

# Vote 34

## Water Affairs and Forestry

### Budget summary

R thousand	2008/09				2009/10	2010/11
	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
<b>MTEF allocation</b>						
Administration	586 696	563 927	1 055	21 714	648 654	699 814
Water Resources Management	3 238 399	1 239 904	1 969 527	28 968	4 314 160	4 564 172
Water Services	2 427 999	1 548 013	861 467	18 519	2 535 398	2 179 513
Forestry	446 182	434 927	2 700	8 555	471 399	500 331
<b>Total expenditure estimates</b>	<b>6 699 276</b>	<b>3 786 771</b>	<b>2 834 749</b>	<b>77 756</b>	<b>7 969 611</b>	<b>7 943 830</b>
Executive authority	Minister of Water Affairs and Forestry					
Accounting officer	Director-General Water Affairs and Forestry					
Website address	<a href="http://www.dwaf.gov.za">www.dwaf.gov.za</a>					

### Aim

*The aim of the Department of Water Affairs and Forestry is to ensure the availability and supply of water at national level; to facilitate equitable and sustainable social and economic development; to ensure the universal and efficient supply of water services at local level; and to promote the sustainable management of forests.*

### Programme purposes, objectives and measures

#### Programme 1: Administration

**Purpose:** Provide policy leadership, advice and core support services, including finance, human resources, legal, information and management services, communication and corporate planning.

#### Programme 2: Water Resources Management

**Purpose:** Ensure that the country's water resources are protected, used, developed, conserved, managed and controlled in a sustainable and equitable manner for the benefit of all people.

#### Objectives and measures:

- Ensure that water resources are allocated to promote social and economic development by completing compulsory licence processes in 5 catchment management areas in 2008/09.
- Ensure that available water is used efficiently by, among others, completing a policy on conservation and demand management in 2008/09.
- Maintain a reliable and equitable supply of water by completing the revision of the national water resource strategy in 2009/10.
- Allow the off-budget financing of infrastructure to meet economic, social and water resources management objectives by establishing the National Water Resource Infrastructure Agency by 2008/09.
- Ensure that water resources are of a quality that meets the needs of all consumers by completing the water system classification regulations in 2008/09.
- Maximise the devolution of localised water resources management by establishing all proposed catchment management agencies by 2010/11.

- Improve participatory water management by having co-operation agreements and 3 implementing structures in place for all South Africa's internationally shared rivers by 2010/11.

### **Programme 3: Water Services**

**Purpose:** Ensure that all people in South Africa have access to adequate, sustainable, viable, safe, appropriate and affordable water and sanitation services; use water wisely; and practise safe sanitation.

#### **Objectives and measures:**

- Ensure that all people in South Africa have access to a functioning basic water supply facility and a functioning basic sanitation facility by 2014 by developing policy and regulating and implementing it at local government level as guided by the strategic framework for water services.
- Provide all schools that currently have no services with a safe water supply and sanitation service by a target date to be determined by Cabinet.
- Provide all clinics that currently have no services as well as those with inadequate services with a safe water supply and sanitation service by 2007/08.
- Facilitate the provision of regional bulk infrastructure by 2011 by developing the national implementation framework.
- Ensure the provision of safe drinking water by all water services authorities by 2009 by effective monitoring, regulation and support as guided by the strategic framework for water services and specified by South African National Standard 241.

### **Programme 4: Forestry**

**Purpose:** Ensure the sustainable management of the department's plantations and indigenous forests, in order to realise their optimal social, environmental and economic benefits. Promote rural development through policy development, regulation, facilitation, and monitoring and evaluation.

#### **Objectives and measures:**

- Ensure the sustainable management of all forests, woodlands and plantations by enforcing the National Forests Act (1998) and associated regulations.
- Reduce incidents of veld, forest and mountain fires in line with the National Veld and Forest Fire Act (1998) by implementing fire management and warning information systems and publishing monthly reports.
- Contribute to economic development and poverty eradication by implementing the National Forests Act and the Million Trees programme and establishing mechanisms to promote enterprise development in the sector.
- Accelerate transformation of the forestry sector in line with the targets in the Forest Sector BEE Charter by implementing the forest enterprise development programme and other initiatives.

### **Strategic overview and key policy developments: 2004/05 – 2010/11**

The Department of Water Affairs and Forestry continues to focus on: meeting water and sanitation targets; managing South Africa's scarce water resources for long term sustainability; improving the regulatory and institutional environment; spearheading transformation in the water sector; supporting the development of water resources infrastructure; and implementing the Forest Sector BEE Charter. Key ongoing challenges include: ensuring equity in access to water for domestic and productive purposes; curbing unlawful water use; maintaining existing water resource infrastructure; enforcing drinking water quality standards; and reducing forest fires through regulation and monitoring.

## Key policy developments

### *Water resource management*

Effective water resource management is critical to securing sustainable and equitable access to water resources. The national water resource strategy, first published in 2004, describes how water resources will be protected, used, managed and conserved. The strategy is being updated with the latest information on the stock and location of water resources and the revised version will be published in 2009/10. Five water reconciliation strategy studies have been initiated in major metropolitan areas to identify and confirm the options for meeting future water demand.

The department is also reviewing the number of catchment management agencies required to optimally manage the 19 existing water management areas. Policy directives will be issued once the assessment is completed.

Recognising the need to ensure that water resources are of the appropriate quality for consumption and productive use, the department is finalising the water system classification regulations. Policy frameworks for resource quality objectives and source directed controls (controls focusing on specific sectors and users) will be put in place in 2009/10.

Regulations on financial assistance and support to resource-poor farmers were approved by the minister in November 2007. The department has also finalised the water allocation reform policy document and is developing the related implementation strategy. The draft water allocation reform policy and methodologies are being piloted in three catchment areas: Mhlatuze, Inkomati and Olifants/Doorn.

### *Developing water resource infrastructure*

The department's national water resources infrastructure branch will be merged with the Trans-Caledon Tunnel Authority (TCTA) to form the South African National Water Resources Infrastructure Agency, which will: develop, operate and maintain water resources infrastructure; implement enterprise wide risk management; improve asset maintenance and management programmes; and enhance revenue management. The bill establishing the agency is expected to be promulgated in 2008. In addition, the branch has developed strategies to deal with public-private partnerships (PPP), which will be implemented to promote Accelerated and Shared Growth Initiative for South Africa (ASGISA) objectives.

### *Promoting universal access and reliable water services*

The revision of the 1999 water pricing strategy was completed and approved by the Minister of Water Affairs and Forestry with the sanction of the Minister of Finance, and became effective in April 2007. It incorporates the water resource management component of the waste discharge charge system, which gives effect to the principle 'the polluter pays'.

Implementation of the strategic framework for water services continues. More recent policy and legislation, particularly in the realm of local government, has prompted the need for the Water Services Act (1997) to be reviewed and amended to modernise the water services sector's regulatory framework. The new National Water Services Bill has been drafted and is currently awaiting ministerial approval for it to be published in the government gazette for comment. Various strategies, including institutional reform, regulation, support and mainstreaming HIV and Aids in the water sector, are being developed.

### *Fostering sustainability in forestry*

In 2005/06, a national list of 21 protected tree species and a list of champion trees were approved by the minister, gazetted, and publicised in the media. Exemption notices in terms of sections 7 and 15 of the National Forests Act (1998) have been gazetted. The minister has declared a controlled forest area in terms of section 17 of the act to support the De Hoop Dam development in Limpopo, and has gazetted her intention to declare Kathu Forest in the Northern Cape as protected woodland in terms of section 12. The principles, criteria, indicators and standards of sustainable forest management were gazetted for public comment.

The Forest Sector BEE Charter has been completed and agreed with the sector and will be gazetted in 2008. The charter places a legal obligation on the department to comply with the charter's targets and to monitor its implementation by government, labour and the sub-sectors in the forestry sector.

## **Recent achievements**

### *Effective water resource management and allocation*

The Inkomati catchment management agency, established in 2004, became functional with the appointment of a governing board and the CEO. The department and the agency have prepared the budget, and funds were transferred. The first complement of staff was appointed and an agreement to transfer staff from the department was concluded in August 2007.

Another seven catchment management agencies were established by government notice: Breede-Overberg, Mvoti-Mzimkhulu, Crocodile (West) in 2005/06, and Marico, Usutu-Mhlathuze, Thukela, Gouritz and Olifants/Doorn in 2006/07.

As part of the move towards more integrated and localised water resource management, 77 irrigation boards were transformed into water user associations. In 2007/08, a further seven water user associations were established: Kabous River, Northern Sandveld, Krom Antonies, Onrus, Kalk, Tulbach and Wolseley.

During 2007, the department received an increased number of queries (396) relating to possible unlawful water use. The department also provided a range of support to resource-poor farmers, including: rehabilitating irrigation schemes in Eastern Cape, subsidising operations and maintenance costs in KwaZulu-Natal, Northern Cape and Western Cape; and piloting 68 rainwater harvesting tanks in 26 villages in Limpopo, Free State, KwaZulu-Natal, and Eastern Cape.

In 2006/07, the department achieved co-ordination between and support for international river basin organisations, such as the Tripartite Permanent Technical Commission between South Africa, Mozambique and Swaziland and the Orange-Senqu River Basin Commission (ORASECOM). The department also signed a memorandum of understanding on cross border fires with Lesotho.

### *Capacity building within the water sector*

As the water sector leader, the department has embarked on a number of training and capacity building initiatives. Two major initiatives are: the Learning Academy, which has been established to enable scarce skills transfers to local government, and the framework for education and training in the water sector, a partnership between the South African and Flemish governments which focuses on capacity building, utilising systems of networks, and fostering participation between the academic and private sectors.

### *Water resource infrastructure*

Commissioning of the Vaal River eastern sub-system augmentation project has been given the go ahead and will start in September 2008. The construction of the Berg River Dam is complete. Impoundment of water began in July 2007 and the project will be fully operational by March 2008.

Construction of phase 2A of the Olifants River water resources development project (ORWRDP) began in June 2007 with the award of contracts for the De Hoop Dam, road realignment and reconstruction, and the establishment of site facilities and an information centre. In November 2007, the minister directed the TCTA to fund and implement the Mooi-Mgeni Phase 2 transfer scheme, which includes building the Spring Grove Dam.

### *Meeting water and sanitation targets*

Substantial progress has been made in providing universal access to water and sanitation in South Africa. Access to basic water infrastructure has increased from 59 per cent in April 1994 to 86 per cent in April 2007, and access to basic sanitation from 48 per cent to 71 per cent over the same period. In absolute terms, water was supplied to a further 1.3 million people and sanitation to a further 940 000 people in 2006/07.

Government allocated an additional budget of R1.8 billion from 2005/06 to 2007/08 towards eradicating the bucket toilet system. By December 2007, 133 953 bucket toilets, representing 80.6 per cent of the total, had been removed. There is a backlog of 49 010 bucket toilets. The eradication programme is expected to be completed by March 2008, except in Northern Cape where 785 bucket toilets will remain until the construction of bulk water infrastructure.

#### Water services

Recently, the department intensified its support to local government by providing technical assistance, facilitation and co-ordination of planning initiatives, and direct assistance to municipalities in crisis by developing turnaround plans with water service authorities and their water service providers. A regional bulk infrastructure programme for water services was formally established in March 2007 and seed funding was acquired from National Treasury. The department deployed a municipal drinking water quality management system in all water services authorities, and has completed a pilot of a similar waste water treatment management system. Special investigations into water supply interruptions are under way and an effort is being made to improve water services authorities' management and control systems.

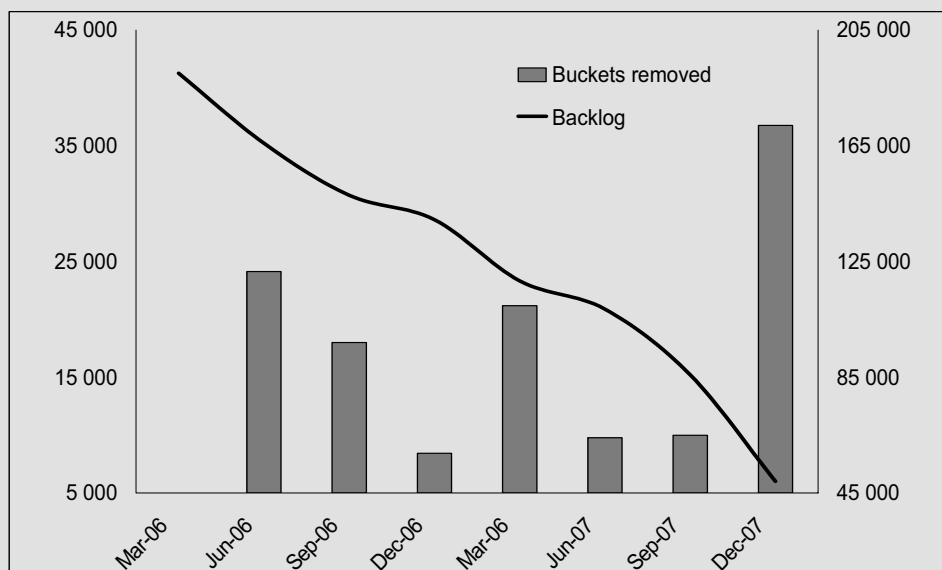
The department is developing an infrastructure asset management strategy for local government, aimed at identifying challenges, who should address the challenges, and specific timeframes. A comprehensive joint water service sector support strategy was developed and approved in 2006/07. An institutional reform framework for water service institutions is being developed, and an agreement on an implementation strategy has been reached with sector stakeholders. 17 areas where providing water services regionally may yield advantages have been identified. Although the water services regulatory strategy is likely to be finalised by mid-2008, a number of regulations (for example the drinking water quality regulations) are already being implemented.

#### Bucket Eradication Programme

Significant progress has been made in relation to the bucket eradication programme and as at the end of December 2007 the remaining backlog was 49 010 buckets of which 88 per cent are located in the Free State, 6.6 per cent in the Eastern Cape, 4.2 per cent in the Northern Cape and 1.2 per cent in the North West. It is anticipated that this remaining backlog will be addressed by March 2008.

		Q1 06	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07
<b>Buckets Removed</b>		24 136	18 002	8 427	21 182	9 771	9 985	36 762
<b>Backlog</b>	190 048	165 912	147 910	139 483	118 301	108 530	85 772 <sup>1)</sup>	49 010

Note: 1) Backlog figures were adjusted to remove bucket projects in Free State (10 055) and Northern Cape (2 718) that were found not to qualify for this programme.



### Forestry

Over 420 000 hectares of mountain catchments previously designated as state forest land have been released for transfer to Western Cape in 2006/07, and another 98 000 hectares of coastal grassland and forest areas at St Lucia for transfer and incorporation into the Department of Environmental Affairs and Tourism's Isimangaliso Wetland Park Authority.

A strategic environmental assessment was prepared for the Mzimvubu to Keiskamma water management area, which includes most of the afforestable land in Eastern Cape. The assessment identified at least 100 000 hectares of land which could be sustainably afforested, taking into account environmental, economic and social opportunities and constraints.

Applications for afforestation have increased dramatically, from 800 hectares in 2004/05, to 1 000 hectares in 2005/06, and 5 500 hectares in 2006/07.

The minister reported to Parliament on the state of South Africa's forests between 2004 and 2006. In terms of the National Forests Act (1998), the minister must monitor South Africa's forests and compile a report at least every three years.

The president launched the Million Trees programme in 2007 on behalf of the department. The programme aims to plant a million trees a year, of which 70 per cent should be fruit trees and 30 per cent indigenous ornamentals.

### Selected performance indicators

Indicators	Annual performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Number of water management areas where monitoring frameworks and systems are operated	–	15	17	19	20	21	22
Number of water management areas in which compulsory licensing processes have been completed	–	–	–	–	2	5	5
Number of individual licences issued for abstraction	250	254	185	74	–	–	–
Number of subsidies (financial and in kind) given to resource-poor farmers	76	–	54	–	300	360	432
Number of hectares cleared of invasive alien plants species	161 250	205 849	149 171	192 000	218 000	244 000	–
Number of hectares cleared of invasive alien plant species in follow up clearance	557 945	674 671	664 300	557 000	632 000	708 000	–
Number of forest enterprise development projects initiated by the department	42	45	33	26	44	62	80
Number of hectares planted (afforestation)	–	1 100	1 230	542	5 000	8 000	10 000
Number of trees planted in terms of the Million Trees programme	60 000	100 000	275 000	899 000	1 million	1 million	1 million
Percentage of licence applications processed in terms of National Forests Act	75%	75%	80%	85%	90%	95%	100%
Number of additional people provided with basic water supply by water services authorities	1.51 million	1 million	1.25 million	1.5 million	1.56 million	1.45 million	1.66 million
Number of additional people provided with basic sanitation by water services authorities	1.3 million	710 000	960 000	900 000	1.04 million	1.18 million	1.35 million
Percentage of population with access to free basic water	66.3%	71%	74.4%	76.8%	82%	89%	95%

## Expenditure estimates

**Table 34.1 Water Affairs and Forestry**

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08		2008/09	2009/10	2010/11
R thousand								
1. Administration	353 425	365 255	537 173	535 649	530 649	586 696	648 654	699 814
2. Water Resources Management	1 476 264	1 506 793	1 872 479	2 902 762	2 553 762	3 238 399	4 314 160	4 564 172
3. Water Services	1 561 359	1 510 998	1 454 758	1 913 660	1 742 660	2 427 999	2 535 398	2 179 513
4. Forestry	466 629	420 919	441 240	510 442	507 442	446 182	471 399	500 331
<b>Total</b>	<b>3 857 677</b>	<b>3 803 965</b>	<b>4 305 650</b>	<b>5 862 513</b>	<b>5 334 513</b>	<b>6 699 276</b>	<b>7 969 611</b>	<b>7 943 830</b>
Change to 2007 Budget estimate				556 166	28 166	94 292	98 303	(32 624)

### Economic classification

	2 283 262	2 422 605	2 820 138	2 959 274	2 954 274	3 786 771	4 151 086	4 268 147
<b>Current payments</b>								
Compensation of employees	1 026 436	1 128 641	1 226 416	1 365 435	1 360 435	1 265 483	1 097 281	1 184 904
Goods and services	1 227 049	1 290 477	1 582 431	1 593 121	1 593 121	2 520 536	3 053 012	3 082 403
<i>of which:</i>								
Communication	28 898	38 163	17 102	22 589	22 589	9 314	11 115	11 841
Computer services	82 070	74 910	23 906	23 462	23 462	22 582	27 709	29 240
Consultants, contractors and special services	647 919	494 810	1 043 498	765 636	765 636	1 352 314	1 777 004	1 537 921
Inventory	103 808	106 944	77 182	81 357	81 357	35 129	39 679	42 944
Maintenance, repairs and running costs	11 947	62 193	9 253	8 086	8 086	3 849	4 581	4 904
Operating leases	134 155	89 668	102 399	107 563	107 563	105 965	123 163	139 246
Travel and subsistence	114 941	252 242	113 119	183 683	183 683	67 661	80 757	86 071
Municipal services	10 375	11 197	13 120	14 238	14 238	15 135	16 648	18 313
Interest and rent on land	562	158	847	718	718	752	793	840
Financial transactions in assets and liabilities	29 215	3 329	10 444	–	–	–	–	–
<b>Transfers and subsidies</b>	<b>1 169 357</b>	<b>951 389</b>	<b>1 385 315</b>	<b>2 439 639</b>	<b>2 090 639</b>	<b>2 834 749</b>	<b>3 735 372</b>	<b>3 603 643</b>
Provinces and municipalities	343 268	167 808	386 680	722 027	722 027	861 467	855 000	570 000
Departmental agencies and accounts	597 131	670 163	827 377	1 625 839	1 276 839	1 936 898	2 841 941	2 992 807
Public corporations and private enterprises	172 967	96 383	121 703	39 040	39 040	2 700	2 700	2 862
Foreign governments and international organisations	–	–	3 500	525	525	572	605	635
Non-profit institutions	–	2	150	340	340	387	450	473
Households	55 991	17 033	45 905	51 868	51 868	32 725	34 676	36 866
<b>Payments for capital assets</b>	<b>405 058</b>	<b>429 971</b>	<b>100 197</b>	<b>463 600</b>	<b>289 600</b>	<b>77 756</b>	<b>83 153</b>	<b>72 040</b>
Buildings and other fixed structures	344 174	381 115	23 567	367 309	196 309	5 559	5 762	3 980
Machinery and equipment	49 454	35 363	65 271	46 163	43 163	56 282	60 545	64 031
Cultivated assets	90	30	–	–	–	–	–	–
Software and other intangible assets	11 340	13 463	11 359	50 128	50 128	15 915	16 846	4 029
<i>of which: Capitalised compensation</i>	116 812	188 225	–	–	–	–	–	–
<b>Total</b>	<b>3 857 677</b>	<b>3 803 965</b>	<b>4 305 650</b>	<b>5 862 513</b>	<b>5 334 513</b>	<b>6 699 276</b>	<b>7 969 611</b>	<b>7 943 830</b>

### Expenditure trends

The increase in expenditure of R501.7 million from R3.8 billion in 2005/06 to R4.3 billion in 2006/07 at an average annual rate of 13.2 per cent is due to: the allocations for the construction of the De Hoop Dam; the increased allocation for improving dam safety; funds rolled over for personnel costs related to the transfer of some of the department's functions; disaster management projects (drought relief and flood damage to structures); and the management of commercial forestry in the Mpumalanga area.

R314 million was rolled over from 2006/07 to 2007/08 due to delays in getting the environmental approvals from the Department of Environmental Affairs and Tourism for the De Hoop Dam, and further delays in finalising transfer agreements with municipalities for water schemes.

Expenditure is expected to increase from R5.3 billion to R7.9 billion over the MTEF period at an average annual rate of 14.2 per cent, mainly due to the additional allocations for the Working for Water and Working on Fire programmes, additional capacity in the *Administration* programme to strengthen the internal audit and finance functions, and the allocation for the Million Trees programme. Also included in this increase is the department's share of the funding for the Masimbambane programme currently co-funded by various donors.

Efficiency savings of R233.1 million (R49.3 million in 2008/09; R79.1 million in 2009/10 and R104.8 million in 2010/11) have been identified in the *Water Resources Management, Water Services and Forestry* programmes. Most of the savings come from the *Water Resources Management* programme, specifically from transfers and subsidies.

### **Infrastructure spending**

Over the MTEF period, spending on the *Infrastructure Development and Rehabilitation* subprogramme in the *Water Resources Management* programme is expected to increase from R1.3 billion to R2.6 billion, an average annual increase of 25.3 per cent. The increase is driven by the additional allocations for: the Olifants River water resources development project; the dam safety rehabilitation programme; and the Nwamitwa Dam, Mokolo River augmentation, Mzimkulu Dam, Vioolsdrift Dam and Lower Sundays extension. Also included in this increase is expenditure on related bulk distribution infrastructure (subject to the conclusion of water supply agreements with users to ensure an income stream to service private sector loans) and initial financing of the National Water Resource Infrastructure Agency.

#### *Mega infrastructure projects and programmes (over R300m)*

The allocations for the implementation phase of the De Hoop Dam project will be fully provided for in the department's budget for the Olifants River water resources development project (ORWRDP). For subsequent phases, a portion of the allocation will be provided from the financial markets in accordance with cost responsibilities attributable to commercial users. Funding for the dam safety rehabilitation programme to ensure the safety of existing dams will continue throughout the MTEF period. The following mega infrastructure projects are in the pipeline.

- ORWRDP Phase 2A: This project relates to the construction of the De Hoop Dam aimed at providing water to various communities in the Nebo Plateau area, mines and industry.
- ORWRDP Phase 2B-2I: This bulk infrastructure project aims to develop distribution links to Steelpoort, Olifantspoort, the Lebalelo water users association, Roosenekal, Jane Furse, and the Nebo Plateau and Mokopane areas.
- Dam safety rehabilitation programme provides for the rehabilitation of 165 dams. The programme budget includes anticipated construction and consulting costs which have been financed from funds allocated from the National Revenue Fund.

#### *Large infrastructure projects and programmes (between R50 million and R300 million)*

Funds to complete the Nandoni bulk rural water supply works and water treatment works are to be fully provided from the National Revenue Fund. Allocations for new dams, such as the proposed Nwamitwa Dam, the Mzimkulu Off-Channel Storage Dam and the Mokolo and Crocodile (West) augmentation project, are fully provided for in existing baseline allocations. It is important to note that 80 per cent of the estimated total cost of R4.1 billion for the Mokolo and Crocodile (West) augmentation project will be attributable to commercial users. These projects are intended to improve water supply to users.



The following large infrastructure projects are currently being undertaken by the department:

- Nandoni water treatment works and distribution scheme aims to supply water to the Vhembe district municipality.
- Nwamitwa Dam is being developed to meet growing primary water supply requirements projected to 2025 and to improve water availability to ensure the integrity of the riverine ecosystem, agriculture and communities.
- Mokolo River augmentation will augment the water supply to Matimba power station, Grootegeluk mine and Lephalale municipality, and for irrigation downstream of the dam.
- Mzimkulu River off-channel storage dam will ensure a reliable water supply to the northern part of the lower KwaZulu-Natal south coast during dry periods.
- Vioolsdrift Dam aims to increase the yield of the Orange River to cater for increasing demand.
- Lower Sundays extension will extend the scheme to enable irrigation to proceed on some of the areas previously identified for expansion, with an emphasis on establishing resource-poor farmers.

#### *Smaller infrastructure projects (below R50 million)*

Allocations in order to complete bulk rural water supply works, including the Inyaka water treatment works and the Hluhluwe regional water scheme, are to be fully provided from the National Revenue Fund. The following small infrastructure projects are being built:

- Banhoek Weir is part of the Greater Rivierseind government water scheme.
- Hluhluwe regional water scheme involves the construction of reservoirs and pipelines.
- Inyaka pumpstation and water treatment works aims to provide reliable water supply to the Bohlabela district municipality.
- Raising of Hazelmer Dam will augment the water supply to Umgeni Water.
- Zalu Dam will augment water supply to the Lusikisiki supply area.

## Departmental receipts

Receipts exclude income from water related sales, which is paid into the water trading account. The receipts set out below are from: the repayment of loans granted to water boards, water user associations and local governments; interest on these loans; and revenue from the sale of wood and wood products. The increase from 2004/05 to 2005/06 was mainly due to some revenue from the sales of water related services that was deposited into the bank account of the vote instead of the water trading account. The increase from 2005/06 and 2006/07 is due to a once-off payment made by the Bloem Water Board to settle its loan. From 2007/08, revenue will decrease from R101.4 million to R90.7 million in 2010/11, at an average annual rate of 3.7 per cent mainly due to a reduction in the sale of timber.

**Table 34.2 Departmental receipts**

R thousand	Audited outcome			Estimate	Medium-term receipts estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Departmental receipts</b>	<b>88 508</b>	<b>129 308</b>	<b>183 624</b>	<b>101 444</b>	<b>92 031</b>	<b>91 367</b>	<b>90 729</b>
Sales of goods and services produced by department	36 779	48 861	51 365	49 792	40 081	39 221	37 475
Sales of scrap, waste and other used current goods	897	202	14	5	6	6	6
Fines, penalties and forfeits	24	6	1	–	–	–	–
Interest, dividends and rent on land	28 866	31 652	27 507	27 892	27 544	27 040	26 642
Sales of capital assets	–	34	473	–	–	–	–
Financial transactions in assets and liabilities	21 942	48 553	104 264	23 755	24 400	25 100	26 606
<b>Total</b>	<b>88 508</b>	<b>129 308</b>	<b>183 624</b>	<b>101 444</b>	<b>92 031</b>	<b>91 367</b>	<b>90 729</b>

## Programme 1: Administration

**Purpose:** Provide policy leadership, advice and core support services, including finance, human resources, legal, information, management services, communication and corporate planning.

### Expenditure estimates

**Table 34.3 Administration**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Minister <sup>1</sup>	957	923	1 078	951	1 019	1 072	1 127
Management	32 336	27 559	81 905	103 024	75 221	76 652	78 398
Corporate Services	110 733	118 783	174 969	177 552	185 523	203 852	216 069
Information Services	74 668	74 913	129 700	77 314	81 822	86 553	91 737
Property Management	80 731	86 877	91 021	107 741	119 967	138 331	156 000
Financial Management	54 000	56 200	58 500	69 067	123 144	142 194	156 483
<b>Total</b>	<b>353 425</b>	<b>365 255</b>	<b>537 173</b>	<b>535 649</b>	<b>586 696</b>	<b>648 654</b>	<b>699 814</b>
Change to 2007 Budget estimate				33 539	62 312	82 659	92 002

1. Payable as from 1 April 2007. Salary: R761 053. Car allowance: R190 262.

### Economic classification

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Current payments</b>	<b>321 989</b>	<b>337 232</b>	<b>471 088</b>	<b>490 333</b>	<b>563 927</b>	<b>624 683</b>	<b>674 394</b>
Compensation of employees	92 675	105 605	113 495	179 468	192 541	208 367	224 227
Goods and services	229 314	231 627	347 149	310 865	371 386	416 316	450 167
<i>of which:</i>							
Communication	9 333	9 471	3 376	3 545	3 722	3 908	4 142
Computer services	67 169	59 391	9 653	10 136	10 642	11 174	11 844
Consultants, contractors and special services	10 664	7 079	216 067	137 082	148 831	163 207	173 987
Inventory	11 318	13 541	16 463	17 187	18 151	19 058	20 201
Maintenance, repairs and running costs	1 994	1 384	1 028	1 079	1 133	1 189	1 260
Operating leases	73 333	78 490	72 966	93 741	104 832	121 683	137 687
Travel and subsistence	15 574	16 356	13 599	14 274	14 987	15 736	16 680
Municipal services	10 375	11 197	13 120	14 238	15 135	16 648	18 313
Financial transactions in assets and liabilities	–	–	10 444	–	–	–	–
<b>Transfers and subsidies</b>	<b>22 365</b>	<b>8 823</b>	<b>28 826</b>	<b>24 578</b>	<b>1 055</b>	<b>1 034</b>	<b>1 107</b>
Provinces and municipalities	285	333	98	–	–	–	–
Departmental agencies and accounts	454	–	356	578	1 055	1 034	1 107
Households	21 626	8 490	28 372	24 000	–	–	–
<b>Payments for capital assets</b>	<b>9 071</b>	<b>19 200</b>	<b>37 259</b>	<b>20 738</b>	<b>21 714</b>	<b>22 937</b>	<b>24 313</b>
Buildings and other fixed structures	1 452	5 151	5 459	7 105	3 342	3 532	3 744
Machinery and equipment	4 235	4 343	25 563	11 528	18 292	19 322	20 481
Software and other intangible assets	3 384	9 706	6 237	2 105	80	83	88
<b>Total</b>	<b>353 425</b>	<b>365 255</b>	<b>537 173</b>	<b>535 649</b>	<b>586 696</b>	<b>648 654</b>	<b>699 814</b>

### Details of major transfers and subsidies

Households	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Social benefits</b>							
<b>Current</b>	<b>21 626</b>	<b>8 490</b>	<b>28 372</b>	<b>24 000</b>	–	–	–
Social benefits	21 626	8 490	28 372	24 000	–	–	–

## Expenditure trends

Expenditure rose steadily at an average annual rate of 14.9 per cent from 2004/05 and 2007/08, growing from R353.4 million to R535.7 million, mainly due to the devolution of funds from the Department of Public Works from 2005/06 and related personnel costs for the transfer of water schemes. Expenditure in the *Information Services* subprogramme increases from R74.9 million in 2005/06 to R129.7 million in 2006/07, by 73.1 per cent, due to upgrading and replacing the department's IT infrastructure. R72.9 million was rolled over from 2005/06 to 2006/07, due to protracted delays in reaching agreements with labour unions in the transfer of staff to receiving municipalities. From 2007/08 to 2010/11, total expenditure on the programme will increase at an average annual rate of 9.3 per cent, from R535.7 million to R700 million, driven mainly by the establishment of a learning academy for developing critical scarce skills in the water and forestry sectors, and an additional allocation of R18 million over the MTEF period to strengthen the internal audit and finance functions.

## Programme 2: Water Resources Management

**Purpose:** Ensure that the country's water resources are protected, used, developed, conserved, managed and controlled in a sustainable and equitable manner for the benefit of all people.

- *Equitable Supply* covers the policy, planning and regulatory functions required to ensure the reliable and equitable supply of water for sustainable economic and social development, including the eradication of poverty. This includes assessing available water in particular areas and developing strategies to enable supply to meet demand.
- *Sustainable Supply* supports the provision of a reliable and equitable supply of water as well as the bulk of the Working for Water and Working on Fire programmes for sustainable economic and social development, including the eradication of poverty.
- *Protection Policies* covers the policy, planning and regulatory functions required to ensure the protection of water resources, such as developing a system for classifying water resources as required by the National Water Act (1998).
- *Protection Measures* initiates and supports the implementation of measures to protect water resources, such as pollution protection measures or ensuring sufficient water for the aquatic ecosystem to function properly.
- *Institutional Regulation* provides policy and strategy support for developing and establishing effective water management institutions (catchment management agencies and water user associations), and includes revenue collection from water use charges.
- *Institutional Development* ensures that effective water management institutions are developed in the regions.
- *Strategic Alignment* ensures that policies and strategies are internally consistent and aligned with relevant external policies and legislation. It develops and maintains monitoring and information systems, and promotes capacity building among water resource management practitioners and stakeholders.
- *Stakeholder Empowerment* develops empowered, skilled and representative staff, and capacitates stakeholders and the general public to achieve integrated water resource management.
- *African Co-operation* promotes integrated water resource management globally, particularly in Africa in support of the New Partnership for Africa's Development (NEPAD).
- *Water Resource Administration* provides management and administrative support services to the programme in the national office.
- *Water Resource Support* provides support services to the programme in the regions, namely human resources, financial management and general administration.
- *Operations of Water Resources* provides for the augmentation of the water trading account to ensure the effective management of water resources and the sustainable operation and management of bulk water infrastructure.
- *Infrastructure Development and Rehabilitation* provides for the augmentation of the water trading account to undertake the design, construction and commissioning of new water resource infrastructure as well as the rehabilitation of existing infrastructure to ensure the safety and functionality of departmental dams and related infrastructure.

## Expenditure estimates

Table 34.4 Water Resources Management

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Equitable Supply	205 450	132 746	230 834	187 058	166 767	208 397	220 877
Sustainable Supply	12 807	32 584	346 299	648 485	634 117	688 385	741 147
Protection Policies	38 339	34 310	35 490	37 624	44 157	56 900	59 806
Protection Measures	2 249	2 149	1 747	2 524	2 841	3 040	3 222
Institutional Regulation	9 905	12 300	25 035	29 473	31 770	40 661	42 686
Institutional Development	9 456	12 725	7 618	4 104	4 473	4 726	5 009
Strategic Alignment	89 604	95 115	112 002	136 203	161 436	202 608	214 146
Stakeholder Empowerment	118 392	120 192	145 745	129 905	139 460	147 824	156 593
African Co-operation	5 484	10 626	10 020	14 574	22 188	14 022	14 652
Water Resource Administration	15 050	21 613	23 915	23 626	27 684	31 563	34 700
Water Resource Support	82 980	95 948	81 258	67 584	71 651	79 341	84 100
Operations of Water Resources	564 771	653 178	310 988	283 553	316 233	333 469	352 547
Infrastructure Development and Rehabilitation	321 777	283 307	541 528	1 338 049	1 615 622	2 503 224	2 634 687
<b>Total</b>	<b>1 476 264</b>	<b>1 506 793</b>	<b>1 872 479</b>	<b>2 902 762</b>	<b>3 238 399</b>	<b>4 314 160</b>	<b>4 564 172</b>
Change to 2007 Budget estimate				472 730	17 207	400	(2 512)

## Economic classification

<b>Current payments</b>	<b>586 062</b>	<b>538 097</b>	<b>966 801</b>	<b>1 120 314</b>	<b>1 239 904</b>	<b>1 405 267</b>	<b>1 500 479</b>
Compensation of employees	180 120	240 221	268 728	330 645	378 514	407 168	431 953
Goods and services	376 727	294 546	697 881	789 659	861 380	998 088	1 068 515
<i>of which:</i>							
Communication	9 026	12 092	5 018	11 456	3 426	4 809	5 125
Computer services	10 139	13 664	11 845	12 573	11 644	16 195	17 090
Consultants, contractors and special services	210 691	133 606	526 261	422 596	358 099	447 576	484 881
Inventory	42 236	18 008	23 233	43 867	5 116	7 258	7 839
Maintenance, repairs and running costs	5 988	5 621	4 505	6 142	2 250	2 866	3 091
Operating leases	44 626	3 220	20 478	9 296	703	1 006	1 057
Travel and subsistence	37 339	63 074	25 646	107 146	25 828	35 170	37 439
Interest and rent on land	–	1	192	10	10	11	11
Financial transactions in assets and liabilities	29 215	3 329	–	–	–	–	–
<b>Transfers and subsidies</b>	<b>588 441</b>	<b>670 475</b>	<b>871 887</b>	<b>1 755 777</b>	<b>1 969 527</b>	<b>2 876 638</b>	<b>3 029 674</b>
Provinces and municipalities	766	1 910	665	100 283	–	–	–
Departmental agencies and accounts	564 771	653 182	827 021	1 625 261	1 935 843	2 840 907	2 991 700
Public corporations and private enterprises	–	6 891	24 997	1 500	–	–	–
Foreign governments and international organisations	–	–	3 500	525	572	605	635
Non-profit institutions	–	–	150	340	387	450	473
Households	22 904	8 492	15 554	27 868	32 725	34 676	36 866
<b>Payments for capital assets</b>	<b>301 761</b>	<b>298 221</b>	<b>33 791</b>	<b>26 671</b>	<b>28 968</b>	<b>32 255</b>	<b>34 019</b>
Buildings and other fixed structures	271 260	273 124	666	1 470	217	230	236
Machinery and equipment	22 858	21 683	29 081	23 645	26 340	28 777	30 388
Software and other intangible assets	7 643	3 414	4 044	1 556	2 411	3 248	3 395
<i>of which: Capitalised compensation</i>	116 812	188 225	–	–	–	–	–
<b>Total</b>	<b>1 476 264</b>	<b>1 506 793</b>	<b>1 872 479</b>	<b>2 902 762</b>	<b>3 238 399</b>	<b>4 314 160</b>	<b>4 564 172</b>

Table 34.4 Water Resources Management (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Details of major transfers and subsidies</b>							
<b>Provinces and municipalities</b>							
<b>Municipalities</b>							
<b>Municipal bank accounts</b>							
<b>Capital</b>	-	-	-	100 000	-	-	-
Municipal drought relief grant	-	-	-	100 000	-	-	-
<b>Departmental agencies and accounts</b>							
<b>Departmental agencies (non-business entities)</b>							
<b>Current</b>	564 771	653 182	285 493	287 212	320 221	337 683	357 013
Water trading account: Augmentation	564 771	653 182	285 493	283 553	316 233	333 469	352 546
Catchment management agencies: Seed funding	-	-	-	3 659	3 988	4 214	4 467
<b>Capital</b>	-	-	541 528	1 338 049	1 615 622	2 503 224	2 634 687
Water trading account: Infrastructure	-	-	541 528	1 338 049	1 615 622	2 503 224	2 634 687
<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Subsidies on production or products</b>							
<b>Current</b>	-	6 891	24 997	-	-	-	-
South African Forestry Company Limited (SAFCOL)	-	6 891	-	-	-	-	-
Working For Water	-	-	24 997	-	-	-	-
<b>Households</b>							
<b>Other transfers to households</b>							
<b>Current</b>	22 904	8 492	15 554	27 868	32 725	34 676	36 866
Financial assistance to small scale farmers	22 904	8 492	15 554	27 368	29 830	31 518	33 403
Financial assistance for dam safety	-	-	-	500	545	578	613
Resource for poor farmers	-	-	-	-	2 350	2 580	2 850

### Expenditure trends

Expenditure grew strongly, at an average annual rate of 25.3 per cent from 2004/05 to 2007/08 (R1.5 billion to R2.9 billion). The additional allocations for the De Hoop Dam are reflected as transfers to the water trading account, through which the department manages the construction and maintenance of large water infrastructure. The decrease in expenditure in the *Operations of Water Resources* subprogramme from R653.2 million to R311 million and the simultaneous increase in the *Sustainable Supply* subprogramme from R32.6 million to R346.3 million between 2005/06 to 2006/07, is because of the shift of the Working for Water programme between the two subprogrammes.

Over the MTEF period, spending on the *Water Resources Management* programme is expected to increase at an average annual rate of 16.3 per cent, from R2.9 billion in 2007/08 to R4.6 billion in 2010/11, mostly for designing and constructing new water resource infrastructure and rehabilitating existing infrastructure.

### Programme 3: Water Services

**Purpose:** Ensure that all people in South Africa have access to adequate, sustainable, viable, safe, appropriate and affordable water and sanitation services; use water wisely; and practise safe sanitation.

- *Provisioning Policies* ensures basic water supply and sanitation services for improved quality of life and poverty alleviation.
- *Water and Sanitation Services* supports the development of infrastructure for basic water supply and sanitation services at the regional level, for improved quality of life and poverty alleviation.
- *Water Sector Policies* provides a framework for the effective and sustainable delivery of water services to underpin economic and social development.
- *Water Sector Support* supports the delivery of sustainable water services at the regional level to underpin economic and social development.

- *Institutional Policies* supports effective water services institutions.
- *Institutional Support* provides support at the regional and local level for effective water services institutions.
- *Transfer Policies* guides the transfer of operations and maintenance functions and water services schemes for effective local operations and management.
- *Transfer of Functions* implements the transfer of water services schemes to water services institutions to ensure effective local level operation and management.
- *Africa Initiative* promotes the programme's activities to achieve the UN Millennium Development Goals and the World Summit on Sustainable Development targets in Africa, and to support NEPAD.
- *African Participation* promotes and supports policies to achieve the UN Millennium Development Goals in Africa.
- *Water Services Administration* provides support services at the national level, including human resources, financial management and general administration.
- *Water Services Support* provides support services at the regional level, including human resources, financial management and general administration.
- *Operations of Water Services* ensures the reliable and sustainable supply of water for basic use and economic development. (While this function is still with the department, it is a temporary arrangement and will be phased out as the transfer programme is completed. The programme is funded with earmarked funds for conditional grants to local government.)

## Expenditure estimates

**Table 34.5 Water Services**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Provisioning Policies	6 326	3 335	3 444	23 999	29 503	39 854	41 423
Water and Sanitation Services	282 746	200 450	25 186	412 389	680 857	1 012 881	741 833
Water Sector Policies	42 168	41 421	42 754	45 714	51 344	54 703	57 932
Water Sector Support	68 883	68 336	100 345	102 117	110 819	118 503	236 181
Institutional Policies	3 518	6 595	9 936	11 387	12 032	12 910	13 667
Institutional Support	49 113	44 994	37 987	48 378	52 806	56 721	110 391
Transfer of Functions	28 460	14 411	35 560	16 255	17 530	18 667	19 789
Africa Initiative	–	195	100	100	105	112	118
African Participation	–	–	–	803	859	919	974
Water Services Administration	5 977	7 867	8 912	11 001	10 168	11 087	11 710
Water Services Support	122 305	55 061	80 846	123 034	78 906	89 263	94 828
Operations of Water Services	951 863	1 068 333	1 109 688	1 118 483	1 383 070	1 119 778	850 667
<b>Total</b>	<b>1 561 359</b>	<b>1 510 998</b>	<b>1 454 758</b>	<b>1 913 660</b>	<b>2 427 999</b>	<b>2 535 398</b>	<b>2 179 513</b>
Change to 2007 Budget estimate				–	8 849	7 807	(130 645)

### Economic classification

Current payments	982 954	1 148 734	958 438	846 453	1 548 013	1 661 513	1 605 426
Compensation of employees	502 428	532 552	589 959	539 982	388 627	159 156	187 170
Goods and services	480 526	616 182	368 479	306 471	1 159 386	1 502 357	1 418 256
of which:							
Communication	6 335	9 552	4 046	6 141	647	803	883
Computer services	1 947	1 839	1 386	731	273	315	279
Consultants, contractors and special services	398 364	305 219	267 888	147 343	829 888	1 150 491	862 101
Inventory	23 660	57 064	2 622	12 392	556	641	659
Maintenance, repairs and running costs	1 463	52 178	471	709	302	353	370
Operating leases	14 590	7 724	7 277	4 479	380	422	447
Travel and subsistence	22 170	114 096	22 636	44 007	7 678	9 724	10 617

Table 34.5 Water Services (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Transfers and subsidies</b>	<b>487 204</b>	<b>254 304</b>	<b>471 573</b>	<b>659 184</b>	<b>861 467</b>	<b>855 000</b>	<b>570 000</b>
Provinces and municipalities	341 321	164 761	385 695	621 744	861 467	855 000	570 000
Public corporations and private enterprises	134 486	89 492	83 899	37 440	–	–	–
Non-profit institutions	–	2	–	–	–	–	–
Households	11 397	49	1 979	–	–	–	–
<b>Payments for capital assets</b>	<b>91 201</b>	<b>107 960</b>	<b>24 747</b>	<b>408 023</b>	<b>18 519</b>	<b>18 885</b>	<b>4 087</b>
Buildings and other fixed structures	71 336	102 762	17 442	358 734	2 000	2 000	–
Machinery and equipment	19 624	5 097	6 227	2 822	3 272	3 621	3 807
Software and other intangible assets	241	101	1 078	46 467	13 247	13 264	280
<b>Total</b>	<b>1 561 359</b>	<b>1 510 998</b>	<b>1 454 758</b>	<b>1 913 660</b>	<b>2 427 999</b>	<b>2 535 398</b>	<b>2 179 513</b>

## Details of major transfers and subsidies

<b>Provinces and municipalities</b>							
<b>Municipalities</b>							
<b>Municipal bank accounts</b>							
<b>Current</b>	<b>133 436</b>	<b>164 761</b>	<b>385 695</b>	<b>621 744</b>	<b>861 467</b>	<b>855 000</b>	<b>570 000</b>
Regional Services Council levies	176	249	–	–	–	–	–
Water services operating subsidy grant	133 260	164 512	385 695	621 744	861 467	855 000	570 000
<b>Capital</b>	<b>207 885</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Implementation of water services projects grants	207 885	–	–	–	–	–	–
<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Subsidies on production or products</b>							
<b>Current</b>	<b>134 486</b>	<b>89 492</b>	<b>83 899</b>	<b>37 440</b>	<b>–</b>	<b>–</b>	<b>–</b>
Water services operating subsidy indirect grant (waterboards)	134 486	89 492	83 899	37 440	–	–	–

Table 34.6 Detail split of direct grant and indirect grants to municipalities

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Water Services Operating Subsidy Grant</b>							
<b>Direct Grants</b>							
<b>Transfers and subsidies</b>	<b>133 260</b>	<b>164 512</b>	<b>385 695</b>	<b>621 744</b>	<b>861 467</b>	<b>855 000</b>	<b>570 000</b>
Provinces and municipalities	133 260	164 512	385 695	621 744	861 467	855 000	570 000
<b>Indirect Grants</b>							
<b>Current Payments</b>	<b>695 233</b>	<b>793 486</b>	<b>490 837</b>	<b>459 299</b>	<b>269 040</b>	<b>–</b>	<b>–</b>
Compensation of employees	423 780	447 530	443 573	413 108	237 765	–	–
Goods and services	271 453	345 956	47 264	46 191	31 275	–	–
<b>Transfers and subsidies</b>	<b>88 713</b>	<b>89 492</b>	<b>83 898</b>	<b>37 440</b>	<b>–</b>	<b>–</b>	<b>–</b>
Public corporations and private enterprises	88 713	89 492	83 898	37 440	–	–	–
<b>Payments for capital assets</b>	<b>34 657</b>	<b>20 843</b>	<b>7 633</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Buildings and other fixed structures	16 421	17 861	3 603	–	–	–	–
Machinery and equipment	18 236	2 982	4 030	–	–	–	–
<b>Total grants</b>	<b>951 863</b>	<b>1 068 333</b>	<b>968 063</b>	<b>1 118 483</b>	<b>1 130 507</b>	<b>855 000</b>	<b>570 000</b>
VAT adjustment on trading account	–	–	141 625	–	252 563	264 778	280 667
<b>Total</b>	<b>951 863</b>	<b>1 068 333</b>	<b>1 109 688</b>	<b>1 118 483</b>	<b>1 383 070</b>	<b>1 119 778</b>	<b>850 667</b>

**Table 34.6 Detail split of direct grant and indirect grants to municipalities (continued)**

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Backlog Schools And Clinics</b>							
<b>Indirect Grants</b>							
<b>Current Payments</b>	-	-	-	105 000	210 000	350 000	-
Goods and services	-	-	-	105 000	210 000	350 000	-
<b>Total</b>	-	-	-	105 000	210 000	350 000	-
<b>Bulk Infrastructure</b>							
<b>Indirect Grants</b>							
<b>Current Payments</b>	-	-	-	300 000	450 000	650 000	689 000
Goods and services	-	-	-	300 000	450 000	650 000	689 000
<b>Total</b>	-	-	-	300 000	450 000	650 000	689 000

### Expenditure trends

Expenditure increases sharply from R1.5 billion in 2006/07 to R2.5 billion in 2009/10 at an average annual rate of 20.3 per cent, because of additional allocations for refurbishing water services infrastructure and developing bulk infrastructure.

Between 2007/08 and 2010/11, expenditure in the *Provisioning Policies* subprogramme increases from R24 million to R41.4 million at an average annual rate of 20 per cent, and in the *Water and Sanitation Service* subprogramme, from R412.4 million to R742 million at an average annual rate of 21.6 per cent. These programmes receive two new allocations: the bulk infrastructure grant and the grant for the provision of sanitation and water in clinics and schools. The increased allocation from these two grants is also reflected in the substantive increase in good and services, which rises by 278 per cent between 2007/08 and 2008/09.

In addition, the department will continue to develop capacity aimed at achieving the Millennium Development Goals, resulting in an increase in expenditure in the *African Participation* subprogramme from R803 million to R974 million over the MTEF period, average annual growth of 6.6 per cent.

Expenditure in the *Water Services* programme will gradually increase over the MTEF period, from R1.9 billion to R2.2 billion at an average annual rate of 4.4 per cent due to additional allocations.

### Water and sanitation in schools and clinics

Over the MTEF period, an additional amount was made available as a top-up to the existing provincial infrastructure delivery grants of the departments of health and education and is ring-fenced for water supply and sanitation services delivery to schools and clinics. The intention of this grant was to accelerate provision of basic services to schools and clinics. Of the total allocation of R105 million for 2007/08, R88.4 million has been directed to the provision of water supply and sanitation services at Priority 1 clinics, since these are targeted for completion by the end of 2007/08. Priority 1 clinics do not have access to any water supply or sanitation services. Priority 2 clinics (those that either have an inadequate level of services or need upgrading and refurbishing) are targeted for completion by March 2008. The R560 million allocated for the outer two years of the MTEF is for schools.

#### Progress as at the end December 2007

- All 110 Priority 1 clinics that had never had sanitation (Priority 1) have reached practical completion, except for snag resolution.
- 144 of 272 Priority 2 clinics that had inadequate sanitation have been reported as complete. This number is expected to increase as more implementing agents report back. The remaining work on Priority 2 clinics is anticipated to be complete by March 2008.
- All 91 Priority 2 clinics that had never before been served with water have been reported as complete.
- 195 of 245 Priority 2 clinics that had inadequate water services have been reported as complete. This number is expected to increase as more implementing agents report back. The remaining work on Priority 2 clinics is expected to be complete by March 2008.
- All schools that previously had the bucket toilet system (5 in Eastern Cape) were given sanitation services by December 2007.
- A further 53 schools have been given water supply and 5 have been given sanitation services. Another 35 schools will receive water supply and 86 will receive sanitation services in 2008/09.



## Programme 4: Forestry

**Purpose:** Ensure the sustainable management of the department's plantations and indigenous forests in order to realise their optimal social, environmental and economic benefits. Promote rural development through policy making, regulation, facilitation, and monitoring and evaluation.

- *Forestry Oversight* develops policies to support sustainable forest management, oversees the sector, and ensures that policies and laws at all levels of government are coherent, including international liaison on sustainable forest management and governance.
- *Forestry Governance* supports sustainable forest management by monitoring forestry management and ensuring that there is sufficient capacity at the local level for implementing forestry legislation.
- *Forestry Development* develops strategies and forest enterprise development programmes that support BEE and that enable communities to make use of tree and forest resources to improve their livelihoods. This includes international liaison which promotes forestry development in South Africa, SADC and Africa.
- *Community Empowerment* supports the implementation of programmes that enable communities to participate in the benefits of forestry to generate economic growth and sustain livelihoods.
- *Fire Regulation and Oversight* supports rural socioeconomic development through developing systems and strategies for preventing, managing and monitoring veld and forest fires. It is an area of growing importance in the department, as the Veld and Forest Fires Act (1998) needs to be fully implemented.
- *Fire Governance* provides organisational and operational technical advice to, and support for, local institutions to prevent veld and forest fires and achieve fire management goals in general.
- *State Forest Transfer and Regulation* deals with the transfer, and post-transfer administration and regulation, of state forests. It includes the management of delegations and legal agreements on state forests and the collection and management of lease rentals.
- *State Forest Administration and Oversight* implements and negotiates the transfer of state forests and monitors the post-transfer management of forests and relations with stakeholders.
- *State Forest Management* deals with the sustainable development and management of state forests by the department to optimise their social, economic and environmental benefits.
- *Sustainable Forest Management* ensures the sustainable management of state forests to optimise social and economic benefits in rural areas and ensure the participation of stakeholders.
- *Forestry Management and Support* funds efficient general administration and management support for the programme.
- *Forestry Support Services* provides technical, financial and general administration support for regional forestry activities.

## Expenditure estimates

**Table 34.7 Forestry**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Forestry Oversight	13 927	12 502	14 265	40 897	20 405	21 502	22 790
Forestry Governance	1 953	295	9 371	2 207	2 382	2 518	2 665
Forestry Development	658	768	5 219	14 560	6 166	6 491	6 878
Community Empowerment	21 968	26 052	20 524	25 578	27 403	29 767	32 290
Fire Regulation and Oversight	560	350	2 753	8 866	5 768	6 092	6 453
Fire Governance	1 005	1 376	577	2 337	2 481	2 623	2 777
State Forest Transfer and Regulation	1 080	269	3 249	10 158	5 480	5 714	5 970
State Forest Administration and Oversight	20 271	69 886	22 231	24 720	22 674	23 391	25 035
State Forest Management	2 010	1 170	429	30 839	2 426	2 565	2 715
Sustainable Forest Management	321 723	268 764	315 631	298 184	310 457	327 826	347 220
Forestry Management and Support	1 972	8 539	6 110	3 994	8 150	8 794	9 402
Forestry Support Services	79 502	30 948	40 881	48 102	32 390	34 116	36 136
<b>Total</b>	<b>466 629</b>	<b>420 919</b>	<b>441 240</b>	<b>510 442</b>	<b>446 182</b>	<b>471 399</b>	<b>500 331</b>
Change to 2007 Budget estimate				49 897	5 924	7 437	8 531

Table 34.7 Forestry (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Economic classification</b>							
<b>Current payments</b>	<b>392 257</b>	<b>398 542</b>	<b>423 811</b>	<b>502 174</b>	<b>434 927</b>	<b>459 623</b>	<b>487 848</b>
Compensation of employees	251 213	250 263	254 234	315 340	305 801	322 590	341 554
Goods and services	140 482	148 122	168 922	186 126	128 384	136 251	145 465
<i>of which:</i>							
Communication	4 204	7 048	4 662	1 447	1 519	1 595	1 691
Computer services	2 815	16	1 022	22	23	25	27
Consultants, contractors and special services	28 200	48 906	33 282	58 615	15 496	15 730	16 952
Inventory	26 594	18 331	34 864	7 911	11 306	12 722	14 245
Maintenance, repairs and running costs	2 502	3 010	3 249	156	164	173	183
Operating leases	1 606	234	1 678	47	50	52	55
Travel and subsistence	39 858	58 716	51 238	18 256	19 168	20 127	21 335
Interest and rent on land	562	157	655	708	742	782	829
<b>Transfers and subsidies</b>	<b>71 347</b>	<b>17 787</b>	<b>13 029</b>	<b>100</b>	<b>2 700</b>	<b>2 700</b>	<b>2 862</b>
Provinces and municipalities	896	804	222	–	–	–	–
Departmental agencies and accounts	31 906	16 981	–	–	–	–	–
Public corporations and private enterprises	38 481	–	12 807	100	2 700	2 700	2 862
Households	64	2	–	–	–	–	–
<b>Payments for capital assets</b>	<b>3 025</b>	<b>4 590</b>	<b>4 400</b>	<b>8 168</b>	<b>8 555</b>	<b>9 076</b>	<b>9 621</b>
Buildings and other fixed structures	126	78	–	–	–	–	–
Machinery and equipment	2 737	4 240	4 400	8 168	8 378	8 825	9 355
Cultivated assets	90	30	–	–	–	–	–
Software and other intangible assets	72	242	–	–	177	251	266
<b>Total</b>	<b>466 629</b>	<b>420 919</b>	<b>441 240</b>	<b>510 442</b>	<b>446 182</b>	<b>471 399</b>	<b>500 331</b>

**Details of major transfers and subsidies**

<b>Departmental agencies and accounts</b>							
<b>Departmental agencies (non-business entities)</b>							
<b>Current</b>	<b>31 906</b>	<b>16 981</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
South African Forestry Company Limited	31 906	16 981	–	–	–	–	–
<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Subsidies on production or products</b>							
<b>Current</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>100</b>	<b>2 700</b>	<b>2 700</b>	<b>2 862</b>
International Forestry Students Symposium	–	–	–	100	–	–	–
Indigenous Knowledge Systems of South Africa Trust	–	–	–	–	100	100	106
Forestry and Agricultural Biotechnology Institution	–	–	–	–	100	100	106
International Forestry Students Symposium	–	–	–	–	100	100	106
Forestry SA: Subsidy research	–	–	–	–	2 400	2 400	2 544
<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Other transfers</b>							
<b>Current</b>	<b>38 481</b>	<b>–</b>	<b>12 807</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Yorkor Ltd	38 481	–	12 807	–	–	–	–
<b>Households</b>							

**Expenditure trends**

The *Forestry* programme sees an increase in expenditure from R441.2 million in 2006/07 to R510.4 million in 2007/08, at an average annual rate of 15.7 per cent. This is mainly due to the reprioritisation within the baseline to accommodate the R40 million allocation by the department for developing the Forest Sector BEE Charter. The charter was finalised in 2007/08, so the total allocation to the *Forestry* programme was reduced to R446.1 million for 2008/09. Cabinet approved an additional R12 million for the Million Trees programme from 2008/09 to 2010/11, resulting in an increase in the total budget from R446.2 million to R500.3 million, an average annual increase of 5.9 per cent.

## Trading entities

### Water trading account

The water trading account manages water infrastructure using departmental resources for maintaining and constructing new infrastructure to meet evolving water use requirements in terms of national policy.

The water trading account is divided into four components. The four sub-accounts are:

- The integrated water resource management component funds the implementation of water resource construction and management activities, including the integration and rollout of water quality standards, the authorisation and control of water use, and water conservation measures in catchments areas nationally. Revenue is generated by a water resource management charge on all registered users.
- The integrated systems component ensures that water is transferred from water rich areas to areas where locally available water resources cannot meet the demand, providing for new water resource infrastructure and the rehabilitation of existing infrastructure. Expenses related to management, operations and maintenance as well as revenue collected from the supply of water are reflected in this component.
- Revenue in the bulk water supply component is earned through sales of bulk water from stand alone water schemes to users. Expenditure arises from management, operations and maintenance. This component also finances new infrastructure and the rehabilitation of existing infrastructure.
- The equipment and construction component provides equipment and undertakes the construction and maintenance of government water schemes.

Revenue is expected to increase from R6.3 billion to R7.1 billion over the MTEF period, as a result of the revised pricing strategy implemented in April 2007, which includes a charge for waste discharge. Expenditure on the water trading account is expected to increase from R6.2 billion in 2006/07 to R6.8 billion in 2007/08. Transfers received are estimated to increase from R280 million in 2008/09 to R313 million in 2010/11.

**Table 34.8 Water trading account**

R thousand	Audited outcome			Estimated outcome	Medium-term estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>2 536 182</b>	<b>3 130 405</b>	<b>4 861 273</b>	<b>5 051 697</b>	<b>6 056 170</b>	<b>6 398 949</b>	<b>6 782 886</b>
<i>Bulk water sales</i>	2 512 908	3 107 502	4 283 238	5 040 404	5 982 199	6 320 791	6 700 039
Other Income	23 274	22 903	578 035	11 293	73 971	78 158	82 847
<b>Transfers received</b>	<b>1 358 552</b>	<b>1 626 099</b>	<b>710 140</b>	<b>251 940</b>	<b>280 869</b>	<b>296 213</b>	<b>313 170</b>
<b>Total revenue</b>	<b>3 894 734</b>	<b>4 756 504</b>	<b>5 571 413</b>	<b>5 303 637</b>	<b>6 337 039</b>	<b>6 695 162</b>	<b>7 096 056</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>6 942 923</b>	<b>4 880 266</b>	<b>6 034 494</b>	<b>6 614 771</b>	<b>6 089 292</b>	<b>6 396 525</b>	<b>6 725 222</b>
Compensation of employees	727 409	701 240	507 924	800 460	935 560	988 513	1 047 823
Goods and services	4 962 756	2 923 668	2 815 477	4 958 804	4 196 332	4 448 112	4 714 999
Depreciation	1 252 729	1 255 327	2 711 093	855 507	957 400	959 900	962 400
Interest, dividends and rent on land	29	31	–	–	–	–	–
<b>Transfers and subsidies</b>	<b>436 225</b>	<b>412 754</b>	<b>178 250</b>	<b>181 000</b>	<b>182 000</b>	<b>183 000</b>	<b>184 000</b>
<b>Total expenses</b>	<b>7 379 148</b>	<b>5 293 020</b>	<b>6 212 744</b>	<b>6 795 771</b>	<b>6 271 292</b>	<b>6 579 525</b>	<b>6 909 222</b>
<b>Surplus / (Deficit)</b>	<b>(3 484 414)</b>	<b>(536 516)</b>	<b>(641 331)</b>	<b>(1 492 134)</b>	<b>65 747</b>	<b>115 637</b>	<b>186 834</b>

**Table 34.8 Water trading account (continued)**

R thousand	Audited outcome			Estimated outcome	Medium-term estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Balance sheet data</b>							
Carrying value of assets	50 144 377	45 502 265	39 768 684	40 095 904	40 565 716	41 811 627	43 170 356
<i>of which: Acquisition of assets</i>	48 705	1 165 585	69 604	1 182 727	1 427 212	2 205 811	2 321 129
Inventory	17 932	18 728	19 885	21 078	22 343	23 683	25 104
Receivables and prepayments	817 238	973 135	2 470 925	840 067	997 033	1 053 465	1 116 673
Cash and cash equivalents	3 867	100	374 589	908 723	1 993 128	3 333 700	4 759 046
<b>Total assets</b>	<b>50 983 414</b>	<b>46 494 228</b>	<b>42 634 083</b>	<b>41 865 772</b>	<b>43 578 220</b>	<b>46 222 476</b>	<b>49 071 180</b>
Capital and reserves	50 023 128	45 386 537	41 787 574	41 469 167	43 150 562	45 769 423	48 590 944
Borrowings	349 282	36 350	–	–	–	–	–
Trade and other payables	361 989	872 341	776 461	329 900	349 694	370 676	392 917
Provisions	249 015	199 000	70 048	66 705	77 963	82 376	87 319
<b>Total equity and liabilities</b>	<b>50 983 414</b>	<b>46 494 228</b>	<b>42 634 083</b>	<b>41 865 772</b>	<b>43 578 220</b>	<b>46 222 476</b>	<b>49 071 180</b>

## Public entities and agencies

### National Forest Recreation and Access Trust

The objective of the National Forest Recreation and Access Trust is to promote the use of forests for recreation, education, culture or spiritual fulfilment. In terms of section 41(2) of the National Forests Act (1998), the minister is the sole trustee. The trust has been dormant since its inception, as no approval has been given by the minister to begin operations.

The only source of revenue for the trust is interest on an investment with the Public Corporation for Public Deposit, which was R259 000 in 2006/07.

### Trans-Caledon Tunnel Authority

The Trans-Caledon Tunnel Authority (TCTA) was originally established for ‘the implementation, operation and maintenance of the project works within South Africa’ according to the treaty that governs the Lesotho Highlands water project. However, its mandate has subsequently been expanded to:

- implement and finance the Berg water project
- implement and finance the Vaal River eastern sub-system augmentation project
- provide treasury and financial advisory services to the Department of Water Affairs and Forestry and water management institutions, such as Umgeni Water
- provide advisory and financial services on phase 2 of the Olifants River water resource development project.

In implementing its projects, TCTA leverages private sector involvement, develops institutional arrangements for risk allocation, and ensures that all suppliers meet the required socioeconomic objectives.

In November 2007, TCTA was tasked with the implementation and funding of phase 2 of the Mooi-Mgeni transfer scheme (Spring Grove dam and appurtenant works). Each project is governed by a directive from the Minister of Water Affairs and Forestry as well as an implementation agreement.

Key outputs of the TCTA to date include:

- Managing the stock of debt for the Lesotho Highlands water project, amounting to approximately R17.3 billion at December 2007. Repayment of the total R25 billion is on schedule for 2025.
- Delivery water to Cape Town as part of the Berg water project at the end of 2007.
- The Vaal River eastern subsystem augmentation project is in its final phases and is expected to be completed by September 2008.

Importantly, the TCTA managed to maintain AA+ (long term) and F1+ (short term) credit ratings for the Berg and Vaal River projects.

## Expenditure estimates

**Table 34.9 Trans-Caledon Tunnel Authority**

R thousand	Audited outcome			Estimated outcome	Medium-term estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>1 884 000</b>	<b>2 001 778</b>	<b>2 286 000</b>	<b>2 243 904</b>	<b>2 525 386</b>	<b>2 733 955</b>	<b>2 915 409</b>
Bulk water sales	1 655 000	1 776 070	1 952 000	2 232 678	2 514 841	2 721 245	2 907 509
Other sales	–	–	–	199	196	196	196
Other Income	229 000	225 708	334 000	11 027	10 349	12 514	7 704
<b>Total revenue</b>	<b>1 884 000</b>	<b>2 001 778</b>	<b>2 286 000</b>	<b>2 243 904</b>	<b>2 525 386</b>	<b>2 733 955</b>	<b>2 915 409</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>2 522 946</b>	<b>2 589 649</b>	<b>2 399 615</b>	<b>2 607 311</b>	<b>2 795 219</b>	<b>2 983 380</b>	<b>3 069 423</b>
Compensation of employees	17 000	20 000	36 000	56 946	77 917	87 510	93 632
Goods and services	411 774	462 072	357 936	418 409	442 584	430 988	468 507
Depreciation	16 946	29 347	106 149	35 817	37 739	38 759	39 244
Interest, dividends and rent on land	2 077 226	2 078 230	1 899 530	2 096 139	2 236 979	2 426 123	2 468 040
<b>Total expenses</b>	<b>2 522 946</b>	<b>2 589 649</b>	<b>2 399 615</b>	<b>2 607 311</b>	<b>2 795 219</b>	<b>2 983 380</b>	<b>3 069 423</b>
<b>Surplus / (Deficit)</b>	<b>(638 946)</b>	<b>(587 871)</b>	<b>(113 615)</b>	<b>(363 407)</b>	<b>(269 833)</b>	<b>(249 425)</b>	<b>(154 014)</b>
<b>Balance sheet data</b>							
Carrying value of assets	15 525 178	15 900 429	17 536 017	18 719 374	19 878 651	20 118 562	20 082 170
of which: Acquisition of assets	721 848	470 444	1 805 051	1 219 174	1 197 016	278 669	2 853
Investments	2 267 000	150 716	1 018 093	2 198 786	2 519 324	3 619 324	318 324
Receivables and prepayments	816 187	701 350	793 285	694 257	694 257	694 257	694 257
Cash and cash equivalents	167	704	78	1 599 928	2 895 979	4 151 521	3 920 362
<b>Total assets</b>	<b>18 608 532</b>	<b>16 753 199</b>	<b>19 347 473</b>	<b>23 212 345</b>	<b>25 988 211</b>	<b>28 583 663</b>	<b>25 015 113</b>
Capital and reserves	(2 810 532)	(3 357 147)	(3 368 532)	(3 269 120)	(3 269 120)	(3 269 119)	(3 269 119)
Borrowings	20 653 446	19 349 390	21 786 521	25 690 430	27 548 188	29 897 913	26 329 364
Trade and other payables	763 689	758 522	926 871	788 422	1 706 530	1 952 257	1 952 256
Provisions	1 929	2 434	2 613	2 613	2 613	2 613	2 613
<b>Total equity and liabilities</b>	<b>18 608 532</b>	<b>16 753 199</b>	<b>19 347 473</b>	<b>23 212 345</b>	<b>25 988 211</b>	<b>28 583 663</b>	<b>25 015 113</b>

## Expenditure trends

Revenue is generated from the sale of 1 385 million cubic meters of water, of which 1 349 million cubic meters was from the sale of raw water, yielding R2 billion in 2006/07 and R1.8 billion in 2005/06. This revenue is based on a bulk raw water tariff of R1.41 per cubic meter for 2006/07 and R1.32 cents per cubic meter for 2005/06. The higher revenue is due to a 7 per cent increase in the water tariff and a 2.7 per cent increase in water volume sold.

The TCTA reported an operating deficit of R114 million for 2006/07 and projects an operating deficit of R363 million for 2007/08. A net deficit for 2006/07 of R114 million has been realised, which reflects a shortfall in interest cover. Included in the net deficit is a net profit of R80 million (in 2005/06, a net loss of R33 million) resulting from the implementation of international accounting standards. The net deficit after interest is a result of keeping water tariffs constant in real terms, taking into account the impact of future water demand, and the future timing of augmentation schemes. Income is sufficient to repay all water transfer costs in the repayment period. However, interest will be capitalised for the first years of operation while projects are under construction.

Between 2005/06 and 2006/07, operating expenses increased from R175 million to R236 million, an increase of 34.9 per cent, and interest cost declined from R2.2 billion to R1.9 billion, a decrease of just over 12 per cent.

Since the establishment of the Lesotho Highlands water project, total royalties paid to the government of Lesotho are R2 billion.

### Water Research Commission

The Water Research Commission (WRC) promotes co-ordination, communication and co-operation in water research, establishes water research needs from a national perspective, funds prioritised research, and promotes the effective transfer, dissemination and application of research findings.

Key achievements during the reporting period include:

- 314 water sector research projects were financed.
- 580 students were financially supported and mentored through Water Research Commission projects, of whom about 60 per cent were from historically disadvantaged backgrounds.
- A study was done assessing needs and mechanisms to support capacity building for water services in local government as part of the Department of Water Affairs and Forestry's 2025 national initiative.
- Other national departmental initiatives have also been supported, such as the Women in Water, Sanitation and Forestry Awards and the South African Youth Water Prize.

### Selected performance indicators

Indicators	Annual performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Research funding and support as a percentage of total income	72%	77%	75%	76%	76%	76%	76%
- research funding and support	R62.9 m	R79.1 m	R85.5 m	R98.7 m	R101.8 m	R106 m	R109.1 m
- total income	R87.4 m	R103.1 m	R113.7 m	R129.8 m	R134 m	R139.7 m	R144.3 m
Income growth (measured as meeting the leveraged income target)	R3.6 m	R3.9 m	R9.1 m	R11.6 m	R11 m	R12 m	R12.2 m
Percentage deviation between actual budget and budget at year end	-	-	-	10%	10%	10%	10%
Number of students supported (60 per cent of whom are historically disadvantaged)	-	-	-	400	400	400	400

### Expenditure estimates

Table 34.10 Water Research Commission

R thousand	Audited outcome			Estimated outcome	Medium-term estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>86 608</b>	<b>103 169</b>	<b>129 735</b>	<b>129 766</b>	<b>133 962</b>	<b>139 716</b>	<b>144 288</b>
<i>Water research levies</i>	76 548	86 476	108 020	124 865	128 913	134 514	138 929
Other Income	10 060	16 693	21 715	4 901	5 049	5 202	5 359
<b>Total revenue</b>	<b>86 608</b>	<b>103 169</b>	<b>129 735</b>	<b>129 766</b>	<b>133 962</b>	<b>139 716</b>	<b>144 288</b>

Table 34.10 Water Research Commission (continued)

R thousand	Audited outcome			Estimated outcome	Medium-term estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Expenses</b>							
<b>Current expense</b>	<b>71 015</b>	<b>126 314</b>	<b>118 950</b>	<b>130 715</b>	<b>134 815</b>	<b>140 678</b>	<b>145 262</b>
Compensation of employees	12 404	28 387	21 353	19 728	20 766	21 792	22 866
Goods and services	58 292	96 275	95 286	110 038	113 196	117 924	121 422
Depreciation	225	609	959	949	853	962	974
Interest, dividends and rent on land	94	1 043	1 352	–	–	–	–
<b>Total expenses</b>	<b>71 015</b>	<b>126 314</b>	<b>118 950</b>	<b>130 715</b>	<b>134 815</b>	<b>140 678</b>	<b>145 262</b>
<b>Surplus / (Deficit)</b>	<b>15 593</b>	<b>(23 145)</b>	<b>10 785</b>	<b>(949)</b>	<b>(853)</b>	<b>(962)</b>	<b>(974)</b>
<b>Balance sheet data</b>							
Carrying value of assets	2 316	3 745	3 153	2 936	2 875	3 220	3 569
<i>of which: Acquisition of assets</i>	<i>722</i>	<i>2 042</i>	<i>404</i>	<i>732</i>	<i>792</i>	<i>1 307</i>	<i>1 323</i>
Investments	29 264	40 114	48 948	52 294	55 908	59 812	64 028
Loans	4 258	–	–	–	–	–	–
Receivables and prepayments	39 317	12 633	29 972	30 000	31 000	32 000	33 000
Cash and cash equivalents	66 136	40 626	46 460	44 000	43 000	42 000	41 000
<b>Total assets</b>	<b>141 291</b>	<b>97 118</b>	<b>128 533</b>	<b>129 230</b>	<b>132 783</b>	<b>137 032</b>	<b>141 597</b>
Capital and reserves	101 391	53 305	72 980	72 031	71 178	70 216	69 242
Borrowings	651	1 680	1 091	1 100	1 200	1 300	1 400
Post-retirement benefits	15 336	20 222	21 538	23 000	25 000	27 000	29 000
Trade and other payables	21 828	19 675	30 830	30 999	33 305	36 416	39 855
Provisions	2 085	2 236	2 094	2 100	2 100	2 100	2 100
<b>Total equity and liabilities</b>	<b>141 291</b>	<b>97 118</b>	<b>128 533</b>	<b>129 230</b>	<b>132 783</b>	<b>137 032</b>	<b>141 597</b>

### Expenditure trends

The Water Research Commission has two primary sources of income: the water research levy and leverage income (income from research commissioned by clients). The water research levy accounts for 83 per cent of total revenue in 2006/07. The substantive increase in the water research levy since 2004/05 can be attributed to improved revenue collection and an increase in the number of water users from whom levies are collected.

Between 2004/05 and 2005/06, expenditure increased from R71 million to R126 million due to rollovers as a result of delays in receiving work commissioned from researchers and changes in the demand for research work. Overall expenditure is expected to increase over the MTEF period by 14.5 million.

### Water boards

Water boards are established in terms of the Water Services Act (1997) and are categorised as national government business enterprises in terms of schedule 3B of the Public Finance Management Act (1999). The purpose of water boards is to provide bulk water services to other water services institutions in their respective service areas.

#### The water boards

Albany Coast Water	Ikangala Water	Overberg Water
Amatola Water	Lepelle Northern Water	Pelladri Water
Bloem Water	Magalies Water	Rand Water
Botshelo Water	Mhlathuze Water	Sedibeng Water
Bushbuckridge Water	Namakwa Water	Umgeni Water

Water boards have been restructured to be independent and financially viable. Only four water boards, Botshelo, Buckbuckridge, Magalies and Sedibeng, operate water schemes on behalf of the department and have not yet been transferred to municipalities.

During the period under review, water boards achieved the following key outputs:

- supplied a total bulk potable volume of approximately 2.067 billion cubic meters
- implemented tariff increases within government inflation targets as set by National Treasury
- improved financial management to ensure long term viability (through the repayment of debt, the recovery of capital and operational costs, and the establishment of better reserves for future infrastructure development).

Water board	Volume of water sold (kl)						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Albany Coast	472 121	513 038	511 753	516 870	522 039	527 259	532 532
Amatola	29 101 000	29 565 000	29 12 000	31 063 000	31 219 000	31 375 000	31 532 000
Bloem	70 655 344	68 651 360	78 364 391	78 948 034	79 537 514	80 132 889	80 734 217
Botshelo	12 403 000	11 828 000	18 600 000	19 100 000	19 200 000	19 400 000	19 600 000
Bushbuckridge	14 908	16 690	22 571	22 594	30 084	33 947	38 712
Ikangala	30 005 891	32 142 504	33 870 003	34 208 703	34 550 790	34 896 297	35 245 259
Lepelle	78 058 000	83 069 000	86 459 000	79 716 000	79 716 000	79 716 000	79 716 000
Magalies	67 200 172	65 124 513	67 200 172	69 904 930	73 501 101	75 913 994	78 980 471
Mhlathuze	114 470	114 630	122 240	117 925	130 999	156 184	159 907
Namakwa	2 635 563	3 003 696	2 924 056	2 953 296	2 982 829	3 012 657	3 042 784
Overberg	5 079 000	4 118 102	4 259 546	4 285 000	4 340 000	4 394 000	4 450 000
Pelladriif	4 211 360	4 264 550	4 437 682	4 482 058	4 526 879	4 572 147	4 617 869
Rand	1 259 948 672	1 262 011 897	1 295 750 000	1 308 890	1 320 570	1 333 710	1 348 310
Sedibeng	53 986 007	54 635 573	69 792 798	67 275 000	70 872 000	71 829 000	72 859 000
Umgeni	352 634 000	361 438 000	373 857 000	381 881 000	386 036 000	391 640 000	397 344 000

## Expenditure estimates

Table 34.11 Consolidated water boards

R thousand	Audited outcome			Estimated outcome	Medium-term estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>6 045 058</b>	<b>6 468 697</b>	<b>7 037 270</b>	<b>7 140 365</b>	<b>7 746 727</b>	<b>8 242 104</b>	<b>8 669 878</b>
<i>Bulk water sales</i>	5 560 995	5 874 570	6 484 046	6 671 706	7 164 635	7 624 460	8 076 701
<i>Other Income</i>	484 063	594 127	553 224	468 659	582 092	617 644	593 178
<b>Total revenue</b>	<b>6 045 058</b>	<b>6 468 697</b>	<b>7 037 270</b>	<b>7 140 365</b>	<b>7 746 727</b>	<b>8 242 104</b>	<b>8 669 878</b>



Table 34.11 Consolidated Water boards (continued)

R thousand	Audited outcome			Estimated outcome	Medium-term estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Expenses</b>							
<b>Current expense</b>	<b>5 139 414</b>	<b>5 576 330</b>	<b>6 589 904</b>	<b>6 878 375</b>	<b>7 215 057</b>	<b>7 806 027</b>	<b>8 142 548</b>
Compensation of employees	784 778	894 316	1 644 096	1 737 179	1 925 068	2 074 950	2 236 204
Goods and services	3 238 694	3 561 650	4 035 195	4 248 547	4 314 739	4 703 364	4 981 751
Depreciation	305 232	411 365	436 336	454 239	482 209	519 767	575 613
Interest, dividends and rent on land	810 710	708 999	474 277	438 411	493 041	507 946	348 980
<b>Total expenses</b>	<b>5 139 414</b>	<b>5 576 365</b>	<b>6 591 336</b>	<b>6 878 375</b>	<b>7 215 057</b>	<b>7 806 027</b>	<b>8 142 548</b>
<b>Surplus / (Deficit)</b>	<b>905 644</b>	<b>892 333</b>	<b>445 934</b>	<b>261 989</b>	<b>531 670</b>	<b>436 077</b>	<b>527 331</b>
Tax payment	-	35	1 432	-	-	-	-
<b>Balance sheet data</b>							
Carrying value of assets	9 191 201	9 291 840	9 902 558	11 424 725	12 426 277	12 834 487	12 609 918
<i>of which: Acquisition of assets</i>	<i>489 946</i>	<i>950 987</i>	<i>791 417</i>	<i>1 729 053</i>	<i>1 332 622</i>	<i>1 215 612</i>	<i>1 034 017</i>
Investments	2 281 994	1 134 745	1 327 280	1 352 147	1 632 195	938 726	849 323
Inventory	74 686	72 713	73 834	67 721	88 983	94 278	237 915
Loans	14 263	13 372	-	-	-	-	-
Receivables and prepayments	885 747	935 334	1 127 085	973 658	925 719	989 550	1 015 892
Cash and cash equivalents	1 256 568	883 470	1 477 131	1 520 070	1 736 635	2 063 497	2 531 779
<b>Total assets</b>	<b>13 704 459</b>	<b>12 331 474</b>	<b>13 907 888</b>	<b>15 338 322</b>	<b>16 809 808</b>	<b>16 920 538</b>	<b>17 244 827</b>
Capital and reserves	5 882 449	6 667 086	8 183 442	9 417 143	10 588 698	11 536 036	12 286 740
Borrowings	6 145 828	3 978 474	3 718 601	4 083 796	4 362 279	3 528 649	2 985 298
Post-retirement benefits	273 563	314 038	356 184	449 374	504 302	564 110	626 994
Trade and other payables	1 257 062	1 233 149	1 439 398	1 313 615	1 282 647	1 226 355	1 283 647
Provisions	130 801	119 304	189 921	55 555	55 797	53 351	50 487
Managed funds	14 756	19 423	20 342	18 839	16 085	12 038	11 661
<b>Total equity and liabilities</b>	<b>13 704 459</b>	<b>12 331 474</b>	<b>13 907 888</b>	<b>15 338 322</b>	<b>16 809 808</b>	<b>16 920 538</b>	<b>17 244 827</b>

### Expenditure trends

In 2006/07, the consolidated revenue from the sale of bulk water was R6.5 billion, of which Rand Water accounted for R4.1 billion or 63.1 per cent, and Umgeni Water accounted for R1.1 billion or 18.5 per cent. Revenue is expected to grow from R7.1 billion to R8.1 billion at an average annual rate of 6.2 per cent over the MTEF period.

### Komati River Basin Water Authority

The Komati River Basin Water Authority has been established in terms of the treaty on the water resources of the Komati River basin entered into between South Africa and Swaziland. It is governed by the Joint Water Commission, whose members are officials from both governments. The Komati River Basin Water Authority is responsible for financing, building, operating and maintaining the water resources infrastructure in the Nkomati River basin, comprising the Driekoppies Dam in South Africa and the Maguga Dam in Swaziland, with ancillary works.

The construction of the Driekoppies Dam was secured through a loan of R488.4 million from the Development Bank of Southern Africa, and bears interest of 10 per cent a year, payable biannually in arrears. The capital is payable in 40 equal biannual installments from March 2001.

The loan of R165 million, structured by a promissory note as agreed by the South African and Swaziland governments, is an additional facility for the Maguga Dam. It bears interest of 13.1 per cent a year, payable biannually in arrears. The capital and interest are repayable in 30 biannual instalments from June 2002. The

liability is fully guaranteed by the South African government. The Swaziland government guarantees 40 per cent of the loan to South Africa.

The Driekoppies Dam was commissioned in 1997 and the Maguga Dam in 2002. With the construction of both dams completed, the Komati River Basin Water Authority is focusing on operations, including finance and loan administration.

All the water from the Driekoppies Dam is for South Africa; 60 per cent from the Maguga Dam is for South Africa and 40 per cent for Swaziland.

## Additional tables

**Table 34.A Summary of expenditure trends and estimates per programme and economic classification**

Programme	Appropriation		Audited outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R thousand	2006/07		2006/07	2007/08			2007/08
1. Administration	436 708	509 670	537 173	502 110	33 539	535 649	530 649
2. Water Resources Management	2 179 186	2 237 267	1 872 479	2 430 032	472 730	2 902 762	2 553 762
3. Water Services	1 462 251	1 464 966	1 454 758	1 913 660	–	1 913 660	1 742 660
4. Forestry	398 400	448 400	441 240	460 545	49 897	510 442	507 442
<b>Total</b>	<b>4 476 545</b>	<b>4 660 303</b>	<b>4 305 650</b>	<b>5 306 347</b>	<b>556 166</b>	<b>5 862 513</b>	<b>5 334 513</b>
<b>Economic classification</b>							
<b>Current payments</b>	<b>2 635 794</b>	<b>2 765 189</b>	<b>2 820 138</b>	<b>3 175 667</b>	<b>(216 393)</b>	<b>2 959 274</b>	<b>2 954 274</b>
Compensation of employees	1 180 269	1 281 231	1 226 416	1 098 896	266 539	1 365 435	1 360 435
Goods and services	1 453 824	1 482 257	1 582 431	2 076 053	(482 932)	1 593 121	1 593 121
Interest and rent on land	1 701	1 701	847	718	–	718	718
Financial transactions in assets and liabilities	–	–	10 444	–	–	–	–
<b>Transfers and subsidies</b>	<b>1 632 808</b>	<b>1 640 117</b>	<b>1 385 315</b>	<b>2 030 204</b>	<b>409 435</b>	<b>2 439 639</b>	<b>2 090 639</b>
Provinces and municipalities	501 900	501 711	386 680	550 000	172 027	722 027	722 027
Departmental agencies and accounts	1 001 999	1 002 069	827 377	1 347 839	278 000	1 625 839	1 276 839
Public corporations and private enterprises	98 734	102 234	121 703	103 632	(64 592)	39 040	39 040
Foreign governments and international organisations	–	3 500	3 500	525	–	525	525
Non-profit institutions	–	–	150	340	–	340	340
Households	30 175	30 603	45 905	27 868	24 000	51 868	51 868
<b>Payments for capital assets</b>	<b>207 943</b>	<b>254 997</b>	<b>100 197</b>	<b>100 476</b>	<b>363 124</b>	<b>463 600</b>	<b>289 600</b>
Buildings and other fixed structures	136 851	139 899	23 567	23 625	343 684	367 309	196 309
Machinery and equipment	49 151	98 723	65 271	74 352	(28 189)	46 163	43 163
Software and intangible assets	21 941	16 375	11 359	2 499	47 629	50 128	50 128
<b>Total</b>	<b>4 476 545</b>	<b>4 660 303</b>	<b>4 305 650</b>	<b>5 306 347</b>	<b>556 166</b>	<b>5 862 513</b>	<b>5 334 513</b>

**Table 34.B Summary of personnel numbers and compensation of employees**

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>A. Permanent and full-time contract employees</b>							
Compensation (R thousand)	1 012 673	1 105 317	1 201 864	1 339 656	1 238 414	1 068 859	1 156 482
Unit cost (R thousand)	103	149	161	181	167	144	156
Personnel numbers (head count)	9 843	7 399	7 469	7 399	7 399	7 399	7 399
<b>B. Part-time and temporary contract employees</b>							
Compensation (R thousand)	12 751	21 343	22 410	23 530	24 707	25 942	25 942
Unit cost (R thousand)	75	74	77	81	85	89	89
Personnel numbers (head count)	171	290	290	290	290	290	290
<b>C. Interns</b>							
Compensation of interns	1 012	1 981	2 142	2 249	2 362	2 480	2 480
Unit cost (R thousand)	25	55	54	56	59	62	62
Number of interns	40	36	40	40	40	40	40
<b>Total for department</b>							
<b>Compensation (R thousand)</b>	<b>1 026 436</b>	<b>1 128 641</b>	<b>1 226 416</b>	<b>1 365 435</b>	<b>1 265 483</b>	<b>1 097 281</b>	<b>1 184 904</b>
<b>Unit cost (R thousand)</b>	<b>102</b>	<b>146</b>	<b>157</b>	<b>177</b>	<b>164</b>	<b>142</b>	<b>153</b>
<b>Personnel numbers (head count)</b>	<b>10 054</b>	<b>7 725</b>	<b>7 799</b>	<b>7 729</b>	<b>7 729</b>	<b>7 729</b>	<b>7 729</b>
<b>D. Learnerships</b>							
Payments for learnerships (R thousand) (G&S)	–	2 900	3 043	3 197	3 357	3 524	3 524
Number of learnerships (head count)	–	189	189	189	189	189	189

**Table 34.C Summary of expenditure on training**

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Compensation of employees (R thousand)	1 026 436	1 128 641	1 226 416	1 365 435	1 265 483	1 097 281	1 184 904
Training expenditure (R thousand)	32 942	34 917	37 012	38 863	40 806	43 115	45 701
Training as percentage of compensation	3%	3%	3%	3%	3%	4%	4%
Total number trained in department (head count)	2 834	2 195	2 181	2 220			
<i>of which:</i>							
Employees receiving bursaries (head count)	109	164	392	384			
Learnerships trained (head count)	–	189	189	189			
Internships trained (head count)	40	36	40	40			
Households receiving bursaries (R thousand)	375 000	240 000	630 000	630 000	661 500	694 575	792 304
Households receiving bursaries (head count)	25	16	42	42			

**Table 34.D Summary of conditional grants to provinces and municipalities<sup>1</sup>**

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Conditional grants to provinces</b>							
<b>Conditional grants to municipalities</b>							
<b>3. Water Services</b>							
Water services operating subsidy grant	133 260	164 512	385 695	621 744	861 467	855 000	570 000
Implementation of water services projects grant	207 885	–	–	–	–	–	–
<b>2. Water Resources Management</b>							
Municipal drought relief grant	–	–	–	100 000	–	–	–
<b>Total</b>	<b>341 145</b>	<b>164 512</b>	<b>385 695</b>	<b>721 744</b>	<b>861 467</b>	<b>855 000</b>	<b>570 000</b>

1. Detail provided in the Division of Revenue Act (2008).

**Table 34.E Summary of expenditure on infrastructure**

Description	Service delivery outputs			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
<b>Mega infrastructure projects or programmes (over R300 million per year)</b>							
De Hoop dam: New construction	–	–	14 897	460 000	550 000	508 440	508 440
Flag Boshielo to Mokopane pipeline, Steelpoort weir and abstraction works	–	–	11 580	50 000	250 000	600 000	–
Dam safety	23 475	25 320	178 748	350 000	350 000	350 000	350 000
<b>Large infrastructure projects or programmes (between R50 and R300 million per year)</b>							
Nandoni water treatment works and distribution	59 674	102 515	98 306	174 018	105 999	109 928	145 684
Nwamitwa dam	–	–	–	–	40 000	260 000	300 000
Water services projects	52 510	64 217	–	–	–	–	–
Mokolo river augmentation	–	–	–	–	–	10 000	240 000
Mzimkulu river off-channel storage	–	–	–	–	–	–	100 000
Vioolsdrift dam	–	–	–	–	–	–	200 000
Nandoni dam	83 548	26 080	5 000	7 980	–	–	–
Extension of canal system	–	–	–	–	–	–	130 000
Clan William: Upgrading	–	–	–	–	–	290 000	290 500

**Table 34.E Summary of expenditure on infrastructure (continued)**

Description	Service delivery outputs			Adjusted appropriation	Medium-term expenditure estimate		
	Audited outcome				2007/08	2008/09	2009/10
R thousand	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Groups of small projects or programmes (less than R50 million)</b>							
Banhoek weir	–	10 000	2 865	9 690	2 397	–	–
Hluhluwe Ph 3: New construction	–	27 500	28 500	32 490	34 770	39 900	37 620
Inyaka pumpstation	9 300	2 100	50	57	–	–	–
Inyaka WTW Ph 2	–	24 000	96 130	38 306	54 858	77 591	35 551
Xikundu	23 145	300	2 500	–	–	–	–
Hazelmere dam: Upgrading	–	–	–	30 000	30 000	–	–
Jim Fouche bridge: Upgrading	–	–	–	17 442	21 033	–	–
Water services projects	317 323	139 578	–	–	–	–	–
Extention Amatola: Water scheme	–	–	–	–	–	15 000	15 000
<b>Fixed installations transferred to households</b>							
Sanitation projects	25 855	35 169	42 011	–	–	–	–
<b>Maintenance on infrastructure</b>							
Water services	90 000	120 000	–	–	–	–	–
<b>Total</b>	<b>684 830</b>	<b>576 779</b>	<b>480 587</b>	<b>1 169 983</b>	<b>1 439 057</b>	<b>2 260 859</b>	<b>2 352 795</b>

**Table 34.F Summary of departmental public-private partnership projects**

Project description: National fleet project	Project unitary fee at time of contract	Budgeted expenditure	Medium-term expenditure estimate			
			2007/08	2008/09	2009/10	2010/11
R thousand						
<b>Projects signed in terms of Treasury Regulation 16</b>	<b>535 060</b>	<b>101 674</b>	<b>106 757</b>	<b>112 096</b>	<b>117 700</b>	
PPP unitary charge <sup>1</sup>	535 060	101 674	106 757	112 096	117 700	
<b>Total</b>	<b>535 060</b>	<b>101 674</b>	<b>106 757</b>	<b>112 096</b>	<b>117 700</b>	

<sup>1</sup> Phavis fleet services PPP. Disclosure notes for this project can be viewed in the PPP annexure table of the Department of Transport.