water & sanitation

Department:
Water and Sanitation
REPUBLIC OF SOUTH AFRICA

NATIONAL DEVELOPMENT PLAN
Our Future - make it work

Presentation to the
14th Premier Corporate Governance Conference

Water Governance

04 Sept 2024

WATER IS LIFE - SANITATION IS DIGNITY

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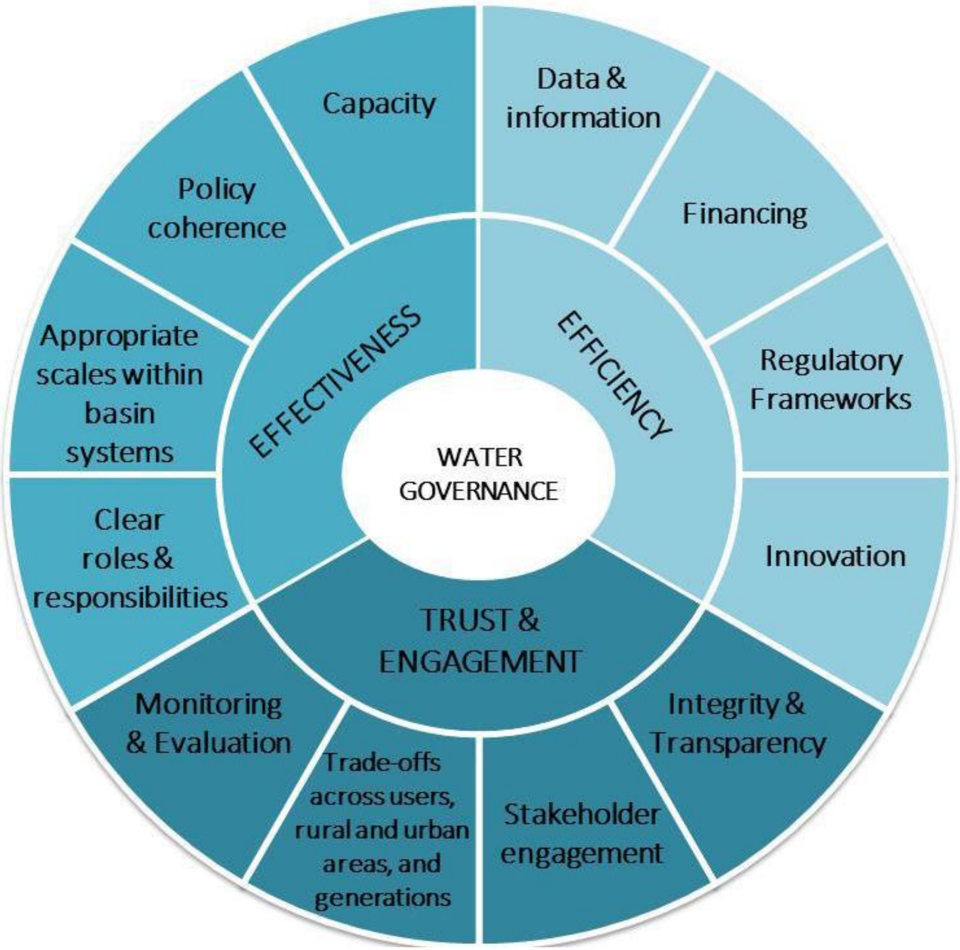
1 **Water governance context**

Context : Water Governance



- The crisis of water in many countries is about the **crisis of water governance** (failure of decision-making and governing.)
- Water governance requires processes and **methods of governing that are transparent**, create accountability, and embracing collaboration between government, society, private sector, and civil society to achieve sustainable goals.
- **Improving water governance** is the key to addressing water insecurity.
- This requires **multi-level collaboration** and engagement.

2 Raw water availability (water security)

Water Security : Supply and demand for raw water

- Raw water supply is currently approximately in balance with existing demands on a national scale, but there are localized deficits, e.g.
  - Nelson Mandela Bay (2015-2023) and Cape Town (2016-2018) deficits caused by droughts
  - Gauteng caused by increased demand and delay in LHWP2
  - eThekwini, caused by delay in Umkhomazi Water Project and increase in NRW

- Water availability in South Africa could deteriorate rapidly as supply contracts and demand escalates due to economic growth, population growth, urbanization, inefficient use (including increasing physical losses in municipal distribution systems), degradation of wetlands, impacts of climate change

Water Security : Supply and demand for raw water

- Delays in the implementation of surface water resource development projects in the past have now been addressed and projects have been accelerated. However:
  - DWS Construction unit is still relatively inefficient, only at the start of an efficiency improvement programme
  - DWS project management requires more improvement
  - DWS at the early stages of implementing improved infrastructure procurement structures
  - Performance of implementing agents such as Water Boards and DBSA is sometimes below par

Constraints to continued expansion of surface water resource infrastructure

- Broadening of South Africa’s water resource mix is critical for water security as a potential to further develop its surface water resources is limited – already harnessing approximately 75% of utilizable surface water resources
- Need to diversify the water resource mix: increase sustainable use of groundwater; desalination of seawater; return flows from treated waste-water systems (water re-use); reuse of other poor-quality water such as acid mine drainage – many of these will need to be implemented by municipalities

Constraints to continued expansion of surface water resource infrastructure

- Supply-side measures are necessary but not sufficient to avoid future water deficits - water conservation and water demand management (WCWDM) must also be implemented, particularly in domestic and general industrial use, by reducing physical losses in municipal distribution systems
- Average per capita water consumption is 218 liters/capita/day in SA compared to the international average of 173 l/c/d. This is an anomaly given that South Africa is a water-scarce county

Examples of surface water resource projects in implementation

- **R40 bn** Phase 2 of the Lesotho Highlands Water Project (LHWP 2) for Gauteng and surrounds in progress
- **R26 bn** uMkhomazi Water Project in KwaZulu Natal – affordability deadlock has been resolved
- **R4 bn** Phase 2A of Mokolo Crocodile (West) Water Augmentation Project (MCWAP 2A) in the North West & Limpopo – Phase 1 has been completed, funding is being raised for Phase 2
- **R24 bn** Olifants River Water Resource Development in Limpopo – partnership with mines, construction underway
- **R10 bn** Vaal Gamagara in the Northern Cape – partnership with mines, construction will start this year
- **R8 bn** Mzimvubu Water Project in the Eastern Cape – funding deadlock has been resolved, construction underway

Examples of surface water resource projects in implementation

- **0.5 bn** Groot Letaba Water Augmentation Project (raising of Tzaneen Dam) in Limpopo – construction starting June 2023
- **R1.2 bn** Berg River Voelvlei Augmentation Scheme in the Western Cape, construction starting 2024
- **R4 bn** raising of Clanwilliam Dam in the Western Cape – contracts for construction awarded

- Approximately **60%** of national water resource infrastructure projects are **funded by private sector finance**
- Establishment of the NWRIA will enable more private finance to be raised, without necessarily requiring Treasury guarantees

3 Blue and Green Drop Results

2023 DWS Blue Drop (drinking water), Green Drop (wastewater) and No Drop reports

- 67 out of 144 Water Services Authorities (WSAs) scored ‘critical’ on average across their water supply systems and/or wastewater systems in the 2023 Blue Drop and 2022 Green Drop assessments. A further 38 scored ‘poor’ on average. Therefore 73% of WSAs scored critical or poor
- **Percentage of water supply systems with poor or bad microbiological water quality compliance (i.e. water that is not safe to drink) increased from 5% in 2014 to 46% in 2023** – resulting in increased risk of water-borne diseases
- **66% of municipal wastewater infrastructure is in a poor or critically poor condition; percentage of municipal wastewater systems in an overall critical state of performance increased from 30% in 2013 to 39% in 2022**

2023 DWS Blue Drop (drinking water), Green Drop (wastewater) and No Drop reports

- **90 of the 144 water services had at least one critical wastewater system – i.e. discharging partially treated or untreated sewage into rivers - resulting in increased risk of diseases such as cholera across the country**

- **National average for municipal non-revenue water increased from 37% in 2014 to 47% in 2023**. Implications:
  - Money spent to develop dams and water treatment works is wasted if a large portion of the treated water is thrown away through leaks in municipal water distribution systems
  - Municipalities with high non-revenue water are unable to pay water boards for treated water supplied by them and cannot afford to properly maintain and operate their water distribution infrastructure

4 Institutional Reforms in the water sector

INSTITUTIONAL REFORMS IN THE WATER SECTOR

Key:
Complete = black
Advanced = blue
Nascent = Green

National Water Act

National Water Resource Infrastructure Agency (NWRIA)

DWS infrastructure branch

DWS WTE

TCTA

(National Development Plan (NDP) and Operation Vulindlela (OV)

Catchment Management Agencies (CMA)

DWS Water Resource Management

DWS Regulation

(NDP and NWA)

Transformation of Irrigation Boards into Water User Associations (NWA)

Water Services Act

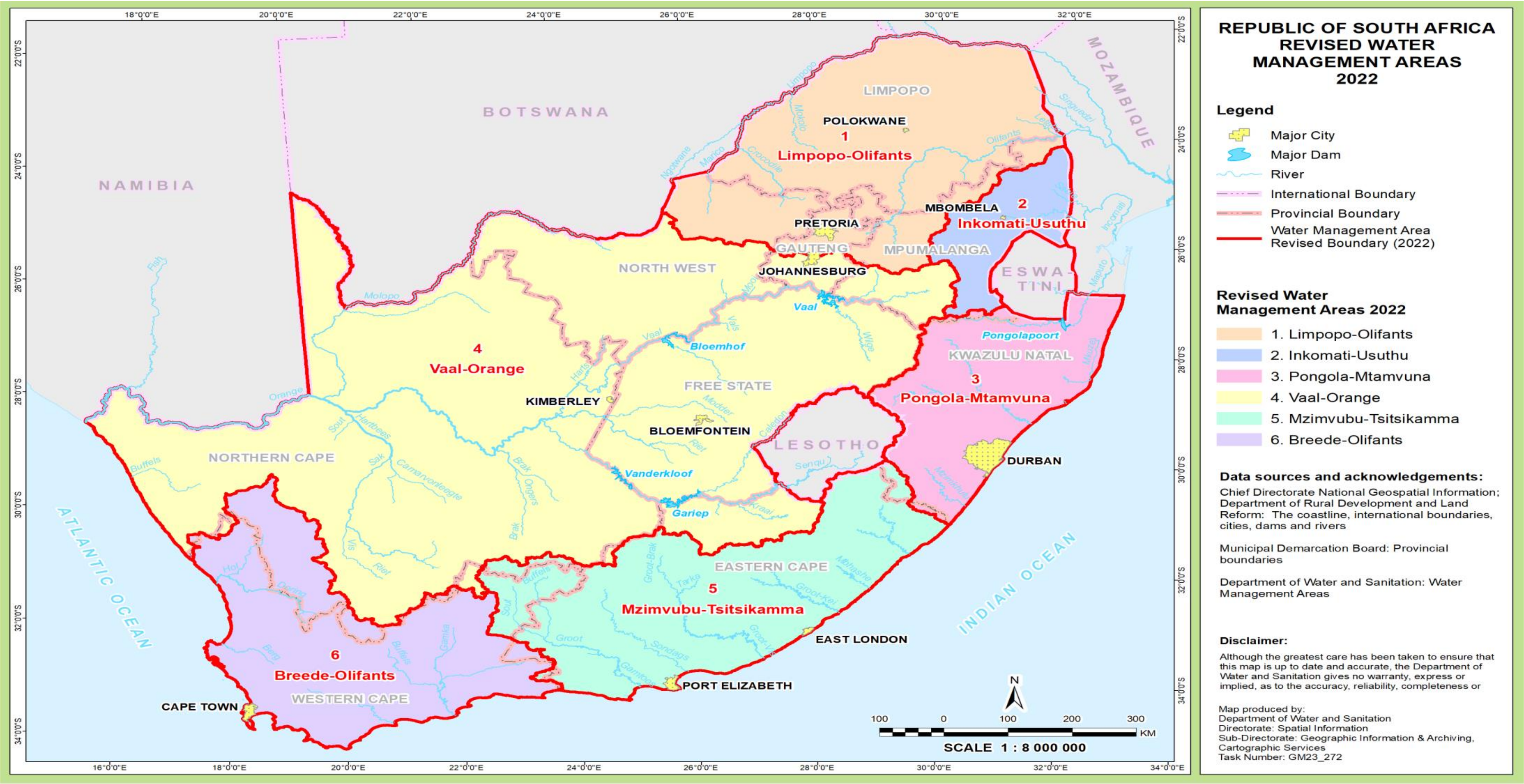
Reconfiguration of Water Boards (Water Services Act (WSA))

- Separation of Water Service Authority and Water Service Provider
- Licensing and Professionalizing of Water Service Providers (WSA and OV)

Both Acts

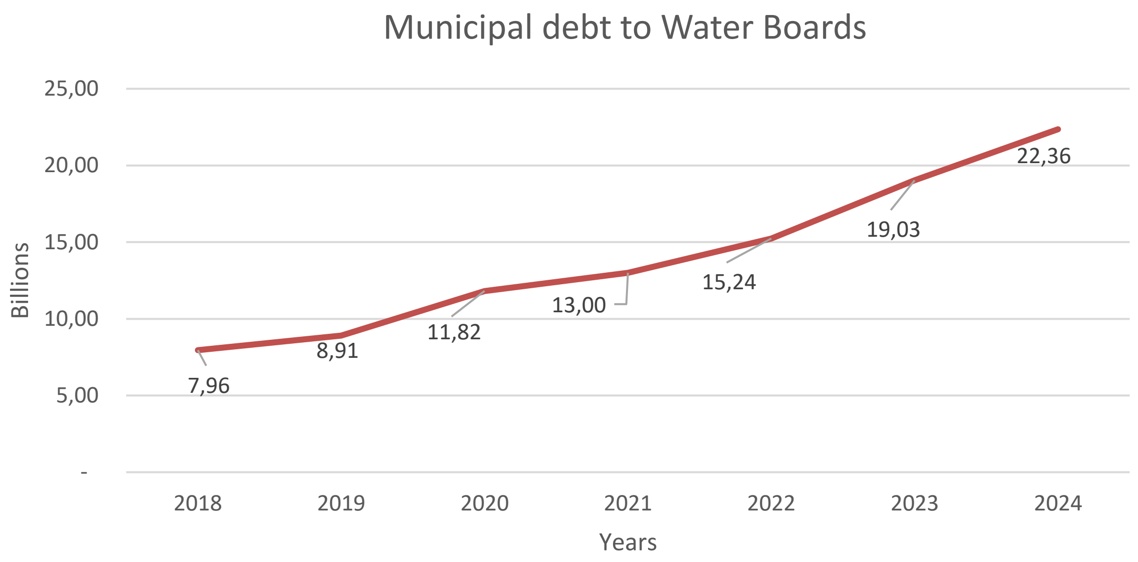
Independent Regulator (NDP and OV)

REVISED WATER MANAGEMENT AREAS



4 Financial sustainability of the water sector

Sector debt is growing and is unsustainable



R22.36 billion

June 2024

- Sedibeng Water was disestablished in 2022 because it was bankrupt due to municipal debt. Vaal Central (previously Bloem Water) and Magalies Water Boards took over the assets and liabilities of Sedibeng Water
- This transfer of operations to Vaal Central and Magalies Water Boards did not solve the underlying debt problem and the municipal debt continues to grow
- Amatola Water, Lepelle Northern Water, Magalies Water and Vaal Central Water are all experiencing cash flow challenges due to non- payment by municipalities

Conclusions regarding financial sustainability

- It is not all municipalities which are not paying. However, if a water board goes bankrupt and stops functioning, it will stop providing water to all its municipal customers, not just the ones which are not paying
- The Water Boards cannot keep providing treated water to municipalities without being paid for it – the cost of providing the treated water has to be paid for somewhere
- Magalies Water and Vaal Central Water have already stopped paying DWS for raw water - non-payment by municipalities to Water Boards therefore threatens the financial viability of the whole water sector, including the viability of the National Water Resource Infrastructure Agency
- We cannot keep kicking the can down the road by disestablishing bankrupt water boards and merging them into other Water Boards – eventually there will be no Water Boards left

Conclusions regarding financial sustainability

- For some municipalities such as Matjhabeng, there appears to be no realistic prospect of them being able to pay their Water Boards in the foreseeable future
- These issues have been presented to and discussed with COGTA and National Treasury but there is no sustainable solution to this dilemma on the table (all the measures in the previous slide are short-term in nature and do not solve the underlying problem)
- These issues have been presented to Cabinet, with a recommendation that a joint committee of Ministers, including the Ministers of Finance and COGTA, work on the issue

Annexure A

Governance profile of water boards

GOVERNANCE STATUS OF WATER BOARDS

	Amatola Water	Vaal Central Water	Lepelle N Water	Magalies Water
Board	Interim Board	Four years ends August 2027	Four years ends August 2025	Four years ends December 2026
No. of Board vacancies	None	None	None	None
CEO	5 Year Contract end in 2028	Acting. CEO	5 Year Contract end in July 2027	Acting CEO
CFO	5 years contract	Acting CFO	5 years contract	5 years contract
2024/25 Corporate Plan submitted on time	Yes	Yes	Yes	Yes
2020/2021 Audit Outcomes	Qualified findings	Unqualified with findings	Unqualified with findings	Clean audit
2021/2022 Outcomes	Qualified findings	Unqualified with findings	Unqualified with findings	Clean audit
2022/2023 Outcomes	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings

Red = no board members in place, or no CE in place;

Purple = qualified audit report;

Yellow = acting or unqualified with findings;

Green = good governance in place;

Blue =Outstanding Audit

GOVERNANCE STATUS OF WATER BOARDS

	Overberg Water	Rand Water	uMngeni-uThukela Water
Board	Four years ends August 2027	Four years ends September 2026	Four years ends August 2027
No. of Board vacancies	None	None	None
CEO	5 years contract. Contract ends 31 Dec 2027	5 years contract. Contract ends 31 March 2029	5 years contract. Contract ends 30 June 2029
CFO	5 years contract	5 years contract	5 years contract
2024/25 Corporate Plan submitted on time	Yes	Yes	Yes
2020/2021 Audit Outcomes	Clean Audit	Unqualified with findings	Unqualified with findings
2021/2022 Outcomes	Unqualified with findings	Unqualified with findings	Unqualified with findings
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Thank you