

Vote 34

Water Affairs and Forestry

R thousand	2007/08 To be appropriated	2008/09	2009/10
MTEF allocations			
Administration	502 110	524 384	565 995
Water Resources Management	2 430 032	3 221 192	4 313 760
Water Services	1 913 660	2 419 150	2 527 591
Forestry	460 545	440 258	463 962
Total	5 306 347	6 604 984	7 871 308
Direct charges against the National Revenue Fund	–	–	–
Total expenditure estimates	5 306 347	6 604 984	7 871 308
Economic classification			
Current payments	3 175 667	3 656 545	4 114 803
Transfers and subsidies	2 030 204	2 733 132	3 532 538
Payments for capital assets	100 476	215 307	223 967
Total expenditure estimates	5 306 347	6 604 984	7 871 308
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 purposes

Programme 1: Administration

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

Programme 2: Water Resources 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 practise safe sanitation.

Programme 4: Forestry

Promote the sustainable management of the department's plantation 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.

Strategic overview: 2003/04 – 2009/10

The Department of Water Affairs and Forestry makes sure that South Africa has reliable sources of water and sufficient forest resources for sustainable socio-economic development. Through its involvement in the water and forestry sectors, the department has focused on achieving key deliverables, such as meeting water and sanitation targets, supporting local government, promoting infrastructure development, implementing the Broad Based Black Economic Empowerment Forestry Charter, reforming institutions, improving oversight over public entities, supporting water conservation and demand management, and empowering women.

To respond to the dynamic changes in the water and forestry sector, the department continuously reviews existing policy and develops new policies.

Key policy developments

Water services

The strategic framework for water services provides the overarching policy framework for the water services sector. Because of new developments, including an expanded definition of water services, the Water Services Act (1997) is being reviewed and amended to modernise the regulatory framework. Strategies in support of the strategic framework are being developed and implemented, and include the institutional reform of water service provision and regulatory and sector support strategies.

Strategic alignment and capacity building

Strategic alignment is critical to the functioning of the water services sector, which spans all three spheres of government and includes agencies and public entities. Water summits were held in all provinces to align the Department of Water Affairs and Forestry's planning processes with those of provincial departments and municipalities, resulting in a joint needs analysis and the prioritising of activities, like the emerging farmer projects in the Eastern Cape.

The department's human resource development strategy aims to increase the number of people from previously disadvantaged communities acquiring technical skills in the water and forestry sectors, in line with the progressive implementation of the 2025 capacity building strategy.

Restructuring programme

The restructuring programme separates the regulatory and implementation functions of the department. All implementation functions will be devolved to the appropriate levels of government and service delivery entities. Significant progress has been made in the past two years with implementing the restructuring programme, in particular the transfer of department owned water services schemes and operations to water services authorities (municipalities). The expected 10-year timeframe for establishing fully operational catchment management agencies implies a continuous and long-term transition for the department. The National Water Resources Infrastructure Agency is to take over national water resources infrastructure such as large dams, and interbasin transfer schemes will be established in 2008.

The department continues to transfer the management of indigenous forests to appropriate institutions and carry out the necessary policy and regulatory functions for the sustainable management of all forest resources.

Water resource management

The effective management of water, a scarce resource in South Africa, is pivotal for equity in distribution and access. The department is putting in place new institutional arrangements for water resource management, which will be decentralised to regional and local levels for greater public participation and improved efficiencies.

Forestry

The Forestry Laws Amendment Act (2005) was promulgated by the president in March 2006. The amended act aims to extend the minister's regulatory powers and provide for criminal sanctions over the destruction of protected forests. The broad based BEE forestry charter will be finalised in early 2007 and will further develop opportunities for social and economic development and broad based BEE. The department is also looking at how the forestry sector can create jobs.

Outcomes

Universal access to water and sanitation services

Providing access to basic water and sanitation services is a core priority for the department, and the rate of delivery at local government level is a concern. In March 2006, 60 per cent of the backlog in water services and 40 per cent in sanitation had been eradicated. By December 2006, 10 million households had access to water services since the basic services programme began in 1994. In 2006/07, the department concentrated its efforts on supporting local government by providing better technical assistance and revising the regulatory framework to improve institutional efficiency under Project Consolidate. Setting up the National Water Resource Infrastructure Agency is being accelerated and the agency is due to be fully operational by April 2008. It will centralise the development and operation of the national water infrastructure to broaden access to water and sanitation services.

The department will continue to implement the drinking water quality regulations to make sure that South Africans have access to potable water.

Building the economy and creating jobs in the water and forestry sectors

The rollout of the water allocation reform programme will result in water resources for productive purposes being transferred to historically disadvantaged communities, as well as the promotion of broad-based BEE. Faster and less resource intensive water authorisation processes that adhere to the full requirements of the Broad Based Black Economic Empowerment Act (2003) will help sustainable economic and social development.

The completion and subsequent implementation of the broad based BEE forestry charter should create an economically enabling environment for implementing the forestry enterprise development (FED) programme. In support of the programme, the department has transferred forests to management agencies, developed an afforestation strategy, and included forestry as a key growth sector in provincial growth and development strategies. Rural livelihoods will be improved through forestry activities, like the expansion of the forest estate and the economic benefits derived from timber and non-timber products.

Transforming the water and forestry sectors for improved service delivery

Separating the department's regulatory and implementation functions will, over the next three years, improve governance and service delivery. The department is currently setting up catchment management agencies and reforming existing water institutions as part of its 10-year restructuring plan. The three catchment management agencies that were set up in 2006 have contributed to localising the water resource management functions and improving public participation in the water sector.

Increased awareness of the challenges faced by Africa in the water sector

By participating in international events, such as the World Summit on Sustainable Development in 2002, the department has drawn attention to the challenges and funding constraints faced by Africa in the water sector and created awareness in the international donor community of the need for financing large scale infrastructure projects on the continent. The department continues to further the aims and objectives of the New Partnership for Africa's Development (NEPAD) through its participation in the African Ministerial Council on Water, a technical committee of the African Union.

Expenditure estimates

Table 34.1 Water Affairs and Forestry

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2003/04	2004/05	2005/06	2006/07		2007/08	2008/09	2009/10
R thousand								
1. Administration	332 205	353 425	365 255	509 670	429 670	502 110	524 384	565 995
2. Water Resources Management	1 116 208	1 476 264	1 506 793	2 237 267	1 780 267	2 430 032	3 221 192	4 313 760
3. Water Services	2 391 442	1 561 359	1 510 998	1 464 966	1 211 966	1 913 660	2 419 150	2 527 591
4. Forestry	411 607	466 629	420 919	448 400	444 400	460 545	440 258	463 962
Total	4 251 462	3 857 677	3 803 965	4 660 303	3 866 303	5 306 347	6 604 984	7 871 308
Change to 2006 Budget estimate				183 758	(610 242)	497 000	979 000	

Economic classification

	2 131 700	2 283 262	2 422 605	2 765 189	2 523 189	3 175 667	3 656 545	4 114 803
Current payments								
Compensation of employees	1 008 808	1 026 436	1 128 641	1 281 229	1 158 229	1 098 896	1 115 276	1 093 910
Goods and services	1 107 823	1 227 049	1 290 477	1 482 259	1 363 259	2 076 053	2 540 517	3 020 100
<i>of which:</i>								
Communication	28 304	28 898	38 163	17 102	17 102	22 589	23 883	26 473
Computer services	38 151	82 070	74 910	23 906	23 906	23 462	25 023	30 274
Consultants, contractors and special services	686 861	647 919	494 810	943 326	893 326	1 144 635	1 574 640	1 969 845
Inventory	66 012	103 808	106 944	77 182	58 182	81 357	85 591	91 774
Maintenance, repairs and running costs	8 572	11 947	62 193	9 253	9 253	8 086	8 569	9 583
Operating leases	117 771	134 155	89 668	102 399	102 399	109 323	117 280	131 083
Travel and subsistence	89 352	114 941	252 242	113 119	113 119	183 683	193 892	213 025
Municipal services	9 883	10 375	11 197	13 120	13 120	14 238	15 135	16 648
Interest and rent on land	2 157	562	158	1 701	1 701	718	752	793
Financial transactions in assets and liabilities	12 912	29 215	3 329	-	-	-	-	-
Transfers and subsidies	1 711 929	1 169 357	951 389	1 640 117	1 092 117	2 030 204	2 733 132	3 532 538
Provinces and municipalities	1 295 994	343 268	167 808	501 711	301 711	550 000	600 000	462 000
Departmental agencies and accounts	290 284	597 131	670 163	1 002 069	682 069	1 347 839	1 991 948	2 920 946
Public corporations and private enterprises	96 577	172 967	96 383	102 234	82 234	103 632	109 850	116 441
Foreign governments and international organisations	-	-	-	3 500	3 500	525	572	605
Non-profit institutions	-	-	2	-	-	340	387	450
Households	29 074	55 991	17 033	30 603	22 603	27 868	30 375	32 096
Payments for capital assets	407 833	405 058	429 971	254 997	250 997	100 476	215 307	223 967
Buildings and other fixed structures	372 790	344 174	381 115	139 899	139 899	23 625	133 298	137 129
Machinery and equipment	33 812	49 454	35 363	107 486	103 486	74 352	79 024	83 696
Cultivated assets	-	90	30	-	-	-	-	-
Software and other intangible assets	-	11 340	13 463	7 612	7 612	2 499	2 985	3 142
Land and subsoil assets	1 231	-	-	-	-	-	-	-
<i>of which: Capitalised compensation</i>	168 980	116 812	188 225	-	-	-	-	-
Total	4 251 462	3 857 677	3 803 965	4 660 303	3 866 303	5 306 347	6 604 984	7 871 308

Expenditure trends

Total expenditure decreased from R4,3 billion to R3,8 billion in 2005/06 because of the transfer of expenditure on new water and sanitation projects to the municipal infrastructure grant from the *Water Services* programme. The increase in expenditure of R856,3 million between 2005/06 and 2006/07 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. The revised estimate for 2006/07 shows that the anticipated underspending for the department is R794 million, due to delays in obtaining the environmental approvals from the Department of

Environmental Affairs and Tourism for the De Hoop Dam and delays in finalising transfer agreements with municipalities for water schemes.

Spending is expected to increase by an annual average of 19,1 per cent over the MTEF period, because of the additional allocations for the De Hoop Dam, the Working on Fire programme, and the allocation for refurbishing infrastructure and for bulk water services infrastructure.

Infrastructure spending

Over the MTEF period, spending on infrastructure is expected to increase from R801 million to R1,9 billion, driven by the additional allocations for: the Olifants River water development project (De Hoop Dam) and related bulk distribution infrastructure; the dam safety rehabilitation programme; and the initial financing of the National Water Resource Infrastructure Agency.

The funds 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 development project. For subsequent phases, a portion of the funding will be provided from the financial markets in accordance with cost responsibility attributable to commercial users. A similar arrangement will be applied for the Mokolo River water resources augmentation project, for which an estimated 75 per cent of the estimated total cost of R1,9 billion will be attributable to commercial users. Funds to complete bulk rural water supply works, including the Inyaka water treatment works, the Nandoni water treatment works and the Hluhluwe scheme, are to be fully provided from the National Revenue Fund.

Funding for new dams, such as the Nwamitwa Dam, the Mzimkulu Off-Channel Storage Dam and the Zalu Dam, intended to improve water supply to users, is fully provided for in existing baseline allocations. Funding for rehabilitating dams to ensure safety will continue throughout the MTEF period, and a memorandum of agreement has been concluded between the department and Swimming South Africa for this.

The department has initiated the Berg water project in partnership with the Trans-Caledon Tunnel Authority and the private sector. The project is financed through money market instruments and long-term loans. The Vaal River eastern sub-system augmentation project will be financed and implemented by the Trans-Caledon Tunnel Authority at an estimated cost of R2,5 billion.

Cabinet has approved additional allocations of R1,4 billion for bulk water services infrastructure over the MTEF period, including R300 million in 2007/08, R450 million in 2008/09 and R650 million in 2009/10.

Science and technology expenditure

The Water Research Commission was established to promote and do research in the water sector. The commission generates most innovation and research in the sector. More recently, it has started developing young scientists and technology professionals by involving them actively in research. In addition, the Department of Water Affairs and Forestry itself contributes to the field of science and technology by:

- providing bursaries and in-service training
- commissioning extensive research on topical water issues
- continuously improving the methodology to monitor and evaluate water quality
- generating standards for drinking water quality, effluent discharge and resource quality, based on up-to-date research
- developing new methodologies, such as for determining the ecological reserve requirements of water resources.

The department works in conjunction with the forestry sector on various research issues. It is currently contributing to research in the key area of controlling and managing the Sirex wasp, which is threatening the sustainability of the forestry industry. The department has also developed criteria and indicators for sustainable forest management, which are being applied in state forests, and sets the standards for determining the sustainability of forest management. Other innovations include the development of a forest information system and a fire danger rating system.

Expenditure on science and technology activities

R thousand	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
STS	43 393	45 677	48 081	50 612	54 000	57 421	60 292
STET	1 422	1 496	1 575	1 658	1 924	1 791	1 881
STI	9 501	10 004	10 531	11 085	12 018	39 117	41 073
STAs total	54 316	57 177	60 187	63 355	67 942	98 329	103 246

Expenditure on the scientific and technical education and training (STET) component accounts for 80 per cent of all expenditure on science and technology in 2006/07. Over the MTEF period, expenditure on scientific and technological innovation (STI) activities is expected to increase substantially, from R11 million in 2006/07 to R41 million in 2009/10, because expenditure for research and development is currently done by the line function within the department. There is a process in place for facilitating joint contributions by the department and the sector to research being done by institutions such as the Water Research Commission.

Departmental receipts

Receipts exclude income from the sale of water, 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 government; interest on these loans; revenue from the sale of wood and wood products; and miscellaneous income. The decrease in revenue from 2003/04 to 2004/05 is due to the posting of some of the water sales to the bank account of the vote instead of the water trading account. The increase from 2004/05 to 2005/06 is mainly due to a once-off payment made by a water board to settle its loan. From 2006/07, revenue will increase from R98,4 million to R107,8 million in 2009/10.

Table 34.2 Departmental receipts

R thousand	Audited outcome			Adjusted appropriation	Medium-term receipts estimate		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Departmental receipts	160 591	88 508	129 308	98 368	101 444	105 499	107 833
Sales of goods and services produced by department	121 574	36 780	48 861	49 149	49 792	51 081	52 221
Sales of scrap, waste and other used current goods	–	896	202	5	5	6	6
Fines, penalties and forfeits	–	24	6	–	–	–	–
Interest, dividends and rent on land	15 541	28 866	31 652	26 564	27 892	30 012	30 506
Sales of capital assets	–	–	34	–	–	–	–
Financial transactions in assets and liabilities	23 476	21 942	48 553	22 650	23 755	24 400	25 100
Total	160 591	88 508	129 308	98 368	101 444	105 499	107 833

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		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
R thousand							
Minister ¹	981	957	923	885	938	985	1 034
Management	30 537	32 336	27 559	89 156	74 315	74 854	76 192
Corporate Services	97 543	110 733	118 783	154 518	176 442	183 217	201 188
Information Services	81 869	74 668	74 913	107 632	77 314	81 021	85 617
Property Management	69 375	80 731	86 877	98 979	109 501	117 605	131 933
Financial Management	51 900	54 000	56 200	58 500	63 600	66 702	70 031
Total	332 205	353 425	365 255	509 670	502 110	524 384	565 995
Change to 2006 Budget estimate				72 962	73 702	72 608	

1. Payable as from 1 April 2006. Salary: R 707 956. Car allowance: R176 988.

Table 34.3 Administration (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Economic classification							
Current payments	325 434	321 989	337 232	459 844	480 794	502 065	542 419
Compensation of employees	102 844	92 675	105 605	208 700	161 816	170 005	178 517
Goods and services	222 590	229 314	231 627	251 144	318 978	332 060	363 902
<i>of which:</i>							
Communication	8 095	9 333	9 471	3 376	3 545	3 722	3 908
Computer services	5 210	67 169	59 391	9 653	10 136	10 642	11 174
Consultants, contractors and special services	82 996	10 664	7 079	120 062	143 435	145 373	159 534
Inventory	5 337	11 318	13 541	16 463	17 187	18 151	19 058
Maintenance, repairs and running costs	1 540	1 994	1 384	1 028	1 079	1 133	1 189
Operating leases	65 425	73 333	78 490	72 966	95 501	102 720	115 516
Travel and subsistence	18 857	15 574	16 356	13 599	14 274	14 987	15 736
Municipal services	9 883	10 375	11 197	13 120	14 238	15 135	16 648
Transfers and subsidies	411	22 365	8 823	742	578	605	639
Provinces and municipalities	411	285	333	122	–	–	–
Departmental agencies and accounts	–	454	–	620	578	605	639
Households	–	21 626	8 490	–	–	–	–
Payments for capital assets	6 360	9 071	19 200	49 084	20 738	21 714	22 937
Buildings and other fixed structures	–	1 452	5 151	2 957	3 190	3 342	3 532
Machinery and equipment	6 360	4 235	4 343	46 127	17 443	18 292	19 322
Software and other intangible assets	–	3 384	9 706	–	105	80	83
Total	332 205	353 425	365 255	509 670	502 110	524 384	565 995

Details of major transfers and subsidies:

Departmental agencies and accounts							
Current	–	454	–	620	578	605	639
Local Government Water and Related Sector Education Training Authority	–	454	–	620	578	605	639

Expenditure trends

Expenditure rose steadily at an average annual rate of 15,3 per cent, growing from R332,2 million in 2003/04 to R509,7 million in 2006/07, 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 under the *Information Services* subprogramme increases from R74,9 million in 2005/06 to R107,6 million, an increase of 43,7 per cent, due to upgrading and replacing the department's IT infrastructure. R72,9 million was rolled over from 2005/06 to 2006/07, because of protracted delays in reaching agreements with labour unions in the transfer of staff to receiving municipalities. From 2006/07 to 2009/10, expenditure will increase at an average annual rate of 3,6 per cent, from R509,7 million to R566 million in 2009/10, driven mainly by the establishment of a learning academy for developing critical scarce skills in the water and forestry sectors.

Programme 2: Water Resource Management

The *Water Resource Management* programme ensures that water resources are used and managed sustainably and equitably.

There are 13 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 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 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 structures.

Expenditure estimates

Table 34.4 Water Resources Management

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
R thousand							
Equitable Supply	236 580	205 450	132 746	138 531	156 589	172 506	259 689
Sustainable Supply	41 872	12 807	32 584	471 705	493 985	551 983	593 929
Protection Policies	12 471	38 339	34 310	31 912	40 371	44 248	46 870
Protection Measures	–	2 249	2 149	2 000	2 524	2 841	3 040
Institutional Regulation	535	9 905	12 300	26 560	29 473	32 471	34 370
Institutional Development	10 996	9 456	12 725	6 674	4 104	4 473	4 726
Strategic Alignment	69 890	89 604	95 115	153 765	140 056	163 486	182 014
Stakeholder Empowerment	112 551	118 392	120 192	140 151	128 945	142 201	150 805
African Co-operation	7 572	5 484	10 626	12 099	13 505	22 450	12 499
Water Resource Administration	6 431	15 050	21 613	22 217	25 644	28 298	30 011
Water Resource Support	64 490	82 980	95 948	112 504	73 234	81 880	90 114
Operations of Water Resources	273 498	564 771	653 178	302 660	283 553	323 733	342 969
Infrastructure Development and Rehabilitation	279 322	321 777	283 307	816 489	1 038 049	1 650 622	2 562 724
Total	1 116 208	1 476 264	1 506 793	2 237 267	2 430 032	3 221 192	4 313 760
Change to 2006 Budget estimate				58 081	13 741	259 561	

Table 34.4 Water Resources Management (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Economic classification							
Current payments	497 446	586 062	538 097	1 042 810	1 027 333	1 169 552	1 329 624
Compensation of employees	185 729	180 120	240 221	272 461	341 151	370 154	396 135
Goods and services	311 717	376 727	294 546	770 339	686 172	799 388	933 478
<i>of which:</i>							
Communication	10 238	9 026	12 092	5 018	11 456	12 149	14 072
Computer services	23 441	10 139	13 664	11 845	12 573	13 575	18 242
Consultants, contractors and special services	166 516	210 691	133 606	598 719	378 516	559 939	659 748
Inventory	31 929	42 236	18 008	23 233	43 867	46 235	50 426
Maintenance repair and running cost	4 320	5 988	5 621	4 505	6 142	6 503	7 354
Operating leases	42 999	44 626	3 220	20 478	9 296	9 785	10 544
Travel and subsistence	24 229	37 339	63 074	25 646	107 146	113 363	128 357
Interest and rent on land	–	–	1	10	10	10	11
Financial transactions in assets and liabilities	–	29 215	3 329	–	–	–	–
Transfers and subsidies	303 100	588 441	670 475	1 040 007	1 375 994	2 022 677	2 953 458
Provinces and municipalities	528	766	1 910	955	–	–	–
Departmental agencies and accounts	273 498	564 771	653 182	1 001 449	1 347 261	1 991 343	2 920 307
Public corporations and private enterprises	–	–	6 891	3 500	–	–	–
Foreign governments and international organisations	–	–	–	3 500	525	572	605
Non-profit institutions	–	–	–	–	340	387	450
Households	29 074	22 904	8 492	30 603	27 868	30 375	32 096
Payments for capital assets	315 662	301 761	298 221	154 450	26 705	28 963	30 678
Buildings and other fixed structures	310 121	271 260	273 124	117 580	113	211	223
Machinery and equipment	4 348	22 858	21 683	29 508	24 510	26 194	27 769
Software and other intangible assets	–	7 643	3 414	7 362	2 082	2 558	2 686
Land and subsoil assets	1 193	–	–	–	–	–	–
<i>of which: Capitalised compensation</i>	<i>168 980</i>	<i>116 812</i>	<i>188 225</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>
Total	1 116 208	1 476 264	1 506 793	2 237 267	2 430 032	3 221 192	4 313 760

Details of major transfers and subsidies:

Departmental agencies and accounts							
Current	273 498	564 771	653 182	302 660	292 212	329 721	348 383
Water trading account: Augmentation	273 498	564 771	653 182	302 660	288 553	325 733	344 169
Catchment management agencies: Seed funding	–	–	–	–	3 659	3 988	4 214
Capital	–	–	–	698 789	1 055 049	1 661 622	2 571 924
Water trading account: Infrastructure	–	–	–	698 789	1 055 049	1 661 622	2 571 924
Households							
Other transfers							
Current	29 074	22 904	8 492	30 603	27 868	30 375	32 096
Financial assistance to small scale farmers	28 768	22 904	8 492	30 603	27 368	29 830	31 518
Financial assistance for dam safety	306	–	–	–	500	545	578

Expenditure trends

Expenditure grew strongly, at an average annual rate of 26,1 per cent, from R1,1 billion in 2003/04 to R2,2 billion in 2006/07, driven by expenditure in the *Sustainable Supply* and the *Institutional Regulation* subprogrammes. Expenditure in the *Sustainable Supply* subprogramme increases because of the additional allocations for constructing the De Hoop Dam, as well as funding for improving dam safety. 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 sharp increase from R12,3 million to R26,6 million, or 115,9 per cent, from 2005/06 to 2006/07 in the *Institutional Regulation*

subprogramme can be attributed to the institutional reform process currently under way in the department as part of its 10-year restructuring project, and to the establishment of catchment management agencies. The 51,2 per cent average annual increase between 2003/04 and 2006/07 in the *Water Resource Administration* subprogramme reflects the increasing need for programme support and administration services, resulting from an overall increase in expenditure in the programme. There is a decrease in expenditure in the *Operations of Water Resources* subprogramme and a simultaneous increase in the *Sustainable Supply* subprogramme from 2005/06 to 2006/07 due to the shift of the Working for Water programme.

Over the MTEF period, spending is expected to increase by 24,5 per cent, partly for designing and constructing new water resource infrastructure and rehabilitating existing infrastructure.

Service delivery objectives and indicators

Recent outputs

The water allocation reform programme was formally launched in April 2005. There was a public consultation process on the approach to implementation, and the process of linking the programme with complementary programmes in the departments of agriculture (agricultural support) and land affairs (land redistribution) was begun. Tools to facilitate water allocation and planning are being developed, and regional implementation plans are being compiled.

The process of validating registered water use has continued, focusing on catchment management areas scheduled for piloting the water allocation reform programme. Validation of registered water use was completed in the Inkomati, Olifants and Upper Vaal water management areas, and in the catchments of the Mhlathuze, Jan Dissels (Olifants-Doring), and Mokolo (Limpopo) rivers. The verification of claimed existing lawful use is in progress in all of these catchments areas. The development of draft allocation plans for the Umhlathuze catchment area and the Inkomati water management area has begun, and should be completed by the end of 2007/08.

Approximately 150 cases of unlawful water use were dealt with, a number of directives issued, and prosecutions and other appropriate enforcement actions undertaken in Free State, Western Cape, North West and Northern Cape.

The proposed revision of the 1999 water pricing strategy was completed, and the revised strategy approved by the Minister of Finance. The revised strategy will replace the current one at the beginning of 2007/8.

Between April and December 2006, 244 water use licences were issued for abstracting, impeding or diverting the flow of water in a watercourse and for afforestation, compared to 254 in 2005/06.

Support to resource poor farmers took the form of rehabilitating irrigation schemes in Eastern Cape, subsidising operation and maintenance costs in KwaZulu-Natal, Northern Cape and Western Cape, and constructing rainwater harvesting tanks in 26 villages in four provinces.

Water conservation and demand management initiatives were undertaken in a number of municipalities, including support for developing and implementing water conservation and water demand management business plans by: Emfuleni Local Municipality, the City of Johannesburg, Ekurhuleni Metro, City of Tshwane and Mogale City (Gauteng); Matjhabeng (Free State); Lephhalale Local Municipality (Limpopo); and Umkhanyakude and Zululand district municipalities (under way) (KwaZulu-Natal). Regulations for water conservation and water demand management and a water use efficiency information system are currently being implemented to regulate the inefficient use of water and provide monitoring information. This is being done in every province and for all water management area levels.

The department continued to provide temporary employment through the poverty alleviation programmes. From 1 April to 31 December 2006 it provided:

- Working for Water: 20 422 people, 1 401 974 person days, including about 100 000 training days
- Working on Fire: 1 550 people; 243 273 person days, including 69 339 training days

- Working for Wetlands: 2 186 people; 17 419 person days, including 17 022 training days.

A number of multi-year planning studies have started, including four to develop water management strategies for four large metropolitan areas – Cape Town, greater Johannesburg, Johannesburg-Pretoria, and Buffalo City. Measures to improve the management of the lower Orange River system are being investigated in partnership with Namibia.

The coverage of the national microbial and eutrophication monitoring programme was extended, and designs for radiological, toxicological and sediment monitoring programmes are under way.

The first Orange-Senqu River Commission (involving Botswana, Lesotho, Namibia and South Africa, which all share the Orange River) ministerial meeting was held in Lesotho in September 2005. In August 2006, South Africa agreed to host the commission secretariat. The Limpopo River Commission will be formally established as soon as the governments of the four basin sharing countries (Botswana, Mozambique, South Africa and Zimbabwe) have ratified the agreement to establish the commission.

Cabinet approved the establishment of the National Water Resource Infrastructure Agency in 2005, and the department is drafting the enabling legislation – the National Water Resource Infrastructure Agency Limited Bill. As an interim measure, a new national water resource infrastructure branch was established in the department.

The governing board and chief executive officer for the Inkomati Catchment Management Agency were appointed. Three other agencies (in the Breede, Crocodile West/Marico and Mvoti-Mzimkulu water management areas) have been established.

The Nandoni water treatment works is 75 per cent complete. Implementation and funding agreements have been concluded with the Trans-Caledon Tunnel Authority for the Berg water project and the Vaal River eastern sub-system augmentation project to increase water supplies to Eskom and Sasol. The construction of the Berg River Dam is 67 per cent complete, due to be finished by the end of 2007 at an estimated cost of R1,6 billion.

The Olifants River water resources development project

In his 2003 State of the Nation address, the president announced the government's intention to build the De Hoop Dam and a bulk raw water distribution system to boost the water supply to municipalities and support the development of platinum mining and agriculture opportunities in Limpopo. The De Hoop Dam will have an 81 metre high wall and a storage capacity of 330 million m³. In June 2004, Cabinet approved the project, which consists of the following phases:

- Phase 1: Raising the wall of the Flag Boshielo Dam was completed in December 2006 at a cost of R250 million
- Phase 2A: Design and construction of the De Hoop Dam is planned for completion in 2010 at an estimated cost of R1,3 billion
- Phase 2B-H: Bulk abstraction and distribution systems, comprising of pump stations, pipelines, balancing weirs and related infrastructure, is planned to be mostly complete in 2011.

The estimated cost of phase 2 was R4,9 billion in March 2006, of which the projected cost responsibility for commercial users is 50 per cent. Funds for the bulk distribution system will be partly sourced from financial markets.

Selected medium-term output targets

Water Resource Management

Measurable objective: Ensure that water resources are allocated to 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	Measure/Indicator	Target
Equitable Supply and Sustainable Supply	Verification of legality of water use	Number of catchment management areas in which water allocation reform programme is implemented	Draft allocation plans for Inkomati water management authority, Mhlathuze catchment, and Jan Dissels catchment
	Water conservation / water demand management (WC/WDM) strategies	Regional offices, water management areas and service institutions in which WC/WDM strategies implemented and maintained	Upper-middle Vaal water management area, Mhlathuze catchment in Suthu-Mhlathuze water management area, and Mokolo catchment in Limpopo water management area
	Water availability studies included in provincial plans and aligned with department's water conservation strategies	Water availability studies included in development of provincial growth and development strategies	Water availability information provided to all provinces and reflected in all provincial growth and development strategies
	Alien invasive vegetation cleared	Area of initial and follow-up clearance Level of employment created	850 000 ha 2 million person days for 30 000 people
Protection Policies and Protection Measures	System for assessment and protection of water resources	System approved by minister	March 2008
	Impact of waste discharge and disposal activities addressed and interventions prioritised	Resource protection and waste policy developed and finalised Sectoral strategies and operational guidelines issued to assess impact of waste discharge and disposal activities	March 2008. Ongoing assessment
Institutional Regulation and Institutional Development	Water management institutions in water management area and local level set up	Number of catchment management agencies (CMAs) set up	4 CMAs: Thukela, Gouritz, Olifants/Doorn and Suthu-Mhlathuze
Strategic Alignment and Stakeholder Empowerment	Optimal management information from expanded monitoring systems and interlinked management information systems	Monitoring networks expanded by 5%, integrated information system plan developed, and data quality improved	March 2008
	Framework for capacity building in water sector	Resource plan for 2025 in place for skills development and training programme for the water sector	March 2008
African Co-operation	Liaison with neighbouring countries through international water management institutions	Orange River Basin Commission established Joint management plan for Orange River: Finalised study reports and study elements for the first phase Joint bridging study for implementation of a storage dam in the lower Orange River started	March 2008
	Multilateral co-operation in Africa	Co-operation initiatives rolled out	Ongoing liaison
Operations of Water Resources	Water supply maintained to irrigation boards and direct consumers	Percentage reliability of water supply	99,5% assurance for strategic industry, 98% assurance for domestic/ industrial, and 91%-95% for irrigation
Infrastructure Development and Rehabilitation	Additional bulk water from new infrastructure	Design and construction of works completed on schedule, and water supplied	Berg water project by end 2007 Vaal pipeline by mid-2008 De Hoop Dam by 2010 Olifants River distribution system by 2010 Nandoni water treatment works by 2010
	Safety of departmental dams assessed, and dams rehabilitated	Number of dams rehabilitated by March 2010	150 dams

Programme 3: Water Services

The *Water Services* programme ensures access to effective, sustainable and affordable water and sanitation services through policy development and planning, regulating and monitoring the sector, including providing 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 and local 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 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 regional level, which includes 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		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
R thousand							
Provisioning Policies	8 609	6 326	3 335	2 999	33 999	39 409	49 734
Water and Sanitation Services	1 021 882	282 746	200 450	18 132	394 497	647 440	979 180
Water Sector Policies	35 348	42 168	41 421	44 586	50 004	55 063	58 909
Water Sector Support	61 913	68 883	68 336	75 324	88 691	95 328	102 440
Institutional Policies	10 732	3 518	6 595	10 845	11 387	12 184	13 037
Institutional Support	47 270	49 113	44 994	46 264	47 705	51 614	55 561
Transfer Policies	224	–	–	–	–	–	–
Transfer of Functions	10 719	28 460	14 411	18 195	16 255	17 392	18 609
Africa Initiative	113	–	195	100	100	107	114
African Participation	–	–	–	300	803	859	919
Water Services Administration	5 212	5 977	7 867	10 183	10 711	11 162	11 914
Water Services Support	99 491	122 305	55 061	105 913	90 726	105 450	117 359
Operations of Water Services	1 089 929	951 863	1 068 333	1 132 125	1 168 782	1 383 142	1 119 815
Total	2 391 442	1 561 359	1 510 998	1 464 966	1 913 660	2 419 150	2 527 591
Change to 2006 Budget estimate				2 715	369 557	646 831	

Table 34.5 Water Services (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Economic classification							
Current payments	917 621	982 954	1 148 734	823 374	1 215 163	1 553 225	1 787 874
Compensation of employees	460 515	502 428	532 552	526 741	311 804	276 290	204 899
Goods and services	444 194	480 526	616 182	296 633	903 359	1 276 935	1 582 975
<i>of which:</i>							
Communication	5 790	6 335	9 552	4 046	6 141	6 493	6 898
Computer services	6 856	1 947	1 839	1 386	731	783	833
Consultants, contractors and special services	409 861	398 364	305 219	196 042	564 069	849 782	1 130 039
Inventory	3 905	23 660	57 064	2 622	12 392	12 899	13 568
Maintenance, repairs and running costs	819	1 463	52 178	471	709	769	867
Operating leases	7 845	14 590	7 724	7 277	4 479	4 725	4 971
Travel and subsistence	8 543	22 170	114 096	22 636	44 007	46 374	48 805
Financial transactions in assets and liabilities	12 912	–	–	–	–	–	–
Transfers and subsidies	1 391 238	487 204	254 304	599 142	653 632	709 850	578 441
Provinces and municipalities	1 294 661	341 321	164 761	500 408	550 000	600 000	462 000
Public corporations and private enterprises	96 577	134 486	89 492	98 734	103 632	109 850	116 441
Non-profit institutions	–	–	2	–	–	–	–
Households	–	11 397	49	–	–	–	–
Payments for capital assets	82 583	91 201	107 960	42 450	44 865	156 075	161 276
Buildings and other fixed structures	62 669	71 336	102 762	19 362	20 322	129 745	133 374
Machinery and equipment	19 876	19 624	5 097	22 838	24 231	25 983	27 529
Software and other intangible assets	–	241	101	250	312	347	373
Land and subsoil assets	38	–	–	–	–	–	–
Total	2 391 442	1 561 359	1 510 998	1 464 966	1 913 660	2 419 150	2 527 591

Details of major transfers and subsidies:

Provinces and municipalities							
Municipal bank accounts							
Current	272 779	133 436	164 761	500 408	550 000	600 000	462 000
Regional Services Council levies	161	176	249	408	–	–	–
Water services operating subsidy grant	272 618	133 260	164 512	500 000	550 000	600 000	462 000
Capital	1 021 882	207 885	–	–	–	–	–
Implementation of water services projects grants	1 021 882	207 885	–	–	–	–	–
Public corporations and private enterprises							
Public corporations							
Subsidies on production or products							
Current	96 577	134 486	89 492	98 734	103 632	109 850	116 441
Water services operating subsidy grant: Water boards	96 577	134 486	89 492	98 734	103 632	109 850	116 441

Table 34.6 Detail split of direct and indirect grants to municipalities

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Water services operating subsidy grant							
Direct grants							
Transfers and subsidies	272 618	133 260	164 512	500 000	550 000	600 000	462 000
Provinces and municipalities	272 618	133 260	164 512	500 000	550 000	600 000	462 000

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

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Indirect grants							
Current payments	686 920	695 233	793 486	352 387	344 991	268 357	121 357
Compensation of employees	410 605	423 780	447 530	183 241	179 395	139 545	70 545
Goods and services	276 315	271 453	345 956	169 146	165 596	128 812	50 812
Transfers and subsidies	96 577	88 713	89 492	98 734	103 632	109 850	118 214
Public corporations and private enterprises	96 577	88 713	89 492	98 734	103 632	109 850	118 214
Payments for capital assets	33 814	34 657	20 843	39 379	41 402	152 300	153 429
Buildings and other fixed structures	15 869	16 421	17 861	19 273	20 322	129 745	140 903
Machinery and equipment	17 945	18 236	2 982	20 106	21 080	22 555	12 526
Total grants	1 089 929	951 863	1 068 333	990 500	1 040 025	1 130 507	855 000
VAT adjustment on trading account	-	-	-	141 625	128 757	252 635	264 815
Total	1 089 929	951 863	1 068 333	1 132 125	1 168 782	1 383 142	1 119 815
Backlog schools and clinics							
Indirect grants							
Current payments	-	-	-	-	105 000	210 000	350 000
Goods and services	-	-	-	-	105 000	210 000	350 000
Total	-	-	-	-	105 000	210 000	350 000
Bulk infrastructure							
Indirect grants							
Current payments	-	-	-	-	300 000	450 000	650 000
Goods and services	-	-	-	-	300 000	450 000	650 000
Total	-	-	-	-	300 000	450 000	650 000

Expenditure trends

Expenditure decreased sharply at an average annual rate of 15,1 per cent, from R2,4 billion in 2003/04 to R1,5 billion in 2006/07, due to the transfer of expenditure on new water and sanitation projects to the municipal infrastructure grant in 2004/05.

Expenditure increases sharply from R1,5 billion in 2006/07 to R2,5 billion in 2009/10 at an average annual rate of 19,9 per cent because of additional allocations for refurbishing infrastructure and for bulk infrastructure. Expenditure under the *Provisioning Policies* subprogramme is expected to increase on average by 155 per cent over the MTEF period, because of the two new allocations it has received: the bulk infrastructure grant and the grant for sanitation and water in clinics and schools. In addition, the department will continue to develop capacity aimed at achieving the Millennium Development Goals, resulting in an increase in expenditure in the *Africa Participation* subprogramme of 45,2 per cent over the MTEF period.

Service delivery objectives and indicators

Recent outputs

Implementation of the strategic framework for water services, as approved by Cabinet in 2003, continues. Various strategies, including those on institutional reform, regulation and support are being developed. The drafting process of the National Water Services Bill, which replaces the Water Services Act (1997), has begun.

A comprehensive strategy for support to the water sector was developed and approved in 2006/07. The strategy aims to increase the skills pool in the water sector and improve the capacity, systems and procedures of water services authorities to progressively ensure efficient, economical and sustainable access to water services for all consumers.

The regulatory strategy is likely to be approved early in 2007. Although the strategy is still in draft format, drinking water quality regulations are being implemented, and some progress has also been made with

developing economic and contract regulations. When implemented, the strategy will 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. Final approval should be given in 2007.

As part of its general support strategy, the department provides continued support to municipalities through capacity building interventions, research, technical assistance and sectoral co-ordination. It has also provided direct assistance to local governments in crisis by developing turnaround plans in conjunction with municipalities and their water service providers.

A strategic assessment of the water sector was initiated to identify strengths, weaknesses and future strategic direction, and the municipal guidelines on ensuring water services to residents on privately owned land was completed.

With the Department of Health, the department worked on a project to develop a national health and hygiene strategy for water and sanitation services. This was done through a consultative process with all stakeholders. The final draft is awaiting approval by the Department of Health.

The Department of Water Affairs and Forestry is responsible for monitoring the compliance of water boards with prescribed legislation. Over the past year, the department has invested in improving its monitoring and oversight capacity. It launched initiatives to provide financial and technical assistance to water boards experiencing difficulties. A major challenge is making sure that water boards enter into appropriate long-term service level agreements with their customers, as required by section 78 of the Municipal Structures Act (2000).

The department has continued to support municipalities in delivering basic water and sanitation services, focusing mainly on project and programme management support, drinking water quality management, planning, and information management. Project Consolidate has been used as a vehicle for support to local government, and through this initiative engineers and other technical experts have been deployed and seconded to municipalities to help with service delivery.

Eradication of the bucket system

DWAF continued its programme to eradicate the bucket system in formal areas and replace it with better sanitation services, like waterborne pipe systems and treatment plant infrastructure. A total of 62 206 buckets were removed between April 2005 and June 2006 and an additional 50 565 between July and December 2006. Another R1,4 billion will be spent to make sure that the bucket system is eradicated completely by the end of 2007.

Province	Backlog at February 2005	Buckets removed in 2005/06	Further buckets removed as at Dec 2006	Backlog at Dec 06
Eastern Cape	48 417	11 742	20 045	16 630
Free State	127 658	16 685	15 719	95 254
Gauteng	5 169	3 844	200	1 125
KwaZulu-Natal	750	750	-	-
Limpopo	80	80	-	-
Mpumalanga	15 172	11 737	3 435	-
North West	35 189	8 220	6 863	20 106
Northern Cape	16 691	8 221	3 748	4 722
Western Cape	3 128	927	555	1 646
Total	252 254	62 206	50 565	139 483

Drought management

The department is the sector leader in managing water related emergencies and disasters. It has monitored the drought conditions which have prevailed in many parts of the country since 2003, and co-ordinated relief measures in municipalities to ensure the continued supply of water to consumers. Since August 2003, the department – together with the National Disaster Management Centre and the Department of Provincial and Local Government – has procured additional funds of R793,5 million for transfer to affected municipalities for drought relief, of which R596 million had been used by the end of November 2006 and the remainder committed.

Transfer of water services

The process of transferring water services to water services institutions has continued rapidly:

- 52 out of 58 transfer agreements have been signed and concluded
- 91 per cent of the estimated total asset value of R6 billion has been transferred
- 1 734 staff (21 per cent) have been transferred to local authorities while 4 434 (54 per cent) have been seconded, out of a total of 8 141 staff affected by the transfer process
- R310 million (44 per cent) of funds set aside for the refurbishment of assets has been transferred, of which R210 million (30 per cent) has been spent out of the estimated R710 million required for the refurbishment of assets.

Selected medium-term output targets**Water Services**

Measurable objective: Ensure effective, efficient and sustainable use and supply of water and sanitation services by institutions that are accountable and responsive to the community that they serve.

Subprogramme	Output	Measure/Indicator	Target
Provisioning Policies and Water and Sanitation Services	Basic water and sanitation supply reports monitored by the department against targets	Each report indicates: Number of additional people provided with basic water supply by water service authorities Number of schools and clinics provided with water and sanitation Number of additional households provided with basic sanitation by water service authorities Number of bucket toilets in formal settlements replaced with more appropriate level of sanitation Percentage of the population with access to free basic water increased	1,7 million people 597 and 2 211 schools to receive water and sanitation respectively 79 and 155 clinics to receive water and sanitation respectively 350 000 households 11 000 households 80% of population with access to free basic water
Water Sector Policies and Water Sector Support	Alignment of legislation with strategic framework for water services Development and implementation of support policies and strategies in place Provincial growth and development plans and local economic plans aligned with water resources availability Functional management information systems	Promulgation of revised Water Services Act (1997) Free basic sanitation strategy developed Regulatory strategy completed Percentage of water sector authorities which submit water services development plans Percentage of water services authorities undertaking project feasibility studies Regulatory monitoring system in place Drinking water quality management system in place Integrated water service development plan in place	November 2007 April 2007 December 2007 80% by March 2008 90% of water services authorities July 2007 December 2007 April 2007
Institutional Policies and Institutional Support	Efficient and sustainable water services institutions Skills development	Number of areas in which decisions on future institutional arrangements for water service provision have been made by April 2007 Sector support strategy in place Percentage of water service authorities, water service providers and water boards with improved functioning Funding agreements for all municipalities reflected in Division of Revenue Act Capacity building grants in place Advocacy and training programmes implemented	3 areas April 2007 60% of water service authorities, 80% of water service providers and 85% of water boards March 2007 March 2008 March 2008
Transfer Policies and Transfer of Functions	Effective transfer of water services schemes to appropriate institutions Monitor compliance with conditions of agreements Support to water services programmes in Africa to achieve Millennium Development Goals and World Summit on Sustainable Development targets	Number of schemes transferred and agreements in place Number of agreements implemented Number of inputs given	317 schemes 57 agreements Participation in African Ministerial Council on Water events

Subprogramme	Output	Measure/Indicator	Target
Africa Initiative and Africa Participation	Proactive engagement with NEPAD and SADC water services initiatives Effective water services sector leadership	Number of SADC water services forums supported Institutional framework and support services for water services institutions in place and new units fully functional	Support SADC water services forum and subcommittees November 2007
Water Services Administration	Administration for water services management in the regions	Compliance with public service regulations and procedures, as well as the Public Finance Management Act (1999)	100% compliance
Water Services Support	Reliable and sustainable supply of water provided for basic use and economic development	Percentage of water services schemes that provide water with down time of less than 10%	80% of all water services schemes

Programme 4: Forestry

The *Forestry* programme promotes the conservation of plantations, indigenous forests and woodlands and their commercial and community use to achieve social and economic benefits and promote rural development, through policy development, regulation, facilitation and monitoring and evaluation.

There are 12 subprogrammes, which reflect the organisational restructuring the department has undergone:

- *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. This includes 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 broad based 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, in the SADC region and in Africa as a whole
- *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 socio-economic 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 full scale implementation of the Veld and Forest Fires Act (1998) needs to be achieved
- *Fire Governance* provides technical advice to, and support for, the organisation and operation of local institutions to prevent veld and forest fires and to 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 to ensure the participation of stakeholders
- *Forestry Management and Support* funds efficient general administration and management support for the programme as a whole
- *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		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
R thousand							
Forestry Oversight	5 779	13 927	12 502	16 258	59 300	20 200	21 347
Forestry Governance	1 900	1 953	295	2 397	2 207	2 313	2 437
Forestry Development	308	658	768	10 153	10 770	11 000	11 591
Community Empowerment	17 142	21 968	26 052	21 855	22 892	23 991	25 279
Fire Regulation & Oversight	350	560	350	4 591	3 200	3 450	3 635
Fire Governance	935	1 005	1 376	2 537	2 301	2 412	2 542
State Forest Transfer and Regulation	980	1 080	269	6 973	8 670	9 100	9 589
State Forest Administration & Oversight	19 014	20 271	69 886	23 293	24 720	25 907	27 298
State Forest Management	2 226	2 010	1 170	2 113	2 240	2 357	2 484
Sustainable Forest Management	312 568	321 723	268 764	317 081	291 421	304 939	321 314
Forestry Management and Support	1 813	1 972	8 539	3 244	1 782	1 900	2 002
Forestry Support Services	48 592	79 502	30 948	37 905	31 042	32 689	34 444
Total	411 607	466 629	420 919	448 400	460 545	440 258	463 962
Change to 2006 Budget estimate				50 000	40 000	-	

Economic classification

Current payments	391 199	392 257	398 542	439 161	452 377	431 703	454 886
Compensation of employees	259 720	251 213	250 263	273 327	284 125	298 827	314 359
Goods and services	129 322	140 482	148 122	164 143	167 544	132 134	139 745
<i>of which:</i>							
<i>Communication</i>	4 181	4 204	7 048	4 662	1 447	1 519	1 595
<i>Computer services</i>	2 644	2 815	16	1 022	22	23	25
<i>Consultants, contractors and special services</i>	27 488	28 200	48 906	28 503	58 615	19 546	20 524
<i>Inventory</i>	24 841	26 594	18 331	34 864	7 911	8 306	8 722
<i>Maintenance, repairs and running costs</i>	1 893	2 502	3 010	3 249	156	164	173
<i>Operating leases</i>	1 502	1 606	234	1 678	47	50	52
<i>Travel and subsistence</i>	37 723	39 858	58 716	51 238	18 256	19 168	20 127
Interest and rent on land	2 157	562	157	1 691	708	742	782
Transfers and subsidies	17 180	71 347	17 787	226	-	-	-
Provinces and municipalities	394	896	804	226	-	-	-
Departmental agencies and accounts	16 786	31 906	16 981	-	-	-	-
Public corporations and private enterprises	-	38 481	-	-	-	-	-
Households	-	64	2	-	-	-	-
Payments for capital assets	3 228	3 025	4 590	9 013	8 168	8 555	9 076
Buildings and other fixed structures	-	126	78	-	-	-	-
Machinery and equipment	3 228	2 737	4 240	9 013	8 168	8 555	9 076
Cultivated assets	-	90	30	-	-	-	-
Software and other intangible assets	-	72	242	-	-	-	-
Total	411 607	466 629	420 919	448 400	460 545	440 258	463 962

Details of major transfers and subsidies:

Departmental agencies and accounts							
Public entities							
Current	16 786	31 906	16 981	-	-	-	-
Industrial plantation trading account	16 786	-	-	-	-	-	-
South African Forestry Company Limited	-	31 906	16 981	-	-	-	-
Public corporations							
Other transfers							
Current	-	38 481	-	-	-	-	-
Yorkor Ltd	-	38 481	-	-	-	-	-

Expenditure trends

Between 2003/04 and 2006/07, expenditure increased on average by 2,9 per cent from R411,6 million in 2003/04 to R448,4 million. The increase was due mainly to a R38,5 million claim granted to Yorkcor in terms of a court judgment on the cancellation of a long-term timber supply contract.

The industrial plantation trading account ceased to operate in 2002/03, and the revenue linked to state owned forestry enterprises was paid into the National Revenue Fund. The revenue recovered from forestry operations was reassigned to the department for 2003/04, 2004/05 and 2005/06 to cover operating costs for Mpumalanga commercial forestry. R50 million was rolled over to cover the operating costs for Mpumalanga commercial forestry for 2006/07. The decommissioning of plantation operations in Mpumalanga is expected to continue in 2007/08 to make way for the establishment of the Blyde River National Park.

The increase from R448,4 million in 2006/07 to R460,5 million in 2007/08 is mainly due to the R40 million allocation for implementing the broad based BEE forestry charter.

Service delivery objectives and indicators

Recent outputs

Cabinet decided to hold back on the privatisation of Komatiland Forests for the foreseeable future. The departments of water affairs and forestry, public enterprises, land affairs and National Treasury, and South African Forestry Company Limited (SAFCOL), as sole shareholder in Komatiland Forests, agreed to a forestry lease transaction between the state, represented by the department, and Komatiland Forests. The agreement will pave the way for the payment of lease rentals by Komatiland Forests to the state, which will then be made available to land claimant communities upon the successful settlement of their claims. It is expected that the lease will start in January 2008.

The department approved the policy that guides category B and C plantation transfers. The plantations are packaged into economic business units before transfer. Planning for the transfer of several plantations in Limpopo, Mpumalanga and KwaZulu-Natal has been completed. Specific attention is being given to the transfer of Ingaka Plantation in Mpumalanga due to the imminent settlement of two land claims over the state forest areas.

Over 420 000 hectares of mountain catchments previously designated as state forest land have been released for transfer to Western Cape in 2006/07, with 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. The department is at an advanced stage of negotiations with provincial governments about transferring some 144 000 hectares of indigenous forests to Eastern Cape, KwaZulu-Natal and Mpumalanga. It is expected that an additional 10 000 hectares will be transferred to Limpopo in 2007/08.

Major achievements of the forestry programme included the passing of the Forestry and Fire Laws Amendment Bill by Parliament, developing guidelines supporting the National Forests Act's licensing provisions, approval and development of a compliance and enforcement policy, and finalising the national forest programme framework. A national list of protected tree species and a list of champion trees were approved by the minister, gazetted, and publicised in the media.

The sustainable management of state plantations is continuing in preparation for the transfer to other beneficiaries. Numerous and extensive fires on plantations, particularly in KwaZulu-Natal, have necessitated extraordinary marketing of affected timber resources. Of strategic importance is also the reduction of temporary unplanted areas, which has continued subject to available resources and favourable weather conditions.

The broad based BEE forestry charter has been completed and agreed with the sector and will be finalised in early 2007. This is the most significant achievement in forestry, since it captures all the key national priorities for the sector, as identified in the Accelerated and Shared Growth Initiative for South Africa (ASGISA), the Joint Initiative on Priority Skills Acquisition (JIPSA), and the last two State of the Nation addresses, which specifically called for a strategy for the forest, timber, and paper and pulp sectors.

A strategic environmental assessment was prepared for water management area 12, which includes most of the afforestable land in Eastern Cape. The assessment identified at least 100 000 hectares of land which could be afforested sustainably, taking into account environmental, economic and social opportunities and constraints. Strategic interventions will facilitate this development including: commissioning a biodiversity plan for the province; close monitoring and management of the afforestation licensing process; establishing a special purpose vehicle (ASGISA Eastern Cape (Pty) Ltd) to drive the implementation of the forestry programme; and finalising forestry development protocols to guide all role players on best practices.

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

Selected medium-term output targets

Forestry

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

Sub-programme	Output	Measure/Indicator	Target
Forestry Oversight	National certification initiative, based on criteria, indicators and standards	Draft minimum standards agreed with the sector and piloted	Standards piloted in Limpopo by February 2008
Forestry Governance	Regulations on sustainable forest management issued	National system developed and in operation, and regulations gazetted	March 2008
Forestry Development	Forest enterprise development strategy implemented Contribution of forestry to NEPAD and other international initiatives as agreed	Department staff capacitated to implement forestry enterprise development programme International initiatives endorsed by the department	March 2008 March 2008
Community Empowerment	Increased participation in community based forestry projects	Eastern Cape and KwaZulu-Natal forestry enterprise development initiative operative implemented	KwaZulu-Natal afforestation maps reviewed by August 2007 Legal entities established for the afforestation targets of 5 000 to 10 000 ha per year
Fire Regulation and Oversight	Fire protection associations in fire risk areas established National veldfire information system Partnership agreement with Department of Provincial and Local Government and South African Weather Services	Number of registered fire protection associations that report to the department National veldfire information system operational Memorandum of understanding signed	60 associations registered March 2008 September 2007
Fire Governance	Effective compliance with requirements of National Veld and Forest Fires Act Communication awareness strategy on National Veld and Forest Fires Act	Percentage compliance of all landowners in regions of high and extreme wildfire risk with various requirements of act Targeted forestry areas fire awareness campaign	100% January 2008
State Forest Transfer and Regulation	Transfer of department's plantations to beneficiaries Community forests transferred	Transfer plans for each package implemented Transfer plan implemented	March 2008 March 2008
State Forest Administration and Oversight	Leased plantation forests and delegated/ assigned natural forest management	Number of plantations audited Percentage of state owned forests refurbished	All plantations audited More than 50% of forests
State Forest Management	Management of state plantations and natural forests	All criteria and indicator audit queries on state plantations addressed within specified periods	March 2008
Sustainable Forest Management	National wood energy strategy	Department's responsibilities executed effectively in conjunction with the Department of Minerals and Energy according to the national wood energy strategy	March 2008
Forestry Support Services	Appropriate mechanism designed for more efficient management of department's residual plantations	Number of forests with annual plan of operation	All forests by February 2008

Trading entities

Water trading account

The water trading account was established to ensure the availability of water to key water users in South Africa. Three main components remain, following the transfer of water schemes to local government during 2006/07:

- The integrated water resource management component funds the implementation of water resource management activities, including the integration and rollout of water quality standards, 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 Working for Water programme, which aims to remove alien vegetation that impacts on water resources, is funded by this component
- 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.

There have been significant changes in revenue and expenditure items, due to the closure of the equipment trading account and the integration of these items into the water trading account. Revenue is expected to increase from R4,2 billion to R6,1 billion over the MTEF period, as a result of the revised pricing strategy from April 2007, which includes a charge for waste discharge.

Transfers received increased from R1,4 billion in 2003/04 to R1,6 billion in 2005/06, as a result of the adjustment of historical figures due to the integration of the equipment trading account into the water trading account.

Table 34.8 Financial summary for the Water Trading Account

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2006/07	2007/08	2008/09
R thousand	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Revenue							
Non-tax revenue	2 423 727	2 536 182	3 130 405	2 691 231	2 851 697	3 022 799	3 204 167
Bulk water sales	2 395 299	2 512 908	3 107 502	2 680 576	2 840 404	3 010 828	3 191 478
Other non-tax revenue	28 428	23 274	22 903	10 655	11 293	11 971	12 689
Transfers received	1 363 428	1 358 552	1 626 099	1 001 449	1 343 602	1 987 355	2 916 093
Total revenue	3 787 155	3 894 734	4 756 504	3 692 680	4 195 299	5 010 154	6 120 260
Expenses							
Current expense	4 574 548	6 942 923	4 880 266	2 777 566	3 061 849	3 317 225	3 516 258
Compensation of employees	695 843	727 409	701 240	665 350	800 460	935 560	991 694
Goods and services	3 197 128	4 962 756	2 923 668	1 753 728	1 758 804	1 889 260	2 002 615
Depreciation	681 507	1 252 729	1 255 327	358 488	502 585	492 405	521 949
Interest, dividends and rent on land	70	29	31	–	–	–	–
Transfers and subsidies	425 813	436 225	412 754	406 325	414 452	439 319	467 875
Total expenses	5 000 361	7 379 148	5 293 020	3 183 891	3 476 301	3 756 544	3 984 133
Surplus / (Deficit)	(1 213 206)	(3 484 414)	(536 516)	508 789	718 998	1 253 610	2 136 127

Table 34.8 Financial summary for the Water Trading Account

R thousand	Outcome			Estimated outcome 2006/07	Medium-term estimate		
	Audited 2003/04	Audited 2004/05	Audited 2005/06		2007/08	2008/09	2009/10
Balance sheet data							
Carrying value of assets	52 063 092	50 144 377	45 502 265	42 348 818	44 889 747	47 583 132	52 341 445
Inventory	26 988	17 932	18 728	16 603	17 599	18 655	20 520
Receivables and prepayments	2 020 823	817 238	973 135	753 601	798 851	846 821	931 503
Cash and cash equivalents	2 732	3 867	100	100	100	100	100
Total assets	54 113 635	50 983 414	46 494 228	43 119 122	45 706 297	48 448 708	53 293 568
Capital and reserves	53 299 433	50 023 128	45 386 537	42 230 577	44 764 412	47 450 276	52 195 304
Borrowings	218 603	349 282	36 350	323 386	342 789	363 357	399 693
Trade and other payables	350 795	361 989	872 341	334 606	354 710	376 025	413 616
Provisions	244 804	249 015	199 000	230 553	244 386	259 050	284 955
Total equity and liabilities	54 113 635	50 983 414	46 494 228	43 119 122	45 706 297	48 448 708	53 293 568

Source: Department of Water Affairs and Forestry

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 R207 000 in 2005/06.

Public entities and other agencies

Trans-Caledon Tunnel Authority

The Trans-Caledon Tunnel Authority (TCTA) is a government owned liability management entity, established by the minister in December 1986, initially to implement the South African portion of the Lesotho Highlands water project and to take over government's responsibility for long-term funding and risk management.

Subsequently, the TCTA's mandate was expanded to:

- implement and finance the Berg water project
- implement and finance 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
- provide advisory and financial services on phase II of the Olifants River water resource development project.

The creation of the National Water Resource Infrastructure Agency through the phased integration of TCTA and the department's infrastructure branch is expected to be completed in 2008.

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

Revenue increased from R1,8 billion in 2003/04 to R2 billion in 2005/06, an average annual increase of 6,3 per cent. Over the same period, expenditure increased from R1,8 billion to R2,6 billion, an average annual increase of 18,4 per cent.

A net deficit for 2005/06 of R588 million (R638 million in 2004/05) has been realised, and reflects a shortfall in covering interest. 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, as well as the future timing of augmentation schemes.

R3,6 billion was borrowed in 2005/06 on the Lesotho Highlands water project, R219 million on the Berg water project, and R258 million on the Vaal River eastern sub-system augmentation project, funded mainly through capital markets, money markets and loan facilities from the European Investment Bank and other major banks.

Key spending in 2005/06 was on construction, engineering and the environment, on the Berg water project (R367 million) and the Vaal River eastern sub-system augmentation project (R127 million). Finance costs (interest) on the Lesotho Highlands water project were R2,1 billion (R2,2 billion in 2005/06). Finance costs on the Berg water project of R29 million (R9 million in 2005/06) and on the Vaal River eastern sub-system augmentation project of R6 million have been capitalised to the cost of the projects.

Table 34.9 Financial summary for the Trans-Caledon Tunnel Authority

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2006/07	2007/08	2008/09
R thousand	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Revenue							
Non-tax revenue	1 765 303	1 884 044	1 994 476	1 955 908	2 705 100	3 162 586	3 311 370
Sale of goods and services other than capital assets	1 541 723	1 655 647	1 776 285	1 921 190	2 010 117	2 461 242	2 609 023
<i>Of which:</i>							
<i>Bulk raw water sales</i>	<i>1 541 723</i>	<i>1 655 647</i>	<i>1 776 285</i>	<i>1 921 190</i>	<i>2 010 117</i>	<i>2 461 242</i>	<i>2 609 023</i>
<i>Other non-tax revenue</i>	<i>223 580</i>	<i>228 397</i>	<i>218 191</i>	<i>34 718</i>	<i>694 983</i>	<i>701 344</i>	<i>702 347</i>
Total revenue	1 765 303	1 884 044	1 994 476	1 955 908	2 705 100	3 162 586	3 311 370
Expenses							
Current expense	1 841 252	2 522 037	2 580 470	2 463 178	2 336 809	2 769 465	2 863 946
Compensation of employees	18 067	17 461	31 811	19 521	29 500	58 643	61 516
Goods and services	371 686	408 923	445 870	601 164	445 636	442 827	476 940
Depreciation	7 902	18 427	24 559	2 522	2 852	1 054	364
Interest, dividends and rent on land	1 443 598	2 077 226	2 078 230	1 839 971	1 858 820	2 266 942	2 325 126
Transfers and subsidies	313	355	1 878	2 139	2 213	2 229	1 800
Total expenses	1 841 565	2 522 392	2 582 348	2 465 317	2 339 022	2 771 694	2 865 746
Surplus / (Deficit)	(76 262)	(638 348)	(587 872)	(509 409)	366 078	390 892	445 624
Balance sheet data							
Carrying value of assets	14 823 310	15 527 116	15 893 468	17 183 670	18 224 708	18 355 834	18 188 058
Receivables and prepayments	585 348	816 187	701 424	627 073	471 234	471 234	471 234
Cash and cash equivalents	6 617	727	603	339 198	722 285	1 181 252	1 692 387
Total assets	15 415 276	16 344 030	16 595 496	18 149 941	19 418 227	20 008 320	20 351 680
Capital and reserves	(2 205 693)	(2 810 532)	(3 357 146)	(3 866 555)	(3 500 477)	(3 109 585)	(2 663 960)
Borrowings*	17 026 644	18 388 943	19 191 687	21 255 541	22 157 749	22 356 950	22 254 685
Trade and other payables	594 325	763 689	758 521	758 521	758 521	758 521	758 521
Provisions	–	1 929	2 434	2 434	2 434	2 434	2 434
Total equity and liabilities	15 415 276	16 344 029	16 595 496	18 149 941	19 418 227	20 008 320	20 351 680

Source: Trans-Caledon Tunnel Authority

* This figure includes the investments raised for redemptions of project funding

Water Research Commission

The strategic objective of the Water Research Commission, established in accordance with section 2 of the Water Research Act (1971), is 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.

The Water Research Commission has five key strategic areas, each providing an integrating framework for investment to address a portfolio of key water related needs: 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 area is unique, all areas collectively cover the spectrum of strategically important water related topics.

In 2006/07, non-tax revenue is expected to increase by 22,5 per cent from 2005/06, due to improved revenue collection and an increase in the number of water users, from whom levies are collected. Over the four years from 2006/07, revenue is expected to increase by 2,4 per cent, from R126,3 million to R135,6 million, in line with projected inflation.

In 2005/06, the Water Research Commission contributed to a number of scholarship programmes. The commission also funded a range of water management research projects.

Table 34.10 Financial summary for the Water Research Commission

R thousand	Outcome			Estimated outcome 2006/07	Medium-term estimate		
	Audited 2003/04	Audited 2004/05	Audited 2005/06		2007/08	2008/09	2009/10
Revenue							
Non-tax revenue	88 720	86 170	103 088	126 310	129 066	133 963	135 616
Admin fees	83 467	76 548	88 408	121 554	124 165	128 914	130 414
Other non-tax revenue	5 254	9 622	14 680	4 756	4 901	5 049	5 202
Total revenue	88 720	86 170	103 088	126 310	129 066	133 963	135 616
Expenses							
Current expense	80 333	77 088	117 679	126 150	128 898	133 788	135 434
Compensation of employees	17 592	17 093	24 087	17 183	18 076	18 817	19 552
Goods and services	62 275	59 580	92 780	108 966	110 821	114 970	115 881
Depreciation	466	415	612	–	–	–	–
Interest, dividends and rent on land	–	–	200	1	1	1	1
Transfers and subsidies	938	1 551	–	160	168	175	182
Total expenses	81 271	78 639	117 679	126 310	129 066	133 963	135 616
Surplus / (Deficit)	7 449	7 531	(14 591)	–	–	–	–

Source: Water Research Commission

Water boards

Water boards that report to the minister have been established. The boards manage water services in their supply areas and provide potable water at cost effective prices. There are currently 15 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 objectives of new policy on water boards are to increase their representivity, to rationalise their areas of service and subsequently reunify services, and eventually to extend the mandate of water boards to provide a second tier water utility framework over most of South Africa. This tier would be primarily responsible for supplying treated bulk water on a commercial basis.

The impact of the boards' financial performance on the Department of Water Affairs and Forestry has been limited. Apart from providing seed funding for some of the newly formed boards and operating subsidies where they have undertaken specific functions on behalf of the department, financial assistance is only given in exceptional circumstances. The following water boards are subsidised for operations and maintenance costs: Botshelo Water, Magalies Water, Sedibeng Water, Bushbuckridge Water and Lepelle Northern Water. These boards operate water schemes on behalf of the department in mostly rural areas, which still have to be transferred to municipalities. The department is providing management funding to Ikangala Water Board.

To be financially independent, the water boards are required to: repay and service their debts; recover their capital, operational and maintenance costs; make reasonable provision for depreciation of assets; recover the costs of the repayment of capital from revenues over time; and make reasonable provision for future capital requirements and expansions.

In 2005/06, the financial performance of water boards was generally good, although Bushbuckridge Water, Ikangala Water, and Botshelo Water are still dependent on operational grants from the department. The department is considering more financially viable options for these boards.

In 2005/06, water boards implemented capital expenditure projects worth about R900 million, including laying bulk water pipelines, augmenting pumping stations, and reticulating networks where water boards operate the final reticulation systems.

A study is currently under way on the long-term viability of some water boards.

Out of 15 water boards, 7 provide retail services to municipalities in their supply area and have service delivery agreements in place.

The ongoing institutional reform process, in conjunction with the Department of Provincial and Local Government, the South African Local Government Association and the South African Association of Water Utilities, will determine the structure and future role of the water boards.

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	Umngeni Water

In 2005/06, the consolidated revenue from the sale of bulk water was R5,9 billion, of which Rand Water accounted for R3,8 billion or 62 per cent, and Umngeni Water accounted for R1,1 billion or 18,4 per cent. Over the MTEF period, this revenue is expected to grow from R7 billion to R8 billion at an average annual rate of 6,9 per cent, to reach the department's target of eradicating water backlogs by 2008 and sanitation backlogs by 2010.

Table 34.11 Financial summary for the Water Boards Consolidated

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2007/08	2008/09	2009/10
R thousand	2003/04	2004/05	2005/06	2006/07			
Revenue							
Non-tax revenue	5 619 535	5 944 559	6 317 697	6 757 231	7 225 581	7 767 146	8 282 793
Water sales	5 279 522	5 577 035	5 905 137	6 426 017	7 000 069	7 496 856	8 004 327
Other non-tax revenue	340 013	367 524	412 560	331 214	225 512	270 290	278 466
Transfers received	111 898	63 166	59 352	259 565	274 198	279 581	283 371
Total revenue	5 731 433	6 007 725	6 377 049	7 016 796	7 499 779	8 046 727	8 566 164
Expenses							
Current expense	5 248 085	5 329 571	5 477 258	6 040 097	6 430 365	6 899 243	7 364 550
Compensation of employees	957 130	1 103 902	1 134 091	1 238 668	1 299 268	1 383 812	1 485 519
Goods and services	3 068 793	3 091 403	3 222 006	3 871 346	4 123 756	4 413 346	4 752 803
Depreciation	183 939	303 588	412 209	426 520	506 647	563 999	581 522
Interest, dividends and rent on land	1 038 223	830 678	708 952	503 563	500 694	538 086	544 707
Transfers and subsidies	10 987	11 551	19 600	16 648	16 868	17 179	17 682
Total expenses	5 259 197	5 343 297	5 497 498	6 056 745	6 447 233	6 916 422	7 382 232
Surplus / (Deficit)	472 236	664 428	879 551	960 052	1 052 546	1 130 305	1 183 932
Balance sheet data							
Carrying value of assets	8 691 770	8 893 880	9 307 766	10 261 669	11 263 707	11 881 563	12 328 031
Investments	2 648 404	2 361 199	1 237 598	1 131 935	1 508 051	1 879 798	1 276 453
Inventory	71 430	76 309	74 560	78 464	85 175	90 548	95 435
Receivables and prepayments	856 877	904 054	954 136	986 483	1 022 093	1 076 660	1 140 080
Cash and cash equivalents	549 871	1 173 473	750 537	540 458	585 006	882 892	1 101 096
Total assets	12 818 352	13 408 914	12 324 597	12 999 009	14 464 033	15 811 461	15 941 094

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

R thousand	Outcome			Estimated outcome	Medium-term estimate		
	Audited 2003/04	Audited 2004/05	Audited 2005/06		2007/08	2008/09	2009/10
Capital and reserves	4 544 293	5 307 935	6 369 263	7 572 432	8 648 128	9 651 265	10 763 252
Borrowings	6 937 776	6 591 542	4 393 803	3 885 858	4 193 051	4 401 129	3 303 196
Post retirement benefits	316 759	314 573	356 036	437 780	481 156	546 611	615 380
Trade and other payables	970 598	1 129 136	1 128 254	1 037 445	1 077 358	1 145 955	1 190 284
Provisions	48 926	65 728	77 241	65 493	64 340	66 501	68 982
Total equity and liabilities	12 818 352	13 408 914	12 324 597	12 999 009	14 464 033	15 811 461	15 941 094
Contingent liabilities	4 072	3 566	2 955	-	-	-	-

Source: Water boards

Catchment management agencies

Chapter 7 of the National Water Act (1998) makes provision for the progressive establishment of catchment management agencies for delegating water resource management to the regional or catchment level and for involving local communities in decision making. The act requires the progressive development of a national water resource strategy that provides the framework for national water resource management and guides the establishment of catchment management agencies in defined water management areas. In addition, the act requires the progressive development of a catchment management strategy for each water management area by each catchment management agency. The agencies are service delivery agencies and are listed in the Public Finance Management Act (1999) schedule 3A, as they are established.

So far, the Inkomati Catchment Management Agency has been established and is operational, with a governing board, a chief executive and first line managers in place. The department is negotiating the transfer of staff who perform agency functions from the Mpumalanga regional office to the agency. R3,5 million of seed and operational funds have been transferred for start up operations. In 2007/08, the agency will need an estimated R3,5 million supporting funding for operational costs.

The Mvoti to Umzimkulu, the Crocodile West Marico and the Breede catchment management agencies have been established and are expected to be operational in 2007/08. Seed and operational funds amounting to R9 million need to be transferred to these agencies in 2006/07.

Agencies have been established in the Thukela, Usutu to Mhlathuze, Gouritz and Olifants-Doorn water management areas. Processes to nominate the governing boards will begin in 2007/08 and appointments are expected before the end of the year. Requirements for financial support would need to be met in 2008/09.

Komati River Basin Water Authority

The Komati River Basin Water Authority is a statutory body established in terms of the treaty on 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 as members.

The Komati River Basin Water Authority was 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 Driekoppies Dam was secured through a loan of R488,4 million from the Development Bank of South Africa, which 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 liability is secured by a 100 per cent guarantee from the South African government.

The loan of R165 million, structured by a promissory note as agreed by the South African and Swazi governments, is an additional facility to complete 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 Swazi 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 complete, 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.

The Komati River Basin Water Authority is now responsible for servicing the loans from income received from the governments of Swaziland and South Africa, for releasing water from the dams, and for ongoing operations and infrastructure maintenance. The authority annually bills both governments on a predetermined ratio. South Africa billed R172,5 million in 2006/07, of which R158,5 million was to repay loans (capital cost) and R14 million for operations and maintenance. The capital repayment of R158,5 million a year is paid from the fiscus, allocated to the budget of the Mpumalanga regional office (Nelspruit), and the R14 million for operations and maintenance is charged to the Komati and Lomati irrigation boards. The regional office issues a single invoice to each of the boards, which recover the debt from their individual members and make a lump sum payment to the office.

The Komati River Basin Water Authority's only clients are the governments of South Africa and Swaziland, which are directly billed by the authority.

Irrigation boards and water user associations

Water user associations are established in terms of chapter 8 of the National Water Act (1998) for localised users to manage their water use jointly and in a more integrated way. The act requires that all irrigation boards formed under previous legislation must transform into water user associations.

In terms of sections 61 and 62 of the act, 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. Due to the difficulties of the required stakeholder consultations, as well as to various policy adjustments, the process has been delayed considerably. Of the 279 irrigation boards, some 68 have been transformed into 38 water user associations. 23 new water user associations have been established, most of which are focused on emerging farmers.

In 2005/06, nine water user associations were established, six of which were new and three transformed from irrigation boards. The new associations are: Spruit River and Houdenbeks River, Western Cape; Nzhelele, Mutale and Mutshimbwe, Limpopo; and uPhongolo Dam, KwaZulu Natal. The Western Cape associations include commercial and resource-poor farmers, while the Limpopo associations are made up of resource poor farmers only. The transformed irrigation boards are Vanwyksdorp and Groenland, Western Cape, and Umlaas, KwaZulu-Natal. All three include resource poor farmers, and local government is represented on all three management committees.

There are presently a number of water user associations using government guaranteed loans, with a total value of R300 million. The majority are servicing their debt without threatening the sustainability of their cash flows.

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	
	2005/06		2005/06	2006/07			2006/07
R thousand							
1. Administration	272 491	456 750	365 255	436 708	72 962	509 670	429 670
2. Water Resources Management	1 506 657	1 616 924	1 506 793	2 179 186	58 081	2 237 267	1 780 267
3. Water Services	1 405 075	1 524 895	1 510 998	1 462 251	2 715	1 464 966	1 211 966
4. Forestry	373 189	423 944	420 919	398 400	50 000	448 400	444 400
Total	3 557 412	4 022 513	3 803 965	4 476 545	183 758	4 660 303	3 866 303
Economic classification							
Current payments	2 303 337	1 805 195	2 422 605	2 635 794	129 395	2 765 189	2 523 189
Compensation of employees	1 144 127	769 612	1 128 641	1 180 267	100 962	1 281 229	1 158 229
Goods and services	1 157 615	1 030 648	1 290 477	1 453 826	28 433	1 482 259	1 363 259
Interest and rent on land	1 595	1 605	158	1 701	–	1 701	1 701
Financial transactions in assets and liabilities	–	3 330	3 329	–	–	–	–
Transfers and subsidies	865 717	1 785 509	951 389	1 632 808	7 309	1 640 117	1 092 117
Provinces and municipalities	174 266	1 073 242	167 808	501 900	(189)	501 711	301 711
Departmental agencies and accounts	553 249	670 672	670 163	1 001 999	70	1 002 069	682 069
Public corporations and private enterprises	105 221	–	96 383	98 734	3 500	102 234	82 234
Foreign governments and international organisations	–	–	–	–	3 500	3 500	3 500
Non-profit institutions	–	–	2	–	–	–	–
Households	32 981	41 595	17 033	30 175	428	30 603	22 603
Payments for capital assets	388 358	431 809	429 971	207 943	47 054	254 997	250 997
Buildings and other fixed structures	307 283	379 787	381 115	136 851	3 048	139 899	139 899
Machinery and equipment	52 754	32 397	35 363	65 778	41 708	107 486	103 486
Cultivated assets	–	25	30	–	–	–	–
Software and intangible assets	28 321	19 600	13 463	5 314	2 298	7 612	7 612
Total	3 557 412	4 022 513	3 803 965	4 476 545	183 758	4 660 303	3 866 303

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

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
A. Permanent and full-time contract employees							
Compensation (R thousand)	997 284	1 012 673	1 105 317	1 256 677	1 073 117	1 088 207	1 065 488
Unit cost (R thousand)	101	103	149	168	145	147	144
Personnel numbers (head count)	9 843	9 843	7 399	7 469	7 399	7 399	7 399
B. Part-time and temporary contract employees							
Compensation (R thousand)	11 524	12 751	21 343	22 410	23 530	24 707	25 942
Unit cost (R thousand)	87	75	74	77	81	85	89
Personnel numbers (head count)	133	171	290	290	290	290	290

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

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
C. Interns							
Compensation of interns	–	1 012	1 981	2 142	2 249	2 362	2 480
Unit cost (R thousand)	–	25	55	54	56	59	62
Number of interns	–	40	36	40	40	40	40
Total for department							
Compensation (R thousand)	1 008 808	1 026 436	1 128 641	1 281 229	1 098 896	1 115 276	1 093 910
Unit cost (R thousand)	101	102	146	164	142	144	142
Personnel numbers (head count)	9 976	10 054	7 725	7 799	7 729	7 729	7 729
D. Learnerships							
Payments for learnerships (R thousand) (G&S)	–	–	2 900	3 043	3 197	3 357	3 524
Number of learnerships (head count)	–	–	189	189	189	189	189

Table 34.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Training and staff development							
Expenditure (R thousand)	38 272	32 942	34 917	37 012	38 863	40 805	42 843
Number of employees trained (head count)	2 834	2 195	2 181	2 220	2 280	2 350	2 350
Bursaries (employees)							
Expenditure per programme (R thousand)	4 224	2 071	4 080	4 200	4 500	4 500	4 500
Number of employees (head count)	120	80	150	200	200	200	200
Bursaries (non employees)							
Expenditure (R thousand)	765	990	1 650	2 800	3 100	3 450	3 864
Number of individuals (head count)	17	19	30	50	50	50	50
Total	43 261	36 003	40 647	44 012	46 463	48 755	51 207
Number of employees	2 971	2 294	2 361	2 470	2 530	2 600	2 600

Table 34.D Summary of conditional grants to provinces and municipalities¹

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Conditional grants to municipalities							
3. Water Services							
Water services operating subsidy grant	272 618	133 260	164 512	500 000	550 000	600 000	462 000
Implementation of water services projects grant	1 021 882	207 885	–	–	–	–	–
Total	1 294 500	341 145	164 512	500 000	550 000	600 000	462 000

1. Detail provided in the Division of Revenue Bill (2007).

Table 34.E Summary of expenditure on infrastructure

Description	Service delivery outputs			Adjusted appropriation	Medium-term expenditure estimate		
	Audited outcome				2006/07	2007/08	2008/09
R thousand	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
MEGA infrastructure projects and programmes (Over R250 million)							
Nandoni water treatment works and distribution	4 000	59 674	102 515	68 143	40 000	10 000	1 000
ORWRDP - Ph 2A- De Hoop Dam	-	-	32 303	300 000	200 000	550 000	-
ORWRDP - Ph 2B- G - Social components - Flag Boshielo to Mokopane pipeline and Steelpoort weir and abstraction works	-	-	-	-	50 000	250 000	600 000
Nwamitwa Dam	-	-	-	-	-	90 000	280 000
Dam safety: Rehabilitation	4 400	23 475	25 230	150 000	350 000	350 000	350 000
Other large infrastructure projects (Over R20 million)							
Nandoni Dam	135 861	83 548	26 080	5 000	2 000	-	-
Inyaka Pumpstation	5 874	9 300	2 100	50	-	-	-
Inyaka WTW Ph 11	-	-	24 000	46 406	33 600	48 100	34 100
Hluhluwe Ph 111: Construction of reservoirs and pipelines	-	-	27 500	28 500	28 500	30 500	33 000
Xikundu	30 620	23 145	3 000	2 500	-	-	-
Banhoek Weir	-	-	10 000	14 000	20 700	18 500	19 600
Zalu Dam	-	-	-	-	-	17 000	29 000
Clan William Dam: Raising and upgrading of the dam	-	-	-	-	38 000	100 000	75 000
Middle Letaba augmentation	-	-	-	-	-	96 000	380 000
Implementation of water services projects	291 124	52 510	64 217	-	-	-	-
Mzimkulu River off-channel storage	-	-	-	-	-	68 000	136 000
Hazelmere Dam: Raising and upgrading of the dam	-	-	-	-	20 000	30 000	-
Groups of small projects or programmes							
Head office management	3 980	4 402	5 000	5 300	5 618	5 955	-
Completion of works	-	-	900	900	900	47 900	16 200
Workshop Pretoria West	2 350	2 500	2 650	2 650	2 810	2 980	3 160
Geotech services	1 879	2 140	2 140	2 140	2 270	2 405	2 550
Drilling services	2 153	2 300	2 440	2 440	2 590	2 740	2 905
Central construction workshop	500	1 000	1 000	1 000	1 000	1 000	1 000
Capital augmentation	2 500	2 500	2 750	40 000	3 033	3 230	3 440
Water services projects	917 746	217 323	138 678	-	-	-	-
Infrastructure transfers to other spheres, agencies and departments							
Implementation of water services projects	537 862	-	-	-	-	-	-
Fixed installations transferred to households							
Sanitation projects	307 819	25 855	35 169	42 011	-	-	-
Maintenance on infrastructure (capital)							
Water services	58 062	90 000	120 000	-	-	-	-
Total	2 306 730	599 672	627 672	711 040	801 021	1 724 310	1 966 955

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

R thousand	Project unitary Fee at time of Contract	Budgeted	Medium-term expenditure estimate		
		expenditure 2006/07	2007/08	2008/09	2009/10
Projects signed in terms of Treasury Regulation 16	813 254	61 324	154 537	162 264	170 377
PPP unitary charge ¹	813 254	61 324	154 537	162 264	170 377
Total	813 254	61 324	154 537	162 264	170 377

1. Details on disclosure notes can be viewed in the PPP table of the Department of Transport.