OPERATION VULINDLELA

Supporting
the Implementation
of Priority Structural Reforms

PHASE II 2026/27 Q1 PROGRESS REPORT

#OperationVulindlela | #EconomicReform

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

THE PRESIDENCY
REPUBLIC OF SOUTH AFRICA

A NATION THAT WORKS FOR ALL

2030 NDP

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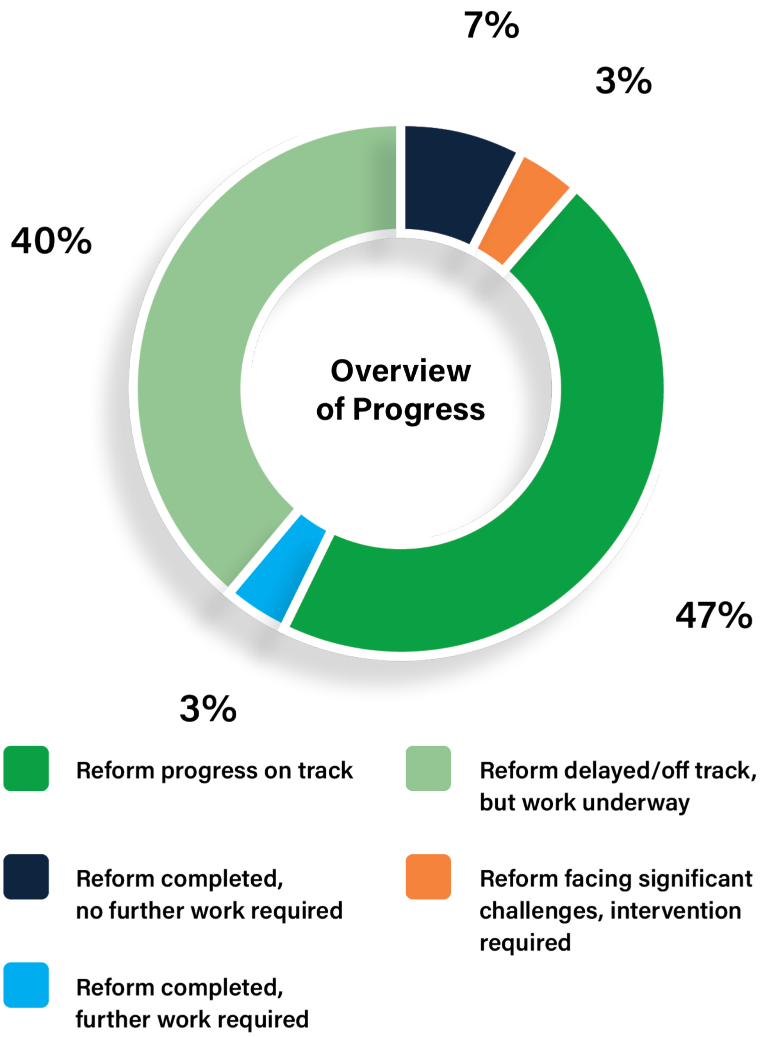
INTRODUCTION

PROGRESS DASHBOARD



OVERVIEW OF PROGRESS

Operation Vulindlela (OV) Phase II is a joint initiative of the Presidency and National Treasury to accelerate the implementation of structural reforms to achieve more rapid and inclusive economic growth, improve service delivery, and strengthen state capability. This progress report provides an update on implementation during the period since April 2026, highlighting key milestones achieved across the seven reform focus areas. This quarter saw continued progress in advancing reforms to improve the performance of network industries, address challenges in local government, and create an enabling environment for investment. While the global economic environment remains uncertain, sustained implementation of structural reforms is improving South Africa's competitiveness, reducing constraints to growth, and laying the foundations for higher levels of private investment and inclusive economic growth.

Electricity sector reform continued to gather pace with significant progress towards establishing a competitive electricity market. The Eskom Restructuring Task Team (ERTT) completed the first phase of its work to oversee the establishment of a fully independent state-owned transmission entity. This is a critical step to ensure that the restructuring of Eskom is conducted in a manner that minimises financial, operational, and fiscal risk while maintaining energy security and advancing the objectives of electricity sector reform to reduce the high cost of electricity. Government remains focused on completing the transition to a competitive electricity market by launching the South African Wholesale Electricity Market (SAWEM), with key steps taken to establish a regulatory framework for the market.

Freight logistics reform advanced through continued implementation of institutional reforms and measures to increase private sector participation. Progress during the quarter included the publication of the latest iteration of the Network Statement to enable access to the freight rail network for multiple operators, conclusion of Rail Access Agreements with 11 train operating companies, development of an implementation plan for the corporatisation of the Transnet National Ports Authority, and finalisation of the draft National Rail Bill to establish a modern legislative framework for rail reform.

Water and sanitation reform focused on strengthening institutions, improving regulation and accelerating investment in infrastructure. The establishment of the National Water Crisis Committee (WATERCOM) and publication of the National Water Action Plan provide a coordinated framework to address South Africa's water challenges. Progress was also made in operationalising the South African National Water Resources Infrastructure Agency (SANWRIA), advancing the Water Services Amendment Bill, implementing the Revised Raw Water Pricing Strategy, and expanding the pipeline of infrastructure projects through the Water Partnerships Office and the newly established Infrastructure Finance and Implementation Support Agency (IFISA).

Visa and immigration reform continued to modernise South Africa's visa and immigration system to support tourism, investment and skills attraction. Work is underway to expand the Electronic Travel Authorisation (ETA) system to all eligible countries and multiple visa categories. Phase II of the Trusted Employer Scheme was launched to enable all qualifying employers to participate, and progress was made in implementing new visa programmes to support business events, tourism and the creative industries. Government also advanced the redevelopment of major land ports of entry through public-private partnerships to improve the efficiency of cross-border trade and travel.

Local government reform focused on strengthening municipal governance, improving service delivery and enhancing the sustainability of municipal finances. The first cohort of metros is now implementing reforms through the Metro Trading Services Reform Programme to improve the governance and performance of municipal trading services. Progress was also made towards finalising the White Paper on Local Government, the Municipal Finance Management Act Amendment Bill, the review of the Local Government Fiscal Framework, and preparations for implementing the expanded mandate of the Public Service Commission in local government.

Spatial integration and housing reform continued to develop practical interventions to improve access to affordable housing and address spatial inequality. Progress was made towards developing demand-side and capital subsidy programmes to support investment in affordable housing, releasing strategically located public land for housing development, and addressing the title deeds backlog. In parallel, PRASA made further progress in restoring passenger rail services and expanding the availability of rolling stock, supporting improved urban mobility and economic inclusion.

Digital public infrastructure reform accelerated implementation of the Digital Transformation Roadmap through continued development of the MyMzansi platform, the MzansiXchange data integration layer, a digital identity system, and the payments modernisation programme. During the quarter, implementation focused on establishing the technical and governance foundations required to deliver integrated, citizen-centred digital services while strengthening interoperability across government systems.

With increasing emphasis on establishing new institutions, finalising enabling legislation and regulations, reforms can be expected to translate into tangible improvements in infrastructure investment, service delivery and economic performance. Progress in some areas has been uneven and, in certain instances, slower than initially anticipated due to the complexity of institutional reforms and the need to align multiple stakeholders. As implementation enters a more mature phase, the focus will increasingly shift towards accelerating delivery, resolving remaining bottlenecks, and ensuring that reforms translate into measurable outcomes that strengthen South Africa's competitiveness and support higher, more inclusive economic growth.

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Supporting the Implementation of Priority Structural Reforms

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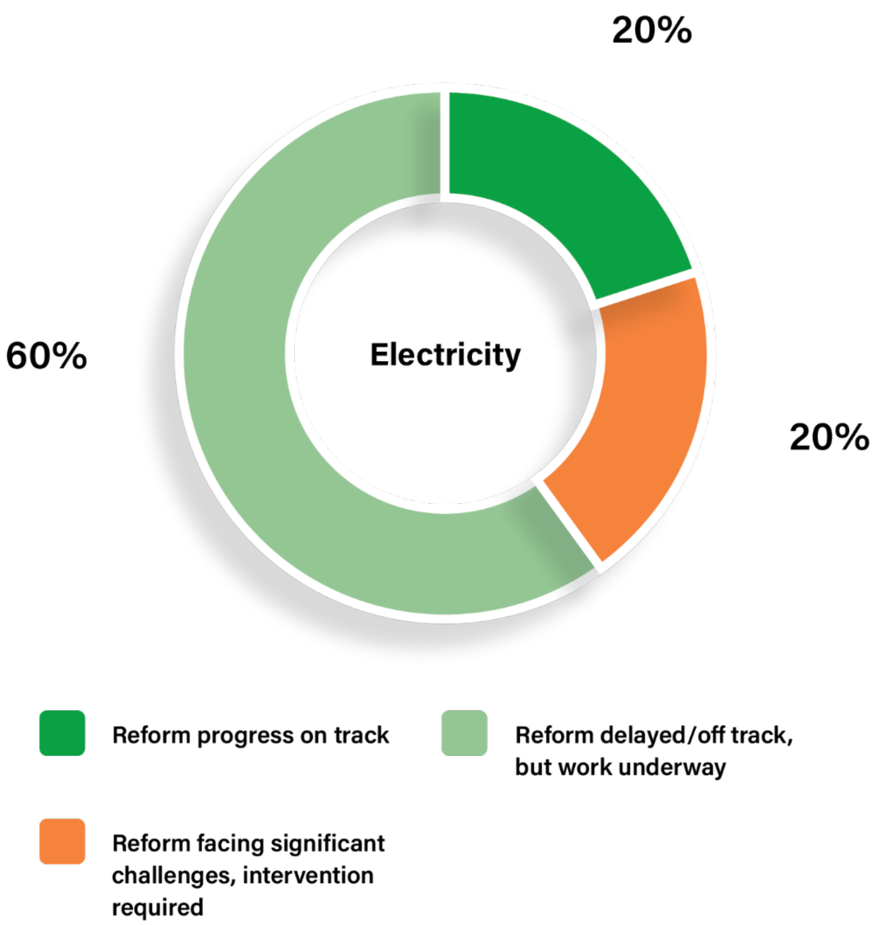
REFORM 1: ELECTRICITY SECTOR REFORM

REFORM 1: ELECTRICITY SECTOR REFORM

Objective: Transform the electricity sector to achieve long-term energy security, affordability, and green growth



Progress at a Glance

Electricity sector reform continues to gather pace towards the launch of the South African Wholesale Electricity Market (SAWEM). Major progress was made during the first quarter with the internal launch of SAWEM, now operating with 32 participants. In addition, this quarter marked the delivery of the Eskom Restructuring Task Team's (ERTT) first report on the transition to a fully independent Transmission System Operator, and the publication of the draft Market Code, Wholesale Tariff Framework and Vesting Contracts Framework for public comment. Private investment in renewable energy projects continues to expand, with close to 32 GW of projects now in the grid connection process and expected to connect by 2030, and several utility-scale projects reaching commercial operation during the quarter. Progress on Electricity Distribution Industry (EDI) reform is behind schedule. Accelerating reform implementation, alongside stronger compliance monitoring and enforcement, will be critical for improving utility performance, strengthening governance, and ensuring long-term sector viability.

Key Milestones (Q1 2026/27):

- The National Energy Regulator of South Africa (NERSA) published a revised version of the Electricity Trading Rules, as well as the Market Code, Vesting Contract Framework and Wholesale Electricity Pricing Methodology for public comment. This represents significant progress in the development of the regulatory framework necessary to support the introduction of the South African Wholesale Electricity Market (SAWEM). In addition, NERSA published the approved Market Operator licence conditions, outlining key duties and transitional arrangements, as well as requirements to strengthen the independence of the Market Operator.
- A key milestone was achieved in April 2026 with the launch of internal trading on SAWEM, involving 32 participants. This marks an important step towards establishing a competitive electricity market. Platform testing and further development are now underway to support the successful launch of external trading in early 2027.
- Progress has been made in completing the policy framework for electricity market reform, with the finalisation of a guidance note on electricity market design as well as a revised Electricity Pricing Policy. Both documents are expected to be released to the public during the next quarter, and will provide clarity to market participants on the roadmap to market introduction.
- The Eskom Restructuring Task Team (ERTT), established by the President has completed the first phase of its work to oversee the establishment of a fully independent Transmission System Operator (TSO) that will be owned by the state. The report outlines a high-level proposal for the optimal approach to establishing the TSO in a manner that leaves Eskom no worse off than its current position while ensuring the financial sustainability of the future TSO and minimising the burden on the fiscus and electricity users. This is an essential step towards creating a level playing field for competition in the electricity sector, while enabling significant new investment in expanding and strengthening the transmission network. During its second phase, the ERTT will develop a detailed implementation plan to take forward the restructuring process, which will be completed by October 2026.
- Investment in renewable energy projects continues to grow at pace, with the NTCSA confirming that approximately 32 GW of projects are now in the grid connection process and expected to connect before 2030. Several major projects reached commercial operation during the past quarter, including the Hydra project in the Northern Cape, which was procured through the Risk Mitigation Independent Power Producer Procurement Programme (RMIPPPP) and combines a 216 MW solar PV plant with a 500 megawatt-hour battery storage system to provide 75 MW of dispatchable power throughout the day. The Ummbila Emoyeni Wind Energy Facility in Mpumalanga has also reached commercial operation, providing 155 MW of wind power as the first phase of a project totalling 900 MW. The Impofu Wind Farm project achieved commercial operation to provide 330 MW across three wind farms in the Eastern Cape. These and other projects demonstrate that investments initiated following regulatory reforms introduced in 2021 are now bearing fruit.
- Key steps have been implemented to operationalise the Credit Guarantee Vehicle (CGV), with initial funding secured to capitalise the vehicle. The next phase will focus on key appointments, including the Caretaker Board, Steering Committee and Project Team, as well as obtaining license approval from Prudential Authorities. Once established, the CGV is expected to reduce investment risk, attract institutional and commercial investors and lessen reliance on sovereign guarantees while expanding the country's ability to deliver critical infrastructure.

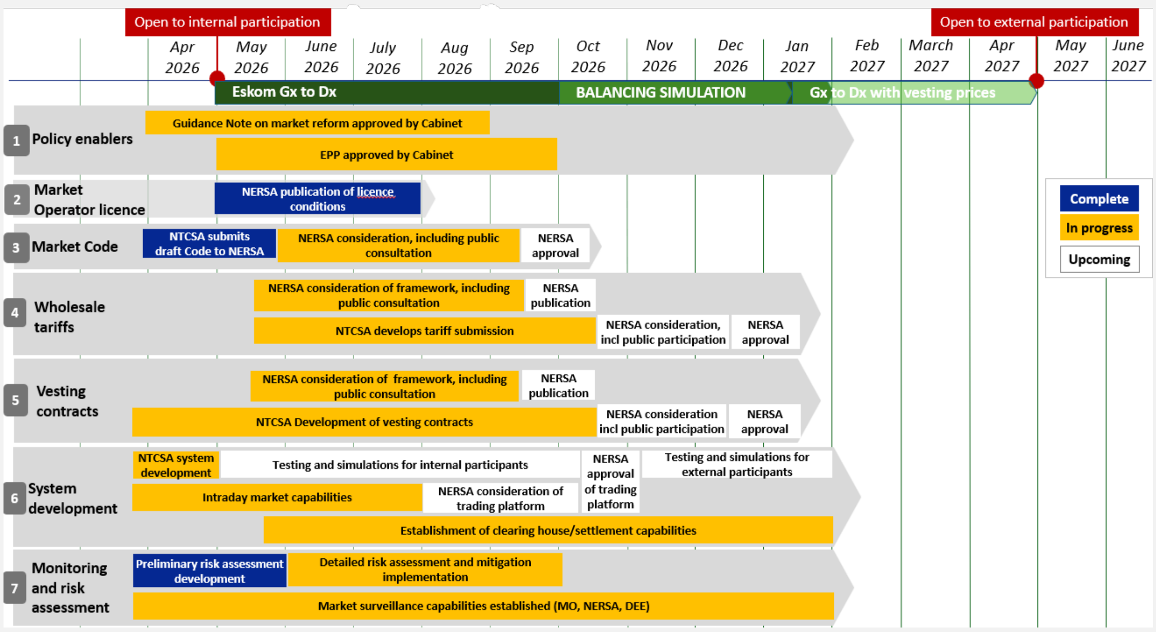
Next Steps:

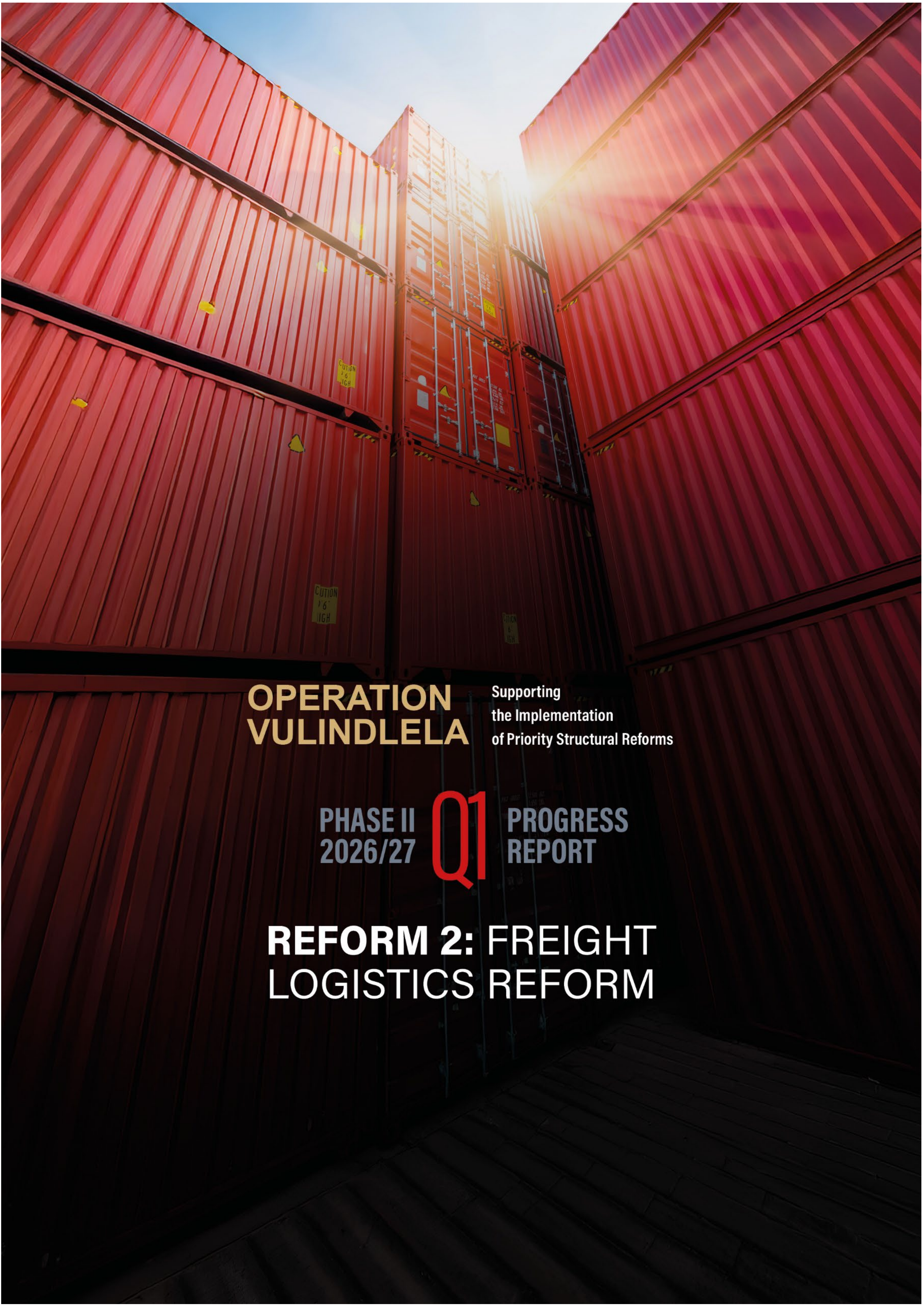
- Publish detailed guidance on the structure of the competitive wholesale electricity market as well as the revised Electricity Pricing Policy (August 2026)
- Convene an interministerial working group on municipal debt and EDI reform (August 2026)
- Finalise the Electricity Trading Rules and Market Code following submission of public comments (September 2026)
- Complete the preparatory steps to operationalise the CGV and enable the release of the final Request for Proposals for the first phase of independent transmission projects (September 2026)
- Finalise the Wholesale Electricity Pricing Methodology and the Vesting Contract Framework (October 2026)
- Develop a detailed implementation plan for the establishment of the independent TSO and implement measures to ensure functional independence of the NTCSA during the transition period (September 2026)

Progress towards a competitive wholesale electricity market

Following an extensive process of consultation and validation with key stakeholders, an updated SAWEM implementation roadmap has been produced by the National Energy Crisis Committee, sequencing the key actions on the critical path to introduction of a competitive wholesale market. The roadmap outlines the high-level policy, regulatory and other steps that will be completed prior to opening the market to external participants in early 2027. This high-level roadmap will be supported by a detailed implementation plan developed by the Department of Electricity and Energy through a series of workshops with industry stakeholders.

Figure 1: Revised SAWEM phased implementation timeline (July 2026)





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REFORM 2: FREIGHT LOGISTICS REFORM

REFORM 2: FREIGHT LOGISTICS SYSTEM REFORM

Objective: Modernise the freight logistics sector to enable export growth and reduce transport costs.

Progress at a Glance

Progress continues to be made in the implementation of the Freight Logistics Roadmap that includes restructuring of Transnet and introduction of private sector participation in port and rail operations. The revised Network Statement has been published to enable open access to the freight rail network, while train operating companies already granted slots on the rail network have concluded the first Rail Access Agreements. On the legislative front, the National Rail Bill is being finalised and will be published for public comment once approved by Cabinet. Several major private sector participation transactions have advanced during the quarter, demonstrating momentum in crowding in private capital and expertise to upgrade port and rail infrastructure.

Key Milestones (Q1 2026/27):

- A new iteration of the Network Statement was published on 3 July 2026, following extensive revisions informed by the recommendations of the Interim Rail Economic Regulator Capacity (IRERC). The Department of Transport subsequently facilitated a stakeholder engagement session to provide guidance on the revisions and consider inputs from industry. This will inform final revisions to the Network Statement for its publication alongside the approved rail access tariff. This is a key step towards enabling open access to the freight rail network within a clear, predictable, and bankable regulatory framework.

- Following the launch of requests for access, Rail Access Agreements (RAAs) have been concluded with all 11 train operating companies (TOCs) that were allocated capacity on the freight rail network. Work is underway by the Transnet Infrastructure Manager (TRIM) and the TOCs to prepare for operations from early 2027. TRIM has reported that these operators alone could increase rail volumes by 24 million tonnes (mt) over the medium term, a critical contribution towards enabling government's rail volume target of 250mt.
- Progress has been made in the establishment of a permanent Transport Economic Regulator (TER), in line with the Economic Regulation of Transport Act. An interim CEO has been appointed together with an independent Board to oversee the establishment of the regulator and incorporation of the existing Ports Regulator. In addition, the Ports Regulator has initiated a market study on the rail freight sector, which will form the foundation upon which to expand regulation to freight rail. The TER will be fully operational from April 2027, providing regulatory oversight to enable competition in the transport sector.
- A draft National Rail Bill is being finalised and will be released for public comment once approved by Cabinet by August 2026. The Bill will provide an enabling legislative environment for rail reform, including enhanced measures to ensure competition and a clear framework for private sector participation in rail.
- Transnet published a request for proposals (RFP) for three major private sector participation projects. The Ngqura Manganese Export Corridor project will enable the development of a major bulk terminal at the Port of Ngqura targeting an expanded capacity to boost mineral shipments together with rail integration. The rolling stock leasing company (LeaseCo) project will establish a public-private partnership to acquire, manage, and lease roughly 500 locomotives and 17,000 wagons to train operating companies, facilitating competition in freight rail operations. Finally, the Cape Town Multipurpose Terminal project will appoint a private terminal operator for the Port of Cape Town's Multi-Purpose Terminal over a 25-year concession period, providing capacity to handle growing containerised, dry bulk, and break-bulk cargo volumes.
- The establishment of the National Ports Authority as an independent entity is being advanced through the TNPA Task Team, following approval of a high-level implementation plan for the restructuring.
- On 1 April 2026, Cabinet approved the publication of the National Rail Master Plan (NRMP) for public comment. The NRMP provides a long-term strategic plan aimed at guiding the revitalisation, expansion and modernisation of South Africa's rail system. The plan, which is an extension of the White Paper on National Rail Policy (2022), will support the creation of an affordable, competitive rail system that also encourages private sector participation.

Next Steps:

- Publish final Network Statement incorporating industry input and an updated access tariff for implementation in the new financial year (August 2026)
- Establish the Transnet Infrastructure Manager (TRIM) corporatisation task team to guide the technical assessment of the TRIM's restructuring, with a focus on the financial implication of the transaction (August 2026)

- Capacitate the PSP unit at DBSA through appointment of a permanent head and launch additional requests for proposals for private sector participation in strategic rail and port corridors (September – December 2026)
- Publish the National Rail Bill for public comment to create an enabling legislative framework for a competitive rail sector (September 2026)

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REFORM 3: WATER AND SANITATION REFORM

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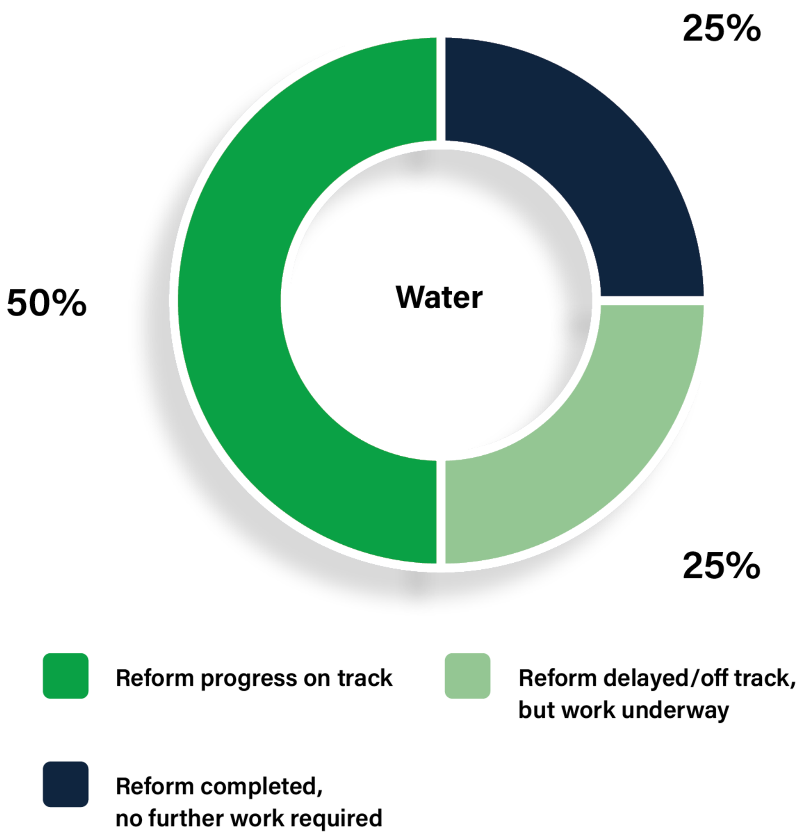
Objective: Ensure reliable access to safe drinking water through institutional reform and strengthened regulation of service providers.



Progress at a Glance

Following the establishment of the National Water Crisis Committee (WATERCOM) in the previous quarter, the National Water Action Plan (NWAP) has now been published and outlines the key actions that will be taken in the short, medium and long term to address the water crisis. Key milestones in water sector reform include the incorporation of the South African National Water Resources Infrastructure Agency (SANWRIA) and appointment of a Board, alongside the completion of the establishing of six Catchment Management Agencies across the country. Progress has also been made in advancing the Water Services Amendment Bill through the legislative process and implementing the Raw Water Pricing Strategy. A further milestone has been achieved with the establishment of the Infrastructure Finance and Implementation Support Agency (IFISA), which will support the financing and implementation of the active pipeline of more than 30 projects in development by the Water Partnerships Office, valued at R43 billion across 18 municipalities.

Key Milestones (Q1 2026/27):

- The National Water Action Plan has been finalised and launched by the President, outlining a focused, programmatic series of actions to ensure a reliable supply of quality water to all South Africans, aiming to address the root causes of the water supply challenges in many municipalities. WATERCOM has established five work streams to coordinate the implementation of the plan, and is working with provinces and municipalities to mobilise resources, expertise, and new partnerships to stabilise failing systems, recover critical services and expand access across the country. The plan will ensure a coordinated approach to the institutional and financing reforms necessary to achieve water security, including ring-fencing water revenues to ensure adequate maintenance of water assets and increasing investment in bulk water and distribution infrastructure.
- Following the promulgation of the SANWRIA Amendment Act on 11 May 2026, key milestones have been achieved in establishing a dedicated agency to maintain, operate, and invest in water infrastructure, including the filing of its Memorandum of Incorporation with the CIPC, the appointment of a Board on 1 June 2026, and the appointment of an Acting CEO. Once fully operational, SANWRIA is expected to triple annual investment in water infrastructure and crowd in private capital and expertise for water resources.
- The Water Services Amendment Bill will strengthen regulation by separating the roles of Water Services Authorities (regulators and planners) and Water Services Providers (operators), and introducing a licensing framework to improve accountability, oversight and service performance. The Bill has progressed within the Portfolio Committee on Water and sanitation, with provincial consultations scheduled to take place in August 2026 and the finalisation of the Bill targeted for October 2026.
- The Revised Raw Water Pricing Strategy entered implementation on 1 April 2026, and supports sustainable water infrastructure financing through full cost recovery. Proposed 2027/28 raw water charges, determined under the revised framework, are currently undergoing public consultation.
- By consolidating project preparation, appraisal, transaction advisory and financing functions within a single platform, IFISA is strengthening the sector's capacity to take strategic water projects from concept to implementation, while anticipated amendments to the Municipal Public-Private Partnership Regulations are expected to further accelerate project delivery and unlock greater private investment in municipal water infrastructure.

Next Steps:

- Appoint members of the Water Sector Economic Regulation Advisory Committee to support the establishment of an Independent Economic Regulator for Water (September 2026)
- Secure adoption of the Water Services Amendment Bill by the National Assembly (October 2026)
- Bring at least three major PSP projects to market in the water sector through the Water Partnerships Office (December 2026)
- Complete the appointment of a CEO for the SANWRIA (December 2026) and the transfer of staff and assets from DWS and TCTA (March 2027)

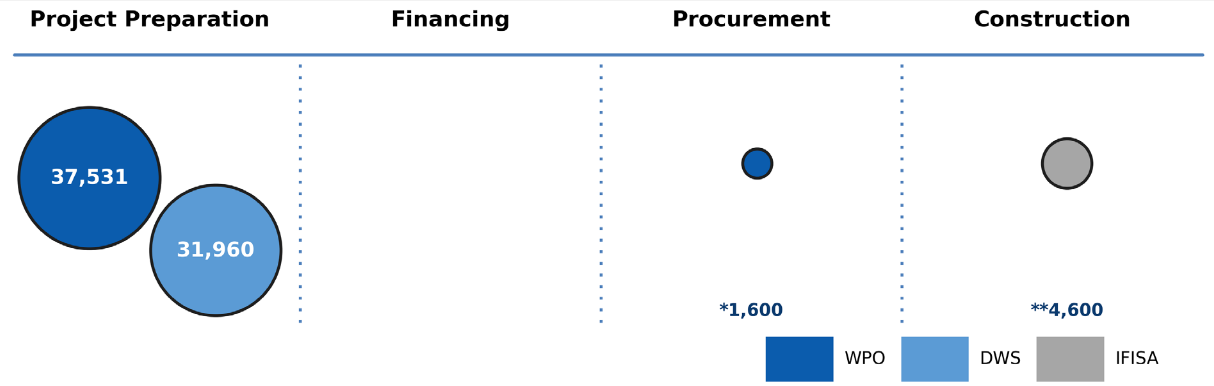
- Procure performance-based contractors to address non-revenue water in eThekwini and City of Tshwane (March 2027)
- Develop a framework for concessions and a transversal contract for water service providers to facilitate the use of external service delivery mechanisms by municipalities (July 2027)
- Implementation of the National Water Action Plan to support challenges across a number of Water Service Authorities and Providers.

WATERCOM and the National Water Action Plan: Mobilising Investment and Accelerating Delivery

The National Water Crisis Committee (WATERCOM) was established by the President to drive implementation of the National Water Action Plan (NWAP), a coordinated programme to address South Africa's water crisis through targeted interventions, accelerated infrastructure investment and sector reform. The NWAP is structured around five workstreams: (i) restoring water and sanitation services in struggling municipalities; (ii) implementing municipal and national reforms to improve accountability, financial sustainability and regulation; (iii) mobilising investment and accelerating infrastructure delivery; (iv) strengthening the legal and regulatory framework for intervention and service delivery; and (v) addressing corruption, theft, vandalism and other criminal activities that undermine water services.

Government currently supports approximately 800 water and sanitation infrastructure projects through programmes such as the Regional Bulk Infrastructure Grant (RBIG), Water Services Infrastructure Grant (WSIG) and Municipal Infrastructure Grant (MIG). These include major projects such as the Lower uMkhomazi Bulk Water Scheme, Mandlakazi Bulk Water Supply Scheme, Giyani Water Project, and large-scale bulk water, wastewater treatment, rehabilitation and reticulation projects across the country. The Infrastructure Finance and Implementation Support Agency (IFISA), working with the Water Partnerships Office (WPO), is developing and structuring a pipeline of approximately R100 billion in water infrastructure projects. These include water reuse, wastewater treatment, non-revenue water reduction, desalination, sanitation and bulk water supply projects, designed to crowd in public, blended and private finance. Approximately R60 billion of this pipeline has already advanced into implementation, demonstrating momentum from project preparation to delivery.

Figure 2: Total Value of the 14 Municipal Projects with the Potential to Crowd in > R1 billion



* Size of the bubble represents the size of the investment (R million)

**Projects in Project Preparation include those in inception and feasibility stages

Together, these interventions provide a pathway from immediate service recovery, to sustained infrastructure investment, to long-term water security, making infrastructure delivery and investment mobilisation a central pillar of the NWAP's response to South Africa's water crisis.

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REFORM 4: VISA AND IMMIGRATION REFORM

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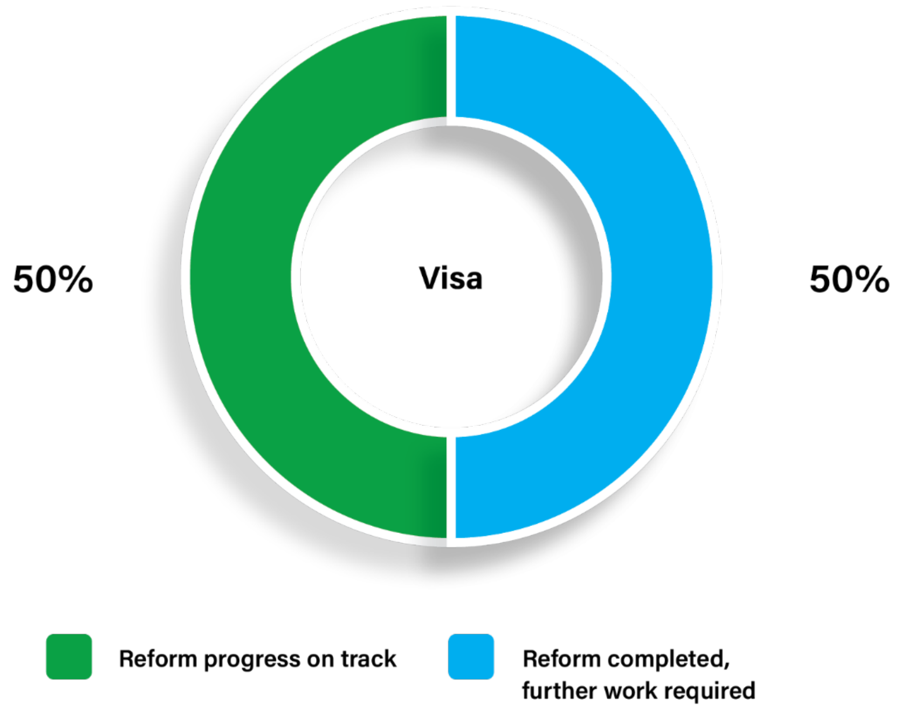
Objective: Attract skills, investment and tourism through a streamlined and modernised visa system.



Progress at a Glance

The Electronic Travel Authorisation (ETA) system continues to improve the speed and efficiency of visa processing and is being expanded into a fully digital visa platform. Phase II of the Trusted Employer Scheme (TES) was launched to extend streamlined visa processing to a wider range of qualifying employers, including firms in the financial sector. The first round of assessments for participation in the Meetings, Exhibitions, Events and Tourism Scheme (MEETS) and the Screen Talent and Global Entertainment Scheme (STAGES) has now been concluded. Progress is also being made to advance the modernisation of South Africa's border management system through a major public-private partnership to redevelop the country's busiest land ports of entry, improving the efficiency of cross-border trade and passenger movement.

Key Milestones (Q1 2026/27):

- The Electronic Travel Authorisation (ETA) system has significantly streamlined the visa process, enabling applications to be completed within 24 hours. The system also enables the processing of travellers at airports in under 60 seconds through dedicated ETA lanes. Work is underway to expand the ETA into a single, secure and fully digital visa platform, replacing legacy systems and expanding the ETA platform to include to visitor, work and study visas.

- On 20 July 2026, the Department of Home Affairs gazetted the launch of Phase II of the Trusted Employer Scheme (TES) to provide qualifying employers with access to streamlined and prioritised visa processing, helping businesses recruit senior executives, technical specialists and other high-level talent more efficiently. A key feature of Phase II is its expansion to include firms involved in strategic infrastructure projects, companies establishing regional or global headquarters in South Africa, and qualifying financial sector entities. This will make South Africa a highly attractive location for multinational companies and support growth and competitiveness in key sectors, including financial and professional services.
- The Trusted Tour Operator Scheme (TTOS) is designed to facilitate group tourism from key source markets by enabling approved tour operators to submit visa applications on behalf of travellers through a streamlined process. Since its introduction, 114 tour operators have been approved, enabling visa applications to be finalised within five days. The scheme has supported the issuance of visas for more than 77,000 tourists from China and India to date, helping to boost tourist arrivals and support growth in South Africa's tourism sector.
- The Department of Home Affairs launched the Meetings, Exhibitions, Events and Tourism Scheme (MEETS), a reform initiative designed to strengthen South Africa's position as a premier destination for international conferences, exhibitions, sporting tournaments and cultural events by enabling secure, streamlined processing of high-volume group visa applications. The department has now concluded the first round of assessments for participation in MEETS as well as the Screen Talent and Global Entertainment Scheme (STAGES), which was launched to boost South Africa's standing as a leading destination for film and other creative productions.
- The Department of Home Affairs and the Border Management Authority has also made significant progress to upgrading our country's border management system. Six successful bidders have been announced to demolish and rebuild South Africa's six busiest land ports of entry, accounting for over 80 percent of cross-border trade and passenger flows. The R12.5 billion Public-Private Partnership marks the largest-ever investment in the country's border management system.

Next Steps:

- Expand the ETA to all countries (September 2026)
- Conclude the online web-based platform for full rollout of STAGES (September 2026)
- Adjudicate applications and approve qualifying employers under the next phase of the Trusted Employer Scheme (October 2026)
- Clear the waivers and appeals backlog (March 2027)

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REFORM 5: LOCAL GOVERNMENT REFORM

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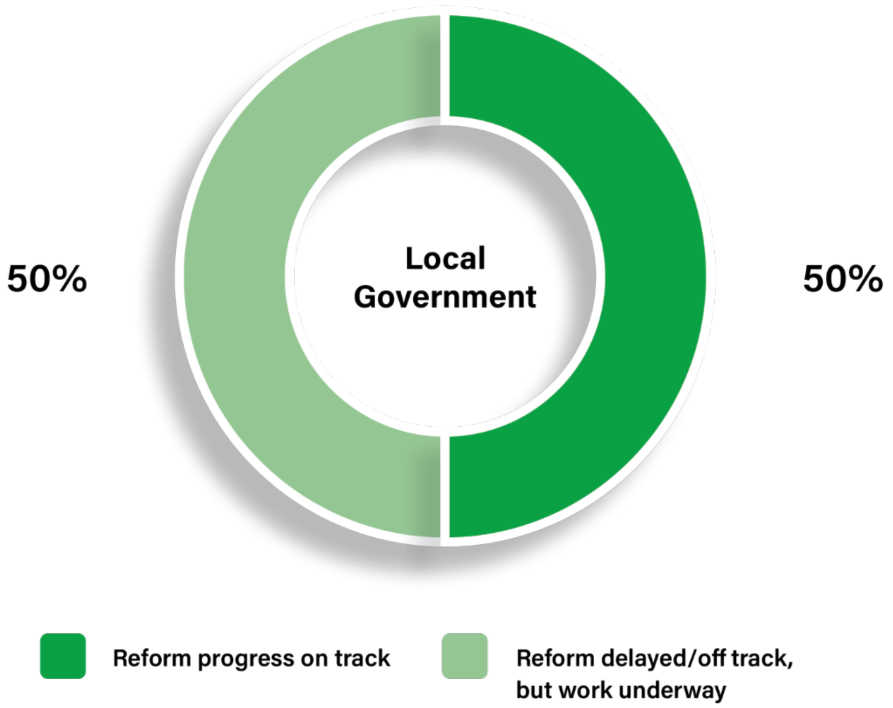
Objective: Improve the delivery of basic services and infrastructure by strengthening governance and restructuring service delivery models.



Progress at a Glance

Significant progress has been made towards introducing governance, institutional, and financing reforms in the local government system to address serious challenges in municipal performance. The primary aim of these reforms is to ensure that water and electricity services are delivered by professional utilities, in line with international best practice, and that the revenues earned from these services are reinvested in maintaining and expanding infrastructure. This requires a fundamentally different model for the delivery of trading services, which is being implemented through a coordinated set of reform initiatives – including a revised White Paper on Local Government, a review of the local government fiscal framework, and legislative reforms such as the Water Services Amendment Bill. Progress has been made in each of these areas during the past quarter, laying the groundwork for a fundamental overhaul of the local government system as it is currently designed.

Key Milestones (Q1 2026/27):

- The Metro Trading Services Reform Programme was launched in March 2026. During the first quarter of 2026/27, Cohort 1 metros including Buffalo City, City of Cape Town, Ekurhuleni Metropolitan Municipality, City of eThekwini, City of Johannesburg, Mangaung Municipality and City of Tshwane, across twelve metro trading services, achieved several milestones. This includes securing Council approval of performance improvement action plans for the reform; incorporating performance-based incentive allocations into their adopted 2026/27 budgets; submitting evidence against the eight minimum commitments for independent verification; and progressing the institutional, financial and delivery-capacity arrangements required to implement the reforms. An Independent Verification Agent was appointed to assess 2025/26 performance and verify the extent to which metros have achieved ring-fencing of their utilities. Ring-fencing trading service revenues will strengthen financial transparency and accountability, enabling more efficient service delivery, improved asset management, and greater investment in infrastructure.
- An updated White Paper on Local Government was released for public comment in May 2026, and a final draft of the White Paper will be submitted to Cabinet in August 2026. The White Paper is intended to strengthen the institutional, governance and service delivery framework for municipalities. The draft, which follows an extensive process of research and consultation, proposes far-reaching institutional, governance and funding reforms alongside strengthened regulation of key services. Key proposals outlined in the White Paper include the introduction of a single tier local government system and a differentiated model for powers and functions; ring-fencing of trading service revenues and stronger regulation of service delivery mechanisms; and the professionalisation of senior-level appointments, including office-bearers.
- The Municipal Finance Management Act (MFMA) Amendment Bill is being finalised with the objective of improving municipal financial management, accountability and oversight. The Bill will be released for public comment in the next quarter once approved by Cabinet.
- The review of the local government fiscal framework to assess the adequacy, sustainability and equity of intergovernmental fiscal arrangements for local government is underway and interim recommendations are expected to be finalised within 2026. An expenditure analysis to determine the appropriateness of spending has been finalised, and a revenue analysis to determine revenue potential is currently underway.
- The Public Service Commission (PSC) Bill has been passed by the National Council of Provinces and is awaiting the President's assent. The Bill extends the PSC's mandate to local government, strengthening oversight and supporting the development of a capable, ethical and professional local government. The PSC is currently undertaking implementation planning to operationalise its expanded mandate, with support from Operation Vulindlela.

Next Steps:

- Submit the final draft of the White Paper on Local Government to Cabinet and establish a delivery mechanism to oversee the implementation of the White Paper recommendations. (August 2026)
- Publish the MFMA Amendment Bill for public comment (September 2026)

- Finalise recommendations of the local government fiscal framework review on the adequacy and effectiveness of the Local Government Equitable Share (September 2026)
- Complete independent verification of 2025/26 performance for the Metro Trading Services Reform Programme and determine the remaining 2026/27 incentive allocations (October 2026)
- Strengthen the regulatory framework for senior level appointments in local government, including minimum competency requirements and independent shortlisting processes, and design an effective compliance and enforcement system (October 2026)

OPERATION VULINDLELA

Supporting the Implementation of Priority Structural Reforms

PHASE II 2026/27 Q1 PROGRESS REPORT

REFORM 6: SPATIAL INTEGRATION AND HOUSING REFORM

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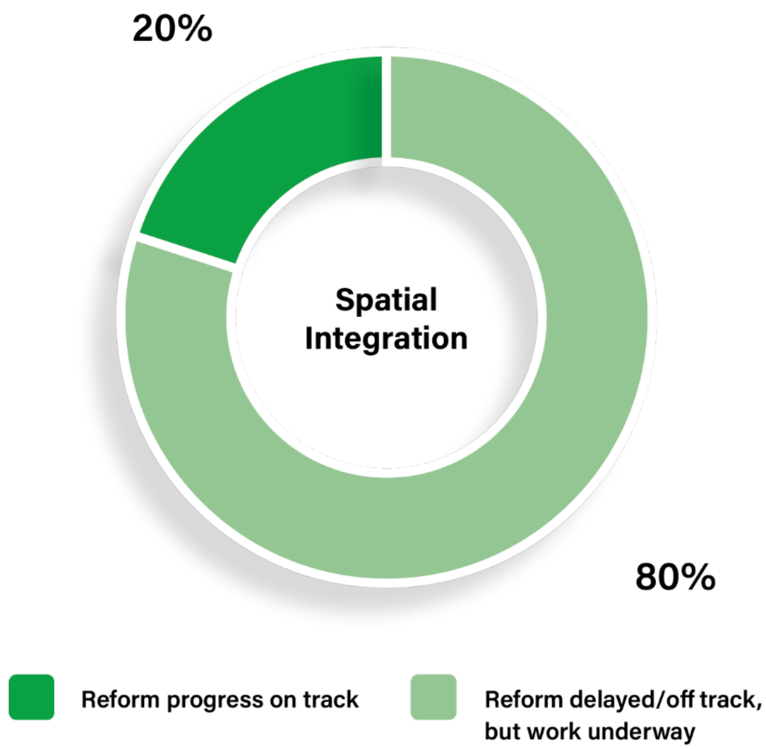
Objective: Create dynamic and integrated cities by addressing spatial inequality and promoting affordable housing.



Progress at a Glance

While work has been undertaken to develop a new approach to housing policy, progress in implementing new demand-side and capital subsidies for affordable housing as well as clearing the backlog of title deeds has been slower than expected due to overlapping responsibilities across national, provincial and local government, as well as the need to build capacity within government to implement the proposed reforms. Instruments to support investment in affordable housing will be finalised in the next quarter and introduced at a pilot scale in the next financial year, to be scaled up over the medium term. During the past quarter, significant progress has been made in identifying well-located public land and buildings for low-cost housing development, and the process to establish a State Property Company to professionally manage publicly owned properties has been initiated by the Department of Public Works and Infrastructure. PRASA has continued to restore passenger rail services and to grow passenger numbers across its network.

Key Milestones (Q1 2026/27):

- Work is in progress with the National Department of Human Settlements (NDHS) to launch two new housing subsidies at a pilot scale in the next financial year – a demand-side subsidy and capital subsidy for affordable housing – with participating provinces and metropolitan municipalities. The pilots are based on work undertaken by OV and the Cities Support Programme as well as NDHS to develop a set of policy proposals to accelerate the development of affordable housing in well-located areas.
- The analysis of deeds data to determine the scale of the title deeds data backlog and required actions to address the backlog is underway. This includes the mapping and digitisation of the titling process and measures to address the legislative challenges to township establishment and proclamation as well as beneficiary administration which have held up the issuance of title deeds for subsidised housing. These measures will be introduced in the City of Ekurhuleni and City of Johannesburg to support access to title deeds.
- The Department of Public Works and Infrastructure (DPWI) has conducted an audit of publicly owned land and buildings to identify properties which can be released to the market for housing development. A model approach to the release of public land is being developed that will be implemented with two to three priority properties, held by different entities, over the coming year to unlock investment in affordable housing at scale.
- PRASA is continuing to advance its rolling stock fleet renewal programme, supporting the recovery in rail services and reinforcing regional industrial development and rail manufacturing capacity. Through its partnership with PRASA, Gibela is producing between six and seven train sets per month, among the highest train manufacturing rates globally. To date, 338 of the 600 train sets have been delivered. PRASA's rolling stock renewal programme will be further supported by the R5.8 billion allocation announced in Budget 2026.

Next Steps:

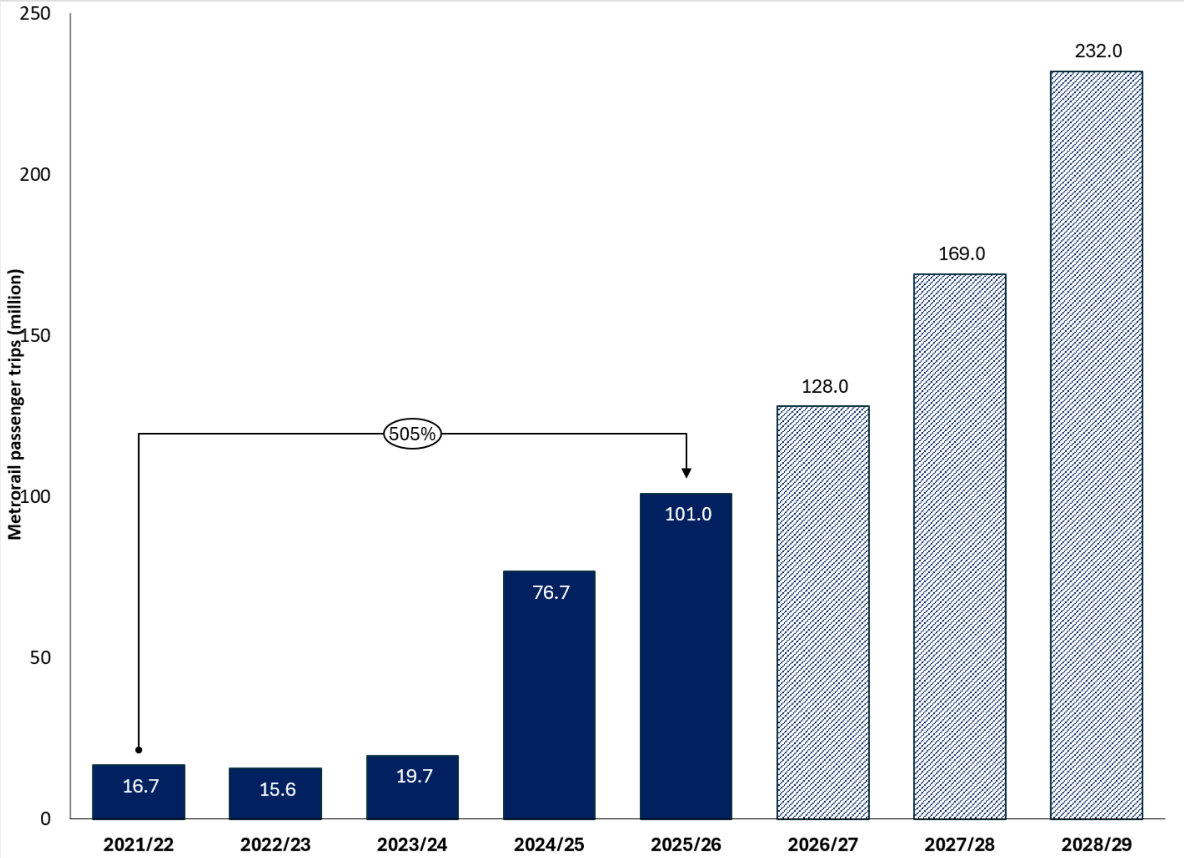
- Complete the design of two pilots for the affordable rental housing model to test the effectiveness of demand-side and capital subsidies (December 2026)
- Complete analysis of deeds data and address key constraints to inform the prioritisation and sequencing of interventions to clear the backlog (October 2026)
- Implement township establishment and beneficiary verification pilots in the City of Ekurhuleni and City of Johannesburg (October 2026)
- Develop an asset registry and dashboard to identify priority land and properties for release to the market (October 2026)

Restoring passenger rail services

South Africa's public transport sector is essential for economic growth, social inclusion, labour market participation and spatial transformation. Operation Vulindlela is supporting reforms in the commuter rail sector aimed at placing passenger rail on a more sustainable footing and re-establishing it as a central pillar of South Africa's urban mobility system. Millions of South Africans, particularly those in low-income households, rely on public transport to access employment, education, healthcare and other essential services. PRASA estimated that passengers save on average R29.14 per trip compared to alternative transport increasing disposable income and easing household expenses.

PRASA has made significant progress in restoring passenger rail services, having recovered 35 of its 40 priority rail corridors. This marks a substantial improvement from 2021/22, when only a quarter of the lines were operational following extensive infrastructure damage caused by the COVID-19 pandemic and widespread vandalism. As a result, passenger journeys increased almost fivefold, from approximately 17 million in 2021/22 to 101 million in 2025/26. Over the same period, on-time train performance improved markedly, rising from 50% to 91%.

Figure 3: Passenger rail trips



Source: PRASA Annual Reports and PRASA 2026/27-2028/29 Corporate Plan

OPERATION VULINDLELA

Supporting the Implementation of Priority Structural Reforms

PHASE II 2026/27 Q1 PROGRESS REPORT

REFORM 7: DIGITAL PUBLIC INFRASTRUCTURE REFORM

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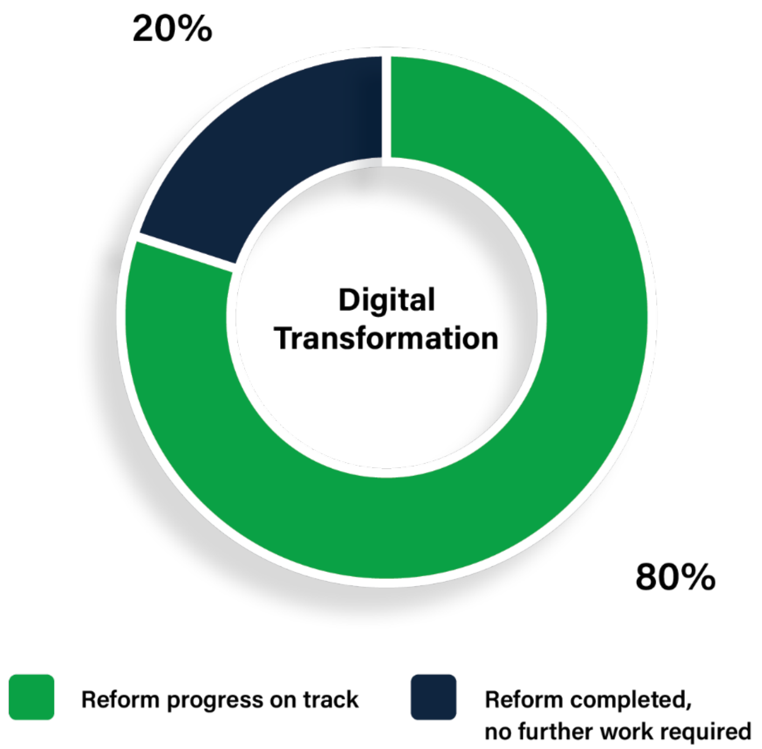
Objective: Harness digital tools to improve government efficiency, enable inclusion, and support economic transformation.



Progress at a Glance

During the past quarter, implementation of the Digital Transformation Roadmap accelerated across the MyMzansi platform, digital identity, data exchange, payments, Gov.za and government-wide interoperability standards. The focus during the quarter was on establishing the environment and implementation arrangements required for MyMzansi, advancing the first citizen-facing use cases, and strengthening the digital identity, data exchange, payments and interoperability capabilities on which integrated digital services depend. This work is creating a common foundation through which government institutions can progressively connect their services rather than developing separate digital channels. With multiple components now in active implementation, tangible progress during the quarter has laid the groundwork for further integration and controlled testing of priority services in the next quarter.

Key Milestones (Q1 2026/27):

- Building on the proof of concept completed in the previous quarter, work commenced on developing MyMzansi into a production-ready pilot. During the quarter, a controlled technical environment was established, foundational system development began, and the governance arrangements required to oversee implementation and testing were put in place. Priority citizen-facing services were also identified for integration into the pilot, laying the groundwork for phased implementation.
- The digital matric certificate advanced as the first practical MyMzansi credential use case. The pilot architecture was completed and approval was secured to proceed, creating the basis for integration and testing during the next quarter.
- The institutional arrangements that had delayed the modernisation of Gov.za were resolved. Work also progressed on the shared infrastructure, design system and reusable templates required to provide a more consistent and accessible experience across government websites.
- Nine months into implementation, the MzansiXchange pilot had established secure server environments, governance arrangements and initial government use cases to support the linking of administrative data across government. Additional technical capacity is being onboarded to support completion of the pilot, while lessons from implementation are being consolidated to inform the next phase.
- The Digital Identity programme advanced through the completion of public consultation on the Digital Identity Regulations. The comments received are being carefully evaluated for possible incorporation before the regulations are finalised. Development of the conceptual architecture and Digital ID prototype also progressed. Access to Smart ID and passport services through participating bank branches continued to expand, with 203,887 applications processed across 171 branches.
- The Payments Ecosystem Modernisation programme moved beyond conceptual design into active development. Work progressed on the payment credential, wallet, governance and trust capabilities required to support trusted and interoperable digital payments.
- Government advanced the common standards needed to connect public-sector systems. Work progressed on updating the Minimum Interoperability Standards and Government-Wide Enterprise Architecture, providing a stronger foundation for coordinated digital investment and reducing the risk of further fragmentation across government.

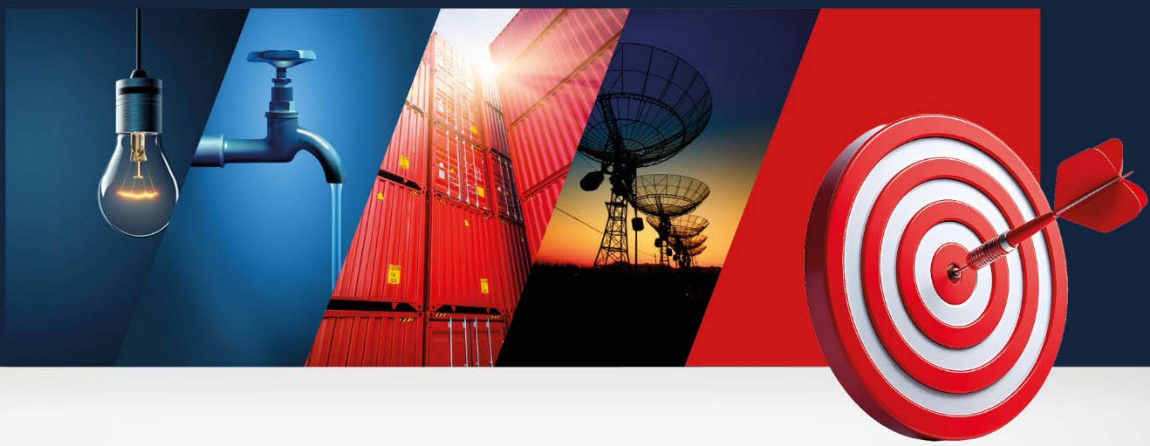
Next Steps:

- Complete the establishment of the controlled environment and develop the MyMzansi pilot into a stable platform that can be progressively hardened for production (September 2026)
- Integrate and test the Umalusi digital matric credential, including the issuance and verification journey (September 2026)
- Implement the shared Gov.za platform and design system with the first participating departments (September 2026)
- Complete the remaining Digital Identity regulatory process and continue development of the prototype required to support secure remote access to digital services (September 2026)

- Progress the updated interoperability and architecture standards and begin testing their application within priority digital service initiatives (September 2026)
- Continue developing and testing the digital payment credential and wallet capabilities, including relevant government use cases (November 2026)
- Continue to support the role out of citizen-facing use cases in the Department of Justice, the South African Police Services and the Department of Use-case include digitisation of Master's Office services, verified credentials in the transport eco-system, and modernisation of priority police stations to improve the citizen experience (March 2027)

OPERATION VULINDLELA

Supporting
the Implementation
of Priority Structural Reforms



PHASE II 2026/27 Q1 PROGRESS REPORT

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