**Report of the Portfolio Committee on Water and Sanitation on the Oversight Visit to Eastern Cape Province, dated 8 March 2022**

The Portfolio Committee on Water and Sanitation conducted an oversight visit in Eastern Cape from 24-27 January 2022 and reports as follows:

1. **Background and Introduction**

The South African Constitution of 1996 and relevant parliamentary rules empower the Portfolio Committee on Water and Sanitation (Committee) to oversee any work of an executive organ of state that falls within its portfolio. The oversight is mainly through briefings by the state organs, such as Departments and their entities and visits to projects (physical inspection of projects). The Eastern Cape visit falls within the ambit of fulfilling the aforementioned constitutional mandate.

## Objectives of the oversight

The visit’s objectives were to assess water and sanitation challenges, incorporating inspections of existing large build bulk water projects, such as dams, the scope, nature and efficacy of existing desalination plants and eradication of the bucket system. Furthermore, to assess current large water infrastructure projects, desalination projects in Port Alfred and the recently-launched plant in Alexander, and future bulk water infrastructure projects, such as the long-awaited Mzimvubu Dam, to alleviate the current water crisis and ensure the future sustainability of water provision in the Eastern Cape.

1. **Delegation**

The list provided below provides the names of delegates that were part of the oversight visit in the Eastern Cape.

**3.1 Portfolio Committee on Water and Sanitation**

Members

Hon. R. Mashego (ANC) (Chairperson of the Committee) Hon. N. Sihlwayi, (ANC)

Hon. G. Tseke, (ANC) Hon. G Hendricks, (Al Jama- ah)

Support Staff

Ms N Bavuma -Committee Secretary Ms S Dawood-Content Advisor

Mr T. Manungufala -Committee Researcher Mr M Dumezweni – Committee Assistant

**Department of Water and Sanitation**

Ms P Makhanya-Provincial Head: Eastern Cape Province

Ms L Lusenga- Deputy Director-General: Regional Coordination and International Cooperation

Mr T Tladi- Project Manager: Infrastructure Development

Ms S Seroka- Senior Administration Officer: Water Services Infrastructure Development Grants

Mr R Mtileni - Chief Director: Water Services

Ms J Mapupa -Director- Committee and Structures Governance

**Amatola Water Board**

Ms M Makgae- Chairperson

Mr S Qweleka- Acting Chief Executive Officer

 **Quality Filtration Systems (QFS)**

MsMNdlovu:Engineer and Director

MrS Chaney: Maintenance Manager

Mr T Ndlovu: Media

## Briefings and site visits

The Department of Water and Sanitation convened the oversight visit with a high-level presentation on the situational analysis of water and sanitation in the Eastern Cape. The Portfolio Committee visited the following projects:

* Ngqamakhwe Bulk Water Project- Amathole District Municipality.
* Xhora Bulk Water Project- Amathole District Municipality.
* Mzimvubu Catchment Water Project- Joe Gqabi District Municipality.
* OR Tambo District Municipality: King Sabata Dalindyebo Presidential Intervention Water Project.
* Ndlambe Bulk Water Supply Project- Sarah Baartman District Municipality.
* James Kleinhans Bulk Water Project- Sarah Baartman District Municipality.
* Nooitgedacht Phase 3 Bulk Water Supply -Nelson Mandela Bay Municipality.

**4.1 Ngqamakhwe RWS Phase 5: Tsomo to Butterworth Bulk Pipeline**

The project aims to develop an appropriate regional water supply to provide bulk water infrastructure to supply approximately 78 000 people in 120 rural villages (wards 13 – 20) of Mnquma Municipality) with domestic water. This is an emergency bulk water supply project to Butterworth to alleviate the drought situation in Butterworth. The project scope comprises three phases – Phase 5A, Phase 5B and Phase 5C, which began in December 2020 and will be completed in June 2023. The estimated total cost at completion is R1.2 billion, and the total expenditure to date is r71.4 million, at a spend of 6 per cent.

The reasons for the variance in spending is due to the following – the department’s construction unit is currently challenged by long procurement processes, delay in appointing a registered health and safety officer, delays in the procurement of SMMEs by Amatola Water Board on behalf of the construction unit which caused significant delays in construction and delays in the appointment of PSP’s for Phase 5B and 5C.

**4.1.1 Key risks/issues**

The key risks/issues on this project highlighted by the Department – pipe materials that were not of a correct specification, the main contractor within the department’s construction unit not submitting the required procurement documents with specifications on time, and delays in service delivery.

**4.1.2 Observations by Members of the Portfolio Committee and Responses by the Department of Water and Sanitation**

Members of the Portfolio Committee observed that the critical challenges on this project, such as the incorrect specification of pipes, late submission of procurement documents, and the drafting of the action plan, must be urgently addressed.

In response to the above concerns/issues raised, the department noted that the mitigating strategies or management actions to resolve the challenges are – early submission of procurement documents by the departmental construction unit to Amatola Water Board, the water board to fast-track the procurement processes and submit a clear procurement plan that will be monitored by the Department of Water and Sanitation, close monitoring of the contract by the PSP and ADM, and continuous engagement with the SMME desk.

## 4.2 Xhora Bulk Water Supply

This project is under Amathole District Municipality and is located northeast of the Mbashe River in the former Transkei region of the Eastern Cape. The project started in July 2012, with eight contracts, of which the Department has completed 100 per cent of the six contracts, and the entire project is to be completed in December 2022. The technical aspects of the eight contracts related to weir abstraction, bulk pipelines for Bhotwe, Gongco and Tshinira, installation of electrical, electronic and mechanical pipelines, amongst others. It covers the Elliotdale Magisterial District, which is locally known as Xhora. The population to be serviced is 66 929 people.

### **4.2.1 Project Expenditure to date**

The estimated projected expenditure and total spend to date is reflected in the table below:

|  |  |
| --- | --- |
| Estimated total cost at completion  | R577 million |
| Total expenditure to date since inception  | R422 million |
| % Expenditure to date 21/22 financial year | 59% |
| Approved budget: R258 million | Revised budget: R494 million |
| 21/22 Financial year allocation: R20 million | Revised allocation: R45 million |

The reasons for the variance as mentioned above relate to the following:

* The commissioning of contract six was delayed due to bursting pipes and delayed completion of electronic controls. These issues were subsequently resolved. However, the transformer in a pump station next to Reservoir 5 was blown by lightning. Therefore, commissioning could not be concluded until Eskom repaired the transformer. DWS informed the Committee that there are continuous engagements with Eskom to fast-track the repair of the transformer.

### **4.2.2 Key risks/issues**

The following key risks/issues were highlighted by the presenter, which encompassed:

* Delays in issuing the practical completion certificate for contract six until the transformer is fixed for the commissioning of the scheme to be finalised.
* Delays in the procurement of materials as the contractor for contract eight was experiencing cash flow problems.

**4.2.3** **Observations by Members of the Portfolio Committee and Responses by the Department of Water and Sanitation**

On concluding the site visit, Members of the Portfolio Committee highlighted the following:

* The delay in fixing the transformer by Eskom is delaying the project.
* The measures in place to address delays in the procurement of materials.

In response to the above, the Department noted the following mitigating strategies or management actions to resolve the challenges – continuous engagement with Eskom to fast-track the repairing of the transformer so that the project phase (contract 6) can be finally commissioned, and cession arrangements are in place to allow for direct payment to material suppliers.

**4 .3** **Mzimvubu Water Project**

The project is situated in Maclear under the Joe Gqabi District Municipality. The project design began in 2015, and the construction of the road access started in 2021, with a date to determine completion. The construction progress on access roads is at 33% completion. The Department stressed that the project is an important one, and therefore, all sources of funding must be investigated to complete and ensure that communities receive water from this source.

The Mzimvubu Water Project aims to develop a conjunctive scheme comprising two multi-purpose dams and associated bulk water distribution infrastructure for domestic and irrigation water supply and hydropower generation. The project intends to stimulate socio-economic development in the area and the Eastern Cape Province.

The project phase approach is as follows: Stage 1: Advanced Infrastructure, Stage 2: Ntabelanga Dam and wastewater treatment, Stage 3: Bulk Distribution System and Stage 4: Irrigation, Hydropower and Delivery Tunnel.

**4.3.1 Project expenditure**

The estimated cost and expenditure spent to date is reflected in the table below:

|  |  |
| --- | --- |
| Estimated total cost at completion | R14 700 000 000 |
| Total expenditure to date | R321 238 139 |
| % Expenditure to date | 2% |

**4.3.2 Key issues/challenges**

The root causes of the risks identified by the presenters related to delays in the project's execution, the project's long-term funding are not assured, and the implementation of the Stat-Attorney’s opinion in settling aside contracts with a Pro-Plan.

**4.3.3 Observations by Members of the Portfolio Committee and Responses by the Department of Water and Sanitation**

Members of the Portfolio Committee raised the following areas of concern on this project:

* The long-standing legal dispute between the Department of Water and Sanitation and the Professional Service Provider (PSP), who is holding the designs, thus stalling the project;
* Questions were raised on whether the contractor wants more funding and the reasons for the delay in the initial contract.
* More clarity was needed on the funding model and whether other funding sources were considered.
* Questions were raised on whether there are current political interventions to address the challenges.

In response to the observations by Members of the Portfolio Committee, the Department provided the mitigation strategy or management action for resolving the risks. This entailed – the Department is considering long-term project funding options for the project, an RFI process has begun to source funding, and the legal services unit will prepare court papers to address the pending court order instituted against the department by the disgruntled community.

**4.4 OR Tambo District Municipality Bulk Water Supply Project and the King Sabata Dalindyebo Presidential Water Project**

The expansion of the existing Mthatha Town bulk water system operated by the OR Tambo District Municipality to create a regional scheme extending along five developmental ‘corridors’ and serving just over 1 million people. The Mthatha Bulk Water Project aims to unlock housing and commercial developments for the region rather than just Mthatha town, which would include Libode, Ngqeleni and Mqanduli.

The project’s estimated cost is R2.6 billion, and expenditure to date is R1.6 billion, a spend of 63.4 per cent. The reasons for variances on this project relate to the delay of completion with a timeframe of September 2019. The delay was due to shortages of funds, piecemeal allocations over the years and poor performance of contractors, leading to cost escalations. To fast-track and resolve the financial aspect of this project, the department will invoke section 216 of the Constitution.

The root causes of risks identified by the Department on this project relate to grant allocations being withheld by National Treasury, prolonged procurement processes, COVID-19 restrictions and consequences such as availability of some materials, stricter credit control measures imposed in business globally, non-payment/late payment of invoices and contractor’s cash flow problems.

To mitigate the risks outlined above, the Department will prepare a recovery plan and submit it to National Treasury to lift section 216 and release grant funds; procurement processes will be fast-tracked, OR Tambo District Municipality to prepare an action plan to ensure payments within 30 days as per the provision of legislation. At the time of reporting, the Department of Water and Sanitation had approved an additional budget to complete the project.

In addition to expanding the OR Tambo District Municipality Bulk Water Supply Project, the Department will undertake the KSD P1 Bulk Sanitation project in this district municipality, which will see the upgrading of the existing wastewater treatment plant and sewer networks to meet the phase one requirements of the BNG Phase 1 – 6500 housing units. The construction of a new outfall sewer from Fort Gale, along the Mthatha River to Norwood, with a new pump station at the wastewater treatment plant.

**4.5 Ndlambe Local Municipality Bulk Water Supply**

The development of the Central Belt boreholes field near Port Alfred, which includes the establishment and commissioning of the boreholes, the raw water pipeline from the field to Port Alfred, the construction and commissioning of the 5 ML/day Port Alfred reverse osmosis plan and 16 ML reservoir, including the brine sea outfall pipeline, the construction of the 2 ML reservoirs in Cannon Rocks and Alexandria and the construction and commissioning of two pump stations in Cannon Rocks and Fishkraal and between Fishkraal and Alexandria.

**4.5.1 Project expenditure**

The estimated and total spending on this project is captured in the table below:

|  |  |
| --- | --- |
| Estimated total cost at completion | R422 945 139 |
| Total expenditure to date | R371 281 339 |
| % Expenditure to date  | 87.8 per cent |

The reasons for the variance in project expenditure on Port Alfred related to the completion of the civil, structural, electrical and mechanical work at the new BWRO plant in Port Alfred not completed due to the termination of the contractor, the project was re-tendered but cancelled due to potential irregularities, occurrences of frequent break-ins, which places the security of assets at risk, delay in advertising of the SMME packages, and the delay in single-source appointment of Veolia to start implementing the software and hardware to link to sources. The reason for the variance in Alexander relates to the termination of contracts to procure pipelines. The agreement to complete the pipelines was re-tendered, but tenderers were not responsive.

**4.5.2 Key risks/issues**

The root causes of the risks were identified and highlighted by the presenters. The root causes of the risks related to the increased costs of the project due to delays in payment of PSPs and contractors, termination of contractors, and incompetent contractors. Further challenges that delayed the project are unhappy SMMEs and local contractors, pipelines not meeting specifications, slow procurement processes, lack of water and leaks hampering pressure testing of pipelines and security challenges.

**4.5.3 Observations by Members of the Portfolio Committee and Responses by the Department of Water and Sanitation**

Members of the Portfolio Committee raised the following concerns on the project:

* On how the Department would address the risks related to contractors, slow procurement processes, pipes not meeting specifications, and security challenges.

In response to the above concerns, the Department highlighted the mitigation strategies or management actions toward resolving the challenges, which included – a review of the project budget increase and for Amatola Water Board to fast-track the appointment of new contractors to complete the project, SMMEs, and local contractors’ packages to be sorted out, an urgent need to streamline procurement processes and upgrade security.

Of importance to also note is that the Department is simultaneously working on the long-term project of providing bulk water to the Ndlambe Local Municipality. The Department is working on the Ndlambe Local Municipality Bulk Water Supply in the interim to short-term to ensure water provision to communities. This project comprises the construction of a 2ML/day seawater reverse osmosis plant, 3ML/day wastewater reclamation plant with all components to deliver water to Port Alfred, rehabilitation to the Port Alfred Wastewater Treatment works and a maintenance contract for three years.

**4.6 Augmentation of the James Kleynhans Bulk Water Supply - Makhanda**

The project is in Makhanda under the Makana Local Municipality. It began in September 2017, and the completion date is yet to be confirmed. The project includes the augmentation of the existing 10 Mℓ/day James Kleynhans Water Treatment Works and associated works required to meet the bulk potable water needs for the Bulk Water Supply. Amatola Water Board implements the project and is paid directly by the Department of Water and Sanitation.

**4.6.1 Project expenditure**

The project expenditure for the project is highlighted below:

|  |  |
| --- | --- |
| Estimated total cost at completion | R237,6 million |
| Total Expenditure  | R152,7million |
| % Expenditure to date | 64.29% |
| Approved budget allocation  | R237,6 million |
| Revised budget allocation  | R237,6 million |
| Month Projected | R5 million |
| Month Actual  | R7,3 million |
| Percentage of variation to the baseline projection | 146% |

The reasons for the variance as mentioned above relate to the following:

* Contractor experiencing cash flow problems.
* Negative impacts of COVID 19, which halted construction.
* Late payment invoices by the implementing agent.
* Drastic increase in material costs
* Shortage of materials in South Africa.
* Poor local Small, Medium and Micro Enterprises (SMMEs) performance.
* Community unrest.
* The refurbishment works can only be started once the new works are commissioned.

As part of the recovery plan to address the variances noted in the table above, the contract will increase resources on-site, signing of cession agreements to allow Amatola Water Board to pay suppliers on time after the materials have been received and verified, for the water board to ensure invoices are submitted to the Department on time, close monitoring of SMME’s, and regular community stakeholder engagements.

* + 1. **Key risks/challenges**

The presenters highlighted the following risks to the project:

* The revised programme is very tight, with no proposed buffer, and the planned completion date might not be achieved.
* Shortage in supply of materials and equipment.
* Late payment of Contractors.
* Contractor’s cash flow problems.

**4.6.3 Observations by Members of the Portfolio Committee and Responses by the Department of Water and Sanitation**

Members of the Portfolio Committee raised the following issues on the project:

* The late payment of contractors and reasons for the cash flow problems by contractors.
* The eradication of backlogs has been a challenge over the years.
* The Committee questioned the capacity to deliver and procurement delays of the project.

In response to the concerns raised by Members of the Portfolio Committee, the Department provided the following mitigation strategies or management actions to resolve the challenges – management to influence the relaxation of COVID-19 restrictions, procurement processes to be fast-tracked, and Amatola Water Board to develop an acceleration plan for the payment process with timeframes and implementation of consequence management.

At the time of reporting, the Department provided further details on the project in which they noted that the revised construction programme was submitted, cession agreements with material supplies have been done to assist in alleviating contractor’s cash flow problems, the change of ownership will be finalised soon with an anticipated completion date of June 2022.

* 1. **Nooitgedagt Coega Low Level Scheme Phase 3**

The project is under Nelson Mandela Bay Municipality. It is situated in Gqeberha. The project started in May 2017 and is set for completion in June 2022. This phase 3 entails the construction of a flash mixer, two flocculation channels and settling tanks, six new filters (increasing the capacity of the Water Treatment Works with 70Ml/day to 210Ml/day) with clear well below, upgrading of filter pumps, blowers and electrical system, interlinking pipework, upgrading of Supervisory Control And Data Acquisition (SCADA) and telemetry system, construction of a 45Ml reservoir at Olifantskop, AC Mitigation and Cathodic protection of bulk steel pipelines and rehabilitation of Grassridge to Chelsea pipeline. Funding for this third and final phase is provided by National Treasury and administrated by the Department of Water and Sanitation (R437 million).

**4.7.1 Project Expenditure**

The project expenditure for this project is highlighted in the table below:

|  |  |
| --- | --- |
| Estimated total cost at completion | R534 000 000 |
| Total expenditure to date | R440 919 299 |
| % Expenditure to date  | 83% |
| Approved budget | R437 005 000 |
| Revised budget | R534 000 000 |
| % of variation to the baseline projection | The project should have been completed but now only at 96% |

The reasons for variation as highlighted above relate to the following:

* A major groundwater problem where the new filters needed to be constructed forced a total redesign of the foundation of the filters.
* A cash flow problem within the Department at the beginning of 2018 resulted in the contractor being paid late for invoices. The contractor thereafter suspended work for several months until funding was made available and came back on-site to complete the project,
* Contractor challenges and worker strikes in Sunday's River Valley stopped construction.
* The National Covid-19 lockdown.
* Adverse Natural weather conditions delayed the project.
* Termination of the contractor due to non-payment of invoices by Amatola Water Board.

 **4.7.2 Key issues/risks**

The root causes of the department's risks were budget allocation constraints, unforeseen wet, hot and windy weather conditions, wage discrepancies, work packages to local SMMEs, slow procurement processes at Amatola Water Board, and delays in payment of invoices to the contractor.

**4.7.3 Observations by Members of the Portfolio Committee and Responses by the Department of Water and Sanitation**

Members of the Portfolio Committee raised the following concerns/issues on this project – mechanisms in place to address budget constraints, procurement processes and delays in payment of invoices to the contractor.

In response to Members’ submission, the Department noted the following mitigating strategies or management plans to resolve the challenges – reprioritisation on the current budget allocation, several meetings were held with workers to sort out wage issues, several meetings with unions representing SMMEs to sort out work packages and procurement processes to be fast-tracked. In addition, Amatola Water Board has prepared and submitted a revised project implementation plan, as the implementing agent, to fast-track the completion of the project. All relevant stakeholders will closely monitor the program to ensure that the project will be completed on time and within budget as planned. The presenter made an undertaking that the first water on this project is anticipated to be released in March 2022 and the final project to be completed by July 2022.

**5. Recommendations**

Notwithstanding the challenges such as those posed by COVID-19, which halted work on undertaking bulk water projects, the Portfolio Committee acknowledges the ongoing work by the Department of Water and Sanitation and the Eastern Cape Regional Office on finding solutions to address water shortages in the province. Members of the Portfolio Committee, on observing the following critical challenges (spend on grant allocations, non-compliance to contractual obligations, procurement issues, delays in payment of invoices, poor planning and delays in finalising of projects) in respect of the site visits in the Eastern Cape, resolved that the Minister, through the Department of Water and Sanitation, should:

5.1 Provide concrete measures on the water and sanitation sector to develop an implementation model, which factors in operations and maintenance of schemes, whereby unspent or poorly spent government grants can be managed on behalf of the Water Services Authorities. Water Boards or other service providers used on behalf of the municipalities monitor and evaluate the progress of projects at every stage (inception to completion).

5.2 On the Ndlambe Bulk Water Supply Project, there should be an increased intervention on ensuring equitable and accessible potable water to communities that do not have this service from this project. This is in respect of communities of Alexandria that will not be supplied with water during the present phase. The risks highlighted on this project must be resolved, and the department should urgently address the poor performance of the Amatola Water Board on this project.

5.3 Undertake concrete targets in monitoring and evaluation oversight functions by the regional office to address the increases in costs due to delays in payment of Professional Service Providers and contractors. The Department of Water and Sanitation should urgently prioritise challenges associated with procuring contractors not completing projects or not meeting the standards. Tighter oversight and improvement of monitoring and evaluation systems must be strengthened on contractual obligations and agreements between parties.

5.4 On the OR Tambo Bulk Water Project to expand the existing Mthatha Bulk Water Project to unlock housing and commercial development for the region, the provincial water department should timeously present to the national department on risks hampering the project. Furthermore, it is critical to ensure that strategic community involvement in this project is prioritised.

5.5 On the Umzimvubu Water Project, focusing on providing water to communities and stimulating development in the area, the risks highlighted by the presenters should be translated to proper interventions, which should be presented to the Portfolio Committee for progress assurance. In addition, the legal battles on this project are resolved, the national department effectively addresses the pending court order by communities, and communities appraised of the developments on the matter. To mitigate any future land-use challenges, the department should work closely with responsible chiefs so that the project is not further delayed or compromised.

5.6 On the Nooitgedacht project, the department should develop a strategy with Amatola Water Board to improve the timeframes of work payment to contractors.

5.7 On the Ngqamakhwe water project, the department should develop a strategy to address challenges associated with SMMEs, community protests and greater communication with affected communities, which must be closely monitored.

5.8 A need exists for the department to seriously negotiate with the National Treasury on-budget funding of projects, emphasising the need for highly technical bulk infrastructure development to address current and future water security issues in South Africa.

5.9 The department needs to strengthen its oversight on the job creation of community members if and when utilising the services of the private sector.

5.10 Mitigating strategies to address future impacts of climate change on current and future projects should be factored into bulk water infrastructure development to ensure the sustainability of built infrastructure.

**Report to be considered.**