

REPORT OF THE DEPARTMENT OF WATER AFFAIRS AND FORESTRY

1 April 2003 - 31 March 2004

To the Minister of Water Affairs and Forestry

I have pleasure in presenting this report on the work of the
Department for the Financial Year ending March 2004.



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Director-General
Department of Water Affairs and Forestry

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PART A: GENERAL INFORMATION



PART A: GENERAL INFORMATION

INTRODUCTION

10 Years Of A Better Life For All.

As South Africa prepared to celebrate the first decade of democracy, the Department of Water Affairs and Forestry continued its decade-long programme to help achieve a better life for all through practical action in its three functional areas: Water Services, Water Resources and Forestry.

During this reporting period the Department celebrated the delivery of water to the 9 millionth recipient of water services served by the Department's rural programme, a major contribution in the struggle for human dignity and the well being of our people. Supply to 10 million people will be commemorated during 2004.

Water services and indeed much of the economy cannot function without effectively managed water resources, particularly not in a country which has as little water available per person as South Africa does. The ongoing implementation of the National Water Policy is thus essential to enable social and economic development on a sustainable basis and to protect it from the vagaries of the climate.

In the forestry sector, the Department has continued to reposition itself for its future role. The transfer of the state's plantation forests to appropriate management agents has proceeded with considerable effort made to ensure that poor rural communities benefit from the process. In line with the emphasis on an integrated approach to government, good progress has also been made with the transfer of the management of indigenous forests to national and provincial conservation agencies. This process is informed by the objective of making the management of conservation areas more effective and efficient through this consolidation.

Cooperative Government At Work

Progress in all three functional areas has been greatly assisted by the cluster approach which has enabled the Department to work together with other departments and spheres of government in pursuit of common goals.

The Department's Water Services Programme is part of the overall programme of support to Local Government which is coordinated by the Department of Provincial and Local Government. This cooperation is exemplified by the Masibambane programme, implemented with DPLG, SALGA and a coalition of donors. The first phase of this has supported local government water services providers both through capital grants for infrastructure provision and through technical assistance to ensure the long term sustainability of water services provision. A second phase is currently under negotiation and it is expected that the major agreements to be signed in 2004 will ensure its continuation.

While sanitation delivery in poor, rural communities is now occurring at scale, this is another area in which inter-Departmental cooperation has been vital in order to achieve and maintain delivery momentum.

The Water Resources programme has cooperated with Departments of Agriculture to put in place an effective support programme for agriculture, focusing on the needs of emerging farmers.

Impact In Africa And The World

Beyond our borders, the Department has worked with a range of partners during 2003/04 to support the African Renaissance by the strengthening the capability of African countries to manage their natural resources. Important developments have included confirmation of the core funding for the thousand million Euro (R8 billion) European Water Facility. This is expected to provide resources for the African Water Facility, a fund proposed by the African Ministers Council of Water to support programmes to meet basic water and sanitation needs in Africa, which will be administered by the African Development Bank. This is a milestone for the Department's international work programme which started at the 3rd World Water Forum in the Hague and continued through the World Summit on Sustainable Development to last year's 4th World Water Forum in Kyoto where the South African delegation made a major impact. Cooperation with our SADC partners has been key to international success.

Another milestone has been the widespread adoption of a policy approach, epitomised by our domestic Free Basic Water policy, which recognises that basic water services are a basic human need and that economic principles should only be applied to their provision once access to basic needs has been assured.

On the Lesotho Highlands Water project whose management is overseen jointly with the Government of Lesotho, we have succeeded in demonstrating that corruption can only be controlled if action is taken against bribe-givers as well as bribe-takers. The trials of companies accused of corrupt practices during Phase

IA of the project have continued in Lesotho during the year and are having an impact well beyond the water sector and the borders of Southern Africa.

The successful conclusion of Phase IB of the project, which was opened by President Thabo Mbeki and King Letsie III on the 16th of March 2004 was further testimony to the practical performance of the Department and its partners. Unusually for a major civil engineering project of this nature, it was completed within 2% of its initial budget and on time – enabling it to protect the central areas of South Africa from the worst impacts of drought.

Challenges Of Drought And Transition

The 2003/4 financial year was not without its challenges. The water sector had to face severe drought conditions in many parts of the country although, fortunately, late rains averted what could otherwise have become a serious situation particularly in the Komati and Olifants River catchments. Extra efforts were required to implement drought emergency works, particularly in the Western Highveld area, and the allocation of additional funds late in the financial year has necessitated roll-overs for work that will only be completed during the 2004/05 year.

The drought was preceded by a particularly severe fire season for forestry and agriculture. Overall, the forest industry lost 30 176 hectares of plantation to fire, resulting in a loss of 4,5 million tons of direct production valued at R695,7 million and a loss of an estimated R3 Billion worth of “downstream” timber products. The costs of firefighting and replanting amounted to R227 million. Departmental losses represented about 15% of the total. Further damage was only averted by cooperation between all members of the forest industry family. In recognition of the losses suffered, the Department is working with organised forestry to find ways to temporarily exempt growers from water use charges for areas affected by the fires.

Other challenges included preparations for the implementation of the Municipal Infrastructure Grant (MIG). This grant, to be administered by the Department of Provincial and Local Government will consolidate a number of other conditional grants, notably the DWAF's Community Water Supply and Sanitation grant. While this should lead to a more predictable funding flow to local government, enabling them to plan more effectively, there have been concerns that the change in the system could disrupt funding flows. Particular attention has therefore been paid to transitional arrangements. An ongoing concern will be to ensure that the focus on meeting basic needs is not lost and that the targets set by Government are met.

These targets were confirmed by Cabinet in September 2003 when the Strategic Framework for Water Services was approved. The Framework updated the 1994 White Paper on Water Supply and Sanitation and ensured alignment between policy for water services and the evolving municipal policy framework. Extensive effort is underway to ensure that an amicable agreement is reached with local government on the future role of regional water services providers (water boards). Already, progress is being made with improving relations between the Water Boards and the relevant municipalities – the restructuring of Umgeni Water's balance sheet, achieved with assistance from the Trans Caledon Tunnel Authority, was an important step in this regard.

At the same time, the Department has had to deal with challenges to its policy. Allegations that millions of water users had had their supplies cut off gained wide-spread attention and were the focus of organised opposition to water payments in some municipalities. The Department sought to ensure that the debate was informed by an understanding of the challenges of service delivery and that a fair balance was kept between the need for effective management and the rights of, in particular, poor households and communities to basic services.

Census Supports DWAF's Monitoring

Contradictory claims about service delivery and cut offs highlighted the need for effective monitoring and evaluation of service delivery. The results of Census 2001 were encouraging in that they confirmed DWAF's estimates of the extent of coverage by service infrastructure – these are given in the “State of the Sector” reports for the water services function.

The Census did not address the quality and sustainability of services. For this reason, more detailed surveys were initiated with the Human Sciences Research Council to obtain a better understanding of how services are actually working. Preliminary results show that the reports of widespread cut-offs were indeed inaccurate. They indicate that water supply service interruptions affect less than two percent of users at any one time and are mostly related to management problems rather than to deliberate cut-offs. Detailed reports will be published during the course of 2004/05 and further survey work undertaken on a regular basis.

Corporate Services And Finances

The transformation of what is still one of the largest national Departments (in terms of staff numbers) from a mainly operational organisation to one focusing on policy, regulation and support continues to be a huge challenge.

As indicated in the 2002/03 Annual Report, the Departmental strategic planning process has produced a simplified programme structure which is reflected in this year's Report.

The Human Resources function focused on completing the internal restructuring of the Department in terms of Resolution 7 of the Public Service Bargaining Council and supporting the extensive external restructuring that is underway in all three functions.

Financial management remained a serious concern for the Department's management after a series of adverse audit reports. In some cases, the problems identified reflected the rapid changes in the organisation's structures as well as a dependence on the development and functioning of transversal systems such as PERSAL, FMS/BAS and LOGIS over which the Department had no direct control. This was highlighted by network capacity problems at the end of the financial year that delayed certain transactions.

There were however a number of fundamental issues which had to be addressed by the Department, notably the transition to accrual accounting from Government's traditional cash based systems.

Considerable efforts were made to introduce new accounting systems that enable the Department to comply with the requirements of Public Finance Management Act. Although ongoing functions were given priority, accounts still need to be produced in appropriate formats for functions that will shortly be transferred out of the Department into new structures.

A particular feature of the new look financial statements presented here for the first time is the balance sheet for the Water Trading Account. This demonstrates clearly the size of the business operations currently run within the Department with an asset base of over R50 billion and a nominal revenue (including transfers from the Exchequer) exceeding R5 billion.

The management of this substantial business continues to be a challenge and administrative weaknesses, particularly in the Department's regional offices, are being addressed on an ongoing basis. The size of the trading operation also highlights the need for the review, currently underway, of the appropriate organisational structure for the activities undertaken.

Conclusion: Coaching The Team For Victory

The governance of the department has evolved in tandem with the broader transformation processes. A formal meeting of senior management and the Minister, the Executive Committee, is held on a regular basis. The monthly Management Committee, chaired by the Director General, maintains oversight over the operations of the Department. Three MANCO sub-committees are responsible for detailed operations of each key functional area, supported by other specialised structures including a budget committee, a procurement committee, an IT committee and a Restructuring Coordinating Committee.

Good team work is essential if the management team is to work effectively in this complex environment. An innovative approach has been to appoint a MANCO "Coach" who, over the course of the next year, is assisting management to improve its performance at both individual and team level.

This will help DWAF to keep its side of the People's Contract. The challenge faced by the organisation is to keep its focus on practical delivery even as our role changes from implementer to regulator and supporter.

DWAF is recognised throughout the public service and beyond as a practical, down to earth, delivery Department. That we are also a happy Department was demonstrated by the success of the DWAF choir who were the clear overall winners of this year's inter-Departmental choir competition. With their help, we move forward into the second decade of democracy with renewed vigour and in close harmony!



Mike Muller
Director-General
Department of Water Affairs and Forestry

INFORMATION ON THE MINISTRY

Executive Authority

The Minister of the Department of Water Affairs and Forestry has Executive Authority over the 19 Water Boards, the Water Research Commission, the Trans-Caledon Tunnel Authority, the Irrigation Boards, Water Users Associations and Catchment Management Agencies:

Bills to Parliament

There were no Bills submitted to Parliament by the Minister of Water Affairs and Forestry during the financial year of 2003/04.

International Visits

The Minister undertook the following international visits between the period 1 April 2003 and 31 March 2004.

27 April – 7 May 2003

The Minister attended the meeting of the Commission for Sustainable Development (CSD 11) in New York.

22 – 26 May 2003

The Minister attended the Executive Meeting of the African Ministers' Council on Water (AMCOW) in Dakar, Senegal.

20 – 23 October 2003

The Minister attended the 5th Europe-Africa Convention on Urban Utilities in Africa held in Bordeaux, France.

24 – 26 October 2003

The Minister attended the South Africa and United Kingdom Solidarity Conference.

29 October – 01 November 2003

The Minister attended the Executive Committee of AMCOW

04 – 05 November 2003

The Minister attended the conference entitled Water for the Poorest – Responding to the Millennium Development Goals in Stavanger, Norway.

25 November 2003

The Minister visited Mozambique to sign the Inco-Maputo and the Limpopo Water Course Commission agreements

08 – 16 December 2003

The Minister attended the Pan African Water Conference and the AMCOW Executive Meeting in Addis Ababa, Ethiopia.

17 – 18 December 2003

The Minister attended the meeting of the Water Supply and Sanitation Co-ordinating Council.

10 – 12 February 2004

The Minister attended the meeting of Agriculture and Water Ministers convened by the African Union in Tripoli, Libya.

12 – 17 February 2004

The Minister visited Palestine to strengthen bilateral relations on water and forestry related matters.

Cabinet Memoranda

The Minister submitted the following Cabinet Memoranda:-

14 May 2003

Proposed Water Services Act Amendment Bill

Submission of a Co-ordinated Progress Report on the Government's National Sanitation Programme

June 2003

Proposed Forestry Amendment Act

15 September 2003

Strategic Framework for Water Services

30 September 2003

Water Resources Development in the Olifants River

LEGISLATIVE MANDATE

Policies

The Department is mandated –

- By the National Water Act (No. 36 of 1998): to ensure that South Africa's water resources are protected, used, developed, conserved, managed and controlled in a sustainable and equitable manner, for the benefit of all persons. The Act establishes the National Government, acting through the Minister of Water Affairs and Forestry, as the public trustee of the nation's water resources, with power to regulate the use, flow and control of all water in the Republic.
- By the Water Services Act (No. 108 of 1997): to create a developmental regulatory framework within which water services can be provided. The Act establishes water services institutions, and defines their roles and responsibilities. Schedule 4 of the Constitution of the Republic of South Africa vests the responsibility for water and sanitation services, limited to potable water supply systems and domestic wastewater and sewage disposal systems, in Local Government. However, the National Government has a constitutional responsibility to support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions, and also has the authority to see to their functions in respect of matters listed in Schedules 4 and 5 of the Constitution, by regulating the exercise by municipalities of their executive authority. The Water Services Act gives substance to these constitutional requirements and provisions, whilst acknowledging the authority of Local Government in respect of water services.
- By the National Forest Act (No. 84 of 1998): to ensure that South Africa's forest resources (indigenous and plantation) are protected, used, developed, conserved, managed and controlled in a sustainable and equitable manner, for the benefit of all. The administration of indigenous forest is however a concurrent competence between the National and Provincial Governments. When the Minister of Water Affairs and Forestry is certain that sufficient expertise, resources and administrative capacity exists in the Provinces, the Minister is empowered to assign or delegate to the Provinces the responsibility for managing indigenous forests.
- By the National Veld and Forest Fire Act (No. 101 of 1998): to create a framework to prevent and combat veld, forest and mountain fires throughout the country and thereby limit and reduce the damage and losses caused by fires to life, fixed property, stock, crops, fauna and flora and veld in South Africa. In terms of the Constitution, fire fighting is a local

government function, with Provincial and National Governments playing as facilitating role players, including Fire Protection Associations, which are established under the Act. The Department must also keep a record of fires, and develop a database capturing the statistics of fires and their impact on society.

Public entities reporting to the Minister of Water Affairs and Forestry

(a) Trans-Caledon Tunnel Authority

In terms of the 1986 treaty on the Lesotho Highlands Water Project (LHWP) between Lesotho and South Africa, South Africa was obliged to establish the Trans-Caledon Tunnel Authority (TCTA) to implement the project on the South African side. This was done under the 1956 Water Act. Since the completion of Phase 1A of the project, the TCTA's treaty functions have been limited to the operation and maintenance of the project on the South African side. This is a minor function, which does not require full-time staff. The main business of the TCTA is now to raise funds and manage liabilities on behalf of Government in respect of the project.

The establishment notice was completely revised by TCTA Government Notice 2017 of 24 March 2000 under the National Water Act of 1998, which empowers the Minister of Water Affairs and Forestry to direct the TCTA to undertake activities outside the scope of the Lesotho Highlands Water Project.

The TCTA is now also performing other functions related to the financing of water infrastructure in the context of specific projects and the Department's overall restructuring when so directed. Thus the TCTA was directed by the Minister in 2001 to undertake the treasury management function of Umgeni Water. In May 2002 the Minister directed the TCTA to implement the Berg Water Project (BWP), which will augment the water supply to the Western Cape Water System. TCTA will raise the funds required to finance the BWP and has appointed consultants for the design and supervision of the construction of this project. Agreements between the Department and TCTA as well as the Department and the City of Cape Town respectively were drafted for the implementation and the supply of raw water, and such agreements were signed in April 2003. Mechanisms to comply with the environmental requirements related to the BWP were established.

The TCTA is governed by a board of directors to whom the Chief Executive and management report. Government control of the TCTA is exercised through the Minister's power to appoint all board members. The Director-General is a

board member, as is an official of the Department of Finance. The TCTA is a public entity listed in schedule 2 of the Public Finance Management Act of 1999. In terms of section 3(b) of the Act, chapter 6 applies. In terms of section 49, the TCTA board is the accountable authority for purpose of the Act. The TCTA is authorised by the National Treasury to borrow R22,5 billion up to March 2005 for the LHWP and R1,5 billion up to March 2006 for BWP. The borrowing limits are reviewed on a regular basis.

(b) 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 Basin Water Authority is the executive body charged with managing and financing the project. The main activity of the project was the construction of Driekoppies Dam near Malelane and the Maguga Dam in Swaziland and the associated resettlement of affected people. During the reporting period, the focus was on the operation and maintenance of the two dams with the objective of optimising the benefits from this shared water project. Transfers for 2003/04 amount to R178,4 million .

(c) Water Research Commission

The Water Research Commission (WRC), classified as a Schedule 3A Public Entity under the Public Finance Management Act, was established in terms of the Water Research Act (Act No 34 of 1971) with the mandate to co-ordinate, promote, encourage, finance and manage research in respect of the occurrence, preservation, utilisation, conservation, control, supply, distribution, purification, pollution or reclamation of water supplies or water resources. The WRC is given the further responsibility to accumulate, assimilate and disseminate knowledge in regard to the results of such research and the application thereof, and to promote development work for the purposes of such application. To enable the WRC to carry out its mandate, the Water Research Act makes provision for a Water Research Fund to be administered by the WRC, the income of which is composed of rates and charges levied either on land irrigated, or on water supplied to users by the State, water boards and local authorities. During this reporting period, the WRC funded research to the value of R55 million for research projects and research support services and R12 million for knowledge dissemination/ technology transfer. Research projects of 428 post graduate researchers were funded by WRC during the year, of whom 280 were Previously Disadvantaged Individuals (PDI's).

(d) Water Boards

Chapter Six of the Water Services Act (No 108 of 1997) provides the legislative framework in which Water Boards operate. In terms of the Act, the primary activity of a Water Board is to provide water services to other water services institutions within its service area. Water Boards must enter into formal service provision agreements with the water service authorities (municipalities) in their service areas.

The Act allows Water Boards to enter into other activities as long as these activities do not affect their ability to perform the primary activity and they should not jeopardize the financial viability of the Water Board and its ability to serve customers and users in its service area. Members of a Water Board are appointed by and are accountable to the Minister of Water Affairs and Forestry and they must ensure that the Board performs within the parameters defined by the Act and according to the Board's agreed policy statement and business plan.

Some difficulty has been experienced where municipalities have not been prepared to enter into service provision agreements with water boards. There has also been uncertainty as a result of Section 78 processes being undertaken in terms of the Municipal Structures Act. An institutional review of regional water services is currently being undertaken together with South African Local Government Association (SALGA), Department of Local Government (DPLG) and South African Association for Water Users (SAAWU) in order to clarify the future role of the Water Boards in relation to municipalities

List of Water Boards

1. Albany Coast Water Board
2. Amatola Water Board
3. Bloem Water
4. Botshelo Water
5. Bushbuckridge Water Board
6. Ikangala Water
7. Lepelle Northern Water
8. Magalies Water
9. Mhlathuze Water
10. Namakwa Water
11. Overberg Water
12. Pelladrift Water Board
13. Rand Water
14. Sedibeng Water
15. Umgeni Water