

**DRAF SPEECH FOR USE BY MR RONNIE KASRILS, MP, MINISTER OF
WATER AFFAIRS AND FORESTRY FOR THE LAUNCH OF THE
COMMERCIAL SECTOR OF UMGENI WATER: INTERNATIONAL
CONVENTION CENTRE, DURBAN:
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Introduction

Honourable Minister of Water Resources, Executive Governor of River State, Chairman of Umgeni Water, Chief Executive Officer, members of the Board, distinguished guests, ladies and gentlemen, it is a great privilege and honour for me to welcome the Nigerian delegation and address you today.

Let me say from the outset that since I joined the Department of Water Affairs and Forestry, I have taken a keen interest in the activities of water boards and I have, and still have, a lot to learn. Therefore, I try to visit and address water boards whenever an opportunity presents itself.

As you are aware, there are many challenges and opportunities facing water boards since the promulgation of the Water Services Act, 1997 and various other legislation, which have a direct impact on water institutions. I will address these later.

Water Boards, as part of the family of public utilities, created and overseen by the Department, have and continue to play an important role in the whole water supply chain. As a public utility, a water board also provides an important option for local authorities, alongside private entities, in providing sustainable water services. However, water boards need to be made more accountable to consumers.

Role of Water Boards

Traditionally water boards have been tasked with the provision of potable bulk water to local authorities. Over the years Umgeni Water has successfully carried out this task and has established itself as one of the leading water utilities in Africa. Despite this, a fairly large percentage of the population in the KwaZulu-Natal Province, particularly in the rural areas were left out of the water board's customer base and never had access to adequate clean and healthy water. This is a dangerous and embarrassing situation, not only for the water board, but for me as well as has been evidenced by the current outbreak of cholera in the Province.

The new policy and legislative tools enabled the Government to make major inroads in changing the profile of access to water and water services in South Africa. Since 1994 the Government has brought water services to at least 6 million people in both rural and urban areas yet there is still another 6 million people who do not have access to water. The Government is faced with a challenge of bringing adequate clean water and sanitation to all the people who have been neglected in the past. Umgeni Water must be commended for taking up the challenge through the Rural Areas Water and Sanitation Plan initiative, which saw about 800 thousand people in the Province having access to clean water for the first time. It must also be said that operating these schemes is very expensive and in many schemes the revenue generated is not sufficient to cover operating expenses. The Board, together with the Department must look at ways of turning the situation around working with local government to make sure that everyone who can afford to pay for water services, does so while ensuring access for those who cannot pay.

The reality is that there are people in this country who really cannot afford to pay for water and surely we cannot deny those people adequate clean and healthy water to at least meet their basic health and hygiene needs. Otherwise we will continually be faced with such incidents as the current outbreak of cholera in Northern KwaZulu-Natal. At the moment government

departments are working overtime to contain the threat of cholera, carried in the very river systems which people rely on water to drink, cook and wash.

This tragedy can be directly linked to poverty and problems people face in accessing safe and clean drinking water. Nearly half of our population live in abject poverty. Many woman walk long and arduous miles to fetch water. For some time I have been warning about the dangers of the lack of access to safe water as well as the need to fight the pollution of our water. Pollution of water sources is not only a result of chemicals being dumped into rivers and streams but the lack of access to adequate sanitation. The cholera outbreak has once again brought into sharp focus the urgency of extending access to safe drinking water, especially to the rural poor. It is, therefore, important that we find solutions to the water problems facing our country through innovative partnerships with the role players in the water supply industry.

The Department of Water Affairs and Forestry is currently conducting a “free basic water study” and we have identified two main sources of funds for “free water”. First, local government receives an equitable share of nationally raised revenue. According to the Constitution, this is intended to enable local government to provide basic services to poor consumers who are unable to pay for services. If as little as 20 percent of the equitable share were used for water, it would be enough to pay the operating costs for a basic 50 litres per person per day.

The second vital source of revenue is cost recovery from people who can afford to pay for services. In general, if more than 70 percent of people in our cities and towns paid for the water they used, the needs of the poor could be met by using the equitable share.

We must understand that meeting of basic needs is only one element of challenging poverty. We also need to provide water for economic development, including rural development. The challenge to us is not just to provide enough for basic human needs, those must be fulfilled in order to keep people alive, but to provide sufficient resources to help people escape the horrors of poverty and to develop to the full extent of their human potential. There is a need for the recognition of the full economic value of water.

Importance of Diversification in a Changing Environment

The changing environment in the water sector has meant that many public utilities have had to transfer to meet the increasing demand of sustainable service delivery and growing competitive challenges from the private sector. For water boards this has meant becoming more efficient and effective in their core business of potable bulk provision and simultaneously diversifying their activities in order to take advantage of the commercial opportunities in the water sector.

However, water boards must realise that they are part of a supply chain and that for water services to be sustainable every sector within the chain has to make it work. Any weakness in the supply chain impacts on those in and related to it and could have adverse ramifications for the water supply industry as a whole. It needs to be clearly understood and accepted by all role players in the industry that problems experienced and actions taken by any one player in the chain will have implications for others.

All the institutions involved in the supply chain from the Department of Water Affairs and Forestry to Water Services Authorities have to realise that efficiency and cost effectiveness make the process work. The Department

and water boards have to ensure that cost of raw water and the purification thereof is contained to such a degree that local authorities and industry can afford it. Further, it is essential that local authorities manage their consumers to ensure payment for services and water demand management.

I therefore appeal to water boards to assist in the process of establishing and entrenching effective and efficient municipal entities as they are ultimately central to sustainable service delivery.

The Water Services Act of 1997 defines a water board's primary activity as provision of water services to other water institutions within its service area. The Act, allows water boards to perform other activities only if they are not likely to limit the water board's capacity to perform its primary activity and secondly, will not be to the financial prejudice of itself, any water services institution, existing consumers and other users serviced by it within its service area. Other activities of a water board may include, but are not limited to;

- Providing management services, training and other support services to water service institutions.
- Supplying untreated or non-potable water to end users who do not use the water for household purposes.
- Providing catchment management services to or on behalf of the responsible authorities.
- Become a water services provider with approval of the water services authority having jurisdiction in the area.
- Providing water services in a joint venture with water services authorities.
- As well as performing water conservation functions.

This has created new opportunities for water boards. Water boards can become more commercially focused with a view to increasing income whilst at

the same time creating increased employment opportunities. The Government welcomes water boards taking up secondary activities on a commercial basis. Umgeni Water is clearly a leader in this.

With its 25 years experience in the water industry I have no doubt that Umgeni Water will be able to offer a full range of water and wastewater management services to domestic and international clients on a commercial and competitive basis. However, such developments need to be set against a background of specific obligations and gains.

The development of Commercial Sectors within public utilities should be encouraged provided that they do not detract from the interests of the people they are designed to serve as a primary function. It is essential that water boards establish an ethos of partnerships throughout the industry so that all actions and decisions taken the specific intent of placing the interest of the consumer foremost. This must be done with the aim of achieving greater delivery, more efficiency, wider community benefit and long-term economic growth, In other words, secondary activities must benefit, not only the water board, but those whole lives it is designed to serve. It must contribute to the national priority of a better life for all our people, especially the rural poor.

The Water Services Act puts the responsibility of providing basic and effective water services on a sustainable basis squarely on the shoulders of local authorities. These municipal entities have to identify a water services provider, which they deem best able to achieve the water service objectives. This has created a lot of uncertainty about the future of water boards and has led to two opposing political wills within government. On the one hand my Department supports the continued existence of water boards while local government may view bulk water provision as a revenue earner and with attendant potential for cross-subsidisation of its other activities. The Department is aware of the uncertainty surrounding water boards and we are

working towards a framework that will provide all stakeholders with a clear, secure and predictable environment within which to operate through well designed structures and regulations. For instance, in the proposed regulations on water services authorities and water services providers, local authorities are required to give preference to public utilities and should only choose a private company as a water services provider when no public utility could do the work in an efficient and sustainable manner, putting the interest of the consumer foremost. The Municipal Systems Act also echoes the same sentiments.

Partnerships

Government supports and promotes partnerships for water services delivery, be they Public-Public or Public-Private Partnerships. Partners work together. They share interests and goals. They have a common cause and vision. It makes good business sense that public utilities form partnerships with private companies as a means of obtaining the large capital contributions that are required to enable them to undertake further investments and enable them to increase service provision.

Partnerships in the water sector are not new. Private companies have been involved in water services provision for many years. The issue is not their “involvement” per se; it is how the partnership is formed, and against what type of legal and institutional background it will operate. Obviously there is money to be made from water provision in large urban areas. This does not mean, however, that we should abandon the poorer rural and peri-urban areas where cost recovery may be minimal.

I believe the private sector has the potential to bring much-needed financial investment in infrastructure, management skills, technical expertise and

efficient and effective approaches to service delivery to the table. If it can balance these values with sufficient compassion for poor rural household's inability to afford expensive services, then we will be on our way to equitable or "smart" partnerships. If the private sector does not balance its expectations of profit with compassion, we will fail as many others have done. In all of this, we must remember that the State is ultimately responsible for the delivery and provision of water supply and sanitation services and water boards as public entities are accountable to the State and the people of South Africa.

Conclusion

Let me conclude by congratulating Umgeni Water on the establishment of its Commercial Sector. Congratulations are also due to those who have made this exciting venture possible. Through such ventures South Africa water boards will be able to work with other African countries in bringing sustainable water services in the continent and in some way making the African Renaissance vision of President Thabo Mbeki a reality.

This is a considerable achievement, on which the Department and the water users must continue to build, hand in hand while we strive to build a society based on justice and equity.