

KEYNOTE ADDRESS BY MR RONNIE KASRILS, MP, MINISTER OF WATER AFFAIRS AND FORESTRY AT A WORKSHOP ON PRIVATE FINANCING AND MANAGEMENT DURING THE SECOND BRITAIN/SOUTH AFRICA PARTNERSHIP WEEK: PARTNERS IN OPPORTUNITY: ON 31 AUGUST 1999

Keynote address:

Overview of the South African Government's Strategic Objectives for the Water Services Sector

Facilitator,

Mr Brian Wilson, MP, Minister for Trade in the United Kingdom

Esteemed guests.

Ladies and gentlemen.

I welcome and thank you for the opportunity to address this gathering today. We are all here today as partners to exchange ideas, experience and expertise on the matter of public- private and public-public partnerships in water and sanitation. I anticipate valuable outcomes from the day's deliberations.

Having said that, and having lived in Britain as an exile for many years I believe Britain has much to say to us on how the water and sanitation sector might best be structured in this country. You draw on a long history of local government and the sustaining of different institutional models for delivery within this sector.

The Water Services Challenge in South Africa and the response by the Department of Water Affairs and Forestry since 1994

As everyone knows South Africa is a water-scarce country. As everyone knows about Britain things like cricket and rain are a daily occurrence. Where Britain requires days of storage for water in most parts of South Africa we need seasons of storage. Furthermore in South Africa, at least eight million people currently are without access to an adequate water supply, and twenty million without access to adequate sanitation. The majority of these people live in rural areas. Since the Reconstruction and Development Programme was instituted by the Government of National Unity in 1994, water infrastructure for more than four million people has been put in place.

The water services sector has been significantly restructured in the last five years. Central government "inherited" schemes which were largely unsustainable from previous "homeland governments" of the apartheid era. The Water Services Chief Directorate in my Department was set up to address the backlog in services provision.

In 1997 the Water Services Act was promulgated. The Act defines "water services" as both water supply and sanitation services. The Act recognises the constitutional responsibility of local government to provide these services. It sets out the roles and functions of the various water services institutions; and makes provision for support (and intervention, where necessary) by provincial and national government.

The Act provides a sector-specific regulatory framework for the provision of water services drafted in accordance with Constitutional imperatives and, as far as possible, in a manner consistent with the still emerging local government framework plans.

In spite of all these policies, some of which can be ranked as amongst the finest in the world, it became clear that services as provided are not always

sustainable. This now means that a number of “course corrections” have to be made.

Investment for Water Services

Like all countries South Africa has limited public finances. There simply is not enough money in the fiscus to meet the backlog of water and sanitation services, as well as meet the demands of the other sectors. At present capital investment comes mainly from public and, to a limited extent, donor money.

To date there has been little or no risk incurred by the private sector. The challenge now is to ensure that the private sector engages in far greater risk-taking exercises, and that the water services sector (particularly in rural areas) becomes more economically viable. We need to find ways of securing the greatest possible coverage area for water services providers to exploit (in the positive sense) the potential for cross-subsidisation. Making the model transportable to rural areas is a challenge around which we welcome ideas.

In the urban areas, the opportunities for yourselves are more obvious and more immediate. Even in a metropolis like Johannesburg however, what we are look for is not someone’s “off the shelf” model of service provision but the intelligent application of knowledge and experience. We need to develop solutions appropriate to our specific problems and I know that many of the skills required are right here in this room.

Strategic Objectives for Water Services

Our strategic objectives can be summarised as follows:

1. The Department of Water Affairs and Forestry is committed to the management of South Africa's water resource to ensure availability and supply at the national level. In addition the supply of water services, water supply and sanitation, must be affordable, efficient and sustainable.
2. Participation of the private sector in the supply of water and sanitation is critical and must be harnessed together with community interests. The nature and focus of water services regulation must safeguard the interests of the lenders, the investor, the employees and the citizens who must benefit from these arrangements.
3. The transformation of the economy is the strategic objective that must be achieved through the public-private partnerships. Where justifiable government intervention should be minimal and limited to creating a predictable and enabling regulatory environment.
4. The provision of sustainable services through demand-driven and integrated development initiatives and effective cost recovery mechanisms.

In summary, government is committed to the optimal use of resources available to it. The forging of partnerships (both public-public and public-private) which benefit all stakeholders client communities, local authorities, national and provincial government, and the private sector. Such participation is recognised as one of the mechanisms available to facilitate and enable innovative approaches to providing water services and mobilising additional financial resources critical to meeting developmental objectives.

The Department of Water Affairs and Forestry, on its part, is busy with regulations to assist this process. Examples are tariff structures, requirements for contracts for water service providers and model contracts for water service provider arrangements. Some people in business see my powers to regulate as too excessive. I want to say that it is not the government's intention to limit or restrict private sector participation in the provision of water services. There is, however, a need to ensure that the process leading to any contract and the terms are fair and equitable to all the parties – authority, provider and customer.

Conclusion

It is at forums such as this one that best international experience can assist the new and evolving policies of our young democracy. The South African government welcomes this workshop. It is our confident hope that engagement with the British experience will greatly assist us in the task of ensuring an enabling environment for private sector participation – an environment which benefits all stakeholders and which is designed to help ensure that South Africans receive sustainable and affordable water services.

So I wish to once again express my appreciation of Britain's support, in all its forms: financial, technical and human resources and, of course, your moral support. My Government, Department and I have great appreciation of this multi-faceted assistance and I look forward to the fruits of this Workshop to further promote the principles, goals and ideals which both of our great countries subscribe to.

This is all part and parcel of enriching the productive and strong ties between our two countries and peoples.

Some of you will know, from our negotiations in the tougher world of defence, not to mention sport, that we will play fair and hard for our national interest and success in politics, trade, business and life. I end by reminding you that we look for business that must benefit our people and economy. On such a basis we look forward to working with you in the future.

Thank you.