

Vote 37

Water Affairs

Budget summary

R million	2010/11				2011/12	2012/13
	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	884.2	833.6	11.7	38.9	902.1	947.8
Water Management	364.7	355.8	0.8	8.2	386.6	405.9
National Water Resources Infrastructure Programme	2 241.4	–	2 241.4	–	2 520.2	2 740.0
Regional Management	4 329.0	2 303.9	948.5	1 076.6	5 077.3	5 320.5
Water Sector Regulation	177.2	139.5	36.1	1.6	204.0	214.1
Total expenditure estimates	7 996.6	3 632.8	3 238.5	1 125.3	9 090.2	9 628.2
Executive authority	Minister of Water and Environmental Affairs					
Accounting officer	Director-General of Water Affairs					
Website address	www.dwa.gov.za					

The Estimates of National Expenditure booklets for individual votes are available on www.treasury.gov.za. They provide more comprehensive coverage of vote specific information, particularly about goods and services, transfers, public entities and lower level institutional information.

Aim

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

Programme purposes

Programme 1: Administration

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

Programme 2: Water Management

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

Programme 3: National Water Resources Infrastructure Programme

Purpose: Ensure a reliable supply of water, with accessible risk, from bulk raw water resources infrastructure to meet sustainable demand for South Africa. Solicit and source funding to construct, operate and maintain bulk raw water resources infrastructure in an efficient and effective manner by strategically managing risks and assets.

Programme 4: Regional Management

Purpose: Coordinate effective implementation of the department's strategic goals and objectives at the regional level, including the establishment of water resource management institutions. Facilitate water conservation and demand management. Accelerate communities' access to water infrastructure.

Programme 5: Water Sector Regulation

Purpose: Ensure that the country's drinking water is safe, accessible and affordable and that the water resources are protected and allocated in a sustainable and equitable manner for the benefit of all people and future generations.

Strategic overview: 2006/07 – 2012/13

In 2009/10, the Department of Water Affairs was restructured to focus its attention on its core functions of: policy formulation, water resource management, infrastructure development, capacity building, intergovernmental and intra-sectoral coordination, and water regulation. As a result of the restructuring, the forestry function was moved to the Department of Agriculture, Forestry and Fisheries, while the sanitation function was moved to the Department of Human Settlements.

Significant achievements

A number of achievements are worth noting for 2009/10.

As part of its efforts to ensure sustainable and equitable water resource management, the department published the water for growth and development framework and consulted broadly with various stakeholders. This policy provides the overarching framework that guides the main actions and decisions by key role players in the sector to ensure that as a resource, water contributes to economic growth and social development.

Regulating the quality of water

While substantial progress has been made in redressing the backlog in the provision of water and sanitation services, greater focus is now being placed on regulating the quality of water. Providing all South Africans with access to safe and clean drinking water is a constitutional obligation and helps to ensure that communities remain healthy. The department has introduced and implemented a programme called the drinking water assessment, which is aimed at assessing the quality of water within various municipalities and which is in line with international best practice. As at December 2009, blue drop status certificates had been awarded to 23 water supply systems managed by water services authorities. This award of excellence indicates that these institutions comply with the South African national drinking water standards, as well as with all other legal requirements and best practice requirements. The nine 2010 FIFA World Cup host cities fall under this group of municipalities. Similarly, over the same period, 32 waste water treatment works had achieved green drop status by complying with all regulatory and best practices requirements.

Contributing to poverty alleviation

In contributing to poverty alleviation, the department implemented various programmes such as the Water for Water and Working on Fire programmes, which resulted in the creation of job opportunities as part of the government's expanded public works programme. The department supplies rainwater tanks to rural schools, which aims to promote food security by assisting with the establishment of food gardens and the acquisition of basic agricultural skills. Support in the form basic water infrastructure was also given to 1200 resource poor farmers. During 2009/10, a total of 1019 schools were provided with water and sanitation.

Strengthening intergovernmental relations

The Water for Growth and Development framework has been rolled out to 7 provinces and provincial action plans were developed. These plans will inform the implementation of recommendations contained in the framework, with a particular emphasis on promoting integrating planning and improving coordination within the water sector.

Priorities over the medium term

The department has re-examined its position and identified the following strategic priorities for the medium term. The priorities are directly aligned with the priorities set out in government's medium term strategic framework.

Contributing to economic growth and social development

Over the long term, the department plans to develop, maintain and rehabilitate water infrastructure to meet a basic social need and ensure economic growth. However, significant challenges remain in addressing the maintenance, rehabilitation and refurbishment backlogs that impact on the operational efficiency of national water resource infrastructure. In response to these problems, the department started a dam safety rehabilitation programme in 2005 to rehabilitate and refurbish 25 dams throughout the country. A similar programme has been started to rehabilitate the water conveyance infrastructure.

Implementing the appropriate pricing structures for bulk raw water supply will ensure that water resources are used and managed in a sustainable and effective manner. Under the current pricing strategy, annual water tariffs increases are capped and exclude certain categories of users from paying cost-recovering tariffs. A revision of the current water pricing strategy is underway and aims to ensure that tariffs are reflective of the costs of maintaining, rehabilitating and refurbishing water resource infrastructure.

Greater emphasis will be placed on eradicating the licence backlogs to ensure that water is equitably distributed and managed effectively. In particular, the department will fast track the approval of licence applications in the forestry, mining and agricultural sectors to promote economic growth within these priority areas.

Ensuring sustainable and equitable water resource management

Over the medium term, the department will focus on examining future water needs by: developing water reconciliation strategies; collecting and analysing information on water resources; and improving water use efficiency through the implementation of water conservation and demand management initiatives, particularly in the Vaal, Umgeni, Algoa Bay in the Nelson Mandela Bay Metro, and Berg River systems. The department will prioritise the development of tools and measures to curb inefficient water use.

Promoting rural development

The Working for Water programme works in partnership with local communities to ensure the integrity of South Africa's natural resources by eliminating invasive plants, protecting against fires and restoring woodlands. The programme also provides job opportunities for communities in rural areas. Over the medium term, the department will cooperate with the departments of environmental affairs, agriculture, forestry and fisheries, and public works, relevant provincial departments as well as environment and research foundations and private companies to extract the maximum benefit from the Working for Water, Working for Fire, and rain harvesting programmes. The construction of bulk raw water projects will continue to form a key tool for promoting rural development.

Promoting water security in the rest of Africa

Strengthening regional water institutions through strategic engagement within the Southern African Development Community (SADC) and Africa, and by chairing events such as the African Ministers Council on Water will remain a priority for the department. In mitigating the adverse effects of climate change, the department will lead and participate in initiatives to promote water security in Africa.

Supporting local government

In supporting the implementation of the local government turnaround strategy, the department will strengthen intergovernmental relations within the water sector, position water as a central component of local economic development, build consensus around rapid response strategies, facilitate the implementation of skills development measures and harmonise local government and water sector legislation.

Improving the department's capacity to deliver quality services

The department will continue with the improvement of its financial management capacity to ensure that it maintains the unqualified audits from the auditor-general. The management of organisational performance will

be improved through the development of an automated monitoring and evaluation system to ensure the credibility of information provided to various authorities. The development of specific scarce skills is also critical for addressing the gaps that currently exist and plans will be implemented to improve systems and create a culture of high performance within the department. To ensure that the oversight function is performed effectively throughout the public entities reporting to the department, a governance and compliance framework will be implemented. The department also aims to build the internal capacity required to regulate the technical, economic, environmental and social aspects involved in providing water services.

Savings and cost effective service delivery

Over the MTEF period, the department's baseline has been reduced, with baseline efficiency savings of R478.9 million: R102 million in 2010/11, R157.7 million in 2011/12 and R219.2 million in 2012/13. The bulk of these savings comes from the *Regional Management* programme, which saves R354.4 million over the medium term for decreases in expenditure on consultants and professional service providers. This amounts to R14.5 million in 2010/11, R75.7 million in 2011/12 and R135.2 million in 2012/13.

Other efficiency savings are made in the *Administration* and *National Water Resources Infrastructure* programmes. Within the *Administration* programme, savings in 2010/11 are expected to amount to 1.9 per cent of the total programme budget and are largely the result of cuts in expenditure on outsourced services and consultants. Savings in the *National Water Resources Infrastructure* programme of R59.3 million over the MTEF period reflects the decreases in expenditure made by the department's trading entity.

In effecting these savings, the department will introduce efficient approaches to service delivery. These include refocusing its attention on its core functions, re-allocating its existing resources more efficiently and outsourcing contracts where practical. More attention will be paid to achieving value for money in contracting with service providers by negotiating for better rates with consultants. Given the widespread geographical footprint of the department across provinces, savings in the cost of travelling will be made through the adoption of smarter technologies such as video conferencing.

Selected performance indicators

Table 37.1 Water Affairs

Indicator	Programme	Past			Current	Projections		
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Number of additional people provided with access to water resources	Regional Management	1.25 million	1.27 million	1.06 million	703 000	1.2 million	1.2 million	–
Number of new water management areas in which compulsory licensing processes have been completed	Water Sector Regulation	–	–	2	5	2	2	3
Number of bulk infrastructure schemes implemented per year	Regional Management	–	31	32	45	54	38	31
Number of new reconciliation strategies developed to ensure water security per year	Water Management	–	3	5	8	2	2	4
Total number of water monitoring stations and number of priority catchments optimally monitored *	Water Management	1 600	1 600	2 000	2 050	5 priority catchments	5 priority catchments	5 priority catchments
Number of water licences issued per year	Water Sector Regulation	185	90	80	200	250	300	250
Number of additional rainwater harvesting tanks distributed for food production	Regional Management	54	50	300	500	500	500	500
Number of additional resource poor farmers supported through subsidies	Regional Management	–	300	30	360	200	220	240
Total number of municipalities supported in implementing water conservation/water demand management	Regional Management	–	8	50	80	4	–	–
Percentage completion on construction of Inyaka water treatment works	Regional Management	9%	16%	36%	59%	84%	100%	–

Table 37.1 Water Affairs (continued)

Indicator	Programme	Past			Current	Projections		
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Percentage completion on construction of Nandoni water distribution network and water treatment works	Regional Management	16%	38%	65%	96%	100%	-	-
Percentage completion on construction of Hluhluwe regional water scheme	Regional Management	-	12%	35%	61%	90%	100%	-
Hectares of land cleared per year	Regional Management	722 023	595 011	642 448	684 777	715 400	889 915	889 915
Hectares of land converted woodlots per year	Regional Management	-	-	670	990	1 655	2 050	2 050
Number of jobs created by Working for Water per year	Regional Management	21 561	28 785	25 339	23 700	25 300	28 400	28 400
Number of jobs created by Working on Fire per year	Regional Management	1 416	1 528	1 651	1 669	2 221	2 890	2 890

*The unit of measurement for this indicator changes from number of water monitoring stations to the number of catchment areas optimally monitored, as a result of technological changes in the infrastructure used to monitor water.

Expenditure estimates

Table 37.2 Water Affairs

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10		2010/11	2011/12	2012/13
R million								
1. Administration	546.9	609.3	698.8	822.3	788.0	884.2	902.1	947.8
2. Water Management	257.5	300.5	331.8	345.1	338.4	364.7	386.6	405.9
3. National Water Resources Infrastructure Programme	852.5	1 185.9	1 644.3	2 519.4	2 280.7	2 241.4	2 520.2	2 740.0
4. Regional Management	2 079.6	2 558.4	2 977.4	3 497.8	3 427.4	4 329.0	5 077.3	5 320.5
5. Water Sector Regulation	115.4	148.8	142.9	158.1	135.3	177.2	204.0	214.1
Total	3 851.9	4 802.9	5 795.3	7 342.6	6 969.8	7 996.6	9 090.2	9 628.2
Change to 2009 Budget estimate				381.9	9.1	351.7	287.9	386.9

Economic classification

Current payments	2 383.8	2 382.7	2 592.1	3 054.2	2 990.5	3 632.8	4 152.6	4 385.6
Compensation of employees	972.0	890.7	862.5	1 043.1	1 001.4	1 166.5	1 196.7	1 212.4
Goods and services	1 411.6	1 491.3	1 729.4	2 011.1	1 989.1	2 466.2	2 955.9	3 173.2
<i>of which:</i>								
<i>Consultants and professional services:</i>	<i>576.3</i>	<i>562.8</i>	<i>522.4</i>	<i>631.2</i>	<i>631.2</i>	<i>713.1</i>	<i>808.2</i>	<i>949.5</i>
<i>Business and advisory services</i>								
<i>Contractors</i>	<i>35.1</i>	<i>50.3</i>	<i>87.4</i>	<i>328.9</i>	<i>328.9</i>	<i>162.0</i>	<i>154.1</i>	<i>168.1</i>
<i>Agency and support / outsourced services</i>	<i>154.8</i>	<i>181.4</i>	<i>294.3</i>	<i>262.5</i>	<i>262.5</i>	<i>830.8</i>	<i>1 179.4</i>	<i>1 296.5</i>
<i>Property payments</i>	<i>107.2</i>	<i>142.0</i>	<i>132.2</i>	<i>155.7</i>	<i>155.7</i>	<i>166.7</i>	<i>179.2</i>	<i>194.8</i>
<i>Interest and rent on land</i>	<i>0.2</i>	<i>0.6</i>	<i>0.2</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Transfers and subsidies	1 369.3	2 050.0	2 705.3	3 539.4	3 230.3	3 238.5	3 076.8	3 455.0
Provinces and municipalities	385.9	732.9	994.7	925.0	854.6	890.7	380.7	399.8
Departmental agencies and accounts	852.9	1 190.2	1 649.6	2 362.5	2 123.8	2 102.7	2 400.7	2 623.5
Foreign governments and international organisations	3.5	0.5	0.6	180.7	180.7	180.1	180.1	180.1
Public corporations and private enterprises	83.9	39.2	0.0	-	-	-	-	-
Non-profit institutions	0.2	0.4	0.4	0.4	0.4	0.5	0.5	0.5
Households	43.0	86.8	60.0	70.7	70.7	64.4	114.8	251.2
Payments for capital assets	88.4	366.5	494.6	749.1	749.1	1 125.3	1 860.8	1 787.6
Buildings and other fixed structures	15.9	320.7	450.3	675.5	675.5	1 038.3	1 769.2	1 691.8
Machinery and equipment	61.2	40.6	41.2	66.6	66.6	74.2	77.9	81.6
Biological assets	-	-	-	-	-	0.3	0.4	0.4
Software and other intangible assets	11.3	5.3	3.1	7.0	7.0	12.5	13.3	13.9
Payments for financial assets	10.4	3.7	3.3	-	-	-	-	-
Total	3 851.9	4 802.9	5 795.3	7 342.6	6 969.8	7 996.6	9 090.2	9 628.2

Expenditure trends

The Department of Water Affairs' mandate has been revised to reflect its greater focus on the core functions of infrastructure development, water resource management and water regulation. In line with this strategic realignment, the forestry functions were shifted to the Department of Agriculture, Forestry and Fisheries, and sanitation function was moved to the Department of Human Settlements. This shift impacts on the department's audited outcomes by reducing the vote's audited figures by R453.8 million in 2006/07, R582.5 million in 2007/08 and R736.3 million in 2008/09.

Based on these revised figures, total expenditure increased from R3.9 billion in 2006/07 to R7.3 billion in 2009/10, at an average annual rate of 24 per cent. This significant increase is driven by expenditure on the development of bulk water infrastructure. This includes funds allocated for the construction of new dams and ancillary infrastructure such as water treatment works and distribution pipelines, and the rehabilitation and repair of existing bulk infrastructure. Between 2006/07 and 2009/10, expenditure in the *National Water Resources Infrastructure* programme increased at an average annual rate of 43.5 per cent, from R852.5 million to R2.5 billion. This made it the fastest growing programme within the department. Under the new budget structure, this programme consolidates expenditure on raw bulk water infrastructure, which was previously accounted for in the *Water Resources Management* programme.

Similarly, expenditure on the *Regional Management* programme includes all expenditure within the department related to its regional activities. These activities include the establishment of regional water management institutions; the development of community water infrastructure and the transfer of water schemes, and support to the water sector and the Department of Water Affairs regional offices. These activities were previously classified as subprogrammes and incorporated in both the *Water Resources Management* and *Water Services* programmes. As a result of this consolidation of subprogrammes, the *Regional Management* programme now accounts for 47.6 per cent of the department's total budget in 2009/10.

The Department of Water Affairs is primarily responsible for infrastructure development. However, much of the financing, construction, implementation and commissioning of the raw bulk water infrastructure is done by the water trading entity. In contrast, regional bulk infrastructure is mainly developed by water service authorities and water boards. Transfers and subsidies made by the department rose from R1.4 billion in 2006/07 to R3.5 billion in 2009/10, at an average annual rate of 27.4 per cent as a result of this sectoral division of roles and responsibilities.

Over the medium term, expenditure is expected to grow from R7.3 billion to R9.6 billion, at an average annual rate of 3.2 per cent. This increase includes additional allocations of R70.1 million 2010/11, R275.5 million in 2011/12 and R 380.6 million in 2012/13. These additional allocations are for the expansion of the regional bulk infrastructure programme and are for: meeting the universal access to water and sanitation in line with the housing provision target of 2014; creating additional employment opportunities; addressing the threat of an ageing workforce in the critical areas of the engineering, scientific and technical disciplines; and implementing monitoring, oversight and enforcement of water quality and water security.

The shift of the forestry and sanitation functions of the department impacts on the department's audited outcomes for previous years by reducing the vote's audited figures for compensation of employees by R254 million in 2006/07, R272 million in 2007/08 and R322 million in 2008/09.

Based on these revised figures, total expenditure on personnel increased from R972 million in 2006/07 to R1 billion in 2009/10, at an average annual rate of 2.4 per cent. This marginal growth can be partly attributed to the transfer of personnel from the department to water service authorities within local government as part of the transfer of water schemes.

Infrastructure spending

Infrastructure spending includes direct expenditure on national water resources infrastructure by the department through its public entities and indirect expenditure on infrastructure through transfers from the department to water service authorities and water boards for regional bulk infrastructure. Infrastructure spending for national bulk water is accounted for in the *National Water Resources Infrastructure* programme while infrastructure spending for regional bulk is reported in the *Regional Management* programme.

Mega projects (Over 300 million per year)

Infrastructure expenditure on mega projects owned by the Department of Water Affairs is expected to increase from R 1.7 billion in 2009/10 to R2.1 billion in 2012/13. Most of this expenditure will be allocated to the second phase of the Olifants River water resource development project, which includes: the building of the De Hoop Dam to store water in the Steelpoort River and the construction of a bulk raw water distribution system to distribute water for domestic and mining use in the greater Sekhukhune district.

The Department of Water Affairs owns approximately 350 dams across South Africa and is responsible for their maintenance. The department is implementing a dam safety rehabilitation programme to ensure the continued structural and operational safety of dams. Between 2005 and 2009, R890 million has been spent on rehabilitating dams throughout the country. Over the MTEF period, additional expenditure of R962.7 million will be allocated to the dam safety rehabilitation project.

Infrastructure transfers by the department to provinces and municipalities for mega projects include R21.3 million in 2009/10. This was used for feasibility studies for the Sedibeng bulk regional sewerage scheme, and the Matoks and Magalies Water to Waterberg projects.

The Olifants River Water Resources Development Project

The second phase of the Olifants River water resource development project involved two distinct but interrelated infrastructure development components: the construction of the De Hoop Dam on the Steelpoort River and the development of a bulk distribution system in the middle Olifants River catchment. The overall objectives of the project are to supply water for domestic and commercial use in Limpopo.

Construction of the dam started in 2007 and is scheduled for completion in 2012. To date, the foundations for the dam have been laid. By December 2009, a volume of 180 000 cubic metres out of an expected 940 000 cubic metres of concrete had already been placed. The partial impoundment of water behind the dam is scheduled to begin by October 2010 and the first delivery of water from the dam is expected by April 2011.

The related infrastructure includes a road diversion of 20km, housing and offices. The project has also supported government objectives through the promotion of broad based black economic empowerment. The number of jobs created by the construction of the dam and related infrastructure peaked at 1 200 in 2009.

The construction of the bulk distribution system to deliver water from the dam to users has not yet started. The Trans-Caledon Tunnel Authority has been contracted to finance and implement this system. The full share of the cost to meet the needs of the commercial users will be recovered through valid off-take agreements with commercial water users, including the mines and Eskom. The construction will be funded from both off-budget sources in the form of debt capital as well as the fiscus. Construction on the bulk distribution system will begin in 2011.

The total cost of the Olifants River water resource development project is expected to amount to R13.7 billion over the project lifecycle, of which R8.3 billion will be funded from the fiscus and R5.4 billion from off budget funding. The De Hoop Dam is expected to be complete by 2012/13 and the bulk distribution system by 2016/17.

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

Infrastructure expenditure on large projects owned by the department is expected to increase from R494 million in 2010/11 to R1.1 billion in 2012/13. These large infrastructure projects undertaken by the department include:

- Nandoni water treatment works and distribution scheme, which is a regional bulk infrastructure project, will supply water to the Vhembe district municipality. Various aspects of the project have been completed. The water treatment works have been commissioned. Over the medium term, material quality problems, which have arisen on the distribution lines, will be resolved with the help of an independent panel of experts.
- Nwamitwa Dam will provide additional storage to meet the growing water supply requirements of the population. This project is in the inception phase, with geotechnical and hydrological 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 will supply water to the new Medupi Power station, coal mines and Lephalale municipality. The project creates opportunities for the development of any future power stations and new petrochemical industries in Limpopo. The first phase of the project comprises a new pipeline from the Mokolo dam to the end-users. The environmental impact assessment for the first phase is under way. Discussions were held with the departments of environmental affairs and public enterprises in order to fast track the procurement of the relevant environmental authorisations. The contribution from the fiscus for this project is expected to reach R0.9 billion.
- The raising of Clan William dam will provide an additional yield of 10 million m³ per year for irrigation by resource poor farmers. The feasibility study for this project has been completed. The environmental impact assessment has been finalised and two appeals were received.
- The lower Sundays River government water scheme extension will expand irrigation, with an emphasis on establishing and supporting resource poor farmers in identified areas. The department is responsible for connecting the new extension to the existing infrastructure. The pre-feasibility study for this project has been completed.
- Inyaka pump, station and water treatment, which is a regional bulk infrastructure project, will provide a reliable water supply of 100ML per day to the Bushbuckridge local municipality. The second phase of the water treatment works has been commissioned to supply 50ML of water per day. The construction of the second and fourth phases has begun and 25 per cent of this phase has been completed.

Small infrastructure projects (below R50 million)

The following small infrastructure projects are under way:

- The Hluhluwe regional water supply scheme will supply water to the rural areas in the Umkanykude district municipality. The main pipeline to Hluhluwe town has been completed and design work on the fourth phase has started.
- The raising of the Hazelmere dam will augment the water supply to Umgeni Water. The environmental impact assessment has been finalised.

Departmental receipts

Receipts accounted for as departmental revenue include the repayment of loans granted to water boards, water user associations, local government, and interest on these loans. Income from water related sales is paid into the water trading entity and does not form part of departmental receipts. With the shift of the forestry function to the Department of Agriculture, Forestry and Fisheries, all revenue from the sale of wood and related products is now excluded from the departmental revenue and audited figures for the historical years have been revised.

Departmental receipts decreased from R137.2 million in 2006/07 to R39.8 million in 2009/10. The decrease is attributed to abnormal receipts of R104.3 million recorded in 2006/07 due to a once-off loan repayment effected by the Bloemfontein Water Board. In 2009/10, the department collected revenue of R39.8 million, of which R17.8 million was from interest accruing on long term investments. Interest decreased from R27.5 million in 2006/07 to R17.8 million in 2009/10 as a result of state loans that were issued to water and irrigation boards and a few municipalities nearing maturity. Whereas in the earlier years of the loan repayment interest formed a bigger component of the installment as the loan tends towards maturity, the capital repayments form the bigger portion of the instalment. The transferring of some staff debts from the department to the Department of Agriculture, Forestry and Fisheries will also result in a decrease in interest collected. Over the MTEF period, revenue is expected to increase from R39.8 million in 2009/10 to R44 million in 2012/13, driven by the collection of interest on loans to water boards and water user associations.

Table 37.3 Departmental receipts

R thousand	Audited outcome			Adjusted estimate	Revised estimate	Medium-term receipts estimate		
	2006/07	2007/08	2008/09	2009/10		2010/11	2011/12	2012/13
Departmental receipts	137 152	55	26 643	72 567	39 826	41 173	43 952	44 037
Sales of goods and services produced by department	4 948	3 172	2 210	38 066	5 325	5 578	5 983	6 202
Sales of scrap, waste, arms and other used current goods	14	64	105	53	53	53	53	53
Fines, penalties and forfeits	1	–	–	12	12	–	–	–
Interest, dividends and rent on land	27 452	6 022	9 379	17 829	17 829	15 282	15 936	15 432
Sales of capital assets	473	255	–	–	–	–	–	–
Transactions in financial assets and liabilities	104 264	(9 458)	14 949	16 607	16 607	20 260	21 980	22 350
Total	137 152	55	26 643	72 567	39 826	41 173	43 952	44 037

Programme 1: Administration

Table 37.4 Administration

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Minister ¹	1.1	1.6	2.0	1.7	1.8	1.9	2.0
Deputy Minister ¹	–	–	–	3.0	1.5	1.6	1.7
Management	91.6	142.6	112.3	137.7	216.9	215.3	224.6
Corporate Services	304.7	298.8	406.2	425.7	364.0	382.2	401.6
Office Accommodation	91.0	106.0	123.3	138.3	156.0	170.6	185.8
Financial Management	58.5	60.3	55.1	115.8	144.0	130.5	132.2
Total	546.9	609.3	698.8	822.3	884.2	902.1	947.8
Change to 2009 Budget estimate				21.1	31.0	11.8	12.6

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

Economic classification

Current payments	466.9	522.2	666.7	780.5	833.6	846.5	889.3
Compensation of employees	116.3	148.5	157.5	278.3	317.0	302.4	317.6
Goods and services	350.6	373.6	509.2	502.1	516.6	544.2	571.6
<i>of which:</i>							
<i>Consultants and professional services: Business and advisory services</i>	43.2	52.0	52.5	78.9	144.5	145.6	150.1
<i>Contractors</i>	1.8	2.2	23.1	3.5	20.0	21.1	22.2
<i>Agency and support / outsourced services</i>	16.7	12.7	66.0	38.5	56.6	58.4	61.0
<i>Property payments</i>	91.4	107.8	123.1	150.5	162.4	177.3	192.9
Transfers and subsidies	32.3	58.0	14.9	6.6	11.7	11.4	12.1
Provinces and municipalities	0.1	0.0	0.0	–	–	–	–
Departmental agencies and accounts	0.4	0.6	0.7	1.0	1.1	1.2	1.2
Foreign governments and international organisations	3.5	0.5	0.6	0.1	0.1	0.1	0.1
Households	28.4	56.9	13.6	5.5	10.5	10.1	10.8
Payments for capital assets	37.3	29.1	13.9	35.2	38.9	44.3	46.5
Buildings and other fixed structures	5.5	14.4	0.1	3.5	4.0	5.3	5.6
Machinery and equipment	25.6	13.5	13.5	30.2	24.3	27.6	29.0
Software and other intangible assets	6.2	1.2	0.2	1.4	10.7	11.3	11.9
Payments for financial assets	10.4	–	3.3	–	–	–	–
Total	546.9	609.3	698.8	822.3	884.2	902.1	947.8

Table 37.4 Administration (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Details of selected transfers and subsidies							
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	0.4	0.6	0.7	1.0	1.1	1.2	1.2
Energy Sector Education Training Authority	0.4	0.6	0.7	1.0	1.1	1.2	1.2
Households							
Other transfers to households							
Current	-	-	-	3.5	3.5	3.5	3.6
Disbursements : Poverty Campaign	-	-	-	1.0	1.0	1.0	1.0
Disbursements: Youth Programmes	-	-	-	0.5	0.5	0.5	0.5
Learning Academy: Bursaries	-	-	-	2.0	2.0	2.0	2.1

Expenditure trends

Expenditure in the programme increased from R546.9 million in 2006/07 to R822.3 million in 2009/10, at an average annual rate of 14.6 per cent. Expenditure in compensation of employees grew by 33.8 per cent between 2006/07 and 2009/10 due to the appointment of additional staff to strengthen the financial management and internal audit functions, and the integration of the *Information Services* subprogramme into the *Corporate Services* subprogramme, thus increasing expenditure in the programme.

Over the MTEF period, expenditure is expected to increase at an average annual rate of 4.9 per cent, from R822.3 million in 2009/10 to R947.8 million in 2012/13. This is due to inflation related adjustments.

Programme 2: Water Management

- *Integrated Planning* develops a comprehensive plan that guides all initiatives and infrastructure development within the water sector; taking into account the water needs of all users and identifying the appropriate mix of interventions, that will ensure a reliable supply of water in the most efficient, sustainable and socially beneficial manner.
- *Policy and Strategy* covers the development of policy, plans and strategies to implement functions required to ensure the reliable and equitable supply of water. This includes developing reconciliation strategies to enable water supply to meet demand.
- *Water Ecosystem* develops the policy and plans 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).
- *Water Information Management* is responsible for the development of new monitoring stations and the refurbishment of existing stations to ensure adequate information and knowledge to sustainably manage water resources, including information on the impact of global changes on water resources.

Objectives and measures

- Ensure that available water is used efficiently by implementing education and awareness campaigns on conservation and demand management and by developing regulations by 2011/12.
- Maintain a reliable and equitable supply of water by:
 - completing the revision of the national water resource strategy in 2010/11
 - developing 2 strategies and feasibility plans to reconcile water requirements and available resources by 2010/11.
- Improve regional water resources management by ensuring that shared water resources are managed collaboratively with neighbouring states by establishing the secretariat and undertaking international water

resource management plans for shared watercourses with Mozambique, Botswana and Swaziland by 2010/11.

- Respond and adapt to the impact of climate change through improving water resources monitoring by refurbishing existing river flow gauging stations and developing 4 new stations by 2010/11.
- Ensure that water resources are managed sustainably by developing efficient pricing structures to raise funding for refurbishing existing infrastructure by March 2011.
- Ensure the efficient use and protection of water resources by finalising the water resources classification system and determining the resource class in 2 priority areas by 2010/11.

Service delivery focus

In 2009, the water for development and growth framework was approved by Cabinet and various stakeholders from all sectors were consulted. Water reconciliation strategies were developed for major economic centres including Gauteng, Cape Town, eThekweni and Nelson Mandela Bay in 2008/09. Cabinet has since approved implementing the second phase of the Lesotho Highlands water project and the augmentation of water supply for the City of Cape Town through the Berg River project, which was inaugurated in March 2009.

Water conservation and demand management projects were implemented in Johannesburg, eThekweni, Nelson Mandela Bay and City of Cape Town in 2009/10. In November 2009, the department hosted the 7th session of the African Ministers Council on Water and the 2nd Africa Water Week in November 2009, which resulted in the minister assuming the chairmanship of the African Ministers Council on Water for the next 2 years.

Expenditure estimates

Table 37.5 Water Management

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Integrated Planning	74.6	84.0	96.6	90.0	128.5	136.2	143.0
Policy and Strategy	61.8	64.7	62.0	72.8	37.0	39.2	41.1
Water Ecosystem	15.1	21.0	27.7	23.0	61.9	65.6	68.9
Water Information Management	106.0	130.8	145.5	159.3	137.4	145.6	152.9
Total	257.5	300.5	331.8	345.1	364.7	386.6	405.9
Change to 2009 Budget estimate				–	(1.0)	(1.2)	(1.3)
Economic classification							
Current payments	240.4	289.6	324.7	331.0	355.8	377.2	396.4
Compensation of employees	82.0	89.1	94.9	118.0	133.1	146.8	156.2
Goods and services	158.3	200.5	229.8	213.0	222.7	230.4	240.2
<i>of which:</i>							
<i>Consultants and professional services:</i>	<i>115.1</i>	<i>126.5</i>	<i>59.6</i>	<i>43.1</i>	<i>93.5</i>	<i>97.5</i>	<i>103.1</i>
<i>Business and advisory services</i>							
<i>Contractors</i>	–	0.0	6.5	6.8	3.2	3.2	3.4
<i>Agency and support / outsourced services</i>	–	12.8	19.1	20.2	16.2	16.8	16.2
<i>Property payments</i>	–	–	–	–	0.4	0.4	0.4
Transfers and subsidies	0.1	1.5	0.3	1.5	0.8	0.8	0.8
Provinces and municipalities	0.1	0.0	0.0	–	–	–	–
Public corporations and private enterprises	–	1.5	–	–	–	–	–
Households	0.0	0.0	0.3	1.5	0.8	0.8	0.8
Payments for capital assets	17.0	9.4	6.8	12.5	8.2	8.6	8.7
Buildings and other fixed structures	0.0	0.1	0.6	–	–	–	–
Machinery and equipment	15.6	7.1	4.0	8.8	6.9	7.2	7.3
Software and other intangible assets	1.4	2.1	2.2	3.7	1.3	1.4	1.4
Total	257.5	300.5	331.8	345.1	364.7	386.6	405.9

Expenditure trends

Expenditure increased from R257.5 million in 2006/07 to R345.1 million in 2009/10, at an average annual rate of 10.3 per cent. Spending is expected to increase to R405.8 million over the medium term, at an average annual rate of 5.6 per cent. The slower growth rate in this programme reflects the extensive changes to the department's programme structure, which now comprises 4 subprogrammes. Due to the restructuring, the programme's functions were shifted to other programmes within the department. Expenditure in the *Water Information Management* subprogramme increased from R106 million in 2006/07 to R159.3 million in 2009/10, due to the funds spent on monitoring systems. The equipment acquired for the monitoring stations and systems resulted in an increase in payments for capital assets at an average annual rate of 84 per cent between 2006/07 and 2009/10. Expenditure in the *Water Ecosystems* subprogramme is expected to increase at an average annual rate of 36 per cent over the MTEF period

Public entities and other agencies

Rand Water

Strategic overview: 2006/07 – 2012/13

Rand Water has supplied bulk potable water to Gauteng and its surrounding areas for 106 years. Rand Water extracts water from the Vaal dam, purifies and disinfects it, pumps it to 3 satellite booster pumping stations, and from there to 58 reservoirs and on to Rand Water's customers. Rand Water is the largest water utility in Africa, currently providing bulk potable water to an estimated 10.5 million people in Gauteng and in parts of Mpumalanga, Free State and North West. Its turnover is more than R4.7 billion, and its asset base of R7.9 billion includes pumping stations, purification plants and reservoirs.

Rand Water is also an implementing agent in various community projects. In response to the institutional reform under way in the water sector, over the medium term Rand Water will expand its water sales, improve operational efficiency and ensure that the best fit technology is used for it to deliver on its mandate. In order to achieve these objectives, the organisation will focus on developing a high performance culture, positively engaging the stakeholder base, and maintaining sound financial management practices.

Savings and cost effective service delivery

Rand Water's cost containment initiatives involve: cost control and improved operational efficiencies in all operational areas; improving the utilisation of existing assets to benchmarked performance (asset turnover); increasing focus on cash management to ensure liquidity to fund operations and investment; achieving a return on investment that exceeds the weighted average cost of capital; using optimal funding structures to raise debt cost effectively and reduce weighted average cost of debt; integrating capital, operational and customer management; and managing the balance sheet on issues such as post-retirement funding and strategic asset and liability management.

Selected performance indicators

Table 37.6 Rand Water

Indicator	Programme/Activity	Past			Current	Projections		
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Net debt to equity ratio	Financial management	0.21	0.18	0.16	0.15	0.29	0.46	0.61
Debt service ratio	Financial management	-0.01	-4.83	-14.36	2.72	41.22	69.57	61.28
Debt to asset ratio	Financial management	0.28	0.24	0.25	0.23	0.30	0.37	0.43
Costs per kilolitre	Raw Water	R1.34	R1.38	R1.55	R1.70	R1.83	R1.97	R2.12
Profit for the year	Financial management	R743m	R839.5m	R595.6m	R303.7m	R201.1m	R141.2m	R299.5m

Service delivery focus

Rand Water met all peak daily demands in 2008/09, thus complying with the bulk water supply contract. In that year, the maximum daily rate achieved was 4373 Ml/d, with the maximum for the year 4284 Ml/d. Rand Water continues to monitor water quality standards to ensure alignment with World Health Organisation standards. In

2008/09, Rand Water maintained the quality of water delivered to customers at the level required by the South African SANS 241 water quality standard, which sets out the specifications for water quality.

Expenditure estimates

Table 37.7 Rand Water: Activity information

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Raw water	1 899.1	1 952.9	2 251.2	2 464.5	2 771.8	3 067.6	3 401.6
Energy	318.4	350.3	493.1	697.3	874.4	1 063.2	1 238.7
Chemicals	168.9	97.7	138.8	198.1	217.9	239.7	263.7
Depreciation	160.1	175.8	163.7	180.0	204.4	234.2	266.3
Labour	642.1	726.1	827.7	893.7	969.9	1 051.8	1 142.1
Other activities	384.2	401.3	514.8	546.3	557.2	761.2	937.2
Total expense	3 572.9	3 704.1	4 389.3	4 979.9	5 595.6	6 417.7	7 249.5

Table 37.8 Rand Water: Financial information

Statement of financial performance R million	Audited outcome			Revised estimate	Medium-term estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Revenue							
Non-tax revenue	4 315.9	4 543.6	4 984.9	5 283.6	5 796.7	6 558.8	7 549.0
Sale of goods and services other than capital assets <i>of which:</i>	4 118.6	4 274.4	4 676.9	5 055.5	5 689.8	6 446.1	7 430.1
<i>Bulk water sales</i>	4 118.6	4 274.4	4 676.9	5 055.5	5 689.8	6 446.1	7 430.1
<i>Other non-tax revenue</i>	197.3	269.2	308.0	228.1	106.9	112.7	118.9
Total revenue	4 315.9	4 543.6	4 984.9	5 283.6	5 796.7	6 558.8	7 549.0
Expenses							
Current expense	3 572.9	3 704.1	4 389.3	4 979.9	5 595.6	6 417.7	7 249.5
Compensation of employees	642.1	694.8	848.3	893.7	969.9	1 051.8	1 142.1
Goods and services	2 694.3	2 733.3	3 269.6	3 817.9	4 280.3	4 808.9	5 367.2
Depreciation	160.1	175.8	179.9	180.5	204.4	234.2	266.3
Interest, dividends and rent on land	74.9	98.5	96.9	87.8	141.0	322.7	473.9
Total expenses	3 572.9	3 704.1	4 389.3	4 979.9	5 595.6	6 417.7	7 249.5
Surplus / (Deficit)	743.0	839.5	595.6	303.7	201.1	141.2	299.5
Statement of financial position							
Carrying value of assets	4 572.7	5 020.8	5 817.0	6 636.5	7 872.0	9 177.8	10 581.5
<i>of which: Acquisition of assets</i>	456.0	640.2	981.0	1 000.0	1 440.0	1 540.0	1 670.0
Investments	132.6	124.2	127.6	105.4	42.5	–	–
Inventory	37.2	41.0	46.1	46.1	51.8	54.9	58.2
Receivables and prepayments	520.2	469.2	581.7	559.0	707.8	801.0	922.3
Cash and cash equivalents	994.7	1 349.6	1 351.2	782.2	500.0	500.0	500.0
Assets not classified elsewhere	–	13.9	10.6	–	–	–	–
Total assets	6 257.3	7 018.6	7 934.1	8 129.2	9 174.2	10 533.8	12 062.0
Accumulated surplus/deficit	4 509.0	5 338.8	5 938.4	6 242.1	6 443.2	6 584.4	6 883.9
Borrowings	725.7	728.5	728.3	630.0	1 808.7	3 030.8	4 171.7
Post-retirement benefits	236.7	215.2	228.7	306.3	86.9	–	–
Trade and other payables	705.9	733.4	1 035.9	950.8	835.4	918.6	1 006.4
Provisions	80.0	–	–	–	–	–	–
Liabilities not classified elsewhere	–	2.8	2.9	–	–	–	–
Total equity and liabilities	6 257.3	7 018.6	7 934.1	8 129.2	9 174.2	10 533.8	12 062.0

Expenditure trends

Rand Water generates revenue from the sale of bulk water. Revenue increased from R4.3 billion in 2006/07 to R5.3 billion in 2009/10, at an average annual rate of 7 per cent. Over the medium term, revenue is expected to grow to R7.5 billion in 2012/13, at an average annual rate of 13.3 per cent. These increases are due to increases in bulk water tariffs over the MTEF period and rising bulk water sale volumes.

Expenditure increased from R3.6 billion in 2006/07 to R5 billion in 2009/10, at an average annual rate of 11.7 per cent. This increase is due to higher energy costs and chemical costs used in the purification and pumping of water. Increases in expenditure are due to compensation of employees as Rand Water expands its operations to cater for the rising water demand. Over the medium term, expenditure is expected to reach R7.2 billion, at an average annual rate of 13.3 per cent. This increase is due to the refurbishment of water infrastructure owned by Rand Water. It is expected that this project will cost R2.9 billion over the MTEF period.

Infrastructure development for Rand Water will be financed by a combination of internal sources and debt finance. Over the MTEF period, borrowings are expected to grow significantly from R630 million in 2009/10 to R4.2 billion in 2012/13, at an average annual rate of 87.8 per cent, driven by major infrastructure development and renovations. A portion of this increase is also attributable to the rising costs of construction.

Umgeni Water

Strategic overview: 2006/07 – 2012/13

Umgeni Water provides affordable bulk potable water to the eThekweni and Msunduzi metropolitan municipalities, and the Ugu, iLembe, Sisonke and uMgungundlovu district municipalities. Umgeni Water thus contributes to socioeconomic development within KwaZulu-Natal by ensuring that water infrastructure is functioning efficiently and that water quality meets the prescribed standards. In 2002, Umgeni Water adopted a 10-year corporate strategy to improve its financial sustainability by adopting sound financial management systems, improving operational efficiency and promoting economically viable expansion into other regions. As a result of this turnaround strategy, the organisation has managed to weather the negative impacts of the recession. Umgeni Water ended 2008/09 with a surplus of R527 million, and maintained its surpluses over the MTEF period. Over the medium term, the utility will continue to focus on achieving the targets set out in the 2000–2012 corporate plan, with a particular emphasis on charging affordable tariffs, investing in new infrastructure, reducing debt levels and implementing its asset management programme.

Savings and cost effective service delivery

Over the MTEF period, Umgeni Water will reduce total interest bearing debt to minimise the cost of finance and interest. Between 2007/08 and 2008/09, net finance costs decreased from R165 million to R116 million. Over the same period, interest cover improved from 3.3 to 5.5 times.

Selected performance indicators

Table 37.9 Umgeni Water

Indicator	Programme/Activity	Past			Current	Projections		
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Net debt/equity ratio	Water management	2.6	1.12	0.48	0.54	0.46	0.33	0.22
Debt service ratio	Water management	2.14	3.36	5.51	7.91	5.03	5.36	7.38
Debt to asset ratio	Water management	0.67	0.57	0.49	0.46	0.31	0.25	0.191
Costs per kilolitre	Water management	R2.53	R2.24	R2.16	R2.421	R2.62	R2.43	R2.76
Profit for the year	Water management	R250.5m	R392.9m	R527m	R470.2m	R528.2m	R572.9m	R711.4

Service delivery focus

Umgeni Water's bulk potable water sales volume grew by 3 per cent in 2008/09 from 2007/08 with an overall surplus of R527 million, resulting in capital and reserves increasing to R1.5 million.

As at June 2009, R237 million was spent on capital expenditure, of which R219 million was spent on 5 projects currently in the construction phase. In 2009/10, Umgeni Water undertook refurbishments and upgrades on water

works aligned with its asset management plans. Maintenance expenditure amounted to R100.8 million in 2008/09, compared to R77.2 million in 2007/08 in line with Umgeni Water's emphasis on the efficient management of existing infrastructure.

Umgeni Water entered into long term agreements of approximately 5 years with the 6 water services authorities. A memorandum of understanding was concluded with Sisonke district municipality on signing a bulk water supply agreement in 2009/10.

Expenditure estimates

Table 37.10 Umgeni Water: Financial information

Statement of financial performance	Audited outcome			Revised estimate	Medium-term estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Revenue							
Non-tax revenue	1 286.4	1 405.6	1 691.3	1 711.0	1 648.7	1 864.3	2 079.2
Sale of goods and services other than capital assets	1 188.0	1 289.0	1 492.7	1 617.1	1 633.7	1 855.9	2 070.7
<i>of which:</i>							
<i>Bulk water sales</i>	1 188.0	1 289.0	1 492.7	1 617.1	1 633.7	1 855.9	2 070.7
<i>Other non-tax revenue</i>	98.3	116.6	198.6	93.9	15.1	8.4	8.5
Total revenue	1 286.4	1 405.6	1 691.3	1 711.0	1 648.7	1 864.3	2 079.2
Expenses							
Current expense	1 035.8	1 012.7	1 164.3	1 240.8	1 120.5	1 291.5	1 367.8
Compensation of employees	226.1	268.8	293.6	265.7	285.1	305.9	329.1
Goods and services	338.0	316.3	435.6	553.7	519.0	759.7	825.0
Depreciation	162.3	156.9	167.6	172.4	176.4	92.3	99.9
Interest, dividends and rent on land	309.4	270.8	267.5	249.1	140.0	133.6	113.8
Total expenses	1 035.8	1 012.7	1 164.3	1 240.8	1 120.5	1 291.5	1 367.8
Surplus / (Deficit)	250.5	392.9	527.0	470.2	528.2	572.8	711.4
Statement of financial position							
Carrying value of assets	2 538.2	2 528.3	2 633.3	3 119.9	3 729.1	4 141.6	4 642.9
<i>of which: Acquisition of assets</i>	232.3	110.3	237.0	655.2	694.6	504.8	601.2
Investments	528.9	945.5	1 240.0	126.9	126.9	126.9	126.9
Inventory	7.5	10.3	9.1	10.3	10.3	10.3	10.3
Receivables and prepayments	137.8	150.2	183.8	173.5	187.8	209.6	231.1
Cash and cash equivalents	21.2	13.6	7.7	1.0	0.4	0.6	0.4
Assets not classified elsewhere	3.1	12.9	10.0	93.0	8.8	8.8	8.8
Total assets	3 236.6	3 660.9	4 084.0	3 524.5	4 063.2	4 497.7	5 020.4
Accumulated surplus/deficit	184.6	577.4	1 104.4	1 510.7	2 038.9	2 611.7	3 323.1
Capital and reserves	451.2	445.1	442.8	442.8	442.8	442.8	442.8
Borrowings	2 180.6	2 078.3	1 978.9	1 302.8	1 261.2	1 131.1	947.2
Post-retirement benefits	119.5	164.4	187.6	–	55.1	50.1	48.5
Trade and other payables	171.9	235.6	276.6	232.8	247.8	244.6	241.5
Provisions	86.2	119.8	60.4	17.3	17.3	17.3	17.3
Liabilities not classified elsewhere	42.6	40.3	33.2	18.0	–	–	–
Total equity and liabilities	3 236.6	3 660.9	4 084.0	3 524.5	4 063.2	4 497.7	5 020.4

Expenditure trends

Umgeni Water generates revenue mainly from the sale of bulk potable water to 6 municipalities in KwaZulu-Natal. Revenue grew from R1.3 billion in 2006/7 to R1.7 billion in 2009/10, at an average annual rate of 10 per cent. This strong growth rate is mainly driven by an increase in revenue from bulk water sales as well as an increase in the number of implementation activities undertaken by Umgeni Water on behalf of the department and municipalities. Revenue is expected to grow from R1.7 billion to R2.1 billion over the medium term, at an average annual rate of 6.7 per cent. This was due to inflation related increases in the bulk water tariffs.

Expenditure increased from R1 billion in 2006/07 to R1.2 billion in 2009/10, at an average annual rate of 6.2 per cent. This is due to the rising costs of energy and chemicals over the medium term. Expenditure is

expected to increase to R1.4 billion, at an average annual rate of 3.3 per cent. This is as a result of Umgeni Water expanding its services to smaller communities in urban and peri-urban areas which were not previously served. Capital expenditure over the MTEF period is therefore expected to amount to R1.6 billion.

Infrastructure developments for Umgeni Water will be financed by a combination of internal reserves and debt finance. Over the MTEF period, borrowings decrease at an average annual rate of 10.1 per cent as the organisation repays existing debt and capital projects currently under construction near completion.

Programme 3: National Water Resources Infrastructure Programme

- *Infrastructure Development and Rehabilitation* provides for the design, construction and commissioning of raw water resources infrastructure as well as the rehabilitation and refurbishment of existing infrastructure to ensure the safety and functionality of departmental dams and related structures.
- *Operations of Water Resources* ensures the effective management of water resources and the sustainable operation and management of bulk raw water infrastructure, through the augmentation of the water trading entity.

Funds in this programme are transferred to the water trading entity.

Objectives and measures

- Ensure the effective and sustainable management of water resources by transferring sufficient funds to the water trading entity for the design, construction and commissioning of bulk raw water resources infrastructure on a regular basis.
- Ensure the effective and sustainable management of water resources by transferring sufficient funds to the water trading entity to manage and operate existing bulk raw water infrastructure.

Expenditure estimates

Table 37.11 National Water Resources Infrastructure Programme

Subprogramme	Audited outcome			Adjusted appropriation 2009/10	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
R million							
Infrastructure Development and Rehabilitation	541.5	902.3	1 328.1	2 231.6	2 101.4	2 353.0	2 564.5
Operations of Water Resources	311.0	283.6	316.2	287.8	140.0	167.1	175.5
Total	852.5	1 185.9	1 644.3	2 519.4	2 241.4	2 520.2	2 740.0
Change to 2009 Budget estimate				242.4	(191.9)	(97.9)	-

Economic classification

Transfers and subsidies	852.5	1 185.9	1 644.3	2 519.4	2 241.4	2 520.2	2 740.0
Departmental agencies and accounts	852.5	1 185.9	1 644.3	2 339.4	2 061.4	2 340.2	2 560.0
Foreign governments and international organisations	-	-	-	180.0	180.0	180.0	180.0
Total	852.5	1 185.9	1 644.3	2 519.4	2 241.4	2 520.2	2 740.0

Details of selected transfers and subsidies

Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Capital	852.5	1 185.9	1 644.3	2 339.4	2 061.4	2 340.2	2 560.0
Water Trading Entity (Augmentation)	311.0	283.6	316.2	107.8	140.0	167.1	175.5
Water Trading Entity (Infrastructure)	541.5	902.3	1 328.1	2 231.6	1 921.4	2 173.0	2 384.5
Foreign governments and international organisations							
Capital	-	-	-	180.0	180.0	180.0	180.0
Komati River Basin Water Authority	-	-	-	180.0	180.0	180.0	180.0

Expenditure trends

The *National Water Resources Infrastructure* programme's sole responsibility is to provide transfer payments to the water trading entity. The entity manages the development and rehabilitation of infrastructure as well as the operation of infrastructure on behalf of the department.

Expenditure in this programme increased from R852.5 million in 2006/07 to R2.5 billion in 2009/10, at an average annual rate of 43.5 per cent. The significant growth in the programme is as a result of additional allocations for the Olifants River water resources development project and the dam safety rehabilitation programme. Expenditure in the *Infrastructure, Development and Rehabilitation* subprogramme increased by 68 per cent, from R1.3 billion in 2008/09 to R2.2 billion in 2009/10. This was the result of a rollover of R227 million and the additional allocation of R600 million for the social component of De Hoop Dam. The decrease in expenditure in 2010/11 is the result of reprioritising R500 million to fund water loss efficiency, asset management, waste water works and water infrastructure. These allocations within the subprogramme are disbursed as transfers to the water trading entity. The transfer payments to the water trading entity grew from R852.5 million in 2006/07 to R2.7 billion in 2012/13, at an average annual rate of 20.1 per cent.

Over the MTEF period, expenditure in this programme is expected to grow marginally at an average annual rate of 2.8 per cent, from R2.5 billion in 2009/10 to R 2.7 billion in 2012/13.

Expenditure in the *Operation of Water Resources* subprogramme is expected to decrease over the medium term at an average annual rate of 15.2 per cent due to better cost recovery approaches, which are reducing the need for augmentations from the department.

Public entities

Water trading entity

Strategic overview: 2006/07 – 2012/13

The water trading account was established in 1995 to ring fence departmental revenues collected through the sale of bulk water and related services from voted appropriations. The trading account was subsequently amended by the Public Finance Management Act (1999), under which it became the water trading entity in 2008. The rationale was to create an entity which would manage the recovery of usage costs to ensure the long term sustainability of South Africa's water resources.

Since its inception, the water trading entity has faced numerous challenges, including reviewing and resolving accounting issues, setting up organisational processes, and verifying the extensive network of national water resource infrastructure. From 2007/08, the entity had a R12 billion backlog on the maintenance and refurbishment of infrastructure assets. Much of this backlog was caused by water tariffs that did not reflect cost reflective tariffs.

Over the medium term, the water trading entity will focus on developing new raw water supply infrastructure through a comprehensive dam safety rehabilitation programme. The operation and maintenance of water resources infrastructure will be prioritised to ensure the supply of water in accordance with agreements with water users. The entity will also review the water pricing strategy. Particular emphasis will be put on developing a pricing and cost recovery framework that promotes social equity, fosters ecological sustainability, improves financial management, and ensures economic efficiency. The rollout of a water trading enterprise wide risk management system will be completed by March 2011.

Savings and cost effective service delivery

The water trading entity is expected to save R59.3 million over the MTEF period (R17.5 million in 2010/11, R20.2 million in 2011/12 and R21 million in 2012/13). Savings are mainly derived from cuts in expenditure on infrastructure support functions and decreases in spending on consultants and travelling.

In effecting these savings, the entity will introduce efficient approaches to service delivery, including refocusing on core functions, reallocating existing resources, and outsourcing contracts where practical. Better rates will be

negotiated with consultants, and the entity will save on travelling by using communications technologies such as video conferencing.

Selected performance indicators

Table 37.12 Water trading entity

Indicator	Past			Current	Projections		
	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13
Total number of dam safety projects undertaken (completed in brackets)	35	36	43(11)	52(21)	58(27)	64(43)	75(52)
Percentage completion on construction of Olifants River water resources development project phase 2A (De Hoop Dam and related infrastructure)	2%	8%	27%	51%	76%	93%	100%
Percentage completion on construction of Nwamitwa Dam	–	–	–	6%	17%	38%	61%
Percentage completion on construction of raising Clanwilliam Dam wall	–	–	–	–	7%	24%	53%
Percentage completion on construction of Mokolo River augmentation	–	–	–	1%	31%	71%	99%
Revenue generated per year to fund the refurbishment programme	R346m	R357.4m	R130.9m	R525m	R563.9m	R714.6m	R914.6m

Service delivery focus

New bulk raw water infrastructure will be constructed for the storage and conveying of water over the MTEF period. A key focus over the medium term is to eradicate the backlog on maintaining rehabilitating existing national water resources infrastructure.

The auditor-general's disclaimers and qualifications were dealt with through the business process reengineering project (Siyanoqoba) and the enterprise wide asset management project (Sakhile), which were completed in 2008/09. These projects ensure that the water trading entity complied with the accrual accounting requirements of the Public Finance Management Act (1999). The entity has embarked on the next phase of the business efficiency drive, aiming to complete the adoption of best practices and systems by March 2010.

Refurbishment and rehabilitation projects were undertaken to ensure the integrity of key infrastructure delivering water users. Larger projects include the rehabilitation of the ongoing Gamtoos government water scheme, which delivers water to the Nelson Mandela Bay metropolitan municipality and irrigation farmers in Eastern Cape, with about R40 million spent on the project in 2009/10. Another large project is the rehabilitation of the Vlaktefontein canal at an estimated cost of R1.7 billion over the next 7 to 8 years. This canal is part of the conveyance system delivering water to Sasol Synfuels and Eskom's power stations. Refurbishment is currently taking place on mechanical and electrical components in the conveyance and pump systems to ensure reliable water delivery to water users, including Eskom and Sasol.

The entity will participate in a review of its funding model and pricing strategy due to a R10 billion backlog on maintaining and refurbishing infrastructure assets. The development of the funding model and pricing strategy is expected to be formally adopted by the government forum and other sector stakeholders in February 2010 and will be simultaneously launched by the Minister of Water Affairs. The project is expected to be completed by March 2011.

Expenditure estimates

Table 37.13 The Water trading entity: Programme information

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Implementation of water resources management activities	410.9	387.1	394.0	363.6	391.6	422.9	457.8
Operations, maintenance and refurbishment of national water resources schemes	1 150.4	1 083.8	1 103.1	1 017.9	1 096.3	1 184.1	1 281.8
Implementation of new water resources infrastructure	1 369.7	1 290.3	1 313.3	1 211.9	1 305.2	1 409.7	1 526.1
Bulk water supply to strategic users e.g. Eskom, Sasol	606.5	571.3	581.5	536.6	577.9	624.2	675.7
Implementation of dam safety projects	260.7	245.6	250.0	230.7	268.1	291.8	315.1
Total expense	3 798.2	3 578.2	3 641.9	3 360.7	3 639.1	3 932.6	4 256.5

Table 37.14 The Water trading entity: Financial information

Statement of financial performance	Audited outcome			Revised estimate	Medium-term estimate		
	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
R million							
Revenue							
Non-tax revenue	1 915.9	1 790.2	1 747.0	1 885.7	2 096.3	2 398.6	2 588.2
Sale of goods and services other than capital assets of which:	1 620.2	1 777.8	1 732.8	1 879.7	2 088.3	2 388.6	2 577.4
<i>Sale of Bulk Water</i>	1 620.2	1 754.8	1 712.8	1 849.7	2 056.3	2 354.6	2 540.7
<i>Other sales</i>	–	23.0	20.0	30.0	32.0	34.0	36.7
<i>Other non-tax revenue</i>	295.7	12.4	14.2	6.0	8.0	10.0	10.8
Transfers received	487.7	332.8	391.4	219.8	258.7	292.6	307.7
Total revenue	2 403.6	2 123.0	2 138.3	2 105.5	2 355.1	2 691.1	2 895.8
Expenses							
Current expense	3 620.0	3 396.3	3 456.9	3 360.7	3 639.1	3 932.6	4 256.5
Compensation of employees	453.3	528.1	661.5	717.5	774.9	836.8	903.8
Goods and services	960.5	1 436.9	1 235.9	938.1	1 014.0	1 077.4	1 141.9
Depreciation	2 205.2	1 387.1	1 490.5	1 635.1	1 790.2	1 958.4	2 146.0
Interest, dividends and rent on land	1.0	44.2	68.9	70.0	60.0	60.0	64.8
Transfers and subsidies	178.3	181.8	185.0	–	–	–	–
Total expenses	3 798.2	3 578.2	3 641.9	3 360.7	3 639.1	3 932.6	4 256.5
Surplus / (Deficit)	(1 394.6)	(1 455.2)	(1 503.5)	(1 255.2)	(1 284.0)	(1 241.5)	(1 360.7)
Statement of financial position							
Carrying value of assets	93 939.2	87 297.6	87 174.3	87 770.4	88 462.7	89 605.8	90 059.1
of which: <i>Acquisition of assets</i>	173.7	566.0	1 376.7	2 234.9	2 483.4	3 101.4	2 599.3
Inventory	19.9	18.9	14.0	14.0	12.0	10.0	10.8
Receivables and prepayments	1 481.1	1 535.4	2 166.6	1 716.6	1 500.0	1 300.0	1 404.0
Cash and cash equivalents	370.2	120.5	0.2	–	–	–	–
Total assets	95 810.4	88 972.4	89 355.1	89 501.0	89 974.7	90 915.8	91 473.9
Accumulated surplus/deficit	(432.4)	1 458.2	1 353.9	98.7	(1 185.3)	(2 426.8)	(3 787.4)
Capital and reserves	95 099.6	86 309.5	84 910.3	84 688.8	84 795.9	85 396.4	85 947.6
Borrowings	10.6	36.3	37.0	37.0	37.0	37.0	40.0
Trade and other payables	825.3	572.7	1 388.7	1 879.5	2 160.5	2 297.5	2 137.5
Provisions	70.0	78.9	85.2	90.3	95.7	101.4	107.5
Liabilities not classified elsewhere	237.3	516.8	1 580.1	2 706.6	4 070.9	5 510.2	7 028.7
Total equity and liabilities	95 810.4	88 972.4	89 355.1	89 501.0	89 974.7	90 915.8	91 473.9

Expenditure trends

The water trading entity generates revenue from water resource management and water resource infrastructure charges, and transfers from the department. Total revenue decreased from R2.4 billion in 2006/07 to R2.1 billion in 2009/10, at an average annual rate of 4.3 per cent. This is due to the inclusion of revenue from 2005/06 in the 2006/07 financials to meet the revenue recognition standards under accrual accounting. Over the medium term, revenue is expected to increase to R2.9 billion, at an average annual rate of 11.2 per cent. The increase over the medium term is due to increases in water resource management and water resource infrastructure charges, which are projected to increase from R1.8 billion in 2009/10 to R2.5 billion in 2012/13.

The entity is currently not generating enough revenue due to the price caps set by the water pricing strategy, and has incurred a deficit of R1.3 billion in 2009/10 as a result of this. The entity is therefore not able to generate enough revenue to fund the refurbishment and improvement of infrastructure assets. Non-payment of accounts also impacts negatively on the entity's financial position. Accounts receivable and prepayments showed an initial increase between 2006/7 and 2008/09 due to non-payment by municipalities, irrigators and water board accounts. The amounts accrued under accounts receivable and prepayments are expected to stabilise over the MTEF period.

Expenditure decreased from R3.8 billion in 2006/07 to R3.4 billion in 2009/10, at an average annual rate of 4 per cent, due to an abnormal adjustment for depreciation in 2006/07 driven by increases in expenditure in compensation of employees and goods and services. Over the MTEF period, expenditure is expected to increase

to R4.3 billion, at an average annual rate of 8.2 per cent. Expenditure in compensation of employees increased at an average annual rate of 16.5 per cent between 2006/07 and 2009/10. The annual increases are due to inflation related adjustments and the filling of vacant positions. The decrease of 24.1 per cent in goods and services between 2008/09 and 2009/10 was a result of improving the internal process for the capitalisation of refurbishment of infrastructure assets, and measures taken to save operating costs.

Trans-Caledon Tunnel Authority

Strategic overview: 2006/07 – 2012/13

The Trans-Caledon Tunnel Authority was initially established in 1986 in terms of the Water Act (1956). The authority now functions in terms of the National Water Act (1998) and a number of ancillary acts. This legislative framework allows the authority to implement projects in terms of specific directives from the Minister of Water Affairs.

The Trans-Caledon Tunnel Authority is a specialised liability management entity. Its mandate is to finance, develop and implement bulk raw water infrastructure within an acceptable risk framework and in the most cost effective manner to benefit water consumers. The authority's liability management activities cover the entire project cycle (from raising the finance to overseeing the engineering, construction and commissioning activities). The authority also plays an important role as an expert advisor to the Department of Water Affairs and other water management institutions on project initiation, restructuring treasury activities and reviewing water tariff methodologies.

In 2009/10, the Trans-Caledon Tunnel Authority fulfilled its mandate of designing, financing, implementing and commissioning bulk water projects. The authority successfully completed the construction and commissioning of two flagship projects: the Berg Water project and the Vaal River eastern subsystem augmentation project. The Berg Water project increases Cape Town's water supply to 523 million m³ per year and is expected to alleviate the water shortages in the region. Similarly, the Vaal River eastern subsystem augmentation project now delivers water to meet Eskom's and Sasol's water needs in Secunda. This was necessitated by Eskom's re-commissioning of mothballed power stations and Sasol's increased fuel production.

Given the organisation's good implementation record and its strong credit rating, the Minister of Water Affairs issued a number of additional directives in 2008/09 to the authority to raise funding for and implement the bulk water infrastructure projects, including phase two of the Mooi-Mgeni transfer scheme, the Komati Water scheme augmentation project and phase two of the Olifants River water resource development. Over the medium term, the organisation is expected to focus on the implementation of these ministerial directives. Moreover, the organisation will strengthen its internal capacity to provide advisory and treasury management services to the water sector.

Selected performance indicators

Table 37.15 Tans-Caledon Tunnel Authority

Indicator	Programme/Activity	Past			Current	Projections			
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	
Average interest rate	Benchmark	Lesotho Highlands water project	8.16%	9.55%	10.48%	8.93%	9.29%	9.29%	9.29%
	Actual		7.95%	9.11%	10.30%				
	Benchmark	Berg water project	8.39%	10.45%	11.56%	9.55%	7.97%	8.69%	8.71%
	Actual		8%	10.17%	9.53%				
	Benchmark	Vaal River eastern subsystem augmentation project	8.31%	10.33%	11.80%	9.92%	7.97%	8.69%	8.71%
	Actual		8.29%	10.21%	9.76%				
Credit rating	Long term	Berg water project	maintained AA+	maintained AA+	maintained AA+	maintained AA+	maintained AA+	maintained AA+	maintained AA+
	Short term		maintained AA+	maintained AA+	maintained AA+	maintained AA+	maintained AA+	maintained AA+	maintained AA+
	Long term	Vaal River eastern subsystem augmentation project	maintained AA+	maintained AA+	maintained AA+	maintained AA+	maintained AA+	maintained AA+	maintained AA+
	Short term		maintained AA+	maintained AA+	maintained AA+	maintained AA+	maintained AA+	maintained AA+	maintained AA+

Service delivery focus

Since completing the first phase of the Lesotho Highlands Water Project in 2001, emphasis has been placed on debt management to ensure that optimal capital structure is adopted and that revenue collected is sufficient to repay debts. In 2008/09, the □tabilize□on remained a preferred borrower in domestic and international money markets and both the Vaal River eastern sub-system augmentation and Berg Water projects maintained their Fitch credit rating of AA+. Over the medium term, debt and liability management services will also be extended to these projects. In 2009/10, the □tabilize□on worked closely with the departments of water affairs and the public enterprises to begin acquiring an engineering service provider to implement and fund the Mokolo Crocodile water augmentation project.

The second phase of the R1.7 billion Mooi-Mgeni transfer scheme in the KwaZulu-Natal midlands augments the existing transfer scheme into the Mgeni River catchment, increasing the yield by 60 million m³ to 394 million m³ per year. With an approved R3.1 billion borrowing limit from National Treasury, this phase involves constructing the new Spring Grove Dam on the Mooi River, a new pump station and a new pipeline from the dam to the Mpfana River, with construction set to begin in July 2010 for delivery by mid-2013. In the second phase of the Olifants River water resource development project, bulk water infrastructure will be constructed to meet the water requirements of new mines and a power station in Limpopo, with construction expected to begin in late 2011 for delivery in 2013. Construction on the Komati Water scheme augmentation project, which supplies water to Eskom's Duvha and Matla power stations in Mpumalanga, is set to begin in October 2010 for delivery in the third quarter of 2011 on an estimated budget of R1.7 billion.

To maintain a sustainable financial position, the organisation's operating surplus totalled R1.8 billion in 2008/09 compared to R1.6 billion in 2007/08. Revenue generated from the sale of raw water amounted to R2.5 billion in 2009 compared to R2.1 billion in 2008. An unqualified audit report was obtained for 2008/09.

The organisation handed over houses worth around R30 million that were initially constructed in the La Motte village for contractors on the Berg Water project, to the Stellenbosch municipality. Revenue from this sale will be used to fund housing developments in the area.

Expenditure estimates

Table 37.16 Trans-Caledon Tunnel Authority: Financial information

Statement of financial performance	Audited outcome			Revised estimate	Medium-term estimate		
	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
R million							
Revenue							
Non-tax revenue	2 407.0	2 539.5	3 133.0	2 861.6	3 004.7	3 156.5	3 316.0
Sale of goods and services other than capital assets	1 952.0	2 088.8	2 493.3	2 838.0	2 981.3	3 131.9	3 290.1
of which:							
Sale of Bulk Water	1 952.0	2 088.8	2 493.3	2 838.0	2 981.3	3 131.9	3 290.1
Other non-tax revenue	455.0	450.7	639.6	23.7	23.5	24.6	25.9
Total revenue	2 407.0	2 539.5	3 133.0	2 861.6	3 004.7	3 156.5	3 316.0
Expenses							
Current expense	2 520.6	2 725.5	3 211.0	2 979.8	3 128.8	3 285.3	3 449.5
Compensation of employees	36.0	57.2	101.0	113.7	119.4	125.4	131.7
Goods and services	547.5	398.5	465.0	548.3	575.7	604.5	634.7
Depreciation	96.1	35.9	40.3	37.2	39.0	41.0	43.0
Interest, dividends and rent on land	1 841.0	2 209.8	2 603.7	2 280.7	2 394.7	2 514.4	2 640.1
Total expenses	2 520.6	2 725.5	3 211.0	2 979.8	3 128.8	3 285.3	3 449.5
Surplus / (Deficit)	(113.6)	(186.0)	(78.0)	(118.2)	(124.1)	(128.7)	(133.5)

Table 37.16 Trans-Caledon Tunnel Authority: Financial information (continued)

R million	Audited outcome			Revised estimate 2009/10	Medium-term estimate		
	2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Statement of financial position							
Carrying value of assets	17 536.0	18 549.0	22 107.6	19 545.1	19 948.8	20 371.4	20 814.8
of which: Acquisition of assets	1.8	13.0	399.6	430.7	442.8	463.6	486.5
Investments	1 018.1	1 908.0	864.4	3 604.0	3 270.5	3 615.2	3 977.1
Receivables and prepayments	547.8	467.0	956.0	1 478.0	1 543.9	1 619.7	1 700.4
Cash and cash equivalents	0.1	–	10.0	31.9	41.5	44.9	47.4
Assets not classified elsewhere	–	29.0	27.0	28.3	27.7	29.3	30.4
Total assets	19 102.0	20 953.0	23 965.0	24 687.2	24 832.4	25 680.5	26 570.2
Accumulated surplus/deficit	(3 510.0)	(3 550.8)	(3 628.8)	(3 747.0)	(3 871.1)	(3 999.8)	(4 133.4)
Capital and reserves	141.0	–	–	–	–	–	–
Borrowings	21 786.5	23 735.0	26 683.0	27 597.3	27 824.7	28 757.6	29 734.6
Trade and other payables	681.9	766.2	908.2	834.1	875.8	919.6	965.6
Provisions	2.6	2.7	2.7	2.8	3.0	3.1	3.3
Total equity and liabilities	19 102.0	20 953.0	23 965.0	24 687.2	24 832.4	25 680.5	26 570.2

Expenditure trends

The Trans-Caledon Tunnel Authority derives its revenue from the sale of bulk water and the provision of advisory services to the water sector. Sales of bulk water from the Lesotho Highlands water project, the Berg Water project and the Vaal River eastern subsystem augmentation project account for 91.4 per cent of total revenue over the 7-year period. Revenue increased from R2.4 billion to R2.9 billion between 2006/07 and 2009/10, at an average annual rate of 5.9 per cent. This marginal increase masks some important developments in the work of the authority. Revenue increased rapidly between 2007/08 and 2008/09 from R2.5 billion to R3.1 billion due to additional consultancy fees paid by the department to the authority for the provision of advisory services on the Komati Water scheme augmentation, Mokolo Crocodile water augmentation and Olifants River water resource development projects. Revenue received from advisory services is expected to decrease over the MTEF period as these bulk infrastructure projects move into the construction phase. Over the MTEF period, revenue is expected to grow at an average annual rate of 5 per cent.

Interest, dividends, rent and financing charges accounted for 76.5 per cent of all expenditure incurred by the authority in 2009/10. Expenditure increased from R2.5 billion in 2006/07 to R3 billion in 2009/10, at an average annual rate of 5.7 per cent. This is due to an increase in expenditure on compensation of employees and goods and services to expand the authority's capacity to implement the additional 4 projects from 2008/09 onwards.

Expenditure is expected to increase to R3.5 billion over the medium term, at an average annual rate of 5 per cent. This is due to an increase in operational expenditure over the medium term as the number of projects the authority is mandated to implement increases from 3 to 7. Capital expenditure for 2007/08 is relatively low, amounting to R13 million, and is projected to increase to R486.5 million in 2012/13 as the additional projects are implemented.

Programme 4: Regional Management

- *Stakeholder Management / Sector Support* monitors sector performance, coordinates sector collaborations and intergovernmental relations and ensures that the provincial water sector plans are aligned with provincial growth and development strategies.
- *Institutional Establishment* contributes to the establishment of effective water management institutions.
- *Regional Programme Coordination* ensures the implementation of departmental regional programmes.
- *Water Conservation and Demand Management* ensures the conservation of water through efficient infrastructure management and the water use efficiency programme.
- *Accelerate Access to Community Infrastructure* implements an accelerated community infrastructure programme to achieve the target for universal access to water supply.

- *Natural Resource Management Programmes* administers the Working for Water, Working on Fire and Working for Wetlands programmes. The programme works in partnership with local communities, to whom it provides jobs, and also with government departments including the departments of environmental affairs, agriculture, forestry and fisheries, and trade and industry, provincial departments and environment and research foundations and private companies.
- *Poverty Interventions* manages and facilitates poverty intervention programmes, which includes the extended public works programme and other labour intensive projects such as the erection of rain water tanks.
- *Regional Bulk* develops regional bulk infrastructure for water supply and water treatment works and supplements regional bulk sanitation collector systems as well as regional waste water treatment works.
- *Transfer of Water Schemes* guides the transfer of the operation and maintenance functions of water services schemes to water services institutions to ensure effective local operation and management.
- *Support Services* provides support services to the programme in the regions, namely human resources, financial management and general administration.

Objectives and measures

- Improve the management of water resources in South Africa by:
 - overseeing the functioning of the Inkomati and Breede-Overberg catchment management authorities by ensuring that their annual and quarterly reports are tabled in Parliament on time
 - creating and supporting 4 water users associations in 2010/11.
- Promote intergovernmental cooperation in the water sector by:
 - reviewing and ensuring the alignment of 9 provincial water sector plans with provincial growth and development strategies by March 2011.
- Facilitate good governance in the water sector by supporting the implementation of the water sector plans in the 9 provinces in the context of the water for growth and development framework by March 2011.
- Build institutional capacity in local government to provide water services by:
 - developing national policy, norms and standards, guidelines and tools to assist municipalities
 - providing targeted engineering advice and technical support to municipalities, where necessary, in line with the department's regulatory function
 - assisting municipalities to develop and implement the regulatory performance measurement system.
- Foster better donor relations in the water sector by completing the donor funded water sector support programme (Masibambane III) funded by the European Union in March 2011.
- Promote regional cooperation and water security in Africa by participating in strategic SADC and African water engagements, and by strengthening partnerships with New Partnership for Africa's Development structures and regional structures.

Service delivery focus

In 2009, regional collaboration was enhanced through the implementation of a capacity building programme in 7 SADC countries (Lesotho, Swaziland, Namibia, Botswana, the Democratic Republic of the Congo, Mozambique and South Africa). In 2009/10, proposals on training process controllers in 8 provinces were approved by the Local Government Sector Education and Training Authority to address the severe shortage of qualified technical staff in water service authorities.

The second edition of the water service authority checklist, which was published in 2008/09, was replaced by the regulatory performance measurement system, which became operational in 68 municipalities in 2009/10. In June 2009, all regional offices submitted their 7-point plans, which are strategies to eradicate the backlog in licensing and reduce turnaround time.

In 2008/09, 257 890 additional households were served with water and 326 477 households were served with sanitation. From April to December 2009, 188 311 households were served with water and 177 178 with sanitation. 601 496ha of invasive vegetation were cleared in 2008/09 against a target of 218 000ha. Between

April and September 2009, 447 603ha of alien plants were cleared through the Working for Water programme. In 2009/10, an estimated 30 270 people and 1 442 small, medium and micro enterprises benefited from the Working for Water programme. 9 regional bulk projects have been completed to date and 25 initiated between April and December 2009. 58 of 60 transfer agreements were signed and 4 592 staff members were transferred to water service authorities in 2008/09. Water service authorities have shown 85 per cent compliance with the Division of Revenue Act. 40 per cent of transferred schemes were refurbished and 70 per cent were transferred in 2009/10.

Expenditure estimates

Table 37.17 Regional Management

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Stakeholder Management / Sector Support	147.5	140.7	149.9	239.7	426.0	196.9	207.9
Institutional Establishment	156.6	254.3	179.9	242.2	697.6	591.4	465.9
Regional Programme Coordination	–	–	–	0.9	0.9	1.0	1.0
Water Conservation and Demand Management	–	–	–	167.0	41.3	29.3	29.5
Accelerate Access to Community Infrastructure	–	–	–	50.0	6.9	60.0	65.0
Natural Resource Management Programmes	468.2	556.1	650.2	627.1	908.1	1 260.5	1 371.5
Poverty Interventions	–	–	–	173.1	167.6	161.4	169.4
Regional Bulk	–	300.0	443.2	616.8	893.0	1 675.3	1 849.1
Transfer of Water Schemes	1 145.2	1 113.2	1 345.0	1 129.8	865.6	685.7	720.0
Support Services	162.1	194.2	209.3	251.2	322.0	415.8	441.1
Total	2 079.6	2 558.4	2 977.4	3 497.8	4 329.0	5 077.3	5 320.5
Change to 2009 Budget estimate				145.1	550.3	412.4	414.6
Economic classification							
Current payments	1 574.5	1 457.5	1 489.6	1 813.8	2 303.9	2 766.5	2 929.4
Compensation of employees	740.1	615.3	572.6	597.7	664.5	692.5	680.7
Goods and services	834.2	841.5	916.9	1 216.1	1 639.4	2 074.0	2 248.7
<i>of which:</i>							
<i>Consultants and professional services:</i>	373.7	339.1	380.3	473.9	416.6	488.7	616.1
<i>Business and advisory services</i>							
<i>Contractors</i>	20.1	36.2	55.2	311.6	131.6	122.1	134.4
<i>Agency and support / outsourced services</i>	138.1	155.9	186.4	187.4	758.0	1 104.2	1 219.4
<i>Property payments</i>	15.8	34.3	9.1	5.3	3.9	1.4	1.5
Interest and rent on land	0.2	0.6	0.2	–	–	–	–
Transfers and subsidies	472.0	774.3	1 015.0	984.4	948.5	504.6	660.4
Provinces and municipalities	385.7	732.9	994.7	925.0	890.7	380.7	399.8
Departmental agencies and accounts	–	3.7	4.6	22.1	40.2	59.3	62.3
Foreign governments and international organisations	–	–	–	0.6	–	–	–
Public corporations and private enterprises	83.9	37.7	0.0	–	–	–	–
Households	2.4	0.1	15.8	36.8	17.5	64.5	198.3
Payments for capital assets	33.1	322.9	472.8	699.6	1 076.6	1 806.2	1 730.7
Buildings and other fixed structures	10.4	306.2	449.6	672.0	1 034.4	1 763.9	1 686.2
Machinery and equipment	19.1	14.9	22.6	25.7	41.3	41.4	43.5
Biological assets	–	–	–	–	0.3	0.4	0.4
Software and other intangible assets	3.7	1.9	0.6	1.9	0.5	0.6	0.6
Payments for financial assets	–	3.7	–	–	–	–	–
Total	2 079.6	2 558.4	2 977.4	3 497.8	4 329.0	5 077.3	5 320.5

Table 37.17 Regional Management (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Details of selected transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	385.7	641.7	985.7	871.3	661.7	380.0	399.0
Water Services Operating Subsidy Grant	385.7	641.7	985.7	871.3	661.7	380.0	399.0
Capital	-	91.2	9.0	53.7	228.4	-	-
Municipal Drought Relief Grant	-	91.2	9.0	53.7	228.4	-	-
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	-	3.7	4.6	22.1	40.2	59.3	62.3
Catchment Management Agencies (Seed Funding)	-	3.7	4.6	22.1	40.2	59.3	62.3
Public corporations and private enterprises							
Public corporations							
Subsidies on production or products							
Current	83.9	37.7	-	-	-	-	-
Water Services Operating Subsidy Indirect Grant: Water Boards	83.9	37.7	-	-	-	-	-
Foreign governments and international organisations							
Current	-	-	-	0.6	-	-	-
International Centre for Water Economics and Governance (WEGA)	-	-	-	0.6	-	-	-
Households							
Other transfers to households							
Current	-	-	-	3.6	15.5	62.5	196.3
Resource for poor farmers	-	-	-	3.6	3.5	3.6	3.8
Water Services Operating Subsidy Grant	-	-	-	-	12.1	58.9	192.5

Expenditure trends

The *Regional Management* programme accounts for the largest proportion of expenditure in the department. This programme finances regional infrastructure through transfers from the department to provinces and municipalities. The programme also houses the Working for Water and Working on Fire initiatives. Expenditure in the programme grew at an average annual rate of 18.9 per cent, from R2.1 billion in 2006/07 to R3.5 billion in 2009/10. This strong growth is mainly due to additional transfers to local government for the construction of water supply and distribution infrastructure. Between 2006/07 and 2009/10, transfers to provinces and municipalities increased from R385.7 million to R925 million, at an average annual rate of 33.9 per cent.

The increase in expenditure for the *Stakeholder Management / Sector Support* subprogramme increased significantly from R149.9 million in 2008/09 to R239.6 million in 2009/10 at an average annual rate of 59.9 per cent due to the drought relief in Western Cape municipalities and the cholera outbreak in Limpopo and Mpumalanga. Over the medium term, funds amounting to R3.8 million are allocated for the *Regional Programme Coordination* subprogramme to implement and support the implementation of regional bulk water infrastructure in local government. Transfers to departmental agencies are expected to grow significantly over the medium term, from R22.1 million in 2009/10 to R 62.3 million in 2012/13, at an average annual rate of 41.3 per cent. This is due to additional funding for the establishment of new catchment management agencies and for building organisational capacity in the 2 existing agencies. This translates into an increase of 188 per cent in the *Institutional Establishment* subprogramme.

Over the MTEF period, the programme's budget is expected to grow at an average annual rate of 15 per cent, from R3.5 billion to R5.3 billion. This increase is due to the continuation of the regional bulk infrastructure development, through an additional allocation of R554 million, of which R54 million is allocated for drought relief in Limpopo in 2010/11. This translates to an increase in expenditure in the *Regional Bulk* subprogramme,

which grows at an average annual rate of 44.2 per cent. Expenditure in the *Support Services* subprogramme is expected to increase significantly over the MTEF period, at an average annual rate of 20.6 per cent, to reach R441.1 million as the department expands its capacity to support regions with the implementation of regional bulk infrastructure projects.

Over the MTEF period, the expenditure in the *National Resource Management* subprogramme is expected to increase at an average annual rate of 29.8 per cent due to a shift of components of the expanded public works programme from the Department of Public Works to the Department of Water Affairs. Over the medium term, additional funds are appropriated for expanded public works programme incentive grants amounting to R386.4 million for the Working for Water programme and R111.6 million for Working on Fire programmes.

Programme 5: Water Sector Regulation

- *Economic and Social Regulation* ensures that pricing is efficient and cost reflective, achieves value for money for consumers and, where appropriate, that trade-offs are made between the cost quality of service and sustainability of service.
- *Water Use* authorises all water use activities in South Africa through the use of regulatory instruments such as licensing and water allocation reform.
- *Enforcement* ensures that water usage complies with norms and standards as per licence authorisation and that drinking water quality complies with South African national standard 241, regulates illegal water use and curbs pollution.
- *Resource Regulation* promotes compliance and the monitoring of policies and strategies, including dam safety.

Objectives and measures

- 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 in 2010/11 (upper Vaal, upper Olifants, and Crocodile (west) and Marico).
- Ensure the equitable allocation of water resources to promote social and economic development through implementing water allocation reform and licensing by completing compulsory licensing processes in 3 catchment management areas (Umhlathuze, Jan Dissels and Inkomati) by March 2011.
- Ensure that all South African citizens have access to safe drinking water by implementing blue drop compliance monitoring and ensuring that 400 water systems are assessed by March 2011.
- Reduce pollution in water resources throughout South Africa by ensuring all 500 waste water treatment plants comply with effluent standards and are assessed for green drop status by March 2011.

Service delivery focus

In 2008, the department officially launched the blue drop/green drop certification programme during the municipal indaba. The objective of this regulation programme is to award water supply systems, waste water treatment works and water services authorities with statuses of excellence based on effective drinking water quality and waste water management practices. A secondary objective is to adequately inform the general public on the regulator's confidence levels in the respective management practices of each service system and waste water treatment works. In 2008/09, 22 municipalities met the blue drop certification requirements.

The first assessments in all 9 provinces began in 2009, while the completed audits formed the basis of the inaugural blue drop report, published in May 2009 and presented at the second drinking water quality conference in Port Elizabeth. The minister awarded 23 water supply systems with blue drop status and 32 waste water treatment facilities with green drop status at the conference in 2009/10. The inaugural green drop report will be published in early 2010. Second round assessments for blue drop status in 2010 began in December 2009 while the department completed audits for all the 2010 FIFA World Cup host cities. The second blue drop report is scheduled to be released in March 2010. Over the medium term, the department will implement

comprehensive monitoring and evaluation systems to support municipalities in achieving compliance with water regulation.

Targets over the medium term for awarding blue drop certificates are 100 in 2010/11, 170 in 2011/12 and 220 in 2012/13. For green drop certificates, the targets are 60 in 2010/11, 100 in 2010/11 and 150 in 2012/13.

Expenditure estimates

Table 37.18 Water Sector Regulation

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Economic and Social Regulation	52.2	78.2	79.1	76.4	75.6	81.8	85.9
Resource Regulation	41.1	35.2	32.0	53.4	50.9	53.9	56.6
Water Use	22.0	35.5	31.8	28.3	50.7	68.3	71.7
Total	115.4	148.8	142.9	158.1	177.2	204.0	214.1
Change to 2009 Budget estimate				(26.7)	(36.6)	(37.2)	(39.1)

Economic classification

Current payments	102.0	113.4	111.0	128.9	139.5	162.4	170.5
Compensation of employees	33.6	37.8	37.5	49.0	52.0	55.1	57.9
Goods and services	68.4	75.7	73.6	79.8	87.5	107.3	112.6
<i>of which:</i>							
<i>Consultants and professional services: Business and advisory services</i>	44.2	45.1	29.9	35.3	58.6	76.4	80.2
<i>Contractors</i>	13.1	11.9	2.6	6.9	7.3	7.7	8.1
<i>Agency and support / outsourced services</i>	–	–	22.9	16.4	–	–	–
Transfers and subsidies	12.3	30.2	30.8	27.4	36.1	39.9	41.8
Non-profit institutions	0.2	0.4	0.4	0.4	0.5	0.5	0.5
Households	12.1	29.9	30.4	27.0	35.6	39.4	41.3
Payments for capital assets	1.0	5.2	1.1	1.8	1.6	1.7	1.8
Buildings and other fixed structures	0.1	0.0	–	–	–	–	–
Machinery and equipment	1.0	5.1	1.1	1.8	1.6	1.7	1.8
Total	115.4	148.8	142.9	158.1	177.2	204.0	214.1

Details of selected transfers and subsidies

Households							
Other transfers to households							
Current	12.1	29.9	30.4	27.0	34.6	38.4	40.3
Financial assistance to small scale farmers	12.1	29.9	29.8	26.4	34.0	37.8	39.7
Financial assistance for dam safety	–	–	0.5	0.6	0.6	0.6	0.7

Expenditure trends

Overall spending on the *Water Sector Regulation* programme increased from R115.4 million in 2006/07 to R158.1 million in 2009/10, at an average annual rate of 11.1 per cent. Spending in this programme is expected to increase further, from R158.1 million in 2009/10 to R214.1 million in 2012/13, at an average annual rate of 10.7 per cent. This is mainly due to adjustments for inflation. Transfers and subsidies to households increase from R27 million to R41.3 million over the medium term, at an average annual rate of 15.3 per cent. Over the medium term, expenditure in this programme will be driven by the increasing number of water licences issued in terms of the allocation framework. This results in an increase in expenditure in the *Water Use* subprogramme of 36.3 per cent over the MTEF period.

Additional tables

Table 37.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	2008/09		2008/09	2009/10			2009/10
1. Administration	606.4	611.4	698.8	801.2	21.1	822.3	788.0
2. Water Management	352.9	356.4	331.8	345.1	–	345.1	338.4
3. National Water Resources Infrastructure Programme	1 931.9	2 191.9	1 644.3	2 277.0	242.4	2 519.4	2 280.7
4. Regional Management	2 991.9	3 014.0	2 977.4	3 357.3	140.5	3 497.8	3 427.4
5. Water Sector Regulation	144.3	144.3	142.9	162.7	(4.6)	158.1	135.3
Total	6 027.3	6 317.9	5 795.3	6 943.2	399.4	7 342.6	6 969.8
Economic classification							
Current payments	3 130.2	2 536.6	2 592.1	2 874.4	179.8	3 054.2	2 990.5
Compensation of employees	944.8	1 012.5	862.5	988.3	54.8	1 043.1	1 001.4
Goods and services	2 185.3	1 524.1	1 729.4	1 886.1	125.0	2 011.1	1 989.1
Interest and rent on land	0.0	–	0.2	–	–	–	–
Transfers and subsidies	2 832.0	3 265.3	2 705.3	3 325.6	213.8	3 539.4	3 230.3
Provinces and municipalities	861.5	994.7	994.7	978.6	(53.6)	925.0	854.6
Departmental agencies and accounts	1 936.9	2 196.9	1 649.6	2 120.1	242.4	2 362.5	2 123.8
Foreign governments and international organisations	0.6	0.6	0.6	180.1	0.6	180.7	180.7
Non-profit institutions	0.4	0.4	0.4	0.4	–	0.4	0.4
Households	32.7	72.7	60.0	46.3	24.4	70.7	70.7
Payments for capital assets	65.1	516.0	494.6	743.3	5.7	749.1	749.1
Buildings and other fixed structures	5.6	418.6	450.3	670.2	5.3	675.5	675.5
Machinery and equipment	47.9	50.7	41.2	66.1	0.5	66.6	66.6
Software and other intangible assets	11.6	46.7	3.1	7.0	–	7.0	7.0
Payments for financial assets	–	–	3.3	–	–	–	–
Total	6 027.3	6 317.9	5 795.3	6 943.2	399.4	7 342.6	6 969.8

Table 37.B Summary of personnel numbers and compensation of employees

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Permanent and full time contract employees							
Compensation (R million)	947.5	865.0	768.9	945.1	1 068.6	1 098.7	1 114.5
Part time and temporary contract employees							
Compensation (R million)	22.4	23.5	91.2	95.5	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	1 073	1 073	1 073	1 073	1 073
Total for department							
Compensation (R million)	972.0	890.7	862.5	1 043.1	1 166.5	1 196.7	1 212.4
Unit cost (R million)	2.9	2.7	0.8	0.9	1.0	1.1	1.1
Personnel numbers (head count)	330	330	1 113	1 113	1 113	1 113	1 113

Table 37.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Compensation of employees (R million)	972.0	890.7	862.5	1 055.3	1 136.4	1 198.2	1 263.0
Training expenditure (R million)	37.0	38.9	40.8	63.1	65.7	67.3	70.7
Training as percentage of compensation	3.8%	4.4%	4.7%	6.0%	5.8%	5.6%	5.6%
Total number trained in department (head count)	2 181	2 220	2 923	848			
<i>of which:</i>							
<i>Employees receiving bursaries (head count)</i>	392	384	364	349			
<i>Learnerships trained (head count)</i>	189	189	189	-			
<i>Internships trained (head count)</i>	40	40	96	31			
Households receiving bursaries (R million)	630.0	630.0	16.2	15.0	15.9	16.9	17.7
Households receiving bursaries (head count)	42	42	120	187			

Table 37.D Summary of departmental public private partnership (PPP) projects

Project description: R million	Project annual unitary fee at time of contract	Budgeted expenditure 2009/10	Medium-term expenditure estimate		
			2010/11	2011/12	2012/13
Projects signed in terms of Treasury Regulation 16	535.1	112.1	125.6	100.7	-
PPP unitary charge	535.1	112.1	125.6	100.7	-
Total	535.1	112.1	125.6	100.7	-

1. Only projects that have received Treasury Approval: 1

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 PPP agreement was signed	14 November 2006 with the National Department of Transport
Duration of PPP agreement	Period of 5 years starting on 14 November 2006
Escalation index for unitary fee	Based on annual CPIX revised every year on 14 November

Table 37.E Summary of expenditure on infrastructure

Project name R million	Service delivery outputs	Current project stage	Total project cost	Audited outcome			Adjusted appropriation 2009/10	Medium-term expenditure estimate		
				2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Departmental infrastructure										
Olifants River water stabilize development project phase 2A at De Hoop dam	Water supply to new mining developments, supplementation of water supplies to Polokwane and to various communities on the Nebo Plateau and Steelpoort valley	Construction	2 831.2	58.2	178.8	597.6	655.5	649.5	468.5	223.1
Olifants River water resources development project	Bulk distribution works	Tender	2 810.0	7.0	0.3	2.0	111.7	208.0	285.0	342.0
Dam safety rehabilitation programme	Rehabilitation of dams and dam safety improvements	Construction	2 116.3	20.8	198.3	435.3	484.4	319.8	362.9	273.1
Raising of Clanwilliam dam	Upgrading of the existing dam to stabilize the distortion and the augmentation of water supply to meet increasing demands	Design	1 343.6	-	-	-	-	78.1	125.4	336.5
Mvoti river-iSithundu dam	Secure water supply to domestic and industrial users	Feasibility	689.7	-	-	-	-	-	-	-
Mokolo River augmentation	Augmentation of water supply to the new power stations, extension of mining activities and for the fast growing population in the area	Tender	936.1	-	-	-	12.2	82.8	269.9	285.0
Nwanthwa dam	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	Feasibility	1 206.7	-	-	6.2	62.1	57.0	171.0	293.0
Mzimkulu channel storage	Ensure a reliable water supply during dry periods	Feasibility	262.2	-	-	-	-	-	-	-
Sunday River government water scheme	Extension of the water scheme canal system to provide irrigation water to resource poor farmers	Feasibility	444.6	-	-	-	-	-	-	42.6
Vioolsdrift dam	Water supply to the Vioolsdrift area	Feasibility	798.0	-	-	-	-	-	-	160.7
Raising of Hazelmere dam	Augmentation of water supply to Umgeni Water	Design	79.8	-	-	-	34.2	45.6	-	-
Sediberg bulk regional sewerage scheme	Waste water treatment works	Feasibility	1 200.0	-	1.1	3.8	20.0	34.0	30.0	57.0
Maboks	Regional water supply scheme	Feasibility	1 000.0	-	-	0.8	0.6	-	-	-
Magalies water to Waterberg	Regional water supply scheme	Feasibility	1 000.0	-	0.5	0.9	0.7	-	-	-
Chris Ham district municipality cluster 6	Dams, weirs, boreholes, reservoirs, pump stations, bulk pipelines and surge tanks	Design	324.0	-	-	5.0	6.5	7.6	41.0	57.0

Table 37.E Summary of expenditure on infrastructure (continued)

Project name R million	Service delivery outputs	Current project stage	Total project cost	Audited outcome		Adjusted appropriation	Medium-term expenditure estimate			
				2006/07	2007/08		2008/09	2010/11	2011/12	2012/13
Infrastructure transfers to other spheres, agencies and departments										
Mbizana regional bulk water supply and bulk water scheme	The raw water supply system including the proposed Ludeke dam, raw water pump station: extension of the Nomlacu water treatment plant near the town of Bizana, and the initial development of the bulk treated water supply system	Design	338.1	-	7.4	1.9	34.5	26.8	77.3	90.8
Great Kei River basin	Water supply scheme	Feasibility	120.0	-	0.9	0.5	-	-	-	-
Gaukenti bulk water supply scheme, Mkambati regional water supply and flagstaff regional water scheme	Dam construction, water treatment works, pump station, bulk pipelines	Feasibility	540.0	-	1.2	-	-	-	-	-
Ndlambe dam, Albany coast bulk water supply	Water treatment works, pump stations, pipelines and reservoirs	Feasibility	400.0	-	0.6	-	-	-	-	-
Jagersfontein and Fauresmith bulk water supply phases 1 - 3	Water treatment works, storage reservoir and pumping mains	Construction	167.0	-	16.0	18.7	13.6	15.0	30.0	73.7
Sterkfontein dam scheme	Water treatment works, storage reservoir, pumping mains and a 45km pipeline	Construction	196.0	-	7.8	14.6	30.0	55.0	76.3	14.0
Mohokare bulk water supply	Water treatment works, pumping mains, pump stations and storage reservoirs	Feasibility	272.0	-	-	-	0.2	-	-	-
Thabo Mofutsanyane Bulk Water Supply	Water treatment works, pumping mains, pump stations and storage reservoirs	Feasibility	470.0	-	-	-	-	-	-	-
Moghaka regional water scheme	Water treatment works, pumping mains, pump stations and storage reservoirs	Feasibility	230.0	-	-	-	0.8	-	-	-
Xhariep regional water scheme	Water treatment works, pumping mains, pump stations and storage reservoirs	Feasibility	240.0	-	-	-	-	-	-	-
Motheo regional water scheme	Water treatment works, pumping mains, pump stations and storage reservoirs	Feasibility	410.0	-	-	-	-	-	-	-
Greater Mthonjaneni Bulk Phase	Water treatment works, reservoir, pump stations and booster pump stations and rising main pipeline	Handed over	199.6	-	11.0	27.8	1.2	19.8	40.7	99.2
Ngebo regional bulk water supply	Raw water abstraction facility, conventional water treatment works, pipeline rising main, concrete reservoir and distribution pipelines	Design	182.6	-	-	5.4	1.7	30.1	55.5	90.3
Mhabatshane bulk water supply	Water infrastructure	Feasibility	138.0	-	-	-	-	-	-	-
Greater Eston water scheme	Bulk pipeline, pumping mains, pump stations, treatment works	Feasibility	124.0	-	-	1.4	-	-	-	-

Table 37.E Summary of expenditure on infrastructure (continued)

Project name R. million	Service delivery outputs	Current project stage	Total project cost	Audited outcome			Adjusted appropriation 2009/10	Medium-term expenditure estimate		
				2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Infrastructure transfers to other spheres, agencies and departments										
Pongolapoort bulk water scheme	Bulk pipeline, pumping mains, pump stations, treatment works	Feasibility	150.0	-	-	-	-	-	-	-
Nebo bulk water supply	2 pump stations, reservoir and water treatment works	Construction	254.6	-	6.5	19.4	31.9	30.0	60.0	75.0
Mooihoek and Tubatse bulk water supply	13km of steel pipe	Construction	240.0	-	5.0	23.4	25.0	13.0	45.0	70.0
Mametya Sekororo	Construction of a water treatment works at the Oaks/Willows. Construction of a rising main pipelines. Construction of one command reservoir and 2 substantial storage reservoirs	Design	132.0	-	-	10.0	-	7.0	48.0	51.8
Mogalakwena bulk water supply	Refurbishment of 19 boreholes, equipping of 2 new boreholes. Construction of bulk pipeline from Fothane to Sekuruwe. Construction of bulk pipeline to link Wellfield with raw water pipeline, construction of new command reservoir	Construction	800.0	-	19.0	20.0	28.5	28.0	60.0	80.0
Lebalele central and north regional water supply	Regional water supply scheme	Feasibility	600.0	-	-	1.4	0.5	-	-	-
Nwamitwa regional water supply scheme	Regional water supply scheme	Feasibility	644.0	-	1.5	0.3	0.6	-	-	-
Glen Alphine	Regional water supply scheme	Feasibility	345.0	-	1.0	0.4	0.9	-	-	-
Acornhoek bulk water supply	Re-commission and reconstruction of a pipeline	Feasibility	160.0	-	-	-	21.7	13.3	84.0	41.0
Moutse raw water supply	Pipeline	Feasibility	210.0	-	-	-	1.5	-	-	-
Ehlanzeni bulk water supply	Water treatment plant, reservoir and pipeline	Feasibility	380.0	-	-	-	-	-	-	-
Nkangala bulk water scheme	Reservoir and pipeline		200.0	-	-	-	-	-	-	-
Heuningvei and Moshaweng bulk water supply	Water to both rural communities and stock farmers.	Tender	104.3	-	0.4	1.0	1.6	-	35.0	68.5
Van der Kloof and Petrusville	The project entails the identification of a sustainable source, the rehabilitation of the existing infrastructure, the construction of new boreholes, reservoirs and the extension of the bulk and reticulation lines	Construction	248.0	-	1.7	23.3	7.0	-	17.0	18.0
Extension of Kalahari east pipeline	Construction of pipelines from the Orange River to the development of a new water treatment works and pumpstations	Feasibility	168.0	-	-	-	-	-	-	-

Table 37.E Summary of expenditure on infrastructure (continued)

Project name R million	Service delivery outputs	Current project stage	Total project cost	Audited outcome			Adjusted appropriation 2009/10	Medium-term expenditure estimate		
				2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Infrastructure transfers to other spheres, agencies and departments										
Upgrade of Vaal Gamagara scheme	The extension of the Kalahari east pipeline to supply water to Kgalagadi region. The project entails the construction of a pipeline and associated infrastructure such as pump stations	Feasibility	180.0	-	-	-	1.8	-	-	-
Madibeng bulk water scheme	Bulk water supply	Feasibility	270.0	-	0.5	-	3.0	20.0	40.0	45.9
Taung and Naledi bulk water scheme	Taung Bulk water supply	Tender	292.4	-	-	-	10.0	33.5	65.0	70.0
Ratlou bulk water scheme	Bulk water supply	Feasibility	400.0	-	0.8	-	-	-	-	-
Greater Marnusa bulk water scheme	Bulk water supply	Feasibility	410.0	-	-	-	1.0	-	-	-
Ngaka Modire district municipality	Water supply	Feasibility	240.0	-	-	-	-	-	-	-
Pietersburg bulk water project	Moses Kotane local municipality water supply	Identification	150.0	-	-	-	-	-	-	-
West coast	Water supply	Feasibility	158.0	-	-	0.4	-	-	-	-
Eden regional water supply	Pumping schemes and pipelines, desalination plant	Feasibility	125.0	-	-	-	0.5	-	-	-
Western highveld regional bulk water supply	Water treatment works	Feasibility	200.0	-	-	-	2.1	-	-	-
Themba regional scheme	Water treatment works	Feasibility	199.9	-	-	-	-	-	-	-
Sundays River Paterson bulk water supply	Pump station, reservoirs and pipeline	Construction	73.8	-	18.0	-	12.5	10.5	14.0	18.8
Ibika water supply	The bulk supply will be constructed to the various command reservoirs in the supply area	Construction	49.0	-	0.6	3.2	5.0	11.0	20.0	8.2
Mnowasa bulk water supply	Dam construction, water treatment works, bulk pipelines and reservoirs	Tender	71.3	-	3.1	4.3	5.0	27.0	24.0	8.0
Xhora east water scheme	Dam construction, water treatment works, bulk pipelines, and reservoirs	Construction	31.4	-	3.0	3.4	5.6	9.4	8.7	-
Tsomo water supply	Bulk pipelines and reservoirs	Construction	22.3	-	-	-	20.0	2.3	-	-
Chris Hani district municipality cluster 5	Dams, weirs, boreholes, reservoirs, pump stations, bulk pipelines and surge tanks	Design	43.0	-	-	2.0	4.5	6.0	8.5	13.3
Chris Hani district municipality cluster 9	Dams, weirs, boreholes, reservoirs, pump stations, bulk pipelines and surge tanks	Design	125.7	-	-	4.0	8.0	18.0	21.5	35.0

Table 37.E Summary of expenditure on infrastructure (continued)

Project name R. million	Service delivery outputs	Current project stage	Total project cost	Audited outcome			Adjusted appropriation 2009/10	Medium-term expenditure estimate		
				2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Infrastructure transfers to other spheres, agencies and departments										
Xonxa dam water supply to Lukhanji	Bulk pipelines, reservoirs, upgrade water treatment plant and pump stations	Design	84.6	-	1.0	0.7	2.8	5.9	12.0	45.1
Hofmeyer and Middelburg	Boreholes and pipelines	Design	49.5	-	1.0	-	5.0	7.0	24.0	12.5
OR Tambo Mthatha bulk water	Upgrading of water treatment works	Construction	34.0	-	4.4	22.1	3.3	-	-	-
Extensions at Coffee Bay	Water treatment works, pump station, bulk pipelines	Construction	80.0	-	1.1	18.3	17.8	21.0	22.0	-
Alfred Nzo bulk water supply scheme	Dam construction, water treatment works, bulk pipelines and reservoirs	Feasibility	66.1	-	1.0	2.7	0.4	7.0	25.0	30.0
Idutywa east scheme	Water supply	Feasibility	60.0	-	0.6	-	-	-	-	-
Sudwana water scheme	Water supply	Feasibility	40.0	-	0.6	-	-	-	-	-
Ngqamakhwe water scheme	Water supply	Feasibility	30.0	-	0.5	0.6	-	-	-	-
Mgwali south water supply	Bulk supply will be constructed to the various command reservoirs in the supply area.	Feasibility	44.0	-	-	-	-	-	-	-
OR Tambo Mthatha	Water supply	Feasibility	70.0	-	0.5	0.9	1.7	-	-	-
Mt Frere bulk water supply	Bulk pumping main and pump station	Feasibility	20.0	-	-	-	-	-	-	-
Burgsdorp bulk water supply	Dam, pump stations, bulk pipeline and surge tanks	Identification	70.0	-	-	-	-	-	-	-
Lady Gray bulk water supply	Water treatment works	Identification	10.0	-	-	-	-	-	-	-
Barkly East raw water abstraction and water treatment works upgrade	Pump station and pipelines	Identification	16.0	-	-	-	-	-	-	-
Maclear water supply bulk scheme	Dam	Identification	50.0	-	-	-	-	-	-	-
Bulk water supply to Ikwezi municipality	Borehole, pipeline and reservoirs	Identification	5.0	-	-	-	-	-	-	-
Ngwathe bulk water supply	Borehole drilling, pumping mains, reservoir construction, borehole pumping plant	Construction	9.3	-	4.8	-	2.5	2.0	-	-
Tokologo regional water supply phase 1	Water treatment works, pumping mains, pump stations and storage reservoirs	Design	83.9	-	0.7	0.7	0.2	15.0	47.0	20.3
Westonaria regional bulk water supply	Waste water treatment works	Design	103.6	-	-	3.4	6.7	20.0	33.0	40.5

Table 37.E Summary of expenditure on infrastructure (continued)

Project name R million	Service delivery outputs	Current project stage	Total project cost	Audited outcome			Adjusted appropriation 2009/10	Medium-term expenditure estimate		
				2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Infrastructure transfers to other spheres, agencies and departments										
Mathulini	Construction of reservoirs, rising main pipelines and extensions to the watenworks.	Handed over	21.6	-	13.3	8.3	-	-	-	-
Matlangeni waterborne sanitation	Sanitation improvements	Construction	10.5	-	-	-	8.9	1.1	0.5	-
Driefontein complex bulk water supply	Package plant for waste water	Construction	126.1	-	-	-	2.8	24.3	38.2	61.4
Greytown regional bulk water supply scheme	Pump stations, bulk water mains, reservoirs, bulk water distribution network, linkage to the 5 existing schemes and reticulation infrastructure	Construction	118.0	-	-	12.5	10.3	12.5	40.8	42.0
Emadlangeni Bulk regional water scheme	Refurbishment of raw water pipeline, pressure management, refurbishment of existing water treatment works and a mains replacement programme	Construction	50.0	-	-	9.6	9.5	5.9	15.2	9.8
Nongoma water supply	Gravity main, reservoirs, 2 balancing tanks and 2 pump stations.	Construction	27.9	-	20.2	2.6	5.1	-	-	-
Mandlakazi water supply	Augmentation of water treatment works and augmentation of water and booster pumpstations, and bulk pipelines	Construction	163.1	-	18.8	10.2	25.1	27.0	49.5	32.6
Hiabisa water supply	Water treatment works, pump stations, bulk pipelines and bulk reservoirs	Construction	126.7	-	6.6	9.0	24.0	22.1	36.6	28.5
Dukuduku resettlement	Bulk pipelines, 3 booster pump stations and 2 main reservoirs	Feasibility	56.0	-	-	-	1.0	19.5	25.0	11.0
Greater Bulwer Donnybrook Water Scheme	Bulk pipeline, pumping mains, pump stations, water treatment works and boreholes	Feasibility	103.6	-	-	-	-	-	-	-
Qudeni phase 2	Bulk pipeline, pumping mains, pump stations and water treatment works	Feasibility	36.0	-	-	-	-	-	-	-
Buffalo flats phase 2	Bulk pipeline, pumping mains, pump stations and water treatment works	Feasibility	36.0	-	-	-	-	-	-	-
uMkhanyakude bulk water supply	Bulk pipeline, pumping mains, pump stations and water treatment works	Identification	72.0	-	-	-	-	-	-	-
uThukela bulk water supply	Water infrastructure	Identification	65.0	-	-	-	-	-	-	-
Amajuba bulk water supply	Water infrastructure	Identification	70.0	-	-	-	-	-	-	-
Groblersdal Luikau bulk water supply	Construction of Pump main pipelines and pump stations	Construction	32.2	-	9.3	8.2	13.0	-	-	-
Sinthumule Kutama bulk water augmentation	Construction of bulk pipeline	Construction	146.5	-	5.0	15.0	15.0	16.0	51.0	44.5
Olifantspoort water treatment works	Upgrading of the water treatment works	Construction	280.0	-	10.0	20.0	43.6	1.7	20.0	-

Table 37.E Summary of expenditure on infrastructure (continued)

Project name R. million	Service delivery outputs	Current project stage	Total project cost	Audited outcome			Adjusted appropriation 2009/10	Medium-term expenditure estimate		
				2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Infrastructure transfers to other spheres, agencies and departments										
Speecon bulk water supply	Construction of a pipeline. Construction of 11 reservoirs	Construction	73.0	-	8.5	13.0	18.0	19.0	-	-
Ohrigstad	Regional water supply	Feasibility	50.0	-	-	0.7	0.2	-	-	-
Nzhelele Valley bulk water	Regional water supply scheme	Feasibility	100.0	-	0.8	0.2	0.5	-	-	-
Makhado west extension	Regional water supply scheme	Feasibility	120.0	-	0.9	0.3	1.9	-	-	-
Lephalale bulk water augmentation for Eskom	Regional water supply scheme	Feasibility	200.0	-	1.0	0.2	1.9	-	-	-
Delmas phase 3 at Bloemendal	A 32km pipeline and will consist of continuously welded laid in backfilled trench. The project will be funded by Rand Water, grants and Delmas local municipality	Design	25.0	-	-	-	-	10.0	9.0	6.0
Mbombela 2010 water and sanitation	Support to 2010 FIFA World Cup activities comprise a central bulk water supply pipeline and the Maltafin Reservoir	Construction	61.9	-	6.0	6.0	19.9	30.0	-	-
Hoxane bulk water supply	A water treatment facility, which is co-funded by the Mbombela and Bushbuckridge municipalities	Construction	19.4	-	5.7	3.0	-	10.7	-	-
Miejane trust regional bulk water supply	Water will be pumped out of the Crocodile River	Construction	17.5	-	7.5	10.0	-	-	-	-
Orange River, Colesberg, Noupoot bulk water supply	A pipeline from the Orange River	Construction	89.6	-	-	-	12.7	10.0	33.0	34.0
Siyanda regional bulk schemes in Tsantsabane	Upgrade the existing water and sewerage bulk infrastructure in the Postmasburg area.	Construction	44.9	-	-	-	0.4	-	44.5	-
Siyanda Regional bulk schemes in Riemvasmaak	Water supply	Tender	4.0	-	-	-	-	-	4.0	-
Kenhart bulk water supply	Construction of a pipeline from the Orange River to Kenhart to supplement the current groundwater supply	Construction	63.1	-	-	-	13.0	39.2	15.0	-
Windsorton bulk water supply	The provision of bulk water supply to the community of Holpan.	Feasibility	14.0	-	-	-	-	-	-	-
Richtersveld bulk water scheme	Water supply	Feasibility	17.9	-	-	-	0.2	-	-	-

Table 37.E Summary of expenditure on infrastructure (continued)

Project name	Service delivery outputs	Current project stage	Total project cost	Audited outcome		Adjusted appropriation	Medium-term expenditure estimate	
				2006/07	2007/08		2008/09	2010/11
R million								
Infrastructure transfers to other spheres, agencies and departments								
Niekerkshoop bulk water supply	Supplementation of the current available groundwater with surface water from the Orange River	Feasibility	18.6	-	-	-	-	-
Upgrade of the Homevale water treatment works	Extension of the Homevale water treatment plant	Feasibility	89.4	-	-	-	-	-
Thembehlhe bulk water supply	Thembehlhe Municipality consists of Supply of water from the Orange River	Tender	28.1	1.4	1.6	2.0	-	-
Maqwassi Hills regional water supply	Construction of a pipeline of reservoir and pump station, 2 elevated steel tanks	Construction	66.0	20.0	43.2	2.8	-	-
Ventersdorp bulk water supply	Water treatment plant pipelines, pumpstations and reservoirs	Feasibility	45.0	-	-	1.0	-	-
Moretele bulk water supply	Reservoirs pipelines, pump stations and boreholes	Feasibility	40.0	0.5	1.0	-	-	-
Management and master plans	Provincial master plan	Identification	-	-	-	2.5	-	-
Clanwilliam and Lambertsbaai regional water supply	Construction of a pipeline, reservoir and pump station, 2 elevated steel tanks	Feasibility	23.0	2.1	0.4	3.1	9.9	10.0
Tulbagh bulk water supply	Water treatment plant pipelines, pump stations and reservoirs	Feasibility	58.0	0.6	0.4	5.0	11.0	10.0
Drakenstein waste water treatment plant	Reservoirs, pipelines, pump stations and boreholes	Feasibility	29.0	-	0.6	1.0	6.0	15.0
George bulk water supply and augmentation	Provincial master plan	Feasibility	59.0	1.2	0.4	7.0	8.0	22.3
Knysna local municipality	Desalination of sea water and upgrading of bulk supply system from Clanwilliam	Feasibility	52.0	-	-	0.5	-	-
Worcester water treatment plant	Diversion works, pipeline and reservoir	Feasibility	83.0	-	0.2	0.6	-	-
Drakenstein water supply	Waste water treatment plant	Identification	55.0	-	-	0.5	-	-
Kannaland water supply	Pumping scheme, dams and pipelines	Identification	14.0	-	-	-	-	-
Overstrand water supply	Pumping scheme and pipelines for water re-use	Identification	19.0	-	-	-	-	-
Central Karoo water supply	Waste water treatment plant	Identification	16.0	-	-	-	-	-
Head office management, systems and planning	Dam and pipelines	Various	-	4.0	2.8	15.5	60.0	171.3
Total			32 809.6	85.9	644.4	1 467.1	2 279.9	3 358.1
								284.7
								3 805.1