

# Vote 34

## Water Affairs and Forestry

### Budget summary

R million	2009/10				2010/11	2011/12
	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
<b>MTEF allocation</b>						
Administration	795.4	750.8	9.5	35.1	857.4	893.6
Water Resources Management	3 895.8	1 514.7	2 338.9	42.2	4 352.6	4 917.8
Water Services	2 717.0	706.6	982.6	1 027.9	2 560.2	3 068.6
Forestry	485.6	469.9	6.7	9.1	522.7	583.1
<b>Total expenditure estimates</b>	<b>7 893.8</b>	<b>3 441.9</b>	<b>3 337.7</b>	<b>1 114.2</b>	<b>8 292.9</b>	<b>9 463.1</b>
Executive authority	Minister of Water Affairs and Forestry					
Accounting officer	Director-General Water Affairs and Forestry					
Website address	www.dwaf.gov.za					

### Aim

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

### Programme purposes and objectives

#### Programme 1: Administration

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

#### Programme 2: Water Resources Management

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

#### Programme 3: Water Services

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

#### Programme 4: Forestry

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

## Strategic overview: 2005/06 – 2011/12

The Department of Water Affairs and Forestry is the custodian of South Africa's water and forestry resources and is responsible for formulating and implementing policy governing these two sectors. The department is also responsible for water and sanitation services delivered by local government.

### Focus over the medium term

Over the MTEF period, the department continues to focus on: meeting water and sanitation targets; managing South Africa's scarce water resources for long term sustainability; improving the regulatory and institutional environment; spearheading transformation in the water sector; supporting the development of water resources infrastructure; and growing the forestry sector and broadening participation through the implementation of the Forest Sector Transformation Charter.

### Water

Over the past 14 years, substantial progress has been made by the water sector in providing universal access to water and sanitation in South Africa. Access to basic water infrastructure has increased from 59 per cent in April 1994 to 88 per cent at the end of March 2008, and access to basic sanitation grew from 48 per cent to 73 per cent.

Despite these improvements, ongoing challenges include: coordinating the implementation of water policy within current intergovernmental structures and in the context of weak local government capacity; ensuring equity in access to water for domestic and productive uses; curbing unlawful water use; maintaining existing water resource infrastructure; enforcing raw and drinking water quality standards; and reducing forest fires through regulation.

#### *National water resource strategy*

The national water resource strategy is an assessment of the supply demand ratio in relation to water resources, and was initiated in 2004. The assessment is conducted on a five-yearly basis in each of South Africa's 19 water management areas. The national water resource strategy also proposes options for increasing the supply of water in each water management area. The national water resource strategy determines how water resources will be protected, used, managed and conserved. The strategy will be revised to reflect the current water situation in the country. Elevating the status of water as a scarce and vulnerable resource requires the department to strengthen its regulatory role, provide support and guidance to relevant stakeholders, and influence the behaviour of economic sectors. In ensuring that water supply is of the appropriate quality for consumption and productive use, the department is finalising the water classification system and regulations.

#### *Framework for ensuring growth and development in the water sector*

The framework for growth and development in the water sector, developed in 2008, aims to address specific challenges associated with water resource availability to enable projected economic growth and social service delivery programmes. The framework ensures water security up to 2030. It looks at a number of aspects of water, including its availability, usage, threats and people's behaviour. It is premised on the 6 per cent economic growth target, while aiming to ensure that every person in South Africa has access to safe drinking water. These two goals must be achieved without compromising the environmental sustainability of the resource. The department is undertaking rigorous studies on water reconciliation to achieve a balance in supply and demand for both water scarce areas as well as areas where there are high levels of use. As part of the implementation of the framework, the department will explore the conversion of single purpose dams that were originally built for agricultural purposes only, to accelerate the access to water by communities located near these dams.

#### *Water management institutions*

Through the institutional realignment project, the department has begun to rationalise water management institutions. The originally planned 19 catchment management agencies have been reduced to 9, and will fall under the department's leadership and control. One of the primary objectives of the institutional realignment project is to rationalise the number of institutions reporting to the Minister of Water Affairs and Forestry and the

department for effective regulation and accountability in the implementation of the National Water Act (1998) and the Water Services Act (1997). New proposals for institutional models have been developed, and are awaiting further consultation within the sector and approval within the department. It is anticipated that these processes will be completed in 2009. These rationalised and streamlined institutions will ensure that water resources infrastructure will be developed, operated and maintained in a way that takes into account enterprise wide risk management, improved asset maintenance and management programmes; and improved revenue management.

### *Water services*

In addition to the framework on water for growth and development, the implementation of the strategic framework for water services continues. Water service functions are performed by the water services authorities, municipalities designated as water service authorities in terms of the Water Services Act. There are 145 water service authorities and it is the duty of each one to ensure that all citizens within its area of jurisdiction have efficient, economical affordable and sustainable water services in terms of section 11 of the Water Services Act (1997). The significant developments in the sector since the act was passed, such as recent policy and legislation as well as legal developments, particularly in the sphere of local government, have prompted the need for a review of the act. The new National Water Services Bill has been drafted and is currently awaiting the completion of the restructuring of a number of catchment management agencies.

### **Forestry**

In consultation with the industry, the department has developed a draft forestry strategy, which will serve as a roadmap for the effective and sustainable development of all forestry resources. The strategy will help the forestry sector to address its constraints and challenges and contribute to job creation and the conservation of biological diversity.

A number of strategic interventions were identified in the draft forestry strategy. These include expanding South African forests through afforestation, securing the supply for downstream processing capacity, promoting the participation of rural and disadvantaged communities in the sector, improving skills development, supporting the conservation of the biological diversity of forests, along with environmental sustainability, building the profile of forestry as a sector, and facilitating the sustained availability of timber.

The Forestry Sector Charter was signed in May 2008, following extensive consultation with the industry, labour and other stakeholders. The charter aims to increase the participation of historically disadvantaged individuals and enterprises in the forestry value chain, thus contributing to transformation and poverty alleviation. Over the medium term, the department will implement the charter by accelerating the development of viable enterprises that comply with broad based black economic empowerment (BEE) charter targets and fast tracking forest enterprise development projects.

## **Selected performance and operations indicators**

**Table 34.1 Water Affairs and Forestry**

Indicator	Programme	Past			Current	Projections		
		2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
Number of additional people provided with basic water supply by water services authorities	Water Services	1 million	1.25 million	1.27 million	1.08 million	1.2 million	1.2 million	1.2 million
Number of additional people provided with basic sanitation by water services authorities	Water Services	710 000	960 000	1.1 million	1 1 million	1.3 million	2 million	2 million
Number of new water management areas in which compulsory licensing processes have been completed	Water Resources Management	–	–	–	2	5	5	
Number of additional schools with no services provided with safe water supply and sanitation services	Water Services	–	–	120	1 434	1 200		

**Table 34.1 Water Affairs and Forestry (continued)**

Indicator	Programme	Past			Current	Projections		
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Percentage of population with access to free basic water services	Water Services	71%	74.4%	76.8%	82%	89%	95%	100%
Number of bulk infrastructure schemes implemented	Water Services	–	–	31	32	45	49	53
Number of new reconciliation strategies developed to ensure water security	Water Resources Management	–	–	3	5	8	10	10
Number of additional water monitoring stations managed for data collection	Water Resources Management	1 600	1 600	1 600	2 000	2 050	2 200	3 000
Number of water licences issued each year	Water Resources Management	254	185	90	80	200	250	350
Number of additional rainwater harvesting tanks distributed	Water Resources Management	–	54	500	300	5 000	10 000	20 000
Number of additional resource poor farmers supported through subsidies	Water Resources Management	–	–	300	30	360	450	500
Total number of municipalities implementing water conservation and water demand management	Water Resources Management	–	–	8	50	80	100	150
Number of additional forest enterprise development projects supported by the department	Forestry	45	33	26	44	62	80	98
Number of additional hectares planted (afforestation)	Forestry	1 100	1 230	542	5 000	8 000	10 000	10 000
Number of trees planted in the Million Trees programme each year	Forestry	100 000	275 000	899 000	1 million	1 million	1 million	1 million
Number of additional license applications processed in terms of National Forests Act (1998)	Forestry	700	740	800	865	865	865	1 000
Percentage hectares of high and medium fire risk areas covered by registered fire protection associations (measured out of a total of 86 million hectares)	Forestry	5% (4.3 million)	20% (17.2 million)	35% (30.1 million)	45% (38.7 million)	60% (51.6 million)	70% (60.2 million)	80% (68.8 million)

## Expenditure estimates

**Table 34.2 Water Affairs and Forestry**

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
R million	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
1. Administration	365.3	537.2	601.2	591.7	585.8	795.4	857.4	893.6
2. Water Resources Management	1 506.8	1 872.5	2 466.2	3 528.1	3 028.1	3 895.8	4 352.6	4 917.8
3. Water Services	1 511.0	1 454.8	1 866.9	2 423.8	2 363.8	2 717.0	2 560.2	3 068.6
4. Forestry	420.9	441.2	451.1	493.0	489.0	485.6	522.7	583.1
<b>Total</b>	<b>3 804.0</b>	<b>4 305.7</b>	<b>5 385.4</b>	<b>7 036.6</b>	<b>6 466.7</b>	<b>7 893.8</b>	<b>8 292.9</b>	<b>9 463.1</b>
Change to 2008 Budget estimate				337.3	(232.6)	(75.8)	349.1	1 037.4

Table 34.2 Water Affairs and Forestry (continued)

R million	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
<b>Economic classification</b>								
<b>Current payments</b>	<b>2 422.6</b>	<b>2 820.1</b>	<b>2 854.2</b>	<b>3 240.0</b>	<b>3 234.1</b>	<b>3 441.9</b>	<b>4 217.9</b>	<b>4 719.3</b>
Compensation of employees	1 128.6	1 226.4	1 162.6	1 332.4	1 326.5	1 327.9	1 314.1	1 399.6
Goods and services	1 290.5	1 582.4	1 686.6	1 906.9	1 906.9	2 113.3	2 903.0	3 318.9
of which:								
Administrative fees	4.9	6.1	6.5	8.1	8.1	6.8	10.2	10.5
Advertising	9.1	12.6	11.2	8.1	8.1	12.3	13.3	13.5
Assets less than R5 000	12.8	17.2	18.0	36.8	36.8	29.3	31.5	33.2
Audit costs: External	8.5	12.2	13.8	9.2	9.2	—	—	—
Bursaries (employees)	4.0	12.9	7.1	8.2	8.2	13.1	13.6	14.1
Catering: Departmental activities	1.1	3.8	5.8	8.0	8.0	5.5	9.9	10.4
Communication	40.7	47.7	48.4	25.1	25.1	41.3	61.1	64.0
Computer services	75.2	113.0	124.0	98.9	98.9	32.3	34.9	39.1
Consultants and professional services:	397.2	196.7	227.4	371.1	371.1	286.2	542.1	799.9
Business and advisory service								
Consultants and professional services:	116.0	280.5	355.0	464.1	464.1	533.0	684.1	756.3
Infrastructure and planning								
Consultants and professional services:	0.0	2.4	0.0	0.1	0.1	0.3	2.3	2.4
Laboratory service								
Consultants and professional services:	6.7	1.0	3.5	0.1	0.1	3.5	3.7	3.9
Legal costs								
Contractors	20.7	54.7	27.3	39.6	39.6	327.4	369.2	374.1
Agency and support / outsourced services	69.1	223.9	243.7	265.2	265.2	218.7	276.4	301.7
Entertainment	0.3	0.6	0.2	2.5	2.5	1.2	2.7	2.8
Inventory: Food and food supplies	5.3	4.4	4.6	0.6	0.6	3.8	5.0	5.3
Inventory: Fuel, oil and gas	19.5	32.6	18.4	17.9	17.9	14.9	38.6	40.6
Inventory: Learner and teacher support material	—	—	—	2.2	2.2	1.8	3.9	4.1
Inventory: Materials and supplies	50.4	32.0	26.8	17.7	17.7	15.9	30.0	31.6
Inventory: Other consumables	15.5	57.8	51.9	28.5	28.5	17.4	24.0	25.5
Inventory: Stationery and printing	26.1	27.7	29.0	30.2	30.2	31.2	39.2	41.0
Lease payments	33.2	17.2	15.6	88.5	88.5	10.6	22.8	24.5
Owned and leasehold property expenditure	106.8	115.3	153.6	111.5	111.5	154.2	184.0	194.5
Transport provided: Departmental activities	0.1	0.1	0.8	0.5	0.5	3.2	3.4	3.4
Travel and subsistence	252.2	289.4	264.5	192.1	192.1	225.3	395.9	418.9
Training and development	6.8	12.0	19.9	37.3	37.3	107.4	80.1	81.2
Operating expenditure	4.0	5.7	6.2	11.3	11.3	9.2	11.4	12.1
Venues and facilities	4.1	2.7	3.2	23.3	23.3	7.4	9.4	9.9
Interest and rent on land	0.2	0.8	1.3	0.7	0.7	0.8	0.8	0.9
Financial transactions in assets and liabilities	3.3	10.4	3.7	—	—	—	—	—
<b>Transfers and subsidies</b>	<b>951.4</b>	<b>1 385.3</b>	<b>2 052.6</b>	<b>3 268.0</b>	<b>2 768.0</b>	<b>3 337.7</b>	<b>3 102.4</b>	<b>3 120.4</b>
Provinces and municipalities	167.8	386.7	732.9	994.7	994.7	978.6	570.0	380.0
Departmental agencies and accounts	670.2	827.4	1 190.2	2 196.9	1 696.9	2 120.1	2 294.7	2 498.5
Universities and technikons	—	—	—	—	—	5.0	—	—
Public corporations and private enterprises	96.4	121.7	41.7	2.7	2.7	2.7	2.8	3.0
Foreign governments and international organisations	—	3.5	0.5	0.6	0.6	180.1	180.1	180.1
Non-profit institutions	0.0	0.2	0.4	0.4	0.4	0.4	0.5	0.5
Households	17.0	45.9	86.9	72.7	72.7	50.8	54.3	58.2
<b>Payments for capital assets</b>	<b>430.0</b>	<b>100.2</b>	<b>478.6</b>	<b>528.6</b>	<b>464.6</b>	<b>1 114.2</b>	<b>972.7</b>	<b>1 623.4</b>
Buildings and other fixed structures	381.1	23.6	331.0	418.6	358.6	1 016.7	892.9	1 537.1
Machinery and equipment	35.4	65.3	44.5	59.0	55.0	68.1	64.5	70.0
Biological and cultivated assets	0.0	—	0.2	—	—	—	—	—
Software and other intangible assets	13.5	11.4	103.0	51.0	51.0	29.4	15.3	16.4
of which: Capitalised compensation	188.2	—	—	—	—	—	—	—
<b>Total</b>	<b>3 804.0</b>	<b>4 305.7</b>	<b>5 385.4</b>	<b>7 036.6</b>	<b>6 466.7</b>	<b>7 893.8</b>	<b>8 292.9</b>	<b>9 463.1</b>

## Expenditure trends

Transfers and subsidies to departmental agencies for the construction of water resource infrastructure dominate expenditure in the department's budget. Total expenditure increased from R3.8 billion in 2005/06 to R7 billion in 2008/09 at an average annual rate of 22.8 per cent. This strong growth is driven by increases in transfers and subsidies for the De Hoop Dam project, the Working for Water programme, and the development of the other bulk infrastructure in the water services industry. R260 million was rolled over from 2007/08 to 2008/09 due to delays in obtaining the environmental impact assessment for the De Hoop Dam project.

Departmental expenditure is expected to increase from R7 billion in 2008/09 to R9.5 billion in 2011/12 at an average annual rate of 10.4 per cent due to additional allocations for:

- Working for Water (R100 million for 2010/11 and R300 million for 2011/12)
- Working on Fire programmes (R50 million in 2010/11 and R100 million in 2011/12)
- continued development of bulk infrastructure (R200 million in 2010/11 and R800 million in 2011/12)
- inflation related adjustments (R139.6 million in 2009/10, R234.7 million in 2010/11, R291.7 million in 2011/12)
- capacity building (R25 million in 2010/11 and R30 million in 2011/12)
- support to forestry sector projects (R30 million in 2011/12).

The *Water Resource Management* programme is the largest programme in the department and comprises 49.4 per cent of the department's budget in 2009/10. The programme finances bulk infrastructure, and grew at an average annual rate of 32.8 per cent between 2005/06 and 2008/09, from R1.5 billion to R3.5 billion. This high growth rate is attributable to additional allocations, which were provided for the infrastructure development programme, which consists of: the Olifants River water resources development project, the dam safety rehabilitation programme, the Nwamitwa Dam, the Mokolo River augmentation, the Mzimkulu Dam, raising the Clanwilliam and Hazelmere dams, and extending the lower Sundays River.

Expenditure on compensation of employees increased in line with inflation between 2005/06 and 2008/09, growing at an annual average rate of 5.7 per cent. It is expected to increase at an average annual rate of 1.7 per cent over the MTEF period to R1.4 billion as the department transfers staff to municipalities as a result of the transfer of water schemes.

Between 2005/06 and 2008/09, goods and services increased by 13.9 per cent due to the increases in expenditure on consultants to implement infrastructure projects comprising dams, bulk infrastructure, and the water and sanitation services at schools and clinics.

### Savings and reprioritisation

Efficiency savings of R233.1 million were identified over the 2008 MTEF period: R49.3 million in 2008/09, R79.1 million in 2009/10, and R104.8 million in 2010/11. For the 2009 MTEF period, efficiency savings have been increased to R732.2 million: R207.5 million in 2009/10, R248.1 million in 2010/11, and R276.7 million in 2011/12. The bulk of savings are in goods and services across all programmes and in transfers to agencies.

### Infrastructure spending

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

The allocations for the implementation phase of the De Hoop Dam project will be fully provided in the department's budget for the Orange River water resource development project. For subsequent phases, a portion of the allocation will be provided from the financial markets in accordance with cost responsibilities attributable to commercial users.

**Orange River water resource development project phase 2A:** The De Hoop Dam project aims to provide water to various communities in the Nebo Plateau area, and to mines and industry. So far, the relocation of graves has been completed, a site office has been established, and the realignment of the P-169 (R555) road is under way.



**Orange River water resource development project phase 2B-2I:** This bulk infrastructure project aims to develop distribution links to Steelpoort, Olifantspoort, the Lebalelo water users association, Roossenekal, Jane Furse, and the Nebo Plateau and Mokopane areas. A record of implementation decisions for phases 2B to 2D and 2H was issued to the Department of Water Affairs and Forestry. A draft directive to the Trans-Caledon Tunnel Authority has been prepared to fund and implement the commercial component of phases 2B to 2I. The Minister of Water Affairs and Forestry has approved and signed the memorandum of agreement addendum with individual mines and the Joint Water Forum, and a process has been initiated to draw up the associated off take agreements with the water users, which are a prerequisite for secure project funding from the private sector.

**Dam safety rehabilitation programme:** This programme provides for the rehabilitation of 160 dams in all the provinces. Over the MTEF period, 59 dams will be prioritised. The project started in 2007/08 with 7 dams. Progress on the programme has been satisfactory.

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

- Nandoni water treatment works and distribution scheme (60 mega litres/day) aims to supply water to the Vhembe district municipality. So far, civil structures of the water treatment works have been completed to allow access for work on the mechanical contracts. Civil work on 3 pump stations is complete. Construction of reservoir NR6 has been completed to roof level. The construction of a reservoir at Valdezia has begun.
- Nwamitwa Dam aims to provide an additional yield of 50 million m<sup>3</sup> per year to meet growing primary water supply requirements projected to 2025. This dam is still in the design phase, with geotechnical investigations, the development of the civil engineering plan for bulk infrastructure, and the scoping phase of the environmental impact assessment still under way.
- Mokolo River augmentation aims to supply 45 million m<sup>3</sup> per year to augment the water supply to Matimba power station, Grootegeeluk mine and Lephalale municipality, and for irrigation downstream of the dam. For phase 1 of the project, designs of a new pipeline from the Mokolo Dam to Lephalale are being drafted.
- Mzimkulu River off-channel storage dam will ensure a reliable water supply to the northern part of the lower south coast in dry periods.
- The raising of Clanwilliam dam will provide an additional yield of 10 million m<sup>3</sup> per year.
- The lower Sundays River government water scheme extension will extend the scheme to expand irrigation, with an emphasis on establishing and supporting resource poor farmers in identified areas.
- Inyaka pump station and water treatment works aims to provide reliable water supply of around 50 mega litres/day to the Bohlabela district municipality.

*Smaller infrastructure projects (below R50 million)*

The following small infrastructure projects are under way:

- Hluhluwe regional water scheme involves the construction of reservoirs and pipelines (12 mega litres/day)
- The raising of the Hazelmere Dam will augment the water supply to Umgeni Water.

## Departmental receipts

Receipts exclude income from water related sales, which is paid into the water trading entity. Receipts accounted for as departmental revenue include the repayment of loans granted to water boards, water user associations and local governments, interest on these loans, and revenue from the sale of wood and wood products. The increase in revenue between 2005/06 and 2006/07 is due to a once-off payment made by the Bloem Water Board to settle its loan. For 2008/09, the department is expected to collect revenue of R92 million, of which R40.1 million is from the sale of timber, R27.5 million from interest accruing on short term investments, and R24.4 million from the repayment of loans by irrigation and water boards. Revenue is expected to decrease from R92 million in 2008/9 to R83.9 million in 2011/12 because of anticipated reductions in the sale of timber.

**Table 34.3 Departmental receipts**

R thousand	Audited outcome			Adjusted estimate	Revised estimate	Medium-term receipts estimate		
	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
<b>Departmental receipts</b>	<b>129 308</b>	<b>183 624</b>	<b>39 142</b>	<b>92 031</b>	<b>92 031</b>	<b>91 567</b>	<b>90 729</b>	<b>83 892</b>
Sales of goods and services produced by department	48 861	51 365	41 987	40 081	40 081	39 221	37 475	33 782
Sales of scrap, waste, arms and other used current goods	202	14	64	6	116	56	56	56
Fines, penalties and forfeits	6	1	–	–	–	–	–	–
Interest, dividends and rent on land	31 652	27 507	6 294	27 544	27 582	27 040	26 642	26 104
Sales of capital assets	34	473	255	–	–	–	–	–
Financial transactions in assets and liabilities	48 553	104 264	(9 458)	24 400	24 252	25 250	26 556	23 950
<b>Total</b>	<b>129 308</b>	<b>183 624</b>	<b>39 142</b>	<b>92 031</b>	<b>92 031</b>	<b>91 567</b>	<b>90 729</b>	<b>83 892</b>

## Programme 1: Administration

### Expenditure estimates

**Table 34.4 Administration**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Minister <sup>1</sup>	0.9	1.1	1.5	1.6	1.7	1.8	1.9
Management	27.6	81.9	134.6	92.1	199.4	206.5	204.2
Corporate Services	118.8	175.0	196.7	186.4	270.0	280.4	292.8
Information Services	74.9	129.7	102.1	81.8	86.3	91.4	96.9
Property Management	86.9	91.0	106.0	120.0	138.3	156.0	165.4
Financial Management	56.2	58.5	60.3	109.9	99.6	121.3	132.4
<b>Total</b>	<b>365.3</b>	<b>537.2</b>	<b>601.2</b>	<b>591.7</b>	<b>795.4</b>	<b>857.4</b>	<b>893.6</b>
Change to 2008 Budget estimate				5.0	146.7	157.6	146.6

<sup>1</sup> From 2008/09, the current payments relating to the total remuneration package of political office bearers are shown, before this only salary and car allowances are included. Administrative and other subprogramme expenditure may in addition include payments for capital as well as transfers and subsidies.



Table 34.4 Administration (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Economic classification</b>							
<b>Current payments</b>	<b>337.2</b>	<b>471.1</b>	<b>514.6</b>	<b>558.7</b>	<b>750.8</b>	<b>813.1</b>	<b>844.7</b>
Compensation of employees	105.6	113.5	141.0	203.5	256.7	288.4	304.6
Goods and services	231.6	347.1	373.5	355.2	494.1	524.6	540.2
<i>of which:</i>							
Administrative fees	1.7	1.6	2.2	3.4	2.2	2.3	2.3
Advertising	5.9	6.8	4.5	3.4	7.6	7.7	7.8
Assets less than R5 000	2.7	3.3	4.3	0.7	6.6	7.1	7.5
Audit costs: External	8.5	12.1	13.8	8.7	–	–	–
Bursaries (employees)	3.1	12.6	7.1	7.6	12.9	13.4	13.9
Catering: Departmental activities	0.0	0.3	1.6	3.4	0.5	0.5	0.5
Communication	9.5	11.3	15.6	2.6	15.0	15.3	15.6
Computer services	59.4	99.9	87.2	66.6	9.6	10.2	11.5
Consultants and professional services: Business and advisory services	4.4	43.2	52.0	51.1	79.0	89.5	95.2
Consultants and professional services: Infrastructure and planning	0.3	0.2	–	–	65.8	96.7	87.7
Consultants and professional services: Legal costs	6.7	1.0	3.1	0.0	3.5	3.7	3.9
Contractors	1.4	1.8	2.2	2.4	3.5	3.6	3.8
Agency and support / outsourced services	2.4	16.7	12.7	15.9	38.6	40.9	43.4
Entertainment	0.2	0.5	0.1	2.2	0.8	0.8	0.9
Inventory: Food and food supplies	1.4	1.4	2.0	0.0	2.8	3.0	3.3
Inventory: Materials and supplies	0.1	0.2	1.5	2.6	0.5	0.5	0.6
Inventory: Other consumables	0.9	0.9	1.2	1.1	0.7	0.7	0.9
Inventory: Stationery and printing	11.1	15.6	14.1	11.4	15.8	16.6	17.7
Lease payments	2.8	2.9	2.6	15.3	0.1	0.1	0.1
Owned and leasehold property expenditure	87.0	91.4	107.8	105.5	150.5	162.1	171.6
Transport provided: Departmental activities	–	–	0.0	–	2.8	2.9	2.9
Travel and subsistence	16.4	20.8	26.0	17.4	29.0	30.2	31.9
Training and development	2.5	1.5	9.5	22.0	44.5	14.7	15.0
Operating expenditure	0.6	1.1	1.6	0.4	0.9	1.0	1.2
Venues and facilities	2.7	0.2	1.1	11.2	0.9	0.9	1.1
Financial transactions in assets and liabilities	–	10.4	–	–	–	–	–
<b>Transfers and subsidies</b>	<b>8.8</b>	<b>28.8</b>	<b>57.5</b>	<b>11.1</b>	<b>9.5</b>	<b>4.6</b>	<b>4.7</b>
Provinces and municipalities	0.3	0.1	0.0	–	–	–	–
Departmental agencies and accounts	–	0.4	0.6	1.1	1.0	1.1	1.2
Universities and technikons	–	–	–	–	5.0	–	–
Households	8.5	28.4	56.9	10.0	3.5	3.5	3.5
<b>Payments for capital assets</b>	<b>19.2</b>	<b>37.3</b>	<b>29.1</b>	<b>22.0</b>	<b>35.1</b>	<b>39.7</b>	<b>44.2</b>
Buildings and other fixed structures	5.2	5.5	14.4	3.3	3.4	3.6	3.9
Machinery and equipment	4.3	25.6	13.5	18.5	21.8	25.4	29.0
Software and other intangible assets	9.7	6.2	1.2	0.1	9.9	10.7	11.3
<b>Total</b>	<b>365.3</b>	<b>537.2</b>	<b>601.2</b>	<b>591.7</b>	<b>795.4</b>	<b>857.4</b>	<b>893.6</b>

## Details of selected transfers and subsidies

<b>Universities and technikons</b>							
<b>Current</b>	–	–	–	–	5.0	–	–
Water and Forestry Learning Academy: Bursaries	–	–	–	–	5.0	–	–
<b>Households</b>							
<b>Social benefits</b>							
<b>Current</b>	8.5	28.4	56.9	10.0	–	–	–
Social benefits	8.5	28.4	56.9	10.0	–	–	–
<b>Households</b>							
<b>Other transfers to households</b>							
<b>Current</b>	–	–	–	–	1.0	1.0	1.0
Disbursements: Poverty campaign	–	–	–	–	1.0	1.0	1.0

## Expenditure trends

Expenditure in the *Administration* programme increased from R365.3 million in 2005/06 to R591.7 million in 2008/09 at an average annual rate of 17.4 per cent. This was mainly due to the devolution of funds from the Department of Public Works, and for hiring additional staff to strengthen the financial management function of the department. Compensation of employees grew by 24.4 per cent between 2005/06 and 2008/09 due to the relocation of support staff from the various programmes to the *Management* subprogramme.

Expenditure in the *Information Services* subprogramme increased by 73.2 per cent from R74.9 million in 2005/06 to R129.7 million in 2006/07 for upgrading and replacing IT infrastructure. This contributes to the increased expenditure in payments for capital assets, which grows at an average annual rate of 4.6 per cent between 2005/06 and 2008/09.

Over the MTEF period, expenditure on this programme is expected to increase at an average annual rate of 14.7 per cent, from R591.7 million in 2008/09 to R893.6 million in 2011/12, driven by the implementation of a master systems plan, and further provisions for skills development, building maintenance, employee wellness and the operations of the learning academy.

## Programme 2: Water Resources Management

- *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. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *Sustainable Supply* is responsible for the provision of a reliable and equitable supply of bulk water, water conservation and demand management, as well as the working for water and working on fire programmes for sustainable economic and social development, including the eradication of poverty. Funding is provided on the basis of the departmental mandate to ensure the availability of sustainable water resources for social and economic needs. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *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). Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *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. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *Institutional Development* ensures that effective water management institutions are developed in the regions. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *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. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *Stakeholder Empowerment* develops empowered, skilled and representative staff, and capacitates stakeholders and the general public to achieve integrated water resource management. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.

- *African Cooperation* promotes integrated water resource management globally, particularly in Africa in support of the New Partnership for Africa's Development (NEPAD). Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *Water Resource Administration* provides management and administrative support services to the programme in the national office. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *Water Resource Support* provides support services to the programme in the regions, namely human resources, financial management and general administration. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *Operations of Water Resources* provides for the augmentation of the water trading entity to ensure the effective management of water resources and the sustainable operation and management of bulk water infrastructure. Funding is provided on the basis of approved business plans.
- *Infrastructure Development and Rehabilitation* provides for the design, construction and commissioning of new water resource infrastructure, as well as the rehabilitation of existing infrastructure to ensure the safety and functionality of departmental dams and related infrastructure. Funding is provided on the basis of ensuring proper asset management over time, and projected future demands.

### Objectives and measures

- Ensure that water resources are allocated to promote social and economic development by completing compulsory licence processes in 3 catchment management areas (Umhlathuze, Jan Dissels and Inkomati) in 2009/10.
- Ensure that available water is used efficiently by implementing a programme on conservation and demand management, among others, in 2009/10.
- Maintain a reliable and equitable supply of water by completing the revision of the national water resource strategy in 2009/10.
- Ensure that the quality of water resources meets the needs of all consumers by implementing the water quality management programme and regulating it in 3 water management areas (Vaal, Crocodile West, Marico and Olifants) in 2009/10.
- Regulate the efficient use of water resources by implementing the water for growth and development framework by 2009/10.
- Improve regional water resources management by:
  - ensuring that shared water resources are managed in collaboration with neighbouring states by 2010/11 by establishing the Orange Senqu River Commission's secretariat and undertaking international water resource management plans for shared watercourses with Mozambique, Botswana and Swaziland.
  - participating in regular policy and strategy development exercises in the African Ministers' Council on Water and SADC (ministerial participation in 2 meetings a year, and director-general participation in the council's technical committee each quarter).
- Respond and adapt to climate change impact through improving water resources information management by refurbishing existing river flow gauging stations and implementing new ones by 2010/11.

### Service delivery and spending focus

Commissioning of the Vaal River eastern subsystem augmentation project continues, and delivery started in December 2008 by using the temporary abstraction works. Permanent abstraction works will be commissioned in 2010/11.

The construction of the Berg River project is complete, and the impoundment of water in the dam started in July 2007. The phase 2A construction of the Olifants River water resources development project began in June 2007, and construction of the road realignment project is on schedule for completion in the first half of 2009. The minister issued a directive to the Trans-Caledon Tunnel Authority to implement this project and procure the funding. Further directives have been issued to the authority to fund and implement the Mooi-Mgeni phase 2

transfer scheme, which includes building the Spring Grove Dam and implementing the Komati water augmentation scheme.

Policy related achievements in 2007/08 include the completion of: a strategy and national programme for water conservation and demand management, draft regulations for the water classification system, and best practice guidelines for water quality management.

2 water allocation plans and a framework for allocation have been developed to streamline compulsory licensing processes in three catchments: Umhlathuze, Jan Dissels and Inkomati. Streamlining the water use authorisation process, including the development and rollout of the water use licence authorisation tracking system, was completed in 2007/08.

The Breede-Overberg catchment management area is functional. A chief executive officer has been appointed and water resources management staff have been seconded to the catchment management agency.

Over the medium term, the department will continue to develop water resource infrastructure and implement the institutional realignment project.

## Expenditure estimates

**Table 34.5 Water Resources Management**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Equitable Supply	132.7	230.8	155.5	165.3	394.4	409.7	442.6
Sustainable Supply	32.6	346.3	648.3	651.7	622.9	827.4	1 110.1
Protection Policies	34.3	35.5	35.7	39.9	46.7	54.3	60.9
Protection Measures	2.1	1.7	2.5	2.8	2.9	3.2	3.4
Institutional Regulation	12.3	25.0	25.3	30.1	49.2	71.1	84.8
Institutional Development	12.7	7.6	2.5	4.0	17.3	18.7	20.5
Strategic Alignment	95.1	112.0	147.1	149.9	170.5	191.9	207.9
Stakeholder Empowerment	120.2	145.7	138.2	141.7	144.7	148.8	165.2
African Cooperation	10.6	10.0	9.7	23.0	9.7	10.6	11.5
Water Resource Administration	21.6	23.9	21.3	24.2	23.2	28.3	29.0
Water Resource Support	95.9	81.3	94.1	103.6	137.2	155.4	163.8
Operations of Water Resources	653.2	311.0	283.6	316.2	107.8	140.0	167.1
Infrastructure Development and Rehabilitation	283.3	541.5	902.3	1 875.6	2 169.2	2 293.3	2 450.9
<b>Total</b>	<b>1 506.8</b>	<b>1 872.5</b>	<b>2 466.2</b>	<b>3 528.1</b>	<b>3 895.8</b>	<b>4 352.6</b>	<b>4 917.8</b>
Change to 2008 Budget estimate				289.7	(418.4)	(211.6)	79.8

Table 34.5 Water Resources Management (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Economic classification</b>							
<b>Current payments</b>	<b>538.1</b>	<b>966.8</b>	<b>1 121.6</b>	<b>1 259.4</b>	<b>1 514.7</b>	<b>1 806.5</b>	<b>2 162.6</b>
Compensation of employees	240.2	268.7	300.2	370.6	466.5	491.7	528.9
Goods and services	294.5	697.9	817.7	888.9	1 048.2	1 314.8	1 633.7
of which:							
Administrative fees	1.2	1.8	2.1	1.5	2.5	2.7	2.8
Advertising	1.5	1.0	0.7	1.4	1.9	2.0	2.2
Assets less than R5 000	7.6	10.3	8.3	16.9	7.7	8.3	8.8
Audit costs: External	–	0.1	–	0.5	–	–	–
Bursaries (employees)	0.3	0.1	0.0	0.5	0.1	0.1	0.2
Catering: Departmental activities	0.2	1.5	2.1	1.5	3.3	3.6	3.8
Communication	14.6	20.3	16.5	10.9	17.0	18.1	19.1
Computer services	13.9	12.6	33.3	30.7	21.2	22.4	25.1
Consultants and professional services: Business and advisory services	2.7	44.5	17.6	31.0	81.5	181.6	382.7
Consultants and professional services: Infrastructure and planning	59.8	248.3	349.7	420.1	399.8	525.3	604.8
Contractors	10.6	16.8	12.6	34.5	180.9	187.0	189.8
Agency and support / outsourced services	50.9	177.4	208.8	177.0	128.2	140.0	158.2
Inventory: Food and food supplies	0.5	1.0	0.6	0.0	0.4	0.4	0.4
Inventory: Fuel, oil and gas	17.2	19.5	12.3	13.7	12.7	14.0	14.8
Inventory: Learner and teacher support material	–	–	–	0.9	1.1	1.2	1.2
Inventory: Materials and supplies	–	9.2	8.7	6.7	8.1	9.0	9.5
Inventory: Other consumables	5.5	12.2	10.6	16.5	7.5	8.2	8.6
Inventory: Stationery and printing	4.8	6.8	9.8	10.8	9.5	8.2	8.3
Lease payments	26.8	6.8	6.5	9.0	6.6	7.3	7.9
Owned and leasehold property expenditure	6.8	2.5	5.0	1.5	1.3	1.4	1.5
Travel and subsistence	63.1	92.5	99.0	76.6	116.3	131.2	140.1
Training and development	3.0	8.6	9.1	12.7	31.1	32.1	32.8
Operating expenditure	2.3	3.1	3.1	6.6	5.3	5.9	6.2
Venues and facilities	0.9	0.7	0.7	7.1	3.4	3.7	3.9
Interest and rent on land	0.0	0.2	0.0	–	–	–	–
Financial transactions in assets and liabilities	3.3	–	3.7	–	–	–	–
<b>Transfers and subsidies</b>	<b>670.5</b>	<b>871.9</b>	<b>1 312.9</b>	<b>2 238.6</b>	<b>2 338.9</b>	<b>2 516.9</b>	<b>2 724.7</b>
Provinces and municipalities	1.9	0.7	91.2	9.1	–	–	–
Departmental agencies and accounts	653.2	827.0	1 189.5	2 195.8	2 119.1	2 293.6	2 497.4
Public corporations and private enterprises	6.9	25.0	1.5	–	–	–	–
Foreign governments and international organisations	–	3.5	0.5	0.6	180.1	180.1	180.1
Non-profit institutions	–	0.2	0.4	0.4	0.4	0.5	0.5
Households	8.5	15.6	29.9	32.7	39.3	42.8	46.7
<b>Payments for capital assets</b>	<b>298.2</b>	<b>33.8</b>	<b>31.7</b>	<b>30.1</b>	<b>42.2</b>	<b>29.2</b>	<b>30.5</b>
Buildings and other fixed structures	273.1	0.7	2.1	0.2	5.2	0.2	0.3
Machinery and equipment	21.7	29.1	25.8	26.3	33.8	25.8	26.9
Software and other intangible assets	3.4	4.0	3.8	3.5	3.1	3.1	3.4
of which: Capitalised compensation	188.2	–	–	–	–	–	–
<b>Total</b>	<b>1 506.8</b>	<b>1 872.5</b>	<b>2 466.2</b>	<b>3 528.1</b>	<b>3 895.8</b>	<b>4 352.6</b>	<b>4 917.8</b>

**Table 34.5 Water Resources Management (continued)**

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Details of selected transfers and subsidies</b>							
<b>Provinces and municipalities</b>							
<b>Municipalities</b>							
<b>Municipal bank accounts</b>							
<b>Capital</b>	–	–	91.2	9.0	–	–	–
Municipal drought relief grant	–	–	91.2	9.0	–	–	–
<b>Departmental agencies and accounts</b>							
<b>Departmental agencies (non-business entities)</b>							
<b>Current</b>	653.2	285.5	287.2	320.2	129.9	180.3	226.5
Water trading entity: Augmentation	653.2	285.5	283.6	316.2	107.8	140.0	167.1
Catchment management agencies: Seed funding	–	–	3.7	4.0	22.1	40.2	59.3
<b>Capital</b>	–	541.5	902.3	1 875.6	1 989.2	2 113.3	2 270.9
Water trading Entity: Infrastructure	–	541.5	902.3	1 875.6	1 989.2	2 113.3	2 270.9
<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Subsidies on production or products</b>							
<b>Current</b>	6.9	25.0	–	–	–	–	–
South African Forestry Company	6.9	–	–	–	–	–	–
Working For Water	–	25.0	–	–	–	–	–
<b>Foreign governments and international organisations</b>							
<b>Current</b>	–	3.5	0.5	0.6	180.1	180.1	180.1
Orange-Senqu River Basin Commission	–	3.5	0.5	0.6	0.1	0.1	0.1
Komati River Basin Water Authority	–	–	–	–	180.0	180.0	180.0
<b>Non-profit institutions</b>							
<b>Current</b>	–	0.2	0.4	0.4	0.4	0.5	0.5
Swimming South Africa: Public benefit organisation	–	0.2	0.4	0.4	0.4	0.5	0.5
<b>Households</b>							
<b>Other transfers to households</b>							
<b>Current</b>	–	–	–	2.4	3.7	4.1	4.3
Resource for poor farmers	–	–	–	2.4	3.7	4.1	4.3

## Expenditure trends

Expenditure increases from R1.5 billion in 2005/06 to R3.5 billion in 2008/09 at an annual average rate of 32.8 per cent. The robust growth in the programme is driven by the *Infrastructure, Development and Rehabilitation* subprogramme as a result of additional allocations for the De Hoop Dam project. These allocations are reflected as transfers to the water trading entity, through which the department manages the construction and maintenance of water infrastructure.

Over the MTEF period, the programme's budget is expected to grow at an average annual rate of 11.7 per cent, rising from R3.5 billion in 2008/09 to R5 billion in 2011/12. This increase is due to the ongoing De Hoop Dam project, the replacement of donor funding, additional funds to the Working for Water and Working on Fire programmes in the *Sustainable Supply* subprogramme, and the reprioritisation of R500 million to fund water loss efficiency, asset management, waste water works and water infrastructure.

The decrease in payments for capital assets between 2005/06 and 2006/07 relates to the devolution of funds from departments to the National Treasury.



### Transfers to public entities and trading entities

Transfers for infrastructure support services and the construction of new infrastructure facilities and dam safety will increase: R2.1 billion in 2009/10, R2.3 billion in 2010/11 and R2.5 billion in 2011/12.

Transfers to catchment management agencies will increase: R22.2 million in 2009/10, R40.6 million in 2010/11 and R59.3 million in 2011/12.

## Programme 3: Water Services

- *Provisioning Policies* ensures basic water supply and sanitation services for improved quality of life and poverty alleviation. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *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. Funding is provided on the basis of approved project and business plans.
- *Water Sector Policies* provides a framework for the effective and sustainable delivery of water services to underpin economic and social development. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *Water Sector Support* supports the delivery of sustainable water services at the regional level to underpin economic and social development. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *Institutional Policies* supports effective water services institutions. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *Institutional Support* provides support at the regional and local level for effective water services institutions. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *Transfer Policies* guides the transfer of operations and maintenance functions and water services schemes for effective local operations and management. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *Transfer of Functions* implements the transfer of water services schemes to water services institutions to ensure effective local level operation and management. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *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. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *African Participation* promotes and supports policies to achieve the UN Millennium Development Goals in Africa. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *Water Services Administration* provides support services at the national level, including human resources, financial management and general administration. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *Water Services Support* provides support services at the regional level, including human resources, financial management and general administration. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *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.) The transfer of schemes was scheduled to be completed by 2009/10 but has been extended to 2011/12 through baseline reprioritisation.

## Objectives and measures

- Promote universal access to basic water and sanitation services by:
  - developing policy and regulating and supporting implementation at local government level, guided by the strategic framework for water services, to ensure that all people in South Africa have access to functioning basic water supply facilities and basic sanitation facilities by 2014
  - implementing regional bulk infrastructure projects according to the national implementation framework by 2011
  - providing schools which currently have no services with a safe water supply and sanitation service by December 2010 (1 434 schools in 2008/09 and 1 200 in 2009/10).
- Ensure the effective management of safe drinking water by all water services authorities by 2009 by monitoring, regulating and supporting these authorities, guided by the strategic framework for water services and as specified by the national standard.
- Strengthen the capacity of local government to deliver on national government's 2010 strategy by providing technical support on all water services related matters to municipalities that will host the 2010 World Cup.

## Service delivery and spending focus

Substantial progress has been made by the water sector in providing universal access to water and sanitation in South Africa. Access to basic water infrastructure has increased from 59 per cent in April 1994 to 88 per cent at the end of March 2008. Similarly, access to basic sanitation increased from 48 per cent to 73 per cent. In 2007/08, water was supplied to a further 1.3 million people, and sanitation to a further 1.1 million. Although backlogs in water and sanitation were supposed to be eradicated by 2008 and 2010 respectively, a 2008 Cabinet decision aligned the provision of universal access to water and sanitation with the provision of housing and other basic services. The new target of ensuring universal access to basic services and housing is 2014.

Government accelerated the eradication of bucket toilets by allocating an additional budget of R1.8 billion between 2005/06 and 2007/08. In February 2005, the backlog was 252 254 bucket toilets. At the end of November 2008, 10 395 buckets still needed to be removed. The majority are in Free State (8 839), followed by Northern Cape (1 372) and Eastern Cape (634). The department aims to remove all buckets by March 2009. Over the 2009 MTEF period, the department will be implementing regional bulk infrastructure schemes to further expand access to basic water and sanitation services and to enable the expansion of the housing delivery programme.

Water and sanitation services were provided to the remaining 716 clinics (out of all clinics) that had none, or had limited access to such services. The water and sanitation programme for clinics was officially completed and handed over to the Department of Health in May 2008.

In 2007/08, 143 schools were provided with water and sanitation services, against a target of 110. The target for 2008/09 is to provide 1 434 schools with adequate water and sanitation facilities now that all clinics have these services. At the end of December 2008, water infrastructure had been provided to 51 schools, and sanitation facilities to 125. Over the 2009 MTEF period, the department will continue to provide water and sanitation services to schools, with a target of 1 200 schools in 2009/10.

The department deployed a municipal drinking water quality management system in all water services authorities, and completed a pilot of a waste water treatment management system in 2007/08. Special investigations into water supply interruptions are under way, and an effort is being made to improve water services authorities' management and control systems. Significant progress has been made since April 2008: all water services authorities are loading data from more than 3 200 drinking water sampling points on the information management system. Approximately 94 per cent of the sample points complied with the health requirements of the national standard. As part of its regulatory mandate for drinking water quality, the department will be introducing a new incentive system for municipalities over the 2009 MTEF period. Blue Drop certificates will be issued to municipalities that meet the drinking water standards and Green Drop certificates to those that meet the requirements for treating waste water.

## Expenditure estimates

**Table 34.6 Water Services**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Provisioning Policies	3.3	3.4	2.3	6.3	2.6	2.0	2.4
Water and Sanitation Services	200.5	25.2	437.4	705.6	1 277.7	1 184.9	1 831.8
Water Sector Policies	41.4	42.8	47.3	51.5	47.7	51.8	58.4
Water Sector Support	68.3	100.3	106.9	107.2	100.6	228.3	236.5
Institutional Policies	6.6	9.9	9.2	11.9	11.1	11.6	13.5
Institutional Support	45.0	38.0	42.1	45.5	51.1	106.9	110.5
Transfer of Functions	14.4	35.6	6.9	17.5	16.0	19.0	20.2
Africa Initiative	0.2	0.1	0.1	0.1	0.1	0.1	0.1
African Participation	–	–	–	0.1	0.9	1.0	1.0
Water Services Administration	7.9	8.9	8.3	10.1	9.9	11.6	12.2
Water Services Support	55.1	80.8	100.0	84.9	85.6	94.3	104.0
Operations of Water Services	1 068.3	1 109.7	1 106.4	1 383.1	1 113.8	848.7	677.8
<b>Total</b>	<b>1 511.0</b>	<b>1 454.8</b>	<b>1 866.9</b>	<b>2 423.8</b>	<b>2 717.0</b>	<b>2 560.2</b>	<b>3 068.6</b>
Change to 2008 Budget estimate				(4.2)	181.6	380.7	758.3

### Economic classification

<b>Current payments</b>	<b>1 148.7</b>	<b>958.4</b>	<b>771.5</b>	<b>940.2</b>	<b>706.6</b>	<b>1 092.1</b>	<b>1 146.1</b>
Compensation of employees	532.6	590.0	447.4	426.5	278.3	189.2	200.6
Goods and services	616.2	368.5	323.4	513.7	428.3	902.9	945.5
of which:							
Administrative fees	0.8	1.5	1.2	1.5	0.9	4.0	4.1
Advertising	0.2	1.1	0.8	1.9	1.2	2.0	1.9
Assets less than R5 000	0.8	1.5	2.8	4.0	2.5	2.7	2.6
Catering: Departmental activities	0.5	1.3	1.1	2.9	1.6	5.6	5.8
Communication	9.6	8.5	9.1	6.2	3.6	21.7	22.9
Computer services	1.8	0.4	1.0	0.6	0.4	1.2	1.3
Consultants and professional services: Business and advisory services	368.7	106.7	129.4	268.8	104.7	240.3	260.4
Consultants and professional services: Infrastructure and planning	38.2	4.4	2.8	38.8	61.8	56.1	57.5
Consultants and professional services: Laboratory service	–	–	–	0.1	0.0	1.9	2.0
Contractors	5.6	32.7	12.2	0.8	141.0	176.4	178.3
Agency and support / outsourced services	6.2	10.8	10.1	58.6	37.3	80.0	83.7
Entertainment	0.1	0.0	0.0	0.2	0.2	1.7	1.7
Inventory: Food and food supplies	2.8	1.0	0.8	0.1	0.0	0.9	1.0
Inventory: Fuel, oil and gas	0.1	10.7	3.5	0.0	0.0	22.2	23.3
Inventory: Learner and teacher support material	–	–	–	1.3	0.7	2.7	2.8
Inventory: Materials and supplies	44.1	9.3	13.8	0.2	0.1	12.9	13.5
Inventory: Other consumables	1.4	37.2	9.6	1.4	0.7	6.1	6.4
Inventory: Stationery and printing	8.7	3.4	3.5	6.0	3.8	12.0	12.6
Lease payments	3.3	5.6	3.9	59.7	2.2	13.6	14.4
Owned and leasehold property expenditure	7.7	15.3	33.3	0.0	0.0	17.8	18.7
Travel and subsistence	114.1	113.6	81.3	50.4	29.6	180.7	189.8
Training and development	0.6	1.0	0.8	2.3	31.4	32.9	32.9
Operating expenditure	0.4	0.8	1.2	3.0	1.7	3.1	3.2
Venues and facilities	0.3	1.6	0.8	4.7	2.7	4.3	4.4
Interest and rent on land	–	–	0.6	–	–	–	–

Table 34.6 Water Services (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Transfers and subsidies</b>	<b>254.3</b>	<b>471.6</b>	<b>679.5</b>	<b>1 015.6</b>	<b>982.6</b>	<b>574.0</b>	<b>384.0</b>
Provinces and municipalities	164.8	385.7	641.7	985.6	978.6	570.0	380.0
Public corporations and private enterprises	89.5	83.9	37.7	–	–	–	–
Non-profit institutions	0.0	–	–	–	–	–	–
Households	0.0	2.0	0.1	30.0	4.0	4.0	4.0
<b>Payments for capital assets</b>	<b>108.0</b>	<b>24.7</b>	<b>415.9</b>	<b>468.0</b>	<b>1 027.9</b>	<b>894.1</b>	<b>1 538.5</b>
Buildings and other fixed structures	102.8	17.4	314.4	415.0	1 008.1	889.0	1 533.0
Machinery and equipment	5.1	6.2	3.7	5.8	3.7	3.9	4.1
Software and other intangible assets	0.1	1.1	97.8	47.2	16.1	1.2	1.4
<b>Total</b>	<b>1 511.0</b>	<b>1 454.8</b>	<b>1 866.9</b>	<b>2 423.8</b>	<b>2 717.0</b>	<b>2 560.2</b>	<b>3 068.6</b>

## Details of selected transfers and subsidies

<b>Provinces and municipalities</b>							
<b>Municipalities</b>							
<b>Municipal bank accounts</b>							
<b>Current</b>	<b>164.5</b>	<b>385.7</b>	<b>641.7</b>	<b>985.6</b>	<b>978.6</b>	<b>570.0</b>	<b>380.0</b>
Water services operating subsidy grant	164.5	385.7	641.7	985.6	978.6	570.0	380.0
<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Subsidies on production or products</b>							
<b>Current</b>	<b>89.5</b>	<b>83.9</b>	<b>37.7</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Water services operating subsidy indirect grant: Water boards	89.5	83.9	37.7	–	–	–	–
<b>Households</b>							
<b>Social benefits</b>							
<b>Current</b>	<b>0.0</b>	<b>2.0</b>	<b>0.1</b>	<b>30.0</b>	<b>–</b>	<b>–</b>	<b>–</b>
Employer social benefits	0.0	2.0	0.1	30.0	–	–	–

## Expenditure trends

Expenditure increased substantially between 2005/06 and 2008/09, rising from R1.5 billion to R2.4 billion at an average annual rate of 17.1 per cent. This is due mainly to the additional allocations for developing bulk infrastructure. Over the MTEF period, expenditure is expected to grow from R2.4 billion in 2008/09 to R3.1 billion in 2011/12 at an average annual rate of 8.2 per cent. This is due to the additional allocation for the backlogs in water and sanitation at clinics and schools and developing bulk infrastructure.

From 2008/09 to 2011/12, the *Operations of Water Services* subprogramme decreases from R1.4 billion to R677.8 million at an average annual rate of 21.2 per cent due to the transfer of schemes and the reduction of funds transferred to the municipalities receiving water schemes. Expenditure on compensation of employees decreases from R532.6 million in 2005/06 to R200.6 million in 2011/12 due to the transfer of staff to the municipalities.

The *Water and Sanitation* subprogramme grew at an average annual rate of 52.1 per cent between 2005/06 and 2008/09 due to new allocations for bulk infrastructure and the introduction of the water and sanitation at schools and clinics grant in 2007/08. The high growth trend continues over the 2009 MTEF period due to the additional allocation of R1 billion for the bulk infrastructure grant. Over the 2009 MTEF period, the *Institutional Support* subprogramme grows at an average annual rate of 34.4 per cent due to the alignment of structures by the department to strengthen policy and regulatory functions.

## Programme 4: Forestry

- *Forestry Oversight* oversees the forestry sector, develops policies to support sustainable forest management, and ensures that policies at all levels of government are coherent. It further oversees: international liaison on sustainable forest management; governance; sector foresight and liaison; research; the national forest

programme; capacity building; and the promotion of black economic empowerment (BEE) through policy initiatives. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.

- *Sustainable Forest Management* supports the sustainable management of state forests to optimise social and economic benefits in rural areas and to ensure the participation of stakeholders. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *Forests and Fire Regulation* ensures compliance with the National Forests Act (1998) and the National Veld and Forest Fire Act (1998), and supports rural socioeconomic development through access and use of state forests and developing systems and strategies for preventing, managing and monitoring veld and forest fires. The name of this subprogramme has changed. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *Forests and Fire Governance* supports sustainable forest management by monitoring forestry management and ensuring that there is sufficient capacity at the local level for implementing forestry legislation. It further 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. The name of this subprogramme has changed. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *Forestry Development* develops strategies and forest enterprise development programmes that support BEE and that enable communities to make use of tree and forest resources to improve their livelihoods. This includes international liaison, which promotes forestry development in South Africa, the SADC region and Africa. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *Forestry Enterprise Development and Livelihoods* supports the implementation of programmes that enable communities to participate in the benefits of forestry to generate economic growth and sustain livelihoods. This is a new subprogramme. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *Forest Technical and Information Services* ensures sustainable use of the natural resource base through the management of the overall system for forestry data, information and knowledge, including spatial and non-spatial forestry information. This is a new subprogramme.
- *Regional Forestry Information Services* ensures access to forestry information by sector stakeholders and the gathering of information by the regions. This is a new subprogramme. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *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. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *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. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *Forestry Management and Support* funds efficient general administration and management support for the programme. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.
- *Forestry Support Services* provides technical, financial and general administration support for regional forestry activities. Funding will mainly be used for compensation of employees and their related expenditure on goods and services.

## Objectives and measures

- Ensure the sustainable management of all natural forests, woodlands and plantations through effective implementation of the National Forests Act (1998), including the development, implementation and enforcement of regulations.



- Reduce incidents of veld, forest and mountain fires by:
  - registering fire protection associations and assisting them
  - raising public awareness through fire prevention campaigns
  - developing and implementing a national fire danger rating system by 2009/10
  - upgrading the national veld information system by 2009/10.
- Improve the contribution of the forestry sector to skills development by developing and implementing a sector skills plan by 2009/10.
- Raise the profile of forestry as a sector by raising awareness and regularly sharing information through the printed and electronic media, extension services and direct communication.
- Increase the contribution of the forestry sector to improve livelihoods and address poverty eradication by:
  - implementing the greening programme, including the Million Trees programme
  - establishing ongoing support mechanisms for participatory forest management and community forestry.
- Accelerate transformation and growth in the forestry sector in line with the targets in the Forest Sector Transformation Charter and the forestry strategy.

### **Service delivery and spending focus**

In 2006/07, over 420 000 hectares of mountain catchments previously designated as state forest land were released for transfer to Western Cape. Another 98 000 hectares of coastal grassland and forest areas at St Lucia were transferred and incorporated into the Department of Environmental Affairs and Tourism's iSimangaliso Wetland Park Authority. The Dukuduku state forest was deproclaimed to allow for the formalisation of human settlements, as recommended by Cabinet. Cabinet also approved the recommissioning of 22 000 hectares of forestry area in Western Cape, aimed at minimising the impact on job losses and creating opportunities for BEE initiatives, and improving conditions for integrated landscape management.

A strategic environmental assessment was prepared for the Mzimvubu to Keiskamma water management area, which includes most of the afforestable land in Eastern Cape. The assessment identified at least 100 000 hectares of land which could be afforested, taking into account environmental, economic and social opportunities and constraints. Applications for afforestation have increased substantially, from 800 hectares in 2004/05, to 1 000 hectares in 2005/06 and 5 500 hectares in 2006/07.

The Million trees programme was launched in 2007. The department aims to promote the planting of 1 million trees a year, of which 70 per cent should be fruit trees and 30 per cent indigenous ornamentals. 1.1 million trees were planted by various programme partners in the first three quarters of 2008/09.

The Forest Sector Charter was approved by the minister, the forestry industry, and other government departments in May 2008.

Following the high quality output of the National Forests Advisory Council over the past 3 years, the minister has extended the council's term of office by another year.



## Expenditure estimates

**Table 34.7 Forestry**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Forestry Oversight	7.0	9.6	20.0	15.8	16.6	17.6	18.6
Sustainable Forest Management	268.8	315.6	332.2	357.2	333.4	353.5	374.9
Forests and Fire Regulation	7.8	10.0	4.8	9.5	10.0	10.5	11.2
Forests and Fire Governance	0.3	9.4	1.2	2.4	2.5	2.6	2.8
Forestry Development	3.2	4.9	5.5	6.5	12.0	12.4	26.8
Forestry Enterprises Development and Livelihoods	26.1	20.5	19.1	27.4	32.2	42.8	60.7
Forest Technical and Information Services	4.1	5.9	3.0	12.4	13.0	13.8	14.6
Regional Forestry Information Services	1.4	0.6	0.1	2.5	2.6	2.7	2.9
State Forest Transfer and Regulation	0.3	0.6	4.7	2.8	2.9	3.0	3.2
State Forest Administration and Oversight	69.9	22.2	24.3	22.7	23.3	25.0	26.5
Forestry Management and Support	1.3	1.0	4.8	1.5	2.5	2.7	2.9
Forestry Support Services	30.9	40.9	31.2	32.4	34.6	36.0	38.2
<b>Total</b>	<b>420.9</b>	<b>441.2</b>	<b>451.1</b>	<b>493.0</b>	<b>485.6</b>	<b>522.7</b>	<b>583.1</b>
Change to 2008 Budget estimate				46.8	14.2	22.3	52.8

### Economic classification

<b>Current payments</b>	<b>398.5</b>	<b>423.8</b>	<b>446.5</b>	<b>481.7</b>	<b>469.9</b>	<b>506.2</b>	<b>565.9</b>
Compensation of employees	250.3	254.2	274.0	331.8	326.4	344.7	365.6
Goods and services	148.1	168.9	171.9	149.2	142.7	160.7	199.5
of which:							
Administrative fees	1.1	1.2	1.1	1.6	1.2	1.2	1.3
Advertising	1.5	3.7	5.3	1.4	1.5	1.6	1.7
Assets less than R5 000	1.7	2.0	2.6	15.1	12.6	13.4	14.2
Catering: Departmental activities	0.4	0.6	1.0	0.2	0.2	0.2	0.3
Communication	7.0	7.6	7.2	5.4	5.7	6.1	6.5
Computer services	0.0	0.1	2.5	1.0	1.1	1.1	1.2
Consultants and professional services: Business and advisory services	21.5	2.3	28.3	20.1	21.0	30.8	61.7
Consultants and professional services: Infrastructure and planning	17.7	27.7	2.5	5.2	5.5	5.9	6.3
Consultants and professional services: Laboratory service	–	2.4	–	–	–	–	–
Contractors	3.1	3.4	0.3	1.9	2.0	2.2	2.3
Agency and support / outsourced services	9.7	19.0	12.2	13.7	14.5	15.5	16.4
Inventory: Food and food supplies	0.6	1.1	1.2	0.5	0.6	0.6	0.6
Inventory: Fuel, oil and gas	2.2	2.4	2.6	4.2	2.1	2.2	2.4
Inventory: Materials and supplies	6.2	13.4	2.8	8.1	7.1	7.6	8.1
Inventory: Other consumables	7.7	7.6	30.5	9.5	8.5	9.0	9.6
Inventory: Stationery and printing	1.5	1.9	1.6	2.0	2.1	2.3	2.4
Lease payments	0.2	1.9	2.6	4.5	1.7	1.9	2.0
Owned and leasehold property expenditure	5.3	6.1	7.5	4.4	2.5	2.6	2.8
Travel and subsistence	58.7	62.5	58.2	47.7	50.4	53.9	57.1
Training and development	0.7	0.9	0.5	0.3	0.3	0.4	0.4
Operating expenditure	0.7	0.7	0.3	1.3	1.4	1.5	1.5
Venues and facilities	0.2	0.3	0.7	0.4	0.4	0.4	0.5
Interest and rent on land	0.2	0.7	0.7	0.7	0.8	0.8	0.9
<b>Transfers and subsidies</b>	<b>17.8</b>	<b>13.0</b>	<b>2.6</b>	<b>2.7</b>	<b>6.7</b>	<b>6.8</b>	<b>7.0</b>
Provinces and municipalities	0.8	0.2	0.0	–	–	–	–
Departmental agencies and accounts	17.0	–	(0.0)	–	–	–	–
Public corporations and private enterprises	–	12.8	2.6	2.7	2.7	2.8	3.0
Households	0.0	–	0.0	–	4.0	4.0	4.0
<b>Payments for capital assets</b>	<b>4.6</b>	<b>4.4</b>	<b>2.0</b>	<b>8.6</b>	<b>9.1</b>	<b>9.6</b>	<b>10.2</b>
Buildings and other fixed structures	0.1	–	0.1	–	–	–	–
Machinery and equipment	4.2	4.4	1.6	8.4	8.8	9.4	9.9
Biological and cultivated assets	0.0	–	0.2	–	–	–	–
Software and other intangible assets	0.2	–	0.1	0.2	0.3	0.3	0.3
<b>Total</b>	<b>420.9</b>	<b>441.2</b>	<b>451.1</b>	<b>493.0</b>	<b>485.6</b>	<b>522.7</b>	<b>583.1</b>

Table 34.7 Forestry (continued)

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
<b>Details of selected transfers and subsidies</b>							
<b>Departmental agencies and accounts</b>							
<b>Departmental agencies (non-business entities)</b>							
<b>Current</b>	17.0	–	–	–	–	–	–
South African Forestry Company	17.0	–	–	–	–	–	–
<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Subsidies on production or products</b>							
<b>Current</b>	–	–	2.5	2.4	2.4	2.5	2.7
Forestry SA: Subsidy research	–	–	–	2.4	2.4	2.5	2.7
South African Forestry Company	–	–	2.5	–	–	–	–
<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Other transfers</b>							
<b>Current</b>	–	12.8	–	–	–	–	–
YORKOR	–	12.8	–	–	–	–	–

## Expenditure trends

Expenditure increased from R420.9 million in 2005/06 to R493 million in 2008/09 at an average annual rate of 5.4 per cent. Over the 2008 MTEF period, Cabinet approved an additional amount of R12 million for the Million Trees programme, which is implemented through the *Forestry Development* subprogramme and the *Forestry Enterprise Development and Livelihoods* subprogramme. Programme expenditure will gradually increase over the MTEF period, to R583.1 million in 2011/12, at an average annual rate of 5.8 per cent. In 2011/12, an additional R30 million was approved for growing the forestry sector through the *Forestry Development* and *Forestry Enterprise Development and Livelihoods* subprogrammes.

The *Forest Technical and Information Services* subprogramme increased by 309.8 per cent in 2008/09. Due to the change in the programme's structure, funds for information services, previously allocated across the various subprogrammes, have been consolidated.

Transfer payments increase by 147.5 per cent in 2009/10 because the department entered into two memorandums of understanding, one with Forestry South Africa and one with the Indigenous Knowledge Systems Association of South Africa. Capital assets increased by 337.6 per cent in 2007/08 because funds in the programme were reprioritised to enable the department to procure machinery and equipment needed for plantation management.

## Public entities and other agencies

### Water trading entity

#### Strategic overview: 2005/06 – 2011/12

Under the National Water Act (1998), the Department of Water Affairs and Forestry is responsible for regulating water use in South Africa by ensuring that water is allocated equitably and used beneficially in the public interest. The act requires the department to create a register of all water users in the country and recover the costs for services provided by the department to water users. The water trading account was established in 1995 to ringfence revenues related to water resource management areas and infrastructure from the department's accounts. The trading account was subsequently amended by the Public Finance Management Act (1999), under which it became the water trading entity in 2008. In terms of the act, the water trading entity is required to change its accounting convention from cash based accounting to an accrual based accounting system.

To strengthen the performance of the water trading entity, projects to improve organisational efficiency have been initiated. These include Project Sakhile, an enterprise wide asset management project, to verify and value all national water resource infrastructure assets, and Project Siyanqoba, to carry out business process re-engineering to map new processes and policies.

Over the MTEF period, the water trading entity will continue with its business efficiency drive and the implementation of the new processes.

### Selected performance and operations indicators

**Table 34.8 Water trading entity**

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Number of dam safety projects undertaken	–	8	7	11	11	11	13
Percentage completion on construction of Olifants River water resources development project (De Hoop Dam)	0%	0%	19%	43%	66%	83%	95%
Percentage completion on construction of Inyaka water treatment works	15%	32%	42%	57%	71%	84%	94%
Percentage completion on construction of Nandoni water distribution network	–	–	24%	39%	54%	70%	82%
Percentage completion on construction of Nwamita Dam	–	–	–	4%	27%	55%	84%
Percentage completion on construction of raising Clan William dam wall	–	–	–	–	12%	45%	85%
Percentage completion on construction of Hluhluwe regional water scheme	16%	31%	46%	63%	79%	94%	100%
Percentage completion on construction of Nandoni water treatment works	40%	60%	80%	95%	100%	–	–
Revenue generated to fund the refurbishment programme	R1.022bn	R346m	R357.4m	R130.9m	R492.5m	R563.9m	914.6m

### Service delivery and spending focus

The auditor-general's historical disclaimers and qualifications were dealt with through the business process reengineering project (Siyanqoba) and the enterprise wide asset management project (Sakhile) to give proper effect to the accrual accounting requirements of the Public Finance Management Act (1999). The water trading entity has now embarked on the next phase of the business efficiency drive aiming to be fully compliant by March 2010.

All the environmental and site establishment processes for the construction of the De Hoop Dam were completed over the past 3 years. Concrete placement began in 2008/09. The dam is expected to be 95 per cent complete by the end of the MTEF period. Phases 1 and 2 of the Inyaka water treatment works is 57 per cent complete. The target is to be 94 per cent complete with the remaining phases by the end of the MTEF period. Construction of the Nandoni water distribution network began in 2007/08, and is reaching 38 per cent this year. The target is to be at 82 per cent complete by the end of the MTEF period. The construction of the Nandoni water treatment works is 95 per cent complete and will be commissioned in 2009/10. The Hluhluwe regional water scheme is 63 per cent complete and commissioning is planned for the end of the MTEF period. The construction work on raising the Clan William Dam wall is scheduled to begin in 2009 and be 85 per cent complete by the end of the MTEF period. The construction of the Nwamita dam is planned to start in 2010. The environmental and establishment processes are already in progress. The project is scheduled to be 84 per cent complete by the end of the MTEF period.

## Expenditure estimates

Table 34.9 Water trading entity: Financial information

R million	Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>3 130.4</b>	<b>1 916.4</b>	<b>1 498.3</b>	<b>1 420.1</b>	<b>1 784.5</b>	<b>1 992.2</b>	<b>2 276.9</b>
Sale of goods and services other than capital assets	3 107.5	1 620.2	1 310.6	1 414.1	1 778.5	1 986.2	2 270.9
of which:							
Bulk water sales	3 107.5	1 620.2	1 281.0	1 414.1	1 748.5	1 956.2	2 240.9
Other sales	–	–	29.6	–	30.0	30.0	30.0
Other non-tax revenue	22.9	296.2	187.8	6.0	6.0	6.0	6.0
<b>Transfers received</b>	<b>1 626.1</b>	<b>487.2</b>	<b>423.4</b>	<b>598.4</b>	<b>337.6</b>	<b>310.6</b>	<b>443.6</b>
<b>Total revenue</b>	<b>4 756.5</b>	<b>2 403.6</b>	<b>1 921.8</b>	<b>2 018.4</b>	<b>2 122.1</b>	<b>2 302.8</b>	<b>2 720.6</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>4 880.3</b>	<b>3 620.0</b>	<b>3 999.2</b>	<b>4 539.4</b>	<b>3 120.0</b>	<b>3 240.8</b>	<b>3 328.7</b>
Compensation of employees	701.2	453.3	507.2	515.4	627.5	658.2	688.3
Goods and services	2 923.7	960.5	1 263.1	1 803.9	1 019.6	1 109.6	1 170.4
Depreciation	1 255.3	2 205.2	2 225.2	2 216.0	1 469.0	1 469.0	1 466.0
Interest, dividends and rent on land	0.0	1.0	3.7	4.0	4.0	4.0	4.0
<b>Transfers and subsidies</b>	<b>412.8</b>	<b>178.3</b>	<b>181.8</b>	<b>182.0</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total expenses</b>	<b>5 293.0</b>	<b>3 798.2</b>	<b>4 181.0</b>	<b>4 721.4</b>	<b>3 120.0</b>	<b>3 240.8</b>	<b>3 328.7</b>
<b>Surplus / (Deficit)</b>	<b>(536.5)</b>	<b>(1 394.6)</b>	<b>(2 259.3)</b>	<b>(2 702.9)</b>	<b>(997.9)</b>	<b>(938.0)</b>	<b>(608.1)</b>
<b>Statement of financial position</b>							
Carrying value of assets	45 502.3	93 939.2	92 490.6	85 703.7	86 244.2	86 987.2	88 060.9
of which: Acquisition of assets	1 165.6	173.7	776.7	1 429.1	2 009.5	2 212.0	2 539.7
Inventory	18.7	19.9	18.9	19.0	20.0	20.0	20.0
Receivables and prepayments	973.1	1 481.1	1 517.5	900.0	900.0	900.0	900.0
Cash and cash equivalents	0.1	370.2	127.5	9.5	1.0	2.0	78.2
<b>Total assets</b>	<b>46 494.2</b>	<b>95 810.4</b>	<b>94 154.5</b>	<b>86 632.2</b>	<b>87 165.2</b>	<b>87 909.2</b>	<b>89 059.1</b>
Accumulated surplus/deficit	45 386.5	(432.4)	(2 691.6)	(5 394.6)	(6 392.5)	(7 330.6)	(7 938.7)
Capital and reserves	–	95 099.6	95 099.6	89 099.6	89 099.6	89 099.6	89 099.6
Borrowings	36.4	10.6	34.0	28.0	22.0	16.0	10.0
Trade and other payables	872.3	825.3	780.7	700.0	700.0	700.0	700.0
Provisions	199.0	70.0	78.9	160.0	160.0	182.0	236.0
Liabilities not classified elsewhere	–	237.3	853.0	2 039.2	3 576.1	5 242.2	6 952.2
<b>Total equity and liabilities</b>	<b>46 494.2</b>	<b>95 810.4</b>	<b>94 154.5</b>	<b>86 632.2</b>	<b>87 165.2</b>	<b>87 909.2</b>	<b>89 059.1</b>

## Expenditure trends

The revenue figures before 2007/2008 included revenue billed on behalf of the Trans-Caledon Tunnel Authority (approximately R1.8 billion in 2006/2007), which is now treated outside of the water trading entities revenue stream. This explains the reduction in the revenue figures since 2007/08. Revenue has fallen from R4.8 billion in 2005/06 to R2 billion in 2008/09 at an annual average rate of 343.9 per cent.

Revenue from water resource management charges and water resource infrastructure charges are projected to increase from R1.3 billion in 2007/2008 to R2.2 billion in 2011/2012. This average annual 59 per cent increase is in line with the capping provisions of the pricing strategy. The pricing strategy aims to phase in the higher return on assets recovery based pricing methodology calculated on the correctly valued National Water Research Institute asset base.

Compensation of employee shows an initial decline between 2005/06 and 2007/08 as a result of improved internal processes and the capitalisation of direct labour costs for infrastructure development. The annual

increases for the next three years are due to inflation, the separation of water trading entity functions from the main account, and the filling of those posts.

Goods and services costs before 2007/2008 included the amounts paid over to the Trans-Caledon Tunnel Authority for revenue billed, which accounts for the reduction in goods and services after 2007/08. The figures for 2008/09 and the preceding years also include a misallocation of capital expenditure on the refurbishment of infrastructure assets and increases in provision for bad debts.

The statement of financial position contains a few noteworthy trends. The accounts receivable and prepayments show an initial increase between 2005/06 and 2007/08 due to the implementation of accrual accounting and the overstatement of opening balances. The amounts accrued under accounts receivable and prepayments are expected to stabilise over the MTEF period. The substantial increase in the carrying value of assets in 2007/08 is a result of the enterprise wide asset management and revaluation project, which corrected misallocations and accounted all National Water Research Institute assets. The refurbishment and rehabilitation costs of existing National Water Research Institute assets will increase from R264.7 million in 2008/9 to R738.4 million in 2011/12 in line with the current initiative to capitalise direct costs incurred on such projects.

## **Trans-Caledon Tunnel Authority**

### **Strategic overview: 2005/06 – 2011/12**

The Trans-Caledon Tunnel Authority functions in terms of the National Water Act (1988).

The authority is a specialised liability management entity responsible for developing cost effective bulk raw water infrastructure. Liability management requires the authority to determine the viability of each project and match assets and liabilities in a framework within which cost effective funding mechanisms can be developed.

Since the Lesotho Highlands water project was completed, more emphasis has been placed on sophisticated debt management within a conservative risk management framework. In 2002, the Trans-Caledon Tunnel Authority was mandated to implement the Berg water project, due to be completed in March 2008. As implementer of this water resource development, the authority had to devise innovative processes and structures to ensure sustainability. It was the first major project to be implemented following changes to environmental legislation and the release of the World Commission on Dams development guidelines.

The Trans-Caledon Tunnel Authority provides financial and treasury management services to designated water boards, water management institutions and the Department of Water Affairs and Forestry, as follows:

- advisory services to the department on the financing and institutional arrangements for the Olifants River water resource development project
- review of the national raw water pricing strategy
- advisory services to the department on financing and implementing the Mooi-Umgeni Dam in KwaZulu-Natal
- advisory services to the department on the review of the financial framework for the Kunzvi Dam
- change over of the Umgeni Water financing services from an intervention directive to a commercial arrangement
- advisory services to the department to assess options to unlock the tariff disputes and refinance the debt of Impala Water User Association
- financing and implementing the Vaal River eastern sub-system augmentation project.

In August 2005, Cabinet approved the creation of the National Water Resource Infrastructure Agency. This agency will pool the resources of the Trans-Caledon Tunnel Authority and the department's infrastructure branch (development and operations) to develop, finance and manage the country's national water resources.

Over the medium term, the Trans-Caledon Tunnel Authority will focus on:

- delivering on its mandates and directives to meet stakeholders' expectations
- achieving sustainable growth and the ability to fund own operations by implementing appropriate financial models

- applying best practice and innovative engineering solutions to ensure competitiveness
- preparing for the successful integration into the National Water Resource Infrastructure Agency.

## Selected performance and operations indicators

**Table 34.10 Trans-Caledon Tunnel Authority**

Indicator	Past			Current	Projections <sup>1</sup>		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Cost of financing							
Lesotho Highlands water project							
Benchmark	10.68%	8.16%	9.55%	10.54%			
Actual	10.65%	7.95%	9.11%	10.31%	–	–	–
Berg River water project							
Benchmark	7.11%	8.39%	10.45%	11.84%			
Actual	7%	8%	10.17%	11.79%	–	–	–
Vaal River eastern subsystem augmentation project							
Benchmark	7.13%	8.31%	10.33%	11.85%			
Actual	7.1%	8.29%	10.21%	11.73%	–	–	–
Credit rating							
Berg River water project							
Long term	AA+	maintained A	maintained A	maintained AA	maintained AA+	maintained AA+	maintained AA+
Short term	F1+	A+	A+	+			
Vaal River eastern subsystem augmentation project							
Long term	AA+	maintained AA+	maintained AA+	maintained AA	maintained AA+	maintained AA+	maintained AA+
Short term	F1+			+			

1. Funds will be raised within approved benchmarks

## Service delivery and spending focus

The Trans-Caledon Tunnel Authority successfully implemented the Berg Water project, completing it below the initial budget and in a short timeframe. The project's excellent credit ratings of AA+ (zaf) long term and F1+ (zaf) short term were confirmed at the end 2007/08.

Water delivery for the Vaal River eastern subsystem augmentation project started in December 2008. Construction on the permanent abstraction works will be completed in May 2010, with costs expected to remain within the revised approved budget of R2.7 billion.

In view of its successful track record in implementing and financing projects, the Trans-Caledon Tunnel Authority was given four additional mandates to carry out, at a cost of R27 billion. These include managing, financing and implementing the Crocodile Mokolo water augmentation project (R17.3 billion), the Komati water supply augmentation project, the Olifants River water resource development project, and phase 2 of the Mooi-Mgeni transfer scheme.

## Expenditure estimates

**Table 34.11 Trans-Caledon Tunnel Authority: Financial information**

R million	Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>2 001.8</b>	<b>2 407.0</b>	<b>2 540.6</b>	<b>2 445.3</b>	<b>2 867.5</b>	<b>3 034.3</b>	<b>3 266.3</b>
Sale of goods and services other than capital assets	1 776.1	1 952.0	2 088.8	2 412.9	2 832.4	2 987.6	3 226.7
of which:							
Bulk water sales	1 776.1	1 952.0	2 088.8	2 412.9	2 832.4	2 987.6	3 226.7
Other non-tax revenue	225.7	455.0	451.8	32.4	35.1	46.7	39.6
<b>Total revenue</b>	<b>2 001.8</b>	<b>2 407.0</b>	<b>2 540.6</b>	<b>2 445.3</b>	<b>2 867.5</b>	<b>3 034.3</b>	<b>3 266.3</b>



**Table 34.11 Trans-Caledon Tunnel Authority: Financial information (continued)**

R million	Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Expenses</b>							
<b>Current expense</b>	<b>2 589.6</b>	<b>2 520.6</b>	<b>2 702.1</b>	<b>2 804.0</b>	<b>2 948.9</b>	<b>3 258.7</b>	<b>4 278.6</b>
Compensation of employees	20.0	36.0	57.2	62.4	85.5	80.7	85.9
Goods and services	462.1	547.5	496.9	524.2	616.6	631.3	692.4
Depreciation	29.3	96.1	36.0	2.4	5.5	2.1	1.4
Interest, dividends and rent on land	2 078.2	1 841.0	2 112.0	2 215.1	2 241.3	2 544.7	3 498.8
<b>Total expenses</b>	<b>2 589.6</b>	<b>2 520.6</b>	<b>2 702.1</b>	<b>2 804.0</b>	<b>2 948.9</b>	<b>3 258.7</b>	<b>4 278.6</b>
<b>Surplus / (Deficit)</b>	<b>(587.9)</b>	<b>(113.6)</b>	<b>(161.5)</b>	<b>(358.7)</b>	<b>(81.4)</b>	<b>(224.4)</b>	<b>(1 012.3)</b>
<b>Statement of financial position</b>							
Carrying value of assets	15 900.4	17 536.0	18 579.9	19 118.9	20 402.2	25 588.2	33 647.1
of which: Acquisition of assets	470.4	1.8	12.9	541.3	1 288.8	5 188.2	8 060.3
Investments	150.7	1 018.1	1 892.7	3 046.3	3 700.9	4 966.3	6 231.6
Receivables and prepayments	701.4	547.8	480.4	480.4	480.4	480.4	480.4
Cash and cash equivalents	0.7	0.1	0.0	0.0	0.0	0.0	0.0
<b>Total assets</b>	<b>16 753.2</b>	<b>19 102.0</b>	<b>20 953.0</b>	<b>22 645.7</b>	<b>24 583.5</b>	<b>31 035.0</b>	<b>40 359.2</b>
Accumulated surplus/deficit	(3 357.1)	(3 510.0)	(3 550.8)	(3 909.5)	(3 990.9)	(4 215.3)	(5 227.6)
Capital and reserves	–	141	–	–	–	–	–
Borrowings	19 349.4	21 786.5	21 966.3	24 379.4	27 418.3	34 873.8	44 139.9
Trade and other payables	758.5	681.9	2 534.9	2 173.1	1 153.5	373.8	1 444.2
Provisions	2.4	2.6	2.7	2.7	2.7	2.7	2.7
<b>Total equity and liabilities</b>	<b>16 753.2</b>	<b>19 102.0</b>	<b>20 953.0</b>	<b>22 645.7</b>	<b>24 583.5</b>	<b>31 035.0</b>	<b>40 359.2</b>

### Expenditure trends

The substantial increase in expenditure between 2008/9 and 2010/11 is driven by an increase in the number of projects implemented by the Trans-Caledon Tunnel Authority, from 3 to 7. Growth in expenditure has been relatively stable, rising from R2.6 billion in 2005/06 to R2.7 billion in 2007/08, due to the increased costs associated with the predesign, design and handover of projects. Expenditure is expected to increase dramatically over the MTEF period, rising from R2.8 billion in 2008/09 to R4.3 billion in 2011/12 as the construction on these projects get under way.

### Rand Water

#### Strategic overview: 2005/06 - 2011/12

Rand Water aims to be a provider of sustainable, universally competitive water and sanitation solutions for Africa. To position Rand Water to deliver in terms of its vision, respond optimally to the dynamics of a rapidly changing sector and the environment in which it functions, and meet the needs of its stakeholders, the strategic objectives that will guide the activities, business focus and the allocation of resources over the MTEF period during are: achieve growth; achieve operational integrity and use best fit technology; achieve a high performance culture; and positively engage the stakeholder base.

## Selected performance and operations indicators

Table 34.12 Rand Water

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Net debt/equity ratio	0.17	0.14	0.12	0.11	0.10	0.08	0.07
Debt service	6.26	10.37	11.03	9.19	12.44	13.41	14.56
Debt/asset	0.14	0.12	0.10	0.09	0.08	0.07	0.06
Costs per kilolitre (Rc/kl)	2.55	2.77	2.79	3.19	3.33	3.52	3.73
Profit for the year	R597.2m	R726.2m	R807.8m	R629.5m	R718m	R751m	R757m

## Service delivery and spending focus

By June 2007, Rand Water's distribution increased by 6.3 per cent, resulting in an average demand of 3 674 mega litres per day. Rand Water met all peak daily demands, thus abiding by the bulk water supply contract. In February and March 2007, this was more than 4 000 mega litres a day on average over four to five weeks. Supply is based on the Rand Water general water supply conditions, and key to these are customer satisfaction requirements. To ensure this, there are ongoing programmes for refurbishing, renovating and replacing pipelines.

## Expenditure estimates

Table 34.13 Rand Water: Financial information

R million	Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>3 811.3</b>	<b>4 309.4</b>	<b>4 554.6</b>	<b>4 841.0</b>	<b>5 106.0</b>	<b>5 471.0</b>	<b>5 844.0</b>
Sale of goods and services other than capital assets	3 672.1	4 118.6	4 274.4	4 579.2	4 907.0	5 259.0	5 626.0
of which:							
Bulk water sales	3 672.1	4 118.6	4 274.4	4 579.2	4 907.0	5 259.0	5 626.0
Other non-tax revenue	139.1	190.8	280.2	261.8	199.0	212.0	218.0
<b>Total revenue</b>	<b>3 811.3</b>	<b>4 309.4</b>	<b>4 554.6</b>	<b>4 841.0</b>	<b>5 106.0</b>	<b>5 471.0</b>	<b>5 844.0</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>3 214.1</b>	<b>3 565.0</b>	<b>3 745.1</b>	<b>4 211.4</b>	<b>4 388.0</b>	<b>4 720.0</b>	<b>5 087.0</b>
Compensation of employees	458.0	642.1	726.1	780.1	755.0	807.0	862.0
Goods and services	2 486.9	2 687.8	2 744.6	3 162.6	3 299.0	3 556.0	3 843.0
Depreciation	139.1	160.1	175.8	171.1	243.0	270.0	300.0
Interest, dividends and rent on land	130.0	74.9	98.6	97.7	91.0	87.0	82.0
<b>Transfers and subsidies</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>15</b>	<b>–</b>	<b>–</b>
<b>Total expenses</b>	<b>3 214.1</b>	<b>3 566.5</b>	<b>3 746.8</b>	<b>4 211.4</b>	<b>4 403.4</b>	<b>4 720.0</b>	<b>5 087.0</b>
<b>Surplus / (Deficit)</b>	<b>597.2</b>	<b>743.0</b>	<b>807.8</b>	<b>629.5</b>	<b>702.6</b>	<b>751.0</b>	<b>757.0</b>
<b>Statement of financial position</b>							
Carrying value of assets	4 285.7	4 572.7	5 020.8	5 789.5	6 432.5	7 169.5	8 002.5
of which: Acquisition of assets	362.1	456.0	640.2	939.9	886.0	1 007.0	1 133.0
Investments	138.3	132.6	124.2	137.6	133.0	–	–
Inventory	34.8	37.2	41.0	62.0	50.0	54.0	58.0
Receivables and prepayments	418.0	520.2	476.1	554.8	677.0	724.0	773.0
Cash and cash equivalents	510.1	994.7	1 349.6	1 287.4	1 385.5	1 518.5	1 557.5
Assets not classified elsewhere	–	–	8.7	–	–	–	–
<b>Total assets</b>	<b>5 386.8</b>	<b>6 257.3</b>	<b>7 020.4</b>	<b>7 831.3</b>	<b>8 678.0</b>	<b>9 466.0</b>	<b>10 391.0</b>
Accumulated surplus/deficit	3 771.8	4 509.0	5 307.1	5 936.6	6 699.0	7 476.0	8 289.0
Borrowings	748.3	725.7	728.5	726.9	724.0	624.0	623.0
Post-retirement benefits	216.1	236.7	246.8	308.7	350.0	393.0	439.0
Trade and other payables	594.7	705.9	735.2	859.0	905.0	973.0	1 040.0
Provisions	56.0	80.0	–	–	–	–	–
Liabilities not classified elsewhere	–	–	2.8	–	–	–	–
<b>Total equity and liabilities</b>	<b>5 386.8</b>	<b>6 257.3</b>	<b>7 020.4</b>	<b>7 831.3</b>	<b>8 678.0</b>	<b>9 466.0</b>	<b>10 391.0</b>

## Expenditure trends

Rand Water's expenditure trends are discussed with Umgeni Water's below.

## Umgeni Water

### Strategic overview: 2005/06 - 2011/12

Umgeni Water embarked on a strategy five years ago to turn the organisation around. The 10-year corporate strategy plan for 2002 to 2012 committed Umgeni Water to continually improve its financial strength through sound financial management, operational efficiency and economically viable expansion. This meant that the following key principles were adopted:

- the implementation of a new tariff methodology based on cash flows (this ensured the solvency of the business)
- the reduction of debt levels by reducing operating expenditure and deferring capital expenditure where possible (this meant that the business had to be completely reviewed and a major corporate restructure programme was instituted)
- the restructuring of the balance sheet so that Umgeni Water exited market making, moved towards a more appropriate capital structure, and achieved greater asset-liability matching
- review of non-core assets to the business.

### Selected performance and operations indicators

**Table 34.14 Umgeni Water**

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Net debt/equity ratio	4.93	2.60	1.11	0.75	0.64	0.49	0.35
Debt service	1.48	2.14	3.37	4.14	3.65	4.51	5.20
Debt/asset	0.76	0.67	0.57	0.56	0.36	0.31	0.25
Costs per kilolitre (Rc/kl)	R2.69	R2.53	R2.24	R2.62	R2.43	R2.58	R2.64
Profit for the year	R137.6m	R250.5m	R392.9m	R438.5m	R448.4m	R484.8m	R558.5m

### Service delivery and spending focus

In 2007/08, Umgeni Water provided bulk potable water services to eThekweni metropolitan municipality, Ugu, iLembe, Sisonke and uMgungundlovu district municipalities, and Msunduzi local municipality. Sales volume grew by 8.4 per cent in 2007/08 compared to 2006/07. Water sales exceeded budget, with average annual daily demand of 1 106 mega litres per day compared to 1 021 mega litres per day in 2006/07. The iLembe bulk supply (KwaDukuza area 15.2 per cent) and Amanzimtoti water works (6.3 per cent) were the main contributors to increased sales volumes. Amanzimtoti water works sale volume increased from 4.7 mega litres per day in 2006/07 to 10.3 mega litres per day in 2007/08.

With assets worth R2.3 billion, a comprehensive strategy ensures continuous operability and full functionality to meet short and long term requirements.

Relationships with customers are managed through the bulk water supply agreements. Umgeni Water has entered into long term agreements with the six water services authorities. In the interim, a memorandum of understanding has been concluded with Sisonke district municipality with a view to signing a bulk water supply agreement. These agreements are in line with the model agreement developed by the South African Local Government Association and the South African association of Water Utilities, and regulate the terms and conditions of bulk water supply between Umgeni Water and its customers.

## Expenditure estimates

Table 34.15 Umgeni Water: Financial information

R million	Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>1 300.4</b>	<b>1 286.4</b>	<b>1 405.6</b>	<b>1 689.3</b>	<b>1 638.0</b>	<b>1 673.9</b>	<b>1 791.6</b>
Sale of goods and services other than capital assets	1 084.5	1 188.0	1 289.0	1 537.0	1 512.1	1 655.0	1 781.4
of which:							
Bulk water sales	1 084.5	1 188.0	1 289.0	1 537.0	1 512.1	1 655.0	1 781.4
Other non-tax revenue	215.9	98.3	116.6	152.3	125.9	18.9	10.1
<b>Total revenue</b>	<b>1 300.4</b>	<b>1 286.4</b>	<b>1 405.6</b>	<b>1 689.3</b>	<b>1 638.0</b>	<b>1 673.9</b>	<b>1 791.6</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>1 162.8</b>	<b>1 035.8</b>	<b>1 012.7</b>	<b>1 250.7</b>	<b>1 189.6</b>	<b>1 189.1</b>	<b>1 233.1</b>
Compensation of employees	207.1	240.6	268.8	272.0	308.2	332.0	356.9
Goods and services	323.4	323.5	316.3	531.5	425.1	532.0	651.7
Depreciation	158.4	162.3	156.9	162.0	168.1	174.9	88.6
Interest, dividends and rent on land	473.9	309.4	270.8	285.2	288.1	150.2	135.9
<b>Total expenses</b>	<b>1 162.8</b>	<b>1 035.8</b>	<b>1 012.7</b>	<b>1 250.7</b>	<b>1 189.6</b>	<b>1 189.1</b>	<b>1 233.1</b>
<b>Surplus / (Deficit)</b>	<b>137.6</b>	<b>250.5</b>	<b>392.9</b>	<b>438.5</b>	<b>448.4</b>	<b>484.8</b>	<b>558.5</b>
<b>Statement of financial position</b>							
Carrying value of assets	2 491.6	2 538.2	2 535.6	2 792.3	3 302.3	3 669.3	4 051.6
of which: Acquisition of assets	504.8	232.3	161.1	418.7	678.1	541.9	471.0
Investments	366.4	528.9	945.5	1 283.9	53.7	34.4	37.3
Inventory	6.9	7.5	10.3	10.3	10.3	10.3	10.3
Receivables and prepayments	117.5	137.8	150.2	158.2	173.5	188.3	201.8
Cash and cash equivalents	13.4	21.2	13.6	0.5	0.3	0.2	0.6
Assets not classified elsewhere	1.3	3.1	5.6	0.0	0.0	0.0	0.0
<b>Total assets</b>	<b>2 997.1</b>	<b>3 236.6</b>	<b>3 660.9</b>	<b>4 245.2</b>	<b>3 540.1</b>	<b>3 902.3</b>	<b>4 301.5</b>
Accumulated surplus/deficit	(66.0)	184.6	577.4	1 008.4	1 456.7	1 941.5	2 500.0
Capital and reserves	456.1	451.2	445.1	446.6	446.6	446.6	446.6
Borrowings	2 284.8	2 180.6	2 078.3	2 378.9	1 277.4	1 206.2	1 055.1
Post-retirement benefits	97.9	119.5	164.4	122.7	91.1	42.9	37.9
Trade and other payables	154.8	171.9	235.6	232.8	232.8	232.8	232.8
Provisions	29.4	86.2	119.8	17.3	17.3	17.3	17.3
Liabilities not classified elsewhere	40.0	42.6	40.3	38.3	18.0	15.0	11.7
<b>Total equity and liabilities</b>	<b>2 997.1</b>	<b>3 236.6</b>	<b>3 660.9</b>	<b>4 245.2</b>	<b>3 540.1</b>	<b>3 902.3</b>	<b>4 301.5</b>

## Expenditure trends

In 2006/07, the consolidated revenue from the sale of bulk water was R5.3 billion, of which Rand Water accounted for R4.2 billion and Umgeni Water for R1.2 billion. Revenue is expected to grow from R6.1 billion in 2008/09 to R7.4 billion in 2011/12 at an average annual rate of 6.6 per cent.

Rand Water is refurbishing its assets, a process which will amount to R2.9 billion over the MTEF period. Umgeni Water is expanding its services to communities not previously served. Their capital expenditure over the MTEF period is expected to amount to R1.6 billion. The infrastructure expansion drive is aimed at smaller communities in urban and peri-urban area.

Infrastructure developments for Rand Water and Umgeni Water will be financed by a combination of internal sources and debt finance. Smaller water boards like Namakwa Water will have to rely on debt funding and government grants to meet current and future demands.

## Additional tables

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

Programme	Appropriation		Audited outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R million	2007/08		2007/08	2008/09			2008/09
1. Administration	502.1	535.6	601.2	586.7	5.0	591.7	585.8
2. Water Resources Management	2 430.0	2 902.8	2 466.2	3 238.4	289.7	3 528.1	3 028.1
3. Water Services	1 913.7	1 913.7	1 866.9	2 428.0	(4.2)	2 423.8	2 363.8
4. Forestry	460.5	510.4	451.1	446.2	46.8	493.0	489.0
<b>Total</b>	<b>5 306.3</b>	<b>5 862.5</b>	<b>5 385.4</b>	<b>6 699.3</b>	<b>337.3</b>	<b>7 036.6</b>	<b>6 466.7</b>
<b>Economic classification</b>							
<b>Current payments</b>	<b>3 175.7</b>	<b>2 959.3</b>	<b>2 854.2</b>	<b>3 786.8</b>	<b>(546.8)</b>	<b>3 240.0</b>	<b>3 234.1</b>
Compensation of employees	1 098.9	1 365.4	1 162.6	1 265.5	66.9	1 332.4	1 326.5
Goods and services	2 076.1	1 593.1	1 686.6	2 520.5	(613.7)	1 906.9	1 906.9
Interest and rent on land	0.7	0.7	1.3	0.8	(0.0)	0.7	0.7
Financial transactions in assets and liabilities	—	—	3.7	—	—	—	—
<b>Transfers and subsidies</b>	<b>2 030.2</b>	<b>2 439.6</b>	<b>2 052.6</b>	<b>2 834.7</b>	<b>433.2</b>	<b>3 268.0</b>	<b>2 768.0</b>
Provinces and municipalities	550.0	722.0	732.9	861.5	133.2	994.7	994.7
Departmental agencies and accounts	1 347.8	1 625.8	1 190.2	1 936.9	260.0	2 196.9	1 696.9
Public corporations and private enterprises	103.6	39.0	41.7	2.7	—	2.7	2.7
Foreign governments and international organisations	0.5	0.5	0.5	0.6	—	0.6	0.6
Non-profit institutions	0.3	0.3	0.4	0.4	—	0.4	0.4
Households	27.9	51.9	86.9	32.7	40.0	72.7	72.7
<b>Payments for capital assets</b>	<b>100.5</b>	<b>463.6</b>	<b>478.6</b>	<b>77.8</b>	<b>450.9</b>	<b>528.6</b>	<b>464.6</b>
Buildings and other fixed structures	23.6	367.3	331.0	5.6	413.0	418.6	358.6
Machinery and equipment	74.4	46.2	44.5	56.3	2.8	59.0	55.0
Cultivated assets	—	—	0.2	—	—	—	—
Software and intangible assets	2.5	50.1	103.0	15.9	35.1	51.0	51.0
<b>Total</b>	<b>5 306.3</b>	<b>5 862.5</b>	<b>5 385.4</b>	<b>6 699.3</b>	<b>337.3</b>	<b>7 036.6</b>	<b>6 466.7</b>

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

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Permanent and full time contract employees</b>							
Compensation (R million)	1 105.3	1 201.9	1 136.9	1 238.8	1 229.9	1 216.1	1 301.6
Unit cost (R million)	0.1	0.2	0.2	0.1	0.1	0.1	0.1
Personnel numbers (head count)	7 399	7 469	7 399	10 848	10 848	10 848	10 848
<b>Part time and temporary contract employees</b>							
Compensation (R million)	21.3	22.4	23.5	91.2	95.5	95.5	95.5
Unit cost (R million)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Personnel numbers (head count)	290	290	290	1 073	1 073	1 073	1 073
<b>Interns</b>							
Compensation of interns (R million)	2.0	2.1	2.2	2.4	2.5	2.5	2.5
Unit cost (R million)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Number of interns	36	40	40	40	40	40	40
<b>Total for department</b>							
<b>Compensation (R million)</b>	<b>1 128.6</b>	<b>1 226.4</b>	<b>1 162.6</b>	<b>1 332.4</b>	<b>1 327.9</b>	<b>1 314.1</b>	<b>1 399.6</b>
<b>Unit cost (R million)</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Personnel numbers (head count)</b>	<b>7 725</b>	<b>7 799</b>	<b>7 729</b>	<b>11 961</b>	<b>11 961</b>	<b>11 961</b>	<b>11 961</b>
<b>Learnerships</b>							
Payments for learnerships (R million)	2.9	3.0	3.2	3.4	3.5	3.5	3.5
Number of learnerships (head count)	189	189	189	189	189	189	189

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

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Compensation of employees (R million)	1 128.6	1 226.4	1 365.4	1 905.2	1 974.7	1 974.7	1 974.7
Training expenditure (R million)	34.9	37.0	38.9	40.8	63.1	65.7	67.3
Training as percentage of compensation	3.1%	3.0%	2.8%	2.1%	3.2%	3.3%	3.4%
Total number trained in department (head count)	2 195	2 181	2 220	2 923			
of which:							
Employees receiving bursaries (head count)	164	392	384	364			
Learnerships trained (head count)	189	189	189	189			
Internships trained (head count)	36	40	40	96			
Households receiving bursaries (R million)	240.0	630.0	630.0	16.2	15.0	15.9	16.9
Households receiving bursaries (head count)	16	42	42	120			

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

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Conditional grants to provinces</b>							
<b>Conditional grants to municipalities</b>							
<b>3. Water Services</b>							
Water services operating subsidy grant	164.5	385.7	641.7	985.6	978.6	570.0	380.0
Municipal drought relief grant	–	–	91.2	9.0	–	–	–
<b>Total</b>	<b>164.5</b>	<b>385.7</b>	<b>732.9</b>	<b>994.6</b>	<b>978.6</b>	<b>570.0</b>	<b>380.0</b>

1. Detail provided in the Division of Revenue Act (2009)

**Table 34.E Summary of departmental public private partnership projects**

Project description: National fleet project		Project annual unitary fee at time of contract	Budgeted expenditure	Medium-term expenditure estimate		
R million			2008/09	2009/10	2010/11	2011/12
<b>Projects signed in terms of Treasury Regulation 16</b>		<b>535.1</b>	<b>106.8</b>	<b>112.1</b>	<b>117.7</b>	<b>124.8</b>
PPP unitary charge <sup>1</sup>		535.1	106.8	112.1	117.7	124.8
<b>Total</b>		<b>535.1</b>	<b>106.8</b>	<b>112.1</b>	<b>117.7</b>	<b>124.8</b>

1. Phavis fleet services public private partnership. Disclosure notes for this project can be viewed in the public private partnership table of the Department of Transport.

**Disclosure notes for projects signed in terms of Treasury Regulation 16**

Project name	The provisioning of fleet management services to the national Department of Transport
Brief description	The monthly hiring of long term and short term vehicles
Date public private partnership agreement was signed	14 November 2006 with the National Department of Transport
Duration of public private partnership agreement	5 years, starting on 14 November 2006
Escalation index for unitary fee	Based on annual CPIX, revised every year on 14 November



Table 34.F Summary of donor funding

Donor	Project	Departmental programme name	Amount committed	Main economic classification	Spending focus	Audited outcome			Estimate 2008/09	Medium-term expenditure estimate		
						2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
R thousand												
Foreign												
In cash												
European Union	Water and sanitation services	Water Services	1 391 000	Goods and services	Close collaboration with Department of Provincial and Local Government to support delivery. Increased effort by sector partners to fast track procurement, service delivery and build capacity for sustainable services	148 561	237 410	281 065	418 450	108 229	429 440	-
Finland	Working for Water programme	Water Resources Management	-	Goods and services	Vuolinda skills project: Non-profit organisations work	335	-	23	-	-	-	-
France	Community water supply and sanitation	Water Services	-	Goods and services	Construction of 4 boreholes, 6 control rooms, reticulation networks to 102 communal taps	-	-	-	-	-	-	-
Ireland	Water and sanitation programme	Water Services	279 500	Goods and services	Interactive video to induct new councillors	13 711	35 625	43 290	52 319	52 460	52 460	52 460
Netherlands	Community water supply and sanitation	Water Services	-	Goods and services	Improved water supply in the 3 completed villages with objectives and measures done by the municipality	-	-	-	-	-	-	-
Norway	Sustainable development of ground water	Water Services	-	Goods and services	Capacity building of village builders, technical team and local entrepreneurs	1 681	-	-	-	-	-	-
Republic of China	Community forestry	Forestry	195	Goods and services	A Win Compass computer system, 3 Vertex hypsometers and 2 GPS systems were procured, as well as project planning and road mapping which was done at Injaka state forest	-	1	-	194	-	-	-
United Kingdom	Water services (Masibambane programme)	Water Services	-	Goods and services		-	2 058	-	-	-	-	-
Flanders	Water and sanitation for deep rural areas	Water Services	-	Goods and services	Improved water supply in the 3 completed villages with objectives and measures done by the municipality. Local municipalities and water and sanitation committees ran projects in identified villages and had training sessions. Established awareness campaigns in the water villages	4 595	4 134	-	-	-	-	-

Table 34.F Summary of donor funding (continued)

Donor	Project	Departmental programme name	Amount committed	Main economic classification	Spending focus	Audited outcome			Estimate 2008/09	Medium-term expenditure estimate	
						2005/06	2006/07	2007/08		2009/10	2010/11
Foreign In cash	R thousand										
	African Renaissance Fund	Upgrading of hydrometric equipment in Lesotho		– Goods and services	3 gauging stations in Lesotho equipped with electronic data capturing equipment	1 179	–	1 151	1 500	1 470	–
	Denmark	Community water supply and sanitation		– Goods and services	Create awareness and capacitate communities to implement projects that protect, use, develop, conserve, manage and control water resources	–	3 447	2 281	4 972	12	7
	Switzerland	Local government capacity building	9 800	Goods and services	Collaboration with Water Information Network SA and 3 resource centres: India, Pakistan and the Netherlands. Launched the learning journal manual workshop	2 000	3 000	3 500	800	–	–
In kind	China	Pipes and water meters	125 522	Goods and services	Phase I: US\$15 million pipes were implemented, 39 per cent of water meters were implemented, water pipes were delivered to 150 different projects in 5 provinces, 37 per cent of pipes were implemented, and 80 000 of the 220 000 water meters were received and distributed to all 9 provinces	85 122	35 900	4500	–	–	–
	United Kingdom	Support to water services	–	Goods and services	National framework agreement enforcement policy	5 121	4 237	2 867	–	–	–
	United Kingdom	Corporate institutional transformation	–	Goods and services	Stream flow reduction allocations streamlining support	8 807	–	–	–	–	–
	United Kingdom	Support to water resources	–	Goods and services	Training material on national framework allocation	11 238	6 742	12 347	–	–	–
United Kingdom Department for International Development	Partners for water and sanitation	Water Resources Management	–	Goods and services	Terms of reference for the appointment of an international technical advisor were developed. 3 regional coordinators were appointed. 20 capacity building initiatives were being developed	–	250	137	–	–	–

Table 34.F Summary of donor funding (continued)

Table 5.11: Summary of spending (continued)											
Donor	Project	Departmental programme name	Amount committed	Main economic classification	Spending focus	Audited outcome		Estimate 2008/09	Medium-term expenditure estimate		
						2005/06	2006/07		2007/08	2009/10	2010/11
R thousand											
Foreign In cash											
The Netherlands	Twinning arrangement with Dutch water boards	Water Resources Management	–	Goods and services	In phase I, the following were established: RDM training network; groundwater training network; beneficial use of water network; wetlands training network. The further education and training water guideline was developed	–	600	1 615	–	2 080	–
Total			1 806 017			282 350	333 404	352 776	478 235	164 251	52 460

Table 34.G Summary of expenditure on infrastructure

	Type of infrastructure	Service delivery outputs	Current project stage	Total project cost	Audited outcome		Adjusted appropriation	Medium-term expenditure estimate			
					2005/06	2006/07		2007/08	2009/10	2010/11	2011/12
R million	Mega projects or programmes (over R300 million per year for a minimum of three years or R900 million total project cost)										
OWRDP(Ph2A): De Hoop Dam	Dam	Water supply to new mining developments, supplementation of water supplies to Polokwane and to supply water for primary use to various communities on the Nebo Plateau and Steelpoort valley	Construction	2 278.2	18.0	58.2	178.8	664.3	533.7	454.5	271.4
ORWRDP (Ph2B-1): Bulk distribution	Pump stations, pipelines	Bulk distribution works from Flag Boshielo to Mokopane, De Hoop to Steelpoort link, Steelpoort to Mooihoek. Supply to Lebalale, Lebalale to Olifantspoort, De Hoop to Steelpoort, Nebo Plateau and Roosenekal	Design	900.0	-	-	-	22.8	100.0	342.0	321.8
Dam safety rehabilitation	Dams	Rehabilitation of dams and dam safety work	Design/Construction	2 129.6	218.4	380.8	704.3	456.7	479.6	524.2	320.7

Table 34.G Summary of expenditure on infrastructure (continued)

R million	Type of infrastructure	Service delivery outputs	Current project stage	Total project cost	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
					2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
Large projects or programmes (costing between R50 million and R300 million per year within the MTEF period)											
Inyaka WTW Ph 11	Water treatment plant	Supply of water to Bohlabela district municipality	Construction	523.0	6.7	37.2	38.6	57.0	85.5	68.4	51.3
	Pumps, pipelines	Water supply to the Vhembe district municipality	Construction	918.6	–	94.4	97.3	131.1	171.4	148.2	114.0
	Pipelines, pump stations, dam	Augmentation of water supply to the new power station(s); extensions to mining activities and fast growing population in the area	Planning/Design	934.8	–	–	–	–	11.4	37.6	364.8
Nwamitwa dam	Dam, water treatment plant, pipelines, reservoirs	To meet the projected growing primary supply requirements to the year 2025, to improve the water availability for the riverine ecosystem and to stabilize water availability to the irrigation sector including the establishment of resource poor farmers	Planning/Design	1 254.0	–	–	–	36.5	182.4	216.7	257.2
Mzimkulu River off-channel storage	Dam, pump station, pipeline	Ensure a reliable water supply to the northern part of the lower KwaZulu-Natal South Coast during dry periods	Planning/Design	262.2	–	–	–	–	–	–	–
Lower Sundays off-channel storage	Canal, balancing dam, pipeline	Extension of the lower Sundays GWS canal system with the emphasis to provide irrigation water to resource poor farmers	Planning/Design	444.6	–	–	–	–	–	–	–
Raising of Clanwilliam Dam	Dam	Upgrading of the existing dam to stabilise the distortion and the augmentation of water supply to meet increasing demands	Planning/Design	661.8	–	–	–	–	45.6	67.8	216.6

Table 34.G Summary of expenditure on infrastructure (continued)

R million	Type of infrastructure	Service delivery outputs	Current project stage	Total project cost	Audited outcome		Adjusted appropriation	Medium-term expenditure estimate			
					2005/06	2006/07		2007/08	2009/10	2010/11	2011/12
Small projects or programmes (costing less than R50 million per annum)											
Hluhluwe Ph 111	Reservoirs, pipelines	Construction of reservoirs and pipelines	Construction	258.6	–	–	30.0	45.6	51.3	37.6	14.5
	Nandoni water treatment works	Water supply to the Vhembe district municipality	Construction	438.1	102.1	55.8	103.6	85.5	17.1	2.3	–
	Mvoti River-iSithundu Dam	To secure water supply to domestic and industrial users in the lower Mvoti basin area (Stanger area, KwaZulu-Natal)	Planning	666.9	–	–	–	–	–	–	–
Hazelmere Dam raising	Dam (radial crest gates)	Augmentation of water supply to Umgeni Water for treatment to KwaZulu-Natal north coast (Mdloti to Thukela areas)	Planning/Design	68.4	–	–	–	34.2	34.2	–	–
Middle Letaba	Water treatment works, pump station, pipeline	Augmentation of water supply	Construction	97.4	14.4	14.1	13.1	53.9	–	–	–
Total				11 836.2	359.6	640.4	1 165.9	1 587.7	1 712.2	1 899.3	1 932.3