

TCTA COMMENCES WITH CONSTRUCTION OF SPRING GROVE DAM

ISSUED BY THE TRANS-CALEDON TUNNEL AUTHORITY ON 16 MAY 2011

The project will provide water to the Mgeni System which supplies water to people living in eThekweni Metro, uMgungundlovu and uMsunduzi district municipalities. Sisonke, Ugu, and Ilembe district municipalities which are supplied by Umgeni Water are also indirect beneficiaries of the project.

Mooi-Mgeni Transfer Scheme Phase 2

The Mgeni Water System in KwaZulu Natal supplies water to approximately five million people, as well as industrial sectors in the Durban and Pietermaritzburg regions, the economic hubs of the province. The growth in water demand and intermittent drought periods since 2003 compelled the Department of Water Affairs to implement phase two of the Mooi Mgeni Transfer Scheme (MMTS-2). In 2007, the then Minister of Water Affairs and Forestry directed the Trans-Caledon Tunnel Authority (TCTA) to fund and implement MMTS-2.

The project includes construction of the Spring Grove Dam, a transfer system (pump-station and a pipeline) and associated infrastructure. This will augment the current yield of the Mgeni system by 60 million cubic metres per annum.

Trans Caledon Tunnel Authority

TCTA is a state owned entity, under the Department of Water Affairs. Established in 1986, TCTA's mission is to facilitate water security through the planning, financing and implementation of bulk raw water infrastructure in the most cost-effective manner that benefits water users. Other projects that TCTA currently manages are the: Vaal River Eastern Subsystem Augmentation Project, Komati Water Scheme Augmentation Project, Olifants River Water Resource Development Project Mokolo Crocodile Water Augmentation Project and recently, Phase One of the Acid Mine Drainage project as well as the Metsi Bophelo Borehole Project. The Berg Water Project, located in Franschhoek, Western Cape, was inaugurated by the then President Kgalema Motlanthe in March 2009.

Funding

MMTS-2 has been funded on an off-budget basis, and the capital costs will be recovered from the revenue generated by the sale of water. During August and September 2009, three European Development Banks: the European Investment Bank (EIB), Agence Française de Développement (AFD) and the German Development Bank (KfW) as well as a local development bank, the Development Bank of Southern Africa (DBSA) evaluated this project with the intention of providing long-term funding.

Negotiations between TCTA the three European development finance partners and the DBSA were finalised in March 2011. A Financing Protocol and a Memorandum of Understanding were signed by representatives of the financial institutions and James Ndlovu, Chief Executive Officer of the Trans-Caledon Tunnel Authority. The signing was witnessed by Minister Edna Molewa, South Africa's Minister of Water and Environmental Affairs..

On May 16, 2011, in the presence of Dr Zweli Mkhize: Premier of KwaZulu-Natal Province and Minister Molewa, the EIB, AFD, KfW, DBSA and Nedbank, formally signed the Funding

Agreements for MMTS-2. The signing happened during a sod turning ceremony held at the construction site in Rosetta, KwaZulu-Natal midlands, to formally mark the start of construction for the project. The contracts will provide TCTA with loan funding of EUR 195 million (approximately ZAR1.8 billion). The DBSA will contribute a further ZAR 250 million.

To help fund implementation activities prior to the securing of long-term funding, Nedbank has provided TCTA with a bridging loan of R200 million.

Beneficiaries

The project will provide water to the Mgeni System which supplies water to people living in eThekweni Metro, uMgungundlovu and uMsunduzi district municipalities. Sisonke, Ugu, and Ilembe district municipalities which are supplied by Umgeni Water are also indirect beneficiaries of the project.

Water Delivery

The project is expected to deliver water by 2013.