

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

**MINISTER OF WATER AND SANITATION, MR SENZO MCHUNU'S BUDGET SPEECH FOR
THE DEPARTMENT OF WATER AND SANITATION (VOTE 41) ON
31 MAY 2023**

1. ACKNOWLEDGEMENTS AND INTRODUCTION

Honourable Chairperson of the National Council of Provinces, Mr Masondo,
Honourable Deputy Chairperson, Ms Lucas,
Cabinet colleagues,
Deputy Ministers of the Department, Ms Judith Tshabalala and Mr David Mahlobo,
Deputy Ministers present,
Chairperson of the Select Committee of Water and Sanitation, Mr Dodovu
Honourable Members of the NCOP,
Director-General and Senior Managers of the Department of Water and Sanitation,
Chairpersons, Board Members, CEs and Senior Executives of our Entities,
Leadership of various stakeholders in the sector and civil society,
Fellow South Africans,

It is a great honour to present our budget speech before the House today, just shy of two years since our assumption of Office.

We present our budget speech, in the midst of the Cholera outbreak, which has claimed the lives of 23 people in Hammanskraal and 1 in the Free State: we join the affected families and the community of Hammanskraal in mourning this tragedy.

Tests are being conducted, to obtain the source of the Cholera; these tests will be synthesised into a comprehensive report and will be made public. Today, Government is finalising plans that will address the Rooiwal Wastewater Treatment Plant once and for all and announcements will be made public at tomorrow's scheduled media briefing. We are also working with National

Treasury as well as the Department of Human Settlements. The new development, where Tshwane Municipality works cooperatively is significant and has opened the gate for a better life for Hammanskraal, from the perspective of water and sanitation, we will breathe.

We have been hard at work, engaging all relevant stakeholders in the water and sanitation sector, whilst fast-tracking projects that will ultimately ensure the realisation of the constitutional rights to water and a safe environment (through basic sanitation services) as enshrined in our Constitution. Our primary focus as a Department, is on ensuring sustainability of the water sector in South Africa.

2. WATER RESOURCE LANDSCAPE

South Africa is a water scarce country, with an average annual rainfall that is about half the global average, with a high evaporation rate. Consequently, the potential for South Africa to further develop its surface water resources is limited as we are already harnessing approximately 75% of our exploitable surface water resources.

Untreated or 'raw' water supply availability is currently roughly in balance with existing demands on a national scale, but there are localised deficits and surpluses. For example, there is a local deficit of raw water in Gqeberha due to the ongoing drought in that area.

2.1. National water resource infrastructure projects

We have been focusing on accelerating the implementation of a range of major projects to augment national bulk water resource infrastructure. Many of these projects had been delayed or had stalled for various reasons. Over the past year, good progress has been made in accelerating these projects, I will mention a few of those.

- Phase 2 of the Lesotho Highlands Water Project (LHWP 2) for Gauteng, Free State, North West, Mpumalanga and Northern Cape.
- Phase 1 of uMkhomazi Water Project in KwaZulu Natal;
- Phase 2A of Mokolo Crocodile (West) Water Augmentation Project in the North West & Limpopo;
- Olifants Ebenezer Water Resource Development project in Limpopo;
- Vaal Gamagara in the Northern Cape;

- Mzimvubu Water Project in the Eastern Cape;
- Groot Letaba Water Augmentation Project (raising of Tzaneen Dam) in Limpopo;
- Berg River Voelvllei Augmentation Scheme in the Western Cape;
- Raising of Clan William Dam in the Western Cape; all due to start in this financial year.

2.2. National Water Resource Infrastructure Agency

Chairperson, the total value of the major water resource infrastructure projects that are in implementation, most of which I have just alluded to, collectively amount to around R 130 billion, excluding funding from WSIG, RBIG and the Municipal Infrastructure Grant, with approximately 65% of the funding to be through private sector finance.

We do need to raise even larger sums in future for the required investments in national water resource infrastructure. We also need to invest more in the rehabilitation and maintenance of our existing water resource infrastructure assets. This is the reason why we are in the process of establishing the National Water Resource Infrastructure Agency. The Agency will be formed by amalgamating the TCTA with the Department's infrastructure branch and water trading entity.

During the last financial year, we finalised the draft Bill and business case for the Agency and obtained Cabinet approval for the Bill to be published for public consultation. There are several processes underway, and once these processes have been completed, the Department will return to Cabinet to request that the revised draft Bill be submitted to Parliament. We therefore hope to submit the Bill to Parliament by July this year.

2.3. Water Partnership

In addition to drawing on private sector finance for many of our major water resource infrastructure projects, we are also partnering with industry. During last financial year we finalised agreements with the Lebalelo Water Users association, representing various mining houses, for the joint funding and implementation of phase two of the Olifants River Water Resources Development Project to increase water security in the Sekhukhune District and Mogalakwena and Polokwane Local Municipalities in Limpopo. This R 24 billion project includes the construction of bulk pipelines and pump stations as part of the conveyance system as well as water distribution infrastructure to communities. Construction is underway and the project is due to be completed in 2030.

Agreements were finalised last month for a similar partnership with the mining industry for Phase 2 of the Vaal Gamagara project in the Northern Cape, to replace and upgrade bulk water distribution infrastructure which serves mines and communities. The Department and the mines are in the process of appointing DBSA as the Implementing Agent for this R10 billion jointly-funded project, and construction is due to commence in November this year.

We are partnering with other Departments, such as the Department of Forestry, Fisheries and the Environment as well as the Budget Facility for Infrastructure (BFI) under National Treasury. The component of the water value chain for which we need to mobilise much greater levels of private sector investment is municipal water services. In this regard, we have established a Water Partnerships Office in partnership with the DBSA and SALGA, to assist municipalities to package bankable projects to take to the market, focusing on projects such as the reduction of non-revenue water and water re-use.

3. SUSTAINABILITY OF THE WATER SECTOR AND WATER SERVICES

Chairperson, in our budget speech last year, I also indicated that I accept responsibility for arresting and reversing the decline in municipal water and sanitation services. This decline is evidenced by the results of our Green and Blue Drop reports. Many municipalities are in a downward spiral of poor and declining water services, reducing payment, increasing debt, and low investment. To address this downward spiral, we need to ensure that water services are provided by professionally managed, capable, efficient, and financially viable institutions. In the main, sustainability of the water sector encompasses the following key aspects: financial and services sustainability, water pricing and good governance.

The key cause of the decline is poor governance and ineffective management in municipalities. Weak billing and revenue collection at municipal level is resulting in escalating debts across the water value chain. In February this year, municipalities owed the Water Boards R16.7 billion, and municipalities and the Water Boards in turn, owed the Department R17.4 billion. What is most worrying is that these debts are escalating rapidly, and this poses a grave risk to the financial sustainability of the water sector. If municipalities do not bill properly and collect revenue effectively and if citizens and businesses do not pay for the water they consume, they are likely to end up with no water at all.

Chairperson, we held a successful Symposium last week, which focused on the sustainability of the water sector; experts, members of academia and other sector role players actively engaged and contributed to the various Commissions which were set up, which focused on: water resource security, governance – addressing the debt challenges, pricing and tariffs as well as regulation of water services. We will be processing the feedback from those Commissions and implementing what can be implemented.

3.1. Measures to deal with debts

We have agreed with National Treasury and the Water Boards on several measures to be taken to address the escalating debts, and we are in the process of consulting about these measures with SALGA and all the Water Services Authorities before they are implemented.

3.2. Measures to improve pricing

We are also implementing several measures to improve the pricing of water in South Africa. During this financial year, we will be issuing revised norms and standards in terms of the Water Services Act for the setting of retail water tariffs by municipalities. We will be issuing the revised raw water pricing strategy this financial year, and we will also be working on the introduction of a multi-year tariff regime for bulk and raw water charges. In doing this work, we are being advised by the Regulator Commission, which was established during the last financial year.

3.3. Amendments to the Water Services Act

One of the underlying causes of the decline in municipal water services, both in terms of the reliability of service delivery and in terms of financial sustainability, is the non-implementation of certain key requirements of the Water Services Act by municipalities. The Act distinguishes between Water Services Authorities and Water Services Providers and requires municipalities to separately manage and account for both roles. It further requires Water Services Authorities to ensure that Water Services Providers provide access to efficient and sustainable water services to everyone; almost all Water Services Authorities have been failing to do this. This point is under serious consideration and there will be consultations on how this can be amended.

3.4. Improving water use licensing

One of our key regulatory roles is to issue water use licenses. In our budget speech last year, I indicated that we would be implementing a plan to improve our capacity and systems for processing water use license applications. We are now processing approximately 70% of water

use license applications within 90 days throughout the country. We are currently implementing the last element of our improvement plan, which involves hiring approximately one hundred additional staff in our provincial offices to ensure that we have the required capacity to deal with the volume of work. We envisage that this will enable us to get much closer to the President's target of processing all water use license applications within 90 days during this financial year.

4. SUPPORTING MUNICIPAL WATER AND SANITATION SERVICES

Chairperson, the Department has a constitutional obligation to support municipalities, as well as to regulate them. We manage two conditional grants which are aimed at supporting municipalities to develop their water and sanitation infrastructure and to address backlogs of infrastructure. For this financial year, we will be allocating R10.1 billion to municipalities through the Regional Bulk Infrastructure Grant (RBIG) and R4.6 billion to municipalities through the Water Services Infrastructure Grant (WSIG). RBIG will be spent on 130 different projects across the country, and WSIG will be allocated to more than 400 projects across the country.

Over the past year, we have criss-crossed the country, visiting those municipalities with severe water and sanitation challenges. Many municipalities are failing to manage water services and the situation is deteriorating. We have been meeting with Mayors and Councillors, Municipal Managers, technical staff, and local stakeholders to analyse the problems and to identify what needs to be done. In most cases, we have been able to agree on improvement plans together with the municipalities, including projects to improve infrastructure, funded from our RBIG and WSIG. In many cases, we have mobilised our Water Boards to assist municipalities to implement the improvement plans.

In the Free State, Bloem Water is assisting the Maluti-a-Phofung Local Municipality with a range of projects and has been provided with R130 million of grant funding for this purpose for this financial year.

Rand Water continues to assist Emfuleni and Midvaal Local Municipalities with a range of projects to address the sanitation crisis in the Vaal.

The Department is supporting all the district and local municipalities in Kwa-Zulu Natal, in some cases with the support of the Umgeni and Mhlathuze Water Boards.

Chairperson, I am pleased to be able to indicate that the bulk pipeline from Nandoni Dam in Vhembe to Ntsami Dam in Giyani has now been completed and is delivering water to Giyani. This has enabled Mopani District Municipality, with the support of the Department, to start the upgrading of the water treatment works in Giyani to treat more water, and to start incrementally constructing water reticulation systems to 55 villages in Giyani to improve the level of service from communal standpipes to yard connections.

The Department is assisting municipalities in Limpopo and Mpumalanga by funding the R1.3 billion Loskop Bulk Water project from RBIG. The project involves the construction of a bulk pipeline from Loskop Dam in Mpumalanga to Thembisile Hani Local Municipality in Mpumalanga for domestic water supply.

In North West, we recently initiated Operation: *'Bulela Metsi'* in collaboration with the Provincial Government and the municipalities in the province. A range of short, medium, and long-term projects have been identified to address the poor state of water and sanitation services in the province.

Chairperson, while this kind of support to municipalities is critically important and is making a difference, it is not addressing the underlying problem of poor governance and weak management of the water and sanitation function at municipal level, and the lack of proper separation of the Water Services Authority and Water Services Provider functions.

4.1. Bucket eradication

Government started a 'bucket eradication' programme in 2012, focusing on projects to replace buckets with waterborne sanitation in the Eastern Cape, Free State, Northern Cape, and North West. The project was delayed, but I am pleased to announce that all the elements of the original programme have been completed apart from one project in the Northern Cape and eight projects in the Free State. These will be completed during this financial year.

5. RECONFIGURATION OF WATER BOARDS

Over the last year we have also been focusing on the transformation, reconfiguration and consolidation of the water sector institutions established in terms of the National Water Act and Water Services Act. We will complete the reconfiguration processes by this year.

6. INSTITUTIONAL STRENGTHENING OF THE DEPARTMENT

Chairperson, during the last financial year, we approved a new organisational structure for the Department, the new structure is currently being implemented. While there are vacant posts on the structure, the Department has very little room in its personnel budget to fill them, and some of the required additional capacity will have to wait until the fiscal position of the country improves and the Department is allocated a larger personnel budget.

We have been focusing on returning the Department to stability. During the last financial year, we focused on filling vacant top management positions, and the Accounting Officer and Chief Financial Officer have been reinforcing internal controls in the Department. This has resulted in a reduction of more than 80% in new irregular expenditure in the 2022-2023 financial year compared to the 2018-2019 financial year.

7. BUDGET FOR THE MEDIUM-TERM EXPENDITURE FRAMEWORK AND CONCLUSION

Chairperson, our budget over the medium-term expenditure framework (MTEF) is R132.667 billion.

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 R72.322 billion over the MTEF. Included in the Main Account budget are conditional infrastructure grants for municipal water services totalling R37.603 billion over the MTEF. This includes R37.602 billion for the Regional Bulk Infrastructure and Water Services Infrastructure Grants which I mentioned earlier.

The Water Trading Entity is mostly funded through revenue collection from the sale of water but also receives some transfers from the fiscus for infrastructure projects. The Water Trading Entity has budgeted R60.344 billion over the MTEF.

We will make every effort to ensure that the Department deploys these resources as efficiently as possible to ensure that service delivery reaches our communities. This includes our commitment to prevent improper expenditure.

For last financial year, the Department spent 95.4% of the adjusted budget. This was an improvement from 85.7% in the financial year ended 31 March 2022. However, it is still not good enough – it is our intention to eradicate under-expenditure altogether and achieve 100% expenditure of our budget in the current financial year. This will be done by making our infrastructure procurement processes more efficient and effective and by improving our management of allocations to projects through the financial year.

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 the two Deputy Ministers who help me to manage this large and complex portfolio daily. I would also like to thank the Director-General, all the managers and staff of the Department, the two Special Advisors and the other staff in the Ministry for all their hard work. **I thank you.**