

Budget Vote Speech by Minister of Water and Sanitation, Honourable Pemmy Majodina on 12 July 2024, National Assembly, Parliament of South Africa

Honourable Speaker;

Honourable Deputy Speaker;

His Excellency, President Cyril Ramaphosa;

His Excellency, the Deputy President Paul Mashatile;

Cabinet Colleagues;

Chairperson of the Portfolio Committee of Water and Sanitation;

Honourable Members of Parliament;

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:

INTRODUCTION

Honourable Speaker, we are tabling this Budget Vote at the time when water is occupying top place in global agenda as one of the key issues that require collaborate effort to safeguard and guarantee. In this situation, our Water and sanitation sector in our country is not spared, as we are also faced with numerous challenges of our own.

South Africa is one of the thirty most water-scarce countries in the world, and the demand for water in our country is increasing as a result of economic and population growth. 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.

Already, 75% of the available surface water have been captured in dams, and the remaining opportunities for capturing surface water are very expensive.

At the same time, the increasing impact of climate change could also result in more severe droughts in future, as well as more frequent floods, such as those which occurred in eThekweni in April 2022, and many other parts of the country, which caused major damage to the water and sanitation infrastructure.

WATER SECURITY FOR BASIC NEEDS AND ECONOMIC GROWTH

Honourable Speaker, to ensure that the availability of water does not become a constraint to investment and economic growth, and that there is sufficient water to meet the needs of our population as mandated by the Constitution, as the Department, we will be focusing on three key priorities over the term of this government.

Firstly, we will ensure that there is timeous investment in additional water resource infrastructure to capture the remaining 25% of our exploitable surface water resources.

Secondly, we will diversify the water mix, and increasingly make more use of other sources of water, including the sustainable use of groundwater, water re-use, and seawater desalination.

Thirdly, we will 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.

IMPLEMENTATION OF NATIONAL WATER RESOURCE INFRASTRUCTURE PROJECTS

Madam Speaker, in order ensure water security in the country, the Department is currently implementing several water resource infrastructure projects which are in various stages, with some on fund-raising and design phases, and others under construction. The projects include:

- The R865 million project to raise the wall of the Hazelmere Dam completed 2023, will increase water supply to the eThekweni Metropolitan Municipality and surrounding areas in KwaZulu-Natal.

The increased storage capacity of the dam will augment raw water availability for this region

- The new R26 billion Upper uMkhomazi Dam and associated works is also earmarked to provide the urgently needed additional water to eThekweni and surrounding districts including Ugu, Harry Gwala, iLembe and Mgungundlovu in KwaZulu-Natal
- The new Polihali Dam under construction in the mountains of Lesotho, which is part of the R42 billion second phase of the Lesotho Highlands Water Project will provide additional water to the Integrated Vaal River System which supplies 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 will provide additional water for irrigation and domestic use in the eastern region of the Eastern Cape
- 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
- The new R1.8 billion Cwabeni off-channel storage dam to provide additional water to Port Shepstone and surrounding areas in KwaZulu-Natal
- In the Western Cape, a R1.2 billion project is underway to abstract water from the Berg River and convey it to the existing Voëlvelei Dam, to increase the supply of water to the City of Cape Town and surrounding areas
- The new R4 billion Nwamitwa Dam on the Great Letaba River will provide additional water for irrigation, domestic and industrial use in eastern part of Limpopo and increase flows into the Kruger National Park
- Another water resource infrastructure project in the Eastern Cape, is the new R2 billion Foxwood Dam to provide additional water for irrigation and for the town of Adelaide
- The new R1 billion Zalu Dam will provide additional water for the town of Lusikisiki and surrounding villages, also in the Eastern Cape

- 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
- The R7 billion project to raise the wall of the existing Clanwilliam Dam to double the size of the dam to provide additional water for irrigation, domestic and industrial use to Clanwilliam and surrounding areas is also underway in the Western Cape
- The R750 million project to raise the wall of the existing Tzaneen Dam to address water shortages in Tzaneen and surrounding areas in Limpopo
- The R500 million project to raise the wall of the existing Klipfontein Dam to provide additional water for domestic use and irrigation in Northern KwaZulu-Natal
- The new R600 million Coerney Balancing Dam to improve water security for the Nelson Mandela Bay Metropolitan area.

We are also implementing the R24 billion Olifants River Water Resource Development Project in Limpopo and the R10 billion Vaal Gamagara Phase Two Project in the Northern Cape.

These two projects are being implemented in partnership with the mining sector, with joint funding by government and the mines. Both of these projects will increase water supply and ensure water security to enable investment in mining. Communities adjacent to the bulk pipelines will also benefit from these projects.

CREATING A NATIONAL WATER RESOURCE INFRASTRUCTURE AGENCY

Honourable Members:

These national water resource infrastructure projects that we are implementing are largely funded by raising money on the financial markets, from banks, pension funds and development finance institutions.

Most of this funding is raised by our entity, the Trans Caledon Tunnel Authority, or TCTA, based on explicit guarantees from National Treasury.

Unfortunately, due to the difficult fiscal situation in the country, the value of guarantees that National Treasury can issue to the TCTA is limited.

It is for this main reason we are establishing the National Water Resource Infrastructure Agency, which will own all the national water resource infrastructure assets and obtain the revenue streams associated with those assets. This will enable Agency to borrow additional funds on the strength of its balance sheet.

This is the reason that the establishment of the National Water Resource Infrastructure Agency (NWRIA) was included as one of the priorities in the National Development Plan and is one of the priorities of Operation Vulindlela.

Parliament passed the National Water Infrastructure Agency Bill before it rose in May this year and we are expecting it to be signed by the President shortly.

Establishment of the Agency will be one of the major focus areas of the Department over the coming year. This will involve the transfer of all the national water resource infrastructure assets currently owned by the Department to the National Water Infrastructure Agency, as well as the staff responsible for the operation and maintenance of the assets.

The TCTA will be merged into the National Water Infrastructure Agency, along with the Water Trading Entity in the Department, which is responsible for collecting revenue from the sale of raw or untreated water to the Water Boards, municipalities and industry. A transition plan is in place, and we aim to complete the establishment of the Agency by May 2025.

Honourable Members, during this financial year, administratively, the Department will be focusing on implementing the major structural changes and staff transfers associated with the establishment of this Agency.

DAM SAFETY REHABILITATION PROGRAMME AND REHABILITATION OF CONVEYANCE SYSTEMS

Ladies and Gentlemen

The Department of Water and Sanitation is a custodian of existing 323 large dams and related infrastructure across the country, and indicated above, we are still building more.

In addition to developing new water resource infrastructure, it is imperative that we ensure that our existing dams and conveyancing systems are adequately maintained and kept safe.

In this regard, during this financial year the department will continue to accelerate the implementation of its Dam Safety Rehabilitation Programme to ensure compliance of all DWS-owned dams with the Dam Safety Regulations. We will also be continuing to implement our programme to rehabilitate our water conveyance systems which convey water for irrigation and domestic use purposes.

STATE DAMS CONTRIBUTE TOWARDS TOURISM AND RECREATION, AND HYDROPOWER GENERATION

Madame Speaker, in order to ensure that our assets also contribute towards other objectives of the Government of National Unity, we are availing our infrastructure for other economic activities including those that promote tourism and recreation and reducing the risk of load shedding through the use of dams for generation of Hydropower.

During the last financial year, the Department issued an Expression of Interest to obtain access rights to state dams for tourism and recreation activities, with the aim of promoting economic development, particularly of communities adjacent to our dams. The expressions of interest that are received will be processed during the current financial year.

In consultation with the Ministry of Energy and Electricity, the Department has also issued Requests for Applications for interested parties to apply for water use authorisations to generate hydropower using water courses and the water resource infrastructure owned by the Department.

This process received interest from over 200 applicants, for generation of 2 845 Megawatts of electricity from the water courses. To date, the Department has issued 40 authorisations for floating solar panels, and the remaining applications will be processed in the current financial year.

PLANNING FOR NATIONAL WATER RESOURCE INFRASTRUCTURE PROJECTS

Honourable Speaker, of important is also to note that, all these water resource infrastructure projects in the implementation phase have been preceded by thorough planning, including reconciliation of water availability and requirements to meet national social and economic development objectives.

The planning also involves assessment of the water balance for each water supply system and evaluation of the different options to ensure that supply meets demand into the future.

This planning is informed by scientific data on our water resources, and during this financial year, the Department will be strengthening and increasing its investment in its water resource monitoring infrastructure, equipment, and systems.

In the past, many of the Department's projects have been subjected to unacceptable delays.

The former Minister and Deputy Ministers made good progress in unblocking and accelerating the delayed projects, however, more still needs to be done to address this problem.

Improving the planning, infrastructure procurement and project management processes of the Department and the efficiency of its internal Construction Unit will therefore continue to be priorities of the department this financial year.

REVENUE COLLECTION FROM THE SALE OF WATER

Honourable Members, the survival and sustainability of the water sector is dependent on the user pay principle. 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.

Currently, several municipalities are owing water boards huge amounts of money from the sale of water. The municipal debts to the water boards had increased to R21.3 billion by May 2024, and this, 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.

To address this, the Department and the Water Boards have recently strengthened and standardised their debt collection processes, including collaborating with National Treasury to put in place incentives for municipalities to pay their water board bills.

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.

MOBILISING FUNDING FOR MUNICIPAL INFRASTRUCTURE

Honourable members, one of our biggest challenges in the sector currently is poor investment in water and sanitation infrastructure by municipalities. Aging infrastructure, pipe leaks and lack of operation and maintenance among others, are some of the main causes of high levels of non-revenue water in municipalities.

While South Africa is doing well in terms of mobilising private sector finance for investment in national water resource infrastructure, it is not doing so well in terms of private sector financing of municipal water and sanitation infrastructure.

To address this, the department put in place the Water Partnerships Office, in collaboration with the Development Bank of Southern Africa (DBSA) and the South African Local Government Association (SALGA).

The role of the Office is to provide support to municipalities to establish partnerships with the private sector.

For example, the Water Partnerships Office is 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. Other focus areas include private sector investment in municipal water-reuse and seawater desalination projects.

INCREASING THE USE OF GROUNDWATER

Madame Speaker, As indicated to Parliament previously; in order to augment the current available water and increase supply, the Department is implementing several measures to ensure the increased use of groundwater in a sustainable and reliable manner.

Generic standard operating procedures for municipalities have been developed, covering groundwater planning and exploration, drilling, borehole testing, monitoring, operation, and maintenance.

Compliance with these standard operating procedures is included in the revised norms and standards for water services which have been released for public consultation.

The Department is also supporting municipalities with capacity building and data regarding groundwater aquifers which have potential for further sustainable exploitation.

The regulation of the use of groundwater is also being strengthened, including spot checks of groundwater users to ensure that they are adhering to the legal requirements and to their license conditions as well as new regulations to require all groundwater users to register their boreholes and provide information such as abstraction volumes and to require borehole drillers to provide the department with information on all drilling.

STRIVING FOR AN INCLUSIVE SECTOR

Honourable Speaker, our water and sanitation sector is transforming and has become and more inclusive. The previously marginalised groups are now participants in the sector.

The Department has a variety of programmes to encourage women and youth to be involved in the sector, and to provide training opportunities for young people to become professionals in the sector.

These programmes will continue to be a priority under the new administration.

BUDGET FOR THE MEDIUM-TERM EXPENDITURE FRAMEWORK

Ladies and Gentlemen,

Our budget is thus tabled as follows:

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 R16.175 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 R61.920 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.

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. We will also continue to clear all the department's historic incidents of unauthorised, irregular, fruitless and wasteful expenditure in collaboration with National Treasury and the law enforcement agencies. As a Department, we are committed to zero tolerance to corruption and ensuring the promotion of good governance.

In recent years, the Department has successfully reduced its under-expenditure against its budget – in 2021/22 there was R2.5 billion under-expenditure (which equals to 14.3% of the budget), in 2022/23 there was R860 million under-expenditure (5% of the budget), and in 2023/24 there was R44 million under-expenditure (0.2% of the budget).

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 during the financial year.

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.

Ndiyabulela, I thank you!