



**MINISTRY
WATER AND SANITATION
REPUBLIC OF SOUTH AFRICA**

**MINISTER OF WATER AND SANITATION, MR SENZO MCHUNU'S MAIDEN BUDGET
SPEECH FOR THE DEPARTMENT OF WATER AND SANITATION ON
13 MAY 2022**

1. ACKNOWLEDGMENTS AND INTRODUCTION

Honourable Speaker,
Honourable Deputy Speaker,
His Excellency, President Cyril Ramaphosa,
His Excellency, the Deputy President David Mabuza,
Cabinet Colleagues,
Deputy Ministers of the Department, Ms Dikeledi Magadzi and Mr David Mahlobo,
Chairperson of the Portfolio Committee of Water and Sanitation,
Honourable Members,
Director-General and Senior Managers of the Department of Water and Sanitation,
Leadership of our Entities- Chairpersons, Members of the Boards, CEOs and Senior Executives,
Leadership of various stakeholders in the sector and civil society,
Fellow South Africans,

It is a great honour for me to present my maiden budget speech to the National Assembly, since my appointment as Minister of Water and Sanitation in August last year.

2. KZN FLOODS

We are making this speech at a difficult time, following devastating floods in various parts of the country, KwaZulu Natal in particular. I wish to take this opportunity to express my sincere

condolences to the families of those who lost loved ones in the floods. We would also like to express empathy for all those who are still without water and sanitation services due to the floods, and to assure them that we are working as fast as possible to restore these services. Immediately after the floods, we established a water and sanitation War Room, together with the worst-affected municipalities. Our department quickly hired water tankers to supplement those available in the municipalities and we seconded a team of engineers and other specialists to the War Room to assist with the implementation of emergency repair work and to assess and quantify the damage.

Good progress has been made with regards to the restoration of water supply but there has been immense damage to water and sanitation infrastructure. Together with the municipalities, we completed the costing of this damage and submitted an application to the Department of Cooperative Governance for national disaster funding. Once funding is allocated, we will continue to be involved in the planning and monitoring of implementation of the reconstruction projects, with a stern focus of *'building back better'*.

3. NATIONAL WATER AND SANITATION SUMMIT

Honourable Members, over the past nine months we have traversed the length and breadth of our country, meeting with those entrusted with supplying and treating water in our communities – our department's regional offices, municipalities, water boards, water-user associations, irrigation boards and catchment agencies – as well as with representatives of the communities and industries which are the recipients of our services. In addition, in February this year we convened a two-day National Water and Sanitation Summit, attended by a wide range of stakeholders and experts. As a result of these engagements, we have developed a thorough understanding of the water and sanitation challenges facing the country, as well as a high level of consensus regarding what needs to be done to turn the tide.

4. NATIONAL WATER RESOURCES INFRASTRUCTURE AGENCY

The Department is in the process of planning and implementing a range of major projects to augment national bulk water resource infrastructure. We are also in the process of establishing the National Water Resources Infrastructure Agency (NWRIA) to leverage large-scale investments in national water resource infrastructure that are required to ensure that South Africa has sufficient bulk water supply now and in future. The NWRIA Bill will soon be submitted to the

Cabinet Committee and will thereafter be submitted to Cabinet for approval and then to Parliament before the end of the current financial year. The final draft of the business plan has been submitted to National Treasury for comment.

The augmentation projects, establishment of the NWRIA and interventions are intended to ensure that the supply of water does not become a binding constraint to economic growth. They are also aimed at ensuring that challenges with municipal water and sanitation service delivery are not exacerbated by a shortage of bulk water, as has happened in the cities of Cape Town and Nelson Mandela Bay, amongst others.

5. BRIEF HIGHLIGHT OF PROJECTS IN PROVINCES

The rainfall pattern shows that there is more rain in the eastern parts of the country – from the south to the north, with a red patch in the middle, and a yellow patch in the west – from Nelson Mandel Bay up to Limpopo, including North West, the Northern Cape and the Western Cape.

Our main concern is dam levels and the availability of water in Nelson Mandela Bay, Musina, and surrounding areas currently.

Ladies and gentlemen, the Department has a number of projects at various stages throughout the country, for instance, in the Eastern Cape, the Mzimvubu Water Project is aimed at providing water to 750 000 people at a cost of R25 billion. The designs are 80% complete and the first-round of fundraising began in January 2022 through a Request for Information, which is currently being evaluated.

In the Free State, we are in the feasibility stage of a R10 billion project to build a major pipeline from the Xhariep Dam to augment water supply in Mangaung. The project is planned to be completed by 2028. In addition, we are implementing a R1.7 billion project to upgrade wastewater treatment works, water treatment works and water distribution networks in the Maluti a Phofung area. This project is approximately 30% complete and is due to be fully completed by July 2025.

The R36 billion Phase 2 Lesotho Highlands Water Project is aimed at ensuring an adequate long term water supply for Gauteng and the Vaal River System. The project is funded through finance raised by the Trans-Caledon Tunnel Authority and is being implemented jointly by the

governments of Lesotho and South Africa, through the Lesotho Highlands Water Commission and the Lesotho Highlands Development Authority. To date, 14% of the budget has been spent and the project is due to start delivering water to Gauteng in November 2027.

In KwaZulu Natal, the raising of the dam wall at Hazelmere Dam to ensure long term water supply to Ethekewini is 96% complete. The project is due to be completed in the third quarter of 2022 at a cost of approximately R800 million. The uMkhomazi Water Project is also aimed at delivering long term additional water to the Ethekewini region at a cost of R23 billion by 2028. The project is at prefunding stage, with funding to be raised by the TCTA, and construction is expected to start in 2025.

This past Monday, the 9th of May 2022, we officially launched the R24 billion Olifants River Water Resources Development Project which will be implemented as a Public Private Collaboration with mining companies, to fast-track water delivery to communities and mines in the Sekhukhune and Mokgalakwena municipalities in Limpopo by 2028. Government and the mining companies will each fund approximately 50% of the project, which will be implemented by the transformed Lebalelo Water Users Association. The project is at approval stage with some of the work packages at pre-construction stage and construction is anticipated to begin by late 2022.

The R 1.2 billion Thembisile-Loskop bulk water supply project in Mpumalanga is aimed at addressing water supply challenges in the Thembisile Hani Local Municipality. The project will provide 23 Ml of water to communities in the Mpumalanga and Limpopo provinces. The project is at procurement stage and will be implemented over a three-year period from May 2022 to April 2025.

The Vaal Gamagara Water Supply Scheme is critical for both mining and potable water supply in the Northern Cape. Phase 1 is 96% complete at a cost of R1,4 billion with Phase 2 starting later this year at an estimated cost of R10 billion. Similarly to the Olifants River project in Limpopo, this project is also being implemented as a Public Private Collaboration with mining houses, with roughly equal financial contributions from government and the mines.

We recently commissioned the Moretele South Pipeline in the North West, a 60 km pipe which will be operated and maintained by Magalies Water and which will be of benefit to the following

villages in the Moretele Local Municipality, namely: Carousel View, Dertig, Bosplaas, Mathibestad, Makapanstad, to name a few.

To increase water security in the west coast area of Cederberg in the Western Cape, we have resumed construction work to raise the wall of Clanwilliam Dam at a cost of R3,2 billion. The advance infrastructure is complete and work on the dam wall is starting this month. It is due to be completed in late 2026. In addition, we are implementing the Brandvlei Dam Project in the Western Cape. This R21 million project involves the construction of a feeder canal which will provide an additional 33 Mℓ of water for storage in the Dam, unlocking agricultural growth potential in the area. Construction progress is at 20% with an anticipated completion date of October 2022.

6. GROUNDWATER

Ladies and Gentlemen, this year, the World Water Day was celebrated under the theme: “*Making the invisible visible*”, highlighting the importance of exploring ‘groundwater’ as an alternative water source. Groundwater is already the main source of water for large parts of our country, including the Karoo, Northern Cape, and Western Cape, and parts of Limpopo, KZN and the Eastern Cape and use in respect of it needs to be managed carefully for it to be sustainable. While the development of groundwater sources is a local function, the Department plays an important monitoring and regulatory role, and we will be finalising and publishing improved regulations and guidelines for the extraction of groundwater and management of groundwater use this year. We will also be strengthening our monitoring and regulatory work with regard to the use of groundwater, to ensure that rights of use are not abused.

7. WATER USE LICENCES

In his State of the Nation Addresses, the President has highlighted the importance of removing unnecessary bureaucratic impediments to growth and investment and has set a target for water use license applications to be processed within 90 days. To effect this, we carried out a detailed diagnostic study of the reasons for delays in the issuing of water use licenses and we are now in the process of implementing a comprehensive improvement plan. Additional posts for the processing of license applications have been created on the structure, business processes for licensing have been improved, the IT systems for licensing have been improved, and staff are

undergoing training. We are on track to achieve our target of at least 80% of license applications being processed within 90 days this financial year.

8. WATER BOARDS

The role of Water Boards is to support municipalities by providing, managing and operating regional bulk water services infrastructure. We have had some governance challenges with the Water Boards over the past few years, but we would like to emphasise that we are committed to ensuring that our Water Boards are better governed in future. This starts with the appointment of appropriately qualified, skilled and experienced people as board members and chief executive officers. We have started to implement changes in this regard – for example, we recently dissolved the Amatola Water Board due to governance problems. We have also started a process of rationalising the Water Boards in terms of their number and their geographic footprints, to ensure that all areas of the country which require the services of water boards are serviced by water boards, that the water boards all have the potential to be financially sustainable, and to achieve efficiencies and economies of scale. In this regard, we recently started the process of disestablishing the Sedibeng Water Board, which was financially unsustainable, and also had governance challenges.

Honourable members, Deputy Minister David Mahlobo will later speak on Catchment Management Agencies, the Raw Water Strategy and a few other policy issues.

9. BUDGET

Honourable Members, the Department and the Water Trading Entity have been allocated a combined budget of R111.256 billion over the medium-term expenditure framework. This consists of allocations of R34.976 billion, R37.331 billion and R38.958 billion in the 2022/23, 2023/24 and 2024/25 financial years respectively. The Department's budget consists of two components: the Main Account and the Water Trading Entity. On the main account, the Department has been allocated R59.6 billion over the medium-term expenditure framework. This consists of allocations of R18.5 billion, R20.1 billion and R20.9 billion in 2022/23, 2023/24 and 2024/25 respectively.

The main account budget includes conditional infrastructure grants for municipal water services totalling R37.439 billion over the MTEF. This includes R19 billion for the Regional Bulk

Infrastructure Grant and R14 billion for the Water Services Infrastructure Grant. The RBIG grant will be spent on 113 different projects across the country, and the WSIG grant will be allocated to more than 200 projects across the country. Honourable Members, it is an anomaly that municipal water services continue to decline while we make these very substantial grant allocations. Mark my words –we are going to stop this going forward - through necessary intervention guaranteed to deliver water!

The Water Trading Entity largely relies on revenues from the sale of water, apart from an allocation of R9.55 billion over the MTEF to augment its budget for the development and management of national water resource infrastructure. In total, the medium-term expenditure estimate for the Water Trading Entity is R51.6 billion, consisting of R16.4 billion, R17.2 billion and R18 billion in 2022/23, 2023/24 and 2024/25 respectively.

At the end of the recent financial year, the Water Trading Entity was owed R24.57 billion by the customers that it sells water to. Municipalities and water boards account for 65% of this debt. Municipalities owed the water boards R13.94 billion, due to non-payment by their water users. This in turn resulted in the water boards owing the Department R7.6 billion. Direct municipal debt to the Department amounted to R8 billion. It is critical that Government as a whole, addresses the problem of poor revenue management and debts in the water sector. If this problem is not addressed, we will not see a sustainable improvement in water and sanitation services. The Department is working with National Treasury, COGTA and SALGA on solutions to this issue. The underlying problem that we all need to focus on is weak billing and revenue collection at municipal level.

We are committed to ensuring that the Department manages its huge budgets responsibly and effectively. We have strengthened expenditure management and compliance enforcement to minimise unauthorised, irregular, fruitless and wasteful expenditure. As a result of these measures, no new unauthorised expenditure was incurred in the 2021/22 financial year. Irregular expenditure which is still appearing in the Department's audit reports relates mainly to contractual obligations from prior periods, which have a carry-through effect on current running contracts. Cases of unauthorised and irregular expenditure where investigations have been concluded and recommendations implemented have been submitted to National Treasury for condonation and the department is working on finalising the remaining cases of irregular expenditure. In addition,

we have requested the Chief Financial Officer to prepare an action plan towards the department achieving a clean audit.

Historically, the Department has underspent on its allocated budget, particularly the budget allocated for infrastructure projects. This is unacceptable in the context of the water and sanitation challenges facing the country, and we have requested the Director General and Chief Financial Officer to focus on addressing this in the current financial year. The Director General has indicated that he and the Chief Financial Officer are instituting improved project management, infrastructure procurement and delivery management, and expenditure management systems and processes in the department to address this issue.

10. DEPARTMENT STABILITY AND FIGHTING CORRUPTION

Honourable Members, the first step in Government you take to stop corruption is to fill up vacant posts, with qualified, competent and suitable individuals. To this end, the Director General position was filled from 1 January this year, the Chief Financial Officer position from 11 February 2022, and two other DDG positions were approved by Cabinet this past Wednesday. One DDG position remains occupied by an official who is on suspension on financial misconduct charges with the disciplinary process nearing completion.

Contrary to the two recent articles in the Daily Maverick, we would like to assure the House that we are unequivocally committed to combating corruption whenever it raises its ugly head and to ensuring consequence management for financial misconduct in the Department. We are collaborating fully with the Special Investigating Unit on several investigations which are either being planned or are under way, and we are implementing all the recommendations relating to consequence management from completed SIU investigations.

11. CONCLUSION

In conclusion, I would like to thank all our institutions and entities, the Board members and officials, who are working very hard to improve water and sanitation services to our communities. I would also like to thank my two working and competent Deputy Ministers who help me to manage this large and complex portfolio on a daily basis, including on weekends! I would also like to thank the Director-General, all the managers and staff of the department, my two Special Advisors and

all staff in the Ministry for all their hard work. I would like to say a special word of thanks to the Governments of Denmark and the Netherlands for the ongoing support that they have provided to us to develop policies and strategies in the water and sanitation sector. I would also like to acknowledge the recent support of the World Bank and the Global Water Partnership in assisting us to develop our Water Services Improvement Programme.

I thank you.