

Joint MINMEC Meeting
Speech by Ms BP Sonjica, MP, Minister of Water Affairs and Forestry
DPLG Premises, Pretoria
5 July 2005

Dear Colleagues and friends.

Thank you for the privilege of addressing you at this joint MINMEC. We will be delivering presentations as reflected on the agenda; however I will start off by outlining some critical challenges and issues around which we need agreement.

Our most pressing priority is the targets. However, before a municipality can begin planning or implementing projects, they need to make decisions about levels of service. Choosing the appropriate level of service, especially for sanitation, is a difficult choice for any municipal Council. If we don't make the right choices, we run the risk of services that are not sustainable. Unfortunately there are too many examples of taps running dry and sewage spills in our streets and rivers.

There are strong perceptions in communities about what is an acceptable level of service and these have to be addressed within the context of ensuring the most appropriate technology option and what is possible within limited financial and water resources. The financial implications of operating and maintaining higher levels of service need to be properly communicated to our people when decisions about levels of service are being made. Many councils are facing political challenges around levels of service. I would like to appeal to MECs to assist in promoting sustainable solutions to our water and sanitation problems.

This means talking about the need for financial viability of our services, efficient administration, billing and cost recovery from those who use higher levels of service, asset management, consumer awareness and education, and of course good operation and maintenance.

Municipalities need to plan for sustainability. Consumers need to understand the costs and technical expertise required to operate and maintain higher levels of service.

It is increasingly becoming clear that for a number of reasons the targets will not be met under the current conditions. At our Water Services Sector Leadership Group Meeting last week the issue of the targets was raised as a major challenge that the sector as whole needs to address as a matter of urgency.

Amatola District Municipality gave a municipal perspective in terms of the funding challenges in meeting the targets. They need R387 million to address the backlogs and they only have R140 million. Their capital deficit taking into account the MIG allocation and their own capital allocation, is R17,6 million for water and is R75 million for sanitation, bringing a total capital deficit of R246,6 million. With the current funding therefore, 28 % of the population will not be served with water by the target date of 2008 and 55% of the population will not be served with sanitation by the target date of 2010. The municipality's projections are that with the current funding streams their water backlog will only be met at the end of 2012 and their sanitation backlog will only be met in 10 years time, July 2015. This is a very serious situation indeed.

The cost to eradicate the 3,7 million people with no access to water infrastructure, is approximately R5 billion and the cost to bring the 5,4 million with access to infrastructure slightly below the basic level, to acceptable level is R10 billion. The sanitation backlog eradication cost is estimated to be R13 billion. At current MIG allocations (2005/6) of R1,7 billion for water and R1,1 billion for sanitation, it will take 9 years (2014) to eradicate the total current water supply backlog and 12 years (2017) to eradicate the current sanitation backlog. To meet the demand for higher levels of service will take longer. To meet the sanitation target by 2010, (allowing for some population growth), the sector must deliver

about 800 000 toilets per year, which is more than double the current delivery rate. Funding would have to be increased to R 2,4 billion per year and capacity drastically improved.

However, whilst we are in the process of calculating capital funding deficits and developing motivations for additional funds, we are also faced with a situation where MIG funds are unspent. I hear that the last MIT3 meeting discussed the problem of millions of MIG funds sitting in municipal bank accounts earning interest instead of being spent on addressing the backlogs. Targets are about time – how can we ask Treasury for more funds when funds are not being spent? The answer here is not to stop our efforts to increase the pool of long term funding resources – the answer is to get to the bottom of why the funds are not being sent.

A review of the deliberations of meetings such as MITT, MIT3, the water services sector leadership group, SALGA, provincial sector forums and so on, shows that the same issue comes up over and over again. The problem is a lack of municipal capacity to implement the MIG programme and capacity for ongoing operations and maintenance of infrastructure. Implementation and institutional capacity is one of the biggest challenges facing us in our efforts to meet the targets.

These capacity challenges are not only impacting on the targets, they are also impacting on the transfer programme, which is currently planning to undertake a capacity assessment to determine those municipalities that will not be in a position to take transfer by the transfer target date of 31 March 2006. The programme is looking to Project Consolidate to ensure that the necessary capacity interventions are undertaken to address the problems.

This brings me to project consolidate, to capacity building and to longer term institutional sustainability. In practice we are finding it very difficult to build capacity. We know it takes time to train people and to develop strong institutions that are able to deliver services.

Project Consolidate is about addressing capacity constraints and it is about bringing sector players together to co-ordinate support. It is a very important initiative that provides a national strategy to co-ordinate solutions to the capacity challenges that municipalities face. We have a duty to ensure that it is successful. This is where I'd like to reflect on what I see as some of the successes of the approach that has been taken in implementing the MIG programme.

Firstly, the MIG programme consolidated a number of sector programmes into a single programme with a clear policy framework. It provided clarity around the implementation of municipal infrastructure for the poor.

Secondly, the programme is supported by a Division of Revenue Act Framework with clear conditions, criteria, outputs and allocation of responsibilities.

Thirdly, a whole range of structures have been put in place to co-ordinate and drive the programme from national level through to local level. I believe that the policies, frameworks, structures such as the MITT and MIT3, the working groups, the programme management structures at national, provincial and municipal level, as well as the supporting guides, registration forms and so on, all put in place a powerful machinery to gear up and make the programme happen.

The constraints the programme currently faces are not about the way the programme is designed, the constraints are about capacity. We need to do the same for *municipal capacity* as we are doing for *municipal infrastructure*.

This will become increasingly important as we move towards a more integrated approach to development. Cabinet accepts the principle that a human settlement approach should be followed and this implies a much larger degree of alignment of our budgets, our sector

plans, our support to local government and the way our structures work together to ensure co-ordination.

The challenge for local government is to undertake the necessary planning and budgeting to meet their targets and IDP responsibilities. The challenge for us is to increase our support and capacity building initiatives. We have to plan towards the goal of integrated human settlements and we need to plan towards ensuring that Project Consolidate becomes institutionalised in the same way that the MIG programme is becoming institutionalised. Without local government capacity we will not succeed in our goal of improved livelihoods – we will not meet our targets.

We are developing indicators for water services institutional capacity for local government, as both water services authorities and water services providers. We would like to consolidate these indicators with those of DPLG and other sector departments so that capacity support can be towards a common set of institutional indicators.

It is also becoming increasingly important to strengthen our intergovernmental relations and to ensure that the provincial sphere of government fulfils its constitutional mandate to support local government. In my speech to the National Council of Provinces I mentioned that we want to embark upon a vigorous programme of action to strengthen collaboration between our DWAF Regional Offices and Provincial Government. The reasons for this relate to two issues, the issue of water resources and catchment management agencies and the issue of our provincial forums.

Both the provinces and municipalities are major users of water. Because municipalities are responsible for ensuring that everyone has access to basic water services they have a right to access that portion of the water resource that is set aside for basic human needs, which is part of the Reserve. Municipalities need to engage very closely with our Catchment Management Agencies. The Provincial Growth and Development Strategies also need to take into account the relevant catchment management strategies in terms of what water resources are available as well as plans for the development of those resources.

We have established provincial forums in all of the provinces where the different water sector partners come together to address water and sanitation issues. We need a dynamic link between our regional offices (which are also acting as CMAs) and provincial government in terms of water resource issues and water and sanitation priorities. We would like provincial government to become involved in these forums and would like to request that MECs make sure that this happens. We need to ensure that water and sanitation issues have a political champion within Provincial Government.

This is to ensure that water and sanitation issues are advocated and prioritised when provincial government is addressing issues such as local government capacity building and support. Such a champion would also play a role in making the necessary links where provincial development planning has water resource implications. I would like to request that one of the MECs in each province takes on the political champion role for water and sanitation.

I would briefly like to use this opportunity to mention that we have undertaken a process to review the pricing strategy which included extensive consultation with key stakeholder groups such as SALGA, agricultural unions the Chamber of Mines, organised industry, Eskom and other relevant government departments and environmental groups.

The proposed Pricing Strategy introduces additional water charges in terms of the Waste Discharge Charge System, however these charges will benefit communities in terms of an improvement in the quality of water supplied. The Discharge Charge System includes a charge to be levied on users who have a negative impact on the quality of the water resources. The income generated from this source will be used for the benefit of downstream users who are adversely affected by upstream polluters. The Strategy also makes provision for commercial users to pay the full cost of new infrastructure

development, financed as commercial projects, while social users through government financing, will pay a lesser charge for the same new development.

The Pricing Strategy has been a sensitive issue between my Department, SALGA and municipalities. The key issue is for municipalities to understand why these charges are necessary for sustainable water resource management and how they ultimately are for the benefit of end users. It is important that MECs support our efforts in communicating these issues.

We are currently engaging with provincial and local government through our Provincial Water Summits. These summits are held under the leadership of the Provincial Premier where we explore a range of water issues from the availability of water resources within a province, to the implementation of the Provincial Growth and Development Strategy from a water perspective, to identifying solutions to particular problems raised. We need to use these Summits as an opportunity for collaboration, joint planning and for providing support to the local sphere of government.

We can set targets, we can ask for more money from National Treasury, but can we actually spend that money? The issue of capacity cannot become an excuse for falling short of achieving universal coverage in water and sanitation. It is a real challenge and it is a challenge we as national and provincial government need to face and address. I'm appealing to MECs to take on this challenge as a top priority.

The issues I've raised will be dealt with in more depth in the presentations. In particular I would like to conclude by highlighting the necessity to bring to Cabinet's attention the need for increased funding to meet the water and sanitation backlogs, as well as the capacity challenges facing the water services sector to deliver on the targets and to provide ongoing sustainable services.

In conclusion I would like to thank you for the opportunity to share our ideas about the challenges we face and to thank you for work your Department is undertaking to ensure an enabling environment for co-operative governance and transparency in addressing the real problems that face service delivery.

I thank you.