

Signing of the MoA on the Olifants River Water Resources Development Project
Speech by Mrs LB Hendricks, Minister of Water Affairs and Forestry
Sandton Convention Centre, Johannesburg, Gauteng
26 May 2008

Programme Director
Members and officials of our Public Entities
Councillors and officials of Municipalities
Representatives of Mining Companies
Distinguished Guests
Ladies and Gentlemen

I welcome everyone who has joined us for this signing ceremony of the Memorandum of Agreement (MoA) between the Department of Water Affairs and Forestry, the Joint Water Forum (JWF) and several mining companies. The signing represents an important milestone in the Olifants River Water Resources Development Project (ORWRDP), and is the culmination of hard work and intensive negotiations over a period of more than two years. I would like to commend everyone involved who has worked in a collaborative fashion on this MoA, which forms part of our goals of providing the required water to unlock mining opportunities as well as providing water services to several areas in the Limpopo Province and thereby contributing to the alleviation of poverty and unemployment in those communities.

This MoA and the ORWRDP form part of a broader programme of water resources infrastructure development that is being driven by my Department. On Friday I delivered my budget vote in Parliament where I outlined many of the projects that we are engaged in to ensure that there is increased capacity in our water resources and to alleviate concerns of us running out of water. However, I have on numerous occasions stated very clearly that as we are a water scarce country all South African's need to give much greater priority to water conservation and water demand management, as there is a limited number of new dams that can be built to service our growing water needs.

We have a joint responsibility to manage our natural resources in a sustainable manner for our future generations and protect them. Water, offers us life, it brings with it possibilities of social development and economic opportunities. The importance of a project like the De Hoop Dam, which is a major component of the ORWRDP, is twofold; the first is to store floodwater in the rainy seasons that can be conveyed in bulk to supply water to the towns, industries and poorly serviced rural communities in the various districts in Limpopo. Secondly and equally important, water will be supplied for use by the mines in the process of unlocking vast mineral deposits, mainly in the form of the platinum group metals found in the region. These metals are at present the largest known unexploited mineral wealth in our country.

The MoA we are signing today will pave the way for the development of these mines by encapsulating the principles of agreement required for the conclusion of water supply agreements with the mines, and by providing the necessary secured revenue flow to make this Project bankable among the private financial sector for the phases after the De Hoop Dam. By addressing key risks through ensuring suitable project design, legal arrangements and appropriate financing instruments we have yet another "bankable" water infrastructure project which the financial sector can participate in. The mutual benefits of bringing private sector finance into these projects allows us to concentrate the public sector resources on investment in human development and in overcoming enormous inequalities in the provision of basic services such as water, sanitation and waste management.

The signing of the MoA will take us one step forward in our preparations to implement a Bulk Distribution System to convey the raw (untreated) water stored by the De Hoop Dam to places where the water could be treated and further distributed to small households and large industrial users. Additional new infrastructures will also need to be provided by Water Service Authorities, mostly District and Local Municipalities, to treat and reticulate the potable water to households.

One of the other benefits of the De Hoop Dam that I announced on Friday, is the co-operation with Eskom to investigate a new pumped storage scheme to provide an additional 1 500MW to the national grid, which would also be utilised for pumping water to about 800 000 people on the Nebo Plateau in Sekhukhune.

Work has already started on De Hoop Dam and construction started in July 2007 and is on schedule to deliver the first water by April 2011. The project will bring a number of business and job opportunities, with related skills training opportunities during the construction period. As part of our commitment to Broad-Based Black Economic Empowerment, local economic development, job creation and skills development we signed a De Hoop Dam Charter during the sod turning ceremony held on 19 March 2007 at Maseven. The Charter will be extended for the work to be done in the MoA signed today. The project's aim is, however, not only local job creation but skills transfer that will result in long-term benefits. Training will also focus on capacity building that is hands on and on-the-job-training to give those without special skills an opportunity to develop.

The targets embedded in the De Hoop Dam Charter have already produced results, with the housing contracts being awarded to HDI firms. The procurement of labour from local communities is also progressing well. For the larger contracts for the Dam and the realignment of the road targets were set to ensure sub-contracting to HDI firms. I have been assured by the project team that compliance monitoring is being done on a regular basis.

The De Hoop development will also stimulate tourism opportunities. In the longer term many socio-economic benefits are predicted to be brought about by sufficient water in this water scarce part of our country. Apart from the direct permanent employment opportunities that will be created by the project, it has been estimated that mining and its support industries will stimulate investment of several billion rand and create hundreds of jobs.

The mining sector in this area has been developing over the last few years but lack of water has hampered further development, and there is no doubt some excitement amongst the mining companies signing this agreement at the possibilities that will arise through this project. I am informed that the local mining sector has in the interim been pro-active with support for securing water and has already invested millions on the Lebalelo water pipeline from the Olifants River to the Steelpoort area and further southwards to the Mototolo mine. This in itself should increase the provision of water that will improve the mines' activities. In exchange for an increased assured supply of water the mines have also carried the full cost for the raising of the Flag Boshielo Dam of more than R200 million highlighting the spirit of co-operation growing steadily between government and the private sector.

The MoA forms the founding agreement for the funding and implementation of new water infrastructure for providing in the needs of the mining, commercial and social users located in the project areas which include parts of the Sekhukhune District Municipality (DM), Capricorn DM, Polokwane DM and Mogalakwena Local Municipality (LM) of the Limpopo Province. The MoA specifically commits the mines to sign off-take agreements with my Department for all future water requirements on a take-or-pay basis where the mine will pay for their respective costs based on allocated capacity, regardless of water use.

It is expected, based on the latest water demands, that private sector funding would be needed during the next five years to construct some 300 km of bulk raw water pipelines to distribute water from the De Hoop and Flag Boshielo Dams to bulk users (municipalities and mines) in the project area, which include the urban and surrounding rural areas of Polokwane, Mokopane, Lebowakgomo, Jane Furse and parts of the Nebo Plateau, Steelpoort and Burgersfort.

Talks have already started with the Water Services Authorities in the project area and Eskom to allow the abstraction of raw water from the Olifants system. These authorities are also preparing to construct infrastructure for the treatment and reticulation of potable water to the local population of which a large proportion currently have inadequate water supplies.

Before concluding I must acknowledge the support provided by the Trans-Caledon Tunnel Authority (TCTA) in the negotiation of the MoA and we look forward to them playing a future role in the project. The TCTA, which often operates behind the scenes, has played an important function in the implementation and co-ordination of project financing for the Berg Water and Vaal River Eastern Sub-system Projects. Some of you may be aware that we are planning for the TCTA and National Water Resources Infrastructure Branch of my Department to join forces to become the National Water Resources Infrastructure Agency. The

ongoing co-operation between staff of the TCTA and staff in my Department augers well for the proposed Agency. The Bill to establish the Agency will be tabled in Parliament in the next few days.

Programme Director, to conclude, through the public sector investment and development of the water resources in the Limpopo region we are unlocking significant potential in the mining industry that will create sustainable jobs and contribute to economic growth. Government is playing an important role to facilitate growth and creating an enabling environment for the private sector. But the private sector must recognise that it too has a responsibility, and the mining operations that will take place must be done in a responsible manner to sustain the livelihood for the generations still to come and to ensure that they do not pollute the water resources. It is a concern that water quality is in some cases being compromised as a direct result of mining. This is not acceptable and my Department will be keeping a close eye to ensure there is compliance with the provisions of the law. The revised environmental authorisation issued by the Minister of Environmental Affairs and Tourism also made special reference to the important need to perform the mining in an environmental friendly manner. During my budget vote address on Friday I also said that we are going to be strengthening our compliance, monitoring and enforcement unit within the Department. This unit will be co-operating with other departments like DEAT to deal with those who pollute and those who illegally abstract our water resources. I have already started warning polluters that we will be embarking on a zero-tolerance approach.

When the President opened Parliament earlier this year, he announced that this year's theme for South Africa would be "Business Unusual: All hands on deck to speed up change". This is the challenge we should collectively take on board.

I thank you.