

**Budget and Policy Statement on Department of Water and
Sanitation, Vote 41**

**By Hon David Mahlobo,
Deputy Minister of Water and Sanitation,
NCOP Parliamentary Chamber, Cape Town,
10 July 2025**

Honourable Refilwe Mtsweni- Tsibane, Chairperson of NCOP,
Honourable Les Govendor, Deputy Speaker.

Hon Minister Cde. Pemmy Majodina and Cabinet Ministers

Hon. Dep Minister Sello Seithlolo and Deputy Ministers.

Hon. Members of Executive Councils of COGTA/COGHSTA

Hon. Mxolisi Kaunda -Chairperson of the Select Committee on COGTA,
Human Settlements and Water and Sanitation.

Honourable Members of NCOP and Permanent Delegates

Director-General Dr. Sean Philips 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.

1. INTRODUCTION

- 1.1. In the next 7 days the world would pause for the next 67 minutes in honour of His Excellency President Nelson Rolihlahla Mandela, iSithwalandwe/ Seaparankoe. During this period I want reflect on his quest for a just, humane and prosperous world when he said: “*Massive poverty and obscene inequality are such terrible scourges of our times-times in which the world boasts breathtaking advances in science, technology, industry and wealth accumulation-that they have ranked alongside slavery and apartheid as social evils.*”
- 1.2. The world is facing a number of crises simultaneously, each threatening our collective existence. The global economy over the last few years has been struggling to recover due to COVID-19 and security challenges. We have witnessed the rise of unilateralism and protectionism that has significantly impacted on the UN Sustainable Development Goals (SDGs) -our shared developmental perspective. The UN data of 2022 indicates that only 17% of the SDGs are on track, and one-third are either stalled or regressed.
- 1.3. It is estimated that about 2.2bn people have no access to safely managed drinking water; 3.6bn with no sanitation, and 2.2bn lacking in hygiene. The UN further reports that about 2.4bn people live in water-stressed countries.
- 1.4. South Africa is of the firm belief that we need to strengthen and defend multilateralism, strive for reforms of the global governance architecture to promote inclusivity and responsiveness to the current global challenges of inequality, poverty, security, economy, and climate change.
- 1.5. To achieve the SDGs and UN Paris Climate Change commitments, we need a united action, avoid fragmentation, undertake deep

reforms, avoid top-down approaches, mobilise experts everywhere, and build partnerships for a resilient and sustainable shared future.

- 1.6.** There is a need to upscale investments to bridge the financing gap worth trillions of dollars (USD 7trn) globally and in our continent (the gap is about USD 30bn per annum for water and sanitation).
- 1.7.** These changes won't happen overnight and will require us to increase our efforts six times for water and five times for sanitation.
- 1.8.** South Africa is amongst top 25 of the world's most water-stressed countries. Our country is situated in a region that is predominantly semi-arid with an average rainfall for the country of about 450 mm per annum (mm/a), which is well below the world average of about 860 mm/a, while evaporation is comparatively high.
- 1.9.** The water and sanitation sector are experiencing serious challenges. These challenges vary from lack and adequate of water supply, physical water losses (water leaks) spillage of sewer in streets and our natural resources. This comes because of poor governance, ineffective and inefficient management of infrastructure (Lack of O&M; high financial losses, high cost of inefficiencies including non-payment for services provided). Other external factors that contribute towards these challenges includes the weakened economy, national power interruptions, high unemployment, and poverty, all of which hinders progress. In the midst of this, South Africa is one of the highest consumers of water to at least 218 l/c/day compared to world average of 174 l/c/day and NRW of 45%.
- 1.10.** Our country is water scarce and receives less rainfall as compared to the global average, but our water availability is balanced, with some deficits in some of the water management areas facing extreme shortages due evenly distribution. Our water demands have increased exponentially over the last three decades due to

population growth, economic growth, and demands from various industries, increased pollution, and climate variability.

1.11. Over the last thirty-one years of freedom and democracy, we have made significant strides with respect to access to water and sanitation, as per STATS SA data 2022, including its benefits.

1.12. Out of 144 municipalities that are water services authorities, 105 are unable to discharge their constitutional and legislative mandate as per the DWS Drop reports, AGSA, COGTA, NT, and experts' reports. These municipalities are faced with a plethora of challenges like governance instability, corruption and malfeasance, aging infrastructure, water leaks and losses, and financial and operational inefficiencies.

2. REFORM OF MUNICIPAL WATER AND SANITATION SERVICES

2.1. The resolutions of the Indaba affirmed the reforms of municipal water services currently underway through the Water Services Amendment Bill and National Treasury's Reform of Metropolitan Trading Services Programme.

2.2. Water reforms are also prioritized in the second phase of Operation Vulindlela, which was recently approved by Cabinet.

2.3. All of these reform initiatives involve ensuring the proper separation of the Water Services Authority or WSA and Water Services Provider or WSP functions in municipalities; ringfencing of municipal revenues from the sale of water for the water function; and ringfencing of all management functions related to the delivery of water and sanitation services, with single-point accountability for the Water Services Provider.

- 2.4.** The Water Services Amendment Bill is currently in the Cluster system for processing for submission to Cabinet, whereafter it will be submitted to Parliament by June 2025.
- 2.5.** The President stated in his State of the Nation Address that, *“Through the Water Services Amendment Bill, we will introduce a licensing system for water service providers and, [as a last resort] remove licenses where providers do not meet the standards for quality drinking water.*
- 2.6.** As part of the reforms, the President indicated in his State of the Nation Address that *“Starting this year, we will work with our municipalities to establish professionally managed, ring-fenced utilities for water and electricity services to ensure that there is adequate investment and maintenance.”*
- 2.7.** While the reforms in the municipal water and sanitation sector are aimed at turning around the sector in the medium-term, the sector is not waiting for the legal amendments to be passed by Parliament - the Water and Sanitation Indaba agreed that key reforms such as ringfencing of water revenues and water services management functions; as well as considering the appointment of alternative water services providers, should proceed immediately.
- 2.8.** For example, Rand Water and Emfuleni Local Municipality have agreed to establish a Special Purpose Vehicle or SPV to be the Water Services Provider in Emfuleni. The approval of the Minister of Finance has been obtained as required by the PFMA and MFMA, a detailed business case has been developed, and the SPV should be established during this financial year.
- 2.9.** In addition, the Councils of most metropolitan municipalities have already approved water and sanitation turnaround plans, which include the establishment of the ring-fenced entities for water

services mentioned by the President. In some cases, these entities will be external entities such as Johannesburg Water and the Emfuleni SPV, and in other cases, metropolitan municipalities may opt for ring-fenced internal Water Services Providers.

3. DEEPENING WATER SECTOR REFORMS TO ADVANCE WATER SECURITY AND RELIABILITY OF WATER AND SANITATION PROVISION FOR ALL

Easing water use licencing to unlock economic growth

- 3.1.** Over the past few years, the Department has made good progress in implementing the water sector reforms that were part of the first phase of Operation Vulindlela.
- 3.2.** The large backlog of applications for water use licenses was removed, and more than 70% of water use licenses are now being processed within 90 days, compared to 35% in the 2022/23 financial year. The Department's target in this regard is 80% to be processed within 90 days for the current financial year, and the target will increase to 90% in future financial years.

Building and establishment of water resource institutions for water resource planning, financing, development, protection, and management

- 3.3.** As I indicated in SONA, by President of the National Water Resource Infrastructure Agency is being established to enable more financing to be raised for national water resource infrastructure. The Act was passed by Parliament last year and was promulgated in

September 2024. Following promulgation, the National Treasury raised a concern regarding section 3(2) of the Act, which relates to the listing of the Agency in Schedule 2 of the PFMA. To address this issue, a technical amendment to the Act was submitted to Parliament, and the Portfolio Committee has considered the matter.

- 3.4.** This has resulted in a change to the timeframes for the establishment of the Agency, and it is now envisaged that the Agency will be fully established by April 2026. Work is underway to prepare for the amalgamation of the TCTA, the Department's infrastructure branch, and the Department's Water Trading Entity into the new Agency, including the transfer of assets, existing loans, and staff.
- 3.5.** With regard to the establishment of the remaining catchment management agencies, all six have now been gazetted with boards appointed. Processes towards the transfer of certain staff and responsibilities from the Department to the catchment management agencies are underway.
- 3.6.** The establishment of wall-to-wall catchment management agencies will enable local stakeholder involvement in catchment management, with the aim of improving the protection of our water catchments, which is critical for our future water security.

Creating certain for Water use charges and pricing for the entire water value chain

- 3.7.** The revised Raw Water Pricing Strategy was approved by the Minister of Finance in June 2024, and the Department is currently engaging in consultations with water users and water management institutions regarding the implementation of the revised strategy from 1 April 2026. Implementation of the revised raw water pricing

strategy will result in more sustainable and equitable tariffing and strengthen the application of the 'user pays' and 'polluter pays' principles. It will also result in the gradual removal of the subsidies that have been in place for some sectors since the days of apartheid.

- 3.8.** With regard to the establishment of an Independent Economic Regulator for the water sector, the previous Minister put in place an advisory Regulator Commission in August 2022, which has played a valuable role in providing an independent contribution to the Department's regulatory work. The Regulator Commission's recommendations have been made public on the Department's website.
- 3.9.** However, we have since decided to proceed towards the establishment of a fully independent Economic Regulator for the water sector, and the Department is currently preparing a business case in this regard, with the assistance of the Regulator Commission and the Operation Vulindlela team. The business case will be completed during this financial year.
- 3.10.** The Independent Economic Regulator will regulate prices for the whole water value chain, including raw water prices, Water Board prices, and the prices charges by Water Services Authorities or Water Services Providers. The aim will be for prices to be set such that the institutions in the water value chain are financially sustainable, on condition that their costs reflect the efficient provision of services.

Improving performance and functionality of municipal water and sanitation systems

3.11. The Blue, Green and No Drop Reports were reinstated in 2022, and we are currently doing the next round of assessments of the performance of municipal water and wastewater systems, with a view to releasing further reports in December this year and the following two years.

4. FINANCING AND FUNDING FOR THE WATER SECTOR

4.1. Honourable Members, the state does not have the financial resources to meet all the needs in the water sector. In addition, some parts of the state lack the skills and expertise required to deliver water and sanitation services and to address some of the challenges that we are faced with.

4.2. DWS is using three mechanisms to create opportunities for private sector investment in water and sanitation. The first of these is our partnership with the Infrastructure Fund, which is a ring-fenced entity housed in the DBSA.

4.3. The Infrastructure Fund assists government departments to develop and implement ‘blended finance’ projects, which consist of a combination of public and private sector funding. The public sector funding is used to mitigate risks in order to make projects bankable for private sector investment.

4.4. As stated by the President in his State of the Nation Address, “*We are developing innovative ways of funding infrastructure...To date, the Infrastructure Fund has secured R23 billion for seven large water infrastructure projects*”. The seven large, blended finance projects referred to by the President are:

- a) The R4.6 billion first phase of the Olifantspoort Ebenezer Upgrade Project will provide Polokwane Local Municipality and surrounding areas with additional water, for which R2 billion will be raised in the financial markets. Construction has started and the Infrastructure Fund will soon be going to the market to raise the finance.
 - b) The R28 billion uMkhomazi Dam and pipeline project will provide additional water to eThekweni and surrounding municipalities, for which R16 billion will be raised in the financial markets. The TCTA is currently finalising designs and is in discussions with potential funders.
 - c) The R5.2 billion uMoretele North Klipvoor regional bulk water scheme will supply additional water to Moretele North in the North-West and Bela-Bela, Modimolle, Mookgophong and Mokopane municipalities in Limpopo, for which R2.6 billion will be raised in the financial markets. Construction of the first phase has started.
 - d) The R2.9 billion Pilanesberg Bulk Water Supply Scheme Phase will provide additional water to the Rustenburg, Moses Kotane and Thabazimbi municipalities, for which R1.1 billion will be raised in the financial markets. The first phase of construction has been completed, and the remaining construction work is currently underway.
- 5.** The two phases of the R24 billion Olifants Management Model project in partnership with mining houses in Limpopo will provide water to mines and to communities in Sekhukhune and Mokgalakwena

municipalities, for which R12 billion will be raised in the financial markets. Construction of the first phase is underway.

6. The R1.1 billion project to reduce non-revenue water in eThekweni Local Municipality, for which R730 million will be raised in the financial markets. The feasibility study is currently being finalised.

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- 7.5. The R23 billion referred to by the President is the government contribution to these projects, which the Infrastructure Fund assisted DWS to obtain from the Budget Facility for Infrastructure in National Treasury.

- 7.6. We are also working with the Infrastructure Fund to bring additional blended finance projects to the market. For example, the Vaal Gamagara project in collaboration with mining houses in the Northern Cape will result in the extension a bulk pipeline to enable additional water to be supplied to mines and to communities adjacent to the pipeline.

- 7.7. The Infrastructure Fund is also working directly with some municipalities to assist them to develop and implement blended finance projects. This includes the Polokwane Regional Wastewater Treatment Works, and water and waste water projects in the Cities of Tshwane and Cape Town.

- 7.8. As I mentioned in my budget speech last year, the second mechanism that we are using to create opportunities for private sector investment in water and sanitation is the Water Partnerships Office or WPO that we have established in partnership with the DBSA and SALGA. The purpose of the WPO is to assist municipalities to develop and implement partnership projects with

the private sector, for reducing non-revenue water, water re-use, waste water treatment, and seawater desalination.

- 7.9.** The WPO is working with various municipalities to prepare projects for private sector participation. The project which is most advanced is a non-revenue water reduction project in eThekweni
- 7.10.** Similar non-revenue water reduction projects are also being developed for Buffalo City, Tshwane, Mangaung and Nelson Mandela Bay Metropolitan Municipalities, as well as the City of Polokwane.
- 7.11.** The WPO is also supporting eThekweni to develop the Umdloti and uMkomazi waste water treatment and water reuse partnership projects, which are at procurement stage. Other waste water reuse projects at preparation stage include the Northern and KwaMashu waste water reuse projects in eThekweni, the Sebokeng reuse project in Emfuleni, the Olifantsfontein and Waterval reuse projects in Ekurhuleni and the Rooiwal reuse project in Tshwane.
- 7.12.** The WPO recently issued an Expression of Interest for other municipalities to register water reuse projects with the WPO, for which the WPO has raised project preparation funding. Municipalities are encouraged to respond to this Expression of Interest.
- 7.13.** The third mechanism we are using to create opportunities for private sector investment in water is the TCTA, which will be merged into the NWRIA. Approximately 60% of the funding for new national water resource infrastructure projects is raised on the financial markets by the TCTA. These loans are paid off using revenues from the sale of water.

- 7.14.** The establishment of the NWRIA will enable additional finance to be raised on the strength of the NWRIA's balance sheet, which will include all the national water resource infrastructure assets, and the revenues associated with them.
- 7.15.** In addition to these three mechanisms, we are exploring Green and Blue Bond financing mechanisms for implementation by Catchment Management Agencies and WSAs.
- 7.16.** An example of such a mechanism is the alien vegetation removal project being implemented by the City of Cape Town together with The Nature Conservancy and Cape Nature in the water catchment areas around Cape Town, which is partly funded by Green Bonds.
- 7.17.** Furthermore, during the current financial year DWS will develop mechanisms to leverage private sector finance using the Regional Bulk Infrastructure Grant and Water Services Infrastructure Grant, to be in place by the 2026/27 financial year.

5. ENSURING WATER SECURITY THROUGH WITH MAJOR WATER RESOURCE INFRASTRUCTURE PROJECTS AND PLANS

- 5.1.** As indicated by the President in his State of the Nation Address: *"We are investing heavily in expanding our water resources."* In our budget speech last year, we mentioned several national water resource infrastructure projects that had been unblocked and that were in implementation stage.
- a) The R865 million project to raise the existing Hazelmere Dam, in Kwa-Zulu Natal Province to increase water the storage capacity of the dam which will augment raw water availability for the eThekwin Metropolitan Municipality and surrounding areas in KwaZulu-

Natal. The dam construction was completed in 2023 and was launched by the Minister on 25 October 2024, with the resettlement of families which is currently in its final stages and anticipated for completion in July 2025.

- b) The R760 million raising of the existing Tzaneen Dam, in Limpopo province to address water shortages in Tzaneen and surrounding areas in Limpopo is currently under construction. It is 47% complete and scheduled to be completed during the 2025/2026 financial year.
- c) The R7 billion raising of the existing Clanwilliam Dam in the Western Cape province will double the size of the storage capacity to provide additional water for irrigation, domestic and industrial use to Clanwilliam and surrounding areas is also underway in the Western Cape, with completion anticipated in 2028. The project is currently 22% complete.
- d) Pre-construction site activities are currently underway for the R8.1 billion Ntabelanga Dam, on a tributary of the uMzimvubu River in the Eastern Cape Province, to provide additional water for irrigation and domestic use and further seeks to accelerate social and economic development. Implementation is through a collaborative approach between the Department and TCTA and the estimated completion date for the dam is 2030.
- e) The new R612 million Coerney Balancing Dam in the Eastern Cape Province will improve water security for the Nelson Mandela Bay Metropolitan area. Design of the dam is currently underway with completion of the project scheduled for 2029.
- f) The new R2.2 billion Foxwood Dam in the Eastern Cape will augment the water supply to Adelaide and provide reliable bulk water supply for new irrigation development for resource poor farmers. is currently also scheduled for completion in 2029.

- g) The Department is in the process of procuring professional engineers for the design of the dam.
- h) The design of the new R1 billion Zalu Dam, in the Eastern Cape Province is currently underway and is aimed at supplying water for domestic use and irrigation to the town of Lusikisiki and surrounding villages. The dam is scheduled for completion in 2029.
- i) The design has been completed for the new R6 billion Nwamitwa Dam on the Great Letaba River in the Limpopo Province. The Dam will provide additional water for irrigation, domestic and industrial use and increase water release into the Kruger National Park. The TCTA is currently investigating the possibility of raising funding on the markets for this project.
- j) The new R26 billion Upper uMkhomazi Dam and associated works is planned to provide urgently needed additional water to eThekweni and surrounding districts including Ugu, Harry Gwala, iLembe and uMgungundlovu in KwaZulu-Natal. The TCTA is in the process of raising funding in the market for the project. Design work is underway, with construction expected to commence in 2028.
- k) The new R1.8 billion Cwabeni off-channel storage dam to provide additional water to Port Shepstone and surrounding areas in KwaZulu-Natal is also under design and construction is scheduled to be completed in 2030.

- l) The new R800 million Stephen Dlamini Dam to provide sustainable water supplies to the town of Bulwer and surrounding peri-urban and rural communities in KwaZulu Natal is currently undergoing a design review and construction is also scheduled to be completed in 2030.
- m) The R4 billion new water transfer pipeline from the Crocodile West River to the Lephalale area of Limpopo to augment water supply to the recently completed Medupi Power Station, Lephalale Town and the existing Matimba Power station will commence construction this financial year and is scheduled for completion in 2029. The project will be implemented by the TCTA, which has raised the required funding on the market for the project.
- n) In the Western Cape, a R1.2 billion project is underway to abstract water from the Berg River and convey it to the existing Voëlvlei Dam, to increase the supply of water to the City of Cape Town and surrounding areas.
- o) The TCTA is currently finalising the loan financing agreements for the funding of this project and the project is due to be completed in 2028.
- p) The R500 million project to raise the wall of the existing Klipfontein Dam will provide additional water for domestic use and irrigation in Northern KwaZulu-Natal. The project is currently in the design stage and the project is scheduled to be completed in 2028.

- 5.2.** The Department is also planning several new national water resource infrastructure projects. Planning is underway for the Thukela Water Project, as the potential next major project to augment the Integrated Vaal River System and to provide additional water to downstream areas in KwaZulu Natal.
- 5.3.** In the Free State, the feasibility study has been completed for the Xhariep pipeline project that will carry water for nearly 200 km from Gariep Dam to Bloemfontein to provide additional water to Bloemfontein, ThabaNchu, Botshabelo, surrounding areas and towns on the route of the pipeline.
- 5.4.** In the Musina area of Limpopo, we have an agreement in place to draw water from Zimbabwe to Musina. The Musina Local Municipality and the planned industrial developments in Musina Makhado Special Economic Zone will benefit from this project. We appointed the Development Bank of Southern Africa as implementing agent to fast-track implementation.
- 5.5.** The Department is also assessing options for the construction of new dams to augment water supply in the Musina-Makhado area. In addition, options to address the shortage of water in middle-Letaba area of Limpopo are currently being assessed.
- 5.6.** The available water resources within the Crocodile East River Catchment area in Mpumalanga are under stress. The Department is engaging in planning work to identify possible interventions, including the option of Mbombela Dam.

6. INTERNATIONAL COLLABORATION AND SHARED WATER SYSTEMS

- 6.1.** Honourable members, South Africa shares major water courses with its neighbouring countries and is reliant on water from Lesotho to augment the water in the Integrated Vaal River System which serves Gauteng and surrounding provinces.
- 6.2.** The main contracts for the construction of the second phase of the Lesotho Highlands Water Project to provide additional water into the Integrated Vaal River System were awarded in late 2022. As indicated by the President in his State of the Nation Address, *“The Polihali Dam will feed 490 million cubic metres of water a year from the Lesotho Highlands into the Vaal River System, securing water supply to several provinces for years to come.”*
- 6.3.** To date, actual construction progress is at 44% against planned progress of 53%. The cost estimates for the project have also increased from R42 billion in 2023 to R53 billion currently. This figure includes environmental and social cost estimates which have not yet been agreed to by the two countries.
- 6.4.** There are several factors that have resulted in the project being behind schedule, including poor performance by contractors, delays in the approval of work permits in Lesotho, and community protests related to employment and sub-contracting opportunities.
- 6.5.** The Lesotho Highlands Development Authority has put in place an acceleration programme to improve efficiency on site such that time lost is recovered and to mitigate against further slippages and delays going forward.

- 6.6.** The target date for completion of the project remains 2029. It is envisaged that water will start to be available in the dam for inclusion in the planning of water usage from the Integrated Vaal River System by 2028.
- 6.7.** Several other projects are also being planned for future implementation in collaboration with our neighbouring states. We continue to work with our Namibian counterparts on the feasibility bridging study for the Noordoewer/Vioolsdrift Dam in Namakwa District Municipality in the Northern Cape. This Dam will both provide a balancing dam for water in the Orange River for Namibia and provide water for certain towns and irrigators in the Northern Cape.
- 6.8.** We are also working with our counterparts in Lesotho and Botswana on planning for the Lesotho Botswana Water Transfer Project. This project will involve the construction of a dam in Lesotho as well as a pipeline from Lesotho through South Africa to Botswana to supply water for domestic, agriculture and industrial use in the three countries. In South Africa our towns and settlements along the selected route of the pipeline will be supplied with water from the pipeline.
- 6.9.** Through our existing agreement with Zimbabwe, we are exploring further work to build new dams and conveyances between Zimbabwe and South Africa that will strengthen our water sharing arrangements that will benefit Limpopo.
- 6.10.** On behalf of the African Union, South Africa will be hosting an African Water Investment Summit from 13-15 August 2025. The objective of the Summit is to elevate the political and economic importance of water investments in Africa, and to mobilise private sector interest in such investments.

6.11. During the current financial year, South Africa will also be hosting the 2025 Forum of Parties meeting of the Incomati and Maputo Watercourse Commission, with the aim of discussing issues related to the equitable share of transboundary water resources between South Africa, Mozambique and eSwatini.

7. BUILDING STATE CAPACITY FOR A DEVELOPMENTAL CAPABLE STATE-BUDGET FOR THE MEDIUM-TERM EXPENDITURE FRAMEWORK

7.1. The budget allocation for the Department and Water Trading Entity over the medium-term expenditure framework (MTEF) is R137.309 billion. This consists of allocations of R46.553 billion, R45.773 billion and R44.984 billion in the 2025/26, 2026/27 and 2027/28 financial years respectively.

7.2. The Department's budget consists of two components: Main Account and the Water Trading Entity. On the main account, the Department has been allocated R74.941 billion over the medium-term expenditure framework. This consists of allocations of R26.678 billion, R24.999 billion and R23.263 billion in 2025/26, 2026/27 and 2027/28 respectively.

7.3. R48.019 billion of the main account budgets is allocated to transfers and subsidies over the medium-term expenditure framework with a significant portion of this budget being conditional infrastructure grants to local government and the Water Trading Entity.

7.4. Included in the main account budget are conditional infrastructure grants for municipal water services totalling **R 36.954 billion** over the MTEF. This includes **R19.850** billion for the Regional Bulk Infrastructure Grant (RBIG) and **R17.104** billion for the Water Services Infrastructure Grant (WSIG).

- 7.5.** The RBIG grant will be spent on 109 different projects across the country, and WISG grant will be allocated to more than 391 projects across the country.
- 7.6.** The Water Trading Entity is funded through transfers from the fiscus and revenue collection from the sale of water. The Water Trading Entity has budgeted R62.368 billion over the MTEF consisting of R19.874 billion, R20.773 billion and R21.721 billion in 2025/26, 2026/27 and 2027/28 respectively.
- 7.7.** At the end of the 2024/25 financial year, the Water Trading Entity was owed R26.133 billion by the customers that it sells water to. Municipalities and water boards account for 38% and 24% of this debt respectively. The water boards owe the Department R6.2361 billion. Direct municipal debt to the Department amounted to R9.907 billion.
- 7.8.** The Department is implementing revenue enhancement strategy which include credit control measures, standardised collection process, repayment agreements and litigation. In addition, debt relief incentive scheme is being implemented to address the debt owed to the Water Trading Entity (WTE), Water Boards (WBs), and the Water User Associations (WUAs) and the scheme aims to change the behaviour of non-payment of the water debts.
- 7.9.** In 2019 the Department of Water and Sanitation (DWS), in consultation with National Treasury, developed a financial turnaround strategy that is currently being implemented. This includes:
- a) Improving audit outcomes from qualified to unqualified audit opinion. Both the Main Account and WTE have achieved unqualified audit opinions.

- b) Improving financial performance from net losses to surpluses on the Water Trading Entity and reduction of underspending on the voted funds.
- c) Addressing material uncertainties on the going concern for both the Main Account and the Water Trading Entity, including an overdraft on the two accounts. Progress has been made on the Water Trading Entity from the R2.186 billion overdraft to a positive bank balance of R2 billion in the 2024/25 financial year.
- d) The Main Account overdraft balance of R639 million is related to unauthorised expenditure (R641) which is currently before Parliament and will be cleared upon approval by Parliament.
- e) Historical irregular expenditure in the Department's books has been reduced from R17 billion to R10 billion with remaining cases still under investigation by law enforcement agencies or before court.
- f) Fruitless and wasteful expenditure has been reduced from R1.7 billion to R150 million with a continued turnaround strategy for the Construction Unit to eventually eliminate these costs.
- g) The Department has strengthened its systems of internal controls and implementation of consequence management as part of corrective actions.

7.10. We will make every effort to ensure that the Department deploys its resources as efficiently as possible to ensure that service delivery reaches our communities.

- 7.11.** This includes a commitment to prevent improper expenditure at the same time as accelerating work to clear all the historic incidents of unauthorised, irregular, fruitless and wasteful expenditure in collaboration with National Treasury and law enforcement agencies.
- 7.12.** The Department has successfully reduced its under-expenditure against its budget in recent years – in 2021/22 there was R2.5 billion under-expenditure (14.3% of the budget), in 2022/23 there was R860 million under-expenditure (5% of the budget), in 2023/24 there was R44 million under-expenditure (0.2% of the budget).
- 7.13.** In the 2024/25 financial year the Department spent more than 99.9% of its budget – in other words under-expenditure was below 0.1% of the budget. There was 100% expenditure on the RBIG and WSIG grants. It is our intention to eradicate under-expenditure altogether and achieve 100% expenditure of our budget in the current financial year.

8. CONCLUSION

- 8.1.** To implement all the bold and deep reforms we agreed with HE President Cyril Ramaphosa when he said during the water indaba in 2025 “ *for its part, local government leadership needs to prioritise turnaround strategies for their water services authorities*”.
- 8.2.** Madiba dedicated his entire life to championing the struggles of freedom, democracy, justice, peace, equality, and change. He left an incredible mark for future generations and a better world.
- 8.3.** As the democratic representatives of our nation, working side by side with all sectors of our nation-leaving no one behind, we are called into action to ensure water security and reliability of water and sanitation provision for all. His words that are timeless and profound

can propel us when he said,” *as long as poverty, injustice and gross inequality persist in our world, none of us can truly rest*”.

- 8.4.** Let us strive together to ensure water flow in each household, let water ensure food, energy, environmental, and social security.
- 8.5.** Let decent sanitation restore human dignity, preserve our environment, ensure food and energy security- let sanitation create new opportunities with the green economy.
- 8.6.** God bless South Africa, her sons and daughters.
- 8.7.** I thank you.