

Report Of The Department Of Water Affairs And Forestry

1 April 2005 to 31 March 2006

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 31 March 2006.

A handwritten signature in black ink, appearing to read 'Jabulani Sindane', written in a cursive style.

Jabulani Sindane
Director-General: Department of Water Affairs and Forestry

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General Information



Part
A

Introduction

Leading the water and forestry sectors into the future

The vision, mission and strategies of the Department of Water Affairs and Forestry are aligned with the Government's Medium Term Strategic Objectives which provide a framework within which all departments should set their priorities. The strategic priorities were clearly set out at the 2005 Cabinet Lekgotla which was followed up with the 2005 State of the Nation Address by the President which are also included in the Government's Programme of Action.

The mandate of the Department of Water Affairs and Forestry emanates from the White Paper for a National Water Policy for South Africa and the White Paper on a National Forest Policy. These policies, which are given legislative force through the National Water Act, the Water Services Act, the National Forests Act and the National Veld and Forest Fire Act, set out the role of the Department as sector leader for forestry and water, custodian of the nation's water resources, and regulator of the forestry and water sectors.

In fulfilling these functions, the Department must not only regulate the various institutions within these sectors, but build and support other institutions (such as, catchment management agencies and fire protection associations) in order to ensure that they have the capacity to perform their functions in these sectors.

Ultimately, the work of the Department as guided by the policies, legislation, by the Departmental vision, mission and strategic plan, contribute to the government's programme of poverty eradication, social justice, reconstruction and development. The Water Allocation Reform programme, the development of water resources infrastructure, the Working for Water Programme, the Forest Sector Charter and ensuring the provision of basic water supply and sanitation are key elements of this programme.

The Department received a qualified audit report on both the trading and exchequer accounts during the financial year in question. A large part of this can be attributed to the

incomplete asset management project which was still under development.

Central challenges of the second decade

Building the capacity of government to deliver

One of South Africa's challenges is to build the capacity of all its institutions of government in order to implement the national programme of reconstruction and development. The capacity of Local Government is crucial in this programme, and in relation to the mandate of DWAF, is particularly crucial in the capacity to deliver sustainable and accessible water supply and sanitation services to all of the people of South Africa.

In this regard, DWAF has been providing support to local government, in collaboration with the DPLG, the DBSA and SAICE, who also have support programmes for local government. This support has been provided under the aegis of Project Consolidate. The Department has, and continues to, develop its own capacity to provide the necessary support to local government to ensure the delivery, operation and maintenance of water supply and sanitation services.

During the year under review, a project was launched to assess the compliance of each Water Services Authority with regards to water related legislative and regulatory requirements. A programme to assess compliance with drinking water quality standards was also launched. In both of these programmes, identification of compliance failure has assisted the Department in identifying areas of intervention and support.

The Department also spearheaded the development of a number of collaborative, sector-wide initiatives, such as the establishment and support of Water Sector Forums in all provinces, and the establishment of a national Joint Response Team. This team consists of representatives from DWAF, the DPLG, the South African Local Government Association (SALGA), National Treasury and representatives from provincial Joint Response Teams. The purpose of these Joint Response

Teams is to support municipalities in decisions on water services provision functions, and on the transfer of water services assets and staff. DWAF will continue this support until all Water Services Authorities have put in place effective water services provision arrangements and have taken transfer of those assets and staff that fall within their jurisdiction.

The National Water Act provides for the establishment of Catchment Management Agencies (CMA's) to take on many of the functions relating to water resources management, at the water management area level. During the year under review good progress was made on consultative processes for several CMAs, and particular progress was achieved in the establishment of the Inkomati CMA.

During 2005 Cabinet approved the establishment of a National Water Resources Infrastructure Agency to do the operation and development of national water resources infrastructure such as large dams and interbasin transfer schemes. Following this a process was put in place to begin the work towards establishing the Agency, due in 2008.

Supporting the growth and development of the economy

In the President's State of the Nation address he emphasized the need to optimize government's investment in economic infrastructure in order to contribute to the growth of the economy. In the Department, the largest investment in infrastructure is in the development of large infrastructure (dams and pipelines) for ensuring a reliable supply of water for economic and social development. However, the sustainable management and rehabilitation of the state forest asset is also important in this regard, particularly since forests and plantations are usually found in rural areas where they can, if properly managed, contribute to job creation and poverty reduction.

The Department must ensure that the water and forest resources are managed and used in a way that contributes to the growth of the economy, the creation of jobs and the eradication of poverty. The Department has signed Memoranda of Understanding with COSATU and NACTU to express its commitment to job creation through its various projects.

One of the programmes that the Department has embarked on to contribute to the growth and development of the second economy and to the realization of equity in South Africa, is the Water Allocation Reform programme which was launched during the year under review. The Department has, and will continue to, collaborate with provincial and national government departments to ensure that water resources are sustainably managed and used, and that real transformation in access to water for productive purposes takes place in the country.

The Department has also embarked on a series of large water resources infrastructure projects which will support economic growth, job creation, and the provision of basic services. These projects will contribute to the social and economic needs of Limpopo and Mpumalanga. The period under review saw considerable progress on preparations for the de Hoop dam and the Nwamitwa dam. The Berg River project and the VRESAP (Vaal River Eastern Sub-system Augmentation Project) pipeline to provide water to Eskom and Sasol, are already under construction.

The Forestry Sector is recognized as having a high growth potential, particularly in the Eastern Cape, where more than 60 000 ha have been identified as suitable for afforestation, with a greater area still to be considered. The Department has worked closely with the relevant provincial departments of Environment and Agriculture to ensure a common perspective on the speedy and efficient authorization of afforestation in targeted areas. The Forest Sector Charter, which was initiated by the Minister in April 2005 will set out how transformation, growth and job creation are to be achieved in the forest sector over the next ten years. The rehabilitation and restructuring of the state forests remain a crucial part of this.

During the year, provincial workshops were held to discuss key elements of the Charter with stakeholders from the timber growing, saw milling, pulp and paper processing, contracting, charcoal and pole producing sub-sectors. Separate workshops to consult specifically with rural women ensured that the needs and aspirations of women were placed firmly on the agenda and in the Charter.



The implementation of the finalized Charter will open the way for the growth of the sector and for the entry of previously disadvantaged people to a wide range of opportunities in the forestry sector.

During 2005 the South African National Parks Board (SANParks) took over the management of the Knysna indigenous forest complex from the Department. The aim of this change in management was to promote the development of tourism and the further unlocking of economic opportunities for communities living in the area. This venture, as well as the plantation leases, will be monitored to ensure that the envisaged benefits materialize.

The transfer of management of the Southern Cape Forests to SANParks must be seen in the context of a much broader restructuring in DWAF. In terms of this programme, the Department is withdrawing from its current direct operational management responsibilities in both the water and forestry sectors in order to focus on its role with regards to policy development, regulation and support. To this end, the Department is currently engaged in a programme to transfer the management and control of all state natural forests by the end of the 2008/9 financial year to other competent management agencies, primarily Provincial Government Departments or National and Provincial Conservation Agencies.

Supporting of the New Partnership for Africa's Development (NEPAD)

The role of the Department extends beyond the borders of South Africa, in alignment with government policy on the consolidation of the African agenda, as set out by the President in the State of the Nation address (SONA). Amongst other things, this means supporting the economic integration of SADC and its contribution to the success of NEPAD.

Many of South Africa's rivers are shared with neighbouring states and in managing these rivers DWAF must comply with the SADC Protocol on Shared Watercourses and with agreements with neighbouring states. South Africa is proud that the management

of shared watercourses in the SADC region is internationally recognized as a study in best practice.

During the year under review progress was made within SADC and more generally in Africa in the following ways:

DWAF played a leading role in the resuscitation of the Water Resources Technical Committee of SADC in terms of facilitating and hosting the meeting. This meeting is important in terms of coordinating a joint position in the area of water and sanitation for approval by the Integrated Committee of Ministers (ICM). Furthermore DWAF continued to participate in the negotiations for donor funding to support regional projects both in the Water and Forestry Sectors. To this end DWAF has now commenced with the implementation of the SADC/HYCOS project on behalf of SADC.

DWAF participated in the negotiations to confirm African Ministerial Council on Water (AMCOW) as a technical committee of the African Union (AU) as provided for in the Constitutive Act in terms of which the AU was established. DWAF represents the SADC on the Technical Advisory Committee (TAC) of the AMCOW.

Combating poverty

The provision of clean drinking water and adequate sanitation to all the people of South Africa remains one of the key challenges in the fight against poverty. Similarly, the provision of safe drinking water and adequate sanitation in clinics and schools is crucial for the well-being of our people and the ability of children to study effectively and with dignity.

From September 2004 to March 2006 the number of schools without adequate sanitation dropped from 4300 to 2118. In the 2005/6 financial year 2185 clinics were provided with sanitation facilities.

The Department put considerable effort and resources into supporting local government in the delivery of water and sanitation. During the year under review, water was provided to approximately a million people and sanitation services were provided to approximately 200 000 households.



Licences for afforestation were provided to approximately 166 applicants on communal land. These licences will enable the rural households to benefit from the commercial opportunities associated with growing timber.

Strengthening intergovernmental relations

Water Summits were held in each of the nine provinces to ensure alignment between the Department, provincial and local government on water supply and sanitation and water resources issues, and to ensure that water constraints, opportunities and challenges are reflected in the Provincial Growth and Development Strategies. These summits were extremely successful and provided an opportunity for DWAF as sector leader to engage in real time joint needs analysis and prioritization with Provincial and Local Government, the private sector, academic institutions and other stakeholders within the sector.

Conclusion

This annual report sets out the performance of the Department over the 2005/6 financial year. It was not a year without challenges. The recruitment and retention of skilled personnel to the Department remains a challenge, as does the implementation of accrual accounting on the Trading Account. Nonetheless, the Department has performed well and achieved many successes. I would like to thank all officials for their continued dedication, who, in the true spirit of Batho Pele (People First) have gone well beyond the normal call of duty to serve the people of South Africa.



Jabulani Sindane
Director General
Department of Water Affairs and Forestry



Information on the Ministry

Executive Authority

The Minister of the DWAF has executive authority over the 15 water boards, the Water Research Commission (WRC), the Trans-Caledon Tunnel Authority (TCTA), the irrigation boards (IB), Water User Associations (WUA) and 19 Catchment Management Agencies (CMA).

Bills to Parliament

The Forestry Laws Amendment Bill was passed by Parliament in 2005 and was assented to by the President, the honourable, Mr Thabo Mbeki, in March 2006.

International visits

The Minister undertook the following international visits between the period 1 April 2005 and 31 March 2006:

Date	Destination Visit
11 to 22 April 2005	A visit to New York, United States of America, to attend the 13 th Session of the United Nations Commission on Sustainable Development.
26 to 28 May 2005	A visit to New York, United States of America, to attend a United Nations Forestry Forum.
30 May to 3 June 2005	A visit to Canada to attend the Minister's Segment World Forests and Paper Summit.
27 to 30 June 2005	A visit to Addis Abbaba, Ethiopia to attend AMCOW meeting.
7 to 10 August 2005	A visit to Tanzania to attend a Farmer's Day and Women's Day Celebrations.
21 to 27 August 2005	A visit to Stockholm to attend a World Water Week.
22 September 2005	A visit to Lesotho to attend a Ministerial meeting to discuss and sign the MoU on the second phase of the Lesotho Water Highlands project, among other things.
19 to 26 November 2005	A visit to Rome, Italy, to attend a Round Table discussion on Water and Agriculture.
8 December 2005	A visit to Windhoek, Namibia to attend AMCOW's SADC Ministerial Executive Committee meeting to prepare for the Fourth World Water Forum in Mexico, to take place in March 2006. Note: The Minister's advisors, Mr Mkalipi and Mr Tekateka attended this meeting on behalf of the Minister.
16 to 17 February 2006	A visit to Entebbe, Uganda, via Nairobi to attend the Executive Committee meeting of AMCOW, further preparing for the Fourth World Water Forum to take place in March 2006. Note: The Minister's advisors, Mr Mkalipi and Mr Tekateka attended this meeting on behalf of the Minister.
20 and 21 February 2006	A visit to Zimbabwe for a Study Tour on catchment management agencies. Note: the Minister's advisor, Mr Mkalipi attended the meeting on behalf of the Minister.
6 to 10 April 2006	A visit to Cuba, to negotiate further cooperation with the Cuba government.
12 May 2006	A visit to Namibia to finalise the agreement of water use between South Africa and Namibia.

Cabinet memoranda

The Minister submitted the following six cabinet memoranda:

1. Arrangements for Trust envisioned in Forestry Laws Amendment Bill (March 2005)
2. Appointments to Board of Water Research Commission (May 2005) National Water Advisory Council
3. Appointment of National Water Advisory Council
4. Appointment of Governing Board of Inkomati Catchment Management Agency
5. Institutional Arrangements for National Water Resource Infrastructure Agency
6. Establishment of Limpopo Water Commission.

Mission Statement

Our Vision

We have a vision of being:-

A country that uses water and forests productively and in a sustainable manner for social and economic activities; in a manner that promotes growth, development and prosperity of all people to achieve social justice and equity.

Our Mission

As sector leader, the mission of the Department of Water Affairs and Forestry is to serve the people of South Africa by:

- ⊙ guiding, leading, developing legislative framework, regulating and controlling the water and forestry sectors;
- ⊙ conserving, managing and developing our water resources and forests in a scientific and environmentally sustainable manner in order to meet the social and economic needs of South Africa, both now and in the future;

- ⊙ ensuring that water services are provided to all South Africans in an efficient, cost-effective and sustainable way;
- ⊙ managing and sustaining our forests, using the best scientific practice in a participatory and sustainable manner;
- ⊙ educating the people of South Africa on ways to manage, conserve and sustain our water and forest resources;
- ⊙ cooperating with all spheres of Government, in order to achieve the best and most integrated development in our country and region;
- ⊙ creating the best possible opportunities for employment, the eradication of poverty and the promotion of equity, social development and democratic governance.

Our Values

- ⊙ The Department of Water Affairs and Forestry is a loyal servant of the Government and the people of South Africa.
- ⊙ As public servants, our skills will at all times, be used for the benefit of the people and for the reconstruction and development of our country in the spirit of *Batho Pele* (People First).
- ⊙ As management, our responsibility is to provide high quality transformational leadership and a disciplined work ethic; and to promote a working culture for motivated, accountable and committed teamwork.
- ⊙ As citizens of the African continent, we are dedicated to long-term integrated regional security and co-operation, and to the spirit of the African Renaissance.
- ⊙ Our working environment is governed by the principle of representivity, equality, mutual respect and human development.



Core Values For Transformation

We recognise that -

- ⦿ People are the cornerstone of the Department's success.
- ⦿ Diversity is valued as a source of strength.
- ⦿ We strive for a Department that fosters personal growth and achievement.

Legislative Mandate

1. Policies

The work of the Department is informed by various pieces of legislation, nationally appropriate policies and laws, relating to the Public Service as a whole, as well as those pieces of legislation that promote such Constitutional goals as equality, accountability, the Rule of Law and openness.

No	Short title of Act	Number of Act	Purpose of Act
1.	The National Water Act	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 provides the National Government – acting through the Minister of Water Affairs and Forestry, who is the public trustee of the nation's water resources – with power to regulate the use, flow and control of all water in the Republic.
2.	The Water Services Act	108 of 1997	To create a developmental regulatory framework within which water services can be provided. The Act establishes water service institutions and defines their roles and responsibilities. Section 156, read in conjunction with Part B of Schedule 4 of the Constitution of the Republic of South Africa (Act 108 of 1996) vests the executive authority and responsibility for 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. It also has the authority to see to the effective performance by municipalities of their functions in 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.
3.	The National Forests Act	84 of 1998	To promote and enforce the sustainable management and development of forests for the benefit of all, the promotion of sustainable use of forests as well as the provision of special measures for the protection of forests and trees. To balance the protection of forests with sustainable use, the Act regulates a wide range of uses and sets out the right of everyone to have a reasonable right of access to State forests for non-consumptive purposes, such as recreation. The rights to the use, management, control and operation of State forests and the produce in them vested in the Minister of Water Affairs and Forestry and regulated by the Department through this Act.

4.	The National Veld and Forest Fire Act	101 of 1998	To prevent and combat veld, forest and mountain fires throughout the country and thereby to limit and reduce the damage and losses caused by fires to life, fixed property, infrastructure, movable property, stock, crops, fauna and flora and veld in South Africa. In terms of the Constitution, fire-fighting services are a local government function, with provincial and national governments playing a facilitating role. The Minister of Water Affairs and Forestry must prepare and maintain a fire danger rating system for the country, in consultation with affected role players, including Fire Protection Associations, which are to be established under the Act. The Department must also keep a record of fires and develop a database to capture the statistics of fires and their impact on society.
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2. Public entities reporting to the Minister of Water Affairs and Forestry

(a) Trans-Caledon Tunnel Authority (TCTA)

Enabling legislation

International water management bodies are established under Chapter 10 of the National Water Act (Act 36 of 1998) and one such a body is the TCTA. This institution was established by the Minister, in consultation with the Cabinet, and by notice in the Gazette (notice number 2631 of 12 December 1986), to implement international agreements. It is a body corporate and has the powers of a natural person of full capacity, except those which by their nature can attach only to natural persons, or are excluded by or inconsistent with the National Water Act or the relevant international agreement. The TCTA is subject to the Public Finance Management Act (Act 1 of 1999) and is categorised as a Schedule 2 entity: Major Public Entity.

Mandate

The TCTA was established to implement any international agreements entered into by the South African Government and a foreign Government, such as the Lesotho Highlands Water Project, relating to investigating, managing, monitoring and protecting water resources, regional co-operation on water resources, acquiring, constructing, altering, operating or maintaining a waterworks, or the allocation, use and supply of water.

Under section 103, if the Minister is satisfied that it will not prejudice the capacity of the body to perform the

functions for which it was established, she may direct the body to perform additional functions, which may include, but are not limited to management services, financial services, training and other support services.

In this respect, the TCTA has been directed to undertake financial services functions as well as other projects, including the Berg Water Project (BWP) and the Vaal River Sub-system Augmentation Project (VRESAP).

Relationship with the Minister

As with water boards, the Minister, as the executive authority, has similar oversight responsibilities to the TCTA as a water management institution.

Funding

1. Lesotho Highlands Water Project (LHWP)

The Lesotho Highlands Water Project (LHWP) delivers clean water to the Vaal River system, improving the quality of water for the benefit of bulk water users, sustaining the economies of both South Africa and Lesotho, since 1998. The LHWP is termed a sustainable, bankable bulk infrastructure project and although it will be fully paid for by water users, LHWP depends on the revenues generated by water sales from the Vaal River system.

A net amount of R3,57 billion was borrowed during the previous financial year (2005/6) to meet funding requirements. The funding sources are the Capital market, the Money market and Foreign Development financing.



2. Berg Water Project (BWP)

The project costs are estimated at R 1 553 Billion and are funded through local money markets and long-term loans from ABSA, DBSA and EIB.

Achievements for reporting period

The construction of the **Berg Water Project** will ensure surety of water supply to the Western Cape. Approximately 3000 people will be directly employed by contractors involved in the implementation.

3. Vaal River sub-system augmentation project (VRESAP)

Based on current information, the estimated construction cost of VRESAP is R2 238 million in March 2006 terms. The interest on the cost will be capitalised for five years post-construction, bringing the total debt to about R3000 million in 2013.

The three agreements that formalize the institutional arrangements between the partners, DWAF, Eskom, Sasol and TCTA were signed on 11 October 2005. Without these agreements, it was not possible to secure long-term funding for the project.

The Implementation Agreement between DWAF and TCTA makes provision for the full financial cost of the project to be recovered over a 20 year period from the sale of water to Eskom and Sasol.

TCTA secured a R600 million bridging facility for the project for a period of 12 months from four local banks. This facility was used to finance construction activities before the long-term facilities were finalised and will be repaid by the long-term financing.

The VRESAP was rated AA+ (ZAF) long-term and F1+ (ZAF) short-term by Fitch Ratings during November 2005. Based on the strong rating, TCTA was able to raise long-term funding amounting to R3 300 million, at very beneficial rates to the project (Weighted Average Cost of Capital

in 8.17%), from the following banks: ABSA R1 000 million, EIB E 85 million, Investec R3 000 million, Nedbank R150 million and Standard Bank R1 350 million.

In addition to the R3 300 million, TCTA created a commercial paper programme designed specifically to meet short-term working capital requirements. This liquidity facility is for R300 million, or 10% of the total debt amount.

Achievements for the reporting period

During the year under review, the TCTA implemented the following programmes in support of the AsgiSA programme:

- ⊙ The construction of the Berg River Dam will ensure surety of water supply to the Western Cape for the next 50 years and will also contribute to the future economic growth of South Africa. As a result at least 3 000 people have been employed during its various stages of implementation.
- ⊙ The augmentation of the pipeline of the Vaal Pipeline, which supplies water to Sasol and Eskom in Secunda, intends to increase the water supply to these two main water users. This programme will increase their economic production, namely energy and electricity, which are some of the mainstay of the AsgiSA programme.

(b) Water Research Commission

Enabling legislation

The Water Research Commission (WRC) was established in terms of the section 2 of the Water Research Act (Act 34 of 1971).

The WRC is subject to the Public Finance Management Act and is categorised as a Schedule 3A entity: National Public Entity.

The legislative requirements for the WRC explore the regulatory role of the Minister of Water Affairs and Forestry and Minister of Finance, as set out in the Water



Research Act the National Water Act, the Public Finance Management Act and the Treasury Regulations.

Mandate

The purpose of the WRC is to co-ordinate, promote, encourage and undertake research in relation to water affairs, within the parameters as set out in section 3(1) of the Water Research Act.

Relationship with the Minister

The powers of the Minister in respect of the WRC are derived from different sections of the Water Research Act. In summary the Minister:

- appoints the seven WRC board members, and designates who is to be chairperson and vice-chairperson,
- determines their remuneration, in consultation with the Minister of Finance,
- appoints the Executive Director, after consultation with the Commission,
- may terminate the services of the Executive Director, after consultation with the Commission,
- must give approval on the Executive Director's, officers' and employees' conditions of service, with concurrence of the Minister of Finance,
- can determine the type of research to be undertaken by the WRC,
- must approve all grants and conditions before it may be made available to any person or institution by the WRC,
- must approve any acquisition, alienation, or letting of immovable property by the WRC,
- must approve the WRC's statement of estimated income and expenditure for the following financial year, in consultation with the Minister of Finance,

- may, in consultation with the Minister of Finance, determine how to invest unexpended monies of the WRC (should the WRC decide not to invest such monies with the Public Debt Commission), and
- may direct the WRC to furnish information on its activities and financial position, as required.

There are areas within the exercise of the Minister's powers and duties where she must make decisions regarding the WRC, in consultation with the Minister of Finance.

Further, the Minister's regulatory role and powers are derived from the WRC's reporting requirements in terms of the Public Finance Management Act and the Treasury Regulations.

Funding

In terms of section 12 of the Water Research Act, a Water Research Fund has been established, into which all monies payable to the WRC must be deposited.

The fund comprises monies appropriated by Parliament for the benefit of the Fund; rates and charges levied under section 11; donations, bequests or contributions which the WRC may receive from any other source.

The rates and charges levied in terms of section 11 are those that the Minister, in consultation with the Minister of Finance, from time to time, and by notice in the *Government Gazette* may levy in respect of:

- rates on land which may be irrigated by water supplied or made available by the State, an Irrigation Board (IB) or a water board;
- charges on water used for the following purposes: agricultural, urban, industrial, or any other purpose by the State, an IB, water board, local authority, Rand Water board, or any other body; or
- both such rates and charges.



Achievements for the reporting period

During the year under review, the WRC contributed immensely towards knowledge management by assisting a number of scholarship programmes in a financial/educational manner, such as doctoral, masters and under-graduate studies to a number of students who are studying in the water sector. The WRC also funded a range of research projects that contribute to the effective management of water in the country.

(c) Water boards

Enabling legislation

Water boards are created through Chapter 6 of the Water Services Act. A water board is subject to the Public Finance Management Act, and is categorised as a Schedule 3B entity: National Government Business Enterprise.

Mandate

The primary activity of a water board is to provide water services to other water services institutions (WSI). It may also undertake other activities but only if:

- it is not likely to limit the water board's capacity to perform its primary activity;
- it is not likely to be to the financial prejudice of itself, any WSI, existing consumers, and other users serviced by it within its service area;
- it is in accordance with its board's policy statement; and
- it is provided for in its business plan

These other activities may include, but are not limited to:

- providing management services, training and other support services to WSIs
- supplying untreated water to end users (not for household purposes)
- providing catchment management services

- with approval of the water services authority (WSA), supplying water directly for industrial use, accepting industrial effluent, acting as water services provider (WSP) to consumers;
- providing water services in a joint venture with other WSAs
- performing water conservation functions

Relationship with the Minister

The Minister must from time to time review the provision of water services to WSA and make recommendations to Parliament on the establishment, functions and the disestablishment of water boards.

The Minister must monitor performance of every water board in order to ensure compliance of every applicable policy statement or business plan with relevant legislation.

The Minister must exercise her ownership control powers to ensure that water boards comply with the Public Finance Management Act and the financial policies set by her. Section 45(2) of the Water Services Act empowers the Minister to appoint a person to investigate the affairs and financial position of a water board.

Reviews of remuneration within water boards are set to take place. This process will take account of performance and regulation of performance bonuses. In order to ensure good governance the Minister has requested water boards to submit proposed bonus payments to her and the motivation regarding the achievement of the targets for her review prior to their announcement.

Funding

In terms of section 32(b) of the Water Services Act, a water board must enter into written contracts when performing its primary and other activities. These contracts form the basis of funding for a water board. A water board must set conditions for the provision of services in relation to the determination and structure of tariffs and the payment



and collection of money due to the water board.

According to the records of the Department, the following water boards are subsidised for operations and maintenance costs: Botshelo Water, Magalies Water, Sedibeng Water, Bushbuckridge Water and Lepelle Northern Board. These water boards operate water schemes on behalf of the Department in mostly rural areas which still have to be transferred to municipalities.

The Department is providing management funding to Ikangala Water Board.

Water Boards

The following are the water boards:

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

Achievements for the reporting period

During the year under review water boards implemented capital expenditure (CAPEX) projects to the value of about R900-million. These projects mainly include laying bulk water pipelines, augmentation of pumping stations and the reticulation of networks in instances where water boards operate the final reticulation systems.

Challenges

Section 42 of the Local Government: Municipal Finance Management Act 56 of 2003 came into effect on 1 April 2005. In terms of the section, the Minister of Water Affairs and Forestry, as the executive authority responsible for water boards, must table a water board's amendment to its pricing structure with regards to bulk water tariff increases to Parliament by 15 March 2006 in order that the amendment can be effective from 1 July of that year. Otherwise the tariffs increases would only be operational

with effect from 1 July of the following year. This being the first year of implementation of the aforementioned section there were administrative challenges both from the side of water boards and the department, with the result that amendment to pricing structures of the relevant water boards were not tabled in Parliament in time. The Minister of Finance was requested to exercise his powers in terms of section 42(5), which he did. The department is working with water boards to ensure appropriate and timely implementation of the requirements of the aforementioned Act during the current financial year. This also means that DWAF must make its raw water use charges in time to allow water boards to determine in time if their water tariffs would be increased and if so, to begin a process of consultation in time so that they can in turn submit their increases to Minister in time for tabling in Parliament.

