

Vote 34

Water Affairs and Forestry

	2005/06			2006/07	2007/08
	To be appropriated				
MTEF allocations of which:	R3 557 412 000			R3 801 070 000	R4 182 624 000
	<i>Current payments</i>	<i>Transfers</i>	<i>Capital payments</i>		
	R1 543 821 000	R1 664 343 000	R349 248 000		
Statutory amounts	-			-	-
Responsible minister	Minister of Water Affairs and Forestry				
Administering department	Department of Water Affairs and Forestry				
Accounting officer	Director-General of Water Affairs and Forestry				

Aim

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

Programme purpose and measurable objective

Programme 1: Administration

Purpose: Provide financial, human resources, information and management services, and general administrative support to the department.

Programme 2: Water Resource Management

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

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

Programme 3: Water Services

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

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

Programme 4: Forestry

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

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

Strategic overview and key policy developments: 2001/02 – 2007/08

The Department of Water Affairs and Forestry (DWAF) seeks to ensure that South Africa has reliable sources of water and sufficient forest resources for sustainable social and economic development.

The department is in the process of substantial restructuring, which will only be completed in eight to ten year's time. DWAF currently performs both implementation and regulatory functions, and the restructuring aims to separate these. This involves transferring most of the department's implementation functions to more appropriate levels of government, and the department will be focusing on developing its role in policy-making, regulation, sector leadership, oversight and monitoring. The restructuring includes:

- establishing catchment management agencies to perform water resources management functions currently performed by DWAF regional offices
- establishing appropriate institutional arrangements for the management and further development of the national water resource infrastructure
- delegating the operating and maintenance responsibilities for other government water schemes to water user associations
- transferring the management of commercial plantations and indigenous forests to appropriate organisations, agencies and institutions
- transferring water services delivery and operations to water services authorities
- establishing and building DWAF's capacity to act as the national regulator of water services and support water services institutions.

Some of the significant policy developments during the past four years and key challenges facing the department in over the MTEF period are outlined below for each of the department's functional areas.

Water resource management

The 1997 White Paper on National Water Policy and the National Water Act (1998) provide a firm and progressive foundation for the management of water resources. The National Water Act replaced previous legislation with an equitable system of administrative authorisations to use water, and government became the public custodian of the country's water resources. More recently, the 2004 national water resource strategy provides the national framework for managing water resources and for the preparation of the sub-national catchment management strategies. The strategy sets out the procedures, guidelines and institutional arrangements for managing water resources, and provides water-related information for identifying development opportunities and constraints.

Over the medium term, DWAF will maintain its custodian role through policy development, regulation, monitoring and institutional support, moving away from day-to-day water resource management.

Since 2002, the department has continued to develop the necessary measures – strategies, guidelines, procedures and other tools – to implement the National Water Act’s requirements. This work will continue, but the focus for the medium term will increasingly be on putting the measures into practice efficiently and effectively, with a particular emphasis on the phased implementation of the new organisational and institutional structure. Some of the major tasks confronting the department and begun in 2004 include:

- developing and testing a strategy for allocating water, including general, compulsory water use licensing, to facilitate equitable access to water resources, with particular emphasis on allocations to benefit previously disadvantaged groups and communities
- implementing appropriate institutional arrangements for the optimal management of the interdepartmental Working for Water programme
- building national capacity to monitor the state of water resources so that accurate information is available for decisions about the use and management of water.

Water services

Several new government policies have been developed and implemented since the 1994 White Paper on Water and Sanitation. These are reflected in a new water services strategic framework, approved by Cabinet in 2003, which provides an overarching operational framework. The role of the department is changing from direct provider to sector leader, supporter and regulator.

Strategies outlined in the framework will be further developed and implemented, including the institutional reform of water service provision arrangements across the country over the next nine years. The regulation strategy will determine the way that water services will be regulated in future and is critical for the future performance of the sector as a whole. The support strategy will redefine and co-ordinate support actions in the sector.

The free basic water and sanitation policy is a further step within broad municipal and intergovernmental policy towards universal access to basic water and sanitation. A process has started, with the department as sector leader and involving all sector role-players, to speed up the delivery of sanitation. Direct responsibility for infrastructure and its daily operation has shifted away from DWAF. Funding will in future come from the municipal infrastructure grant (MIG), the local government equitable share, and the capacity-building grant. The department’s role will be to ensure that water and sanitation projects and the agencies that manage these services are sustainable and can maintain and expand access. The department is in the process of transferring water services schemes (and associated water services provision functions) which it currently operates to appropriate water services institutions in consultation with local government authorities.

Forestry

DWAF is shifting away from the management of commercial, indigenous and community forests and focusing on developing and implementing policies, monitoring and evaluating programmes, and providing technical support. The department’s main role will be to provide the national policy and regulatory framework within which appropriate institutions will manage forest resources sustainability.

A new vision for forestry has been developed and approved. It focuses on the department’s long-term role and puts people at the centre of forestry through several measures, such as developing appropriate management systems for community plantations and devolving these to local authorities or communities.

Policies for the transfer of DWAF-managed forests and for forestry expansion have been developed and approved. Linkages with the private sector, through which the increased

participation of historically disadvantaged groups in forestry can best be mobilised, have been strengthened.

Expenditure estimates

Table 34.1: Water Affairs and Forestry

Programme	Expenditure outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome			2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05				
1. Administration	211 373	229 187	262 830	282 041	282 041	272 491	288 865	303 250
2. Water Resources Management	904 470	1 073 992	1 116 208	1 590 966	1 590 966	1 506 657	1 773 151	2 050 614
3. Water Services	1 932 744	1 974 155	2 391 442	1 507 096	1 507 096	1 405 075	1 343 591	1 413 524
4. Forestry	434 468	403 291	411 607	443 009	443 009	373 189	395 463	415 236
Total	3 483 055	3 680 625	4 182 087	3 823 112	3 823 112	3 557 412	3 801 070	4 182 624
Change to 2004 Budget estimate				520 968	520 968	15 000	170 000	370 001

Economic classification

Current payments	835 635	1 252 804	1 286 384	1 587 179	1 587 179	1 543 821	1 734 818	1 956 309
Compensation of employees	406 708	646 661	598 203	664 005	664 005	686 514	735 388	780 854
Goods and services	422 758	604 955	673 112	921 669	921 669	855 712	997 739	1 174 747
<i>of which:</i>								
Computer services	10 345	19 230	41 407	33 576	33 576	41 217	57 048	78 819
Inventory	21 058	57 606	63 795	70 487	70 487	97 777	128 105	174 135
Consultants and contractors	264 124	355 287	357 777	425 357	425 357	452 866	467 435	515 205
Leases and rentals	24 874	60 202	53 401	51 702	51 702	63 317	89 058	130 335
Travel and subsistence	47 089	76 236	89 886	96 144	96 144	93 092	110 995	138 873
Communication	11 420	23 075	24 630	19 155	19 155	22 238	28 294	37 776
Interest and rent on land	–	512	2 157	1 505	1 505	1 595	1 691	708
Financial transactions in assets and liabilities	6 169	676	12 912	–	–	–	–	–
Transfers and subsidies to:	2 143 395	2 103 965	2 521 684	1 850 655	1 850 655	1 664 343	1 675 645	1 823 719
Provinces and municipalities	1 455 470	1 700 361	2 111 105	1 168 550	1 168 550	1 075 087	993 104	1 042 541
Departmental agencies and accounts	687 925	403 604	381 505	613 440	613 440	556 275	647 406	744 286
Public corporations and private enterprises	–	–	–	38 000	38 000	–	–	–
Households	–	–	29 074	30 665	30 665	32 981	35 135	36 892
Payments for capital assets	504 025	323 856	374 019	385 278	385 278	349 248	390 607	402 596
Buildings and other fixed structures	489 508	306 471	356 921	320 316	320 316	288 027	325 385	335 316
Machinery and equipment	3 930	7 620	9 507	52 270	52 270	32 900	35 028	35 582
Software and other intangible assets	10 587	9 765	6 360	11 401	11 401	28 321	30 194	31 698
Land and subsoil assets	–	–	1 231	1 291	1 291	–	–	–
<i>of which: Capitalised compensation</i>	152 343	160 362	168 980	178 249	178 249	188 225	198 106	201 852
Total	3 483 055	3 680 625	4 182 087	3 823 112	3 823 112	3 557 412	3 801 070	4 182 624

Expenditure trends

Expenditure grew rapidly between 2001/02 and 2003/04, increasing from R3,5 billion to R4,2 billion. It is expected to decline over the two following years, reaching R3,6 billion in 2005/06. The increases up to 2003/04 were mainly due to transfer costs related to the transfer of the water services schemes to local authorities, an increase in expenditure on the sanitation

programme and the writing off of water user association debt. The decline in the following years is mainly due to the transfer of the budget for water services capital projects to the Department of Provincial and Local Government under the municipal infrastructure grant.

From the low of R3,6 billion in 2005/06, expenditure is expected to increase to R4,2 billion in 2007/08. The increase will mainly go towards improving water resource management, and meeting dam safety requirements.

In 2004/05, expenditure was significantly higher than set out in the 2004 Budget, because additional allocations were made available for restructuring the department's water services transfers, drought relief, the refurbishment of water infrastructure, writing off loans and the settlement of claims relating to pre-1994 forestry contracts.

The 2005 Budget sets out additional allocations of R15 million in 2005/06, R170 million in 2006/07 and R370 million in 2007/08 for investments in capital and for beefing up the department's regulatory function.

Departmental receipts

Receipts from the sale of water are paid into the water trading account. The receipts set out here are from the repayment of loans made to water boards, irrigation boards and local government, interest on these loans, revenue from the sale of wood and wood products and miscellaneous income.

Table 34.2: Departmental receipts

	Receipts outcome			Adjusted appropriation	Medium-term receipts estimate		
	Audited	Audited	Preliminary outcome				
	2001/02	2002/03	2003/04		2004/05	2005/06	2006/07
R thousand							
Sales of goods and services produced by department	13 819	19 503	41 779	20 785	21 201	21 750	22 838
Interest, dividends and rent on land	26 715	24 376	25 912	25 658	26 171	26 564	27 892
Financial transactions in assets and liabilities	23 361	33 999	40 063	37 484	38 234	39 005	40 955
Total	63 895	77 878	107 754	83 927	85 606	87 319	91 685

Programme 1: Administration

Administration provides for the management of the department, including: policy formulation by the minister and senior management; centralised administrative, legal and office support services; departmental personnel management and financial administration; IT; determining working methods and procedures; and exercising control through head office and regional offices. The *Corporate Services* subprogramme manages everything to do with human resources for the head office and the regional offices (including transfers of staff to local authorities as the implementation function shifts, advertising, procurement processes, communications, and so on).

Expenditure estimates

Table 34.3: Administration

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
Minister ¹	717	809	981	791	805	857	900
Management	9 426	14 248	30 537	43 900	15 042	15 932	16 728
Corporate Services	140 488	155 693	149 443	172 285	187 180	198 444	208 308
Information Services	60 742	58 437	81 869	65 065	69 464	73 632	77 314
Total	211 373	229 187	262 830	282 041	272 491	288 865	303 250
Change to 2004 Budget estimate				29 279	3 641	3 773	3 903

¹ Payable as from 1 April 2004. Salary: R633 061. Car allowance: R158 265.

Economic classification

	200 462	219 048	256 059	267 715	256 509	271 919	285 450
Current payments							
Compensation of employees	93 334	101 783	102 844	135 500	112 400	119 144	125 101
Goods and services	100 959	116 589	153 215	132 215	144 109	152 775	160 349
of which:							
Computer services	2 990	3 050	5 210	5 245	9 107	12 112	13 267
Inventory	4 870	5 070	5 337	7 421	7 792	8 182	8 591
Consultants and contractors	67 872	75 846	82 996	80 251	81 191	85 140	90 132
Leases and rentals	4 660	5 636	5 933	321	337	354	372
Travel and subsistence	12 633	16 914	18 857	12 066	12 669	13 303	13 968
Communication	6 560	7 690	8 095	3 033	3 185	3 344	3 511
Financial transactions in assets and liabilities	6 169	676	–	–	–	–	–
Transfers and subsidies to:	324	374	411	425	967	1 030	1 088
Provinces and municipalities	324	374	411	425	453	480	504
Departmental agencies and accounts	–	–	–	–	514	550	584
Payments for capital assets	10 587	9 765	6 360	13 901	15 015	15 916	16 712
Buildings and other fixed structures	–	–	–	2 500	2 790	2 957	3 105
Software and other intangible assets	10 587	9 765	6 360	11 401	12 225	12 959	13 607
Total	211 373	229 187	262 830	282 041	272 491	288 865	303 250

Expenditure trends

Expenditure increased steadily over the last four years, rising from R211,4 million in 2001/02 to R282,0 million in 2004/05, an annual average increase of 10,1 per cent. It is expected to fall slightly in 2005/06, and then continue to increase steadily, reaching R303,3 million in 2007/08.

Much of the increase in expenditure is to cover the costs of transferring water service operations to local government. These costs include the personnel costs associated with the transfer, and not just the direct operational costs of the transfers. The increases are also a result of the change in the department's focus from operations to policy development and regulation, and the accompanying restructuring costs.

Programme 2: Water Resource Management

Water Resource Management ensures that water resources are used and managed sustainably and equitably. The programme is organised into 14 subprogrammes. The first six relate to the development of policies and strategies at the department's head office, and the other eight relate to implementation activities in the nine regional offices, as follows:

- *Equitable Supply* covers the policy, planning and regulatory functions required to ensure the reliable and equitable supply of water for sustainable economic and social development, including the eradication of poverty.
- *Protection Policies* covers the policy, planning and regulatory functions required to ensure the protection of water resources.
- *Institutional Regulation* provides support for developing and establishing effective water management institutions, and includes revenue collection from water use charges.
- *Strategic Alignment* ensures that policies and strategies are internally consistent and aligned with relevant external policies and legislation, develops and maintains monitoring and information systems, and promotes capacity-building among water resource management practitioners and stakeholders.
- *African Co-operation* promotes integrated water resource management globally, particularly in Africa in support of NEPAD.
- *Water Resource Administration* provides support services to the programme at the national level (head office), namely human resources and financial management and general administration.
- *Sustainable Supply* supports the provision of a reliable and equitable supply of water at the regional level, for sustainable economic and social development, including the eradication of poverty.
- *Protection Measures* initiates and supports the implementation of measures for the protection of water resources at the regional level.
- *Institutional Development* ensures that there are effective water management institutions at the regional level.
- *Stakeholder Empowerment* develops empowered, skilled and representative staff, and capacitates stakeholders and the general public at the regional level to achieve integrated water resource management.
- *African Support* is a donor-funded programme, which implements integrated water resource management in Africa and at the regional level, in support of NEPAD
- *Water Resource Support* provides support services to the programme at the regional level, namely human resources and financial management and general administration.
- *Operations of Water Resources* provides for the augmentation of the water trading account.
- *Capital Equipment* provides for the augmentation of the equipment trading account.

Expenditure estimates

Table 34.4: Water Resource Management

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Equitable Supply	107 134	125 411	236 580	232 209	157 364	166 114	174 697
Protection Policies	27 236	30 945	12 471	34 002	51 850	54 733	57 561
Institutional Regulation	8 650	9 658	535	7 940	24 016	25 351	26 661
Strategic Alignment	72 210	85 182	69 890	126 703	123 700	130 578	137 325
African Co-operation	4 200	5 100	7 572	7 323	9 457	9 982	10 499
Water Resource Administration	8 846	11 227	6 431	23 107	23 551	24 861	26 145
Sustainable Supply	250 119	263 617	321 194	357 196	344 427	473 855	624 086
Protection Measures	425	1 230	–	2 028	2 190	2 408	2 524
Institutional Development	2 000	2 110	10 996	7 197	5 793	6 345	6 670
Stakeholder Empowerment	70 405	91 868	112 551	121 259	116 346	127 482	133 684
Water Resource Support	34 114	69 417	64 490	76 717	95 228	107 616	110 245
Operations of Water Resources	316 631	375 727	270 998	592 750	549 985	640 882	737 426
Capital Equipment	2 500	2 500	2 500	2 535	2 750	2 944	3 091
Total	904 470	1 073 992	1 116 208	1 590 966	1 506 657	1 773 151	2 050 614
Change to 2004 Budget estimate				225 211	19 194	176 633	374 270
Economic classification							
Current payments	198 449	363 918	406 225	601 357	608 439	752 419	921 407
Compensation of employees	167 018	200 588	185 729	217 646	239 411	258 564	279 249
Goods and services	31 431	163 330	220 496	383 711	369 028	493 855	642 158
<i>of which:</i>							
Computer services	1 542	2 269	23 441	24 613	28 305	41 042	61 564
Inventory	8 614	30 333	31 929	33 525	60 346	87 502	131 252
Consultants and contractors	10 105	62 780	75 295	83 810	130 002	138 471	165 656
Leases and rentals	7 217	40 849	42 999	45 149	56 436	81 833	122 749
Travel and subsistence	2 315	15 328	24 229	26 942	30 983	44 926	67 389
Communication	1 207	9 726	10 238	10 750	12 362	17 925	26 888
Transfers and subsidies to:	408 763	403 603	394 321	626 716	586 620	679 975	778 473
Provinces and municipalities	–	–	528	766	904	1 014	1 064
Departmental agencies and accounts	408 763	403 603	364 719	595 285	552 735	643 826	740 517
Households	–	–	29 074	30 665	32 981	35 135	36 892
Payments for capital assets	297 258	306 471	315 662	362 893	311 598	340 757	350 734
Buildings and other fixed structures	297 258	306 471	310 121	317 816	273 211	300 012	308 675
Machinery and equipment	–	–	4 348	43 834	22 596	23 837	24 306
Software and other intangible assets	–	–	–	–	15 791	16 908	17 753
Land and subsoil assets	–	–	1 193	1 243	–	–	–
<i>of which: Capitalised compensation</i>	152 343	160 362	168 980	178 249	188 225	198 106	201 852
Total	904 470	1 073 992	1 116 208	1 590 966	1 506 657	1 773 151	2 050 614

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
Details of transfers and subsidies:							
Departmental agencies and accounts							
Current	408 763	403 603	364 719	595 285	552 735	643 826	740 517
Augmentation of the Water Trading Account	406 263	401 103	362 219	592 750	549 985	640 882	737 426
Augmentation of the Equipment Trading Account	2 500	2 500	2 500	2 535	2 750	2 944	3 091
Total departmental agencies and accounts	408 763	403 603	364 719	595 285	552 735	643 826	740 517
Households							
Other transfers							
Current	-	-	29 074	30 665	32 981	35 135	36 892
Financial assistance to small scale farmers	-	-	28 768	30 220	31 731	33 635	35 317
Financial assistance for dam safety	-	-	306	445	1 250	1 500	1 575
Total households	-	-	29 074	30 665	32 981	35 135	36 892

Expenditure trends

Expenditure increased rapidly between 2001/02 and 2004/05, rising from R904,5 million to R1,6 billion. The bulk of this increase was in 2004/05, mainly because expenditure on the *Operations of Water Resources* subprogramme more than doubled. Expenditure is expected to fall to R1,5 billion in 2005/06, before increasing to an expected R2,1 billion in 2007/08.

The future increases will finance the operations and maintenance of infrastructure, and the Working for Water programme. The *Sustainable Supply* subprogramme sees particularly rapid increases, rising from R344,4 million in 2005/06 to an expected R624,1 million in 2007/08. This includes the investment of R500 million in dams and related infrastructure in the two outer years.

In 2004/05, expenditure was significantly higher than set out in the 2004 Budget, as additional funds were allocated for drought relief projects and the writing-off of water user associations' debts, which the department had guaranteed through the Land Bank.

Service delivery objectives and indicators

Recent outputs

In addition to a range of routine activities that will continue into the foreseeable future, including issuing water use licences, operating and maintaining water supply schemes and monitoring the state of water resources, significant achievements in the recent past were:

Water allocation planning

A comprehensive strategy for water use allocation, including an approach to compulsory licensing, begun in 2004, is expected to be finalised, after public consultation, during 2005. The strategy incorporates associated processes such as verifying existing lawful use and determining resource protection measures.

Internal strategic perspectives – forerunners of the catchment management strategies that will be prepared by the catchment management agencies – for all 19 water management areas were

finalised and published in 2004. They describe how much water is available and how much is needed in each area, and outline the approaches for managing water resources. In particular, they provide general principles for catchment management agencies to authorise water use when they are empowered to do so. Studies to refine information on water availability and water requirements will continue, to support the implementation of the water allocation/authorisation process (discussed below).

Infrastructure development

Nandoni Dam was completed in March 2004 and impounding began. Mohale Dam (phase 1B of the Lesotho Highlands Water Project), was officially opened by President Thabo Mbeki and King Letse of Lesotho.

Raising of the Flag Boshielo Dam, Limpopo, began in June 2004 and is expected to be completed in 2006. Advance works for the Berg River water project have begun. Cabinet approved the Olifants River water resources development project, which includes a dam on Steelpoort River, and design work has commenced.

Support to agricultural water users

During 2003/04, more than R27 million was spent to support agricultural water users. This included financial support to about 630 resource-poor farmers in Mpumalanga and the Western Cape, facilitating access to almost 2 000ha of irrigated land for the cultivation of sugar cane and deciduous fruit. A similar sum was allocated for this during 2004/05.

Drought management

The construction of emergency water schemes as a response to drought is well under way for the supply of water to domestic and industrial users in the Rayton-Cullinan, Ekangala and Bushbuck Ridge areas, and to Eskom power stations on the eastern highveld.

Institutional development

The Nkomati Catchment Management Agency (CMA) was established in March 2004. Establishment proposals for the Crocodile-West and Marico, Mvoti and Breede CMAs were approved by the minister and gazetted for public comment in July 2004. Proposals for the establishment of CMAs in the Usutu to Mhlathuze, Thukela, Olifants-Doorn, and Gouritz water management areas are well advanced.

Revenue from water use charges

Revenue from the water resources management charge – introduced in 2002 – increased from about R46 million in 2002/03 to more than R75 million in 2003/04, exceeding the target of collecting 70 per cent of potential revenue. A progressive increase is expected in future years, supported where necessary by action against defaulting water users.

Strategy development

A thorough review of the pricing strategy for water use charges, established in 1999, began in 2004. The revised strategy will consolidate all water use charges - including those relating to waste discharges, the control of invasive alien vegetation, and the water research levy - and is scheduled to be published for comment early in 2005.

The proposed national water resource strategy was amended to incorporate comments received during the national consultation programme undertaken in 2002/03. The resulting strategy was approved by Cabinet in September 2004, and established by government notice in November 2004.

Regional developments

A treaty to establish the Limpopo Basin Commission, an international water management institution between South Africa, Botswana, Mozambique and Zimbabwe, was signed in late 2003. Work is in progress on initiating the work of the commission and developing similar institutional arrangements for the Nkomati and Maputo basins.

Job-creation

In 2003/04, the Working for Water programme cleared invasive alien vegetation on more than 161 000ha and did follow-up work on almost 558 000ha, providing approximately 10 000 person years of employment (55 per cent to woman, 24 per cent to the youth, 1 per cent to the disabled) and almost 192 000 days of training.

Selected medium-term output targets

Water Resource Management

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

Subprogramme	Output	Measure/Indicator	Target
Equitable Supply	An integrated suite of policies and strategies to reconcile water availability and demand for all purposes, and the equitable allocation of water use	Strategy for water use allocation established Financial assistance granted to resource-poor farmers	December 2005 Assistance to 500 resource-poor farmers a year throughout the medium-term period
Protection Policies	Water resource classification system, methodologies for determining reserve, and resource quality objectives	System established in terms of the National Water Act (1998) after public consultation and parliamentary scrutiny	March 2007
Institutional Regulations	Strategies, guidelines and procedures for the establishment and transformation of water management institutions	Institutional arrangements for managing national infrastructure developed and implemented Revised water pricing strategy established after public consultation	March 2006 September 2006
Strategic Alignment	Optimal management information from expanded monitoring systems and interlinked information management systems	The four major information systems interlinked and accessible at a common interface	March 2008
African Co-operation	International institutions to manage internationally shared river basins established and supported	Institutional arrangements for the Maputo River Basin Commission agreed	December 2005
Water Resource Administration	Administration for water resources management in the national office	Compliance with public service regulations and procedures, PFMA, and other relevant policies and legislation	100% compliance
Sustainable Supply	Verified existing lawful use of water	Existing lawful use verified in 25 catchments	March 2008
Protection Measures	Preliminary reserves determined, and appropriate conditions incorporated into water use licences	Comprehensive determinations of reserves in 10 priority catchments in consultation with water users	March 2008

Subprogramme	Output	Measure/Indicator	Target
Institutional Development	Viable and representative institutions for water resources management in place	12 catchment management agencies established 50% of irrigation boards transformed to water user associations	March 2008 March 2008
Water Resource Support	Administration for water resources management in the regional offices	Compliance with public service regulations and procedures, the PFMA and other relevant policies and legislation	100% compliance
Stakeholder Empowerment	Institutional development processes supported	Institutional development objectives met with full stakeholder involvement	10% improvement in stakeholder involvement
Operations of Water Resources	Reliable and sustainable supply of water provided for water and irrigation boards and direct consumers	Reliability of water supplied to raw water consumers	100% target of reliability achieved
Capital Equipment	Reliable supply of equipment	Appropriate equipment available for construction activities	Provision of all equipment required

Programme 3: Water Services

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

There are 13 subprogrammes:

- *Provisioning Policies* ensures basic water supply and sanitation services for improved quality of life and poverty alleviation.
- *Water Sector Policies* provides a framework for the effective and sustainable delivery of water services to underpin economic and social development.
- *Institutional Policies* supports effective water services institutions.
- *Transfer Policies* guides the transfer of water services schemes for effective local operations and management.
- *Africa Initiative* promotes the programme's activities to achieve UN millennium development targets in Africa and to support NEPAD.
- *Water Services Administration* provides support services to the programme at the national level (head office), namely human resources and financial management and general administration.
- *Water and Sanitation Services* provides infrastructure for basic water supply and sanitation services at the regional level, for improved quality of life and poverty alleviation.
- *Water Sector Support* supports the delivery of sustainable water services at the regional level to underpin economic and social development.
- *Institutional Support* provides support at the regional level for effective water services institutions.
- *Transfers* implements the transfer of water services schemes to ensure effective local level operation and management of water services.
- *African Participation* promotes and supports policies to achieve the UN millennium development targets in Africa.
- *Water Services Support* provides support services to the programme at the regional level, namely human resources and financial management and general administration.
- *Operations of Water Services* provides for the augmentation of the water trading account to ensure the reliable and sustainable supply of water for basic use and economic development.

Expenditure estimates

Table 34.5: Water Services

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2004/05	2005/06	2006/07
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Provisioning Policies	6 948	7 589	8 609	6 084	2 999	3 209	3 369
Water Sector Policies	29 113	22 989	35 348	40 072	42 801	45 811	48 104
Institutional Policies	9 876	11 641	10 732	6 259	10 133	10 845	11 387
Transfer Policies	335	380	224	–	–	–	–
Africa Initiative	1 766	1 901	113	178	192	206	216
Water Services Administration	3 846	14 821	5 212	7 818	9 010	9 642	10 125
Water and Sanitation Services	949 461	950 325	1 021 882	227 945	127 859	25 494	26 757
Water Sector Support	21 415	24 563	61 913	40 939	56 349	46 997	49 186
Institutional Support	13 117	16 092	47 270	52 606	41 623	33 166	34 855
Transfers	1 798	1 846	10 719	57 028	15 798	8 917	10 101
African Participation	336	350	–	608	693	765	803
Water Services Support	202 884	221 971	99 491	115 697	160 184	165 039	175 446
Operations of Water Services	691 849	699 687	1 089 929	951 862	937 434	993 500	1 043 175
Total	1 932 744	1 974 155	2 391 442	1 507 096	1 405 075	1 343 591	1 413 524
Change to 2004 Budget estimate				173 324	(7 649)	(10 209)	(7 966)

Economic classification

Current payments	284 764	272 422	232 901	334 777	313 602	323 856	342 993
Compensation of employees	55 629	68 224	49 910	66 526	78 469	86 630	91 619
Goods and services	229 135	204 198	170 079	268 251	235 133	237 226	251 374
of which:							
Consultants and contractors	166 123	175 340	156 998	218 588	208 252	209 724	224 570
Leases and rentals	11 723	12 340	2 989	4 710	4 946	5 193	5 452
Travel and subsistence	2 938	3 092	3 255	12 713	13 349	14 016	14 717
Communication	1 991	2 096	2 206	2 143	2 250	2 363	2 481
Financial transactions in assets and liabilities	–	–	12 912	–	–	–	–
Transfers and subsidies to:	1 454 949	1 699 599	2 109 772	1 169 962	1 076 333	993 746	1 043 440
Provinces and municipalities	1 454 949	1 699 599	2 109 772	1 166 962	1 073 307	990 716	1 040 255
Departmental agencies and accounts	–	–	–	3 000	3 026	3 030	3 185
Payments for capital assets	193 031	2 134	48 769	2 357	15 140	25 989	27 091
Buildings and other fixed structures	192 250	–	46 800	–	12 026	22 416	23 536
Machinery and equipment	781	2 134	1 931	2 309	2 809	3 246	3 217
Software and other intangible assets	–	–	–	–	305	327	338
Land and subsoil assets	–	–	38	48	–	–	–
Total	1 932 744	1 974 155	2 391 442	1 507 096	1 405 075	1 343 591	1 413 524

2005 Estimates of National Expenditure

R thousand	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
	2001/02	2002/03	2003/04	2004/05			
Details of transfers and subsidies:							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	697 738	700 500	1 087 890	949 640	934 628	990 716	1 040 255
Regional Services Council Levies	736	813	893	778	194	216	230
Local Institutional Development Support	5 153	-	-	-	-	-	-
Water Services Operating Subsidy Grant	691 849	699 687	1 086 997	948 862	934 434	990 500	1 040 025
Capital	757 211	999 099	1 021 882	217 322	138 679	-	-
Implementation of Water Services Projects Grants	757 211	999 099	1 021 882	217 322	138 679	-	-
Total provinces and municipalities	1 454 949	1 699 599	2 109 772	1 166 962	1 073 307	990 716	1 040 255
Departmental agencies and accounts							
Current	-	-	-	3 000	3 026	3 030	3 185
Augmentation of the Water Trading Account	-	-	-	3 000	3 000	3 000	3 150
Water research council levy	-	-	-	-	26	30	35
Total departmental agencies and accounts	-	-	-	3 000	3 026	3 030	3 185

R thousand	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
	2001/02	2002/03	2003/04	2004/05			
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	-	-	-	38 000	-	-	-
Yorkor	-	-	-	38 000	-	-	-
Total public corporations and private enterprises	-	-	-	38 000	-	-	-

Expenditure trends

Expenditure on the *Forestry* programme is heavily influenced by expenditure on the commercial and indigenous forests that are under the department's control. The long-term strategy is for these to be transferred out of the department, but this has taken longer than expected, leading to higher than forecast expenditure.

There is no consistent trend in programme expenditure, although it is expected to rise steadily from a low of R373,2 million in 2005/06 to R415,2 million in 2007/08. The fluctuations result from allocations to restructuring packages for forests transferred to the South African Forestry Company Limited (SAFCOL) in 2001/02 and increased funding to salvage fire-damaged timber and to cover the operating costs of the Mpumalanga forests in 2003/04 and 2004/05.

The industrial plantation trading account ceased to operate in 2002/03, and financial flows linked to state-owned forestry enterprises were transferred to the National Revenue Fund. The revenue recovered from forestry operations was reassigned to the department for 2003/04 and 2004/05 in order to cover operating costs for the Mpumalanga commercial forestry.

Service delivery objectives and indicators

Recent outputs

Transfers of forests

The transfer of category B plantations Manzengwenya and Mbazwane was delayed because of a change in ownership of the Manzengwenya area as a result of a successful land restitution claim. This matter is likely to be resolved and the transfer enabled by 2005/06. Policy and procedures for the transfer of category B and C plantations have been amended and updated and plantations packaged into economic business units in preparation for transfer.

Similarly, the transfer of indigenous forests in the Eastern Cape, which was intended for 2003/04, was delayed by negotiations with trade unions on the transfer of staff.

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

SADC protocol

Other recent achievements include the operability of the forest information system and the signing and ratification of the SADC forestry management protocol by South Africa during 2003. The

objectives of this protocol are to: promote the development, conservation, and sustainable management and use of all types of forests and trees; promote trade in forest products throughout the region in order to alleviate poverty and generate economic opportunities; and achieve effective protection of the environment.

Management of state plantations

The management of several state forests has been outsourced to external institutions such as SAFCOL, including the Dukuduku Forest in KwaZulu-Natal. This has resulted in improvements in the quality and yields of timber.

Selected medium-term output targets

Forestry

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

Subprogramme	Output	Measure/Indicator	Target
Plantation Restructuring	Category B plantations transferred in accordance with national policy	Proportion of category B plantations transferred	A third by March 2006
Indigenous Forest Restructuring	Transfer management of department's indigenous forests to appropriate agencies	Proportion of department's indigenous forests transferred to effective agencies as approved by the director-general	40% by March 2006
Forestry Oversight	Growth in forestry sector in South Africa	Percentage growth in: investment in sector; volume of trees processed; and product sales	6% growth in investment by March 2006 10% growth in volume of trees processed by March 2006 20% growth in product sales by March 2006
African Forestry Liaison	Improved regional co-operation on management of forest resources	Contents of SADC protocol disseminated throughout sector and obligations complied with	March 2006
Community Forestry	Increase understanding of the role of forestry in sustainable livelihoods	A policy that facilitates community awareness of the uses of forestry in sustainable livelihoods in place	March 2006
Plantation Management	Routine operations maintained	Restrict fire damage to plantable area	Restrict to 5% by March 2006
Indigenous Forest Management	Indigenous forests managed sustainably	Structure for integrated management plans in place	March 2006
Forestry Governance	Regulation of sustainable forest management	National system developed and in operation Regulations published	March 2006 March 2006
Community Empowerment	Community-based forestry	Eastern Cape forestry enterprise development initiative operative Exploration completed on the establishment of forestry enterprise development offices in other relevant provinces	March 2006 March 2006
Forestry Support Services	Appropriate mechanism designed for more efficient management of DWAF's residual plantations	Plantation management delegated to appropriate institution	March 2006

Trading accounts

Water trading account

The water trading account is divided into four components, each designed to provide a channel for funding a specific activity in the water sector.

- **Component 1: Integrated water resource management:** The aim is to develop catchment management plans and to implement these through the effective integration and rollout of water quality standards, water use, and water conservation measures in all catchments in the country. Spending in this component includes the R391 million allocation for 2005/06 for the Working for Water programme for alleviating poverty.
- **Component 2: Integrated systems:** Where locally available water resources in a particular area cannot meet the demand, water is transferred from water-rich areas. The management, operation and maintenance of these schemes as integrated systems, as well as the revenue collected from water users, are reflected in this component.
- **Component 3: Bulk water supply:** A number of schemes are operated as stand-alone schemes and do not form part of an integrated network. The supply of water is mostly in bulk to different water user groups, but the agricultural sector is by far the largest consumer. Expenditure in this component covers operations and maintenance as well as management costs, and revenue is earned through the sales of water, mostly in bulk.
- **Component 4: Water services:** In 1994, a number of schemes (water and sanitation) were transferred from the previous homelands to DWAF. More than 7 million people are currently served through these schemes, and the operational, maintenance and management costs are reflected in this component. These schemes are currently being transferred to local government (67 schemes were transferred by 2003/04) and this component of the water trading account will be closed.

Two main sources of funding are currently available to cover spending under the water trading account. The first is a revenue stream generated by a water resource management charge levied on all registered water users (component 1), as well as revenue collected through the sale of water in bulk to various institutions and individuals (components 2, 3 and 4). The shortfall is funded through allocations from the National Revenue Fund in the normal Budget process, specifically the grant-in-kind to local government, as set out in the annual Division of Revenue Act.

The transfer of water services schemes and related functions to local governments and some water resource schemes to water user associations will have a positive effect on the deficit. The implementation of the national water pricing strategy will further improve the financial state of the water trading account. New tariffs structures in some areas have already resulted in full cost recovery.

Income from water sales on the water trading account is estimated at R2,6 billion in 2005/06, R2,7 billion in 2006/07 and R2,9 billion in 2007/08. The deficit on the water trading account was R1,2 billion in 2004/05, and is expected to increase by an annual average of 5,2 per cent over the MTEF period. Transfers received will increase accordingly to augment it.

Table 34.7: Financial summary for the Water Trading Account

	Outcome ¹				Medium-term estimate		
	Audited	Audited	Audited	Estimated outcome			
	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
R thousand							
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	1 745 564	2 127 862	2 372 769	2 491 407	2 615 978	2 746 777	2 884 116
Sale of goods and services other than capital assets	1 745 564	2 127 862	2 370 138	2 488 645	2 613 077	2 743 731	2 880 918
Interest	–	–	2 631	2 763	2 901	3 046	3 198
Transfers received	1 008 480	1 094 186	1 360 928	1 544 612	1 487 419	1 634 382	1 780 601
Total revenue	2 754 044	3 222 048	3 733 697	4 036 019	4 103 397	4 381 159	4 664 717

	Outcome ¹			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
Expenses							
Current expense	2 660 094	3 122 935	4 984 179	5 233 388	5 495 057	5 769 810	6 058 301
Compensation of employees	636 756	673 749	695 843	730 635	767 167	805 525	845 802
Goods and services	1 682 910	1 783 886	3 337 181	3 504 040	3 679 242	3 863 204	4 056 364
Depreciation	–	–	679 414	713 385	749 054	786 507	825 832
Other expenditure	241 113	442 443	271 671	285 255	299 517	314 493	330 218
Interest and dividends	99 315	222 857	70	74	77	81	85
Transfers and subsidies	93 950	99 113	–	–	–	–	–
Total expenses	2 754 044	3 222 048	4 984 179	5 233 388	5 495 057	5 769 810	6 058 301
Surplus / (Deficit)	–	–	(1 250 482)	(1 197 369)	(1 391 661)	(1 388 652)	(1 393 584)
BALANCE SHEET SUMMARY							
Carrying value of assets	–	–	52 793 264	55 432 927	58 204 574	61 114 802	64 170 542
<i>of which: Acquisition of assets</i>	–	–	12 953	13 601	14 281	14 995	15 744
Inventory	–	–	26 988	28 337	29 754	31 242	32 804
Receivables and prepayments	–	–	199 182	209 141	219 598	230 578	242 107
Total assets	–	–	53 019 434	55 670 406	58 453 926	61 376 622	64 445 453
Capital and reserves	–	–	52 209 243	54 819 705	57 560 690	60 438 725	63 460 661
Borrowings	–	–	218 603	229 533	241 010	253 060	265 713
Trade and other payables	–	–	346 179	363 488	381 662	400 745	420 783
Provisions	–	–	245 409	257 679	270 563	284 092	298 296
Total equity and liabilities	–	–	53 019 434	55 670 406	58 453 926	61 376 622	64 445 453

1. Data for 2001/02 and 2002/03 was compiled on the cash basis of accounting and cannot be compared to the rest of the table, prepared on the accrual basis.

Data provided by the Department of Water Affairs and Forestry

Equipment trading account

The Equipment trading account provides for equipment for the construction and maintenance of government water schemes.

The main sources of revenue for the equipment trading account are income from leases, revenue from the sale of plant and equipment, and the collection of maintenance fees. At the end of the financial year, any surplus is paid into the National Revenue Fund. Any shortfalls are funded via the *Capital Equipment* subprogramme in the *Water Resource Management* programme.

Between 2001/02 and 2004/05, growth in revenue averaged 2,2 per cent annually and is expected to increase by an annual average of 5,1 per cent over the MTEF period, to R65 million in 2007/08. In all the historical years under review, the equipment trading account has achieved an operating surplus, and expects to do so over the MTEF period.

Table 34.8: Financial summary for the Water Equipment Trading Account

	Outcome ¹			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	47 106	47 882	50 958	53 506	56 181	58 990	61 940
Sale of goods and services other than capital assets	47 106	47 882	50 930	53 477	56 150	58 958	61 906
Interest	–	–	28	29	31	32	34
Transfers received	2 500	–	2 500	2 535	2 750	2 944	3 091
Sale of capital assets	2 858	2 102	–	–	–	–	–
Total revenue	52 464	49 984	53 458	56 041	58 931	61 934	65 031
Expenses							
Current expense	37 195	41 617	45 781	48 070	50 474	52 997	55 647
Compensation of employees	–	–	–	–	–	–	–
Goods and services	6 761	7 964	14 089	14 793	15 533	16 310	17 125
Depreciation	–	–	31 692	33 277	34 940	36 687	38 522
Unauthorised expenditure	30 434	33 653	–	–	–	–	–
Total expenses	37 195	41 617	45 781	48 070	50 474	52 997	55 647
Surplus / (Deficit)	15 269	8 367	7 677	7 971	8 458	8 937	9 384
BALANCE SHEET SUMMARY							
Carrying value of assets	–	–	137 993	144 893	152 137	159 744	167 731
<i>of which: Acquisition of assets</i>	–	–	43 426	45 597	47 877	50 271	52 785
Receivables and prepayments	–	–	6 138	6 445	6 767	7 106	7 461
Cash and cash equivalents	–	–	2 732	2 869	3 012	3 163	3 321
Total assets	–	–	146 863	154 206	161 916	170 012	178 513
Capital and reserves	–	–	142 852	149 995	157 494	165 369	173 637
Trade and other payables	–	–	4 011	4 212	4 422	4 643	4 875
Total equity and liabilities	–	–	146 863	154 206	161 916	170 012	178 513

1. Data for 2001/02 and 2002/03 was compiled on the cash basis of accounting and cannot be compared to the rest of the table, prepared on the accrual basis.

Data provided by the Department of Water Affairs and Forestry

Public entities reporting to the Minister

Trans-Caledon Tunnel Authority

The Trans-Caledon Tunnel Authority (TCTA) was established in 1986 to implement and finance the water works in South Africa, emanating from the treaty on the Lesotho Highlands Water Project (LHWP), on behalf of the South African government. The project augments water supply to the Vaal system and generates hydro-electric power in Lesotho. The Minister of Water Affairs and Forestry directed the TCTA to fund all costs incurred in the water delivery component of the LHWP, and to undertake financial risk management on behalf of South Africa.

Following revisions to the protocol for the implementation of the project, new governance arrangements have been introduced to improve operational efficiency, and include additional responsibilities in areas not related to the LHWP. The TCTA has been tasked with the implementation and funding of the Berg River project, the Olifants River development project and the Vaal River eastern sub-system augmentation, as well as the treasury functions of the Umngeni Water Board.

No grants are made to the authority, as it is funded from income on the sale of water from the Vaal River system, and shortfalls in revenue are funded through commercial loans. Between 2001/02 and 2004/05, TCTA's revenue increased by an annual average of 17,2 per cent, mainly due to an increase in water revenue (included under other non-tax revenue) and an increase in interest received. The water demand increased by 17,1 per cent and the tariff increased by 19,3 per cent, in terms of inflation and other triggers included on the TCTA tariff model.

Interest received grew by an annual average 76,9 per cent between 2001/02 and 2004/05. This is due to a large increase in TCTA's long-term investment during the period. The investment of R1,3 billion that matures in December 2005 will redeem the registered bonds, and hence there is no interest received in the two outer years of the MTEF period.

Estimated revenue for 2004/05 is R1,8 billion, and it is expected to increase by an annual average of 4,2 per cent over the MTEF period to R2,1 billion in 2007/08. The organisation's total equity and liabilities currently stands at R17,3 billion and is expected to increase by 11,1 per cent on average over the MTEF period to R23,7 billion. The TCTA expects to raise R2 billion a year over the next three years to fulfil the medium-term funding requirements of its projects. This includes provision for the redemption of locally registered bonds on maturity.

A net deficit amounting to R703,4 million has been realised for 2004/05, and reflects a shortfall in covering the interest expense incurred. Also included in the deficit for 2004/05 is a charge of R122,0 million required for compliance with accounting standards. The net deficit after interest is a result of keeping water tariffs constant in real terms, taking the impact of future water demand and the future timing of augmentation of water schemes into account. Income generated in the future is projected to be sufficient to repay all water-transfer costs within 20 years of completion of each sub-phase.

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

	Outcome				Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited					
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	
INCOME STATEMENT SUMMARY								
Revenue								
Non-tax revenue	1 141 408	1 388 021	1 675 472	1 842 714	1 932 468	1 909 750	2 079 938	
Sale of goods and services other than capital assets	1 095 446	1 332 441	1 541 290	1 588 150	1 757 376	1 909 750	2 079 938	
Interest	45 962	55 580	134 182	254 564	175 092	-	-	
Sale of capital assets	-	-	-	(5 007)	(2 200)	-	-	
Total revenue	1 141 408	1 388 021	1 675 472	1 837 707	1 930 268	1 909 750	2 079 938	
Expenses								
Current expense	1 536 394	1 441 290	1 774 489	2 541 093	2 525 170	2 213 674	2 324 271	
Compensation of employees	9 093	11 542	17 327	19 519	23 869	24 533	25 978	
Goods and services	43 293	76 820	37 195	51 977	55 311	57 683	60 772	
Depreciation	9 941	14 554	26 806	4 085	4 926	5 167	5 420	
Royalties paid	170 344	183 199	207 855	231 090	240 114	256 917	282 981	
Interest	1 303 723	1 155 175	1 485 306	2 234 422	2 200 950	1 869 374	1 949 120	
Total expenses	1 536 394	1 441 290	1 774 489	2 541 093	2 525 170	2 213 674	2 324 271	
Surplus / (Deficit)	(394 986)	(53 269)	(99 017)	(703 386)	(594 902)	(303 924)	(244 333)	

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2004/05	2005/06	2006/07
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
BALANCE SHEET SUMMARY							
Carrying value of assets	12 882 215	13 907 038	14 948 573	15 534 414	16 990 220	19 818 740	21 957 706
of which: Acquisition of assets	1 181 596	1 033 952	958 695	595 276	1 463 592	2 834 358	2 145 069
Long-term investments	3 556 970	353 532	1 276 602	1 276 602	1 276 602	1 276 602	1 276 602
Receivables and prepayments	310 240	341 750	462 642	462 642	462 642	462 642	462 642
Cash and cash equivalents	60	–	6 617	–	–	–	–
Total assets	16 749 485	14 602 320	16 694 434	17 273 658	18 729 464	21 557 984	23 696 950
Capital and reserves	(1 417 193)	(2 137 047)	(2 171 886)	(2 960 248)	(3 555 150)	(3 859 074)	(4 103 407)
Borrowings	17 587 642	16 255 597	18 349 673	19 717 259	21 767 967	24 900 411	27 283 710
Trade and other payables	579 036	483 770	516 647	516 647	516 647	516 647	516 647
Total equity and liabilities	16 749 485	14 602 320	16 694 434	17 273 658	18 729 464	21 557 984	23 696 950

Data provided by the Trans Caledon Tunnel Authority

Water Research Commission

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

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

Table 34.10: Financial summary for the Water Research Commission

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2004/05	2005/06	2006/07
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	89 533	107 574	90 390	99 600	104 976	110 400	116 682
Interest	5 634	4 676	5 254	4 040	4 121	4 203	4 287
Other non-tax revenue	83 899	102 898	85 136	95 560	100 855	106 197	112 395
Sale of capital assets	5	18	5	–	–	–	–
Total revenue	89 538	107 592	90 395	99 600	104 976	110 400	116 682
Expenses							
Current expense	24 303	32 586	25 334	28 781	29 990	31 208	32 517
Compensation of employees	13 235	13 755	17 843	14 701	16 437	17 038	17 755
Goods and services	10 653	18 419	7 063	13 660	13 123	13 820	14 562
Depreciation	415	412	428	420	430	350	200
Transfers and subsidies	59 848	66 622	56 378	69 989	73 539	78 766	84 162
Total expenses	84 151	99 208	81 712	98 770	103 529	109 974	116 679
Surplus / (Deficit)	5 387	8 384	8 683	830	1 447	426	3

Data provided by the Water Research Commission

Water boards

Water boards have been set up as financially independent institutions, in terms of section 34(1) of the Water Services Act (1997), and must aim to be financially viable. The impact of their financial performance on the department has been limited. Apart from providing seed funding for some of the newly formed water boards and operating subsidies where they have undertaken specific functions on behalf of the department, the department has only had to provide financial assistance in exceptional circumstances. The individual water boards are listed in the table below.

The water boards

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

The consolidated revenue for water boards amounts to R6,1 billion in for 2004/05, of which Rand Water and Umngeni Water account for 60,9 per cent and 16,8 per cent, respectively. Between 2001/02 and 2004/05, revenue increased by an annual average of 13,5 per cent, due to increased water sales brought about by government's drive to address water services backlogs in previously unserved areas. Over the MTEF period, the consolidated revenue of water boards is expected to increase by an annual average of 7,4 per cent due mainly to inflation adjustments and improved cost recovery by some water boards.

Rand Water accounted for 86,6 per cent of the R433,0 million surpluses made by water boards in 2003/04, while Umngeni Water had a deficit of R37,2 million. In 2004/05, the consolidated surplus is expected to increase by 24,3 per cent to R538,4 million with Umngeni Water expecting to make a surplus of R31,7 million.

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

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		Estimated outcome	2005/06	2006/07
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	4 123 844	4 718 668	5 278 172	5 988 492	6 444 262	6 945 069	7 464 279
Sale of goods and services other than capital assets	143 456	170 310	207 211	250 359	259 630	309 386	323 122
Admin fees	95 267	108 879	145 960	196 279	225 099	299 701	314 109
Interest	48 189	61 431	61 251	54 080	34 531	9 685	9 013
Other non-tax revenue	3 980 388	4 548 358	5 070 961	5 738 133	6 184 632	6 635 683	7 141 157
Transfers received	67 830	65 591	75 906	138 543	139 268	128 781	122 412
Sale of capital assets	54	4	34	-	80	-	-
Total revenue	4 191 728	4 784 263	5 354 112	6 127 035	6 583 610	7 073 850	7 586 691
Expenses							
Current expense	3 890 801	4 434 495	4 875 394	5 546 042	5 786 662	6 031 709	6 411 315
Compensation of employees	751 451	897 934	987 771	1 028 017	1 093 887	1 157 629	1 233 084
Goods and services	2 194 859	2 534 270	2 828 018	3 533 864	3 790 321	4 047 161	4 308 857
Depreciation	262 306	262 226	275 367	298 319	315 993	343 182	374 283
Interest and dividends	682 186	740 065	784 238	685 841	586 461	483 736	495 092
Transfers and subsidies	42 008	49 018	45 631	42 629	24 357	23 124	22 655
Total expenses	3 932 809	4 483 513	4 921 025	5 588 671	5 811 019	6 054 833	6 433 970
Surplus / (Deficit)	258 919	300 750	433 087	538 364	772 591	1 019 018	1 152 721

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		Estimated outcome		
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
BALANCE SHEET SUMMARY							
Carrying value of assets	9 021 536	8 724 761	8 764 233	9 235 938	9 639 429	10 468 544	10 921 614
<i>of which: Acquisition of assets</i>	381 884	351 819	412 434	255 923	257 688	367 510	308 552
Long term investments	2 315 747	2 618 020	2 152 019	2 206 463	1 421 637	1 350 031	1 847 743
Inventory	68 014	67 789	68 809	70 933	73 014	76 842	81 313
Receivables and prepayments	697 718	773 458	836 761	863 736	932 078	1 042 936	1 168 822
Cash and cash equivalents	593 293	856 193	1 100 603	806 633	514 862	799 507	1 269 561
Total assets	12 696 309	13 040 221	12 922 425	13 183 703	12 581 020	13 737 861	15 289 053
Capital and reserves	4 520 480	4 430 809	4 943 307	5 450 344	6 262 985	7 319 127	8 507 922
Borrowings	7 046 112	7 258 288	6 533 059	6 573 070	5 123 566	5 165 794	5 455 533
Post retirement benefits	193 867	286 786	323 250	128 206	141 454	154 573	164 353
Trade and other payables	895 182	1 012 702	1 069 516	984 150	1 004 368	1 048 826	1 109 483
Provisions	40 668	51 636	53 293	47 933	48 647	49 540	51 762
Total equity and liabilities	12 696 309	13 040 221	12 922 425	13 183 703	12 581 020	13 737 861	15 289 053

Data provided by the Department of Water Affairs and Forestry

Other entities

Komati River Basin Water Authority

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

Irrigation boards and water user associations

In terms of sections 61 and 62 of the National Water Act (1998), the new policy framework for financial assistance to water management institutions, for irrigated agricultural development, aims to promote initial access to irrigated agriculture and to improve sustainable irrigation development by subsidising emerging farmers. In 2003/04, subsidies to irrigation boards and water user associations for this purpose were R28,4 million and increased to R30,0 million for 2004/05. The subsidy is expected to increase by 10,1 per cent annually over the MTEF period to R40 million in 2007/08.

Currently all irrigation boards are being transformed into water user associations to fall under the ambit of the National Water Act (1998). Because of disputes between the stakeholders, the process has been delayed considerably. In 2003/04, additional funds were allocated for writing off unrecoverable debts from some water user associations. Debts of R30 million, R19 million and R48 million were written off for the Impala, Great Fish River and Lower Blyde River water user associations, respectively. There are presently a number of water user associations utilising government guaranteed loans, with a total value of R150 million. The vast majority of these associations are presently servicing their debt without threatening the sustainability of their cash flows.

National Forest Recreation and Access Trust

The objective of the National Forest Recreation and Access Trust is to promote access to and the use of forests for recreation, education, culture or spiritual fulfilment. In terms of section 41(2) of the National Forests Act (1998), the minister is the sole trustee of the trust.

The only source of revenue for the trust is interest received on an investment with the Corporation for Public Deposit, which amounted to R241 000 for the year ending 31 March 2004.

Annexure

Vote 34: Water Affairs and Forestry

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

Table 34.B: Summary of personnel numbers and compensation of employees per programme

Table 34.C: Summary of expenditure on training per programme

Table 34.D: Summary of information and communications technology expenditure per programme

Table 34.E: Summary of conditional grants and indirect grants to provinces and local government

Table 34.F: Summary of official development assistance expenditure

Table 34.G: Summary of expenditure on infrastructure

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

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

Programme	Appropriation		Preliminary outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R thousand	2003/04			2004/05			
1. Administration	237 071	285 992	262 830	252 762	29 279	282 041	282 041
2. Water Resource Management	1 056 113	1 318 580	1 116 208	1 365 755	225 211	1 590 966	1 590 966
3. Water Services	2 439 722	2 607 847	2 391 442	1 333 772	173 324	1 507 096	1 507 096
4. Forestry	353 637	426 761	411 607	349 855	93 154	443 009	443 009
Total	4 086 543	4 639 180	4 182 087	3 302 144	520 968	3 823 112	3 823 112
Economic classification							
Current payments	1 281 443	1 425 277	1 286 384	1 345 106	242 073	1 587 179	1 587 179
Compensation of employees	585 929	660 070	598 203	606 705	57 300	664 005	664 005
Goods and services	693 357	763 050	673 112	736 896	184 773	921 669	921 669
Interest and rent on land	2 157	2 157	2 157	1 505	–	1 505	1 505
Financial transactions in assets and liabilities	–	–	12 912	–	–	–	–
Transfers and subsidies	2 479 298	2 838 099	2 120 179	1 571 760	278 895	1 850 655	1 850 655
Municipalities	2 100 038	2 265 004	1 709 600	1 020 979	147 571	1 168 550	1 168 550
Departmental agencies and accounts	379 260	573 095	381 505	520 116	93 324	613 440	613 440
Public corporations	–	–	–	–	38 000	38 000	38 000
Households	–	–	29 074	30 665	–	30 665	30 665
Payments for capital assets	325 802	375 804	775 524	385 278	–	385 278	385 278
Buildings and other fixed structures	264 121	314 121	758 426	320 316	–	320 316	320 316
<i>Buildings</i>	–	–	–	2 500	–	2 500	2 500
<i>Other fixed structures</i>	264 121	314 121	758 426	317 816	–	317 816	317 816
Machinery and equipment	50 965	50 967	9 507	52 270	–	52 270	52 270
<i>Other machinery and equipment</i>	50 965	50 967	9 507	52 270	–	52 270	52 270
Software and intangible assets	9 485	9 485	6 360	11 401	–	11 401	11 401
Land and subsoil assets	1 231	1 231	1 231	1 291	–	1 291	1 291
Total	4 086 543	4 639 180	4 182 087	3 302 144	520 968	3 823 112	3 823 112

Table 34.B: Summary of personnel numbers and compensation of employees per programme¹

Programme	2001/02	2002/03	2003/04	2004/05	2005/06
1. Administration	772	772	772	772	922
2. Water Resource Management	4 023	4 104	4 104	4 104	3 380
3. Water Services	74	74	74	74	74
4. Forestry	1 843	4 893	4 893	4 893	3 023
Total	6 712	9 843	9 843	9 843	7 399
Total personnel cost (R thousand)	559 051	807 023	767 183	842 254	874 739
Unit cost (R thousand)	83	82	78	86	118

¹ Budgeted full-time equivalent

Table 34.C: Summary of expenditure on training per programme

R thousand	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
	2001/02	2002/03	2003/04	2004/05			
1. Administration	19 701	2 208	2 226	2 351	2 492	2 642	2 774
2. Water Resource Management	–	28 953	32 103	26 688	28 289	29 986	31 485
3. Water Services	–	699	704	743	787	834	876
4. Forestry	–	3 723	3 239	3 160	3 349	3 550	3 728
Total	19 701	35 583	38 272	32 942	34 917	37 012	38 863

Table 34.D: Summary of information and communications technology expenditure per programme

R thousand	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
	2001/02	2002/03	2003/04	2004/05			
1. Administration	58 697	70 534	76 426	78 904	83 638	88 657	93 090
Technology	5 857	6 897	6 353	7 919	8 394	8 898	9 343
IT services	52 840	63 637	70 073	70 985	75 244	79 759	83 747
2. Water Resource Management	22 093	33 662	33 930	33 268	35 204	37 317	39 183
Technology	9 085	11 481	10 176	8 404	8 911	9 446	9 918
IT services	13 008	22 181	23 754	24 864	26 293	27 871	29 265
3. Water Services	1 773	1 726	1 787	1 862	1 981	2 100	2 206
Technology	781	796	812	842	896	950	998
IT services	992	930	975	1 020	1 085	1 150	1 208
4. Forestry	905	1 151	1 061	1 096	1 166	1 236	1 298
IT services	905	1 151	1 061	1 096	1 166	1 236	1 298
Total	83 468	107 073	113 204	115 130	121 989	129 310	135 777

Table 34.E: Summary of conditional grants and indirect grants to provinces and local government (municipalities)¹

R thousand	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited 2001/02	Audited 2002/03	Preliminary outcome 2003/04		2005/06	2006/07	2007/08
Conditional grants to provinces							
3. Water Services							
Operation of Water Services							
Water Services Operating Subsidy	691 849	699 687	1 086 997	948 862	934 434	990 500	1 040 025
3. Water Services							
Water and Sanitation Services							
Implementation of Water Services Projects	757 211	999 099	1 021 882	217 322	138 679	-	-
3. Water Services							
Institutional Support							
Local Institutional development Support	5 153	-	-	-	-	-	-
Total	1 454 213	1 698 786	2 108 879	1 166 184	1 073 113	990 500	1 040 025

¹ Detail provided in the Division of Revenue Act (2005).

Table 34.F: Summary of official development assistance expenditure

Donor	Project	Cash/ kind	Outcome			Adjusted appropriation	Medium-term expenditure estimate		
			2001/02	2002/03	2003/04		2005/06	2006/07	2007/08
Local									
Hermanus Municipality		Cash	-	1 285	-	-	-	-	-
Foreign									
China	Pipes and water meters grant	Kind	-	-	97 500	65 000	-	-	-
Denmark	Community water supply and sanitation	Cash	2 470	1 664	-	-	-	-	-
European Union	Water and sanitation services	Cash	268 488	267 386	249 000	211 500	152 000	40 000	-
Finland	Working for Water	Cash	6 025	835	-	-	-	-	-
France	Community water supply and sanitation	Cash	1 100	97	500	600	-	-	-
Ireland	Water and sanitation programme	Cash	-	10 564	31 000	33 300	24 800	24 800	-
The Netherlands	Community water supply and sanitation	Cash	20 587	22 723	13 900	4 400	-	-	-
Norway	Sustainable development of groundwater resources	Cash	4 000	4 431	13 000	6 000	-	-	-
Republic of China	Community forestry	Cash	516	-	-	-	-	-	-
United Kingdom	Water services	Cash	2 100	386	3 704	2 500	-	-	-
Flanders	(Masimbambane programme) Water and sanitation for deep rural areas of Sekhukhune	Cash	-	-	-	4 800	3 600	3 600	-
UNESCO	Total assistance with capacity building	Kind	-	-	10 000	1 000	-	-	-
Japan	Rural water supply	Kind	-	-	50 000	40 000	-	-	-
United Kingdom	Making forestry markets	Kind	-	-	20 200	10 000	-	-	-
United Kingdom	Corporate institutional transformation	Kind	-	-	553	7 128	3 360	2 780	-
United Kingdom	Support to water services	Kind	-	-	714	8 424	6 192	2 604	-
United Kingdom	Support to water resources management	Kind	-	-	2 832	13 476	6 756	7 188	-
United Kingdom	Strengthening Chief Directorate Forestry	Kind	-	-	20 200	16 000	-	-	-
Total			305 286	309 371	513 103	424 128	196 708	80 972	-

Table 34.G: Summary of expenditure on infrastructure

Projects	Description	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
		Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand		2001/02	2002/03	2003/04	2004/05			
Infrastructure programmes or large infrastructure projects								
Nandoni Dam	Construction	73 956	103 502	135 861	83 550	5 000	2 000	2 000
Nandoni water treatment works	Construction	–	–	4 000	59 674	105 636	125 698	65 329
Inyaka Dam	Construction	35 296	1 000	–	9 300	4 200	600	–
Inyaka water treatment works	Construction	1 100	7 000	9 393	17 600	21 109	35 334	8 139
Hluhluwe pipeline networking	Construction	–	–	–	22 000	25 000	25 000	25 000
Rivier Sonder End	Pumpstation, pipelines and Weir	–	–	–	5 000	8 000	8 000	–
Hazelmere Dam	Upgrading	–	–	–	15 000	–	–	–
Xikundu pipeline networking	Construction	60 000	39 002	30 620	23 145	–	–	–
Olifants River Weir	Construction	–	–	–	7 000	70 000	220 000	320 000
Western Highveld pipeline	Construction	–	–	–	–	–	220 000	220 000
Lusikisiki Government Water Scheme	Construction	–	–	–	–	–	14 000	24 000
Van der Kloof Water Scheme	Construction	–	–	–	–	–	36 000	16 000
Viools Drif Weir	Construction	–	–	–	–	–	–	13 000
Nwamitwa Dam	Construction	–	–	–	–	–	46 000	125 000
Clanwilliam Dam	Upgrading	–	–	–	–	–	24 000	64 000
Small project groups								
Water services projects	Implementation of water services projects	469 985	1 126 846	917 746	189 209	165 723	108 859	–
Infrastructure transfers								
Water and sanitation		174 398	164 462	537 862	–	–	–	–
Fixed installations transferred to households								
Sanitation projects		58 951	63 788	307 819	25 855	35 169	42 011	–
Maintenance on infrastructure								
Water services		–	–	58 062	90 000	120 000	12 000	–
Total		873 686	1 505 600	2 001 363	547 333	559 837	919 502	882 468

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

R thousand	Total cost of project	Budget expenditure	Medium-term expenditure estimate		
		2004/05	2005/06	2006/07	2007/08
Projects in preparation, registered in terms of Treasury Regulation 16¹	–	–	4 375 986	29 403 174	31 990 652
PPP unitary charge	–	–	–	26 730 158	29 082 411
Advisory fees	–	–	4 375 986	–	–
Revenue generated (if applicable)	–	–	–	–	–
Project monitoring cost	–	–	–	2 673 016	2 908 241
Total	–	–	4 375 986	29 403 174	31 990 652

1. Only projects that have received Treasury Approval: 1

