Strategic overview of the water sector

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water & sanitation

Department:
Water and Sanitation
REPUBLIC OF SOUTH AFRICA

2030 NDP

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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 (current) caused by increased demand, high level of leaks, lack of municipal investment in water and sanitation infrastructure
  - eThekwini, caused by delay in uMkhomazi Water Project, rapid increase in demand and leaks, lack of municipal investment in water and sanitation infrastructure
- 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

- Delays in the implementation of surface water resource development projects in the past have now been addressed and projects have been accelerated

- National Water Resource Infrastructure Agency Act was passed by Parliament last year:

  - Amalgamation of TCTA, Water Trading Entity in DWS, and DWS infrastructure branch to create

  - TCTA is currently constrained in the amount in can borrow – it does not own infrastructure assets and obtain associated revenue streams, and its borrowing is all in terms of explicit guarantees from NT an entity with a strong balance sheet and substantial revenue streams, able to raise more money in the markets for development of additional national water resource infrastructure, without necessarily obtaining NT guarantees

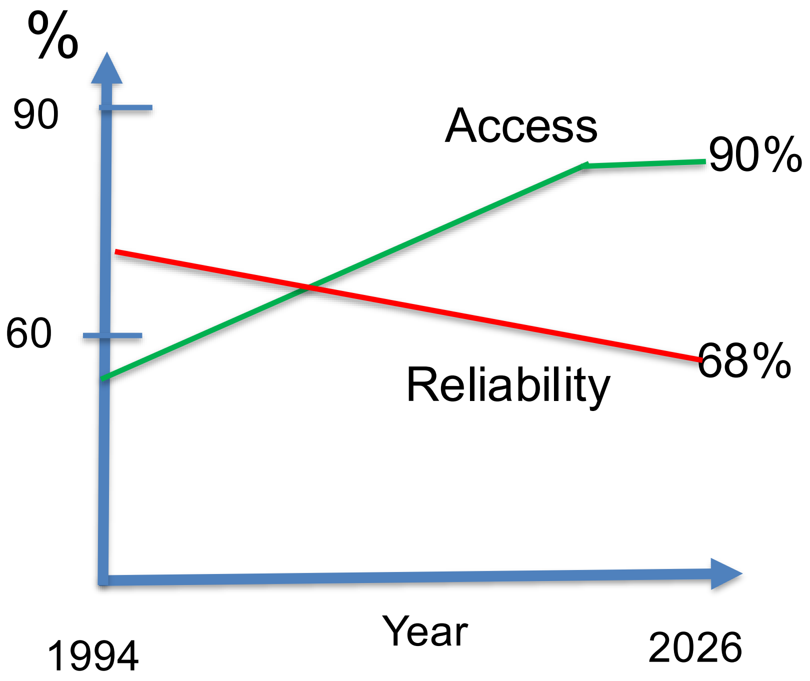
  - Board has been appointed, Agency will be fully established in coming months

Diversifying the water mix

- Diversifying South Africa's water resource mix is critical for water security as potential to further develop its surface water resources is limited – already harnessing approximately 75% of sustainably utilizable surface water resources
- Diversify the water resource mix: increase sustainable use of groundwater; desalination of sea water; return flows from treated waste-water systems (water re-use); reuse of other poor-quality water such as acid mine drainage – many of these are municipal functions
- Is there potential for regional groundwater or desalination schemes? Could the water boards and the NWRIA become involved in diversified water resource development in future?
- More effective water conservation and water demand management: particularly in domestic and general industrial use, and by reducing physical losses in municipal distribution systems
- The average consumption of water per capita per day in SA is 218 l/c//d, compared to the international average of 173 l/c/d, while SA is one of the 30 most water scarce countries in the world – this is not sustainable

➢ The only way to ensure raw water security in future is to implement all of these measures simultaneously – implementing only one or two of them will not ensure water security:
  - Build dams to exploit the remaining affordable and sustainable opportunities for capturing surface water
  - Diversify the water mix
  - Implement more effective water conservation and demand management

Water services: progress and decline



- The national sphere of government is responsible for water resource management whereas water services are the responsibility of the local sphere of government
- There are Constitutional limitations to the degree to which national government can encroach upon the functions of local government

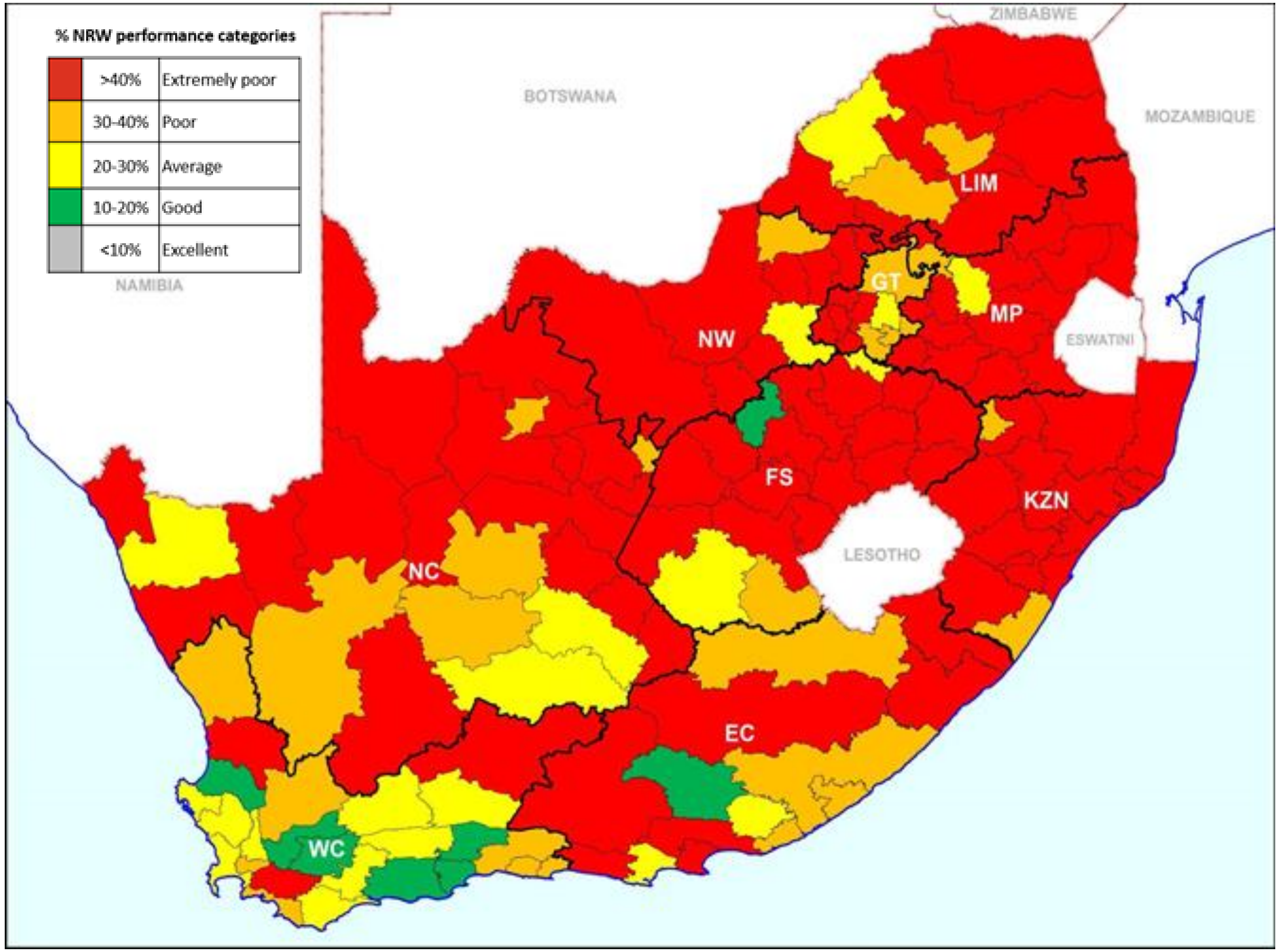
- **Since 1994, average national access to a basic level of water services infrastructure has increased from about 55% to about 90% of households**
- **It has recently stagnated at about 90% - due to municipalities prioritising rehabilitation of existing infrastructure – major drive now under way to increase access, particularly in remote rural areas**
- **However, reliability has decreased sharply over the same period - so while many more people have access to a tap, water often does not come out of the tap or is not safe to drink**

* Sources: Statistics SA Census data and DWS Blue, Green and No Drop municipal performance audits

There is a systemic crisis in municipal water services

- **107 out of 144 Water Service Authorities (WSAs) (the municipalities responsible for ensuring that water services are delivered) scored poor or critical** in terms of the performance of their drinking water systems (2023 Blue Drop) and/or wastewater systems (2025 Green Drop) assessments
- This means that **water and sanitation services are failing in 74% of municipal WSAs** – **widespread failure of municipal water and sanitation services indicates a systemic problem**
- The 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 higher risk of water-borne diseases such as cholera
- 81% of municipal wastewater infrastructure was in a poor or critical condition – resulting in widespread pollution and sewage spillages in communities

Results of 2025 No Drop Progress Assessment



Non-revenue water is 47% on average across all WSAs, according to the DWS 2023 full No Drop and 2025 No Drop progress reports

The main cause of the crisis is an inappropriate delivery model

The current delivery model is characterized by:

1. Lack of **ring-fencing of revenue** from the sale of water and municipalities allocating water revenue to other functions
2. Lack of **single-point accountability** for the water function, weakening incentives for financially sustainable management

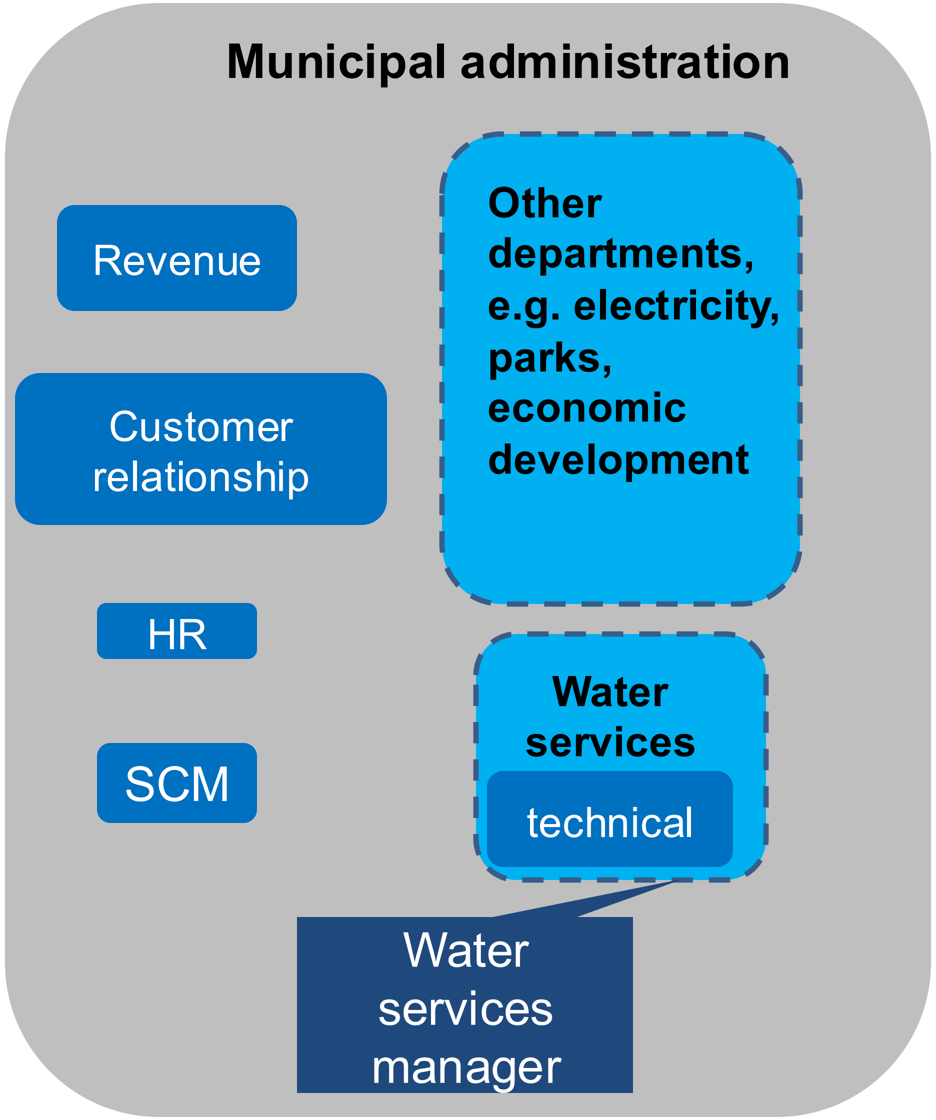
- A key reform is to clearly separate the roles of **Water Service Authorities** (WSAs) – constitutionally mandated to local government to ensure that services are provided – from **Water Service Providers** (WSPs), responsible for the delivery of the function.
- **While almost all municipalities currently perform both roles, they do not have to fulfil the role of the WSP. The Water Services Amendment Bill reinforces this by requiring WSPs to be separately licensed based on capability criteria**.

Municipalities can, however, begin to appoint alternative WSPs immediately.

Results of this delivery model:

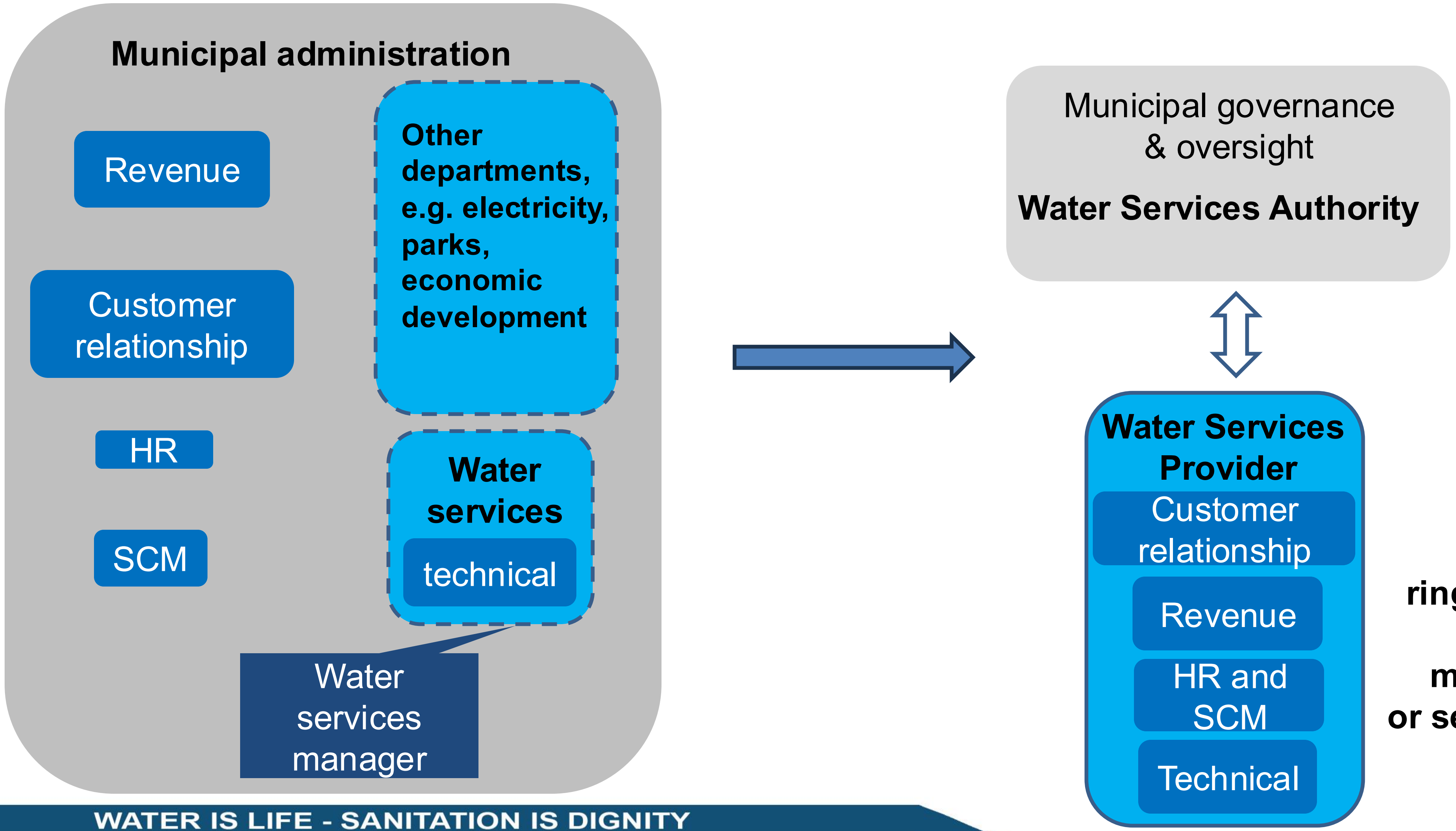
- Insufficient funding for infrastructure maintenance and investment, as well as for hiring of skilled technical staff
- Inadequate water treatment, storage, pumping and distribution capacity
- Underdeveloped wastewater infrastructure (treatment works, pipelines, pumping stations)
- Poor asset condition and rising leaks in water distribution systems
- Slow leak repairs due to under-resourced and inefficient maintenance teams
- A lack of focus on improving metering, billing and revenue collection
- A lack of attention to address vandalism, theft and sabotage of water assets
- Weak water conservation and demand management, contributing to high levels of water consumption (218 L per capita/day in SA vs 173 L international average)

The current situation in almost all Water Services Authorities



- **Water Services Provider functions are fragmented across the municipality**:
  - Overseen by a technical lead, heading a technical department
  - Key aspects required to manage an effective water services function are typically outside of the control of the water services manager
  - In particular, most water managers have little or no control over the customer relationship, revenue (metering, billing, and collection), HR and SCM
- **There is no single-point accountability and no ring-fencing of revenue:**
  - The water and sanitation department receives a budget which has no relationship to the amount of revenue collected from the sale of water
  - Municipalities use revenue from the sale of water for other purposes
- No self-financing function can be run sustainably in this way

Need to move towards a utility model, with separation of the WSA and WSP functions and ring-fenced revenue and expenditure



Can be ringfenced unit within municipality or separate entity or utility

Reforms under way

- **Water Services Amendment Bill before Parliament:**
  - **Clarify roles of WSAs versus WSPs**
  - **Introduce operating license requirement for WSPs,** require all WSAs to only appoint licensed WSPs, which have a minimum level of capability
  - Once enacted, this will ensure that where municipalities fail to meet norms and standards, their WSP operating license will be withdrawn and they will be required to appoint an alternative WSP – e.g. through a concession
- National Treasury is **adjusting the grant system to municipalities to include conditions which result in strong incentives** to municipalities to ring-fence revenue from the sale of water, reinvest that revenue into the water function, and create single-point accountability for the water function – **Metro Trading Services Grant**
- **Blended financing mechanisms and financial structuring support are b**eing offered to municipalities to assist them to attract private sector investment
- **In addition, the President is chairing a National Water Crisis Committee to lead the delivery of a National Water Action Plan, centered on implementation of these reforms**

Strengthening of DWS regulatory functions

- DWS has been strengthening its regulatory function and making its regulatory actions more consistent, and this has resulted in an increased number of civil actions and criminal charges against municipalities for sewage pollution. The number of criminal charges is expected to increase further
  - Currently DWS has 96 active criminal cases for sewage pollution involving 53 water service authorities, across all 9 provinces – this follows non-responsiveness of the municipalities to notices and directives (administrative action taken by the Department)
  - In 53 of these cases, an investigation is currently underway with a further 42 referred to the National Prosecuting Authority for a decision to prosecute
  - For 1 case, investigations are complete, and the National Prosecuting Authority has decided to prosecute (preparing to go to trial or in court)
  - DFFE has opened a further 32 criminal cases
  - Cumulatively the two department’s cases are against 63 water services authorities for sewage pollution
- 5 of DWS’ cases have been ruled upon and the department is monitoring the implementation of the court decisions. All 5 were plea and sentence agreements
- The cases that have been ruled upon by the courts have resulted in fines being imposed on the municipality, e.g. Emalahleni which was fined R650m to restore infrastructure of which R150m was suspended, Govan Mbeki LM was fined R200m and Thaba Chweu and Rand West LM were each fined R10m. The courts ordered the municipalities to allocate the fines to address the sewage pollution

THANK YOU