



**water & sanitation**

Department:  
Water and Sanitation  
REPUBLIC OF SOUTH AFRICA



# **Business Case for the establishment of the NATIONAL WATER RESOURCES INFRASTRUCTURE AGENCY (NWRIA)**

**PRESENTED BY:**

**DATE:**

# Context

- South Africa requires an ongoing national water resource infrastructure build programme, in addition to effectively operating, maintaining and refurbishing existing assets
  - But major backlogs in maintenance, increasing debt from municipalities and water boards, delays in procurement on critical infrastructure projects eg LHWP
    - Putting water security at risk
- Currently, two entities operational in this area:
  - DWS National Water Resources Infrastructure Branch and Water Trading Entity (NWRIB and WTE)
  - TransCaledon Tunnel Authority (TCTA)
- Resulting in:
  - Duplication of functions
  - Inability to effectively leverage the revenue from government infrastructure to service loan financing for new developments and for cross-subsidisation across projects
  - Dual demand for scarce technical resources

WATER IS LIFE. PROTECT IT. INVEST IN IT. **Inability to achieve synergy and economies of scale**

# Rationale for the NWRIA

- Due to **FISCAL CONSTRAINTS**, DWS cannot rely on sufficient fiscal support to develop the required infrastructure. An agency would be better positioned than the department to raise funds from sources other than the fiscus.
- Based on its PFMA listing and authority, credit rating and condition of assets, the NWRIA could raise **COMMERCIAL AND DEVELOPMENT FINANCE**, domestically and internationally. For some projects, it could also enter into public-private partnerships.
- The current financial model used by the TCTA, of raising finance backed by off-take agreements and explicit government guarantees, could be expanded by **LEVERAGING THE ASSETS ON THE AGENCY'S BALANCE SHEET** to raise finance without government guarantees.

# Rationale (cont)

## Governance and transparency rationale

- Establishing the NWRIA will **STRENGTHEN GOVERNANCE & TRANSPARENCY** in the water sector by separating the roles of player and referee i.e. DWS will retain responsibility for planning, regulation, policy and price setting, whilst the Agency will build, operate and maintain water resource assets.

## Rationalisation and integration of entities and reduction in fragmentation

- The establishment of the NWRIA will address the current fragmentation of asset management and revenue collection functions for national water resource infrastructure. Currently these functions are fragmented between the TCTA, the WTE and the department, and the establishment of the NWRIA will enable them to be integrated into one entity

# WATER ASSETS AND CURRENT RELATED TARIFF INCOME

	Water resources assets R'bn	Water Tariff Income R'bn	Fiscal Transfer s R'bn	Total income R'bn
WTE - O&M	93	5	1	6
TCTA Implementing 4 projects and managing liabilities on 7 others	68	7	1	8
	160	12	2	14

1. The value of the raw water assets is R93 billion<sup>1</sup>
2. By applying project-finance principles, backed by off-take agreements, explicit and implicit government guarantees, and support from the fiscus, the TCTA is only implementing 4 projects worth R68 billion, which will be complete by 2030.

1. Includes LHWP phase 1 (R15bn) for works in Lesotho
2. LHWP phase 2, uMWP, MCWAP phase 2, and Berg River - Voelmei

# INCREASED INVESTMENT THROUGH THE NWRIA

The funds currently available from the fiscus and the TCTA are insufficient compared to the amount required for water resource infrastructure to meet the country's economic and social needs

- R90bn per annum is required over the next 10 years for developing national water resource infrastructure and water services infrastructure (R32bn per annum specifically for water resources)
- Backlog refurbishment is estimated to require between R36bn and R60bn.
- R6 bn is insufficient to effectively operate and maintain the existing infrastructure

The current TCTA and fiscus funding model is constrained. The TCTA funding model is dependent on government guarantees from NT – and these are limited. There is no more scope for NT to provide more guarantees to the TCTA.

However, once well established with a good credit rating, the NWRIA (incorporating TCTA and WTE and all the water resource infrastructure assets in the WTE) will be able to raise additional funding (or enter into blended finance agreements or other forms of partnership with the private sector) without NT guarantees, on the strength of its balance sheet, credit rating and current and future revenue collection.

This would enable the current build programme would be increased from investing approximately R10bn per year to a **3-FOLD INCREASE** of approximately R30bn a year.

1. R93bn excluding KOBWA and LHWP phase 1 of R17bn

# Assessment of corporate form

	As-is (DWS NWRI+WTE, TCTA)	Government component (GC) +TCTA	Single public entity
Legitimacy			
Good governance			
Effectiveness			
Efficiency			
Equity			
Effective use of financial resources including funding of social projects			
Effective development, operation and management of infrastructure			
Human resources management			
Dam safety risk management			

# Preferred option

- A single public entity which will enable:
  - separation of policy and regulatory functions (including the regulation of dam safety) from infrastructure implementation functions
  - leveraging of revenue from national water resources infrastructure assets to raise further capital for economic and social infrastructure development at competitive rates
  - management of the full infrastructure function on sound business principles;
  - stronger platform for the attraction and retention of scarce technical skills, particularly black professionals;
  - more agile and flexible institution that can respond to the challenges and issues in the sector more effectively;
  - adoption of more efficient procurement processes.

# Schedule 2 Public Entity

- NWRIA to be
  - incorporated as a state-owned company in terms of the Companies Act
  - listed as a major public entity in Schedule 2 of the Public Finance Management Act
    - intended to generate profits and may be required to declare dividends
    - run in accordance with general business principles
    - expected to perform a dual commercial and developmental mandate
    - have extensive borrowing powers
    - financially independent with clear control over a specified area of commercial activity
    - created through an Act of Parliament with defined powers and functions
  - TCTA is currently listed as a Schedule 2 entity

# Proposed Role and Functions of the NWRIA

- Primary role of the NWRIA: to *finance, plan, develop, operate and maintain national water resources infrastructure in an efficient and effective manner to meet the social and economic development needs of current and future users, while achieving the objectives of integrated water resources management.*
- In the interim, will manage water resources infrastructure of a non-national nature currently managed by DWS, pending its transfer to other institutions such as Water Boards, water user associations or municipalities.
- Will undertake tasks related to its primary function, specifically delegated to it by Minister, for which budget exists

# National Infrastructure

- National Water Resources Strategy (NWRS) (2004) defines national infrastructure as: *"schemes that are of wider importance (than local schemes) because they transfer water across national boundaries or between water management areas, serve multiple user sectors or large geographic areas, comprise several interconnected catchments, or serve a strategic purpose, such as the generation of electricity for the national grid"*.
- Infrastructure in Trading Account 2, some in Trading Account 3
  - will be operated by the NWRIA in the long term, and includes:
    - Systems and schemes of strategic importance (supplying strategic water users),
    - Systems which transfer water across provincial or international boundaries,
    - Systems that transfer water between river basins or WMAs, and
    - Systems supplying competing user groups such as towns, mines and agriculture.
- Balance of Trading Account 3: earmarked for transfer to other institutions  
Water quality management related water resources infrastructure of national importance

# Mandate of the NWRIA

- To administer, fund, finance, design, provide, operate, maintain and provide advisory services in respect of national water resources infrastructure
- NWRIA objects are to develop and manage infrastructure to—
  - ensure a sustainable, equitable and reliable supply of water
  - where appropriate, contribute to the management of water pollution through infrastructure development
  - where appropriate provide support to other water services and water management institutions to reduce water losses and non-revenue water
  - meet obligations set out in section 27(1)(b) of Constitution and national and regional social and economic objectives of government policy;
  - utilise its asset base and cash-flow to raise financing to develop infrastructure for social and economic development purposes; and
  - recover in full or in part the costs of infrastructure development, operation and maintenance of the NWRIA by means of water tariffs and water use charges in alignment with Part 1 of Chapter 5 of the National Water Act.

# Functions of the NWRIA

- Develop and manage national water resources infrastructure
  - Plan and design augmentation options as identified through water resources planning processes within DWS
  - Develop and operate national water resources infrastructure with both social and economic characteristics;
  - Conduct planned maintenance and refurbishment on national water resources infrastructure and ensure that such infrastructure is compliant with national dam safety regulations
- Ensure the financially sustainable management and development of national water resources infrastructure
  - Generate revenue from the sale of water as its primary source of income
  - Develop options to increase revenue sources
  - Access commercial funding directly on the strength of its balance sheet and operational cash flows (actual and projected) for infrastructure development

# Functions of the NWRIA

- Implement nature based solutions in upstream catchments where this will improve water reliability or water quality
- Develop appropriate capacity for the effective functioning of the NWRIA and
- Contribute to the economic development and transformation of South Africa as set out in national policy and the National Development Plan.

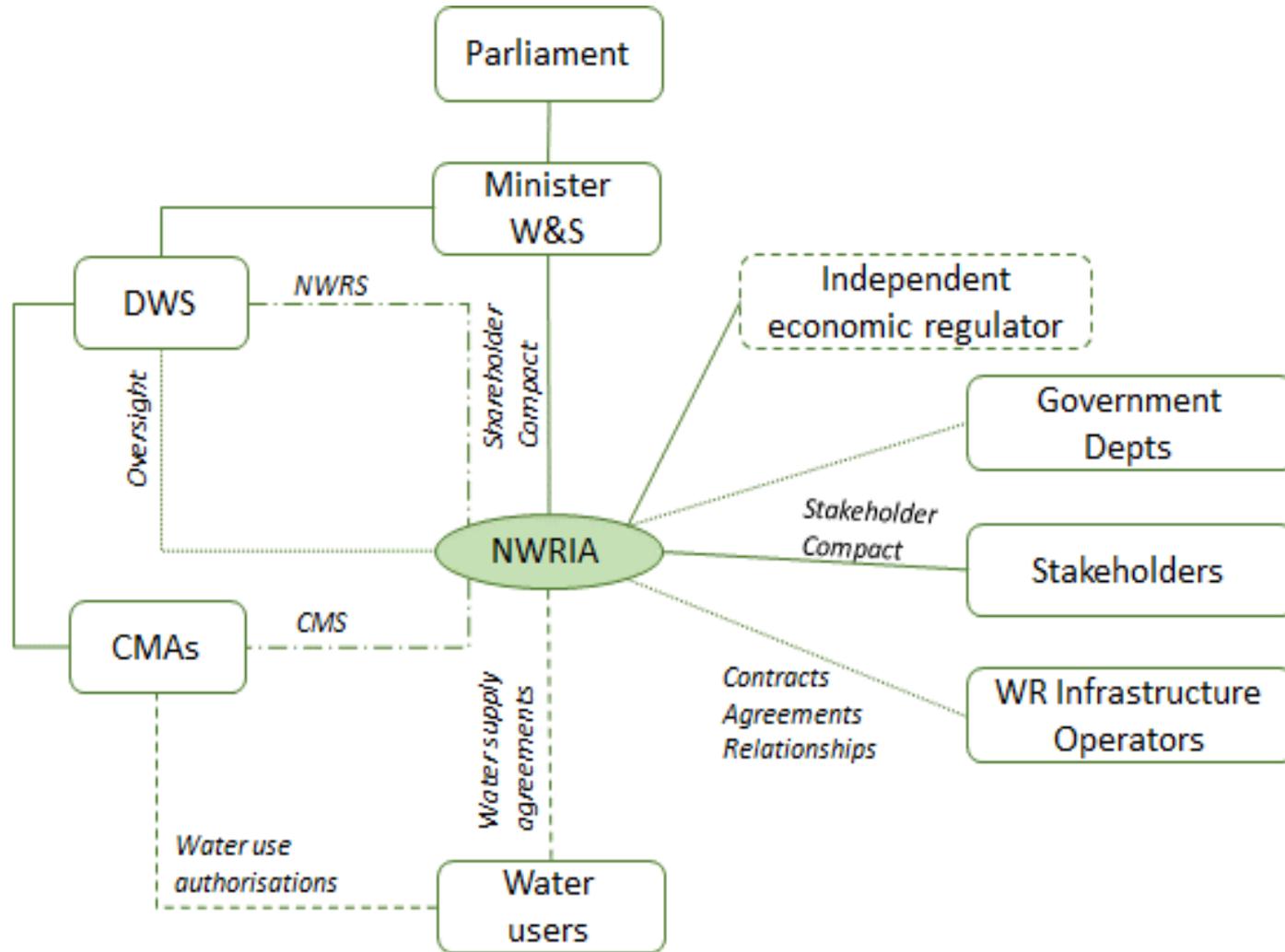
# Relevant functions retained by DWS

- *National Water Resources Planning*
  - DWS will conduct reconciliation and augmentation planning for water resources - national planning required to close a deficit arising from a reconciliation exercise, encompassing both supply and demand-side measures.
  - DWS will conduct water quality planning
  - DWS will establish framework / rules for reservoir system operation to meet DWS's WRM objectives.
- *Water Use Allocation and Authorisation*
  - DWS (and/or CMAs) will allocate and authorise water use
  - DWS will maintain the national Water Authorisations Registration and Management System (WARMS)
  - DWS will authorise national infrastructure development through a formal Record of Decision.
  - DWS will regulate dam safety for infrastructure operated by the NWRIA.

# Relevant functions retained by DWS

- *Institutional Oversight / Regulation*
  - Review of shareholder compact prior to approval by Minister
  - Review of NWRIA Corporate Plan and annual projections of revenue, expenditure and borrowings in terms of the PFMA.
  - DWS (or an independent regulator, should this be established) will review water use charges for infrastructure development and operation proposed by NWRIA in line with the raw water pricing strategy
    - Minister will approve and gazette the charges in annual tariff tables.
  - Monitoring and auditing the NWRIA's compliance with national policy, legislation and strategy (including catchment management strategies).
  - Running the process for the selection of Board members of the NWRIA. Nominations to the Board will be submitted by the Minister for Cabinet approval.

# Institutional arrangements



# Financial Viability – Base Case Assumptions

- Transfer of operating businesses (Government Water Schemes of WTE and NWRIB, excluding Construction Unit) from DWS; and TCTA, to NWRIA
  - Including non-national government water schemes.
- Transfer of all staff and assets to NWRIA under existing terms and conditions.
- Application of current Water Pricing Strategy.
- Transfer of existing borrowings, borrowing authority and explicit government guarantees into NWRIA.
- TCTA's existing authorised projects continue to be implemented according to current agreements and conditions
- All existing arrangements and protocols relating to implementation of Lesotho Highlands Water Project (LHWP) are transferred to NWRIA
- Existing liabilities and commitments, less impairments, are transferred to NWRIA

# Financial Viability – Base Case Assumptions

- Minister may request NWRIA to undertake other water projects within the framework of s.103 of the National Water Act 1998, on a cost-recovery basis, including direct staff costs and market related equipment lease costs.
- NWRIA will only implement new projects set out in DWSs approved Annual Performance Plan 2021 (APP) where fiscal allocations for social portions of projects are included in Medium Term Expenditure Framework (MTEF).
- Expenditure to address backlog in refurbishment (including renewal where necessary) of existing infrastructure is limited to budgets in the APP, will be applied to critical facilities with highest risk to water security and highest impact on socio-economic outcomes.
- NWRIA will monitor and manage risks of refurbishment and renewal backlogs, improve operations and maintenance of assets, to mitigate service interruptions and infrastructure failures.

# Financial Viability – Base Case Assumptions

- Uses consolidated accounts of TCTA and WTE for past 5 years (to end March 2021) as basis for modeling NWRIA finances for next 30 years.
- Annual revenue collection is projected at 80%.
- Fiscal contributions to social portions of new build projects and to WTE for new build, backlogs and maintenance, based on current MTEF allocations, are continued for the next 30 years and will increase annually with CPI.
- Depreciation is calculated for all existing schemes of NWRIA and for all construction projects from date of operational commissioning. Current average age of the assets is 39% of their useful life.
- Interest on bad debts is provided for at 8.9% per annum but this is generally impaired or written-off when payment is received.

# Current asset portfolio of NWRIA

- 264 existing Government Water Schemes (GWS)
- 17 new projects
- Of existing GWS:
  - 76 provisionally identified as core National Water Resource Infrastructure
- Share of core and non-core asset value, revenue and expenditure is:

Description	R'mil	Core GWSs	Non-core GWSs
Asset values: Property, Plant & Equipment (PPE) excluding intangible assets of LHWP and KOBWA	75 963	77%	23%
Asset values: PPE including intangible assets of LWHP and KOBWA	93 113	81%	19%
Prioritised refurbishment backlogs	19 000	42%	58%
Revenue	11 321	97%	3%
Fiscal grants (excluding new projects)	974	37%	63%
Operating expenditure	3 013	85%	15%
Employee costs	1 639	58%	42%

# TCTA

NWRIA will continue with implementation of 4 projects assigned to TCTA by Minister:

PROJECT	<u>Cost</u> <u>2021-Values</u>	Constructio n start	Period of construction
	R'mil	Year	Years
<b>EXISTING TCTA PROJECTS IN IMPLEMENTATION PHASE</b>			
LHWP - Phase 2	32 000	2017	11
uMWP - Phase 1	23 800	2022	7
MWCAP - Phase 2	10 932	2022	8
Berg River - Voëlvlei (BRVAS)	858	2022	5
<b>SUB TOTAL</b>	<b>67 590</b>		

# DWS projects

NWRRIA will continue with 13 funded projects included in DWS APP

PROJECT	<u>Cost</u> <u>2021-</u> <u>Values</u>	Constructio n start	Period of construction	
	R'mil	Year	Years	
<b>EXISTING DWS PROJECTS</b>				
Dam Safety Rehabilitation Programme	2 800	2021	18	
Thukela – Goedertrouw Emergency Water Transfer Scheme	536	2018	7	
Groot Letaba Water Augmentation Project – Phase1 (Tzaneen Dam)	167	2017	8	
Groot Letaba Water Augmentation Project – Phase 2 (Nwamitwa Dam)	2 949	2021	TBC	
ORWRDP – Phase 2D	2 382	2021	10	
ORWRDP – Phase 2E	618	2036	5	
ORWRDP – Phase 2F	2 696	2036	5	
Orange-Fish-Sundays River Government Water Scheme: Phase 1B - Coerney Dam	553	2022	4	
Lusikisiki Regional Water Supply: Zalu Dam	2 770	2025	8	
Clanwilliam Dam Raising	3 500	2018	8	
Mdloti River: Raising of Hazelmere Dam	110	TBC	TBC	
Foxwood Dam	3 350	2030	5	
Mzimvubu Water Project	23	12 380	2035	10
<b>SUB TOTAL</b>	<b>34 811</b>			



# Debt and revenue

## Management of existing project debt

- NWRIA will continue to manage debt of projects it has completed and transferred to DWS (except LHWP Phase 1 - responsibility of LHDA)

## Revenue collection

- Revenue collection will be transferred to NWRIA
- Bad debts amount to R20.7bn, (about 1.5 year's annual revenue)
  - Revenue collection averaged 73% in 2017-2021, improving to around 80% in 2021, supplemented by recovery of previous years debt
  - About R11bn of bad debt has been impaired
  - DWS is responsible for collecting revenues, no shortfall transferred to TCTA - basis for TCTA's 'implicit guarantee' to lenders.
  - DWS has used O&M budget to cover shortfalls, impacting on maintenance and increasing refurbishment needs
  - Either revenue collection must improve or costs must be passed to existing end-users through increased tariffs or additional fiscal allocations will be needed.

# Projected 5 year cashflow

- Considerable variability in revenue (R11.9bn – 18.7bn).
- Initiation of LHWP Phase 2 is associated with substantial CAPEX outflows and financing inflows as implementation proceeds - net cash decreases from R10.6bn to R5.4bn over the period.
- O&M expenditure capped to MTEF levels for 2022 to 2024 - continues at that level + CPI adjustments
  - expenditure on maintenance is underfunded by  $\pm$ R1 billion per annum.

# Project 5-year income statement

- Total revenue increases, following the cash flow trends, with additional increases accounted for principally by provision for construction revenue (R0.2bn – R0.3bn) and interest on bad debts (R0.9bn – R1.2bn). Together with the capping of O&M, refurbishments etc. (as per MTEF), this results in a surplus of between R3bn to R5bn annually, with a 2026 value of R4.8bn. This surplus is needed in the short-term to cover loan repayments.

# Projected 5 year balance sheet

- Total assets grow from R115bn to R182bn in 2026 , with a large growth in intangibles reflecting the assets under construction (AUC) of the LHWP Phase 2. Similarly, total borrowings (current and non-current) increase from R19.9bn to R49bn, primarily due to the construction of LHWP Phase 2, with a smaller contribution to other TCTA projects under construction.
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# Summary

- **Cashflow projections:**
- Annual revenue collected grows from R12bn to R49bn over the next 30 years with fiscal contributions are capped to current MTEF levels (both CPI based)
- Admin, employee and O&M costs are capped to current MTEF budgets and escalated by CPI thereafter
- Royalties are adjusted when LHWP Phase 2 is commissioned and other capital expenditure on new schemes, refurbishment and renewal is included
- **Net cash flows are positive for first 5 years, fluctuating from 2022 to 2029, and near zero until 2040, whereafter they become positive.**

# Summary (cont)

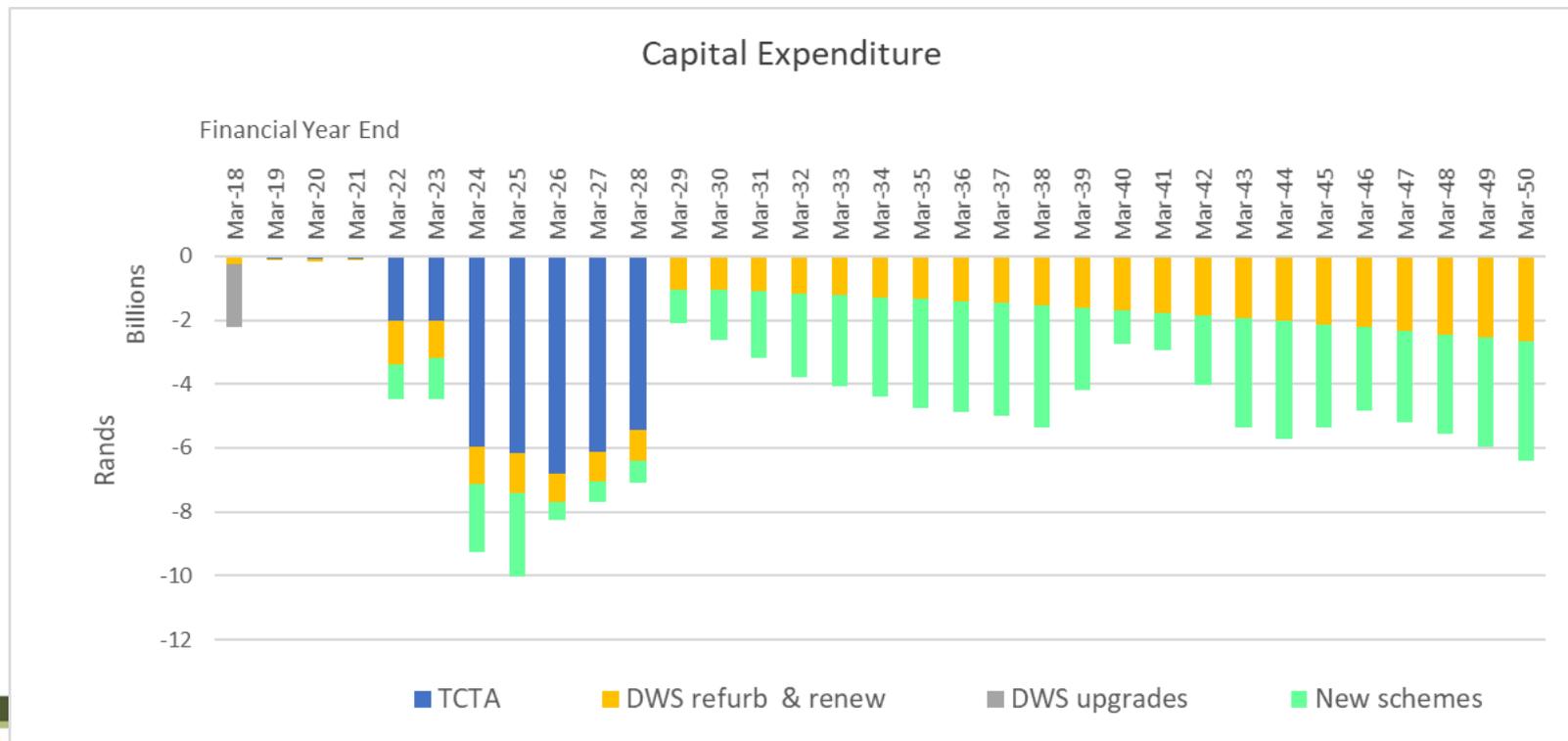
- **Financial income**
  - in surplus until 2030
  - moves into deficit between 2030 to 2040
  - returns to surplus from 2040 to 2050.
- 
- **Overall financial position**
  - negative annual change in current assets of between R1bn to R2bn until 2040, whereafter it becomes positive
    - capital program reduces and total assets grow from R115bn to R128bn in 2050
  - Total borrowing (current and non-current) increases from R20bn to R50bn in 2030 and remains there until 2040, whereafter it declines to R4bn by 2050.

# Viability of NWRIA

- Debt repayment can be achieved soon after 2050, if assumed levels of revenue collection and cost curtailments are maintained.
- Ability to service debts within the 20-year repayment period confirmed

# Capital expenditure trends under base case assumptions

Trends of annual capital expenditure for implementation of capital programmes illustrate significant variability in the rate of capital investment.



# Key financial indicators

- Indicators show steady growth in assets as well as a consistently high level of liquidity
  - supportive of assertion that NWRIA has potential to be a sound and viable business operation
- Indicators show a business structured and operated under the base case assumptions will be viable over the 30-year period
  - Operating cashflow is positive, varying between R6bn and R11bn.
  - Liquidity remains positive throughout the 30-year projection period.
  - Balance sheet shows both assets and liabilities are growing with a positive net effect (increase in equity over time).
  - Debt/Asset ratio varies between 23% and 35%, falling substantially toward the end of the period, illustrating a growing capacity to take on additional debt to fund new investment.

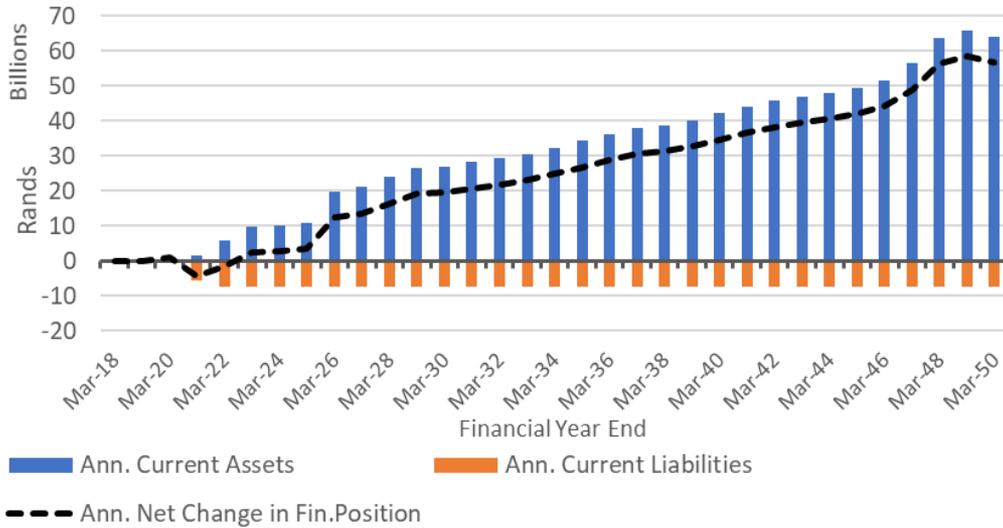
# Feasibility - conclusion

- The NWRIA will be able to develop and operate the base case investment programme, subject to the assumptions presented and a sensitivity analysis:
  - assumed that NWRIA can raise finance against the assets on its balance sheet and the revenue derived from them rather than on project finance basis currently used by TCTA
    - will depend on credit rating of NWRIA
  - base case assumes 264 GWS transferred to NWRIA; NWRIA will continue to operate, maintain, refurbish, renew and upgrade these schemes until transferred to other institutions

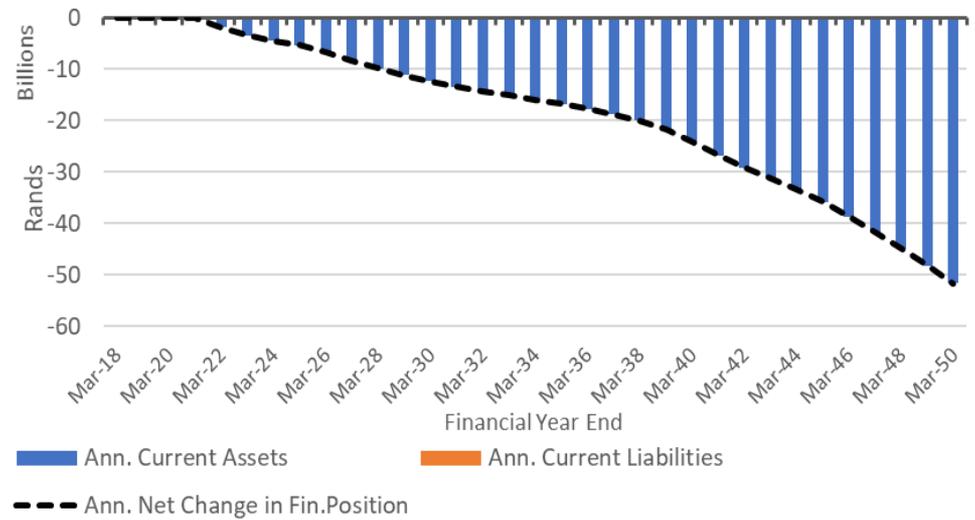
# Core and non-core schemes

- Substantial differences in financial position and refurbishment backlogs in core and non-core schemes
  - Analysis shows cash flow of non-core schemes is negative throughout 30-year period
  - Transferring non-core schemes out of the NWRIA would substantially increase its cash surpluses and borrowing capacity
  - This requires prior refurbishment

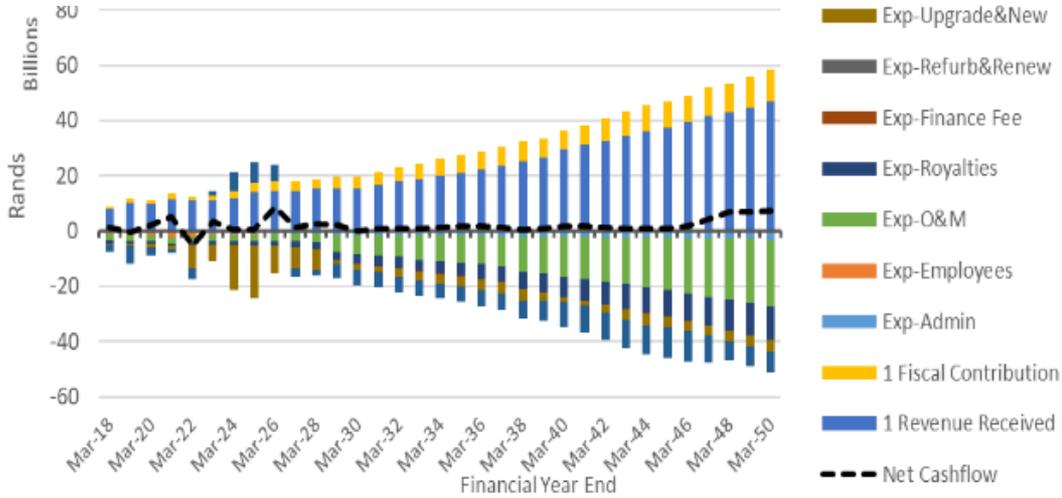
## Statement of annual change in current financial position: core schemes



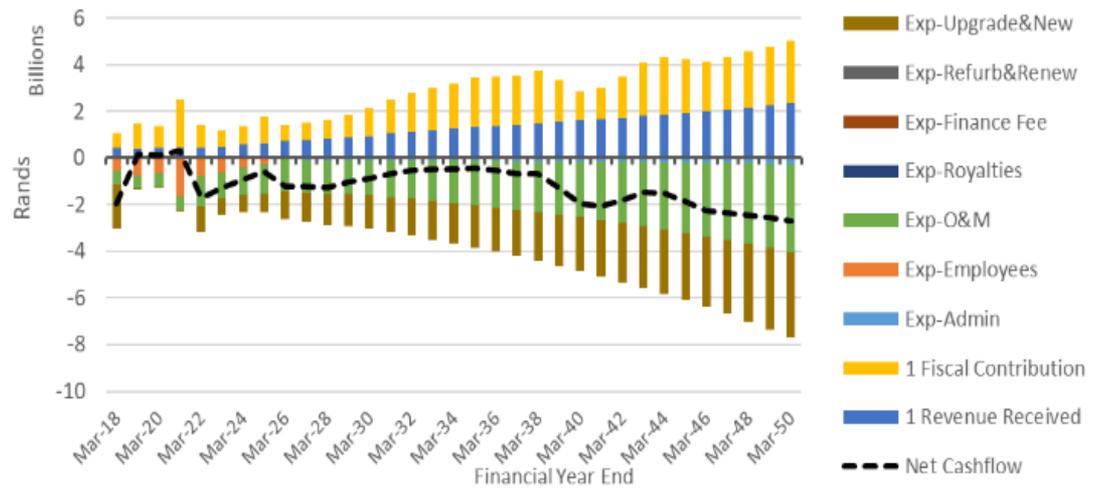
## Statement of annual change in current financial position: non-core schemes



## Statement of Annual Financial Cashflow – Core Schemes



## Statement of Annual Financial Cashflow – Non-core Schemes



# Water pricing and regulation

- Tariffs for bulk raw water applicable to the NWRRIA will be set according to the Raw Water Pricing Strategy
- There are proposals to establish an independent economic regulator for water;
- Currently DWS regulatory unit is being ring-fenced and strengthened to create the required capacity.
- Raw Water Pricing Strategy is under review
  - Financial model makes it possible for financial impact of new proposals to be rapidly evaluated

# Revenue collection

- Currently a risk for TCTA and DWS
  - current level of bad debts (approximately R20bn)
  - concerted effort needed by all parties to collect outstanding revenue
  - continued robust approach needed ensure that under-collection of revenue does not undermine effective operation of the NWRIA.
- Increasing internal efficiencies to be an explicit performance objective
- NWRIA to engage with DWS, NT and COGTA, water users to consider the best approach to deal with non-payment
- Revenue collection levels average 80%
  - larger, national schemes are above the average
  - smaller schemes and ‘social’ schemes average between 50% and 70%

# Budget augmentation

- Continued provision of budgetary support is critical to successful functioning of NWRIA
  - Relevant requirements provided for in the current MTEF allocations
  - If continued into the future at present levels +CPI and NWRIA implementation proceeds on schedule, this will allow:
    - Full infrastructure maintenance from 2026, halting growth in refurbishment backlogs;
    - Cap on ongoing refurbishment and renewals to be lifted for additional renewals;
    - Other surpluses to be allocated refurbishment and renewals backlog which currently total R35.5bn of which R19bn has been prioritised
  - Net funding shortfall of R1.8bn per annum to address the full backlogs
    - will be addressed through improved revenue collection, recovery of bad debt and tariff adjustments
- 58% of prioritised refurbishment is 'non-core' GWS

# Financial viability conclusion

- The base case for the establishment of the NWRIA is **financially viable** and **operationally justifiable**.
  - NWRIA will require ongoing fiscal support to address refurbishment and renewal backlogs
    - ‘social’ policy purposes of non-core GWSs should be recognised and supported either in NWRIA or by transfer to other institutions
    - Without adequate fiscal support, cashflow projections show that surpluses adequate to address the full backlogs will only be generated after **2040**.
    - High priority to be given to improved revenue collection and tariff adjustments over the first 3 years to ensure that prioritised refurbishment is addressed in 10 years.

# Financial viability conclusion

- **Priority actions** to achieve longer-term sustainability include:
  - Investigate potential for balance-sheet based funding to reduce borrowing costs and risks and provide greater flexibility.
  - Establish acceptable guarantee or “support” framework to replace the ‘implicit’ guarantee regime on existing TCTA projects.
  - Introduce new pricing strategy to achieve cost-reflective revenue collection across all schemes.
  - Conduct viability assessments at scheme-level and design comprehensive intervention and support package for sustainable socio-economic water use.
  - Increase maintenance expenditure to R1.5bn per annum.
  - Curtail increase in bad debt and pursue aggressively further collection of aged debts (currently R20bn).
  - Conduct detailed condition assessments on strategic assets with a life of less than 10 years, to determine priority refurbishments/ renewals.

# Governance arrangements

- Governance and oversight of NWRIA will be facilitated through several inter-related mechanisms:
  - Parliamentary oversight through Portfolio Committee on water and SCOPA.
  - Ministerial and DWS oversight, through Shareholder's Compact, specific project mandates, requirements of water sector policy, legislation and strategy and economic regulation.
  - Annual audits by the Auditor General
  - Board control through governance responsibilities, fiduciary duties and risk management
  - Internal Audit within the NWRIA, reporting directly to the Board.
  - Organisational structure that follows business strategy, and promotes effective checks and balances including transparent and resilient recruitment and selection and performance management processes,
  - Strong and clear governance policies, systems, procedures and controls.

# Role of Board

- The Board is accounting authority of NWRIA as contemplated in section 49 of the Public Finance Management Act, responsible for:
  - strategic direction of NWRIA
  - ensuring sustainable functioning of the NWRIA including through management of risk
- Board is accountable to Minister and must adhere to good corporate governance principles.
- Board will consist of between nine and eleven executive and non-executive members
  - appointed by Minister and approved by Cabinet
  - Minister will appoint the Chair and Deputy Chair

# Committees of Board

- Board must establish committees to support its effective functioning
- Structure of committees will be determined by the Board, but they should deal with the following functions –
  - Audit
  - Risk
  - Human Resources
  - Finance
  - Procurement
  - Technical
  - Remuneration
  - Nominations
  - Governance and
  - Social and Ethics.

# Transitional arrangements

- Transition calls for an overarching change management plan, staff transfer plan, asset transfer strategy and communication plan.
- Where functions are transferred, they will be accompanied by the transfer of budgets.
- The lenders to TCTA projects will be consulted and briefed on the establishment of the NWRIA, and kept informed of developments
  - restructuring of TCTA is listed as a condition for early loan repayment in most loan covenants - vital to assuage lender concerns
- Organised labour in both organisations will be engaged, at the institutional and national levels, and consulted throughout migration process.

# Transitional arrangements

- Steps
  - Approval of business case
  - Legislation tabled in Parliament
  - Consultations with organised labour and lenders
  - NWRIA to be established as a legal entity
  - Minister to appoint Board and Chairperson
  - CEO to be appointed
  - Assets, staff and financial resources of the TCTA, the NWRIB, WTE and Options Analysis function to be transferred into NWRIA
    - Staff will be transferred under section 197 of the Labour Relations Act.
  - Board and CEO to conduct detailed organisational design for NWRIA, with appropriate job descriptions and gradings and skills analysis to assist in placing staff in appropriate positions.

# Transitional arrangements

- Once employees, assets and obligations have been transitioned and transferred from the TCTA to the NWRIA, the TCTA will be dis-established.
- Under leadership of Board, a multi-year corporate strategy, investment plan and budget to be prepared, for approval by Minister.

2022: Business Case approved

2022: NWRIA Bill tabled in Cabinet

2022: Migration of staff and assets prepared

2023: NWRIA Act passed

2023: Legal establishment completed, Board appointed

2023: Staff, assets etc transferred to NWRIA

2023: NWRIA begins operation

# Organisational design

- Organisational design process will follow the intent and strategy of establishing a progressive, modern and cost-effective NWRIA
  - Will be informed by the business strategy
  - Leading practice, benchmarking and fit-for-purpose underpinnings will be used
  - Must enable good corporate governance through clear segregation of duties, in NWRIA, but also as it relates to DWS.
  - Must enable effective service delivery and aim to achieve efficiency and effectiveness.
  - Must offer well-designed, consistent, fair and transparent proposal on conditions of service package.
  - Ensure appropriate consultation with key stakeholders

# Human resource management

- Key to success of NWRIA is implementation of robust, fair and transformative human resource processes
  - merging of two different institutional cultures and HR systems
  - promoting the NWRIA as an employer of choice
  - complying with provisions of all applicable legislation such as the BCEA, LRA, POPIA Act, Skills Development Act, and the Employment Equity Act

# Staff transfer

- Staff will be transferred into the NWRIA according to Section 197 of the Labour Relations Act (1995)
  - Individuals are obliged to transfer to the new employer provided there are substantively similar conditions of service
  - provided the organisation can show that the division/section was:
    - taken over as a going concern and that
    - the new conditions of service are not prejudicial to the employee.

# Remuneration and grading

- The following will be developed:
  - job profiles in line with proposed strategy and structure
  - applicable grades
  - strategic pay plan with supporting budget
  - alignment of salaries and pay positioning
- This will be done once the NWRIA is established and staff have been transferred.
-

# Human resources management

- Human Resources team to project manage processes:
  - completion and logging of relevant documentation
  - withdrawal of personnel files
  - receipt of banking details
  - termination of salaries on Persal
  - determining discharge dates and informing of Finance Section
  - withdrawal from medical scheme/s
  - confirmation of staff loans
  - acquisition of leave records
  - issuing of UIF and service certificates
  - obtaining tax directives and calculation final payments

# Change management support

- Change management team
  - to conduct ongoing sessions to obtain feedback from staff and to facilitate positive and open environment for change.
  - Identify mechanisms to be put in place to deal with the change process which such as:
    - counselling for staff
    - outplacement services
    - retraining of staff
    - upskilling of staff.

# Contents of the NWRIA bill

## **DEFINITIONS AND PURPOSE**

1. Definitions and Interpretation
2. Purpose of Act

## **CHAPTER 2: ESTABLISHMENT OF NWRIA**

3. Establishment of NWRIA
4. Memorandum and articles of association of NWRIA
5. Application of Companies Act to NWRIA
6. Objects of NWRIA
7. Functions of NWRIA

# Contents of NWRIA bill

## CHAPTER 3: GOVERNANCE OF NWRIA

8. Governance and Composition of Board
9. Role of Board
10. Principles to guide the Board
11. Appointment to Board
12. Chairperson and deputy chairperson
13. Term of office and conditions of appointment of non-executive Board members
14. Removal and disqualification of Board member
15. Filling of vacancies
16. Shareholder's compact
17. Establishment of committees
18. Fiduciary duties of Board members
19. Disclosure of interest of Board members
20. Recovery of improper profits
21. Validity of decisions
22. Delegation of functions by Board
23. Meetings of Board

# Contents of NWRIA bill

## **CHAPTER 4: CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER**

- 24. Appointment of Chief Executive Officer and Chief Financial Officer
- 25. Term of office and condition of appointment of Chief Executive Officer and Chief Financial Officer
- 26. Appointment of acting Chief Executive Officer and acting Chief Financial Officer
- 27. Interim Chief Executive Officer
- 28. Suspension from office of Chief Executive Officer
- 29. Delegation by Chief Executive Officer
- 30. Appointment of employees

## **CHAPTER 5: FINANCIAL MATTERS, REPORTING AND ACCOUNTABILITY**

- 31. Financing
- 32. Government support to the NWRIA and loans by the NWRIA and subsidiaries
- 33. Annual budget, long term financial plan and corporate plan
- 34. Submission of quarterly reports and corporate plans
- 35. Financial statements and annual report
- 36. Application of the PFMA to the NWRIA
- 37. Board to notify Minister of significant events

# Contents of NWRIA bill

## **CHAPTER 6: TRANSFER OF NATIONAL WATER RESOURCES INFRASTRUCTURE AND DISESTABLISHMENT OF TCTA**

- 38. Transfer of national water resources infrastructure
- 39. Disestablishment of TCTA
- 40. Registering of real rights
- 41. Transfer of personal servitudes
- 42. Disposing of national water resources infrastructure by NWRIA
- 43. Acquiring State land

## **CHAPTER 7: POWERS OF MINISTER**

- 44. Delegation by Minister
- 45. Additional functions
- 46. Expropriation by Minister
- 47. Investigation of the NWRIA
- 48. Intervention by Minister
- 49. Regulations

# Contents of NWRIA bill

## CHAPTER 8: MISCELLANEOUS PROVISIONS

- 50. Subsidiary company
- 51. Liquidation
- 52. Documents relating to litigation against NWRIA
- 53. Transitional provisions and savings
- 54. Offences and penalties
- 55. Short title and commencement

# Thank You



water & sanitation

Department:  
Water and Sanitation  
**REPUBLIC OF SOUTH AFRICA**