OPERATION VULINDLELA

Supporting
the Implementation
of Priority Structural Reforms

OPERATION VULINDLELA PHASE II

A second wave of reform for more rapid and inclusive economic growth

National Treasury
The Presidency

1. INTRODUCTION

South Africa's economy has struggled to achieve the growth rate needed to boost employment and create prosperity for all. Structural constraints such as electricity shortages; unreliable freight logistics; and high levels of crime and corruption have held back investor confidence and growth. Rising public spending without sufficient growth has led to unsustainable debt, with interest payments growing rapidly. The only viable solution is to achieve more rapid and inclusive economic growth.

At the same time, the undermining of state institutions during the state capture period, combined with a failure to recruit and retain highly skilled personnel in the public service, has weakened the state's capacity to effectively address these complex challenges. As a result, implementation of policy commitments has been partial and slow. Against this backdrop of stagnant economic growth and weak state capability, Operation Vulindlela (OV) was established in October 2020 as a joint initiative of the Presidency and National Treasury to accelerate the implementation of structural reforms. In its first phase, OV focused on reforms in five key areas with a high potential impact on growth and jobs: energy, logistics, telecommunications, water, and the visa system. 35 reform actions were prioritised across these five areas, with government departments and agencies taking responsibility for implementation while a dedicated Vulindlela Unit in the Presidency and National Treasury monitored progress and provided support.

OV has developed a unique delivery methodology to support implementation based on four key functions:

- *Identifying measurable objectives* based on the political objectives and determining priorities based on impact and achievability.
- *Tracking progress on identified priorities* through collecting, analysing and reporting on performance data.
- *Investigating and intervening* to solve problems where progress is off track.
- *Providing high-quality information* to political principals to empower decision-making and intervention where necessary.

While significant progress was made under OV Phase I, South Africa's growth rate remains too low to generate a significant increase in incomes or employment. An average growth rate of at least 3% is required over the medium term in order to reduce unemployment and improve the lives of all South Africans. Rapid implementation of bold reforms is needed to enable faster and more resilient growth. To achieve this, a "second wave" of reform will be implemented through Operation Vulindlela to remove the obstacles to growth and job creation, while enabling more inclusive, broad-based growth and greater economic complexity.

2. THE FIRST WAVE OF REFORM

Notable progress was made to transform South Africa's economy and address the binding constraints on growth during Phase I of OV, providing a solid platform on which to build in Phase II. The success of the OV methodology in enabling effective delivery across government has been demonstrated over the past four years, with 91% of the reforms identified in Phase I completed or on track. These reforms have unlocked an estimated R500 billion in investment, and will provide a significant boost to growth over the medium term.

In the electricity sector, regulatory changes have opened the space for private investment in electricity generation for the first time. The licensing threshold for embedded generation was lifted and subsequently removed, allowing for a significant increase in private investment in projects of any size selling power to multiple customers. Energy reforms have created a pipeline of 22 500 MW of private sector projects, enabling close to R400 billion in new investment. This will add capacity to the grid, close the energy supply shortfall, and end load-shedding while creating jobs and accelerating our transition to green energy sources.

The Electricity Regulation Amendment (ERA) Act represents a fundamental reform of the energy system. Alongside these legislative changes, the restructuring of Eskom has progressed with the establishment of the National Transmission Company of South Africa (NTCSA), which commenced trading in July 2024. These reforms will transform the energy sector by introducing a competitive electricity market and creating a level playing field for multiple generators, enabling greater investment, improving efficiency and reducing the cost of electricity. Measures implemented through the Energy Action Plan, overseen by the National Energy Crisis Committee (NECOM), have led to a significant reduction in load shedding.

In logistics, the adoption of the National Rail Policy in March 2022 paved the way to modernise and reform the rail sector. Key reforms include introducing open access to the freight rail network and devolving passenger rail to local or regional authorities. The Cabinet-approved Freight Logistics Roadmap, coordinated by the National Logistics Crisis Committee (NLCC), outlines a clear pathway to implement these reforms. The roadmap includes actions to resolve Transnet's operational challenges and reform the logistics system to achieve a competitive and efficient rail network. Underpinning these reforms is the Economic Regulation of Transport Act, promulgated in June 2024, which establishes the Transport Economic Regulator.

Fundamental changes are also underway in the ports system. The appointment of an independent board for the Transnet National Ports Authority (TNPA) is a crucial step towards establishing an independent National Ports Authority. Private sector partnerships are in progress to crowd in investment and management expertise, starting with the Durban Pier 2 container terminal. This will enable private sector participation in container terminal operations for the first time.

In the water sector, the Department of Water and Sanitation, supported by OV, has sought to improve water quality and ensure water security through reforms. This includes re-engineering the water use license application system and clearing the backlog of applications. The majority of new applications are processed within 90 days and the turnaround of the water use license system has already unlocked over R50 billion in investment. Several regulatory and legislative changes have been implemented. The National Water Resources Infrastructure Agency Act will establish an independent agency to finance, build and manage bulk water resources. The Raw Water Pricing Strategy has been revised to ensure that the pricing of raw water is cost-reflective and supports investment. Furthermore, reinstating the Blue, Green, and No Drop water quality monitoring system has enabled greater transparency and intervention where municipalities fail to meet minimum norms and standards.

In the telecommunications sector, reforms were aimed at lowering data costs and improving network reach and quality. The auction of high-demand spectrum was completed by ICASA in March 2022, ending a ten-year delay. The auction of spectrum has contributed to lower data prices, faster network speeds, and expanded network reach over the past two years. In addition, approximately R14.4 billion was generated from the auction.

In the visa system, reforms have been implemented to attract skills and investment and boost tourism. An eVisa system has been rolled out to 34 countries, with visa waivers in place for the majority of the remaining countries. The work visa review led to far-reaching changes, including the launch of the Trusted Employer Scheme, the simplification of visa application requirements, the introduction of a points-based system to enable more flexible pathways for skilled immigrants, and the creation of a remote work visa. These changes will make it easier for highly skilled immigrants to come to South Africa and contribute to the economy.

By alleviating load shedding, improving the logistics system, reducing the cost of data, improving water supply, and enabling the country to attract skills, the reforms implemented in OV Phase I will provide a significant boost to the economy in the medium term. In addition, they will support the repositioning of strategic state-owned enterprises by strengthening their balance sheets, improving operations, and enabling private investment in infrastructure.

3. OUTLINING A SECOND WAVE OF REFORM: WHAT WILL IT TAKE TO ACHIEVE GROWTH?

A recent independent study by the Bureau of Economic Research (BER) estimates that OV reforms could increase real GDP growth to 3.5% by 2029, or 1.5% above the baseline. The immediate priority is therefore to complete the reforms underway and deepen those reforms that have already been initiated. However, while these reforms are a *necessary* condition for growth and job creation, they are not *sufficient*. To achieve not only higher but also more inclusive long-term growth, additional reforms will be required in Phase II of OV.

South Africa's growth over the next five years will be *green* and *digital*. By investing in the energy sector, particularly solar and wind resources, the country can reduce energy costs and support green manufacturing while driving growth and job creation. Additionally, with its advanced infrastructure, South Africa is well-positioned to become a key player in the digital economy, creating jobs in business process outsourcing and digital services while encouraging a dynamic ecosystem for start-ups. Harnessing these new areas of growth will require significant investment and targeted policy interventions.

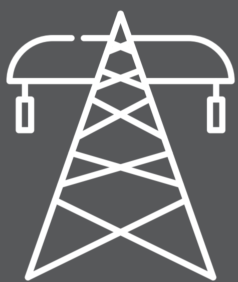
In addition, the deteriorating performance of local government has emerged as a significant constraint on investment and growth. An increasing number of municipalities is affected by weak or unstable governance, poor revenue collection and funding shortfalls, and an inability to deliver basic services or process regulatory approvals. Reform of the local government system will be prioritised to prevent it from acting as a binding constraint on growth.

Finally, spatial inequality is a major constraint on growth and job creation in South Africa. Many poor households live far from economic opportunities due to the apartheid spatial legacy and policies that have encouraged urban sprawl. Enabling spatial integration and the development of dynamic, thriving cities is crucial to address economic exclusion and labour market frictions while reducing transport costs and promoting the informal sector.

4. PRIORITIES FOR PHASE II OF OPERATION VULINDLELA

The priorities identified for OV Phase II will address these imperatives, building on the reforms already underway while addressing new challenges. Together, these reforms will contribute to significantly higher growth while supporting job creation and greater economic inclusion.

4.1. TRANSFORM THE ELECTRICITY SECTOR TO ACHIEVE ENERGY SECURITY



PRIORITY REFORMS

- Complete the restructuring of Eskom
- Establish a competitive wholesale market for electricity generation
- Streamline the regulatory framework to accelerate energy projects
- Reform the electricity distribution industry to establish financially and operationally sustainable distribution companies
- Strengthen and expand the national transmission network

The implementation of the Energy Action Plan, announced by the President in July 2022, has significantly reduced load shedding in 2024. However, the energy system remains constrained, and sufficient energy supply is needed to meet current and future demand. Additionally, reducing electricity costs is crucial for competitiveness and welfare. The global shift away from carbon-intensive products further threatens export industries and the energy sector must evolve to meet these challenges and support growth.

The establishment of a competitive electricity market is crucial to encourage investment in new generation and to reduce electricity prices. More than 100 countries globally have unbundled electricity utilities. South Africa has embarked on a similar process of reform with the restructuring of Eskom and the passage of the Electricity Regulation Amendment Act. To create a level playing field for generators, the National Transmission Company of South Africa (NTCSA) will be transformed into a fully independent Transmission System Operator (TSO) within five years. The restructuring of Eskom will be completed with the establishment of the National Electricity Distribution Company of South Africa (NEDCSA) as a subsidiary of Eskom Holdings and options will be explored to mitigate the market power of Eskom Generation. The South African Wholesale Electricity Market (SAWEM) will be established to introduce competition between generators. To achieve this, a market operator will be established in the NTCSA and a Market Code, outlining rules to govern the market, will be finalised.

Further steps will be taken to facilitate private investment in electricity generation. The Energy Security Bill will be introduced to streamline the regulatory framework for energy projects. This will provide for the One Stop Shop to act as a single entry point for energy-related regulatory authorisations, while waiving unnecessary requirements and imposing maximum timeframes on others. Private investment will increasingly drive new generation capacity, but public procurement remain important to ensure security of supply during market development. The capacity of the IPP Office will be strengthened and the public auction model will be reviewed to ensure the success of future bid windows through government procurement programmes.

The transmission network urgently needs to be strengthened and expanded to enable new generation capacity to be added. Private capital will be required to augment Eskom's balance sheet and enable the transmission development targets to be reached. Regulations to enable the implementation of Independent Transmission Projects (ITPs) will be finalised and RFPs issued for the first phase of the ITP programme in 2025. The focus of electricity sector reform will also be expanded to the distribution sector. Many distributors are financially unsustainable, and historical underinvestment has led to ageing and inadequate distribution infrastructure. Options for reform will be explored, and an Electricity Distribution Industry (EDI) Reform Roadmap will be developed.

> "These measures will have the dual benefit of ending the load shedding while transitioning the economy to cheap, low-carbon energy sources that will protect the competitiveness of our exports and provide the basis for a world-class green manufacturing industry."

4.2. CREATE A WORLD-CLASS LOGISTICS SYSTEM TO SUPPORT EXPORT GROWTH

PRIORITY REFORMS

- Complete the restructuring of Transnet
- Enable open access to the freight rail network
- Introduce private sector participation in ports and rail
- Establish the Transport Economic Regulator
- Finalise the National Rail Bill to establish a legal framework for a competitive rail sector

The poor performance of the freight logistics system is a significant constraint on growth. Reduced exports have led to lower fiscal revenue and the poor quality of services makes rail transport less competitive compared to road. Road freight now comprises nearly 90% of general freight volumes, leading to deteriorating road safety, worsening congestion and increasing road maintenance and upgrade costs. Moreover, it raises import costs, reduces competitiveness, and contributes to higher carbon emissions. Improving the logistics system is crucial to reverse the trend and support growth, industrial expansion, and job creation.

> “The implementation of the Freight Logistics Roadmap will continue in OV Phase II, including the vertical separation of infrastructure and operations for both rail and ports, which will enable competition in operations and encourage private sector participation.”

This includes the establishment of an Infrastructure Manager (IM) for the rail network, initially as an operating division of Transnet, and subsequently as a subsidiary of Transnet. A key element of the roadmap is open access to rail infrastructure to increase volumes and improve the quality of rail services. The Infrastructure Manager published the first version of the network statement in December 2024 outlining, among others, the rules and procedures to facilitate access to the freight rail network by multiple train operators. The network statement will be updated regularly and will ensure transparency and non-discrimination by the Infrastructure Manager between rail operators.

The condition of rail infrastructure needs to be upgraded to increase network capacity, improve the reliability of rail services, and reduce operating risk. Given that the amount of investment required to upgrade the network exceeds Transnet's available resources, private sector participation will be sought through concessions and other appropriate models. These transactions will be developed by the Private Sector Participation Unit and will not limit or prevent open access to the rail network.

In the ports system, the National Ports Authority will be established as an independent entity, owning and managing port infrastructure and acting as the landlord of South African ports. In addition to the private sector partnership being established at Durban Pier 2 Container Terminal, a suitable model will be developed for the remaining container and automotive terminals in Cape Town, Ngqura and Port Elizabeth to crowd in private investment and management expertise, while strengthening Transnet's balance sheet.

Finally, the establishment of a Transport Economic Regulator through the Economic Regulation of Transport Act will ensure the success of logistics reforms by putting in place an independent regulator to oversee access to state-owned infrastructure capacity allocation. The National Rail Bill will also be finalised to create a fit-for-purpose regulatory framework.

These reforms will fundamentally transform South Africa's freight logistics system, ensuring that port and rail infrastructure remains state-owned while introducing private sector participation to improve efficiency and increase the volume of goods transported.

4.3. ENSURE A RELIABLE SUPPLY OF QUALITY DRINKING WATER

PRIORITY REFORMS

- Develop and implement a National Water Action Plan
- Implement institutional reforms to improve the management of water resources
- Strengthen the regulation of water service provision
- Support the introduction of private sector participation in the water sector through the Water Partnerships Office and PPP Unit

South Africa is a water-scarce country, with historical underinvestment in bulk water resources and distribution infrastructure posing a threat to water security in the medium term. The failure to properly maintain water infrastructure and wastewater treatment works at a local government level has

resulted in water supply interruptions which threaten economic growth in cities like Johannesburg and eThekwini.

To address the growing water crisis, a National Water Action Plan will be developed, outlining the measures to be implemented at all levels of government to ensure long-term water security. This plan will be overseen by a dedicated coordination structure similar to the model adopted in the energy and logistics sectors. Current reforms focus on changing the institutional structure of the water sector, including through the establishment of a National Water Resources Infrastructure Agency (NWRIA), the establishment of Catchment Management Agencies (CMAs) and the implementation of the Revised Raw Water Pricing Strategy. These reforms will continue in the next phase of OV and will enable greater investment in bulk water infrastructure, strengthen regulation in the water sector and safeguard our water supply across the country.

Building on these reforms, the priority for the next five years will be to improve water service delivery at local government level.

> "To arrest and reverse the deterioration of water services, government will strengthen the regulation of water service provision through legislative and institutional reforms."

The Water Services Act (WSA) will be amended to separate the functions of water service authorities (WSAs) and water service providers (WSPs) and provide for the latter to be licensed. Where there is a persistent failure to meet license conditions, the license of a Water Service Provider be withdrawn and the relevant authority required to appoint a capable provider in its place. An independent economic water regulator will be established to ensure stronger oversight of water services, with responsibility for licensing WSPs and ordering corrective actions where necessary. This would both enhance capacity for oversight and prevent political interference in the regulatory process, including in the pricing of water.

Finally, following the establishment of the Water Partnerships Office, government will support the introduction of private sector participation in areas such as wastewater treatment, non-revenue water, desalination, and water re-use. This will enable significantly greater investment in water infrastructure in areas where a revenue stream can be established, while retaining public ownership of water assets.

4.4. REFORM THE VISA SYSTEM TO ATTRACT SKILLS AND INVESTMENT

PRIORITY REFORMS

- Reform the work visa system to attract skills and investment
- Streamline the tourist visa system to grow tourist arrivals

The South African labour market faces high demand for skilled labour, which is evident from the high wage premium, combined with high unemployment among the low-skilled and unskilled. Globally, increased mobility has made the market for skills highly competitive. Addressing these issues requires short-term and long-term solutions. In the long term, enhancing skills development and training is essential. In the short term, skilled immigration can boost economic growth, facilitate technology transfer, and increase tax revenues through spending. Immigration policy should therefore manage unskilled immigration while promoting skills and investment.

To improve the visa system, OV and the Department of Home Affairs reviewed the work visa system in 2023 and made recommendations for improvement.

> "Building on OV Phase I, a key priority is to complete the implementation of these recommendations, including fully operationalising the points-based system for skilled visas."

This system provides more flexible pathways for skilled immigration based on criteria such as qualifications, experience, and income. In addition, the remote work visa – which allows visa holders to enter South Africa for a period of up to 12 months while working for a foreign-based employer – will be actively marketed to potential source countries. The Trusted Employer Scheme, launched in October 2023 to provide a streamlined application process for major investors, will be opened to additional qualifying employers.

To fully benefit from these reforms, the visa applications backlog will be cleared and the processing time reduced. An Electronic Travel Authorisation (ETA) system will be introduced for swift and secure tourist visa processing and will be expanded to other visa categories. This approach will boost tourist arrivals while upholding national security interests.

4.5. STRENGTHEN LOCAL GOVERNMENT AND IMPROVE THE DELIVERY OF BASIC SERVICES

PRIORITY REFORMS

- Shift to a utility model for water and electricity services to ensure financial and operational sustainability
- Standardise and professionalise the appointment of senior officials in local government
- Review the institutional structure of the local government system
- Review the local government fiscal framework, including conditional grants

Local government in South Africa is in a state of crisis, with 66% of municipalities in financial distress and 64 out of 257 deemed dysfunctional. Many municipalities fail to deliver basic services such as water and sanitation, electricity, roads and waste collection. Challenges range from weak spatial planning, inadequate public transport systems, and hijacked buildings to operational challenges. The local government crisis is also a threat to water boards and Eskom, which together are owed more than R130 billion and rising. Without urgent intervention, the situation will continue to worsen and impede growth, investment and development.

The local government crisis reflects problems with the design of our local government system, leadership and internal capacity. Our system assigns a broader range of responsibilities and grants municipalities an unusually high level of autonomy compared to international norms. It is unusual by international standards for municipalities to be the direct providers of water, sanitation and electricity services. These are typically provided by dedicated, professional utility companies. South African municipalities are expected to manage large and complex financial systems and to collect a large proportion of their revenues, but few can do this successfully. There are also challenges with governance and leadership, including unstable administrations; conflict between political leadership and management; and inadequate financial management. This is compounded by corruption and organised crime, including procurement fraud, diversion of revenue, and weak financial management.

Current interventions are not effective in addressing the underlying structural causes of local government failures and bold and urgent intervention is needed.

> "Government will focus on improving service delivery and infrastructure investment to address the immediate challenges in electricity, water and other basic services."

This will be achieved through shifting to a utility model for water and electricity distribution, starting with metros. Many jurisdictions, including many faster-growing developing countries, operate on a utility model where trading services are managed and delivered by separate, professional utilities (which could be a separate business unit within the municipality, a municipal entity, a regional utility, or a private company operating on the basis of a concession or management contract). In the absence of professional utilities, municipalities often fail to invest adequately in infrastructure and lack the professional skills and systems required to operate efficient services.

The Municipal Systems Act and other laws already contemplate a utility model that separates municipalities' roles as service *authorities* and service *providers*. This process is already underway in the water sector through the Water Services Amendment Bill. In line with this approach, all municipalities will be required to establish ring-fenced, professionally managed water and electricity service providers. Financial incentives and technical support will be provided by the National Treasury through the Metro Trading Services Reform Programme.

A key step in improving service delivery is to ensure competent municipal administrations. Many local governments do not have appropriately skilled staff, especially at senior levels. Measures will be put in place to ensure that all Municipal Managers and CFOs meet the minimum standard for qualifications, experience and integrity. This involves strengthening the regulatory framework and putting a system in place to ensure compliance. The Public Service Commission's mandate will be expanded to local government through the Public Service Commission Bill to enforce these requirements.

COGTA will review the institutional structure of the local government system through an updated White Paper on Local Government. This will include a review of the appropriateness of the two-tier system and alternatives to improve the performance of local governments and reduce duplication and waste. National Treasury will also review the local government fiscal framework, including conditional grants, to ensure that the funding model is fit for purpose. This review is to address the

current situation in which spending on capital infrastructure is falling below required levels, while wage costs are rising, and service quality is deteriorating.

4.6. CREATE DYNAMIC AND INTEGRATED CITIES TO ENABLE ECONOMIC ACTIVITY

PRIORITY REFORMS

- Restore passenger rail services
- Strengthen demand-side housing policy to support densification
- Release public land and buildings for affordable housing and other development
- Clear the backlog of title deeds and make the titling system more accessible and affordable
- Review land use, building and other regulations to enable low-cost property developments

Spatial inequality, a legacy of apartheid and colonialism, remains a significant obstacle to growth and job creation in South Africa. While post-apartheid policies and programs have aimed to address spatial segregation and racially based inequalities, housing policies have unintentionally perpetuated inequality by building low-cost housing on urban peripheries. Urban sprawl and poverty have increased with the growth of informal settlements. This, combined with the failure to integrate townships into urban systems, evidenced by failing public transport infrastructure, has made economic participation difficult for many people. The consequence of this is a "transport tax" on the poorest South Africans with the lowest quintile of households per capita spending more than 37% of their after-tax income on direct transport costs. The high cost of transport excludes millions of South Africans from job opportunities, creating labour market frictions and hindering job creation.

South African city economies account for over half of national GDP and employment and house over 40% of the population. The overall urbanization rate is projected to increase further, from 67% to 75% by 2030, highlighting the importance of cities and other urban areas as economic hubs and future homes to the majority of people. Living in cities generally improves standards of living, income levels, and access to services. Addressing spatial inequality and driving densification of urban areas is thus a key priority of OV Phase II, enabling cities to be the drivers of economic growth and inclusion.

Passenger rail offers a significantly cheaper form of transport than taxis or buses. An immediate priority is to complete the recovery of PRASA's passenger rail network, enabling travel from outlying areas to city centres. Various models will be considered to raise capital for the upgrading and modernisation of the passenger rail network, including private sector participation. A strategy will be finalised to guide and manage the process of devolution of passenger rail to capable local or regional authorities.

The White Paper for Human Settlements, approved by Cabinet in 2024, recognises the need for new approaches to affordable housing. To this extent, housing policy will shift from building large, low-density, peripheral settlements to an integrated, demand-led, multi-supplier, and high-density approach. Between 1994 and 2023, the state has spent over R400 billion on the RDP/BNG housing programme, providing fully subsidised, state-supplied housing to beneficiaries. This has produced an estimated 3.4 million houses and 1.3 million serviced sites. Delivery peaked in 2007/08 with 271 219 units completed but dropped to 59 214 units in 2023/24. The RDP/BNG programme has been supplemented by demand-side interventions such as the First Home Finance and social housing programs. While these interventions have shown promise, more work is needed to increase their effectiveness and uptake.

> "A new approach will be implemented to enable greater pace and scale of housing delivery and reduce the housing shortage by leveraging private sector capital and implementation capacity alongside public funds."

This will be achieved by placing greater emphasis on demand-driven, partially-subsidised programmes over the supply-driven, fully-subsidised model. The First Home Finance programme will form the foundation of a new demand-side subsidy programme for both ownership and rental.

In addition, government will accelerate the release of public land for affordable housing. Many of the state-owned properties are underutilised or poorly maintained, including land and buildings. These could be used to promote affordable housing and densification. The Department of Public Works and Infrastructure has commenced a process to release state-owned land for sale or long term lease. This process can be enhanced by listing underutilised properties in prime locations and prioritising those suitable for housing development. This would allow the government to make these properties available to developers through sale or long-term lease with contractual obligations to ensure public benefit.

Significant value can be created for poor households by clearing the title deeds backlog for subsidised housing. Since 1994, the government has built almost 4.8 million residential properties, which it has awarded to qualifying beneficiaries. In addition to providing shelter, these houses are assets that can help families leverage debt funding for home improvements or extensions. The economic value of these properties has not been realised because, in many cases, houses or serviced sites have been handed over without a title deed. The current backlog in processing title deeds for subsidised houses stands at over 1 million, with an estimated value of more than R300 billion. Building on OV Phase I, the backlog will be cleared by resolving outstanding planning approvals for housing developments, raising the small estates threshold, and establishing mechanisms to resolve disputes.

In South Africa, national and local zoning and building regulations make it expensive, and in some cases illegal, for developers to build high-rise buildings at affordable rates in desirable locations. The regulatory framework discourages building upwards in inner cities and implicitly subsidises building in peripheral areas. In addition, municipal building codes can raise the cost of low-cost housing provision by including elements such as minimum parking regulations, lift requirements and other local regulations. In light of this, a review of national, provincial and local legislation to identify barriers to low-cost housing development will be undertaken to accelerate and enable affordable housing.

4.7. HARNESS DIGITAL PUBLIC INFRASTRUCTURE AS A DRIVER OF GROWTH AND INCLUSION

PRIORITY REFORMS

- Develop and implement a Digital Transformation Roadmap for South Africa
- Implement a digital identity system for secure and remote access to services
- Establish a data exchange for evidence-based policymaking and service delivery
- Introduce digital payments for cost-effective and dignified transactions
- Create trusted digital channels for accessing information and services

South Africa has an opportunity to introduce a coordinated, focused approach to the use of technology to improve service delivery, drive growth, and foster an inclusive society. While developing countries are increasingly using digital technology to transform government and improve service delivery, South Africa is lagging behind. A range of challenges impedes government's ability to efficiently and effectively design and deliver digital transformation, including a lack of coordination and weak implementation capacity, fragmentation of technology and persistent legacy systems, and duplication of efforts and initiatives.

> "To harness South Africa's strengths in the digital and technology sector and drive digital transformation, a Digital Transformation Roadmap has been developed and approved by Cabinet."

The roadmap outlines initiatives to achieve digital transformation, focusing on digital public infrastructure such as payments and data integration. The roadmap will introduce a digital identity system and a digital document wallet to simplify and improve access to services such as banking and healthcare. These tools will allow people to securely authenticate their identity and to store, access and share verified documents such as birth and educational certificates.

The government hosts thousands of datasets, but few of these are connected, preventing the government from designing and delivering targeted and efficient services. Administrative databases will be linked to enable improved service delivery and targeting of social programmes. Government will create a real-time data exchange to connect departments and securely share information. This will allow services such as grant applications and business permits to be processed faster and enable the government to suggest services such as linking grant recipients to opportunities, including education, training and job opportunities.

Work underway by National Treasury and the South African Reserve Bank will create a modern payment system that will transform how people, organisations and government send and receive money. This system will ensure that payments are secure, accurate, and processed in real-time. This will reduce payment costs, improve efficiency, and offer flexible payment channels, such as EFTs, mobile wallets, QR codes, and PayShap.

Finally, government will transform how people access information and services by creating a single, world-class digital platform to access services and information. This initiative will consolidate fragmented government websites and inconsistent interfaces into a single website through gov.za. The platform will give users easy access to accurate and up-to-date information on government and provide seamless access to e-services.

5. BUILDING CAPABILITY TO DELIVER

Ensuring the implementation of these reforms, many of which are technically complex and involve multiple government departments and agencies, requires effective systems and capability for delivery. OV was established to provide overall leadership, coordination and support for reform implementation, working together with the responsible departments in the following ways:

- Determining priorities and translating political objectives into actionable strategies
- Designing solutions to complex problems through an iterative and adaptive approach
- Identifying and aligning partners around the key interventions
- Unblocking obstacles when monitoring shows progress is off-track or slow
- Introducing and using best practice performance management approaches

A unique feature of OV is that it is a joint initiative of the Presidency and National Treasury. This has enabled it to drive progress on reform from the centre of government, while ensuring alignment and synergy between the two departments. OV will continue to support reform implementation and ensure accountability for delivery in Phase II.

Progress reports will be released to the public on a quarterly basis to provide regular updates on reform implementation and ensure transparency as the reform programme unfolds.