabling legal and regulatory environment for the sector.
- ✓ **Cabinet has approved the final Next Generation Radio Frequency Spectrum Policy.** The policy aims, among other things, to advance the availability of spectrum along with increased flexibility of its use, including through the establishment of a secondary market for spectrum.

DETAILED PROGRESS UPDATE

ELECTRICITY REFORMS

Operation Vulindlela, through the National Energy Crisis Committee (NECOM), has been working to ensure the full implementation of the Energy Action Plan announced by President Ramaphosa in July 2022. NECOM comprises multiple stakeholders organised into ten workstreams with Operation Vulindlela serving as the secretariat. NECOM is led by the Minister in the Presidency responsible for Electricity, overseen at a technical level by the Director-General in the Presidency, and includes more than 100 high-level officials from across government and Eskom. NECOM also works working closely with business and other social partners. The key objectives include: expediting the reform of the electricity sector through the combination of improving Eskom's existing generation fleet, creating an enabling environment for private generators as well accelerating procurement of new capacity to achieve long-term energy security.

Key achievements against OV's objectives to date include:

- ✓ **Increasing the pipeline of private sector generation projects.** The 2023 South African Renewable Energy Grid Survey revealed that approximately 66 GW of wind and solar energy projects have been unleashed, and of this, 18 GW are in advanced stages of development. To date, close to 6 000 MW of projects have been formally registered with the National Energy Regulator of South Africa (NERSA).
- ✓ **Expediting required approvals for energy projects in the pipeline.** To support the increase in private sector generation, the Energy One Stop Shop (EOSS) was launched in July 2023 to coordinate regulatory processes and fast-track approvals for energy projects. The EOSS is supporting 123 projects amounting to around 12 600 MW with an estimated investment amount of R220 billion.
- ✓ **Accelerating procurement of new generation capacity.** Three projects from the Risk Mitigation Independent Power Producer Procurement Programme totalling 150 MW have concluded construction with two of the projects now operational (100MW) and the remaining project expected to connect to the grid in December 2023. Two additional projects amounting to around 200 MW reached legal close in Q3 2023 and the remaining three hybrid projects, amounting to around 420 MW, are expected to reach legal close in Q4 2023. 12 projects from Bid Window 5 are now in construction, for a total of 1 160 MW. Six preferred bidders have also been announced under Bid Window 6, amounting to 1 000 MW of new capacity.
- ✓ **Releasing the RFP for the Cross Border Standard Offer Programme (CBSOP).** In an effort to add more capacity to the grid and alleviate the current constraints, Eskom launched the CBSOP programme in October 2023. This programme enables Eskom to purchase 1 000 MW of power from any technology on a short-term basis from utilities and Independent Power Producers in neighbouring countries that are connected to the South African grid.
- ✓ **Driving progress on the unbundling of Eskom into separate entities for generation, transmission, and distribution.** Progress has also been made on the unbundling of Eskom into separate entities for generation, transmission, and distribution including establishing the National Transmission Company of South Africa (NTCSA) as an independent subsidiary of Eskom. NERSA has granted the NTCSA licenses for transmission, electricity trading, and electricity import and export. The license to operate a transmission system was approved in July 2023, while the remaining two licenses were approved in September 2023. The appointment of the NTCSA's board is in the final stages of completion, ensuring that the new entity can commence full operational activities by April 2024.

- ✓ **Achieving long-term energy security and transforming the energy sector.** The Electricity Regulation Amendment (ERA) Bill has been tabled in Parliament and subsequently released for public comment by the portfolio committee. Public hearings concluded on 30 November 2023 and the committee will now table its report for debate in the National Assembly. This crucial legislation to reform the energy sector will establish a competitive electricity market, fostering fair competition among multiple electricity generators, thereby promoting long-term energy security and catalysing transformation in the energy sector.
- ✓ **Improving Eskom's operational performance.** Kusile Unit 3 returned to service in September, two months ahead of schedule, and at full capacity will add 800 MW to the grid. Kusile 1 and 2 returned online in October and November respectively, adding a further 1600 MW to the grid.

CURRENT AND FUTURE FOCUS AREAS

- **Release further bid windows for solar PV, wind, gas, and battery storage.** Ensure the release of bid window 7 for wind and solar PV (5000 MW), gas (2000 MW), and battery storage (1200 MW) by the end of 2023.
- **Release RFP for the Load Shedding Reduction Programme (750 MW).** On 27 July, NERSA granted concurrence with ministerial determinations for the procurement of capacity of the programme, which will enable finalisation of the RFP.
- **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 three hybrid projects from the risk mitigation programme.
- **Operationalize the National Transmission Company.** Complete the establishment of the National Transmission Company of South Africa (NTCSA), including the appointment of an independent board and obtaining lender consents for the company's establishment through a statutory merger.
- **Develop special legislation to reduce or remove red tape for energy projects.** This includes measures to accelerate solar, wind and battery storage projects as well as transmission infrastructure.
- **Strengthen the capacity of the grid.** Unlock additional grid capacity through the curtailment regime and expedite priority projects in the Transmission Development Plan.

TRANSPORT REFORMS

South Africa continues to lose rail market share to road, with Transnet Freight Rail (TFR) volumes falling short of targeted volumes. For bulk commodities that cannot switch from rail to road, lower railed volumes have translated into lower exports. Furthermore, South Africa's port performance is poor by international benchmarks, both in terms of efficiency and competitiveness. The most recent annual results confirm this trend in declining performance, with freight rail operations hampered by decreased locomotive availability; systemic underinvestment resulting in increased maintenance backlog and derailments; and finally, incidents of crippling theft and vandalism. Port operations saw improvements mainly in auxiliary services. GAIN Group estimates that the daily economic loss due to Transnet inefficiencies at around R1 billion this year— implying a projected loss of R353 billion for 2023.

Progress has been made in the following areas:

- **Approval of the Freight Logistics Roadmap.** Working alongside government and Transnet, the Freight Logistics Roadmap was finalised and approved by Cabinet. The Roadmap provides a clear reform path

towards resolving immediate operational challenges driving the decline of rail and ports and outlines interventions required to fundamentally restructure the logistics sector through policy and legislative interventions.

- **The Minister of Public Enterprises announced the appointment of a permanent board for Transnet National Ports Authority (TNPA).** This will replace the current interim board and complete the process of corporatizing the TNPA. The new board will provide critical direction and oversight of the entity as the entire logistics sector undergoes reform.
- **The National Logistics Crisis Committee (NLCC) has been formally constituted with participation from relevant government departments, Transnet and business.** 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 Economic Regulation of Transport Bill has been passed by the National Council of Provinces.** Public consultation on the ERT Bill has been concluded and the Bill has been passed by the NCOP. It will now be submitted to the President for assent. Establishing the Transport Economic Regulator is a critical step in the reform of the logistics system.

Durban Container Terminal Pier 2 Partnership

On 17 July 2023, Transnet announced that it had concluded the process of selecting an equity partner for the Durban Container Terminal (DCT) Pier 2, namely International Container Terminal Services Inc. (ICTSI). This forms one of many initiatives by Transnet to allow private sector participation to bolster performance of its biggest terminal, which handles 72% of the Port of Durban's throughput and 46% of South Africa's port traffic. Private participation is expected to crowd in much needed investment and management expertise.

The partnership will see Transnet Port Terminals (TPT) enter a 25-year joint venture with ICTSI under a new entity (NewCo) which is being established for the operations of the DCT Pier 2. The terminal will revert to TPT at the end of the term, however for the duration of the contract, it will operate with its own board and executive committee. In addition to the best-practice management to be leveraged from the terminal operator, the partnership will catalyse and accelerate investments into increasing the availability of equipment, enhanced technological capability and improved operations. It is anticipated that ICTSI will increase DCT Pier 2's capacity from its current levels of 1.9 million twenty-foot equivalent units (TEUs) to 2.8 million TEUs over the coming five years. Improving the efficiency of operations will not only support competitiveness of South Africa's ports, but it will stimulate exports and imports.

The preferred operator, ICTSI, listed on the Philippine Stock Exchange, is a Filipino terminal operator with over 30 terminal operations in 20 countries, four of which are on the African continent. ICTSI has been operating for over 30 years, having started its operations with the Manila International Container Terminal in the Philippines. In terms of rankings, the operator is among the top 10 container terminal operators globally in terms of container throughput, growth, and opening of new projects. Final approvals are being processed to enable operations under the partnership.

DEVOLUTION OF PASSENGER RAIL

The Department of Transport is developing a National Devolution Strategy to guide the devolution of passenger rail functions. In support of this, a service provider has been appointed by the Department. The target date for completion of the Devolution Strategy is end-2024. Input to the work will be provided by the steering committee, convened by the Department of Transport in 2021, which consists of representatives from the department, from local and provincial government, SALGA, PRASA and the Gautrain Management Agency (GMA). In addition, with the support of Operation Vulindlela, National Treasury has contracted research on the existing legislative and policy environment and changes required to effectively devolve commuter rail in South Africa, and the optimal financing mechanisms and operational delivery models in the South African context. This work is expected to be completed by end-January 2024.

CURRENT AND FUTURE FOCUS AREAS

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

- **Finalise partnership at the Durban Container Terminal to improve efficiency and competitiveness.** Transnet has selected an international partner, International Container Terminal Services Inc. (ICTSI), for the 25-year joint venture with Transnet Port Terminals (TPT) to develop and upgrade the terminal. Finalisation of contractual arrangements is underway to enable this partnership to proceed.
- **Establish the Infrastructure Manager and publish a network statement.** Transnet Freight Rail (TFR) is finalising work to separate the Infrastructure Manager from the Rail Operating Company in preparation for open access to third party operators on the freight rail network. Furthermore, a draft network statement has been completed and is necessary for detailing, among other things, commercial, technical and legal access conditions – a precondition for promoting access onto the network.
- **Facilitate support for the Department of Transport and Interim Rail Economic Regulatory Capacity on the establishment of the Transport Economic Regulator (TER).** There are several critical items that are required for the establishment of the TER, including the development of enabling regulations and the designation of the rail sector within the scope of the new regulator. Operation Vulindlela will be providing support in these areas to prevent any delays in introducing regulation into the sector.

WATER REFORMS

In Q3 2023, the water sector was at the forefront of change, with significant strides in water services and broader reforms underway through legislation. Cabinet approved the submission of the National Water Resource Infrastructure Agency (NWRIA) Bill to Parliament, and the Bill was formally tabled on 25 August 2023. The NWRIA Bill was presented to the Portfolio Committee on Water and Sanitation on 19 September 2023. It is expected that the business case will be approved for the agency in January 2024, paving the way for its establishment once the legislation is passed.

The draft Raw Water Pricing Strategy was published for public comment on 5 August 2022 and closed on 6 November 2022. The analysis of comments from the public consultations was finalised and follow-up engagements between the Department and strategic stakeholders were conducted. Further inputs were made on the RWPS (by the Regulatory Commission), which required additional time to be incorporated. These comments have been evaluated and the final version of the RWPS will be submitted to the Minister of Finance for concurrence.

To arrest and reverse the deterioration of municipal water services, the DWS is amending the Water Services Act (WSA) to empower national government to intervene effectively in failing municipalities. The Water Services Amendment Bill has been approved by Cabinet for public comment. The key changes included in the Bill are a legal requirement for all water service providers to have an operating license, and an amendment to Section 63 of the Act to strengthen enforcement mechanisms. Where there is persistent failure to meet license conditions, the Minister will be empowered to enforce a separation between the role of Water Service Provider and Water Service Authority, ensuring that a capable service provider is appointed by the relevant municipality.

The Department is committed to ensuring that water use licences are processed within 90 days of application. As of October 2023, the Department has processed 115 of the 155 applications within 90 days, or a total of 74%.

In addition, the department invited applications for water use licenses for hydropower generation and floating solar panels using national water resources. Over 270 applicants have indicated their interest for a total of 170 sites across the country, with an estimated 2800 MW of new generation capacity. Submission of formal applications is expected in February 2024, whereafter they will be processed within 90 days. It is anticipated that licenses will be issued from May 2024.

As a key goal of Operation Vulindlela, the reinstatement of the Blue Drop, Green Drop, and No Drop Reports marks a significant step towards transparency and accountability in South Africa's water sector, revealing pressing challenges such as the decline in drinking water quality and the rise in non-revenue water since 2014. In December, the DWS released the latest water quality drop reports. Recent developments in South Africa's water sector, highlighted in the 2023 Drop Reports, show a critical need for reforms, as evidenced by the deterioration in drinking water quality, an increase in non-revenue water, and declining performance in municipal wastewater treatment systems since the last assessments in 2014. The reinstatement of the Drop Reports under the Department of Water and Sanitation's guidance has brought to light significant challenges, including a severe regression in microbiological compliance and a substantial increase in non-revenue water, necessitating urgent corrective actions. The Blue Drop, Green Drop, and No Drop Reports serve as essential regulatory tools and support mechanisms, revealing the current state of water and sanitation services and guiding municipalities towards sustainable management and improved service delivery.

CURRENT AND FUTURE FOCUS AREAS

- The **NWRIA Bill** was formally introduced in Parliament in Q3 2023 and public hearings on the Bill have now concluded. The Bill is intended to be passed within the Sixth Parliament, to enable establishment of the agency in 2024/25.
- An updated **Raw Water Pricing Strategy** is intended to be completed by end of December, when it will be submitted for concurrence by the Minister of Finance.
- Operation Vulindlela and the Cities Support Programme are developing a joint **strategy to enhance the delivery of water services of local municipalities**. Building on the Blue, Green and No Drop water quality monitoring system, DWS has issued letters of non-compliance to municipalities and is putting place support programmes in several municipalities to address infrastructure and governance failures.

DIGITAL COMMUNICATIONS REFORMS

The switch-off of analogue transmission for frequencies above 694 Megahertz (MHz) on 31 July 2023 marked a significant milestone as all reforms in the digital communications industry were concluded. This follows the gazetting of policies on deployment of infrastructure in the first quarter of 2023. The Standard Draft By-Law for the Deployment of Electronic Communications Facilities and National Policy on Rapid Deployment of Electronic Communications Infrastructure will streamline processes and facilitate a cost-effective manner of deploying digital communications infrastructure.

Since the successful auction of high demand spectrum in March 2022, a significant share of the spectrum was released to operators, enabling deployment of additional infrastructure, and enhancing service offerings. For instance, overall investment in telecommunications increased for the first time in 2022, following reported declines since 2018. This was driven by infrastructure expansion and maintenance, which has facilitated 4G support and expansion of 5G in the country. Price reductions in 2023 have also been reported across data bundles, including improvements in broadband and download speeds. From the initial improvements that have been reported, there is certainty that the reforms will facilitate meaningful reduction in the cost and improvement in the quality of communication, increased investments in infrastructure and the expansion of new technologies – which should all contribute to enhancing growth.

The Next Generation Radio Frequency Spectrum Policy, which was gazetted for public comment in September 2022, has been approved by Cabinet. The policy has now been updated and is being finalised for submission to Cabinet. The Policy aims to advance the availability of spectrum along with flexibility of its use, including through the establishment of a secondary market for spectrum; promote competition in the assignment of spectrum; and achieving optimum pricing of spectrum. Finally, work is underway to end dual illumination and switch off the remaining analogue broadcasting services below 694 MHz by 31 December 2024.

REFORMS TO THE VISA REGIME

Operation Vulindlela and the Department of Home Affairs have completed several critical reforms to the visa regime, including publishing the revised Critical Skills List; implementing an e-Visa system; and reviewing the policy framework and processes for work visas. Since the completion of these reforms, a key focus area has been ensuring that the recommendations of the work visa review to enable businesses to remain globally competitive and attract the skills needed to support growth.

In the current reporting period, progress has been achieved in deepening these reforms. This includes:

- **Launching the Trusted Employer Scheme.** The Department of Home Affairs has launched the Trusted Employer Scheme which brings into effect a core recommendation of the work visa review. The scheme will provide qualifying major investors and employers with access to a simplified route to employing skilled foreign workers, with reduced processing times.
- **Publishing the revised critical skills list.** The DHA gazetted an updated critical skills list for South Africa, adding to the list several critical occupations in the agriculture and veterinary sectors. This increases the number of occupations on the list to 142 and follows through on a commitment to revise the Critical Skills List on a regular basis.
- **Removing the radiological report as a requirement for work visa applications.** In compliance with the recommendations made in the Operation Vulindlela work visa report, a waiver has been issued to

remove a radiological report from the requirements of all visa and permit categories. This is a critical first step in reducing the administrative burden on work visa applicants.

CURRENT AND FUTURE FOCUS AREAS

- **Publishing the revised Immigration Regulations.** These regulations will support the introduction of new visa categories and support the further streamlining of work visa application requirements. Critically, these recommendations will realise a majority of the recommendations made in the Operation Vulindlela Work Visa Report.
- **Modernising the DHA's IT systems.** The DHA has entered into agreements with the State Information Technology Agency (SITA) and the Council for Scientific and Industrial Research (CSIR) to improve the functioning of the department's IT systems. This will address internet speed challenges which were highlighted in the Operation Vulindlela work visa review as a significant cause of delays in receiving and processing work visa applications. This will include a review of existing IT systems to enable the upgrading of IT infrastructure and automation of key processes.

CREATING AN ENABLING LEGAL AND REGULATORY ENVIRONMENT FOR HEMP AND CANNABIS

A Phakisa Action Lab was convened in June 2023 by the Department of Agriculture Land Reform and Rural Development (DALRRD), together with the Presidency, to address the need for urgent progress in commercialising the Hemp and Cannabis sector. The Phakisa report, presented to and adopted by relevant Director-General and inter-Ministerial committees, set out the required institutional arrangements to support implementation and enable iterative strengthening of the Master Plan document. This includes the establishment of a secretariat comprising DALRRD, the PMO in the Presidency, the dtic, and DSI to steer, drive and coordinate work across government departments. In addition, a steering committee has since been convened, including representatives of traditional leaders, Rastafari, traditional healers, business, labour, community and government. The steering committee and secretariat support the work of workstreams that emerged from the Phakisa, comprised of various government departments, and are informed by the pillars of the Masterplan.

Following the Phakisa, efforts have been ongoing to drive legislative changes, most notably by exploring mechanisms to fast-track the removal of cannabis from the Drugs Act. To this end, the National Assembly recently approved the Cannabis for Private Purposes Bill, 2020, to regulate the use, possession and cultivation of cannabis by adults for personal use. In accordance with the outcomes agreed to at the Phakisa, the South African Police Services (SAPS) has issued a circular reaffirming its commitment to respecting the privacy rights of cannabis cultivators and users, as well as ensuring the least intrusive measures are employed when securing an accused individual's court attendance. The circular reinforces previous instructions to all SAPS members and emphasises the importance of respecting the constitutional rights of cannabis cultivators, users, and dealers in South Africa. It reaffirms that possession, use and cultivation of cannabis by an adult, for personal consumption, in private, is permitted. The circular makes clear that no arrests are to be made for personal and private cultivation and/or possession of cannabis, which activities are not criminal.

CURRENT AND FUTURE FOCUS AREAS

- The DTIC has commissioned research, including a situational analysis, 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 engaged in ongoing regulatory reform work, together with the legal team appointed by OV to immediately unblock economic activity and to develop comprehensive cannabis legislation in the longer term to replace not-fit-for-purpose existing legislation, to enable investment and inclusive growth of the sector.
- The programmes of work to implement the outcomes as agreed at the Phakisa Action Lab are still being finalised by Departments, supported by the secretariat.

EXPEDITING THE ISSUANCE OF TITLE DEEDS FOR SUBSIDISED HOUSING

The title deeds reform seeks to address challenges of titling in South Africa in three parts, by tackling the primary transfer backlog (regularisation); bringing back properties that have transacted off-register into the formal system (formalisation); and creating an affordable, accessible system that makes it as easy as possible to preserve title going forward (preservation).

In March 2023 OV convened an inter-departmental steering committee to oversee this reform, 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. The steering committee meets monthly to guide the work of the technical team and to coordinate the various efforts presently underway by different Departments and spheres of government to address the titling backlog and the overall framework for residential property. Following these engagements, extensive consultations, case study investigations and data analysis, the technical team is now working to finalise a policy note setting out the key findings and policy recommendations emerging from the work.

CURRENT AND FUTURE FOCUS AREAS

- Finalise policy note with recommendations and develop prioritised cross-cutting government plan and Operational Plan to address the causes of the titling challenges

CREATE A MODERN AND EFFICIENT MINING RIGHTS SYSTEM

The Department of Mineral Resources and Energy (DMRE) has been forging ahead with developing and putting in place the long-awaited mining cadastral system. In March of this year, the DMRE published a Request for Bidders (RFB) to enhance the efficiency and transparency of South Africa's mining rights system. The selected bidder will be responsible for developing a system customised to South Africa's needs, incorporating features that include reducing turnaround times for applications, reducing the number of appeals due to false rejections, and automating services to improve user experience across the ecosystem.

Ultimately, the new cadastral system should accomplish two goals. The first is to ensure functional improvements from the existing South African Mineral Resources Administration (SAMRAD) system, and the second is to ensure that South Africa's mining rights system aligns to the world's best.

In the meantime, the DMRE is working to attend to a growing backlog of applications for mining and prospecting rights. Data from the DMRE reveals that the backlog for mining and prospecting right permits stands at 5066, where 1446 of these applications are for prospecting rights. This is after the DMRE had reduced the backlog from 5326 in February 2021 to 2625 in November 2022. During the recent Joburg Indaba, the Minerals Council again referred to the backlog and noted that if the backlog of 5 066 outstanding mining and exploration permits were approved, South Africa could begin to see a shift in the economy within 12 to 18 months.

CURRENT AND FUTURE FOCUS AREAS

- A winning bidder for the mining cadastral system has already been identified and the DMRE is expected to announce the bidder shortly. Once the work commences, it is anticipated that it will take approximately 12 months to complete the system's development.

KEY MILESTONES TO LOOK OUT FOR IN Q1 2024

- ✓ Release of further bid windows for solar PV, wind, gas, and battery storage: Bid Window 7 (1800 MW); ESIPPPP 2 (1200 MW) and the first gas-to-power RFP (2000 MW)
- ✓ Completion of the establishment of the National Transmission Company of South Africa (NTCSA)
- ✓ Enactment of the Economic Regulation of Transport Bill
- ✓ Finalisation of the Raw Water Pricing Strategy
- ✓ Publication of revised Immigration Regulations for public comment
- ✓ Implementation of the Trusted Employer Scheme

ASSESSING IMPACT: DIGITAL COMMUNICATIONS

BACKGROUND

South Africa's digital communication sector has for a long time operated with an insufficient allocation of spectrum. This in turn required capital-intensive network deployment, resulting in increased costs of communication. Other consequences of this were a low-quality network compared to competitor countries, and a connectivity divide that excluded many South Africans from access to the internet. Operation Vulindlela prioritised this reform as a result of prolonged delays in releasing additional spectrum, including the migration from analogue to digital transmission signal – which was critical to free up the highly valuable 700MHz and 800MHz frequency spectrum bands. Several factors contributed to these delays, including litigation and policy changes in the programme over the years.

Operation Vulindlela's intervention in the digital communications sector was informed by an in-depth analysis of the historical challenges – informing reform implementation plans and engagement with reform implementers and other stakeholders. Ultimately, Operation Vulindlela was involved in both the spectrum auction and analogue switch off reforms through:

- Playing a monitoring role, which allowed for regular engagement with reform implementers, ICASA and the DCDT, along with other stakeholders to ensure alignment with and progress against implementation plans.
- Providing support to reform implementers, which included for instance facilitation of expert support and concerted effort towards driving solutions in various areas of the reforms.

Anchoring the reform agenda within Operation Vulindlela has supported continuity and prioritisation by government and other state entities. In March 2022, ICASA successfully licensed spectrum in the International Mobile Telecommunication (IMT) spectrum bands – IMT700, IMT800, IMT2600 and IMT3500 – through an auction. The auction created six credible competitors, Rain, MTN, Vodacom, Telkom, Liquid Telecom and Cell C through its design. However, as of March 2022, some of the lower frequency spectrum remained unavailable due to the ongoing digital migration at the time. The deadline for new applications for set-top boxes was extended to 30 September 2022, following a Constitutional Court ruling which set aside the analogue switch-off date of June 2022. This process resulted in the current Minister of Digital Communications and Technology switching off the last analogue transmitter above 694 MHz on 31 July 2023, enabling the release of licensed spectrum to mobile operators.

IMPACT OF SPECTRUM AUCTION


Investment impact

Revenue generated from the auction amounted to an estimated R14.4 billion, directly contributing to the national fiscus. R5.8 billion of this amount was not paid due to remaining spectrum being held up in analogue transmission and outstanding operator settlements – which ICASA has requested be settled by the end of October 2023.

Operators signaled early on that the spectrum would yield positive results from the availability of additional coverage and capacity spectrum and enhanced ability to achieve coverage obligations, as seen below.


Vodacom

Once the auction process is fully concluded, Vodacom’s immediate focus will be on the deployment of valuable spectrum to extend both 4G and 5G network coverage to more parts of the country and improve quality of service while we continue to address the cost to communicate.
Vodacom CEO, 2022




MTN

MTN participated in the auction and acquired 100MHz of spectrum for a purchase consideration of R5.2 billion. This will enable MTN to achieve broader spectrum deployment across South Africa.
MTN, 2023




Telkom

The 20MHz of 800MHz, once available, will enable more efficient network deployment, increased coverage and capacity on the mobility layer (FDD) resulting in improved user throughput and experience particularly in rural areas.
Telkom CEO, 2022



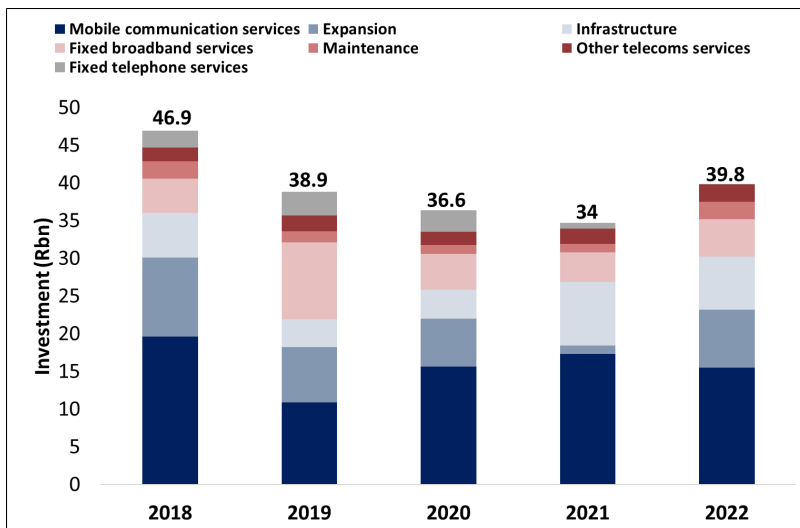
Liquid Telecom

In 2022, Liquid Telecom announced that it will use its acquired spectrum to build a 5G network aimed at enabling automation in industries such as manufacturing and mining.
Liquid Telecom, 2022



The acquisition of spectrum was a critical first step in unlocking further investments within the sector to facilitate the use of this spectrum. ICASA’s State of ICT Report revealed that the total telecommunications investment had fallen by 4% over since 2018. In 2022, however, an increase in investment of 17% from R33.9 billion in 2021 to R39.7 billion in 2022 was reported. This was driven by expansion of infrastructure and maintenance (Figure 1) and is in line with new investments from the availability of some of the licensed spectrum, which has enabled operators to support 4G services and expand 5G networks.

Figure 1: Telecommunication investment breakdown



Source: ICASA Electronic Communications Questionnaire
 Note: For the 12 months ending 30th September each year

During the 2022/23 fiscal year, Vodacom allocated approximately R11 billion in capital expenditure for its South African operations to improve capacity and resilience of the network and increase 5G roll-out. Vodacom’s 4G population coverage reached 98.5% by March 2023 and its 5G network was further expanded to encompass more than 1,500 sites. Similarly, MTN South Africa made notable capital investments, surpassing R8 billion in 2022, and actively intensified its 5G infrastructure, now boasting a network spanning over 1,500 sites, following the broadband auction conducted by the regulatory authority. Telkom also

continued to extend its network footprint, launching 5G services and effectively utilising the newly procured spectrum, with a particular emphasis on the low-frequency band (800 MHz), to enhance coverage of LTE services. This was enabled by capital expenditure of over R2 billion for the 2023/24 financial year and the deployment of 318 active 5G sites.

The additional spectrum enabled the launch of Rain's 4G mobile voice offering together with its new 5G home product, rainOne. On the other hand, Liquid Telecom will use its spectrum to build a 5G network aimed at enabling automation in industries such as manufacturing and mining. The spectrum acquisition will complement its significant fixed line and fibre assets.

Improvements in prices

In addition to the investments made, the increased availability of spectrum reduces the cost of network deployment, along with the pace of rollout. These factors in turn influence prices and the quality of services that can be provided. Table 1 presents price reductions across various 30-day prepaid data bundles between 2021 and 2022. This is evidence of a reduction in the lowest reported price category – signaling continued price improvements.

Table 1: Summary of price changes by data bundle

Data bundle	Lowest price (Rands)			Highest price (Rands)		
	2021	2022	Price reduction	2021	2022	Price reduction
100	20	15	-25%	20	20	0%
250	35	35	0%	35	35	0%
500	69	65	-6%	79	69	-14%
1024	95	79	-17%	99	99	0%
1536	149	89	-40%	149	99	-51%
2048	139	139	0%	199	149	-34%
3072	199	199	0%	279	229	-22%
5120	299	299	0%	349	299	-17%
6144	299	299	0%	399	349	-14%
10240	469	469	0%	499	469	-6%
20480	699	599	-14%	899	699	-29%

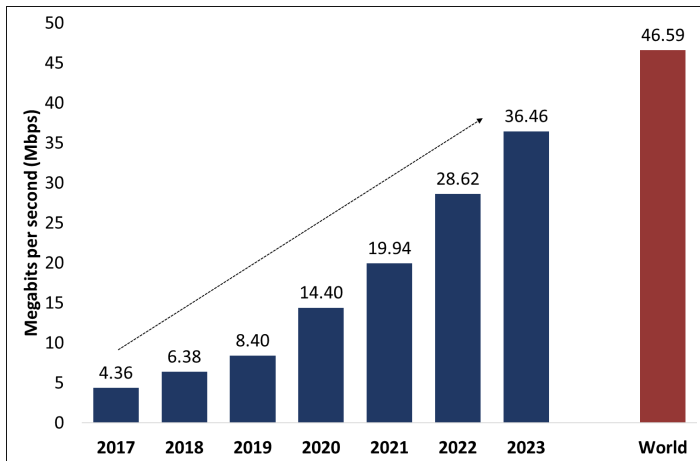
Source: ICASA State of ICT Report 2022

Improvements in coverage and speed

South Africa has also advanced in terms of national population coverage, with 4G/LTE population coverage increasing from 92.8% in 2019 to 98% in 2022, while 5G coverage increased from 0.7% in 2020 to 20% in 2022. The substantial increase in 5G coverage was facilitated by the acquisition of spectrum in the 3.5GHz band auctioned in March 2022.

Cable.co.uk, which undertakes annual tracking studies for over 200 countries, compared the average speed of the network in over 200 countries and found that 47 Sub-Saharan Africa countries had an average download speed of about 12.1 Mbps or above in 2023. South Africa ranked third among the SSA countries with an average of 36.5 Mbps, up 28% from 2022. However, this is still lower than the global average of 46.6 Mbps. Notably, South Africa has consistently registered improved download speeds as seen in Figure 3, with the most significant improvements recorded in 2022 and 2023 – where operators had access to significantly more spectrum.

Figure 2: South Africa’s average download speed



Source: Cable.co.uk

Note: The lowest measured average download speed is 1.17 and the highest is 264.52

ICASA further reports that South Africa experienced notable advancements in its broadband speed rankings in 2022. According to Ookla's Global Speedtest® Index², South Africa's mobile broadband speed saw an improvement, climbing to the 58th position out of 137 countries (up from 61st in 2021). Likewise, the fixed broadband speed ranking for South Africa improved to 95th out of 180 countries (up from 100th in 2021). It is worth noting that South Africa outperformed its neighbouring countries in both categories. The momentum of progress in South Africa's broadband speeds extended into 2023.

LOOKING AHEAD

The sector continues its growth trajectory, and the availability of additional spectrum has resulted in positive gains for the sector. These gains are expected to be further enhanced by the recent conclusion of analogue switch-off for higher spectrum frequency bands. However, to sustain momentum and support the sector’s continued growth, several key issues are being prioritised: (i) finalisation of Next Generation Radio Frequency Spectrum Policy, (ii) full implementation of policies aimed at facilitating the rollout of infrastructure; and (iii) addressing the impact of load shedding and threats to infrastructure.

² The Speedtest Global Index compares internet speed data from around the world monthly. Data for the Index comes from the hundreds of millions of tests taken by real people using Speedtest every month.