

## **2018 DIVISION OF REVENUE BILL**

### **Additional Information for the Select Committee on Appropriations on bulk water and health infrastructure projects**



#### ***BACKGROUND***

National Treasury presented a briefing on the 2018 Division of Revenue Bill to Members of the Select Committee on Appropriations on 20 March 2018. During the briefing members of the Committee requested additional information on bulk water projects in Mamusa Local Municipality in North West and Mopani District Municipality in Limpopo as well as the Tshildzini and Siloam Hospitals in Limpopo. This information could not be provided during the meeting so National Treasury offered to submit further information in a written input to the Committee.

#### ***BULK WATER PROJECTS***

Members of the committee were concerned that, although the 2018 Budget includes a R6 billion provisional allocation for drought relief and infrastructure projects, there are many areas in the country where there is still no reliable water supply. Two examples were cited by the Committee, one in Mamusa Local Municipality and the other in Mopani District Municipality. National Treasury undertook to verify whether plans are in place to provide an improved water supply in these areas.

#### ***Mamusa Local Municipality***

The Regional Bulk Infrastructure Grant is currently funding the Greater Mamusa Bulk Water Supply project. The project is being implemented through the Schedule 5, Part B (direct) allocations for this grant, with Dr Ruth Segomotsi Mompoti District Municipality as the receiving officer responsible for implementing the project.

The Department of Water and Sanitation reports that the primary focus of the project is to augment bulk water supply to the towns of Bloemhof and Schweizer-Reneke and their peri-urban villages, within the Lekwa-Teemane and Mamusa Local Municipalities in the North West Province. The project aims to increase the capacity of the water treatment works and to improve bulk water distribution to the region. The project consists of five main components namely the refurbishment of the existing Bloemhof Water Treatment Works, upgrade of the Bloemhof Abstraction Works, the upgrade of the Bloemhof Water Treatment Works (WTW), the construction of a bulk pipeline from Bloemhof WTW to Schweizer-Reneke and the increase of the bulk water storage facility of Schweizer-Reneke. The increase of the Schweizer-Reneke bulk storage facility was initially not part of the project but was included recently. Due to a water crisis in Bloemhof in May 2014, the implementation schedule of the programme was changed and the technical emergency task group recommended that the refurbishment of the WTW be prioritised to address the crisis. The first component (refurbishment of the Bloemhof Water Treatment Works) has been completed. Up to the end of 2017/18 a total of R121 million was allocated to this project. Over the 2018 MTEF a further R135 million is allocated for this project (R45 million in 2018/19, R40 million in 2019/20 and R50 million in 2020/21).

In addition, Dr. Ruth Segomotsi Mompoti District Municipality, which is the water services authority for the area, receives an allocation of R130 million in 2018/19 through the Municipal

Infrastructure Grant for water and sanitation infrastructure projects in the district. These funds can be used to upgrade water and sanitation supply in the area.

### ***Mopani District Municipality***

After the Nandoni Dam was completed, it was expected that bulk water from the dam would be used to supply communities in the Mopani District Municipality's area of jurisdiction. Although there have been several delays in the implementation of these bulk supply projects, the Regional Bulk Infrastructure Grant is currently funding four bulk water supply projects in the Mopani District Municipality, with allocations totaling R332.9 million in 2018/19, R209 million in 2019/20 and R329.6 million in 2020/21 (all indirect allocations in Schedule 6, Part B).

The Department of Water and Sanitation reports that the Nandoni-Nsami bulk pipeline project faced several legal challenges when it was being implemented by Mopani District Municipality, including being declared void ab initio<sup>1</sup> by the Supreme Court. The Department of Water and Sanitation therefore decided in 2014 to complete the implementation of the project as an indirect grant, with Lepelle Northern Water as the implementing agent. The engineering design of the project was completed in 2015. A contractor was appointed in 2016. After delays due to problems with the payment of the appointed contractor, the contractor returned to site on 4 December 2017 (after all outstanding invoices were paid). The project is expected to take 24 months, but after all of the interruptions, a new expected completion date still needs to be determined.

In addition, Mopani District Municipality, which is the water services authority for the area, receives an allocation of R439.5 million in 2018/19 for water and sanitation infrastructure projects in the district through the Municipal Infrastructure Grant. These funds can be used to upgrade water and sanitation supply in the area.

### ***TSHILIDZINI AND SILOAM HOSPITALS IN LIMPOPO***

The Committee raised concerns about the pace of the NHI reform, particularly two hospitals (Tshilidzini and Siloam) which were part of the NHI pilot site in Limpopo. The concern was that there has not been any movement to date on the upgrading of these two hospitals to ensure that they are conducive to the pilot activities.

The national Department of Health has compiled businesses cases for Siloam and Tshilidzini hospitals. Siloam Hospital has also recently undergone a gateway review in terms of the Standard for Infrastructure Procurement and Delivery Management. National Treasury and the national Department of Health are currently discussing these business cases, it is important that proper research and planning is done to avoid wastage, excessive costs and to ensure the correct distribution of services in Limpopo. For instance, in the case of Tshilidzini Hospital, National Treasury has noted significant differences between the 10-year infrastructure plan and the business case (e.g. Tshilidzini business case suggests 262 district beds and 294 regional beds are needed, while the 10-year infrastructure plan proposes 225 district beds and 536 regional beds, with no clear link between the facility's envisaged services and surrounding facilities including Siloam and Donald Fraser). Neither business case adequately examines the overall need and distribution of regional beds in the province, which partly reflects limited planning for hospital bed planning capacity in the national Department of Health. Once the planning processes have been completed, appropriate funding instruments can be considered.

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<sup>1</sup> The term void ab initio means "to be treated as invalid from the outset,"