



MINISTRY
WATER AND SANITATION
REPUBLIC OF SOUTH AFRICA

Minister of Water and Sanitation Budget Speech
National Council of Provinces
16 July 2024

Honourable Chairperson;

Honourable Deputy Chairperson

Honourable Members of the National Council of Provinces;

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 gives me great pleasure to present my budget for the 2024/25 financial year to the National Council of Provinces.

The Constitution provides the basis for the mandate of the Department of Water and Sanitation in terms of the Bill of Rights of the Constitution which states that:

- Everyone has inherent dignity and the right to have their dignity respected and protected.
- Everyone has the right to an environment that is not harmful to their health or wellbeing, and to have the environment protected.
- Everyone has the right to have sufficient food and water.

Section 27 of the Constitution further guarantees the right to water and calls for government to take reasonable legislative and other measures within its available resources to achieve the progressive realization of the right to water

Water supply and sanitation services are a function over which municipalities have executive authority in terms of section 156 of the Constitution read together with Schedule 4 Part B and the relevant provisions of the Municipal Structures Act. However, although municipalities have executive authority, other sections of the Constitution and legislation require government (national and provincial) to support municipalities and to intervene in municipalities where there is failure of municipal water and sanitation services:

- Schedule 4 of the Constitution states that municipal water and sanitation services are a functional area of national and provincial concurrent legislative competence – therefore national legislation such as the Water Services Act (WSA) provides for minimum norms and standards for municipal water and sanitation services.
- Section 10 of the Constitution provides that everyone has inherent dignity and the right to have their dignity respected and protected – this means that government has a duty to intervene where the provision of municipal water and sanitation services is resulting in people's dignity not being respected and protected (such as the current situation with sewage spillages into people's houses in the Vaal).

Section 139 of the Constitution enables government to intervene in the affairs of municipalities where there is failure to fulfill their Constitutional obligations. Lastly, Sections 40 and 41 of the Constitution require all spheres of government to work in a cooperative manner.

Responsibilities of DWS with regard to municipal water services

The national Department of Water and Sanitation has a range of responsibilities with regard to the provision of water and sanitation services by municipalities. These responsibilities are mandated by both the National Water Act and the Water Services Act. In terms of the National Water Act, we must ensure that our limited and precious water resources are protected and equitably and sustainably allocated. This requires us to regulate water use and to issue water use licenses, as well as to take regulatory action to prevent the pollution of water resources.

Development of water resource infrastructure

Over the years, the national department has taken on the responsibility of building national water resource infrastructure to ensure that there is a sufficient supply of raw water to meet the growing needs of municipalities as well as agriculture and industry. However, the development of water resource infrastructure is not an exclusive national mandate in terms of the Constitution. Municipalities can also develop water resource infrastructure such as dams and groundwater schemes and many have done so in the past and continue to do so.

Given that we have already captured 75% of the available surface water resources in South Africa, we must diversify the water mix and develop alternative water resources, including increased but sustainable use of groundwater, treating and re-using water from wastewater systems, and seawater desalination. Due to the localised nature of these technologies, most of these alternative water resources will need to be developed by municipalities.

We have established a Water Partnerships Office, in collaboration with the DBSA and SALGA, to provide support to municipalities to establish partnerships with the private sector to develop these local water resource projects. The Water Partnerships Office is also currently supporting the eThekweni, Mangaung, Buffalo City, Nelson Mandela Bay and Tshwane municipalities to mobilise private sector finance for the replacement of

leaking municipal water distribution pipes which are resulting in high levels of non-revenue water.

Water conservation and demand management

In addition to diversifying the water mix, we also need to implement more effective water conservation and demand management programmes to bring our water consumption per capita levels in line with, or below, the international average, and to ensure that industries use water as sparingly as possible. We are one of the thirty most water-scarce countries in the world, yet our average consumption of water is 218 litres per capita per day, compared to the international average of 173 litres per capita per day. The increasing impact of climate change could result in more severe droughts in future, as well as more frequent floods, such as those which occurred in eThekweni in April 2022, which caused major damage to the City's water and sanitation infrastructure.

Major national water resource infrastructure projects

Honourable Speaker, the department has successfully unblocked a range of national water resource infrastructure projects that had been delayed, and there are now 14 major water resource projects under development across the country, to a value of more than R100 billion. Some examples of these include:

- the new R26 billion uMkhomazi Dam to provide urgently needed additional water to eThekweni and surrounding areas in KwaZulu Natal
- the new Polihali Dam, as part of the R42 billion second phase of the Lesotho Highlands Water Project to provide urgently needed additional water to Gauteng and parts of the Free State, Mpumalanga, North West, and Northern Cape provinces
- the new R8 billion Ntabelanga Dam on a tributary of the uMzimvubu River to provide additional water for irrigation and domestic use in the eastern region of the Eastern Cape.

Financial sustainability of the sector

Honourable Members, the loans that we take out to finance our national water resource infrastructure projects have to be financed from revenue

from the sale of water. This requires efficient and effective revenue collection across the water value chain, from municipalities which sell water to domestic users and local industries, to the water boards which sell treated water to municipalities, and to the National Water Resource Infrastructure Agency which will be selling raw water to the water boards and major industries.

In the 2023/24 financial year, the national government provided R61.7 billion worth of water and sanitation-related grants to municipalities. The purpose of these grants is to enable municipalities to address water and sanitation infrastructure backlogs and to provide free basic water to the indigent. Apart from these grants, the water services sector has to be self-financing through revenues from the sale of water.

The fact that municipal debts to the water boards had increased to R21.3 billion by May 2024 therefore poses a major risk to the financial sustainability of the whole water sector. This debt resulted in us having to close down the Sedibeng Water Board in 2022 and transfer its functions, assets and liabilities to the Vaal Central and Magalies Water Boards. The debts owed by municipalities to Sedibeng Water had resulted in it no longer being able to service its own debts and to meet its operational expenditure requirements. However, the transfer of Sedibeng's operations to Vaal Central and Magalies Water Boards did not solve the underlying debt problem and the municipal debt continues to grow. While non-payment by municipalities poses a threat to the financial sustainability of all the water boards, we are particularly concerned about Magalies Water and Vaal Central Water which are experiencing increasing cash flow challenges due to this non-payment.

It is important to note that it is not all municipalities which are not paying. However, non-payment by a few municipalities which are served by a particular water board can result in severe financial difficulties for that water board. One of our immediate priorities will therefore be to work with our colleagues in Cabinet, particularly the Minister of Finance and the Minister of Cooperative Governance and Traditional Affairs, to find a sustainable solution to this problem.

Access to reliable water and sanitation services

Honourable Members, the average national access to at least an RDP level of water service has increased from approximately 60% in 1994 to approximately 90% currently. This is a major achievement.

However, it does not mean that 90% of all communities in all areas have access to water. Some communities have 100% access, while some have 0% access. Women in rural areas and in informal settlements bear the brunt of the burden of this remaining lack of access to water, as they often carry the responsibility of fetching water from other sources, which are often polluted and sometimes infested with dangerous animals. During this administration we will be prioritising investment in both bulk water supply infrastructure and municipal water reticulation to ensure that we provide access to the remaining 10% of our population without access to water as quickly as possible.

While access to water has increased, the reliability of municipal water supply has decreased over the same period – in other words, while many more people have access to a tap, water often does not come out of the tap or is not safe to drink. In December 2023, the Department released its Blue, Green and No-drop reports, as part of its work as the regulator of the water services sector in terms of the Water Services Act. The drop reports indicated that the performance of municipal water and sanitation services have declined since the last time the drop reports were issued in 2014.

This decline in municipal water and sanitation services has taken place despite the fact that DWS, COGTA, the Municipal Infrastructure Support Agency, the Department of Human Settlements, and National Treasury all provide a high level of support to municipalities, both in the form of grants and assistance with the development of implement improvement plans, technical and engineering support and assistance, capacity building and training, and financial management advice and support.

The need for reform of water and sanitation services

It is therefore apparent that structural change of municipal water and sanitation services is required, in addition to ongoing support. In this regard, during last financial year the Department engaged in a public consultation process on proposed amendments to the Water Services Act. The amendments aim to strengthen the role of municipalities as Water

Services Authorities, which are meant to function as local regulators to ensure that the local Water Services Providers – usually internal units within municipalities – provide services which meet minimum national norms and standards. The amendments propose that this should be done through the introduction of an operating license requirement for Water Services Providers, to ensure that they have a minimum level of competency. We will shortly submit the Water Services Amendment Bill to Cabinet to seek approval for it to be tabled in Parliament.

Municipal support and intervention

Honourable Members, we are intervening and supporting municipalities in all the provinces. Water supply disruptions in Gauteng have increased in recent years and have resulted in much hardship for residents. In addition to ensuring that the new Polihali Dam in Lesotho is completed as soon as possible, we are also working closely with the municipalities in Gauteng to ensure that they improve the maintenance and performance of their municipal water distribution infrastructure, such as by building additional reservoirs and pumping stations to improve the resilience of their systems.

We will also be closely monitoring the progress of the Gauteng municipalities to reduce the physical water losses in their distribution systems. In addition, the Platform for a Water Secure Gauteng, which was recently put in place by DWS in partnership with World Bank 2030 Water Resources Group, Rand Water, Gauteng municipalities, civil society leaders, business leaders and sector experts; will coordinate efforts to reduce average consumption of water in the province.

We will also continue to collaborate with the City of Tshwane and Magalies Water to complete the project to provide an alternative source of clean drinking water to Hammanskraal by October this year, while the Rooiwal Wastewater Treatment Works is being repaired and upgraded so that the sewage pollution in the Apies river can be addressed to enable the Temba Water Treatment Works to become functional again.

Our intervention through Rand Water to address sewage pollution in the Vaal, particularly by Emfuleni Local Municipality, will also continue. Good progress has been made in refurbishing and repairing sewage pump stations, unblocking sewer lines, repairing collapsed sewer lines, as well as repairing and refurbishing waste water treatment works. The main remaining work is to upgrade the capacity of the major wastewater

treatment works in the area, and these projects are currently in the procurement phase. During this financial year we will also be supporting Rand Water and Emfuleni Local Municipality to implement a decision by the Council of the Emfuleni Municipality to establish a special purpose vehicle with Rand Water to be the Water Service Provider in the municipality in future.

In KwaZulu Natal, in addition to expediting the uMkhomazi project to supply additional water to eThekweni, we are working with the municipality and business and civil society leaders to improve the maintenance of the City's water and sanitation infrastructure and to reduce leaks, and to increase awareness of the need to use water sparingly.

Elsewhere in KwaZulu Natal, the uMngeni -uThukela Water Board is assisting the Zululand District Municipality to implement the R9.5 billion Mandlakazi Bulk Water Supply Scheme to benefit communities under Zululand District Municipality and uMkhanyakude District Municipality (including the Jozini, Big 5 Hlabisa, uMhlabuyalingana and Mtubatuba Local Municipalities). The work involves the construction of infrastructure to abstract water from Jozini Dam and supply it to neighbouring communities.

We are also supporting the Ugu District Municipality to implement various projects aimed at improving water supply and reducing leaks and we are implementing interventions in terms of Section 63 of the Water Services Act in uMkhanyakude and uThukela District Municipalities. These interventions involve providing the municipalities with planning support, grants for projects, and close monitoring of the implementation of the projects.

Honourable Members, one of the water and sanitation projects which has been notoriously delayed, and which has been the subject of investigations by the SIU, is the Giyani Water Supply Project in Limpopo. The former Minister and Deputy Ministers made good progress in unblocking and accelerating the project, and this will remain a focus for the new administration.

The main bulk pipeline from Nandoni Dam to Nsami Dam near Giyani was completed last year, and projects are currently underway to refurbish and increase the capacity of the Giyani Water Treatment Works and to install bulk reticulation lines, bulk reservoirs, service reservoirs and reticulation

to households. The expeditious completion of this project will remain a focus for the Ministry. Water has started to flow to households in nine of villages in Giyani and we will strive to ensure a further 15 villages receive water by the end of August this year, and that a further 31 villages receive water within the next two years.

Further in Limpopo, the Lepelle Northern Water Board is implementing the R4.7 billion Phase 1 of the R18 billion Olifants Ebenezer programme, aimed at bringing additional water to Polokwane, Seshego and surrounding areas.

We are also implementing the R27 bn Olifants River Water Resource Development Project in Limpopo, in partnership with the mining sector, with joint funding by government and the mines. Both mines and communities adjacent to the bulk pipelines will benefit from this project and we are working together with the relevant municipalities to put in place the required distribution and reticulation infrastructure.

In the North West, we are implementing the Bulela Metsi initiative, which involves the planning and monitoring of more than thirty projects that have been identified to address the poor state of water and sanitation services in the province. In the current financial year and over the MTEF, R2.5 billion has been set-aside for the province, with a further R13.05 billion over the next 7 years.

In the Northern Cape, the Department is providing support to Sol Plaatje Local Municipality, to a value of R1.4 billion, including providing funding for the Kimberley Bulk Water Supply Project to increase water supply to the area. We are also implementing the R10 billion Vaal Gamagara Phase Two Project in the Northern Cape, again in partnership with the mines, to provide additional water for mining and to provide water to communities along the bulk pipeline.

In Mpumalanga, we are implementing the R1.7 billion Loskop Regional Bulk Water Supply project, which involves the construction of a bulk pipeline from Loskop Dam in Mpumalanga to Thembisile Hani Local Municipality in Mpumalanga for domestic water supply. The bulk pipeline also passes through the Moutse-East area under the Sekhukhune District Municipality in Limpopo, and the project includes distribution infrastructure to supply treated water to villages in Moutse-East.

In addition, the department is intervening in Lekwa Municipality to refurbish, upgrade and optimize water and wastewater treatment infrastructure. In the 2023/2024 financial year, R350 million was invested and further works are planned for the 24/25 financial year, for the refurbishment of water treatment plants in Standerton.

In the Eastern Cape, the Amatole Water Board has been providing support to Makana Municipality to address its water and sanitation service challenges and is assisting Nelson Mandela Bay Municipality with the development of Phase 3 of the Nooitgedacht Water Treatment Works. The Department is also supporting the Mnquma Municipality to provide water to unserved communities, through the Nqamakhwe Regional Bulk Water Scheme. It is also providing funding to develop the Lower Sundays River, Greater Mbizana, and Ndlambe water schemes.

In Free State the Department is implementing Section 63 interventions in Maluti-A-Phofung, Matjhabeng, and Ngwathe local municipalities through the Vaal Central Water Board. The department will be allocating grants to the value of R5.4 billion to these two municipalities over the next 5 years.

Honourable Members, another of the DWS projects which has been notoriously delayed is the Bucket Eradication Programme. Completion of this programme will continue to be one of our priorities. Under the previous administration progress was made in completing projects in two out of four provinces, and we intend to complete the remaining projects in the Free State by October this year, and one remaining project in the Northern Cape by March next year.

Budget for the medium term expenditure framework

Our budget over the medium-term expenditure framework or MTEF is R134.909 billion. This consists of allocations of R42.604 billion, R46.362 billion and R45.941 billion in the 2024/25, 2025/26 and 2026/27 financial years respectively.

The Department's budget consists of two components: Main Account and the Water Trading Entity. On the main account, the Department has been allocated R72.989 billion over the MTEF. This consists of allocations of R24.074 billion, R25.159 billion and R23.754 billion in 2024/25, 2025/26 and 2026/27 respectively. Included in the main account budget are conditional infrastructure grants for municipal water services totalling R36.305 billion over the MTEF. This includes R20.130 billion for the

Regional Bulk Infrastructure Grant and R16.174 billion for the Water Services Infrastructure Grant.

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 R61.930 billion over the MTEF consisting of R18.530 billion, R21.202 billion and R22.187 billion in 2024/25, 2025/26 and 2026/27 respectively.

In conclusion, I would like to thank the Department and Deputy Minister Mahlobo for welcoming me and Deputy Minister Seitholo to the Department and for familiarising us with the sector in a short space of time. I look forward to working with all our institutions and entities to improve water and sanitation services to our communities.

I thank you.