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Operation Vulindlela

Presentation to SCOA

25 August 2021

Introduction to Operation Vulindlela



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OV is a ‘delivery unit’ approach to support Cabinet and the President to accelerate the implementation of priority structural reforms.

- Aims to address key structural constraints to growth, such as shortages of electricity, spectrum, and skills, and bottlenecks and delays in the ports.
- Not another new plan – all about effective implementation of reforms approved by Cabinet, including some of the reforms in the Economic Reconstruction and Recovery Plan.
- Different to previous initiatives: deliberately not comprehensive, focuses on a limited number of high-impact reforms to revive economic growth in the short and medium term.
- OV does not change responsibility and accountability arrangements:
 - Reforms are implemented by line function Ministries and departments, who remain both responsible and accountable for their implementation
 - Operation Vulindlela unit in National Treasury and the Presidency monitors progress, provides support and escalates challenges.

What is OV and what are its objectives?



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The role of Operation Vulindlela is to identify and seek resolution of challenges in the implementation of reforms.

- Many reforms are complex and technically challenging and require specialist expertise and support to implement effectively. Where limited capacity presents an obstacle to implementation, additional capacity needs to be mobilised.
- In some cases, policy disagreements regarding the detail of implementation of reforms need to be resolved at Cabinet level to provide certainty and unlock progress.
- Where multiple departments and agencies are involved in the implementation of a reform, strong coordination is required.
- OV provides the President and Cabinet with a critical assessment of implementation progress which is independent of the reform implementers, drawing on progress information from various sources including reform implementers, industry stakeholders, and sector experts.
- The design of OV avoids unnecessary and top-heavy supervision and monitoring of departments and imposition of onerous reporting requirements – aim is to offer support, provide coordination where necessary, or resolve policy disagreements and escalate issues where required.

Accelerating implementation of structural reforms



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Five desired outcomes of Operation Vulindlela as part of the Economic Reconstruction and Recovery Plan

1

Supply of electricity stabilised



3

Sustainable water supply to meet demand



5

A visa regime that attracts skills and grows tourism



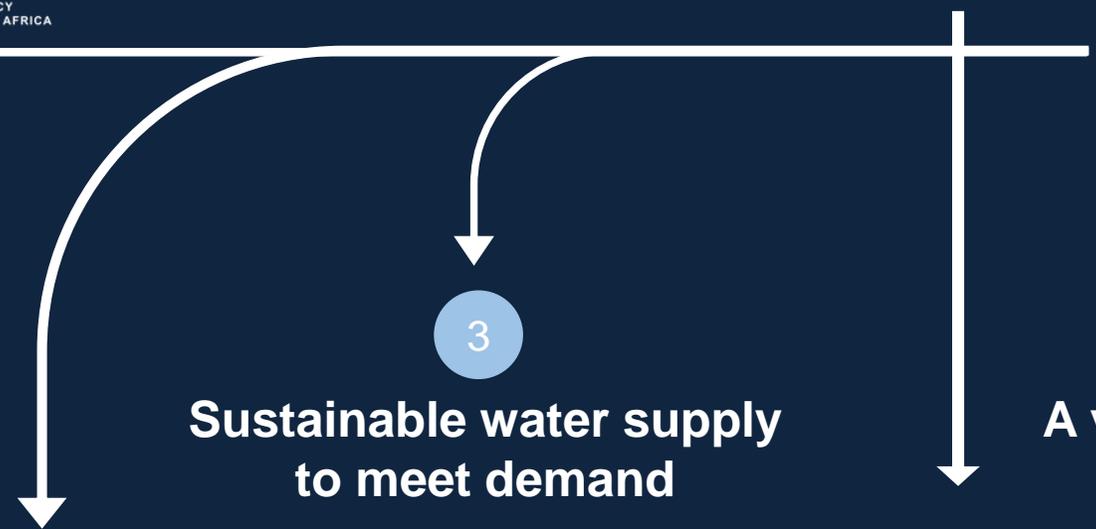
2

Reduced cost and increased quality of digital communications



4

Competitive and efficient freight transport



Significant progress has been achieved by the government since October 2020.

- Progress with resolving obstacles demonstrated in SONA 2021:
 - Raising of licensing threshold for embedded generation to 100 MW
 - Phased switch-off of analogue signal by end of March 2022
 - Revival of blue and green drop water quality assessments
 - Establishment of National Water Resource Infrastructure Agency
 - Roll-out of e-Visa system to 14 countries
 - Publication of Critical Skills List and comprehensive review of the policy framework for attracting skills

Main areas of progress with reforms to date

Key announcements made in June 2021:

- The President and Minister of Mineral Resources and Energy announced that **the licensing threshold for embedded generation will be raised to 100 MW**. Revisions to schedule 2 of the ERA were subsequently issued by the Minister on 12 August and 20 August. This will enable an increase in private sector investment in electricity generation capacity without government guarantees and will reduce the risk of load shedding.
- The President and Minister of Public Enterprises announced that **the Transnet National Ports Authority will be corporatized in terms of section 3(2) of the National Ports Act**, through the creation of an independent subsidiary with its own board. An interim board has since been appointed. This will create better incentives for efficiency and competitiveness through the separation of port infrastructure and port operations.



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OV priority reforms



Table 1 Key structural reforms in the electricity sector

Overall desired outcome: Supply of electricity stabilised

No	Key structural reforms needed to achieve overall desired outcome	Problem that reform is aimed at addressing	Desired outcome of structural reform	Key reform actions for each structural reform
1.1	Increase role of independent power producers (<i>source: SONA 2020; Economic Reconstruction and Recovery Plan</i>)	Shortage of electricity, lack of competition in electricity generation, inability of government to fund investment in additional generation capacity	Electricity supply increased and made more competitive through increasing participation of the private sector	<ul style="list-style-type: none"> a) Implement emergency procurement of 2 000 MW of power b) Implement IPP procurement in terms of IRP 2019 c) Lift licensing threshold embedded generation d) Enable municipalities to procure power from independent power producers
1.2	Unbundle Eskom into generation, transmission, and distribution entities (<i>source: SONA 2020, DPE Roadmap for Eskom; Economic Reconstruction and Recovery Plan</i>)	Lack of competition in electricity generation, lack of level playing field for all generators to compete on	Sustainability of both Eskom and electricity industry increased, enabling environment created for increased competition in generation	<ul style="list-style-type: none"> a) Divisionalisation b) Legal separation of entities for generation, transmission, and distribution

Table 1 (cont.)

No	Key structural reforms	Problem that reform is aimed at addressing	Desired outcome of structural reform	Key reform actions
1.3	Improve Energy Availability Factor of Eskom plants (<i>source</i> : DPE Roadmap for Eskom; Economic Reconstruction and Recovery Plan)	Poor performance of Eskom generation plant, in terms of the Energy Availability Factor (EAF)	Risk of load shedding reduced	Reverse decline in EAF and improve EAF from current level of approximately 65% to over 70%
1.4	Address institutional inefficiencies in municipal electricity distribution management (<i>source</i> : National Development Plan)	Deteriorating quality of municipal electricity distribution service, lack of investment in municipal electricity distribution infrastructure	Stabilised and reliable distribution of electricity by municipalities	<ul style="list-style-type: none"> a) Enforce municipal distribution license conditions b) Review municipal fiscal framework to remove electricity sales as one of the major contributors to municipal revenues to cross-subsidise other municipal functions c) Implement comprehensive national programme to support municipalities to improve electricity distribution performance (including planning, asset management, increasing private sector finance, procurement, etc.)

Table 2 Key structural reforms in the digital communications sector

Overall desired outcome: Reduced cost and increased quality of digital communications

No	Key structural reform	Problem that reform is aimed at addressing	Desired outcome of reform	Key reform actions
2.1	Increase available spectrum (<i>source: SONA 2019, NT growth paper, Economic Reconstruction and Recovery Plan</i>)	Insufficient spectrum available for network operators to provide high quality and competitive services	Sufficient spectrum available to meet demand to enable reduction in cost and increase in quality	Hold spectrum auction
2.2	Migrate from analogue to digital TV (<i>source: NT growth paper, Economic Reconstruction and Recovery Plan</i>)	Analogue TV is utilising some of the spectrum which could be released for use by network operators	Spectrum currently used by TV released for other purposes	Complete migration process
2.3	Finalise policy and policy direction on rapid deployment of electronic communications networks and facilities (<i>source: Electronic Communications Act</i>)	Difficulties experienced by network providers in rolling out infrastructure such as fibre networks	Improved regulatory framework to enable more rapid rollout of telecommunications infrastructure by private sector	a) Finalise policy b) Issue regulations under policy c) Streamline approval of wayleave applications at municipal level

Table 3 Key structural reforms in the water sector

Overall desired outcome : Sustainable water supply to meet demand

No	Key structural reform	Problem that reform is aimed at addressing	Desired outcome of reform	Key reform actions
3.1	Improve water-use licensing processes (<i>source: SONA 2020</i>)	Slow processing of water-use license applications and problems with the quality of some of the licenses issued	<ul style="list-style-type: none"> a) Investors and businesses able to obtain water-use licenses without undue delay b) General water use licenses issued within 90 days and without quality issues 	Review water-use licensing processes and implement improvements
3.2	Revise water quality monitoring system and establish an independent economic regulator for water (<i>source: NT growth document</i>)	Inadequate regulation of bulk water prices and inadequate regulation of service standards	<ul style="list-style-type: none"> a) Roles of regulator separated from roles of policy maker, planner, investor, and operator of water resources infrastructure b) More effective water sector regulation c) Improved pricing and service standards in water and sanitation sector 	<ul style="list-style-type: none"> a) Improve regulation in the water and sanitation sector, with measures to increase transparency in oversight of municipal performance in the short term b) Establish regulator

No	Key structural reform	Problem that reform is aimed at addressing	Desired outcome of reform	Key reform actions
3.3	Finalise revised raw water pricing strategy (<i>source</i> : NT growth document)	Raw water pricing not resulting in optimal socio-economic outcomes	<ul style="list-style-type: none"> a) Certainty created for investments in agriculture, mining, and other industries b) Sub-optimal pricing and financing of water addressed c) Roles of water subsidies clarified 	<ul style="list-style-type: none"> a) Finalise the revised raw water pricing strategy and obtain necessary approvals b) Implement the raw water pricing strategy
3.4	Establish a national water resource infrastructure agency (<i>source</i> : NDP)	Inadequate management of source and bulk water infrastructure	<ul style="list-style-type: none"> a) National water utility functions separated from policy functions b) Required investment in raw water resource development enabled 	<ul style="list-style-type: none"> a) Develop the business case and legislation for the agency b) Establish the agency
3.5	Address institutional inefficiencies in municipal water services (<i>source</i> : NDP)	Many municipal water businesses are in trouble resulting in problems with the quality of water services provided and financial challenges across the water value chain	<ul style="list-style-type: none"> a) Municipal water businesses turned around b) Root cause of financial problems in water sector addressed c) Water and sanitation service delivery to public, industries and businesses improved 	Implement comprehensive national programme to support municipalities to improve water and sanitation services performance (including planning, asset management, procurement, increasing private sector finance, drawing on private sector skills)

Table 4 Key structural reforms in the freight transport sector

Overall desired outcome: improved competitive pricing and service quality in freight transport

No	Key structural reform	Problem that reform is aimed at addressing	Desired outcome of reform	Key reform actions
4.1	Corporatise the Transnet National Ports Authority (<i>source: section 3(2) of the National Ports Act of 2005</i>)	Poor incentives for TNPA to drive efficiency and competitiveness improvement in the ports	a) More competitive port costs b) More efficient ports	a) Appoint interim board b) Appoint full board
4.2	Improve efficiencies in ports (<i>source: Economic Reconstruction and Recovery Plan</i>)	2020 World Bank container port performance index ranked all four of SA's container ports in the bottom 5 of 351 ports globally	Efficiency of ports improved	a) Operational improvements within TNPA and TPT b) Increased competition in port operations
4.3	Establish Transport Economic Regulator through the Economic Regulation of Transport Bill (<i>source: National Treasury growth paper</i>)	Lack of competition in freight transport services, partly due to lack of regulator to enable regulated access. Inadequate regulation of pricing and service standards in freight and commuter transport	Consistent and effective regulation of prices and standards in the freight transport sector	a) Economic Regulation of Transport Bill passed in Parliament b) Develop detailed business plan for regulator c) Establish regulator

No	Key structural reform	Problem that reform is aimed at addressing	Desired outcome of reform	Key reform actions
4.4	Implement policy for third party access to freight rail lines (<i>source</i> : National Treasury growth paper)	Unreliable freight rail services have shifted container freight traffic from rail to road, with rail's share of general freight declining from 19% in 2011 to 11% in 2019	More efficient and competitive rail freight transport	a) Achieve commercial separation of TFR into operations and infrastructure b) Implement third party access on freight lines
4.5	Finalise and implement White Paper on National Rail Policy	Both freight rail and passenger rail are underperforming in terms of market share and service standards	Performance of both passenger and freight rail improved	Submit revised White Paper to Cabinet for approval

Table 5 Reforms to the visa regime

5.1 Scarce skills

Key structural reform	Problem that reform is aimed at addressing	Desired outcome of reform	Key reform actions
Improve regulatory frameworks and processes for issuing work permits for scarce skills and for skilled immigration (<i>source</i> : Economic Reconstruction and Recovery Plan)	Investors and industries find the process of obtaining a scarce or critical skills work permit to be lengthy and onerous and sometimes ineffective at solving their short-term skills shortages	a) Short-term skills shortage reduced – businesses able to obtain skills which are not available in SA b) Time taken to obtain permits reduced	a) Carry out review of regulatory frameworks and processes b) Adjust regulatory frameworks c) Design and implement process improvements

5.2 Tourism

Key structural reform	Problem that reform is aimed at addressing	Desired outcome of reform	Key reform actions
Implement e-Visa and visa waivers (<i>source</i> : Economic Reconstruction and Recovery Plan)	Lack of user-friendly visa application processes is an impediment to increasing tourism	Growth in tourism	Implement full rollout of e-Visa system