

# Vote 34

## Water Affairs and Forestry

R thousand	2006/07 To be appropriated	2007/08	2008/09
<b>MTEF allocations</b>	<b>4 476 545</b>	<b>4 809 347</b>	<b>5 625 984</b>
<i>of which:</i>			
Current payments	2 635 794	2 733 292	2 930 949
Transfers and subsidies	1 632 808	1 731 020	2 479 586
Payments for capital assets	207 943	345 035	215 449
<b>Statutory amounts</b>	-	-	-
Executive authority	Minister of Water Affairs and Forestry		
Accounting officer	Director-General of Water Affairs and Forestry		

### 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 purpose

#### Programme 1: Administration

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

#### Programme 2: Water Resource Management

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.

#### Programme 3: Water Services

Ensure that all people in South Africa have access to an adequate, sustainable, viable, safe, appropriate and affordable water and sanitation service, use water wisely, and practice safe sanitation.

#### Programme 4: Forestry

Promote the conservation of plantation and indigenous forests, and their commercial and community use, to achieve optimal social and economic benefits. Promote rural development through policy development, regulation, facilitation, and monitoring and evaluation.

### Strategic overview and key policy developments: 2002/03 – 2008/09

The Department of Water Affairs and Forestry (DWAF) ensures that South Africa has reliable sources of water and sufficient forest resources for sustainable social and economic development. The department's work supports job creation, poverty eradication, the protection of the

environment, the provision of basic services, building the economy and the development of human resources.

The forest sector has significant potential for rural development and job creation in underdeveloped areas. The department has been working with other government departments to promote community-based afforestation in Eastern Cape and KwaZulu-Natal. Limpopo has also identified forestry as a growth opportunity. The forest sector charter, initiated by the minister in 2005, will further develop the opportunities for social and economic development and broad-based black economic empowerment (BEE).

The department has worked with provincial governments to make sure that water-related constraints and opportunities for development are aligned with provincial growth and development strategies. Water development needs have been identified for activities such as large-scale mining in Limpopo and emerging farmer projects in Eastern Cape. In 2003, Cabinet adopted the strategic framework for water services, which sets out the roles and responsibilities for delivering sustainable water supply and sanitation. In line with this, the department is moving from implementation to a regulatory and support role.

The department also identified a major need for human resources development. It launched the 2025 capacity-building strategy for the water sector, which has brought together all role-players in the sector.

#### *10-year restructuring programme*

The department currently carries out both implementation and regulatory functions, and is aiming to separate these. Through its 10-year restructuring programme, most of its implementation functions will be transferred to more appropriate levels of government and institutions. The department will then focus on policy development, macro planning, regulation, sector leadership, oversight and monitoring.

The restructuring includes: establishing catchment management agencies and making appropriate institutional arrangements for managing and developing national water resource infrastructure; delegating operation and maintenance for government irrigation water schemes to water user associations; transferring the management of commercial plantations and indigenous forests to appropriate institutions; establishing the necessary policy and regulatory functions to ensure the sustainable management of all forest resources; transferring department-owned water services schemes and operations to water services authorities (municipalities); and ensuring effective service delivery by competent water services authorities and institutions.

Significant policy developments during the past four years and key challenges facing the department over the 2006 medium-term expenditure framework (MTEF) period are outlined below for each of the department's functional areas.

#### *Water resource management*

Building on the 1997 national water policy and the National Water Act (1998), significant progress was made with developing the national policy, legislative and strategic framework for managing water resources. This culminated in the 2005 national water resource strategy, which sets out procedures, guidelines and institutional arrangements for managing water resources, and provides water-related information for identifying development opportunities and constraints.

The planned establishment of an agency to manage national water resource infrastructure, and regional and local institutions to manage water resources, will enable the department to move away from day-to-day water resource management into its more appropriate role of policy development, regulation, planning, monitoring and providing institutional support.

Major tasks confronting the department in the medium term include: developing and testing a compulsory water use licensing strategy for allocating and re-allocating water to achieve equitable access and benefits; implementing appropriate institutional arrangements for optimally managing the Working for Water programme in line with the requirements of the National Environmental Management: Biodiversity Act (2004); developing, implementing and supporting catchment management agencies and the National Water Resources Infrastructure Agency; and building national capacity for monitoring and reporting on water resources, so that accurate information is available for decisions about the use, protection and management of water.

#### *Water services*

The strategic framework for water services provides a comprehensive summary of policy for the water services sector and sets out a framework for implementing policy over the next 10 years. The strategy defines the department's role as sector leader with the following core responsibilities: policy, support, regulation, and information management. The current functions of infrastructure implementation and water services scheme operation are being transferred to local government and appropriate water services institutions. Procedures for putting the strategy into practice are being developed and implemented, and include the institutional reform of water service provision as well as regulatory and sector support strategies.

As a sector leader, the department is actively engaged in programmes, such as Project Consolidate, to improve sector water management capacity, and the integrated sustainable rural development programme and the urban renewal programme, to support economic growth and development.

Improving access to basic water supply and sanitation services and meeting government's targets is still a priority. Challenges include funding, better implementation capacity and sustainable management by water services authorities. Since the direct responsibility for infrastructure and its daily operation has moved from the department to the water service authorities, funding will in future come from the municipal infrastructure grant, the local government equitable share and the capacity-building grants.

The free basic water supply programme is well established, and coverage is progressively improving. The key focus now is to extend this to free basic sanitation.

#### *Forestry*

The department is moving from managing commercial, indigenous and community forests to its national authority role of developing and implementing policies, monitoring and evaluating programmes, and providing technical support.

The vision for forestry puts people at the centre, with social and economic development happening through sustainable forestry. The department must create the necessary enabling conditions. The forestry enterprise development programme, the planned expansion of the forest estate and the need to improve livelihoods through forestry activities (through timber or non-timber forest products), are the cornerstones of the department's forestry activities. The department is dedicating resources to developing forestry information systems to underpin management decisions.

The process of transferring forests has progressed, an example being the transfer of the management of the Knysna complex to South African National Parks. Other indigenous forests will be dealt with in the near future.

Extensive work is currently being done to ensure that state plantations play a significant role in local social and economic development and poverty eradication.

## Expenditure estimates

**Table 34.1 Water Affairs and Forestry**

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	
R thousand								
1. Administration	291 967	332 205	353 425	446 950	385 150	436 708	428 408	451 776
2. Water Resources Management	1 073 992	1 116 208	1 476 264	1 632 045	1 532 045	2 179 186	2 416 291	2 961 631
3. Water Services	1 974 155	2 391 442	1 561 359	1 527 974	1 426 174	1 462 251	1 544 103	1 772 319
4. Forestry	403 291	411 607	466 629	415 543	415 543	398 400	420 545	440 258
<b>Total</b>	<b>3 743 405</b>	<b>4 251 462</b>	<b>3 857 677</b>	<b>4 022 512</b>	<b>3 758 912</b>	<b>4 476 545</b>	<b>4 809 347</b>	<b>5 625 984</b>
Change to 2005 Budget estimate				465 100	201 500	675 475	626 723	1 125 481

**Economic classification**

<b>Current payments</b>	<b>1 926 548</b>	<b>2 131 700</b>	<b>2 283 262</b>	<b>2 549 848</b>	<b>2 470 922</b>	<b>2 635 794</b>	<b>2 733 292</b>	<b>2 930 949</b>
Compensation of employees	1 023 875	1 008 808	1 026 436	1 247 225	1 218 299	1 180 269	1 234 699	1 333 563
Goods and services	901 485	1 107 823	1 227 049	1 301 018	1 251 018	1 453 824	1 497 875	1 596 633
<i>of which:</i>								
Communication	25 507	28 304	28 898	25 287	25 287	17 102	17 534	18 578
Computer Services	13 361	38 151	82 070	42 367	42 367	23 906	24 028	25 636
Consultants, contractors and special services	543 682	686 861	647 919	762 898	752 598	916 726	951 811	1 018 841
Inventory	62 044	66 012	103 808	105 240	105 240	77 182	78 680	83 164
Maintenance repair and running cost	4 349	8 572	11 947	8 586	8 586	9 253	9 837	10 238
Operating leases	126 036	117 771	134 155	144 420	144 420	115 519	124 678	133 633
Travel and subsistence	71 712	89 352	114 941	115 512	115 512	113 117	118 521	124 551
Municipal services	9 368	9 883	10 375	11 197	11 197	13 119	14 238	15 135
Interest and rent on land	512	2 157	562	1 605	1 605	1 701	718	753
Financial transactions in assets and liabilities	676	12 912	29 215	-	-	-	-	-
<b>Transfers and subsidies</b>	<b>1 473 802</b>	<b>1 711 929</b>	<b>1 169 357</b>	<b>942 483</b>	<b>942 483</b>	<b>1 632 808</b>	<b>1 731 020</b>	<b>2 479 586</b>
Provinces and municipalities	1 043 429	1 295 994	343 268	169 164	169 164	501 900	550 000	600 000
Departmental agencies and accounts	378 228	290 284	597 131	646 272	646 272	1 001 999	1 044 272	1 733 639
Public corporations and private enterprises	52 145	96 577	172 967	105 221	105 221	98 734	103 632	109 850
Households	-	29 074	55 991	21 826	21 826	30 175	33 116	36 097
<b>Payments for capital assets</b>	<b>343 055</b>	<b>407 833</b>	<b>405 058</b>	<b>530 181</b>	<b>345 507</b>	<b>207 943</b>	<b>345 035</b>	<b>215 449</b>
Buildings and other fixed structures	315 716	372 790	344 174	465 029	280 355	136 851	268 086	133 173
Machinery and equipment	17 574	27 452	49 454	51 931	51 931	49 151	53 963	57 990
Cultivated assets	-	-	90	25	25	-	-	-
Software and other intangible assets	9 765	6 360	11 340	13 196	13 196	21 941	22 986	24 286
Land and subsoil assets	-	1 231	-	-	-	-	-	-
<i>of which: Capitalised compensation</i>	<i>160 362</i>	<i>168 980</i>	<i>116 812</i>	<i>188 225</i>	<i>188 225</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Total</b>	<b>3 743 405</b>	<b>4 251 462</b>	<b>3 857 677</b>	<b>4 022 512</b>	<b>3 758 912</b>	<b>4 476 545</b>	<b>4 809 347</b>	<b>5 625 984</b>

## Expenditure trends

Total expenditure decreased from R4,3 billion to R3,9 billion from 2003/04 to 2004/05 as a result of the transfer of expenditure on new water and sanitation projects to the municipal infrastructure grant. Expenditure started to rise steadily again at an average annual rate of 4,3 per cent in 2005/06. The increase in expenditure by R164 million between 2004/05 and 2005/06 is due to:

additional funds granted in 2005/06 for the transfer of functions, the one-off allocation for drought relief, and the devolution of funds from the Department of Public Works.

The growth in expenditure over the 2006 MTEF is influenced by the additional allocations for: VAT adjustments, afforestation in Eastern Cape and KwaZulu-Natal, the De Hoop Dam, the initial financing of the National Water Resource Infrastructure Agency, and the refurbishment of water services schemes. These allocations have a significant impact on the department's overall expenditure, which rises from R4 billion in 2005/06 to R5,6 billion in 2008/09, an average increase of 11,8 per cent.

## Departmental receipts

Receipts from the sale of water are paid into the water trading account. The receipts set out below are from: the repayment of loans to water boards, water user associations and local government; interest on these loans; revenue from the sale of wood and wood products; and miscellaneous income. From 2003/04 to 2004/05, revenue from the sale of goods and services declined from R61,6 million to R36,7 million, decreasing at an average annual rate of 22,8 per cent. The increase in revenue in 2003/04 is because some of the water sales were reflected in the bank account of the vote and not the trading account.

**Table 34.2 Departmental receipts**

R thousand	Audited outcome			Adjusted appropriation	Medium-term receipts estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>Departmental receipts</b>	<b>89 342</b>	<b>160 591</b>	<b>88 508</b>	<b>85 606</b>	<b>87 319</b>	<b>91 685</b>	<b>98 653</b>
Sales of goods and services produced by department	61 660	121 574	36 780	25 201	21 750	22 838	24 574
Sales of scrap, waste and other used current goods	–	–	896	1 000	–	–	–
Fines, penalties and forfeits	–	–	24	–	–	–	–
Interest, dividends and rent on land	24 953	15 541	28 866	26 171	26 564	27 892	30 012
Financial transactions in assets and liabilities	2 729	23 476	21 942	33 234	39 005	40 955	44 068
<b>Total</b>	<b>89 342</b>	<b>160 591</b>	<b>88 508</b>	<b>85 606</b>	<b>87 319</b>	<b>91 685</b>	<b>98 653</b>

## Programme 1: Administration

The *Administration* programme conducts the overall management of the department and provides centralised support services.

## Expenditure estimates

**Table 34.3 Administration**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Minister <sup>1</sup>	809	981	957	836	887	934	981
Management	14 248	30 537	32 336	97 934	16 192	16 999	17 820
Corporate Services	155 693	149 443	164 733	191 840	213 018	223 660	234 349
Information Services	58 437	81 869	74 668	69 464	107 632	77 314	81 021
Property Management	62 780	69 375	80 731	86 876	98 979	109 501	117 605
<b>Total</b>	<b>291 967</b>	<b>332 205</b>	<b>353 425</b>	<b>446 950</b>	<b>436 708</b>	<b>428 408</b>	<b>451 776</b>
Change to 2005 Budget estimate				174 459	147 843	125 158	125 479

<sup>1</sup> Payable as from 1 April 2005. Salary: R 669 462. Car allowance: R 544 123.

**Table 34.3 Administration (continued)**

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>Economic classification</b>							
<b>Current payments</b>	<b>281 828</b>	<b>325 434</b>	<b>321 989</b>	<b>430 968</b>	<b>416 452</b>	<b>407 262</b>	<b>429 620</b>
Compensation of employees	101 783	102 844	92 675	192 218	135 740	142 527	149 297
Goods and services	179 369	222 590	229 314	238 750	280 712	264 735	280 323
<i>of which:</i>							
Communication	7 690	8 095	9 333	3 185	3 376	3 545	3 722
Computer Services	3 050	5 210	67 169	9 107	9 653	10 136	10 642
Consultants, contractors and special services	75 846	82 996	10 664	81 191	120 062	90 365	94 883
Inventory	5 070	5 337	11 318	15 532	16 463	17 187	18 151
Operating leases	59 048	65 425	73 333	75 893	86 086	95 501	102 720
Travel and subsistence	16 914	18 857	15 574	12 817	13 597	14 274	14 987
Municipal services	9 368	9 883	10 375	11 197	13 119	14 238	15 135
Financial transactions in assets and liabilities	676	–	–	–	–	–	–
<b>Transfers and subsidies</b>	<b>374</b>	<b>411</b>	<b>22 365</b>	<b>967</b>	<b>672</b>	<b>578</b>	<b>605</b>
Provinces and municipalities	374	411	285	453	122	–	–
Departmental agencies and accounts	–	–	454	514	550	578	605
Households	–	–	21 626	–	–	–	–
<b>Payments for capital assets</b>	<b>9 765</b>	<b>6 360</b>	<b>9 071</b>	<b>15 015</b>	<b>19 584</b>	<b>20 568</b>	<b>21 551</b>
Buildings and other fixed structures	–	–	1 452	2 790	2 957	3 105	3 254
Machinery and equipment	–	–	4 235	–	–	–	–
Software and other intangible assets	9 765	6 360	3 384	12 225	16 627	17 463	18 297
<b>Total</b>	<b>291 967</b>	<b>332 205</b>	<b>353 425</b>	<b>446 950</b>	<b>436 708</b>	<b>428 408</b>	<b>451 776</b>

### Expenditure trends

Expenditure rose steadily at an average annual rate of 15,3 per cent from R292 million in 2002/03 to R447 million in 2005/06, partly due to the devolution of funds from the Department of Public Works. The increases in expenditure in 2005/06 are a result of funds rolled over and an additional R66,5 million to cover the costs of transferring water services operations to local governments.

From 1 April 2006, costs for leases and accommodation charges will be devolved from the Department of Public Works to individual departments. The Department of Water Affairs and Forestry received the following amounts: R97,3 million in 2006/07, R107,7 million in 2007/08 and R115,7 million in 2008/09. Expenditure has been adjusted for 2002/03 to 2005/06.

The department went through structural changes that resulted in additional allocations for critical posts in corporate services over the 2006 MTEF, reflected in the 4,9 per cent increase in compensation of employees.

The increase in the *Information Services* subprogramme between 2005/06 and 2006/07 is the result of a one-off payment of R38 million for upgrading IT infrastructure. After a slight decrease between 2005/06 and 2006/07, expenditure is expected to increase from R428,4 million in 2007/08 to R451,8 million in 2008/09, an average increase of 5,5 per cent.

### Programme 2: Water Resource Management

The *Water Resource Management* programme ensures that water resources are used and managed sustainably and equitably. The programme is organised into 12 subprogrammes:

- *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 a particular area and developing strategies to enable supply to meet demand.

- *Sustainable Supply* supports the provision of a reliable and equitable supply of water and the development and management of infrastructure for sustainable economic and social development, including the eradication of poverty. This includes the bulk of the Working for Water programme, and the development of new water resources infrastructure, such as dams or pipelines.
- *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, 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.

## Expenditure estimates

Table 34.4 Water Resources Management

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Equitable Supply	125 411	236 580	205 450	161 800	166 578	174 697	190 420
Sustainable Supply	263 617	321 194	334 584	361 314	1 227 580	1 324 109	1 770 003
Protection Policies	30 945	12 471	38 339	47 825	37 156	57 561	62 741
Protection Measures	1 230	–	2 249	3 190	3 408	3 524	3 841
Institutional Regulation	9 658	535	9 905	24 141	28 700	26 661	29 060
Institutional Development	2 110	10 996	9 456	9 610	7 529	4 104	4 473
Strategic Alignment	85 182	69 890	89 604	122 685	126 158	137 325	149 684
Stakeholder Empowerment	91 868	112 551	118 392	132 936	134 458	130 945	143 201
African Co-operation	5 100	7 572	5 484	9 187	9 099	10 499	11 444
Water Resource Administration	11 227	6 431	15 050	22 323	23 356	26 145	28 498
Water Resource Support	69 417	64 490	82 980	108 257	112 504	112 077	122 164
Operations of Water Resources	378 227	273 498	564 771	628 777	302 660	408 644	446 102
<b>Total</b>	<b>1 073 992</b>	<b>1 116 208</b>	<b>1 476 264</b>	<b>1 632 045</b>	<b>2 179 186</b>	<b>2 416 291</b>	<b>2 961 631</b>
Change to 2005 Budget estimate				125 388	406 035	365 677	755 170
<b>Economic classification</b>							
<b>Current payments</b>	<b>389 294</b>	<b>497 446</b>	<b>586 062</b>	<b>659 572</b>	<b>1 008 375</b>	<b>1 067 783</b>	<b>1 162 854</b>
Compensation of employees	200 588	185 729	180 120	234 420	275 176	292 145	318 309
Goods and services	188 706	311 717	376 727	425 142	733 189	775 628	844 534
<i>of which:</i>							
<i>Communication</i>	9 726	10 238	9 026	12 362	5 018	4 796	5 227
<i>Computer Services</i>	2 269	23 441	10 139	28 305	11 845	11 355	12 374
<i>Consultants, contractors and special services</i>	88 156	166 516	210 691	186 856	572 119	611 459	665 505
<i>Inventory</i>	30 333	31 929	42 236	60 346	23 233	22 060	24 046
<i>Maintenance repair and running cost</i>	1 043	4 320	5 988	3 769	4 505	4 452	4 514
<i>Operating leases</i>	40 849	42 999	44 626	55 696	20 478	19 282	21 017
<i>Travel and subsistence</i>	15 328	24 229	37 339	30 983	25 646	26 428	28 806
Interest and rent on land	–	–	–	10	10	10	11
Financial transactions in assets and liabilities	–	–	29 215	–	–	–	–
<b>Transfers and subsidies</b>	<b>378 227</b>	<b>303 100</b>	<b>588 441</b>	<b>654 030</b>	<b>1 032 763</b>	<b>1 076 810</b>	<b>1 769 131</b>
Provinces and municipalities	–	528	766	3 427	1 139	–	–
Departmental agencies and accounts	378 227	273 498	564 771	628 777	1 001 449	1 043 694	1 733 034
Households	–	29 074	22 904	21 826	30 175	33 116	36 097
<b>Payments for capital assets</b>	<b>306 471</b>	<b>315 662</b>	<b>301 761</b>	<b>318 443</b>	<b>138 048</b>	<b>271 698</b>	<b>29 646</b>
Buildings and other fixed structures	306 471	310 121	271 260	297 584	114 532	244 659	174
Machinery and equipment	–	4 348	22 858	20 008	18 452	21 822	23 785
Software and other intangible assets	–	–	7 643	851	5 064	5 217	5 687
Land and subsoil assets	–	1 193	–	–	–	–	–
<i>of which: Capitalised compensation</i>	160 362	168 980	116 812	188 225	–	–	–
<b>Total</b>	<b>1 073 992</b>	<b>1 116 208</b>	<b>1 476 264</b>	<b>1 632 045</b>	<b>2 179 186</b>	<b>2 416 291</b>	<b>2 961 631</b>



Table 34.4 Water Resources Management (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>Details of major transfers and subsidies:</b>							
<b>Public entities</b>							
<b>Current</b>	<b>378 227</b>	<b>273 498</b>	<b>564 771</b>	<b>628 777</b>	<b>302 660</b>	<b>408 644</b>	<b>446 102</b>
Water Trading Account	378 227	273 498	564 771	628 777	302 660	408 644	446 102
<b>Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>698 789</b>	<b>635 050</b>	<b>1 286 932</b>
Water Trading Account	-	-	-	-	698 789	635 050	1 286 932
<b>Households</b>							
<b>Other transfers</b>							
<b>Current</b>	<b>-</b>	<b>29 074</b>	<b>22 904</b>	<b>21 826</b>	<b>30 175</b>	<b>33 116</b>	<b>36 097</b>
Financial assistance to small scale farmers	-	28 768	22 904	21 826	30 175	33 116	36 097
Financial assistance iro dam safety	-	306	-	-	-	-	-
<b>Total</b>	<b>378 227</b>	<b>303 100</b>	<b>588 441</b>	<b>654 030</b>	<b>1 032 763</b>	<b>1 076 810</b>	<b>1 769 131</b>

### Expenditure trends

Expenditure grew steadily at an annual average rate of 15 per cent from R1,1 billion in 2002/03 to R1,6 billion in 2005/06. Over the 2006 MTEF, expenditure is expected to increase more rapidly at a rate of 22 per cent, reaching R3 billion in 2008/09. The strong growth is due to additional funds for the capital funding of dam safety and the construction of a new dam.

There are uneven expenditure trends mainly in the *Operations of Water Resources* and *Institutional Regulation* subprogrammes. There is a 52 per cent decrease in expenditure for the *Operations of Water Resources* subprogramme between 2005/06 and 2006/07, due to the shift of the Working for Water programme to the *Sustainable Supply* subprogramme. The *Sustainable Supply* subprogramme increased by 240 per cent over the same period, as a result of both this shift and the additional allocation for the improvement of dam safety and the construction of a new dam. The 144 per cent growth in expenditure on the *Institutional Regulation* subprogramme from 2004/05 to 2005/06 is due to institutional reform activities and the establishment of catchment management agencies.

The 17,4 per cent increase in the budget for compensation of employees between 2005/06 and 2006/07 is a result of the transfer of the Working for Water programme to the *Sustainable Supply* subprogramme.

### Service delivery objectives and indicators

#### Recent outputs

##### *Water allocation reform (WAR)*

Public consultation on the development of the strategy for water use allocation has been completed. Implementation will start in the catchments (Mhlathuze, Olifants and Nkomati). The programme is supported by a number of other ongoing activities including providing information on water resources derived from monitoring systems, planning and modelling studies to reconcile water availability with requirements, the development and implementation of resource protection measures and the verification of existing lawful use.

##### *Infrastructure development*

The Mooi-Mgeni transfer scheme was commissioned in 2003, and Nandoni Dam was completed in March 2005. Cabinet approved the Olifants River water resources development project, which is scheduled for completion in 2010. The raising of the wall of the Flag Boshielo Dam will be

completed by March 2006. Implementation and funding agreements have been concluded with the Trans Caledon Tunnel Authority for the Berg water project and the Vaal pipeline to augment supplies to Eskom and Sasol. The construction of the Berg water dam is 51 per cent complete, and the construction of the Vaal pipeline to supplement the scheme is scheduled for completion in 2007.

*Support to agricultural water users*

The extent of support to resource-poor farmers has been broadened with the approval of a policy on financial assistance for irrigation, which will supplement the water allocation reform programme by providing capital and operational subsidies to new users. The policy also provides for subsidies for rainwater harvesting tanks in rural communities to improve household food security and local economic development.

*Drought management*

Relief efforts will continue for as long as the drought persists. The construction of a pipeline to augment water supplies for domestic and industrial use in Cullinan, and the extension to the Ekangala area, were completed. A pipeline between Morgenstond and Jericho dams, to augment water supplies to Eskom power stations on the eastern highveld, was also completed. The department is co-ordinating reconstruction work by the South African water sector in the Maldives and Sri Lanka, arising from the Indian Ocean tsunami.

*Institutional development*

The process of separating the management and development of national water resources infrastructure from the department's other activities began with the establishment of the infrastructure branch in 2005. Cabinet approved the establishment of the National Water Resource Infrastructure Agency (a public entity) in 2005, and work in future years will centre on setting the agency up and transferring infrastructure-related activities to the agency.

*Strategy development*

The 2005 national water resource strategy was established by government notice in January 2005. The next review is scheduled for 2009. Guidelines are in preparation to assist catchment management areas to develop their sub-national catchment management strategies.

The review of the 1999 pricing strategy for water use charges, which consolidates all water use charges (including those relating to waste discharges, the control of invasive alien vegetation, and the water research levy) will be completed in 2007/08. A capacity-building strategy to address skills shortages in the water sector as a whole is still being developed.

*Revenue from water use charges*

Revenue from the water resources management charge, intended to fund the activities of the catchments management agencies, has progressively increased since the introduction of the charge in 2002, and stood at a little less than 79 per cent of potential revenue at the end of 2003/04. The intention is to increase this to 98 per cent of potential revenue by 2008/09, and where necessary take appropriate action against defaulting water users. Good progress has been made in collecting these charges, which are intended to fund catchment management areas.

*Regional and international developments*

An agreement was signed by South Africa, Botswana, Mozambique and Zimbabwe in late 2003 to establish the Limpopo Basin Commission, an international water management institution. Work is in progress to establish the commission. Recent international basin studies include a feasibility

study for phase 2 of the Lesotho highlands water project, joint basin studies for the Maputo and Limpopo basins, and a joint management plan for the lower Orange River.

### Job creation

The Working for Water programme has continued to clear invasive alien vegetation and do follow-up clearance and has been particularly successful in training and providing work for women, young people and the disabled. Annual targets for the future include 150 000ha of initial clearance and 500 000ha to 750 000ha of follow-up clearance, thereby creating 10 000 to 12 000 person years of employment for up to 30 000 people. The construction of the Berg water project by the Trans-Caledon Tunnel Authority created 800 job opportunities. In addition, the department also undertook a range of important routine activities, such as issuing water use licences, operating and maintaining water supply schemes and monitoring the state of water resources.

## Selected medium-term output targets

### Water Resource Management

Measurable objective: Ensure that water resources are allocated so that they promote social and economic development, maintain the reliable availability of water in sufficient quantities and of an appropriate quality to meet the needs of all consumers and meet international water-sharing agreements, while ensuring that water resources are protected to enable sustainable water use.

Subprogramme	Output	Selected Measure / Indicator	Target
Equitable Supply and Sustainable Supply	Policies to reconcile water availability and demand for all purposes and equitable allocation of water use	Water allocation reform programme implemented in Mhlathuze, Olifants and Nkomati water management areas	March 2008
		Construction of Berg water project ready to begin with water storage and river diversion for De Hoop Dam completed	June 2007
Protection Policies and Protection Measures	Measures for water resources protection	Number of priority catchments in which water resources classified, and reserves and resource quality objectives determined	10 priority catchments by March 2009
Institutional Regulation and Institutional Development	Institutions for managing water resources and water resources infrastructure	National Water Resources Infrastructure Agency established	March 2008
		Number of additional catchment management agencies established	9 agencies by March 2009
		Percentage of potential revenue from water use charges collected, including charges for waste discharge	98% by March 2009
Strategic Alignment and Stakeholder Empowerment	Optimal management information from expanded monitoring systems and interlinked information management systems Framework for capacity building in the water sector developed Guidelines for the development of catchment management strategies	Number of major information systems interlinked and accessible via a common interface	4 systems by March 2008
		Capacity building strategy developed	March 2007
		Guidelines developed and piloted	March 2007
African Co-operation	International co-operation and management of internationally shared river basins, information and expertise	River basin commissions set up by secretariats  Agreement to establish basin commissions (or a basin commission) for the Maputo and Nkomati basins concluded	Orange River basin commission: mid-2006 Limpopo River basin commission: mid-2007 March 2008
Operations of Water Resources	Water supply to irrigation boards and direct consumers	Reliability of water supplied to raw water consumers	100% reliable

### Programme 3: Water Services

The *Water Services* programme ensures access to effective, sustainable and affordable water and sanitation services, through policy development, planning, regulating and monitoring of the sector. This includes institutional and implementation support to local government.

There are 13 subprogrammes:

- *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 level for effective water services institutions.
- *Transfer Policies* guides the transfer of operation 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 UN millennium development and World Summit on Sustainable Development targets in Africa, and to support Nepad.
- *African Participation* promotes and supports policies to achieve the UN millennium development targets in Africa.
- *Water Services Support* provides support services at regional level, which includes human resources and financial management general administration.
- *Operations of Water Services* ensures 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.
- *Water Services Administration* provides support services at the national level, which include human resources, financial management and general administration.

## Expenditure estimates

Table 34.5 Water Services

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Provisioning Policies	7 589	8 609	6 326	2 999	2 999	2 999	3 209
Water and Sanitation Services	950 325	1 021 882	282 746	158 421	18 132	19 830	21 218
Water Sector Policies	22 989	35 348	42 168	42 334	44 586	48 037	51 417
Water Sector Support	24 563	61 913	68 883	67 360	75 324	78 585	84 086
Institutional Policies	11 641	10 732	3 518	10 133	10 845	11 387	12 184
Institutional Support	16 092	47 270	49 113	42 245	46 264	48 705	52 114
Transfer Policies	380	224	–	–	–	–	–
Transfer of Functions	1 846	10 719	28 460	15 798	15 480	16 255	17 392
Africa Initiative	1 901	113	–	192	100	100	107
African Participation	350	–	–	–	300	803	859
Water Services Administration	14 821	5 212	5 977	9 477	10 183	10 678	11 408
Water Services Support	221 971	99 491	122 305	110 682	105 913	117 942	126 283
Operations of Water Services <sup>1</sup>	699 687	1 089 929	951 863	1 068 333	1 132 125	1 188 782	1 392 042
<b>Total</b>	<b>1 974 155</b>	<b>2 391 442</b>	<b>1 561 359</b>	<b>1 527 974</b>	<b>1 462 251</b>	<b>1 544 103</b>	<b>1 772 319</b>
Change to 2005 Budget estimate				122 899	118 660	130 579	251 367

1. Please refer to table 34.6 for a detail split

Economic classification	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>Current payments</b>	<b>858 010</b>	<b>917 621</b>	<b>982 954</b>	<b>1 069 664</b>	<b>820 806</b>	<b>845 870</b>	<b>906 772</b>
Compensation of employees	445 438	460 515	502 428	543 999	524 026	541 573	594 764
Goods and services	412 572	444 194	480 526	525 665	296 780	304 297	312 008
of which:							
Communication	4 228	5 790	6 335	5 110	4 046	4 297	4 529
Computer Services	5 812	6 856	1 947	1 890	1 386	1 465	1 520
Consultants, contractors and special services	354 359	409 861	398 364	464 961	196 042	219 911	226 495
Inventory	2 852	3 905	23 660	2 157	2 622	2 825	2 967
Operating leases	24 893	7 845	14 590	11 233	7 277	8 133	8 196
Travel and subsistence	6 237	8 543	22 170	30 317	22 636	24 020	25 322
Financial transactions in assets and liabilities	–	12 912	–	–	–	–	–
<b>Transfers and subsidies</b>	<b>1 094 812</b>	<b>1 391 238</b>	<b>487 204</b>	<b>269 982</b>	<b>599 147</b>	<b>653 632</b>	<b>709 850</b>
Provinces and municipalities	1 042 667	1 294 661	341 321	164 761	500 413	550 000	600 000
Public corporations and private enterprises	52 145	96 577	134 486	105 221	98 734	103 632	109 850
Households	–	–	11 397	–	–	–	–
<b>Payments for capital assets</b>	<b>21 333</b>	<b>82 583</b>	<b>91 201</b>	<b>188 328</b>	<b>42 298</b>	<b>44 601</b>	<b>155 697</b>
Buildings and other fixed structures	9 245	62 669	71 336	164 655	19 362	20 322	129 745
Machinery and equipment	12 088	19 876	19 624	23 528	22 686	23 973	25 650
Cultivated assets	–	–	–	25	–	–	–
Software and other intangible assets	–	–	241	120	250	306	302
Land and subsoil assets	–	38	–	–	–	–	–
<b>Total</b>	<b>1 974 155</b>	<b>2 391 442</b>	<b>1 561 359</b>	<b>1 527 974</b>	<b>1 462 251</b>	<b>1 544 103</b>	<b>1 772 319</b>

## Details of major transfers and subsidies:

Municipalities	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>Current</b>	<b>43 568</b>	<b>272 779</b>	<b>133 436</b>	<b>164 761</b>	<b>500 413</b>	<b>550 000</b>	<b>600 000</b>
Water Services Operating Subsidy Grant(Municipalities) <sup>1</sup>	43 412	272 618	133 260	164 512	500 000	550 000	600 000
<b>Capital</b>	<b>999 099</b>	<b>1 021 882</b>	<b>207 885</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Implementation of Water Services Projects Grants	999 099	1 021 882	207 885	–	–	–	–
<b>Subsidies on production or products</b>	<b>52 145</b>	<b>96 577</b>	<b>134 486</b>	<b>105 221</b>	<b>98 734</b>	<b>103 632</b>	<b>109 850</b>
Water Services Operating Subsidy Grant (Waterboards)	52 145	96 577	134 486	105 221	98 734	103 632	109 850

1. Please refer to table 34.6 for a detail split

**Table 34.6 Detail split of direct and indirect grants to local government**

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>DIRECT GRANTS</b>							
<b>Transfers and subsidies</b>	<b>43 412</b>	<b>272 618</b>	<b>133 260</b>	<b>164 512</b>	<b>500 000</b>	<b>550 000</b>	<b>600 000</b>
Provinces and municipalities	43 412	272 618	133 260	164 512	500 000	550 000	600 000
<b>INDIRECT GRANTS</b>							
<b>Current payments</b>	<b>584 931</b>	<b>686 920</b>	<b>695 233</b>	<b>759 490</b>	<b>352 387</b>	<b>344 991</b>	<b>268 357</b>
Compensation of employees	377 214	410 605	423 780	457 613	183 241	179 395	139 545
Goods and services	207 717	276 315	271 453	301 877	169 146	165 596	128 812
<b>Transfers and subsidies</b>	<b>52 145</b>	<b>96 577</b>	<b>88 713</b>	<b>105 221</b>	<b>98 734</b>	<b>103 632</b>	<b>109 850</b>
Public corporations and private enterprises	52 145	96 577	88 713	105 221	98 734	103 632	109 850
<b>Payments for capital assets</b>	<b>19 199</b>	<b>33 814</b>	<b>34 657</b>	<b>39 110</b>	<b>39 379</b>	<b>41 402</b>	<b>152 300</b>
Buildings and other fixed structures	9 245	15 869	16 421	19 256	19 273	20 322	129 745
Machinery and equipment	9 954	17 945	18 236	19 854	20 106	21 080	22 555
<b>Total grants</b>	<b>699 687</b>	<b>1 089 929</b>	<b>951 863</b>	<b>1 068 333</b>	<b>990 500</b>	<b>1 040 025</b>	<b>1 130 507</b>
VAT adjustment on trading account	-	-	-	-	141 625	148 757	261 535
<b>Total for subprogramme</b>	<b>699 687</b>	<b>1 089 929</b>	<b>951 863</b>	<b>1 068 333</b>	<b>1 132 125</b>	<b>1 188 782</b>	<b>1 392 042</b>

### Expenditure trends

Expenditure decreased at an annual average rate of 8,2 per cent, from R2 billion in 2002/03 to R1,5 billion in 2005/06. The sharp decrease is due mainly to the transfer of expenditure on new water and sanitation projects to the municipal infrastructure grant in 2004/05. Expenditure on the programme starts to increase in 2007/08 and 2008/09, at an average rate of 14,8 per cent.

The increase in the *Operations of Water Services* subprogramme in 2003/04 is a result of a one-off allocation of R170 million for emergency water supply. The decrease in the *Provisioning Policies* subprogramme from 2004/05 going forward is a result of the department's changing role - from water service provider to sector regulator.

Expenditure on compensation of employees grows by 6,5 per cent over the 2006 MTEF because the water services activities shift from the water trading account to the vote. The expected increase in expenditure in 2008/09 is due to the R120 million allocated for the refurbishment of water services schemes.

### Service delivery objectives and indicators

#### Recent outputs

##### *Policy and legislation review*

Implementation of the strategic framework for water services, approved by Cabinet in 2004, is well under way. Various procedures for implementing strategies, including those on institutional reform, regulation and support, as well as a revision of the Water Services Act (1997), have been developed.

##### *Regulation, support and institutional reform*

Regulatory and support strategies have been drafted in consultation with sector stakeholders, and shared with the sector at a national indaba. When implemented, these strategies will be used to regulate and support local government and other water services institutions. An institutional reform framework for water service institutions is also being developed, and agreement on an implementation strategy has been reached with sector stakeholders.

packaged into economic business units in preparation for transfer. The transfers should optimise local economic empowerment and development.

Development of policy and procedures for the transfer of indigenous forests and the delegation of management responsibility for approximately 100 000ha of indigenous forest has been completed.

#### *Forestry oversight*

The major achievement of the *State Forest Management* subprogramme has been the finalisation of the criteria, indicators and standards for sustainable forest management. When these are gazetted, in terms of the National Forests Act (1998), they will provide an agreed and structured framework for management, monitoring and reporting, and describe the state of forestry in South Africa. They are already being implemented in the department's managed state forests and are being incorporated into all forestry transfer agreements.

An improved forestry website has been developed and is accessible to the public and sector stakeholders.

The annual commercial timber statistics have been gathered and published for 2004 and are available on the website.

The minister has published a revised list of protected tree species, which better reflects the value placed on these species. It also provides for stronger regulation and enforcement of the law in relation to the most important species.

#### *Management of state plantations*

The sustainable management of state plantations has been prioritised to prepare for the transfer to other beneficiaries. Despite several setbacks, including numerous fires during the fire season, the area of temporary unplanted areas is being reduced in some provinces, and fire readiness on the plantations has been improved significantly.

#### *Forestry BEE charter*

The department has set up a process for developing a BEE charter for the forestry sector, which should be completed in 2006/07.

#### *New afforestation*

New afforestation is a major thrust of the department, and extensive planning has been done in Eastern Cape. A strategic environmental impact assessment was done there, which shows at least 30 000ha of land which could be afforested. Value-adding activities close to the areas of new afforestation will be facilitated.

### **Selected medium-term output targets**

#### **Forestry**

Measurable objective: Ensure the sustainable management of all forests and plantations, and enhance the contribution of forest resources to economic development and poverty eradication.

Subprogramme	Output	Measure/Indicator	Target
Forestry Oversight	National certification initiative, based on criteria, indicators and standards	Draft minimum standards agreed with the sector	March 2007
Forestry Governance	2005 state of the forest report tabled in Parliament	Deadline for tabling met	August 2006
	Regulation of sustainable forest management	National system developed and in operation and regulations published	March 2007

Subprogramme	Output	Measure/Indicator	Target
Forestry Development	Forest enterprise development, livelihood enhancement and institutional reform	Forest enterprise development strategy implemented	March 2007
	Co-operation and leadership within SADC	Regional collaboration on sustainable forest management	March 2007
Community Empowerment	Community-based forestry	Report on forestry potential in SADC	March 2008
		Eastern Cape forestry enterprise development initiative operative	March 2007
Fire Regulation And Oversight	Fire protection associations in fire risk areas	Number of registered fire protection associations that report to the department	60 associations
	National veldfire information system	System operational	March 2007
	Partnership agreements with Department of Provincial and Local Government and South African Weather Services	Implementation of memorandum of understanding agreements	March 2007
Fire Governance	Effective compliance with the requirements of the National Veld and Forest Fires Act Communication awareness strategy on National Veld and Forest Fires Act implemented	Percentage compliance of all landowners in regions of high and extreme wildfire risk with various requirements of act Fire awareness campaigns implemented	100% March 2007
State Forest Transfer And Regulation	Transfer of department's plantations to beneficiaries	Finalised transfer plans for each package	March 2007
		Percentage of community resolutions with regard to class Cs concluded	50% of resolutions
	Policy and strategy review for transfer of remaining state forests	Appropriate strategy for rehabilitation of remaining assets to state of readiness for transfer	June 2006
State Forest Administration and Oversight	Leased plantation forests and delegated/ assigned natural forest management	Audit management systems in operation and corrective actions implemented	March 2007
State Forest Management	National wood energy strategy	Department's responsibilities executed effectively in conjunction with Department of Minerals and Energy	March 2007
	Woodlands implementation	Department's responsibilities executed according to strategy	March 2007
Sustainable Forest Management	Management of state plantations and natural forests sustainable forest management	All criteria and indicator audit queries on state plantations addressed within specified time periods	March 2007
Forestry Support Services	Appropriate mechanism designed for more efficient management of department's residual plantations	Plantation management executed according to appropriate standards	March 2007

## Trading entities

### Water Trading Account

The Water Trading Account is divided into four components:

- **Component 1: Integrated Water Resource Management:** This component funds the implementation of water resources management activities in each water management area, including resource quality management, control and authorisation of water use, and promotion of water conservation measures. It also includes the portion of the Working for Water budget that is derived from revenue from water users.
- **Component 2: Integrated Systems:** Where locally available water resources in a particular area cannot meet the demand, water is transferred from water-rich areas. The management, operation and maintenance of these schemes as integrated systems, as well as the revenue collected from water users, are reflected in this component. One example of this is the Vaal River system where a number of dams and pipelines are operated as one inter-linked system.



- **Component 3: Bulk Water Supply:** A number of water resources schemes (dams) are operated as stand-alone schemes and do not form part of an integrated system. The supply of water is mostly in bulk to different water-user groups, but the agricultural sector is by far the largest consumer. Expenditure in this component covers operations and maintenance as well as management costs, and revenue is earned through the sales of water, mostly in bulk.
- **Component 4: Equipment:** This provides for equipment for the construction and maintenance of government water schemes.

Two main sources of funding are currently available to cover spending under the water trading account. The first is a revenue stream generated by a water resource management charge levied on all registered water users (component 1). The second is revenue collected through the sale of water in bulk to various institutions and individuals (components 2 and 3). Any shortfall is funded through allocations from the vote.

The implementation of the national water pricing strategy will further improve the financial state of the water trading account. New tariffs structures in some areas have already resulted in full cost recovery.

Income from water sales on the water trading account is estimated at R2,7 billion in 2006/07, R2,8 billion in 2007/08 and R3 billion in 2008/09. The deficit for 2005/06 of R303 million is expected to turn into a surplus of R358 million in 2006/07, and the surplus is expected to grow to R1,9 billion in 2008/09.

**Table 34.8 Financial summary for the Water Services Trading Account**

	Outcome				Medium-term estimate		
	Audited	Audited	Audited	Estimated outcome			
R thousand	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>INCOME STATEMENT SUMMARY</b>							
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>2 127 862</b>	<b>2 370 138</b>	<b>2 464 319</b>	<b>2 538 000</b>	<b>2 690 281</b>	<b>2 851 697</b>	<b>3 022 799</b>
Sale of goods and services other than capital assets	2 127 862	2 349 302	2 454 837	2 527 949	2 679 626	2 840 404	3 010 828
of which:							
Admin fees	2 127 862	2 349 302	2 454 837	2 527 949	2 679 626	2 840 404	3 010 828
Other non-tax revenue	–	20 836	9 482	10 051	10 655	11 293	11 971
<b>Transfers received</b>	<b>378 227</b>	<b>273 498</b>	<b>564 771</b>	<b>628 777</b>	<b>1 001 499</b>	<b>1 043 694</b>	<b>1 733 034</b>
<b>Total revenue</b>	<b>2 506 089</b>	<b>2 643 636</b>	<b>3 029 090</b>	<b>3 166 777</b>	<b>3 691 780</b>	<b>3 895 391</b>	<b>4 755 833</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>2 459 121</b>	<b>3 564 883</b>	<b>6 198 377</b>	<b>3 050 116</b>	<b>3 136 638</b>	<b>2 382 803</b>	<b>2 619 772</b>
Compensation of employees	296 535	285 238	303 629	300 463	245 238	259 952	275 550
Goods and services	1 939 729	2 600 161	4 649 484	2 225 101	2 205 127	1 620 240	1 851 789
Depreciation	–	679 414	1 245 235	524 522	686 248	502 585	492 405
Interest, dividends and rent on land	222 857	70	29	31	25	27	28
<b>Transfers and subsidies</b>	<b>46 968</b>	<b>329 235</b>	<b>347 511</b>	<b>419 755</b>	<b>197 604</b>	<b>176 460</b>	<b>205 048</b>
<b>Total expenses</b>	<b>2 506 089</b>	<b>3 894 118</b>	<b>6 545 888</b>	<b>3 469 871</b>	<b>3 334 242</b>	<b>2 559 264</b>	<b>2 824 820</b>
<b>Surplus / (Deficit)</b>	<b>–</b>	<b>(1 250 482)</b>	<b>(3 516 798)</b>	<b>(303 094)</b>	<b>357 538</b>	<b>1 336 127</b>	<b>1 931 013</b>

**Table 34.8 Financial summary for the Water Services Trading Account (continued)**

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited				
R thousand	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>BALANCE SHEET SUMMARY</b>							
Carrying value of assets	–	52 031 200	50 081 906	43 744 168	42 348 818	44 889 747	47 583 132
Inventory	–	26 988	17 932	15 663	16 603	17 599	18 655
Receivables and prepayments	–	2 014 969	813 029	710 142	752 751	797 916	845 791
<b>Total assets</b>	<b>–</b>	<b>54 073 157</b>	<b>50 912 867</b>	<b>44 469 973</b>	<b>43 118 172</b>	<b>45 705 262</b>	<b>48 447 578</b>
Capital and reserves	–	53 262 966	49 954 196	43 632 619	42 230 577	44 764 412	47 450 276
Borrowings	–	218 603	349 282	305 081	323 386	342 789	363 357
Trade and other payables	–	346 784	360 374	314 770	333 656	353 675	374 896
Provisions	–	244 804	249 015	217 503	230 553	244 386	259 050
<b>Total equity and liabilities</b>	<b>–</b>	<b>54 073 157</b>	<b>50 912 867</b>	<b>44 469 973</b>	<b>43 118 172</b>	<b>45 705 262</b>	<b>48 447 578</b>

*Data provided by the Department of Water Affairs and Forestry*

### National Forest Recreation and Access Trust

The object of the National Forest Recreation and Access Trust is to promote access to and 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 of the trust.

The only source of revenue for the trust is interest received on an investment at the Corporation for Public Deposit, which amounted to R214 000 in 2004/05.

### Public entities reporting to the minister

#### Trans-Caledon Tunnel Authority

The Trans-Caledon Tunnel Authority was established in terms of the National Water Act (1998), and is a specialised liability management body for bulk water supply development in the most cost-effective manner to the benefit of the water consumer.

The authority was established in 1986 to implement and finance water works in South Africa emanating from the treaty on the Lesotho highlands water project, taking on government's responsibility for South Africa's portion of the costs for the water transfer component, the long-term funding and concomitant risk management on the project. Subsequently, the Minister of Water Affairs and Forestry extended the authority's mandate to drive and oversee the treasury management of Umgeni Water and implement and fund the Berg water project and the Vaal River eastern sub-system augmentation project. The authority is currently responsible for funding and implementing a number of projects in several provinces and also offers integrated treasury management and financial advisory services.

In August 2005, Cabinet approved the establishment of a National Water Resource Infrastructure Agency to ensure long-term water security for South Africa. The Department of Water Affairs and Forestry's water resource infrastructure branch and the Trans-Caledon Tunnel Authority will be integrated into the agency, formalising their long-standing co-operation. The integration will not affect the authority's obligations to financial markets, its project credit ratings and explicit government guarantees relating to the Lesotho highlands water project.

No grants are made to the authority, as it is funded from income on the sale of water from the Vaal River system, and shortfalls in revenue are funded through commercial loans. The long-term solvency of the authority is determined by its tariff methodology, income agreements and guarantees.

The Trans-Caledon Tunnel Authority reported an operating surplus of R1 420 million in 2005/06 (2004/05: R1 357 million). There is a net deficit of R517 million (2004/05: R638 million), which reflects a shortfall in covering interest. The net deficit after interest is a result of keeping water tariffs constant in real terms. Income is sufficient to repay all water transfer costs within about 20 years after the completion of each sub-phase.

Revenue generated by the sale of 1 351 million cubic metres of raw water amounts to R1 654 million (2004: R1 538 million). This revenue is based on a bulk raw water tariff of 122,4 cents per cubic metre for 2005/06. The higher revenue is due to an increase of 2 per cent in the volume of water sold and a 5,5 per cent increase in the water tariff. Between 2002/03 and 2004/05, the authority's revenue increased by 34,2 per cent. The increase is mainly due to an increase in water revenue. In 2005/06, the estimated revenue is R1,96 billion, and is expected to increase by 1,3 per cent over the 2006 MTEF to R2 billion. The authority's total equity and liabilities currently stand at R19,94 billion, expected to increase by 5,1 per cent over the 2006 MTEF to R24,5 billion.

The Trans-Caledon Tunnel Authority is one of the largest issuers of bonds in the local capital market. R2,3 billion was raised in 2005/06 using the authority's locally-registered bonds through its panel of market makers. Funds are raised as and when required.

In January 2005, the authority achieved a significant milestone with the signing of R3,3 billion in loan agreements with five major financial institutions (ABSA, European Investment Bank (EIB), Investec, Nedbank and Standard Bank). The loan relates to a high priority project designed to support the growing industrial needs of Sasol and Eskom in Mpumalanga, through the transfer of water from the Vaal River system to Knoppiesfontein, near Secunda. This project supports government's agenda to facilitate economic growth and provide infrastructure for development in that area. Over the medium term, the Trans-Caledon Tunnel Authority's ability to fund and implement this project is a major contribution to the water sector and to economic growth more generally.

**Table 34.9 Financial summary for the Trans-Caledon Tunnel Authority (TCTA)**

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2006/07	2007/08	2008/09
R thousand	2002/03	2003/04	2004/05	2005/06			
<b>INCOME STATEMENT SUMMARY</b>							
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>1 403 321</b>	<b>1 765 004</b>	<b>1 883 914</b>	<b>1 961 092</b>	<b>1 983 719</b>	<b>1 482 002</b>	<b>2 036 965</b>
<b>Total revenue</b>	<b>1 403 321</b>	<b>1 765 004</b>	<b>1 883 914</b>	<b>1 961 092</b>	<b>1 983 719</b>	<b>1 482 002</b>	<b>2 036 965</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>1 565 079</b>	<b>1 840 987</b>	<b>2 521 861</b>	<b>2 479 601</b>	<b>2 258 490</b>	<b>1 542 296</b>	<b>1 956 784</b>
Compensation of employees	15 262	18 067	17 061	22 799	38 235	40 498	64 906
Goods and services	255 773	371 386	409 081	351 464	374 533	432 049	684 841
Depreciation	12 623	7 902	18 427	3 603	1 546	644	326
Interest, dividends and rent on land	1 281 420	1 443 633	2 077 292	2 101 735	1 844 176	1 069 105	1 206 710
<b>Transfers and subsidies</b>	<b>481</b>	<b>278</b>	<b>289</b>	<b>(1 039)</b>	<b>(1 037)</b>	<b>(975)</b>	<b>442</b>
<b>Total expenses</b>	<b>1 565 561</b>	<b>1 841 265</b>	<b>2 522 150</b>	<b>2 478 562</b>	<b>2 257 453</b>	<b>1 541 321</b>	<b>1 957 226</b>
<b>Surplus / (Deficit)</b>	<b>(162 240)</b>	<b>(76 260)</b>	<b>(638 236)</b>	<b>(517 470)</b>	<b>(273 733)</b>	<b>(59 320)</b>	<b>79 739</b>

**Table 34.8 Financial summary for the Trans-Caledon Tunnel Authority (TCTA) (continued)**

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2006/07	2007/08	2008/09
R thousand	2002/03	2003/04	2004/05	2005/06			
<b>BALANCE SHEET SUMMARY</b>							
Carrying value of assets	14 012 720	14 823 310	15 527 087	16 177 670	18 064 525	18 649 472	18 694 387
Investments	179 422	1 276 602	2 266 028	2 266 028	2 266 028	2 266 028	2 266 028
Receivables and prepayments	320 383	584 748	816 379	1 054 263	824 427	780 201	780 201
Cash and cash equivalents	1 975	6 617	728	440 375	1 064 229	1 879 236	2 782 727
<b>Total assets</b>	<b>14 514 500</b>	<b>16 691 278</b>	<b>18 610 221</b>	<b>19 938 336</b>	<b>22 219 209</b>	<b>23 574 936</b>	<b>24 523 343</b>
Capital and reserves	(2 002 094)	(2 205 793)	(2 810 531)	(3 328 001)	(3 601 734)	(3 661 054)	(3 581 315)
Borrowings	16 032 196	18 303 111	20 654 972	22 500 557	25 055 163	26 470 210	27 338 878
Trade and other payables	484 399	593 960	763 851	763 851	763 851	763 851	763 851
Provisions	–	(0)	1 929	1 929	1 929	1 929	1 929
<b>Total equity and liabilities</b>	<b>14 514 500</b>	<b>16 691 278</b>	<b>18 610 221</b>	<b>19 938 336</b>	<b>22 219 209</b>	<b>23 574 936</b>	<b>24 523 343</b>

Data provided by the Trans-Caledon Tunnel Authority

### Water Research Commission

The terms of reference of the Water Research Commission, established in accordance with the Water Research Act (1971), are to promote co-ordination, communication and co-operation in water research, to establish water research needs and priorities from a national perspective, to fund prioritised research, and to promote the effective transfer, dissemination and application of research findings.

No grants are made to the commission as its work is funded by a levy on water users. In 2002/03, the Department of Water Affairs and Forestry included arrear levies in the transfer to the Water Research Commission, resulting in its revenue increasing by 20,1 per cent to R107,6 million and falling again to R90,4 million in 2003/04. In 2005/06, non-tax revenue is expected to increase by 35,5 per cent from 2004/05, due to improved revenue collection and an increase in the number of water users, from whom levies are collected. Over the 2006 MTEF, revenue is expected to increase by 3,2 per cent annually, in line with projected inflation.

The Water Research Commission has five key strategic areas each providing an integrating framework for investment in addressing a portfolio of key water-related needs. The five areas are: water resource management; water-linked ecosystems; water use and waste management; water use in agriculture; and water-centred knowledge. The areas allow for multidisciplinary studies and are focused on solving problems related to national needs and supporting society and the water sector. While each of the areas is unique and mutually exclusive, they collectively cover the spectrum of water-related topics of strategic importance.

**Table 34.10 Financial summary for the Water Research Commission (WRC)**

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2005/06	2006/07	2007/08
R thousand	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>INCOME STATEMENT SUMMARY</b>							
<b>Revenue</b>							
Non-tax revenue	107 592	90 395	90 180	122 177	124 427	129 360	132 420
<b>Total revenue</b>	<b>107 592</b>	<b>90 395</b>	<b>90 180</b>	<b>122 177</b>	<b>124 427</b>	<b>129 360</b>	<b>132 420</b>
<b>Expenses</b>							
Current expense	91 536	80 774	71 601	120 024	123 594	128 854	131 889
Compensation of employees	15 250	17 592	15 816	16 881	17 339	18 067	18 970
Goods and services	75 874	62 754	55 561	103 144	106 255	110 787	112 919
Depreciation	412	428	225	–	–	–	–
Transfers and subsidies	7 672	938	1 551	200	210	221	232
<b>Total expenses</b>	<b>99 208</b>	<b>81 712</b>	<b>73 152</b>	<b>120 224</b>	<b>123 804</b>	<b>129 075</b>	<b>132 121</b>
<b>Surplus / (Deficit)</b>	<b>8 384</b>	<b>8 683</b>	<b>17 027</b>	<b>1 953</b>	<b>623</b>	<b>285</b>	<b>299</b>

**BALANCE SHEET SUMMARY**

Carrying value of assets	1 357	1 035	1 510	1 737	1 964	2 191	2 418
Investments	36 904	38 444	41 652	42 178	42 704	43 230	43 756
Receivables and prepayments	38 238	35 797	45 879	45 881	45 883	45 885	45 887
Cash and cash equivalents	47 757	61 769	62 834	64 041	63 918	63 456	63 010
<b>Total assets</b>	<b>124 256</b>	<b>137 045</b>	<b>151 875</b>	<b>153 837</b>	<b>154 469</b>	<b>154 762</b>	<b>155 071</b>
Capital and reserves	87 115	95 798	112 826	114 779	115 402	115 686	115 986
Post retirement benefits	12 500	14 844	15 336	15 338	15 340	15 342	15 344
Trade and other payables	23 540	24 888	21 630	21 632	21 634	21 636	21 638
Provisions	1 101	1 515	2 083	2 088	2 093	2 098	2 103
<b>Total equity and liabilities</b>	<b>124 256</b>	<b>137 045</b>	<b>151 875</b>	<b>153 837</b>	<b>154 469</b>	<b>154 762</b>	<b>155 071</b>

Data provided by the Water Research Commission

**Water boards**

Water boards have been established as service providers that report to the Minister of Water Affairs and Forestry. The boards manage water services in their supply areas and provide potable water at cost-effective prices. There are currently 15 water boards. They have been set up as financially independent institutions, in terms of section 34(1) of the Water Services Act (1997), and must aim to be financially viable.

The impact of their financial performance on the Department of Water Affairs and Forestry has been limited. Apart from providing seed funding for some of the newly formed water boards and operating subsidies where they have undertaken specific functions on behalf of the department, the department has only had to provide financial assistance in exceptional circumstances.

The individual water boards are listed in the table below.

**The water boards**

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

The consolidated revenue for water boards is R5,97 billion in 2004/05, of which Rand Water and Umngeni Water account for R3,7 million (62,7 per cent) and R1 million (16,9 per cent),

respectively. Between 2002/03 and 2004/05, revenue increased at an average annual rate of 10 per cent, due to increased water sales brought about by government's drive to address water services backlogs in previously underserved areas. Over the 2006 MTEF, the consolidated revenue of water boards is expected to increase at an average annual rate of 7,4 per cent, due mainly to inflation adjustments and improved cost recovery by some water boards.

Rand Water accounted for R501,5 million or 73,4 per cent of the R682,5 million surpluses made by water boards in 2004/05, while Umngeni Water had a surplus of R54,9 million or 8 per cent. In 2005/06, the consolidated surplus is expected to increase by a higher margin to R960,1 million, with Rand Water and Umngeni Water accounting for R478,3 million and R292,9 million respectively.

Water boards are a longstanding institutional mechanism to provide treated bulk water to large consumers. In the past this has mainly been in urban areas. The objectives of new policy on water boards are to increase the representivity of boards, to rationalise their areas of service, to subsequently reunify the country, and to extend water boards to eventually provide a second-tier water utility framework over most of the country. This tier would be primarily responsible for the supply of treated bulk water on a commercial basis.

**Table 34.11 Financial summary for the Water Boards (Consolidated)**

	Outcome				Medium-term estimate		
	Audited	Audited	Audited	Estimated outcome			
R thousand	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>INCOME STATEMENT SUMMARY</b>							
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>4 867 945</b>	<b>5 452 206</b>	<b>5 917 390</b>	<b>6 217 003</b>	<b>6 588 911</b>	<b>7 115 049</b>	<b>7 615 186</b>
Sale of goods and services other than capital assets	4 644 769	5 193 594	5 571 505	6 041 797	6 470 946	6 982 824	7 471 079
of which:							
Admin fees	5 097	11 710	13 837	15 184	15 958	16 772	17 627
Sales by market establishments	1 452 761	1 573 724	1 730 638	1 890 968	1 993 963	2 136 443	2 267 741
Non-market est. sales	3 186 910	3 608 160	3 827 030	4 135 645	4 461 025	4 829 610	5 185 711
Other non-tax revenue	223 176	258 613	345 885	175 206	117 965	132 224	144 107
<b>Transfers received</b>	<b>58 811</b>	<b>76 999</b>	<b>53 344</b>	<b>86 657</b>	<b>87 288</b>	<b>87 928</b>	<b>88 669</b>
<b>Total revenue</b>	<b>4 926 756</b>	<b>5 529 206</b>	<b>5 970 734</b>	<b>6 303 661</b>	<b>6 676 199</b>	<b>7 202 976</b>	<b>7 703 855</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>4 544 825</b>	<b>5 015 394</b>	<b>5 252 351</b>	<b>5 307 358</b>	<b>5 697 545</b>	<b>6 053 055</b>	<b>6 416 207</b>
Compensation of employees	883 895	985 827	1 094 287	1 125 720	1 173 375	1 243 985	1 318 262
Goods and services	2 612 437	2 937 749	3 208 027	3 419 651	3 761 829	4 024 693	4 340 047
Depreciation	261 724	273 500	277 032	290 789	308 466	343 823	354 118
Interest, dividends and rent on land	786 769	818 318	673 005	471 198	453 875	440 554	403 781
<b>Transfers and subsidies</b>	<b>34 038</b>	<b>34 897</b>	<b>35 883</b>	<b>36 195</b>	<b>41 541</b>	<b>47 214</b>	<b>49 800</b>
<b>Total expenses</b>	<b>4 578 863</b>	<b>5 050 291</b>	<b>5 288 234</b>	<b>5 343 553</b>	<b>5 739 086</b>	<b>6 100 269</b>	<b>6 466 007</b>
<b>Surplus / (Deficit)</b>	<b>347 893</b>	<b>478 914</b>	<b>682 499</b>	<b>960 107</b>	<b>937 113</b>	<b>1 102 707</b>	<b>1 237 848</b>

**Table 34.11 Financial summary for the Water Boards (Consolidated) (continued)**

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2006/07	2007/08	2008/09
R Thousand	2002/03	2003/04	2004/05	2005/06			
<b>BALANCE SHEET SUMMARY</b>							
Carrying value of assets	8 691 058	8 761 072	8 963 705	9 697 006	10 480 771	10 844 370	11 084 259
Investments	2 397 920	2 149 250	2 275 938	1 073 972	1 344 520	1 916 179	2 419 021
Inventory	67 781	68 808	75 751	72 997	75 171	78 735	82 768
Receivables and prepayments	1 003 396	825 533	909 777	882 194	906 531	953 317	996 547
Cash and cas equivalents	826 334	1 054 191	1 206 956	197 746	411 464	791 286	1 130 036
<b>Total assets</b>	<b>12 986 489</b>	<b>12 858 854</b>	<b>13 432 127</b>	<b>11 923 916</b>	<b>13 218 458</b>	<b>14 583 886</b>	<b>15 712 630</b>
Capital and reserves	4 382 351	4 888 824	5 600 900	6 520 684	7 475 210	8 602 297	9 862 608
Borrowings	7 154 810	6 595 973	6 170 108	4 092 108	4 417 434	4 631 212	4 432 721
Post retirement benefits	243 841	282 441	300 160	114 950	123 624	134 737	144 831
Trade and other payables	1 160 966	1 041 801	1 293 981	1 142 713	1 149 034	1 161 664	1 218 593
Provisions	44 521	49 814	65 607	52 958	52 603	53 374	53 227
Managed funds	–	–	1 370	502	553	603	650
<b>Total equity and liabilities</b>	<b>12 986 489</b>	<b>12 858 854</b>	<b>13 432 127</b>	<b>11 923 916</b>	<b>13 218 458</b>	<b>14 583 886</b>	<b>15 712 630</b>

Data provided by the Department of Water Affairs and Forestry

## Other entities

Although these entities are active in the water and forestry sectors they are not public entities which report to the Minister of Water Affairs and Forestry.

## Komati River Basin Water Authority

The Komati River basin development project is a joint development between South Africa and Swaziland in terms of the treaty on the development and use of the water resources of the Komati River basin, ratified in 1992. The purpose of the project is to promote rural development and alleviate poverty in the lower Komati Valley by increasing the productivity of the land through irrigated agriculture. In terms of the treaty, the Komati River Basin Water Authority was established as a special purpose vehicle charged with managing and financing the project. The main focus of the project was the construction of the Driekoppies Dam in South Africa and the Maguga Dam in Swaziland. Both have been completed.

## Irrigation boards and water user associations

In terms of sections 61 and 62 of the National Water Act (1998), the new policy framework for financial assistance to water management institutions for irrigated agricultural development aims to promote initial access to irrigated agriculture and to improve sustainable irrigation development by subsidising emerging farmers.

Currently all irrigation boards are in the process of being transformed into water user associations to fall under the ambit of the National Water Act (1998). Because of the difficulties of the required stakeholder consultation, the process has been delayed considerably.

In 2004/05, additional funds were allocated for writing off unrecoverable debts from some water user associations. Debts of R6,8 million, R19,7 million and R399 000 were written off for the Kalahari East, Kalahari West and Injambili water user associations, respectively. There are presently a number of water user associations using government guaranteed loans, with a total value of R150 million. The vast majority of these associations are presently servicing their debt without threatening the sustainability of their cash flows.

## **Annexure**

### **Vote 34: Water Affairs and Forestry**

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

Table 34.B: Summary of personnel numbers and compensation

Table 34.C: Summary of expenditure on training

Table 34.D: Summary of conditional grants to provinces and local government (municipalities)

Table 34.E: Summary of official development assistance expenditure

Table 34.F: Summary of expenditure on infrastructure

Table 34.G: Summary of departmental public-private partnership projects



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	2004/05		2004/05	2005/06			2005/06
1. Administration	252 762	362 772	353 425	272 491	174 459	446 950	385 150
2. Water Resources Management	1 365 755	1 590 966	1 476 264	1 506 657	125 388	1 632 045	1 532 045
3. Water Services	1 333 772	1 507 096	1 561 359	1 405 075	122 899	1 527 974	1 426 174
4. Forestry	349 855	443 009	466 629	373 189	42 354	415 543	415 543
<b>Total</b>	<b>3 302 144</b>	<b>3 903 843</b>	<b>3 857 677</b>	<b>3 557 412</b>	<b>465 100</b>	<b>4 022 512</b>	<b>3 758 912</b>
<b>Economic classification</b>							
<b>Current payments</b>	<b>2 040 339</b>	<b>2 363 143</b>	<b>2 283 262</b>	<b>2 303 337</b>	<b>246 511</b>	<b>2 549 848</b>	<b>2 470 922</b>
Compensation of employees	1 030 485	1 168 516	1 026 436	1 144 127	103 098	1 247 225	1 218 299
Goods and services	1 008 349	1 193 122	1 227 049	1 157 615	143 403	1 301 018	1 251 018
Interest and rent on land	1 505	1 505	562	1 595	10	1 605	1 605
Financial transactions in assets and liabilities	–	–	29 215	–	–	–	–
<b>Transfers and subsidies</b>	<b>841 870</b>	<b>1 120 765</b>	<b>1 169 357</b>	<b>865 717</b>	<b>76 766</b>	<b>942 483</b>	<b>942 483</b>
Provinces and municipalities	202 376	349 947	343 268	174 266	(5 102)	169 164	169 164
Departmental agencies and accounts	520 116	613 440	597 131	553 249	93 023	646 272	646 272
Public corporations and private enterprises	88 713	126 713	172 967	105 221	–	105 221	105 221
Households	30 665	30 665	55 991	32 981	(11 155)	21 826	21 826
<b>Payments for capital assets</b>	<b>419 935</b>	<b>419 935</b>	<b>405 058</b>	<b>388 358</b>	<b>141 823</b>	<b>530 181</b>	<b>345 507</b>
Buildings and other fixed structures	336 737	336 737	344 174	307 283	157 746	465 029	280 355
Machinery and equipment	70 506	70 506	49 454	52 754	(823)	51 931	51 931
Cultivated assets	–	–	90	–	25	25	25
Software and intangible assets	11 401	11 401	11 340	28 321	(15 125)	13 196	13 196
Land and subsoil assets	1 291	1 291	–	–	–	–	–
<b>Total</b>	<b>3 302 144</b>	<b>3 903 843</b>	<b>3 857 677</b>	<b>3 557 412</b>	<b>465 100</b>	<b>4 022 512</b>	<b>3 758 912</b>

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

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>A. Permanent and full-time contract employees</b>							
Compensation (R thousand)	1 013 094	997 284	1 012 673	1 223 901	1 155 717	1 208 920	1 306 494
Unit cost (R thousand)	103	101	103	165	155	163	177
Compensation as % of total	98.9%	98.9%	98.7%	98.1%	97.9%	97.9%	98.0%
Personnel numbers (head count)	9 843	9 843	9 843	7 399	7 469	7 399	7 399
<b>B. Part-time and temporary contract employees</b>							
Compensation (R thousand)	10 781	11 524	12 751	21 343	22 410	23 530	24 707
Unit cost (R thousand)	102	87	75	74	77	81	85
Compensation as % of total	1.1%	1.1%	1.2%	1.7%	1.9%	1.9%	1.9%
Personnel numbers (head count)	106	133	171	290	290	290	290

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

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>C. Interns</b>							
Compensation of interns (R thousand)	–	–	1 012	1 981	2 142	2 249	2 362
Unit cost (R thousand)			25	55	54	56	59
Number of interns	–	–	40	36	40	40	40
<b>Total for department</b>							
Compensation (R thousand)	1 023 875	1 008 808	1 026 436	1 247 225	1 180 269	1 234 699	1 333 563
Unit cost (R thousand)	103	101	102	161	151	160	173
Personnel numbers (head count)	9 949	9 976	10 054	7 725	7 799	7 729	7 729
<b>D. Learnerships</b>							
Payments for learnerships (R thousand) (G&S)	–	–	–	2 900	3 043	3 197	3 357
Number of learnerships (head count)	–	–	–	189	189	189	189

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

	Audited outcome			Adjusted Appropriation	Medium-term expenditure estimates		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>Training and staff development</b>							
Expenditure (R thousand)	35 583	38 272	32 942	34 917	37 012	38 863	40 805
Number of employees trained (head count)	2 737	2 834	2 195	2 181	2 220	2 280	2 350
<b>Bursaries (employees)</b>							
Expenditure (R thousand)	2 568	4 224	2 071	4 080	4 200	4 500	4 500
Number of employees (head count)	2 568	4 224	2 071	4 080	4 200	4 550	4 500
<b>Bursaries (non employees)</b>							
Expenditure (R thousand)	–	765	990	1 650	2 800	3 100	3 450
Number of individuals (head count)	–	17	19	30	50	50	50
<b>Total</b>	<b>38 151</b>	<b>43 261</b>	<b>36 003</b>	<b>40 647</b>	<b>44 012</b>	<b>46 463</b>	<b>48 755</b>
<b>Number of employees</b>	<b>5 305</b>	<b>7 075</b>	<b>4 285</b>	<b>6 291</b>	<b>6 470</b>	<b>6 880</b>	<b>6 900</b>

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

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>Conditional grants to local government (municipalities)</b>							
<b>3. Water Services</b>							
Water Services Operating Subsidy Grant	43 412	272 618	133 260	164 512	500 000	550 000	600 000
Implementation of Water Services Projects Grant	999 099	1 021 882	207 885	–	–	–	–
<b>Total</b>	<b>1 042 511</b>	<b>1 294 500</b>	<b>341 145</b>	<b>164 512</b>	<b>500 000</b>	<b>550 000</b>	<b>600 000</b>

<sup>1</sup> Detail provided in the Division of Revenue Act (2006).

Table 34.E Summary of official development assistance expenditure

Donor	Project	Cash/ kind	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
			2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand									
<b>Local</b>									
Hermanus Municipality		Cash	1 285	-	-	-	-	-	-
<b>Foreign</b>									
China	Pipes and water meters grant	Kind	-	97 500	65 000	-	-	-	-
Denmark	Community water supply and sanitation	Cash	1 664	-	-	-	-	-	-
European Union	Water and sanitation services	Cash	267 386	249 000	211 500	152 000	40 000	-	-
Finland	Working for Water	Cash	835	-	-	-	-	-	-
France	Community water supply and sanitation	Cash	97	500	600	-	-	-	-
Ireland	Water and sanitation programme	Cash	10 564	31 000	33 300	24 800	24 800	-	-
The Netherlands	Community water supply and sanitation	Cash	22 723	13 900	4 400	-	-	-	-
Norway	Sustainable development of groundwater resources	Cash	4 431	13 000	6 000	-	-	-	-
Republic of China	Community forestry	Cash	-	-	-	-	-	-	-
United Kingdom	Water services (Masimbambane programme)	Cash	386	3 704	2 500	-	-	-	-
Flanders	Water and sanitation for deep rural areas of Sekhukhune	Cash	-	-	4 800	3 600	3 600	-	-
UNESCO	Total assistance with capacity building	Kind	-	10 000	1 000	-	-	-	-
Japan	Rural water supply	Kind	-	50 000	40 000	-	-	-	-
United Kingdom	Making forestry markets	Kind	-	20 200	10 000	-	-	-	-
United Kingdom	Corporate institutional transformation	Kind	-	553	7 128	3 360	2 780	-	-
United Kingdom	Support to water services	Kind	-	714	8 424	6 192	2 604	-	-
United Kingdom	Support to water resources management	Kind	-	2 832	13 476	6 756	7 188	-	-
United Kingdom	Strengthening Chief Directorate Forestry	Kind	-	20 200	16 000	2 000	4 000	3 200	-
Denmark	Urban Environmental Programme (water Component)	Cash	-	-	-	10 000	10 000	10 000	-
<b>Total</b>			<b>309 371</b>	<b>513 103</b>	<b>424 128</b>	<b>208 708</b>	<b>94 972</b>	<b>13 200</b>	<b>-</b>

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

Description	Service delivery outputs			Adjusted appropriation	Medium-term expenditure estimate		
	Audited outcome				2005/06	2006/07	2007/08
R thousand	2002/03	2003/04	2004/05				
<b>MEGA infrastructure projects and programmes (Over R250 million)</b>							
Nandoni Water Treatment Works & Distribution	–	4 000	59 674	102 515	121 610	112 619	99 350
Olifants River Water Resource Development Project	–	–	–	32 303	300 000	200 000	200 000
Nwamitwa Dam	–	–	–	–	47 000	125 000	125 000
Dam Safety	7 362	4 400	23 475	25 230	150 000	350 000	350 000
<b>Other large infrastructure projects (Over R20 million)</b>							
Nandoni Dam	103 502	135 861	83 548	26 080	5 000	2 000	–
Inyaka Pumpstation	–	5 874	9 300	2 100	–	–	–
Inyaka WTW Ph 11	–	–	–	24 000	30 000	31 500	33 500
Hluhluwe Ph 111	–	–	–	27 500	27 000	28 500	30 500
Xikundu	39 002	30 620	23 145	3 000	–	–	–
Banhoek Weir	–	–	–	10 000	15 000	16 500	–
Vioolsdrift Dam	–	–	–	–	–	–	16 000
Zalu Dam	–	–	–	–	–	16 000	28 000
Clan William Dam Raising	–	–	–	–	–	24 000	64 000
Middle Letaba Augmentation	–	–	–	–	–	–	22 000
Implementation Of Water Services Projects	509 579	291 124	52 510	64 217	–	–	–
<b>Groups of small projects or programmes</b>							
Head Office Management	3 093	3 980	4 402	5 000	5 300	5 618	5 955
Completion of works	900	900	900	900	47 900	16 200	900
Workshop Pretoria West	2 285	2 350	2 500	2 650	2 809	2 980	3 170
Geotech Services	1 842	1 879	2 140	2 140	2 250	2 380	2 530
Drilling Services	2 097	2 153	2 300	2 440	2 580	2 740	2 920
Central Construction Workshop	–	500	1 000	1 000	1 000	1 000	1 000
Capital Augmentation	–	2 500	2 500	2 750	2 862	3 033	3 230
Water Services Projects	1 126 846	917 746	217 323	138 678	–	–	–
<b>Infrastructure transfers to other spheres, agencies and departments</b>							
Implementation of Water Services Projects	164 462	537 862	–	–	–	–	–
<b>Fixed installations transferred to households</b>							
Sanitation Projects	63 788	307 819	25 855	35 169	42 011	–	–
<b>Maintenance on infrastructure (capital)</b>							
Water Services	–	58 062	90 000	120 000	–	–	–
<b>Total</b>	<b>2 024 758</b>	<b>2 307 630</b>	<b>600 572</b>	<b>627 672</b>	<b>802 322</b>	<b>940 070</b>	<b>988 055</b>

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

R thousand	Total cost of project	Budget expenditure	Medium-term expenditure estimate		
		2005/06	2006/07	2007/08	2008/09
<b>Projects signed in terms of Treasury Regulation 16</b>					
PPP unitary charge	–	–	–	26 730 158	29 082 411
Revenue generated (if applicable)	–	4 375 986	3 473 986	–	–
Project monitoring cost	–	–	–	2 673 016	2 908 241
<b>Total</b>	<b>–</b>	<b>4 375 986</b>	<b>3 473 986</b>	<b>29 403 174</b>	<b>31 990 652</b>

1. Only projects that have received Treasury Approval: 1