

OPERATION VULINDLELA

Supporting
the Implementation
of Priority Structural Reforms



PHASE II 2025/26 Q3 PROGRESS REPORT

#OperationVulindlela | #EconomicReform



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



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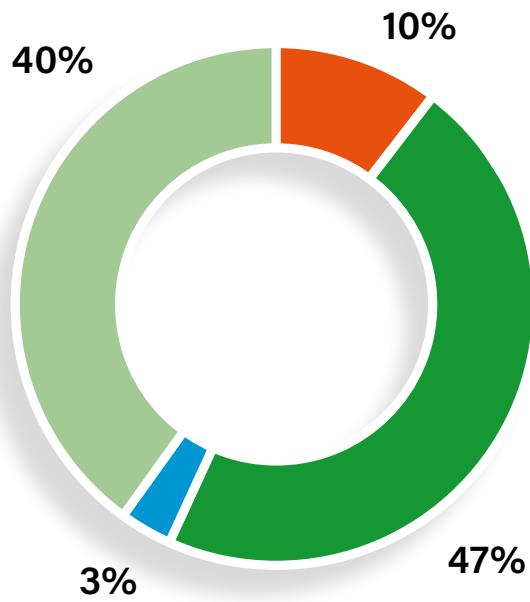
DETAILED QUARTERLY DASHBOARD PROGRESS

Reform Area	Reform	Status
Local Government	1 Shift to a utility model for water and electricity services to ensure financial and operational sustainability	
	2 Standardise and professionalise the appointment of senior officials in local government	
	3 Review the institutional structure of the local government system	
	4 Review the local government fiscal framework, including the use of conditional grants	
Digital transformation	5 Develop and implement a Digital Transformation Roadmap for South Africa	
	6 Implement a digital identity system for secure and remote access to services	
	7 Introduce digital payments for cost-effective and dignified transactions	
	8 Create trusted digital channels for accessing information and services	
	9 Establish a data exchange for evidence-based policymaking and service delivery	
Electricity	10 Complete the restructuring of Eskom	
	11 Establish a competitive wholesale market for electricity generation	
	12 Streamline the regulatory framework to accelerate energy projects	
	13 Reform the electricity distribution industry to establish financially and operationally sustainable distribution companies	
	14 Strengthen and expand the national transmission network	
Spatial Inequality	15 Restore passenger rail services	
	16 Strengthen demand-side housing policy to support densification	
	17 Release public land and buildings for affordable housing and other development	
	18 Clear the backlog of title deeds and make the titling system more accessible and affordable	
	19 Review land use, building and other regulations to enable low-cost property developments	
Visa	20 Reform the work visa system to attract skills and investment	
	21 Streamline the tourist visa system to grow tourist arrivals	
WATER	22 Develop and implement a National Water Action Plan	
	23 Implement institutional reforms to improve the management of water resources	
	24 Strengthen the regulation of water service provision	
	25 Support the introduction of private sector participation in the water sector through the Water Partnerships Office and PPP Unit	
LOGISTICS	26 Complete the restructuring of Transnet and establish an independent National Ports Authority and Rail Infrastructure Manager	
	27 Enable open access to the freight rail network	
	28 Introduce private sector participation in ports and rail	
	29 Establish the Transport Economic Regulator	
	30 Finalise the National Rail Bill to establish a legal framework for a competitive rail sector	

INTRODUCTION

PROGRESS DASHBOARD

0%	0 ACTIVITIES No data/reform not yet started
10%	3 ACTIVITIES Reform facing significant challenges, intervention required
47%	14 ACTIVITIES Reform progress on track
3%	1 ACTIVITY Reform completed, further work required
0%	0 ACTIVITIES Reform facing critical challenges, likely not to be achieved
40%	12 ACTIVITIES Reform delayed/off track, but work underway
0%	0 ACTIVITIES Reform completed, no further work required



OVERVIEW OF PROGRESS

Operation Vulindlela Phase II is a joint initiative of the Presidency and National Treasury to accelerate the implementation of priority structural reforms that support economic growth, improve service delivery, and strengthen state capability. This progress report for the third quarter of 2025/26 sets out key milestones achieved between October and December 2025 across seven reform focus areas.

During this quarter, significant progress was recorded in the electricity sector, with regulatory approvals and institutional developments that advance the transition to a competitive electricity market. NERSA approved the Market Operator licence for the National Transmission Company of South Africa, published electricity trading rules for public comment, and approved grid capacity allocation rules to ensure fair and non-discriminatory access to constrained network infrastructure. Additional renewable energy capacity reached commercial operation, further projects were secured under the renewable energy procurement programme, and steps were

taken to enable private sector participation in transmission infrastructure. The pace of Eskom restructuring has been slow, including that of electricity distribution industry (EDI). The introduction of the Distribution Agency Agreements is a critical component of reform, and government's focus will now be on releasing the EDI Roadmap to enable implementation of key reform proposals.

In freight logistics, Transnet maintained improved operational performance, reflected in higher rail volumes and continued progress with fleet renewal. A major milestone was reached with the signing of the long-term concession agreement for Durban Container Terminal Pier 2, unlocking investment in port capacity and technology. Preparatory work continued to enable private train operations on the freight rail network, while the technical assessment on the corporatisation of the National Ports Authority was finalised.

Water and sanitation reforms progressed toward institutional restructuring and stronger regulation. Preparations for the establishment of the National Water Resources Infrastructure Agency advanced, including completion of the national asset register and transition arrangements. Draft operating licence regulations for water service providers were developed, and standardised documentation was finalised to support performance-based contracts to reduce water losses. Work also continued to lay the groundwork for an independent economic regulator for the water sector.

Visa and immigration reforms delivered concrete improvements in system performance and user experience. The Electronic Travel Authorisation system was rolled out to priority markets, enabling digital visa processing and faster approvals, while the Trusted Tour Operator Scheme facilitated significant growth in group tourism from China and India. The Department of Home Affairs also gazetted new digital schemes to support the film and creative industries and made further progress in clearing longstanding visa and permit backlogs.

In local government, implementation of the metro trading services reform programme progressed, with performance-based incentive allocations reflected in the adjustments budget and metros advancing implementation of key institutional and financing reforms in return for incentive funding. Policy reform milestones included extensive public engagement on the review of the White Paper on Local Government and development of the MFMA Amendment Bill alongside the ongoing review of the local government fiscal framework.

Spatial integration and housing reforms focused on developing practical policy instruments to expand access to affordable housing. An affordable rental housing model was developed and tested through applied research, while work continued on the design of a demand-side subsidy and the review of regulatory barriers to housing delivery. Work to release priority public land and priorities for housing development continues to advance with the development of a standard model for public land release that ensures optimal use.

Overall, sustained progress in implementing reform commitments has resulted in higher policy credibility and growing confidence in South Africa's growth trajectory. Across all reform areas, the emphasis in the next quarter will be on completing outstanding regulatory processes, operationalising new institutions, and accelerating project implementation to ensure reforms translate into tangible economic and service delivery outcomes.



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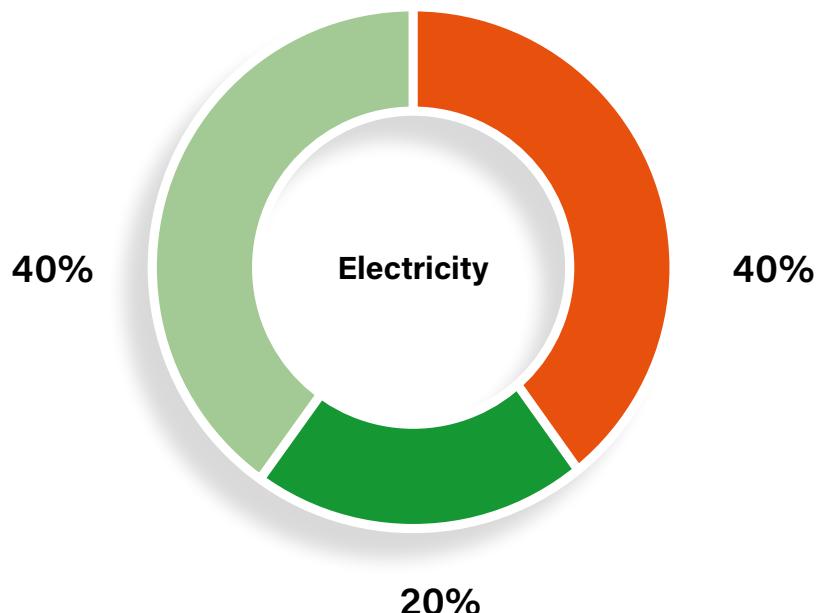
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REFORM 1: ELECTRICITY SECTOR REFORM

REFORM 1: ELECTRICITY SECTOR REFORM

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



Key Milestones (Q3 2025):

- The National Energy Regulator of South Africa (NERSA) approved a Market Operator license for the National Transmission Company of South Africa (NTCSA) on 27 November 2025.
- On 12 November 2025, NERSA approved the Grid Capacity Allocation Rules to ensure fair, transparent and non-discriminatory access to limited grid capacity. The rules are binding on all network licensees to ensure that grid capacity is allocated in an optimal manner and build investor confidence.
- NERSA published the draft Electricity Trading Rules for public comment on 16 November 2025 with submissions due by the end of January 2026. The purpose of the rules is to establish a clear and transparent regulatory framework to enable electricity trading.
- NERSA appointed members to serve on the Electricity Market Advisory Forum (EMAF) in December 2025. This forum will advise the Energy Regulator on electricity market reform, including the development and implementation of the wholesale electricity market, market codes, and trading arrangements.
- Four additional preferred bidders with a total capacity of 890 MW and expected investment of R16 billion have been announced for the seventh round of the renewable energy procurement programme (REIPPPP 7) in December 2025, bringing the total capacity secured through the bid window to 3 940 MW.
- Four projects under the fifth round of the renewable energy procurement programme (REIPPPP 5) reached commercial operation in December 2025, adding 365 MW to the grid.

- The Dassiesridge 55 MW wind and battery storage project under the risk mitigation procurement programme (RMIPPPP) reached operation on 5 December 2025.
- The finalised Electricity Transmission Infrastructure Regulations were published on 31 October 2025. The regulations aim to facilitate investment in transmission capacity by private parties and the connection of electricity generation into the transmission system as well as enhance the reliability and security of the grid.
- Seven Pre-Qualified Bidders have been appointed under the Request for Pre-Qualification (RFQ) stage of Phase I of the ITP Programme in December 2025 and the draft Request for Proposals (RFP) issued. This development represents a significant milestone in facilitating private sector participation in transmission infrastructure. In addition, National Treasury, supported by DEE and working with the World Bank Group and a consortium of development partners, has made significant progress on the technical, legal, and financial design of the Credit Guarantee Vehicle (CGV). The CGV will be established as a private, nonlife insurer, independent from government and regulated by the Prudential Authority. The CGV is expected to provide credit guarantees for qualifying infrastructure projects, commencing with Phase I of the ITP Programme.
- Cabinet approved the final draft of the Integrated Resource Plan (IRP 2025) in October 2025 outlining an indicative and forward-looking plan for South Africa's future energy supply.
- The implementation of Distribution Agency Agreements (DAAs) has been approved by Cabinet. Eskom has identified 14 municipalities for the implementation of the DAAs, which are designed to address, among other things, arrear debt by municipalities through empowering Eskom distribution to jointly manage retail functions; administer the ring-fencing of revenue collection; and providing other technical and operational support to stabilise electricity delivery services. This forms part of first phase of interventions aimed at supporting the electricity distribution industry's recovery and reform.

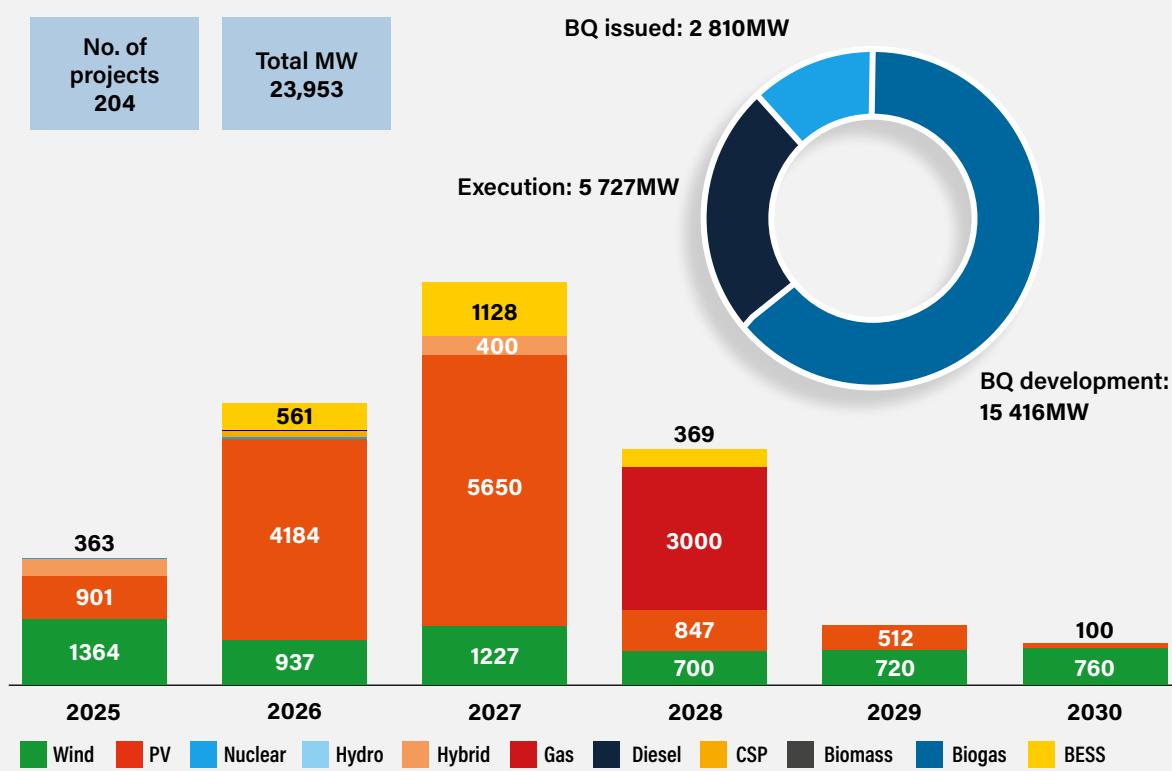
Next Steps:

- Develop a detailed implementation plan for the establishment of the Transmission System Operator (TSO) and implement measures to ensure functional independence of the NTCSA during the transition period (March 2026)
- Publish detailed guidance on the structure of the competitive wholesale electricity market (March 2026)
- Submit the Market Code to NERSA for approval in order to establish the South African Wholesale Electricity Market (February 2026)
- Finalise the Electricity Trading Rules following submission of public comments (April 2026)
- Publish the Electricity Distribution Industry (EDI) Reform Roadmap building on the DAA model (June 2026)
- Operationalise the CGV and issue the final Request for Proposals (RFP) for the first phase of independent transmission projects (September 2026)

Eskom Generation Customer Data Dashboard

The NTCSA has made the Generation Customer Connections Data Dashboard available to the public as a means to identify the projected connection dates, by technology, of the pipeline of projects that have reserved or been allocated grid capacity. This significantly enhances transparency regarding grid connections in progress and enables identification of projects that may enter construction and ultimately add capacity to the grid in the near future. In its latest update as of 18 November 2025, the data indicates that a total of 204 projects with a capacity of over 23 900 MW are in the grid connection process. A further 5 727 MW is in the execution or implementation phase, which are projects that will add to investment and jobs in the short run. Following regulatory reforms, the pipeline of private investment in energy generation continues to strengthen, with the newly approved Grid Capacity Allocation Rules expected to enhance efficiency of the grid connection process even further.

Figure 1: Annual capacity of generation projects in the grid connection or execution phase



Source: Eskom NTCSA



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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.



Key Milestones (Q3 2025):

- Transnet has maintained improved performance, with the interim results for the six months ended in September 2025 confirming an increase of 4.4% in rail volumes, as it continues with its recovery programme. In line with broader recovery efforts, Transnet has made notable progress in rolling out additional locomotives under its fleet renewal programme, with the remaining 40 of 240 locomotives expected by June 2026.
- A detailed technical assessment on the corporatization of the National Ports Authority has been concluded. Once approved by the Minister of Transport, this will enable the legal separation of the authority to proceed in line with the National Ports Act and the conditions imposed in terms of the Guarantee Framework Agreement.
- Transnet and International Container Terminal Services Inc (ICTSI) have signed a 25-year agreement for the upgrade, development, and operation of the Durban Container Terminal (DCT) Pier 2. Effective from 1 January 2026, the partnership will enable investment of more than R11 billion in infrastructure, new equipment and advanced technology, raising handling capacity from 2 million to 2.8 million twenty-foot equivalent units (TEUs). This is significant as the first major private sector participation transaction following the adoption of the Freight Logistics Roadmap in 2023.
- Seven of the eleven train operating companies (TOCs) allocated slots will commence operations on the freight rail network in the first quarter of 2027. This follows the announcement of the allocation of 41 slots and ongoing work to finalise contracting with the TOCs.

Next Steps:

- Publish revised Network Statement incorporating IRERC recommendations and an updated access tariff for implementation in the new financial year (February 2026)
- Finalise detailed plan for TNPA corporatisation following technical assessment (March 2026)
- Operationalise the Transport Economic Regulator (TER) with appointment of Board and additional staff appointments (April 2026)
- Develop bid windows and launch the first phase RFPs for private sector participation projects in strategic rail and port corridors (June 2026)



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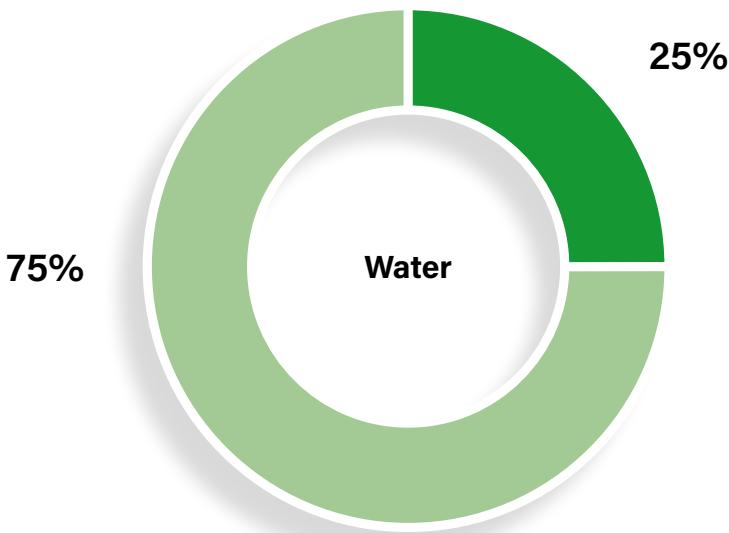
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REFORM 3: WATER AND SANITATION REFORM

REFORM 3: WATER AND SANITATION REFORM

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



Key Milestones (Q3 2025):

- Preparations for the National Water Resources Infrastructure Agency (NWRIA) have progressed significantly, with completion of the national infrastructure asset register, consolidation of contracts to be transferred and development of transitional governance arrangements. The reform remains on track for the agency's establishment in April 2026, pending Board and management appointments.
- The Water Services Amendment Bill was tabled in Parliament in October 2025 and is currently before the Portfolio Committee on Water and Sanitation following briefings in November and December 2025. The Bill will proceed through public participation and Committee finalisation, with adoption by the National Assembly expected in 2026 before referral to the NCOP. It clarifies the separation between Water Service Authorities (WSAs) and Water Service Providers (WSPs) and introduces a licensing framework to strengthen regulation of water services.
- The operating licence system for WSP has been designed and the draft licensing regulations and revised contract regulations completed as a basis for the introduction of a comprehensive licensing regime for WSPs. Work to support WSAs in preparing for licensing also advanced, including interim licensing arrangements and updated guidance on Section 78 processes.
- Progress toward establishing the Independent Economic Regulator has continued. The current Water Sector Economic Regulation Advisory Committee was extended to maintain continuity while nominations for new

members are received, and a detailed roadmap has been developed for the regulator's establishment.

- The Water Partnerships Office has finalised standard documents to help municipalities contract services to reduce water losses. Several metros and intermediate cities advanced NRW and water reuse projects into scoping or preparation phases, with support from the WPO.

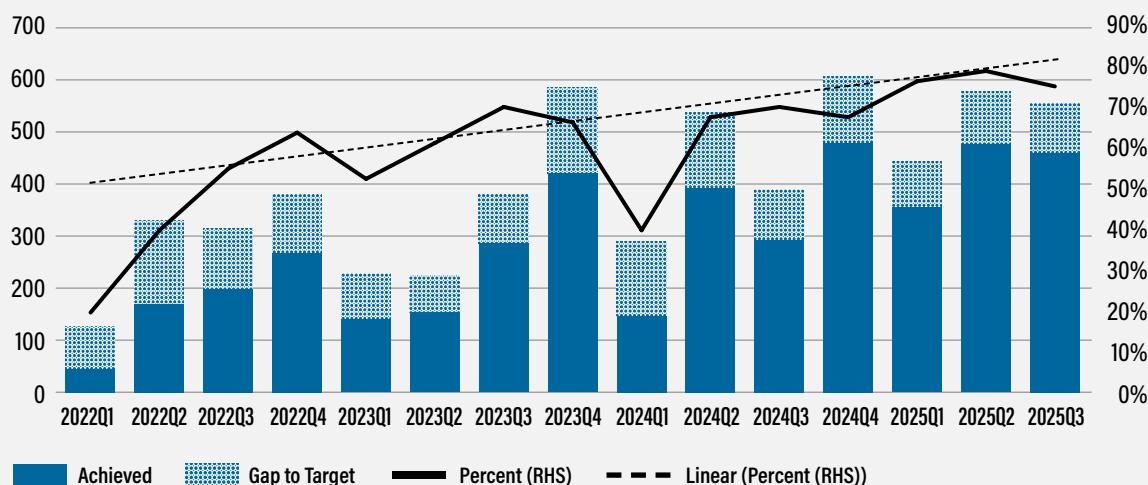
Next Steps:

- Appoint the NWRIA Board in preparation for commencement of operations (March 2026)
- Advance performance-based contracts for non-revenue water to procurement and implementation phase (April 2026)
- Secure adoption of the Water Services Amendment Bill by the National Assembly (June 2026)

Ongoing progress in reform of the Water Use Licence Application system

The reform of the Water-Use License Application system was successfully implemented in Phase I of Operation Vulindlela, and has demonstrated sustainable impact. The reform aimed to clear the license application backlog and reduce the time from license application to outcome from the baseline of over 300 days to 90 days. The Department of Water and Sanitation demonstrates ongoing commitment to ensuring that the turnaround time is within 90 days and the backlog remains minimal. As indicated by DWS, priority is given to applications which exceed 90 days and they are resolved shortly after the expiry of the window. DWS has also committed to publishing license application data. Figure 1 demonstrates the continuous improvement in the percentage of applications processed within 90 days, despite the increased number of applications. According to a study conducted by the DWS, it is estimated that, at full implementation of the turn-around strategy, the WULA strategy unlocks R43 billion to GDP and 1958 additional jobs per year for 5 years. Based on this, it is estimated that, to date, the turn-around strategy unlocked an additional R25.4 billion in 2022, R30.3 billion in 2023, R30 billion in 2024 and R34.7 billion in 2025, and created 5482 jobs over the period. A functional WULA system is core to building investor confidence and the continued progress and estimated impact demonstrates that the intervention is sustainable and impactful.

Figure 2: Progress made in processing Water Use License Applications (WULAs)



Source: DWS, 2026



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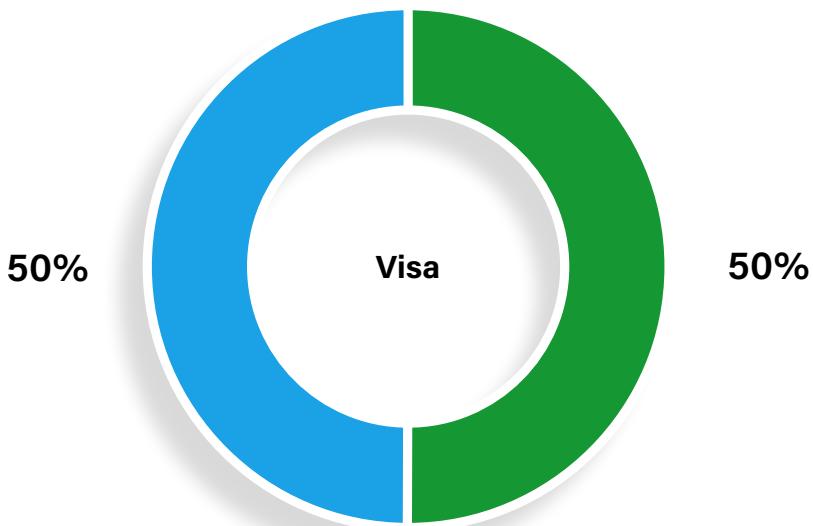
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**REFORM 4: VISA AND
IMMIGRATION REFORM**

REFORM 4: VISA AND IMMIGRATION REFORM

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



Key Milestones (Q3 2025):

- Almost 40,000 group travellers from China and India have successfully obtained visas through the Trusted Tour Operator Scheme (TTOS), enabling them to visit and spend in South Africa. 65 tour operators joined the TTOS during the first phase and it is estimated that more than 3,000 employment opportunities have been created by TTOS tourists.
- The Electronic Travel Authorisation (ETA), introduced in September 2025 and rolled out to travellers from China, India, Indonesia, and Mexico in November 2025, enables online visa submissions, capturing of biometrics, and receiving real-time approvals. The ETA is linked to the upgraded Electronic Movement Control System, which introduces facial recognition processing at OR Tambo and Cape Town International Airports to streamline arrivals and enhance South Africa's global tourism competitiveness. More than 60,000 arrivals have now been processed through the ETA to date, with the system expected to lead to an additional 1 million international arrivals and create between 80 000 to 100 000 jobs in the tourism sector on full implementation.
- The Department of Home Affairs announced the gazetting of the new Screen Talent and Global Entertainment Scheme (STAGES) in November 2025 to boost South Africa's standing as a leading destination for film and other creative productions. This scheme replaces the previous paper-based system where production companies completed extensive forms, queued for hours, and waited weeks or months for approval with a fully digital platform that can deliver outcomes within 24 hours.
- Following the reform of the visa system, 2025 saw a significant increase in the number of international tourist arrivals. From January 2025 to October 2025 some 8.56 million people visited the country, which marks an increase of 1.3 million new arrivals when compared to the same period in 2024.

Next Steps:

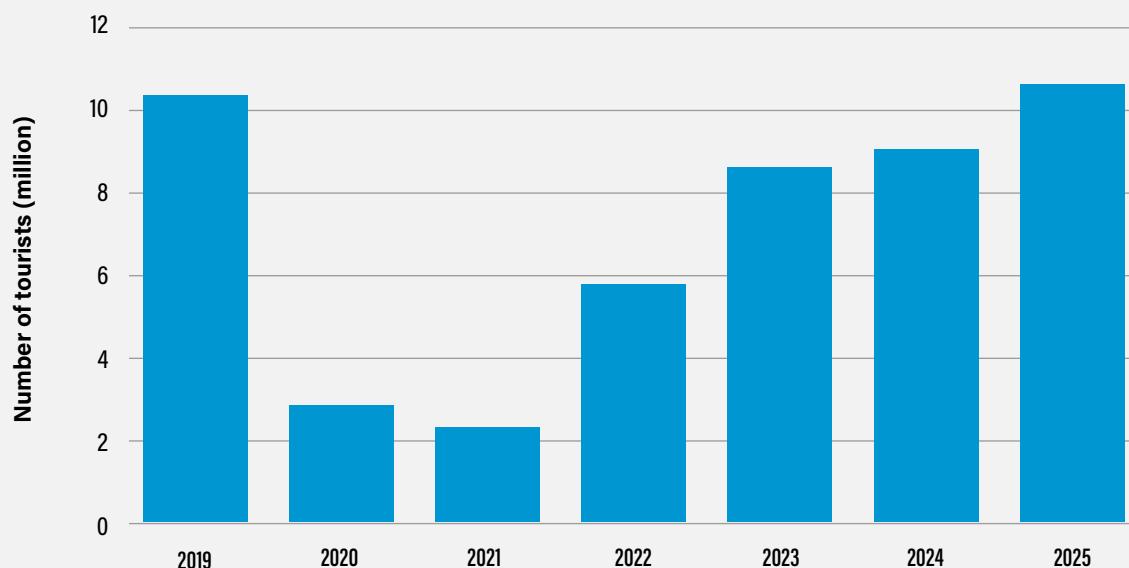
- Invite companies to apply for accreditation in the Film Industry Production Scheme (FIPS) to streamline the visa process for film productions (January 2026)
- Expand the ETA to become the single entry-point for tourist visas from all countries that require visas to visit South Africa (March 2026)
- Clear the appeals applications backlog (March 2026)

Tourism continues to grow

Tourism continues to grow in South Africa, bolstered by the efforts underway in the visa reform.

South Africa saw a record 10.48 million tourists arrive between January and December 2025, a 17.6% increase from the previous year. The latest figures signal a recovery from the COVID-19 impact, which saw the number of tourists falling to 2.8 million and 2.3 million in 2020 and 2021. Tourism currently sustains 1.8 million direct and indirect jobs. For every 13 international arrivals, one local job is created. Tourism is a key driver of economic growth, investment and job creation, with spillover effects into many sectors.

Figure 3: The Number of Tourists to South Africa (2019-2025)



Source: Department of Tourism, StatsSA



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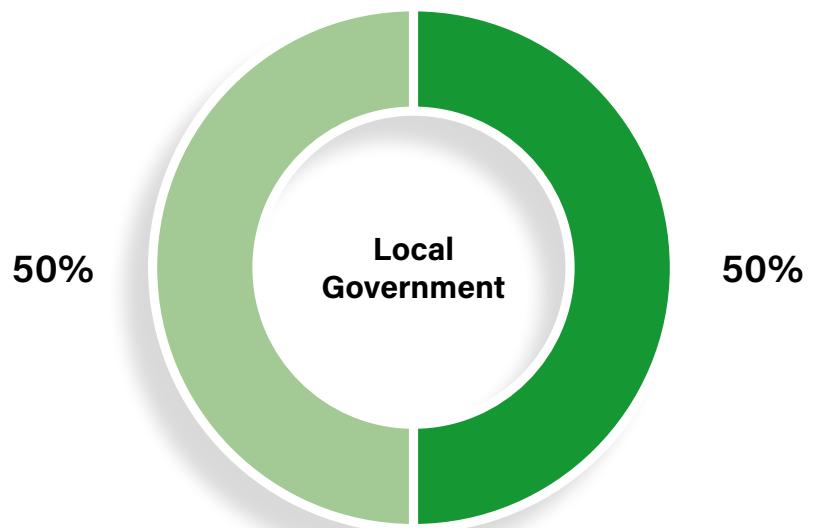
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**REFORM 5: LOCAL
GOVERNMENT REFORM**

REFORM 5: LOCAL GOVERNMENT REFORM

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



Key Milestones (Q3 2025):

- The metros that participated in the first cohort of the Metro Trading Services reform (twelve metro trading services in seven metros) will access incentive allocations through the adjustment budget; allocations are reflected under the Urban Development Financing Grant (UDFG). These metros are progressing in the implementation of eight minimum accountability commitments to enable ring-fenced trading services and strengthened management accountability and financial transparency. Those metros participating in the second cohort of the reform have received technical support to develop plans for improved performance, aligned to the municipal budget process.
- A total of 266 submissions were received from a wide range of stakeholders in response to the White Paper Discussion Document that will inform the review of the local government system currently underway, with the objective of strengthening the institutional, governance and service delivery framework for municipalities. An updated White Paper on Local Government will be finalised by April 2026.
- Processed to finalise the MFMA Amendment Bill, which aims to improve municipal financial management, accountability and oversight, are underway. Once approved the Bill will be published for public comment and country-wide consultation.
- Work on the review of the fiscal framework is ongoing. The review will assess the adequacy, sustainability and equity of intergovernmental fiscal arrangements for local government. Field work is advanced, with interviews completed in most of the sampled municipalities, and data collection underway. The methodology for the review is being finalised.

Next Steps:

- Metro Trading Services:
 - Support metros to complete and/or refine trading services financial models, and update business and investment plans and performance improvement plans to strengthen credible performance targets and investment prioritisation.
 - Obtain council approval of performance improvement plans adopted by metros as part of the 2026/27 budget process.
- Review of White Paper on Local Government next steps:
 - Conduct broad-based stakeholder consultations of the Review of the White Paper on Local Government
 - And produce final draft of the reviewed "White Paper on Local Government – 2026" informed by stakeholder consultations, expert inputs, and in-depth cross-sector engagement through reference groups: March 2026
- Conduct consultations and public engagements on the draft MFMA Amendment Bill (March 2026). Develop socio-economic impact assessment and obtain constitutional vetting certificate from Chief State Law Advisor (March 2027).
- Collection of outstanding data from municipalities required for the fiscal framework review to be completed. Complete expenditure analysis in Quarter 4 (June 2026).



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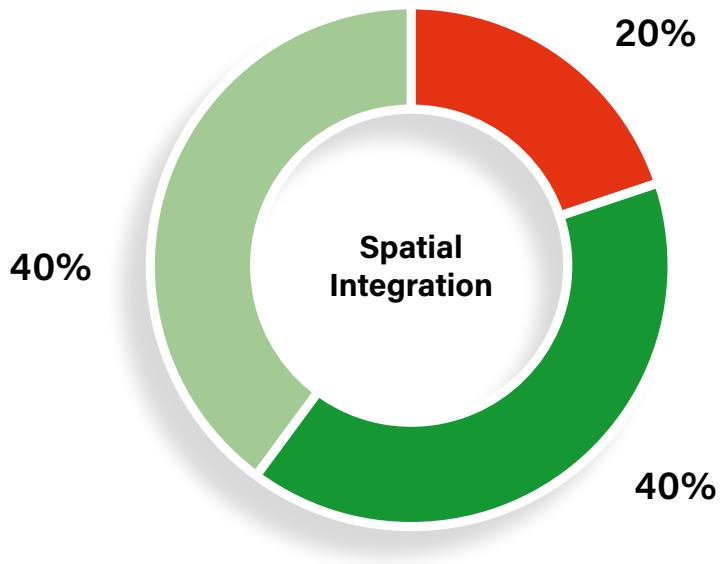
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**REFORM 6: SPATIAL
INTEGRATION AND
HOUSING REFORM**

REFORM 6: SPATIAL INTEGRATION AND HOUSING REFORM

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



Key Milestones (Q3 2025):

- An affordable rental housing model has been developed, based on research conducted in City of Johannesburg. A draft report has been prepared and presented to key stakeholders. The model is intended to be finalised through engagement with all stakeholders by the end of March 2026.
- DPWI has established the Strategic and Special Delivery Unit (SSDU) which is responsible for fast tracking and delivery of key infrastructure projects. The SSDU is conducting an audit of all publicly owned land and buildings, which will be used to identify priority land and properties which can be released to the market for housing development.
- The SSDU is currently developing a standard land release methodology which will accelerate the release of land and ensure that it is used in the public interest.

Next Steps:

- Complete analysis of deeds data to determine the scale of the title deeds backlog and inform the prioritisation and sequencing of interventions to clear it (March 2026)
- Finalise the standard model for public land release and identify priority land and properties for pilot phase (March 2026)
- Implement affordable rental housing model to test effectiveness of demand-side subsidy (April 2026)



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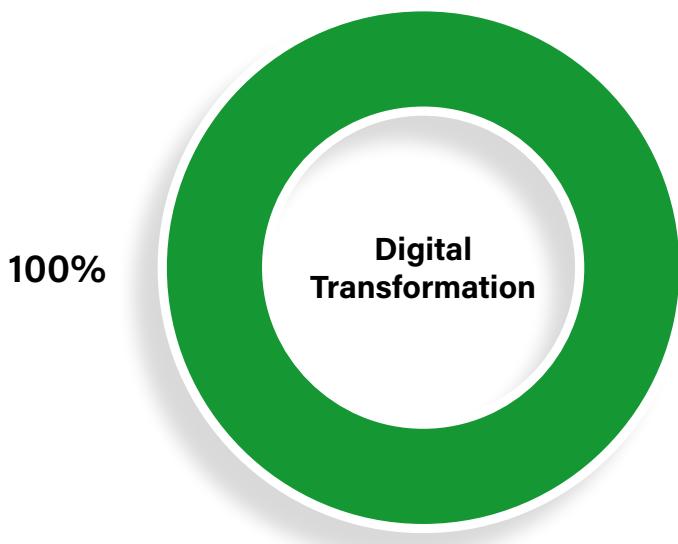
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**REFORM 7: DIGITAL PUBLIC
INFRASTRUCTURE REFORM**

REFORM 7: DIGITAL PUBLIC INFRASTRUCTURE REFORM

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



Key Milestones (Q3 2025):

- Progress during the quarter focused on moving core Digital Public Infrastructure components from design into early implementation, while strengthening governance and institutional arrangements to support delivery.
- The MzansiXchange pilot, which aims to establish a data exchange to enable sharing of data across government, entered implementation following its official launch on 9 October 2025. Pilot infrastructure is now operational at the CSIR, with testing underway between initial departments, including the South African Social Security Agency, the National Student Financial Aid Scheme, the Department of Public and Service Administration and the Department of Home Affairs.
- The MyMzansi citizen services platform reached a key milestone with a working prototype demonstrated in November 2025, confirming the feasibility of a single digital entry point for accessing government services.
- In parallel, the Gov.za platform achieved full national zero-rating across mobile operators during the quarter, enabling cost-free access to government information for citizens in preparation for the launch of a redesigned platform.
- The South African Reserve Bank officially acquired a 50% stake in PayInc as part of its Payments Ecosystem Modernisation (PEM) programme, establishing it as a national payments utility.
- Engagements commenced with SASSA to link government payments to verified accounts and store-of-value wallets, with the objective of reducing failed payments and fraud.

An independent institutional review of South Africa's digital government delivery model commenced in late November 2025 in partnership with the World Bank. The review will develop options to clarify mandates, governance arrangements and delivery roles required to sustain digital reforms.

Next Steps

- Review options for the institutional model emerging from the World Bank study (March 2026)
- Launch early public access to the MyMzansi platform for test groups, prioritising high-impact service use cases (March 2026)
- Operationalise task teams to support the MzansiXchange pilot and progress integration with the SARB's Public Key Infrastructure (March 2026)