



***Umgeni Water is to be complimented on the manner in which it manages its business and overall keeps customer debt to within manageable levels at all times.***

**NOMVULA MOKONYANE  
MINISTER OF WATER  
AND SANITATION**

# Minister's Foreword

The Department of Water and Sanitation has a mandate to ensure that there is equitable and sustainable water and sanitation access to support socio-economic growth and ensure sustainable development of current and future generations. Water sector policy frameworks, legislation and regulations are therefore reviewed at regular intervals to ensure this. The National Development Plan, the Medium Term Strategic Framework, and the National Water Resources Strategy objectives, have all guided the Department's policy and plan development, as well as, Umgeni Water's strategy and implementation plans during this reporting period.

Pertinent water sector policy and legislative review in the reporting period have included: commencement of the review of the National Water Act, Water Services Act and the National Water Resource Strategy, revision of the Water Pricing Strategy and finalisation and implementation of the Institutional Reform and Realignment programme, with the latter impacting water board's areas of operation.

Regarding the latter, the National Development Plan as our policy cornerstone directs that we create alignment in institutions and in the structure of the state, in order to respond efficiently to the needs of our country and its people. The Department initiated the institutional reform and realignment project with the aim of enhancing institutional readiness to fast-track service delivery and handle water challenges as well as ensure there is management of water resources, for the present and to sustain us into the future.

In KwaZulu-Natal, specifically, the water board rationalisation will increase efficiency and effectiveness of Umgeni Water, including through enabling differential service delivery levels and tariff modelling across the entire KwaZulu-Natal Province, increasing access to un-served rural areas, enabling rationalisation of systems to achieve better economies of scale, enhance ability to raise capital from the market for infrastructure projects for KwaZulu-Natal as a whole, better leverage cross subsidisation and overall maintain regional viability. The ministry see the Department of Water



Invutshane Dam

and Sanitation and Water Board collective as 'a repositioning' to deliver services as a capable state, whilst providing opportunity for transformation and business unusual.

The review of the Water Pricing Strategy seeks to improve the financial viability of the country's bulk raw water resource supplies to ensure that this scarce resource is valued by all citizens. Currently annual price increases have been capped and hence prices are below full cost for most agricultural water schemes and some schemes dedicated to industrial and domestic supply. Management of debt remains a worry with some water boards not adequately recovering raw water infrastructure costs. Umgeni Water is not immune to this, and faces difficulty with some customers unwilling to pay for raw water infrastructure developments. Notwithstanding this, Umgeni Water is to be complimented on the manner in which it manages its business and overall keeps customer debt to within manageable levels at all times.

The National Water Act, which provides a legal framework for the progressive realisation of the right to access to sufficient water, is under review to ensure that there is equity in the allocation of water, to improve water resources management and to streamline regulatory processes. The Water Services Act on the other hand is being reviewed to improve the provisions of water services to ensure alignment with the provisions of the Municipal Systems Act and the Municipal Finance Management Act. Umgeni Water was established in terms of the Water Services Act to provide bulk water services to municipalities in its supply area. Regional Water Utilities will however be established in terms of the proposed new National Water Act. The Department is also reviewing the first edition of the National Water Resource Strategy. This review provides an opportunity to ensure that water is at the centre of planning and that it supports the broad national economic and social development goals without compromising the long-term sustainability of water resources.

These policy review developments are all timely as South Africa strives to recover from several years of low growth and enters a new era of service delivery challenges and opportunities.

Umgeni Water is well positioned to respond and over the past several years has had tremendous success in implementing bulk water capital infrastructure programmes. In the reporting period at least five of the bulk water infrastructure projects being implemented will increase access to rural areas. These include the Lower Thukela Bulk Water Supply Project (Phase 1), the Mshwathi Regional Water Pipeline, the Greater Mpfana Bulk Water Supply Project (Phase 1), the Impendle Bulk Water Supply Project and the Maphumulo Bulk Water Supply Project (Phase 3).

KwaZulu-Natal, like many parts of the country experienced serious drought conditions during this period, the harsh impacts of which are still being felt by all. Water scarcity in the province propelled development of strategic partnerships, notably the multi-stakeholder partnerships between the Department of Water and Sanitation, Umgeni Water and the affected Municipality to effectively mitigate the challenge. The demand for water on the KwaZulu-Natal North Coast, and in particular the coastal areas of the iLembe District Municipality, coupled with the requirement for potable water supply to rural backlog areas along the coastal belt, created a dire need for a new potable bulk water supply scheme with a source on the uThukela River and supply to the iLembe District Municipality. Hence the development of the Lower Thukela Bulk Water Supply Project, of which Phase 1 is at a significantly advanced stage. The total number of people estimated to benefit from this scheme is 585,900 within the area bounded in the north by the Thukela River, in the South with the boundary of eThekweni Metro just south of Ballito, on the east by the Indian Ocean and on the west by the areas of uMshinathi, uMvoti, Nkandla and Umlazi. Local municipalities within iLembe DM to benefit from the scheme are KwaDukuza and Mandeni. Of the population to be served, 209 859 are indigent people.

The Department of Water and Sanitation also funded and had the pleasure of launching the Greater Eston Regional Water Supply project serving the Mkhambathini Local Municipality which Umgeni Water successfully completed earlier in this reporting period. This Bulk Water Supply project covers four (4) wards in the Mkhambathini Local Municipality and two (2) wards in the Richmond Local Municipality, supplying potable water to 41 240 people, thereby making a huge impact in alleviating the water supply backlog within the rural areas of uMgungundlovu District Municipality.

Water supply security is critical and the Department of Water and Sanitation is complementing Umgeni Water's bulk supply projects through national water resource developments, whilst ensuring the availability of water for agriculture, the environment, and local economic use and development. Key projects, of relevance to Umgeni Water, include the raising of the Hazelmere Dam and the Mkhomazi Water Project. Major water resource developments are multi-year

projects and although none were commissioned during this reporting year, work is at an advanced stage regarding the Hazelmere Dam with commitment to complete the project in the coming period.

Notwithstanding its key bulk potable water supply function, Umgeni Water treats bulk wastewater as part of a multi-pronged strategy to ensure there is sustainable bulk sanitation, environmental integrity and sustainability of the water value chain as a whole. During this reporting period, Umgeni Water made significant inroads into the upgrade of the Darvill Wastewater Treatment Works, which serves the Msunduzi Water Services Authority. Coupled with this is the planned construction of a project that will enable reuse of energy and lower green-house gas emissions.

Through its successful capital infrastructure development programme, amongst other programmes, Umgeni Water has contributed to job creation and transformation during this reporting period. Umgeni Water also has multiple programmes developing youth and women employees. This commitment to skills development is contributing significantly to the future sustainability of the water sector.

With the unique positioning of State-owned Entities, the Department saw fit during the reporting year, to introduce more rigour into the Corporate Governance Frameworks of Water Boards to encompass principles of ethical leadership, transformation, service delivery, viability and sustainability and principles of collaboration amongst the water family. Umgeni Water is responding well, having early on embraced the Developmental State agenda. The Board contracted with the Water and Sanitation Ministry, through an annually approved Shareholder Compact. Umgeni Water has significantly met both its performance and financial targets for the year. This is due to the sterling job done by the Accounting Authority (the Board) in guiding the entity and a capable Accounting Officer (the Chief Executive) together with the Executive Management in implementing the organisation's strategy. Notwithstanding this, Umgeni Water's performance would not have been achieved without the competent and dedicated personnel that the entity employs, values, grows and develops.

Umgeni Water is to be congratulated on its performance for the year and has set the bar for future service delivery and performance in KwaZulu-Natal. I look forward to realising the promise of water for all in KwaZulu-Natal through Umgeni Water and water sector collaborators in KwaZulu-Natal.



**Nomvula Mokonyane**

**Minister of Water and Sanitation**

21 September 2016



Maphephethwa WTW