

# OPERATION VULINDLELA

Supporting  
the Implementation  
of Priority Structural Reforms



## Towards a second wave of reform

Operation Vulindlela

25 June 2024



**national treasury**

Department:  
National Treasury  
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SAFE**

VACCINATE TO SAVE SOUTH AFRICA



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# Introduction to Operation Vulindlela



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# Driving delivery in the public sector



**There is a global trend to strengthen the role of the centre of government to fulfil multiple objectives:**

- *Policy coordination across government*
- *Strategic planning for the whole of government*
- *Driving implementation on key priorities*

**South Africa has made various attempts at implementing a “delivery approach”, with mixed success:**

- In 2009, SA decided to take on a delivery approach to unblock challenges to priority outcomes, learning from Tony Blair’s administration in the UK
- Led to **Outcomes Approach** in 2009-10, creation of DPME and its initial focus on planning and monitoring these outcomes, with performance agreements with Ministers
- Later learned from Malaysia’s application of deliverology to develop **Operation Phakisa** – intensive labs to diagnose and design a response to identified issues, with the intention for intensive monitoring and trouble shooting to take forward
- In both cases a challenge from adopting broad issues, major coordination challenges, and insufficient political will, which led to the plans being very complex, and difficult to drive
- Provinces have also developed delivery units in Western Cape and Gauteng

# Origins of Operation Vulindlela (OV)



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- OV was established in October 2020 as a ‘delivery unit’ approach to support the President and Cabinet to accelerate the implementation of priority structural reforms. Delivery units serve four primary functions:
  - **Identifying measurable objectives** based on the political mandate of the executive, filtering priorities based on impact and achievability.
  - **Tracking progress on the priorities** through collecting, analysing and reporting on performance data.
  - **Investigating and intervening** to solve problems where progress appears to be slipping off track (e.g. by conducting in-depth investigations, convening stakeholders or providing technical assistance).
  - **Providing high-quality information** to political principals to empower decision-making and intervention.
- Different from previous initiatives: deliberately not comprehensive to avoid spreading effort and resources across too many objectives, aimed at a few high-impact reforms to revive economic growth
- Agile, non-bureaucratic structure (e.g. drawing on outside experts)
- Government-wide approach:
  - Ministers, departments and entities (‘reform implementers’) implement structural reforms – does not take away responsibility for implementation
  - Dedicated Vulindlela Unit (which draws on additional expertise from public and private sectors as required) monitors progress, escalates challenges, and provides support to fast-track implementation

# OV delivery model



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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 – *convening power*



*Unblocking obstacles* when monitoring shows progress is off-track or slow



Introducing and using best practice *performance management* approaches (while maintaining agility)



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**Small, agile team in the Presidency  
and National Treasury, working  
together with 15 government  
departments and agencies**



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# OV methodology



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## Prioritising and planning

- Facilitate multi-stakeholder (within and outside of government) processes and ensure buy-in
- Provide support for developing strategies, mapping delivery, and defining targets and trajectories
- Rigor test implementation plans
- Ensure ownership by implementers

## Driving execution

- Coordinate departments and entities responsible for delivery
- Provide technical support for implementation
- Identify external partners who can provide support or expertise
- Identify problems and develop solutions at an early stage, constantly updating implementation plans

## Managing performance

- Collect, validate, analysis and synthesize data to rigorously assess performance and likelihood of delivery
- Put in place performance systems and management
- Capture specific actions and ensure follow up takes place
- Regular “stocktakes” with implementers
- Monthly review and reporting to President and Ministers

# The role of OV in the delivery of reforms



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1 If implementation is **progressing well under capable leadership** and only involves a single department or entity



Monitor and report  
on progress

2 If implementation of a reform is **not progressing well**, capacity is **lacking** amongst the reform implementers, or there is a **lack of coordination**



Engage with reform implementers, seek consensus on challenges and what needs to be done by whom

Where necessary, offer support to reform implementers to address capacity gap

Where necessary, Presidency fills coordination gap

3

If a **policy decision is required** to unlock progress, or there is a need to **resolve uncertainty or disagreement**



Provide recommendations to the President for engagement with relevant Minister

# Establishment of coordination structures



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The success of the National Energy Crisis Committee (NECOM) is attributable to a **systematic process** that has been put in place to track progress and solve problems

1

Prioritisation  
of the key  
issues

*Limited  
resources  
requires a focus  
on the most  
important issues*

2

Time bound  
action plans

*A standard  
template is used  
to populate the  
critical  
milestones,  
timelines and  
people  
responsible*

3

KPIs to  
consistently  
track progress

*For each  
workstream, a core  
set of key  
performance  
indicators are  
identified. The KPIs  
are tracked  
consistently*

4

Collective  
problem solving  
& unblocking

*The governance  
structure allows for  
transversal issues to  
be discussed and  
speedily resolved.  
All issues are  
tracked until it has  
been resolved*

5

Systematic,  
frequent  
reporting

*A reporting system  
has been  
established that  
provides 'fit for  
purpose' progress  
updates to the  
different NECOM  
structures*

6

Presidency  
oversight

*The NECOM  
secretariat ensures  
escalation of  
transversal blockages  
and provides  
oversight and  
support to entire  
NECOM structure*



# Lessons learned in Phase I



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Some early lessons can be derived from OV Phase I for **driving delivery in a context of weak state capability**.

- Given weak capability to implement, it is important to focus on a small number of priorities and resist scope creep.  
*... However, the more you dig the more you tend to find*
- Non-hierarchical structures enable better collaboration, sharing of ideas and greater agility  
*... Not in terms of accountability*
- A shared understanding of the problem is crucial to avoid perceptions of “over-reach” and ensure that technical support is welcomed rather than mistrusted or rejected.  
*... Spending time here can save time later*
- Early victories are essential to build confidence and momentum  
*... Selection of reforms according to impact is critical*
- Political will is essential to support delivery, with clear channels for escalation and intervention where necessary.  
*... Building broad-based support is first prize*



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# Progress in Phase I

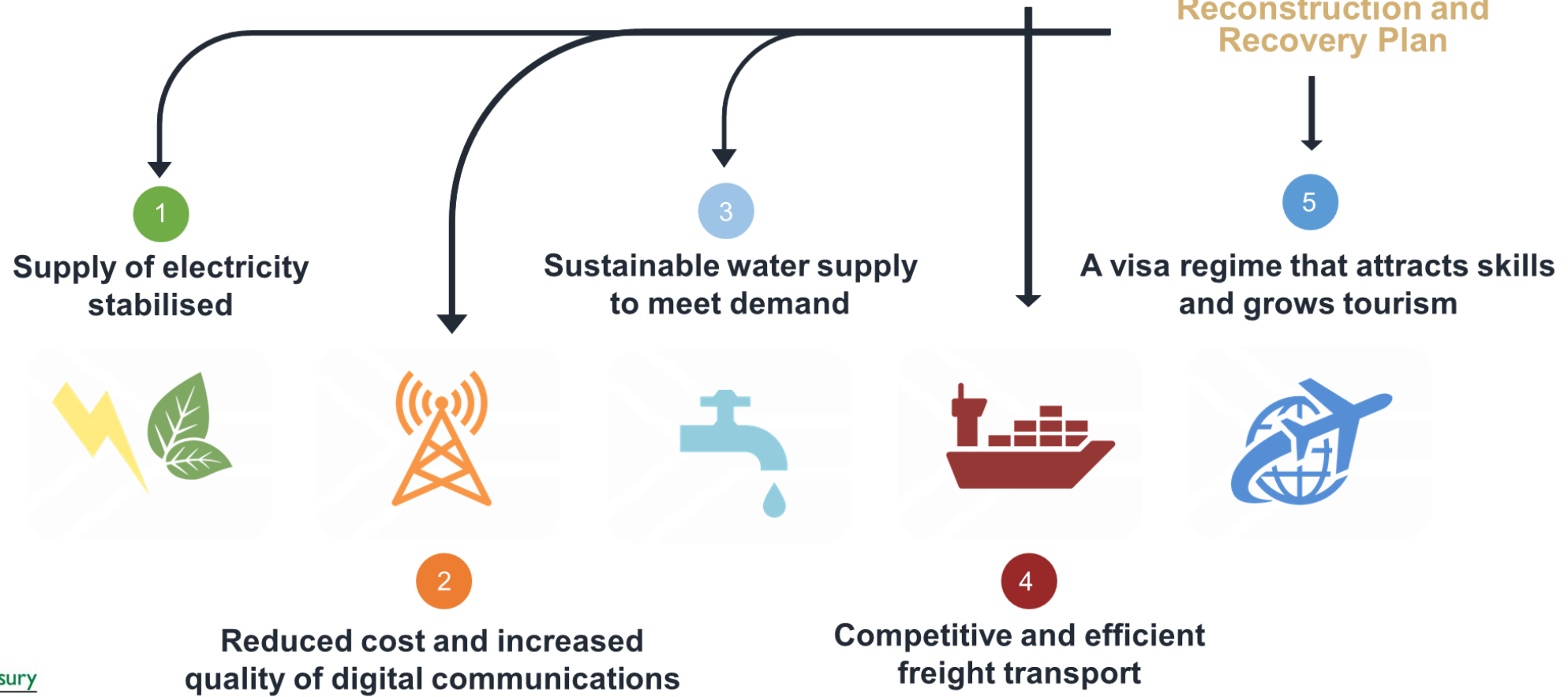
# Five initial priorities



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

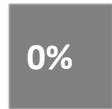
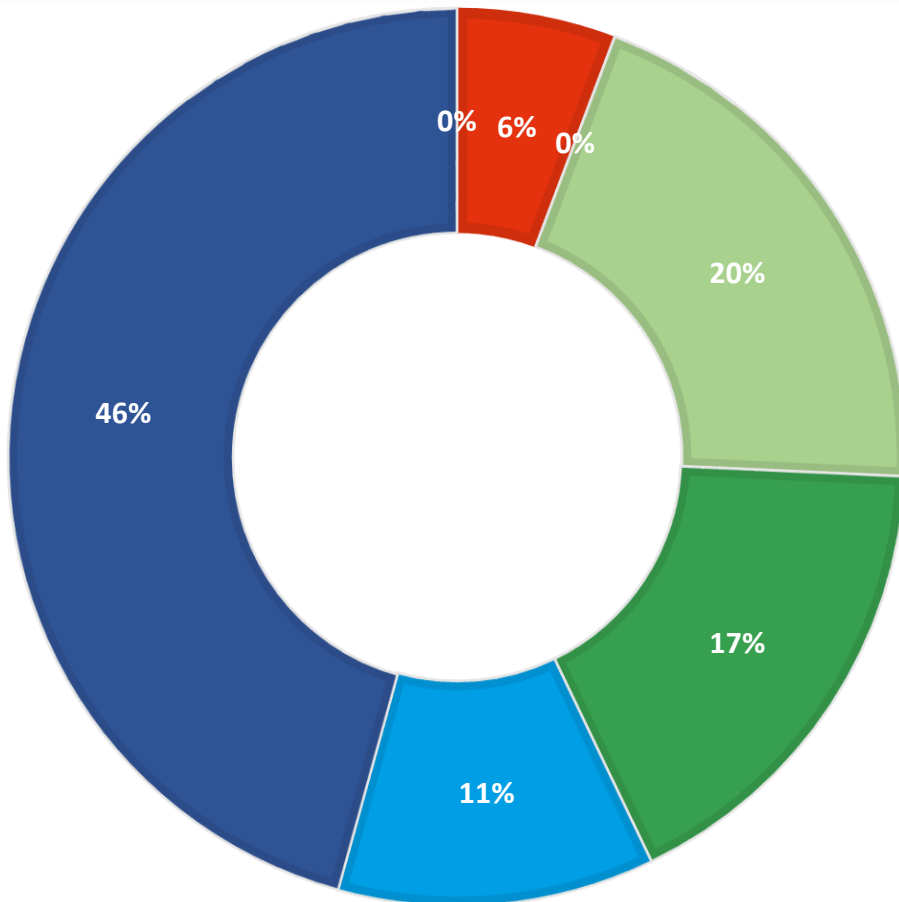


# Overview of progress



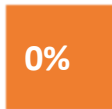
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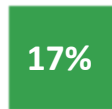
### 0 ACTIVITIES

No data/reform not yet started



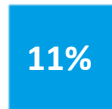
### 0 ACTIVITIES

Reform facing significant challenges, intervention required



### 6 ACTIVITIES

Reform progress on track



### 4 ACTIVITIES

Reform completed, further work required



### 2 ACTIVITIES

Reform facing critical challenges, likely not to be achieved



### 7 ACTIVITIES

Reform delayed, but progressing



### 16 ACTIVITIES

Reform completed, no further work required



# Progress in accelerating economic reform



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**Government has achieved several important milestones since Operation Vulindlela was established in October 2020:**



Regulatory changes implemented to **enable private investment in electricity generation** and create a competitive energy market



**Backlog of water use licenses cleared and license application system re-engineered**, unlocking billions of Rands in investment



**Spectrum auction concluded** after a ten-year delay, enabling substantial new investment in telecommunications



**Private sector participation introduced in container terminals**, to crowd in investment and improve the efficiency of port operations



**Comprehensive review of the work visa system completed**, with recommendations to overhaul the work visa system and attract skills and investment



**eVisa system expanded to 34 countries**, with almost all countries now covered by either a visa waiver or eVisa



**National Rail Policy adopted** to guide the modernization and reform of the rail sector, including third-party access to the network



Legislative reforms underway to **create a transport economic regulator, reform the electricity sector, and establish a National Water Resources Infrastructure Agency**

# Impact of reform to date



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**94%**

Number of reforms completed or progressing well



**R500 billion**

New investment unlocked through reforms



**22 500 MW**

Pipeline of private investment in renewable energy projects



**51%**

Reduction in the cost of data for a 1.5 GB bundle



**90**

Number of days to obtain a water use license, down from 300

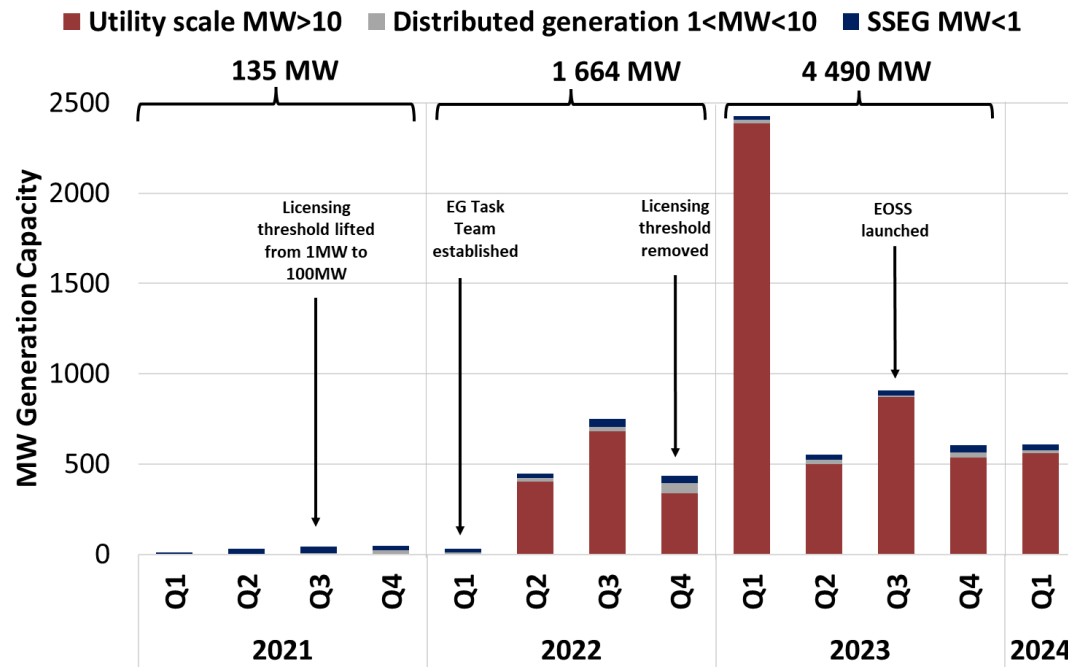
# Example: Investment in the energy sector



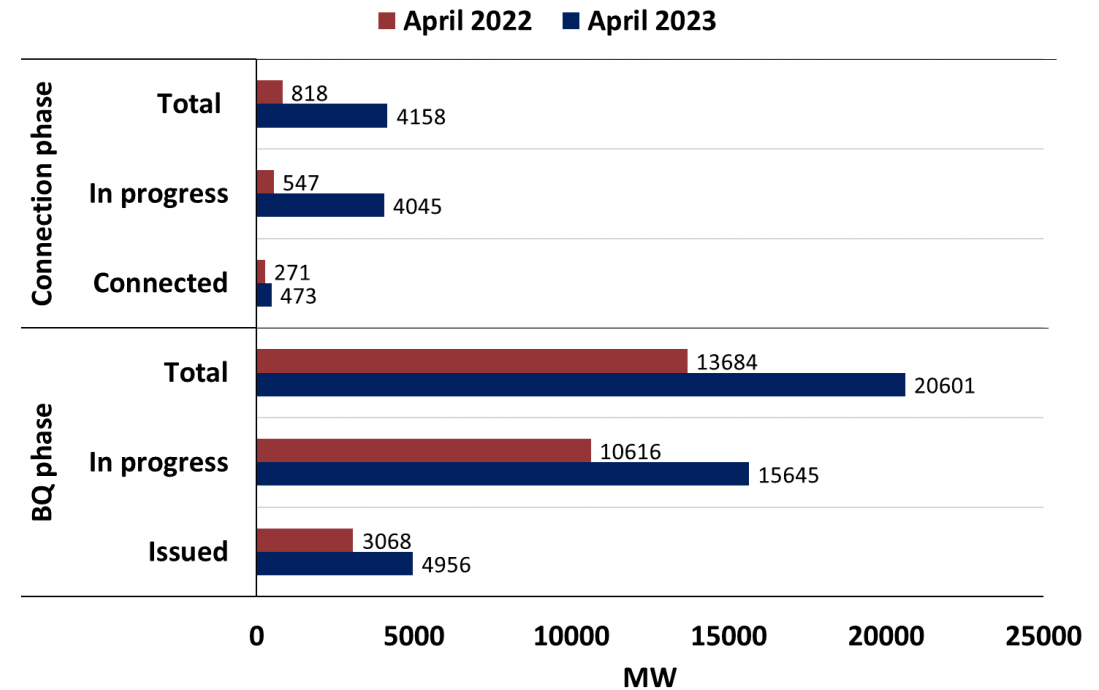
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## Projects registered with NERSA



## Projects in the grid connection process





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# Looking ahead to Phase II



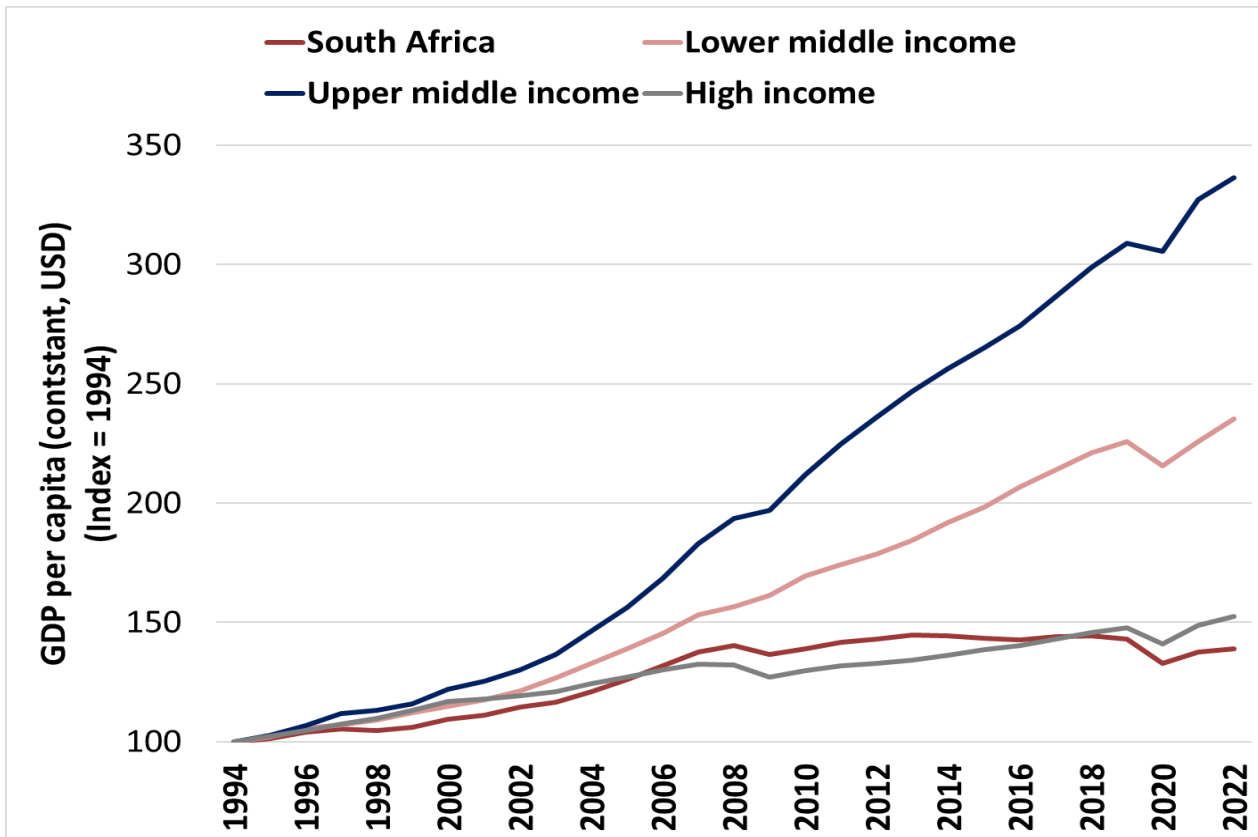
# Despite reform progress, our growth challenge remains significant



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Figure 1: Growth in GDP per capita (constant USD, index = 1994)



**South Africa's economy has been stuck in a low-level equilibrium with low GDP growth, stagnant fixed capital formation, and falling GNI per capita.**

- South Africa's development trajectory (real GDP per capita) has drifted ~70% from peer group – highlighting the dominance of domestic structural constraints.
- From 1999–2008, GDP growth in South Africa averaged above 4% per year, a rate high enough to sustain income per capita gains of 2.6% per year. However, from 2010–19, GDP growth slowed to just 1.7%, which only allowed average incomes to rise by 0.15% per annum. Since 2015, income per capita has been declining.

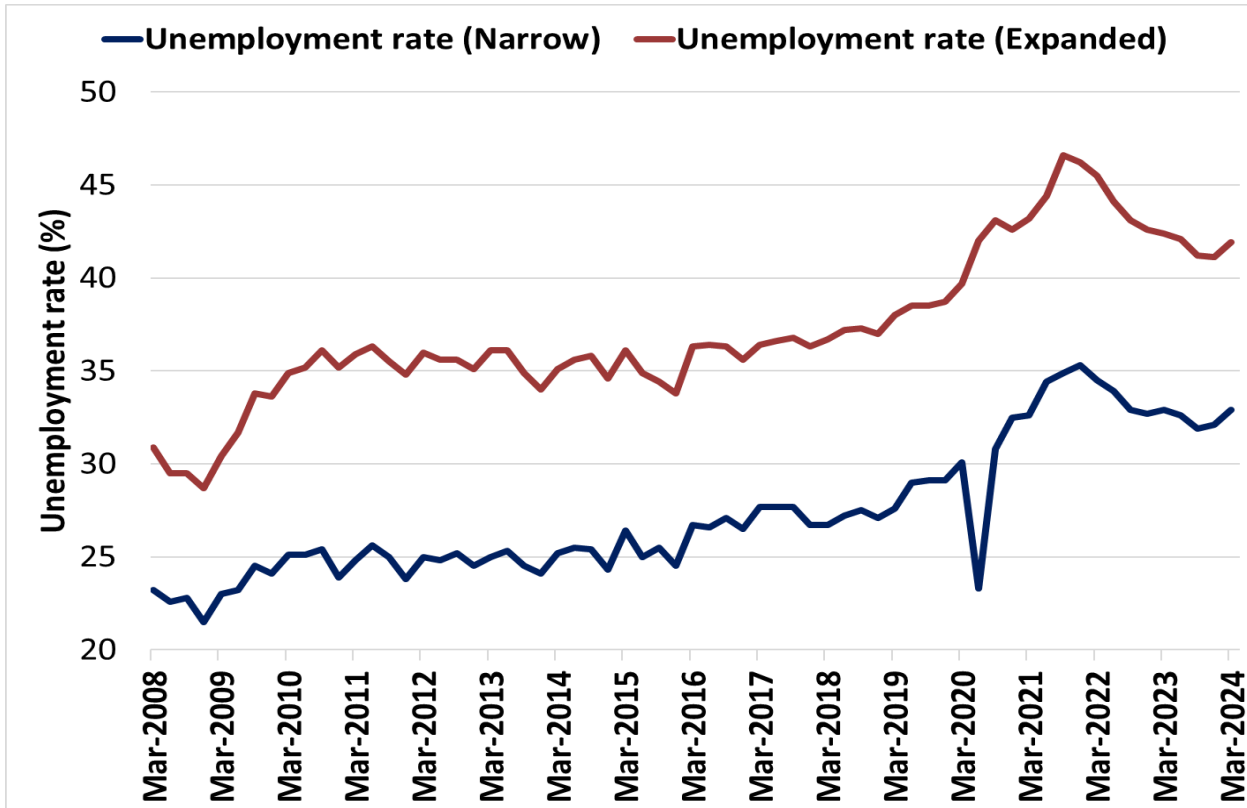
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Figure 2: Unemployment rate (%)



In addition to the low rate of economic growth, these dynamics have resulted in steadily increasing unemployment and rising inequality.

- Labour force growth has been faster than the increase in available jobs, with the number of unemployed adults reaching 11.8 million.
- The rate of unemployment has increased steadily as the labour force (aged 15-65) increased from 31.5 million in 2008 to 40.5 million in 2022, growing at a compound annual growth rate (CAGR) of 1.8%. In contrast, total employment increased by a CAGR of 0.7%. This has left a large – and growing – number of people without employment.

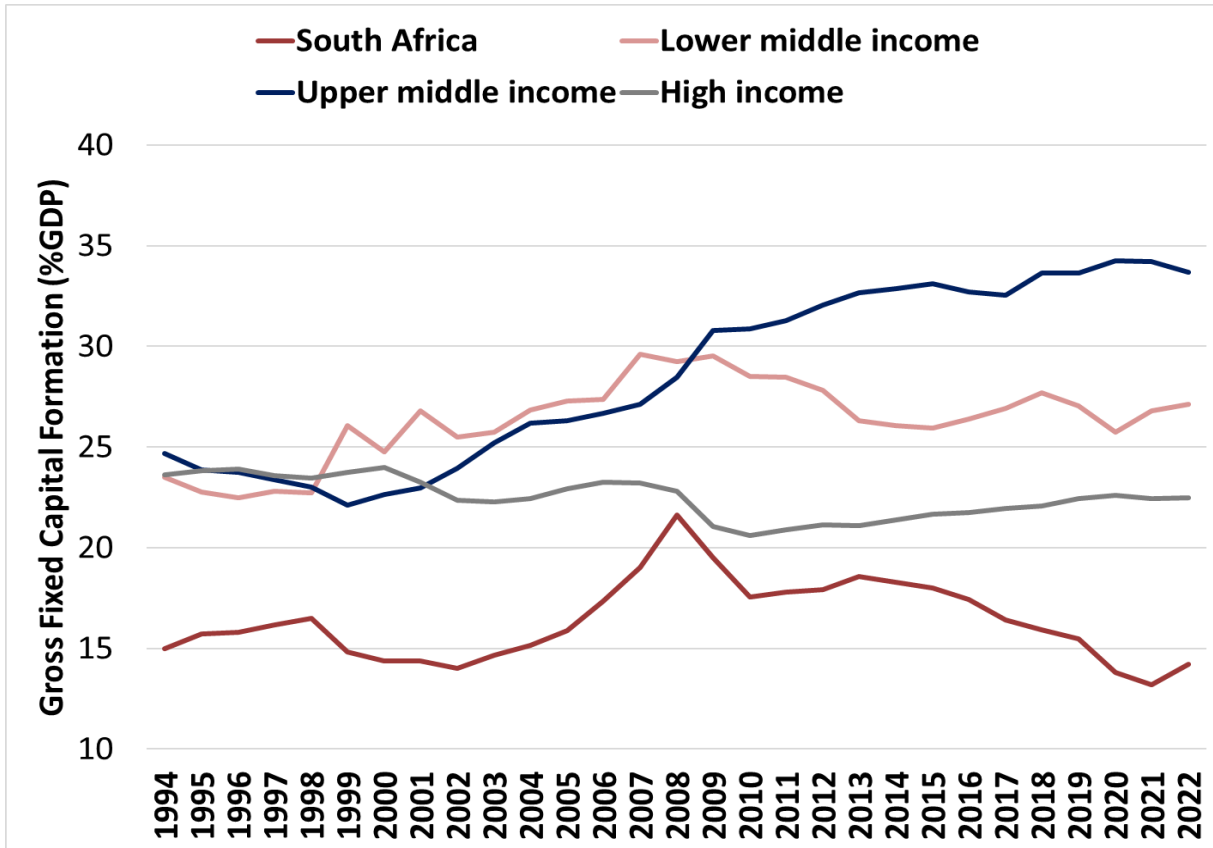
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Figure 3: Gross fixed capital formation (% of GDP)



Aggregate levels of saving and investment over the past thirty years have been inadequate to sustain the rate of growth and employment creation required.

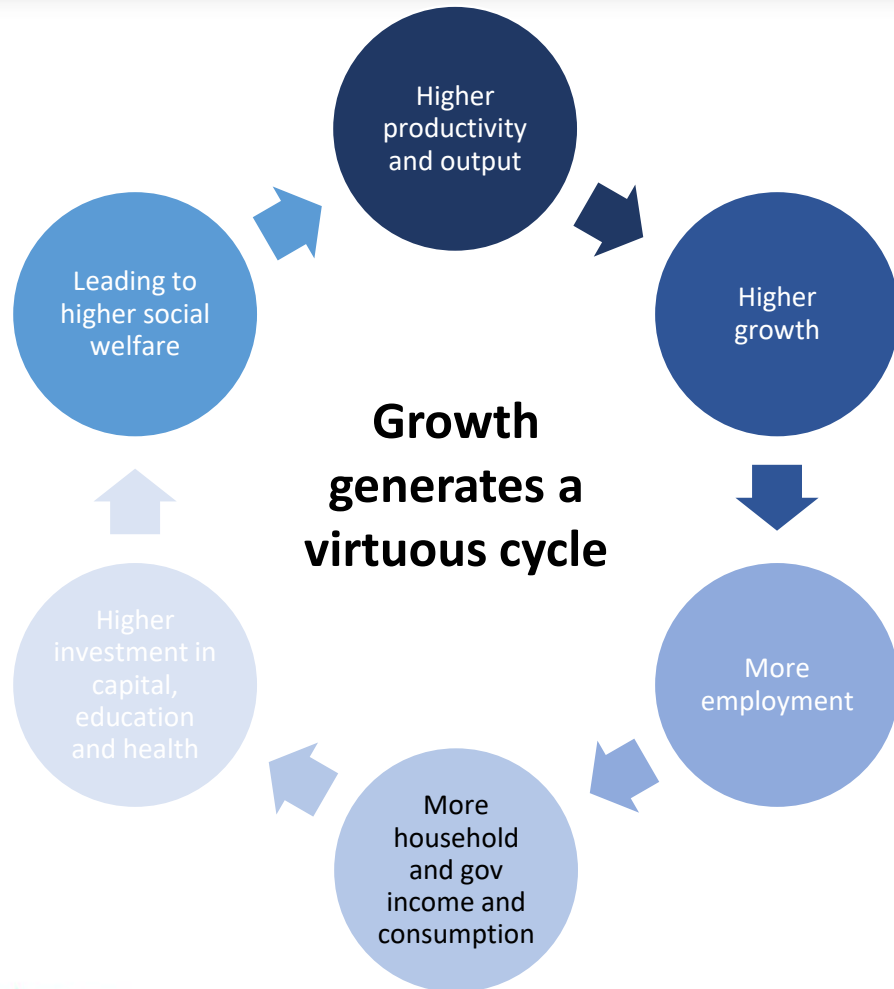
- A key target in the National Development Plan is for gross fixed capital formation (GFCF) to reach 30% of GDP by 2030, with public sector investment reaching 10% of GDP. As figure 3 shows, we are far from this target, with GFCF recovering to just 14% of GDP last year from a low of 13% in 2021.
- Since the sharp decline in investment during the 1980s as apartheid suffocated the economy, the highest level we have reached is 22% of GDP in 2008, in the lead-up to the 2010 FIFA World Cup.

# Why does economic growth matter?



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**Higher economic growth is a prerequisite for achieving the objectives of the National Development Plan 2030.**

- Inclusive economic growth is the most powerful instrument for reducing poverty and improving quality of life in developing countries (OECD)
- Economic growth can catalyse seismic social shifts by generating new economic opportunities and possibilities, new ways of thinking and new technologies (UNU-WIDER)
- Economic growth is the single most important factor influencing poverty, and macroeconomic stability is essential for high and sustainable rates of growth (IMF)
- However for sustainable and inclusive development, economic growth must not just trickle down but be combined with strategies which ensure that the benefits accrue to the poor, as well as strategies to reduce South Africa's high carbon emissions

# Towards a second wave of reform



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- By alleviating load shedding, improving the performance of the logistics system, reducing the cost of data, improving water supply, and enabling the country to attract the skills it needs, **the reforms already underway through 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, enabling higher levels of private investment in infrastructure, and improving their operational performance.
- The immediate priority should be to sustain the momentum already developed and **follow through on the implementation of existing reforms**, in order to realise their full impact. This will require completing the reforms underway, as well as deepening those reforms which have already been initiated.
- However, while these reforms are a *necessary* condition for growth and job creation, they are not *sufficient* to drive structural transformation in the economy. To achieve not only higher, but more inclusive long-term growth, **additional reforms will be required** in the next phase of OV.
- More than three years since the Economic Reconstruction and Recovery Plan was introduced, an opportunity exists to **outline a new, action-oriented growth strategy for South Africa** to take forward these reforms.

**The key question for this conference is: what priorities should be taken forward in Phase II of OV?**

# A new global economic context



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- Going forward, the reform agenda must **take into account new economic circumstances**. In the years since South Africa's democratic transition, the world economy has seen momentous change.
- In recent decades, technological advances have made manufacturing more capital-intensive and less labour-absorbing, rendering the traditional path to growth for many developing countries less effective.
- While it may not be possible to emulate the approach taken by industrialising countries in East Asia and elsewhere, our economy has **unique strengths and advantages** that can be harnessed as part of a new growth strategy.
- In this context, South Africa's growth over the next five years will be **green** and **digital**.
  - Over the next five years, South Africa has an opportunity to accelerate growth through **massive new investment in the energy sector**, leveraging its unique solar and wind resources to reduce energy costs and power green manufacturing. As the world races to reduce carbon emissions, this will be a key driver of growth and job creation.
  - In addition, given its advanced infrastructure and other key advantages, South Africa can **position itself as a major player in the digital economy**, creating jobs in business process outsourcing and digital services while encouraging a dynamic ecosystem for high-growth start-ups.
- Harnessing these new areas of growth will require a **substantial increase in renewable energy sources** as well as **significant investment in digital public infrastructure** to propel South Africa's economy into the future, both of which require targeted policy interventions.

# Emerging constraints on growth



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- An **inefficient and unreliable freight logistics system** is a significant constraint on growth. Reduced exports have also led to lower revenues, especially in sectors such as mining that depend on the rail system. A well-functioning logistics system is particularly important for the South African economy, given the geographical distribution of economic activity in the country, our reliance on commodity and other exports, and our distance from key export markets.
- A **lack of investment in the water sector** for many years has resulted in insufficient bulk water infrastructure and ageing water distribution infrastructure, threatening water security in key centres of economic activity. Ensuring water security is crucial not only to serve communities, but to support economic growth.
- The **deteriorating performance of local government** has emerged as a significant obstacle to investment, as an increasing number of municipalities is affected by weak or unstable leadership, poor revenue collection and funding shortfalls, and an inability to deliver basic services or process regulatory approvals.
- **Spatial inequality** is another important constraint on growth and job creation in South Africa, with many poor households forced to live far from economic opportunity due to the spatial structures imposed by apartheid. This results in economic exclusion, labour market frictions, and high transport costs, inhibits the growth of the informal sector, and creates negative externalities such as pollution and high carbon emissions.

**Panel discussions will unpack these and other challenges, with a view to finding practical solutions and putting forward proposals that can be taken forward over the next five years.**

# Prioritisation matrix



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ECONOMIC GROWTH IMPACT	High	Assign responsibly elsewhere (if necessary initiate or monitor)	Prioritise
	Low	Reject	Do not prioritise
		Low	High
		EXECUTION ABILITY	

**OV has been used as a mechanism to accelerate implementation of reforms where :**

- There is a need for coordination between multiple departments and agencies
- Complexity is high, and technical capacity is lacking
- A policy decision is required to overcome inertia





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# OV team

# The OV team



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Nomvuyo Guma  
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Megan Bryer  
**Director: Tertiary Sector**



Nohlanhla Msimango  
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Secondary Sector**



Natalie van Reenen  
**Senior Economist:  
Primary Sector**



Saul Musker  
**Director: Strategy and  
Delivery Support**



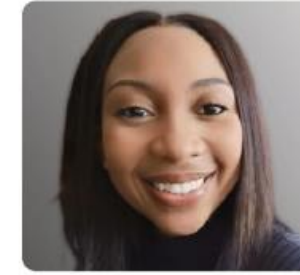
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