



water & sanitation

Department:
Water and Sanitation
REPUBLIC OF SOUTH AFRICA

OUTSTANDING MUNICIPAL WATER DEBT MEDIA BRIEFING NOTES

13 DECEMBER 2017

SPEAKER'S NOTES:

- On 27 November 2017, we announced that, as the Department of Water and Sanitation, we had embarked on a process aimed at recovering a total outstanding debt of R10,7 billion owed to the department and water boards by various municipalities for the delivery of bulk water services.
- The process we announced entailed the issuing of notices to the affected municipalities, specifically those with debts exceeding R50 million and outstanding for a period in excess of 60 days.
- The notices issued advised the 30 affected municipalities of the department's intention to invoke Section 59 (3) (b) of the National Water Act, which allows the department to restrict or suspend the flow of water to defaulting municipalities.
- Subsequent to our announcement, the portfolio committee on water and sanitation held a meeting on 29 November 2017, wherein the National Treasury, the department of cooperative governance and traditional affairs, as well as the South African Local Government Association (SALGA) presented on various proposals on managing outstanding municipal bulk water supply debt.

- At this meeting, there was consensus that the proposal by SALGA, of a total debt write-off, was neither feasible nor up for consideration. Equally, the National Treasury was unambiguously clear that this would not be possible. The meeting further instructed that the Minister of COGTA convenes a meeting with the Ministers of the National Treasury and Water and Sanitation within 14 days to resolve the impasse.
- The National Treasury also presented a figure of R53 billion as the current under-spending by local government, thus supporting the point we have previously made on the absence of adequate systems and management in some instances to best services municipal debts and water systems.
- Over the last two weeks, the department and the Water Boards have held several engagements with the affected municipalities to seek payment and finalise payment agreements on the old debt as well as the payment of the current account.
- To date, a total of **R213 million** has been paid by municipalities to the Water Boards and **R55,5 million** to the Water Trading Entity of the Department of Water and Sanitation. Commitments received since our initial pronouncements – and over and above monies already received – amount to R300 million.
- We anticipate that, over the next few days, this figure should increase as more municipalities have made commitments to pay the agreed amounts towards the old debt and to settle their current account debt, which is invoices not older than 30 days.
- Of the 30 municipalities cited, **25** have made contact with the department and water boards and have made commitments to make payment against their debt

thus far. A total of **11** municipalities have made payment towards their debts by the deadline of Friday, 08 December 2017.

- There are municipalities that have raised disputes with some portions of the debt owed; and to this end, we have agreed on a process to be followed in resolving debt under dispute and separating it from the main debt, to allow for a commencement of payment on the undisputed portions of the debt.
- As indicated previously, the department will commence with the rationed restriction of bulk water supply to those municipalities that have failed to engage with the department and/or make payment of their outstanding debts by the deadline of 08 December 2017.
- We must make it clear that the department will not cut water supply but may throttle the pressure at which we supply bulk water to ensure that citizens are provided with the minimal allocation of water as dictated by the constitution.
- South African standards relating to a 'basic' water supply is defined as 25 litres of water per person, per day. This is regarded as sufficient to promote a healthy living.
- This amounts to six kilolitres of water per household, per month for a household of eight people. This restricted volume will also be augmented by 40% to cater for supply to informal settlements as well as water losses within the reticulation system. This is therefore what the constitution requires us to provide as a basic level of access to water for all households in South Africa.
- Thus the water restrictions proposed would be designed to ensure that households and citizens have access to their constitutionally guaranteed basic level of supply whilst we force municipalities to meet their financial obligations.

- We have also been in conversation with several private entities which operate water dependent businesses that would be adversely affected by water interruptions. These are large water-users who pay municipalities for the water received; however, these monies are not used to settle the bulk water supply invoices of the department and water boards.
- Section 64 (4) of the Municipal Finance Management Act 56 of 2003 (MFMA) explicitly provides that the accounting officer of a Municipality must take all reasonable steps to ensure that any funds collected by the municipality on behalf of another organ of state is transferred to that organ of state at least on a weekly basis; and that such funds are not used for purposes of the municipality. It is therefore concerning that the affected Municipalities are not complying with the provisions of the MFMA in this regard.
- As things stand, several commercial water users have sought relief of the courts through urgent court applications wherein the users are seeking the relief to pay the department and water boards directly.
- Faced with current challenges, we are applying our minds and will make a determination in due course. It would be grossly unfair for the Department to cut water for residents and commercial water uses in circumstances where they have paid for the water
- As we speak, there is a matter pending before court where a similar relief is sought by the bulk water users and we have no option but to support such a relief being granted.

- An analysis by the department of the top 30 defaulting municipalities has highlighted several systematic challenges that require the interventions of COGTA and the provinces in support of municipalities.
- This analysis indicates that the majority of these municipalities fall between high to extreme vulnerability in areas such as revenue collection, wastewater management and compliance, financial and infrastructure asset management as well as operations and maintenance
- 26% of the municipalities show non-revenue water figures of above 50%. This means, these municipalities are losing more than half of the water supplied through their systems. A further 26% have been unable to track and provide data on water losses
- The above emphasises the important observations we have made of a need to drastically improve the capacity of municipalities to plan, budget, operate and maintain water services infrastructure including adequate systems of revenue collection and an updated indigent register
- We wish to remind the public that the current failure by municipalities to pay the debt owed adversely affects the department and threatens the future water supply of the country. Our ability to build new infrastructure, maintain the existing and extend our services to achieve universal access to water for all by 2030 is dependent on our ability to collect revenue.
- As such, we will commence with the restriction of bulk water supply by a reasonable pressure margin to those municipalities that have failed to respond to the notices issued and who have not successfully concluded a repayment plan with the department for services rendered. As earlier stated, all due care will be maintained to ensure we satisfy our constitutional water supply minimum

per household whilst reducing financial losses for the department due to non-paying municipalities.

- Unfortunately, the actions we have taken have been necessitated by a rising debt crises that would have proved disastrous for water provision if uncapped and resolved. In the six months from March to September 2017, the debt owed has increased by R739 million. This would translate to an annual debt increase of close to R1,5 billion annually if no action is taken urgently.
- Hence the actions we have taken and are still taking are necessary for the future sustainability of bulk water supply, more-so in the currently strained fiscal environment within the State.
- We will continue to engage our counterparts at COGTA, National Treasury and organised Local Government. Such engagement will be held as directed by parliament concurrently to the processes we have outlined to collect revenue due.

Dankie

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