



**REPUBLIC OF NAMIBIA**

---

**MINISTRY OF AGRICULTURE, WATER AND LAND REFORM**

---

**RESPONSE TO QUESTIONS BY HON. THEMISTOKLES DUDU  
MURORUA (UDF)**

**25 March 2021  
PARLIAMENT**

**Honourable Speaker;**  
**Honourable Members;**

I rise this afternoon to respond to questions posed by Honourable Dudu Themistokles Murorua of UDF. I welcome the questions posed by the Hon. Member and I would address the specific questions in the following manner:

**Question 1. Whether we are in Namibia having a regulatory body or Office that regulates the price of water before the Ministry of Local and Rural Development authorize/prescribes to Local Authorities the tariff of water per cubic meter that should be charged to the residents?**

The Namibia Water Resources Management Review conducted in the late 1990s and culminated in the adoption of the **National Water Policy White Paper of 2000**, which clearly articulated for an **Independent Regulator** to regulate all state-run utilities, parastatals and private service providers. The aim is to ensure that price setting for water services is fair, open, transparent and participatory, and to foster consumer representation in negotiations regarding water prices.

To this end, the **Water Resources Management Act, no.11 of 2013**, establishes the **Water Regulator**, whose functions are:

- (i) to determine fees and tariffs for the provision of water as well as license fees charges of water abstraction license holders;
- (ii) to negotiate operational targets with water service providers;
- (iii) to monitor performance and compliance of service providers with regards to operational targets as well as compliance with water service plans and water management strategies (conservation); and
- (iv) to notify the Minister of any non-compliance.

**Honourable Speaker;**  
**Honourable Members;**

The Water Regulator of Namibia was Regulator consisting of five members was established by the Minister on the 1st June 2017. As of now the Water Regulator is dormant as the development of the Water Act Regulations are not yet finalized. However, consultations are underway to finalise the Regulations

**Question 2. Could the Minister please appraise this August House and the Nation at large as to which factors could possible influence the price of water?**

The price of water is set to recover the costs incurred in the production of water and the provision of water services.

The tariff setting has two components, namely the NAMWATER Tariff and the local authority tariff charged to consumers, which in turn is based on the NAMWATER tariff, but includes markups specific to different local authorities. The following presents which factors are considered in the calculation of water tariffs by Namwater, City of Windhoek and Oshakati Town Council as examples:

### **1. NamWater**

In the absence of the Water Regulator, NamWater uses the principles set out in the document called ***“Report on the Principles and Methodology to Calculate Costs and Tariffs for Water Supply by Namwater”*** prepared for the Ministry in October 2008. The tariffs are based on full cost recovery of water supplied as per Namwater Act of 1997.

The key determinants as previously mentioned are:

#### **a. Operation and Maintenance Costs:**

- i. Payroll,
- ii. Subsistence and travel,
- iii. Materials and supplies,
- iv. Fleet and transport,
- v. Maintenance,
- vi. Water quality monitoring,

- vii. Resource management costs,
- viii. Utilities (mainly electricity costs),

**b. Capital Costs:**

- i. Depreciation (excluding that of dams and mining infrastructure),
- ii. Interest and repayment of loans,
- iii. Revaluation of assets.

Additionally, Namwater's tariff determination also incorporates several factors such as economic situation, social equity, affordability and access to all on the one hand and punitive tariffing to discourage prevention of waste and encouraging saving water during periods of scarcity. It must be appreciated that secure water supply and calculating the true value or true cost of water is not homogeneous across the country, it is challenging and complex.

Tariff increments are approved by Cabinet and are requested annually in recognition of the increments of input costs for the abstraction, treatment and transfer of bulk water by NamWater, increases in electricity costs, the general inflation.

The aim is to ensure that NamWater remains financially sustainable in the long run, and enabled to implement its capital projects and operational activities with sustainable levels of external borrowing.

NamWater charges **desalinated water** based on cost by ORANO which is calculated on production cost of the Plant capacity rather than the actual water supplied. The mines pay the ORANO production cost plus transfer cost to Namwater. The local Authorities pay the blended tariff which is less considering that they use a small portion of desalinated water compared to groundwater.

Raw water is mostly charged to irrigation farmers at Schemes such as Etunda, Hardap Dam and Naute Dam. The cost is quite low being near the source and excludes depreciation costs. Etunda tariff is high in comparison because of pumping costs at Calueque Dam, attributed to high electricity costs.

## **2. City of Windhoek**

The fundamental principle is still full cost recovery which includes primarily NamWater bulk tariff (+/- 60% of final consumer tariff) plus internal distribution and delivery cost to the end consumer;

- Capital cost including depreciation, interest, etc. is not recovered in the water tariff, but is charged separately as a "basic/fixed charge" which is not consumption dependent. The reason for this being that investment is made to ensure availability services regardless of the actual use; hence it is imperative that such costs be recovered through the water tariff.
- Water consumption tariffs are calculated based on actual operational cost estimated for a specific period of supply spread over the consumption forecast based on principles I have already alluded to.
- In as much as full cost recovery is a priority the social aspect of equity and access to water is also considered. Currently the CoW subsidises the first 6m<sup>3</sup>/month to all consumers at NamWater bulk tariff (i.e. subsidisation of full internal cost). The target is low income households with low consumption i.e. little or no outdoor water use.
- On the other hand, and aimed at high consumers, the tariff model follows a 4 block tariff structure with a price disincentive strategy which aids water demand management. The structure is adjusted to be stricter during times of low water availability;
- Lastly water tariffs are balanced over successive financial years through employing a tariff stabilisation fund whereby over-recovery in any period is used to balance potential future under-recovery.
- All tariffs are approved by the Minister (MURD) and gazetted annually.

### **3. Oshakati Town Council**

Oshakati Town Council bases its water tariff on Namwater tariffs per year. The Council seeks approval from MURD that approves the percentage bracket within which the Town Council can increase tariffs, including markups and affordability by residents. Tariffs are approved by the Minister (MURD) and gazetted annually.

I would like to inform this August House that, water supply systems are energy intensive and the cost of electricity drives up the price of water.

**Honourable Speaker;**  
**Honourable Members;**

**Question 3. Why is the price of water never publicly announced like the price of fuel so as to inform the Nation about the pricing structures of water for the various Local Authorities and rural areas in Namibia?**

The Bulk Water Tariffs charged by Namwater are approved by Cabinet and are published in the Government Gazette. On the other hand, Local Authorities tariffs are approved by MURD Minister and also published in the Government Gazette.

It is important to inform the House that in addition to the publication of Water tariffs in the Government Gazette, Namwater also notifies its customers in writing on new water tariffs two months in advance once approved by Cabinet. This August House should also take note of the fact that, unlike the fuel prices, water tariffs are only adjusted and announced once a year.

**Honourable Speaker**  
**Honourable Members**

I hope that I have fully addressed all the questions posed by Hon. Murorua.

I thank you for your attention

