

# Opening Sustainable Water Seminar at the Sustainability Summit 2020

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Honoured Ministers, high level government officials, members of the diplomatic community – honoured delegates.

Firstly I would like to thank the organizers for this honour and opportunity to open the Sustainable Water Seminar at the Sustainability Summit 2020. When I look at the crowd is not the usual suspects that attend and support water related events: yes Lester Goldman – I see you and Mads Warming a familiar Danish name I see you – but apart from a few it is for me a new crowd of friends. And that is great. It is crucial that we broaden the awareness of the water sector and the opportunities it offers. It is after all the 2<sup>nd</sup> most important resource we have (try to hold your breath and you will very soon which resource is the most important)

And now we have covid..

Governments all over the world, including South Africa are pouring trillions of ZAR, euros and kroner into emergency, support and recovery programs to maintain crucial services, support business and citizens through the unprecedented lock down periods and soon also to stimulate

economic recovery in the aftermath – or the new COVID - 19 - reality we all face.

*Let's ensure that these investments will be the foundation and stepping stone to a green and sustainable future for all.*

The South African water sector offers a huge potential for enabling economic recovery. The sector also offers a quick turnaround as South Africa has the necessary strategic plans (The National Water and Sanitation Master Plan) and the necessary assessments (The National Water Infrastructure Investment Framework - never published but frequently quoted!).

Not only are significant investments in water sector needed to achieve the water and sanitation service delivery goals is also an important lever in the economic recovery. Public investments and further proven by good science: *water infrastructure investments in particular*, are crucial to stimulate growth and job creation. Good science tells us water infrastructure investments gives between 25 and 65000 direct jobs per 1 Billion US\$ invested (numbers from Honduras similar GDP per capita to RSA). With a water infrastructure investment back log of approximately 800 Billion, South Africa needs all hands on deck, - and Denmark is ready to continue and step up our support in terms of partnership programs, water sector technology and finance.

And we can also break down the numbers by taking a quick look at the comparative numbers between South Africa and Denmark:

In Denmark we have, with a fully industrialized effectively run water sector approximately 17000 direct full time jobs. We have a population of 6 Mill.

If a similar potential is realized in South Africa the simple back of the envelope calculation would give: South Africa: 60 Mill inhabitants:

170,000 jobs

A simple search in StatsSA gives a current water sector employment number of 13,500 jobs

There many DFIs and big fund managers that are building a thirst for water: The AFDB, the European Investment Bank and the multilateral fund manager: Climate Investor II that has a sole focus on water. Denmark is contributing and the goal of CI II is to collect 1 billion US (15 Billion ZAR) to be invested in water projects in Africa and the developing part of Asia.

CI II is already on the lookout for projects and they have an office in Cape Town and the CEO is South African....Watch that space!

The Danish DFI IFU, The Danish Export Support Fund and The Danish Retirement Funds are all dedicated to green and sustainable investments and are very eager to invest in feasible water projects. And so are other international partners retirement funds

So – the strategies and plans are in place – the assets have been registered and evaluated – the need is obvious, the finance is there: so what are we waiting for?

*We are waiting for feasible projects with well consolidator project owners and a reasonable balance sheet:*

***And here I come the core of my message:***

Unless the water losses are dramatically reduced and the revenue collection chain is intact it will be difficult closing to impossible to find feasible water products. If water is delivered and there is no money stream coming the other way the mandated authorities and utilities will go bankrupt and that is exactly what is happening. We need a full cost recovery on the full water cycle – including the treatment of the waste water and we need the revenue ring fenced for operations, maintenance and capital investments. And there is such thing as a free litre of water. I acknowledge and admire the South African constitutional right to water but instituting “free basic water” was a huge mistake. I acknowledge that there many indigent in South Africa and globally that have difficulties paying for services and needs to be subsidised: You just have to be very careful where you give the subsidy. If you offer a commodity for free nobody acknowledge the value and it will be wasted. If give the subsidy as part of a social allowance and you have to pay for the service you will respect it and it will handled with care.

**Full cost recovery – ring fence the revenue – place the subsidy to the consumer not on the resource**

How can a NRW level of more than 40 % ever be acceptable? Many say that South Africa is a water scarce country: I do not agree. South Africa is a

water wasting country. We talked about the missing revenue – let's talk about water conservation and demand management:

The keys to water conservation and demand management:

Put a value the resource through cost and awareness

Capacitated, well resourced and motivated utilities with well educated staff

In Denmark we pursue bench marking, strict regulation and enforcing of regulation. The regulatory framework has to create a highly competitive environment where the utilities has to compete both on efficiency and compliance and has to comply with a price cap. If the utilities are competing only commercially on price: they will cut corners to optimise profit which will impact the appetite for technology investments. If they compete only on efficiency the service will be way to expensive. Denmark has chosen the corporatized model where the utilities are publicly owned corporatized entities that are regulated and bench marked on efficiency from one authority and pressured on pricing from another regulator.

South Africa has a similar approach with the drop programs – and I am very happy to learn from that they will be re-run next year

Lastly and maybe must importantly: educate educate educate....The conservatism of an uneducated workforce is a major barrier to any developments whereas the innovations that comes from the well educated plumber water operator are priceless. The blue collar practitioners are the ones that are out there seeing the solutions in practise – and if they are not

educated to reflect and improve and innovate you will be missing out big. Denmark has a long tradition of vocational apprenticeship where the experienced plumber trains the unexperienced and we additionally puts huge resources into building strong vocational training institutions, for starters and also for upskilling of the more experienced workforce.

I truly hope and believe that water infrastructure investments are on top of the list in the Presidential Infrastructure Committee and Treasury – and if not – I hope they will be listening in today

I am looking very much forward to the discussion ahead

Thanks