

Water Services Regulation, Reform and Support Indaba
Speech by Ms BP Sonjica, MP, Minister of Water Affairs and Forestry
Gallagher Estates, Midrand, Gauteng
30 August 2005

Honourable MECs
Honourable Mayors
Distinguished Guests
Ladies and Gentlemen.

It gives me great pleasure today to be able to address such an important group of people. This conference will give us a chance to share our ideas on matters of great importance in the water services sector. It will also give us an opportunity to reflect on how we manage water and sanitation services and how to best fulfil our duty to provide services of the highest quality.

As representatives of government, in the Department of Water Affairs and Forestry, in the Department of Provincial and Local Government, in the South African Local Government Association (SALGA), in municipalities, we realise the need for clear strategies to guide regulation, institutional reform and support in the water services sector, hence the reason for this conference.

I hope that, by the end of the Indaba we will have a clear and common understanding of the issues at stake, the direction in which we are planning to move, and the objectives of the various processes that are under way.

In the coming days I hope there will be vigorous analysis and debate. We will all have to work together to ensure that we provide effective, affordable and sustainable water services to the people of South Africa. We need to pool our collective wisdom to ensure that we have the right tools for doing this. At the end of the day, I hope that we will agree, with "sufficient consensus", on what needs doing.

With this support we hope to move swiftly to put into place an appropriate regulatory and institutional framework. We want to ensure that this framework will serve us, and our children, for the foreseeable future.

The first element of this framework that I want to refer to, is regulation. We all want the water services sector to work smoothly. Most importantly we all want our people to have access to clean water twenty-four hours a day. We want people to have effective and dignified sanitation and for effluent to be properly treated. But how are we to achieve that? Is it just a question of having enough money or having the right rules?

Everyone who works in the sector will know that while money is important, in itself, it is only a tool. It is how it is used that is the key to success. It must be used efficiently and fairly. The same is true for the rules of the game or the regulations. In themselves they are requirements on paper, they come alive and have meaning as they are actually applied.

Primarily, regulation is about ensuring that national policy goals and targets are met and that the water user is protected. Thus there are many questions that the regulator finds the answers to, including: Are users (particularly the very poor) receiving the quality of service to which they are entitled? Are funds being used efficiently and fairly to achieve this? How do we know if water services institutions are making decisions today that will jeopardise the future sustainability of services? Are national backlog targets for water supply and sanitation being met? Are free basic services being provided in all areas?

This is where regulation comes in: with regulation which includes appropriate reporting, we can determine whether users are being well served, and whether resources are being used effectively

in the interests of those users. Together with other departments, such as the Department of Provincial and Local Government and the National Treasury, we shall encourage and ensure compliance and best practice in this regard.

At this stage, I must point out that my Department is taking very seriously its progression from service provider to regulator. It will be our job, in the future, to ensure that regulations, standards, and norms regarding the provision of water services are met, and the reports and data that are necessary to determine whether regulations are being met, are submitted.

As the Minister of Water Affairs and Forestry, I have a mandate to ensure that water services are provided in line with national policy and standards. I thus have a mandate to deal with parties that do not comply. The first step in this process is to identify which agencies are not meeting the requirements for any reason. Then we shall jointly devise support strategies and interventions to deal with the challenges they are facing. In other words, we shall use regulation firstly as a tool for support. Let me also add, however, that we cannot allow a situation to continue where municipalities have the capacity to render good quality water and sanitation services, but do not, through lack of interest or lack of commitment.

This, I believe, will help to ensure that water services are provided sustainably, equitably and effectively. It will help to ensure that infrastructure is properly maintained and managed in such a way that the assets and the standard of service do not deteriorate over time. It is all too easy in the pressure of time to meet the backlogs, to overlook the unseen aspects of infrastructure maintenance, such as replacing decaying water pipes, expanding sewage works, and so on. These are not high profile projects but they are crucial to the future of our towns and cities. The unglamorous maintenance and rehabilitation projects must be done, and regulation will help ensure that they are done.

The main purpose of regulation is to protect the water user. In this process, we will be able to pinpoint authorities that don't meet the standards of water purification and treatment and those that have a high percentage of unaccounted-for water. We will be able to see where delivery targets are not being met or funds not used effectively. We will be able to identify where the poorest of the poor are not receiving sufficient attention. Eventually we will also look at the setting of correct tariffs, and levels of investment. All these, and more, will enable us to assess where we need to provide support or intervention, in the interests of the water user.

Linked to the issue of efficient and sustainable services is the issue of the institutions that provide those services. This leads me to the issue of institutional reform.

The new municipal boundaries gave us the opportunity to rationalise the provision of water services. In so doing there were many difficult issues to address: the transfer of assets from my Department to the Water Services Authorities, the amalgamation of different schemes operated by individual local councils under one new municipality; the role of water boards which were water services providers as well as being bulk water service providers, and so on.

These are examples of the issues to be faced in the transition we are making from the old, very uneven and imperfect system of provision to a new one where everyone is treated equally.

Unfortunately we are facing a fragmented industry, which is good neither for users nor providers. With more than 200 water services, providers we are missing opportunities for economies of scale and the efficient use of our limited skills base.

We must, therefore, ask: are the municipal boundaries appropriate for water services delivery? Water, being a natural resource, does not respect administrative boundaries. In the interests of sound management and efficiency, there may, therefore, be a need to look at regional service providers – that is to say providers that serve more than one municipality.

In addition to these wider institutional issues, there is also a need to examine whether existing institutional arrangements meet the day-to-day needs of running an effective service. There are many alternatives permitted under the Municipal Systems Act, including commercialised municipal entities, privately operated concessions, public sector entities established by one or more municipality, etc. The merits and the appropriateness of each of these must be examined.

The reform of the water services institutions is being undertaken in order to ensure that, within the financial, geographical and human resource constraints that we have, we can serve the public most effectively.

Our target is to create at least five new, “model”, regional water services providers by the end of the year 2009. What these new model regional service providers will look like, i.e. whether they are Water Boards, Municipal Entities or something else, will be determined during investigations that will end in October next year.

I, and my Department, have a clear preference for public water services provision. I do not foresee the privatisation of water services through this process. The private sector can and will assist and contribute in various ways, but assets will not be handed over to the private sector.

By the end of 2013, working closely with the Department of Provincial and Local Government, the South African Local Government Association and the South African Association of Water Utilities, we hope to complete the reform of all regional water services providers. This process has already started and will include a national boundary study, investigations into regional service provision in priority areas, detailed studies of costs and benefits of alternative strategies, and a careful review of existing institutional issues.

Municipalities, as water services authorities, have a Constitutional mandate to provide water services. However, Water Boards are part of the suite of government entities, and have an important role to play in meeting government's targets. The institutional reform process will allow us to reassess the role of Water Boards and the way in which they are governed presently. I believe that some Water Boards can make a major contribution to effective water services delivery in the country through the capacity that has been built over the years and we will encourage Water Services Authorities to make use of them as providers where appropriate.

The process will start in designated “Priority areas” where there are urgent service provision issues, which are impacting on operations and service delivery.

I do not want to give the impression that my Department will be undertaking this work alone. On the contrary, the process will be led, and largely funded, by the local institutions concerned. Regional Water Services Steering Committees will be established in those areas where there is a need to handle this process.

I have tried to show how the issues of regulation and institutional reform will help us all to provide more efficient and effective water services. In doing so we shall have to face many questions about, for example, the role of the Water Services Authorities in relation to my Department and in relation to regional water services providers. Indeed the creation of regional service providers may be seen as a threat to local democracy. Fears about the loss of local control may limit the realisation of economies of scale. In order to respond to these legitimate concerns, the process must be underpinned by programmes to build understanding among local decision-makers. This indaba is part of such a process.

This process of capacity development, engagement, learning and sharing must continue and the Joint National Support Strategy for Water Services will guide the sector in terms of providing support to water services institutions in need of assistance.

My Department, as the sector leader, has assumed responsibility to guide, co-ordinate and harness resources of sector partners to provide support. This sector support strategy gives effect to this responsibility and should be achieved within the next five years.

This support strategy is being drafted at a time when a wide range of grants and support programmes are being run by various sector partners. Project Consolidate, a key programme of the Department of Provincial and Local Government, is one such example. It is up to this strategy to indicate areas and mechanisms for co-ordinating support particularly support aimed at building local government capacity.

The support strategy looks at what we are aiming for as a sector in terms of targets and the support that is needed to ensure that these targets are met. It will eventually contain a number of interventions formulated to give direction to sector partners in their efforts to address the challenges in the water services sector.

There are many of us here today fundamentally committed to the development of strong capacity within local government and when finalized the support strategy will give effect to this commitment in terms of the water services sector. We look forward to your ideas and inputs on this strategy as it is still in a preliminary stage of development and many of you here today are leading or are within the very organizations that this strategy seeks to assist.

Thus we have a three-pronged strategy: regulation, institutional reform and support. These components are part of a package which will help us move with confidence as we slowly but surely meet our goal of a twenty four hour supply of clean water, and environmentally and socially sound sanitation systems for every citizen of this country.

Primarily this Indaba is an opportunity for us to discuss the proposed regulation, institutional reform and support strategies that we are considering.

Before I close, I wish to express my thanks, and those of my Department, to the many people who have contributed to the development of our thinking on these subjects to date.

These include the Department of Provincial and Local Government, the South African Local Government Association, the South African Association of Water Utilities, the National Treasury, and members of the Regulation Reference Group and the National Water Services Institutional Reform Task Team as well as the reference group for the Joint Support Strategy. I know many of you have burned the midnight oil in bringing us thus far, and we look forward to your support in the future in our endeavour to complete the task.

With these few words I would like to express my thanks to all of you who have sacrificed your valuable time to attend this indaba, and wish you well in your deliberations over the next three days. We shall study the proceedings of the Indaba with much interest.

Thank you.