

**Presentation to the Portfolio Committee  
Vote 34**

**Department of Water Affairs and  
Forestry**

**Trevor Balzer: Acting CFO**

**29 March 2006**

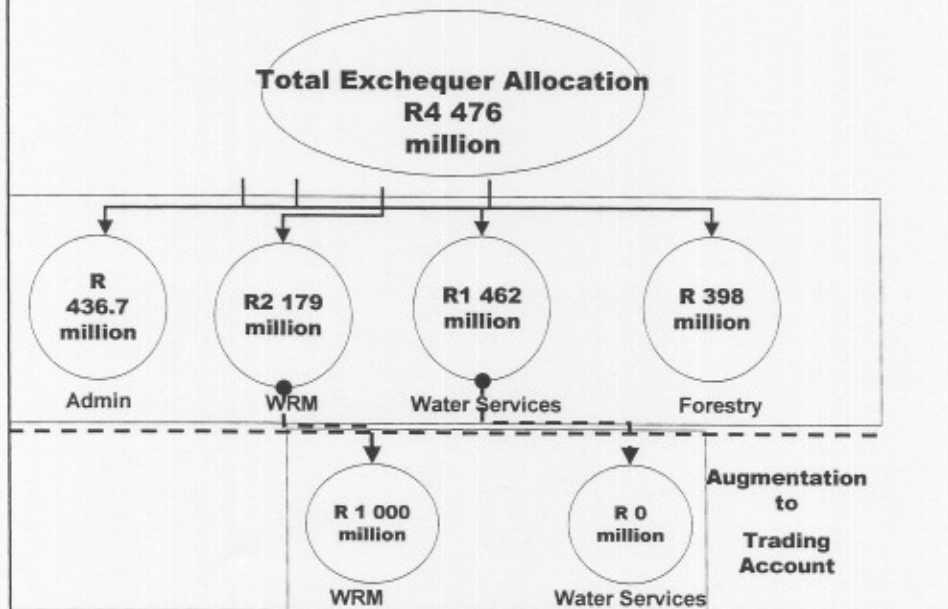
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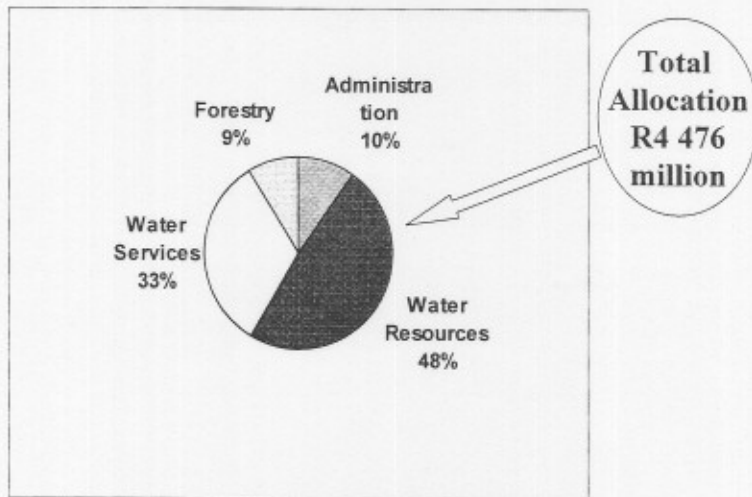
### Budget 2006/09

Programme	2005/06	2006/07	2007/08	2008/09
Admin	385150	436708	428408	451776
Water Resources	1532045	2179186	2416291	2961631
Water Services	1426174	1462251	1544103	1772319
Forestry	415543	398400	420545	440258
<b>Total</b>	<b>3758912</b>	<b>4476545</b>	<b>4809347</b>	<b>5625984</b>

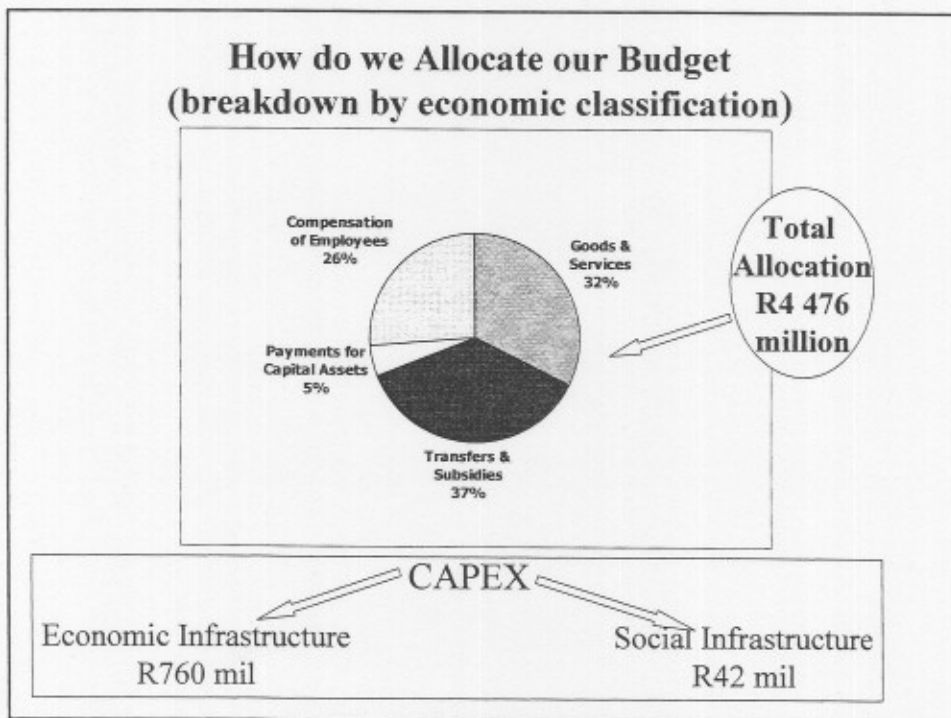
### Total Allocation for 2006/07



### How do we Allocate our Budget (breakdown by Programme)



### How do we Allocate our Budget (breakdown by economic classification)



**Department of Water Affairs and Forestry 2006/07 Exchequer  
Account per Economic classification**

	R'000
<b>CURRENT PAYMENTS</b>	<b>2,636</b>
Compensation of employees	1,180
Goods and services	1,454
Interest and Rent on land	2
Financial transaction in assets & liabilities	-
Unauthorised expenditure	-
<b>TRANSFERS AND SUBSIDIES TO:</b>	<b>1,632</b>
Province and Municipalities	502
Departmental agencies and accounts	1,002
Universities and Technikon	-
Foreign Govt. & International Organisations	-
Public Corporations & Private enterprises	98
Non - Profit Institutions	-
Households	30
<b>PAYMENTS FOR CAPITAL ASSETS</b>	<b>208</b>
Building & Other fixed structures	137
Machinery & Equipment	49
Cultivated assets	-
Software & other intangible assets	22
Land and subsoil assets	-
<b>Total Budget Allocation</b>	<b>4,476</b>

**Department of Water Affairs and Forestry  
2006/07 Main Functions**

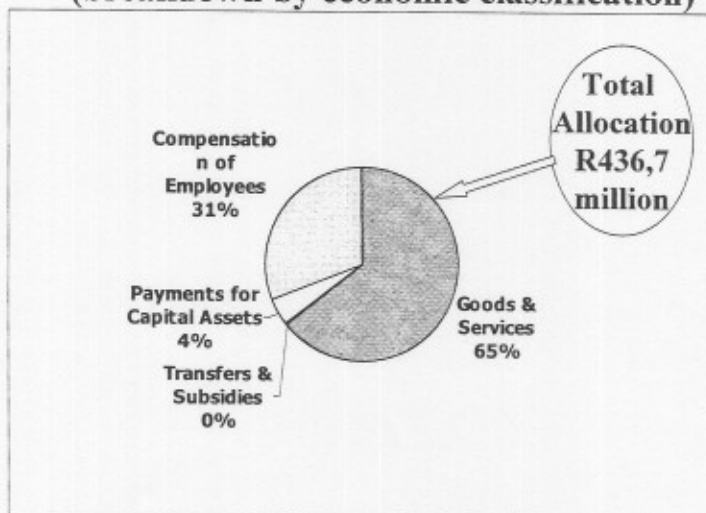
- **Administration**

**The Administration Programme conducts the overall management of the Department and provides centralised support services.**

**Department of Water Affairs and Forestry 2006/07  
Expenditure Estimates: Administration**

Administration	2005/06 R'000	2006/07 R'000	2007/08 R'000	2008/09 R'000
<b>Sub-Programmes</b>				
Minister	836	887	934	981
Management	97 934	16 192	16 999	17 820
Corporate Services	191 840	213 018	223 660	234 349
Information Services	69 464	107 632	77 314	81 021
Property Management	86 876	98 979	109 501	117 605
<b>Total Allocation</b>	<b>446 950</b>	<b>436 708</b>	<b>428 408</b>	<b>451 776</b>

**How do we Allocate the Administration  
Budget  
(breakdown by economic classification)**





**Department of Water Affairs and Forestry  
2006/07 Expenditure Trend: Administration**

Expenditure rose steadily at an average annual rate of 15,3 per cent from R292 million in 2002/03 to R447 million in 2005/06, partly due to the devolution of funds from the Department of Public Works. The increases in expenditure in 2005/06 are a result of funds rolled over and an additional R66,5 million to cover the costs of transferring water services operations to local governments.

From 1 April 2006, costs for leases and accommodation charges will be devolved from the Department of Public Works to individual departments. The Department of Water Affairs and Forestry received the following amounts: R97,3 million in 2006/07, R107,7 million in 2007/08 and R115,7 million in 2008/09. Expenditure has been adjusted for 2002/03 to 2005/06.

**Department of Water Affairs and Forestry  
2006/07 Expenditure Trend: Administration  
- continue**

The department went through structural changes that resulted in additional allocations for critical posts in corporate services over the 2006 MTEF, reflected in the 4,9 per cent increase in compensation of employees.

The increase in the *Information Services* subprogramme between 2005/06 and 2006/07 is the result of a one-off payment of R38 million for upgrading IT infrastructure. After a slight decrease between 2005/06 and 2006/07, expenditure is expected to increase from R428,4 million in 2007/08 to R451,8 million in 2008/09, an average increase of 5,5 per cent.

## Department of Water Affairs and Forestry 2006/07 Main Functions

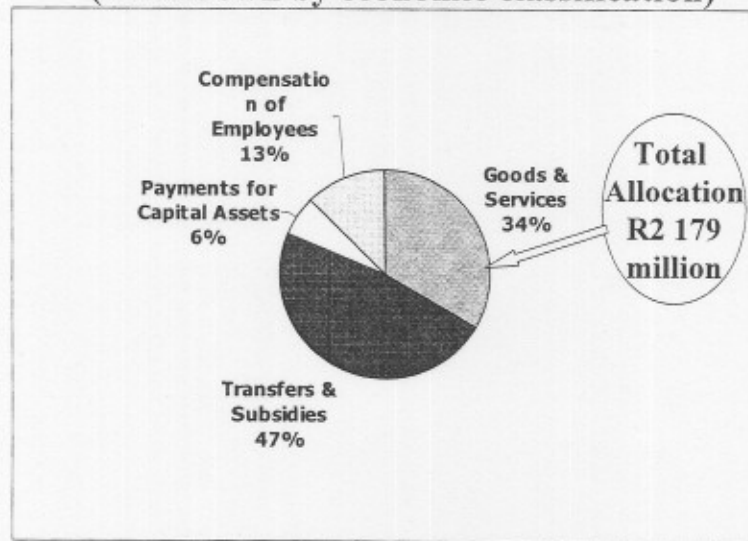
### •Water Resource Management

**The Water resources Management Programme ensures that water resources are used and managed sustainably and equitably.**

## Department of Water Affairs and Forestry 2006/07 Expenditure Estimates: Water Resource Management

Exchequer Expenditure Trends per Sub-programme	Medium-term Expenditure			
	2005/06 R'000	2006/07 R'000	2007/08 R'000	2008/09 R'000
Equitable Supply	161,800	166,578	174,697	190,420
Sustainable Supply	361,314	1,227,580	1,324,109	1,770,003
Protection Policies	47,825	37,156	57,561	62,741
Protection Measures	3,190	3,408	3,524	3,841
Institutional Regulation	24,141	28,700	26,661	29,060
Institutional Development	9,610	7,529	4,101	4,473
Strategic Alignment	122,685	126,168	137,325	149,684
Stakeholder Empowerment	132,996	134,458	130,945	143,201
African Co-operations	9,187	9,099	10,499	11,444
Water Resource Admin	22,323	23,358	26,145	28,498
Water Resource Support	108,257	112,504	112,077	122,164
Operation of Water Resources	628,777	302,660	408,644	446,102
<b>Total Allocation</b>	<b>1,632,045</b>	<b>2,179,186</b>	<b>2,416,288</b>	<b>2,961,631</b>

**How do we Allocate our Water Resources Budget  
(breakdown by economic classification)**



**Department of Water Affairs and Forestry  
2006/07 Expenditure Trends: Water  
Resource Management**

Expenditure grew steadily at an annual average rate of 15 per cent from R1,1 billion in 2002/03 to R1,6 billion in 2005/06. Over the 2006 MTEF, expenditure is expected to increase more rapidly at a rate of 22 per cent, reaching R3 billion in 2008/09. The strong growth is due to additional funds for the capital funding of dam safety and the construction of a new dam.

There are uneven expenditure trends mainly in the *Operations of Water Resources* and *Institutional Regulation* subprogrammes. There is a 52 per cent decrease in expenditure for the *Operations of Water Resources* subprogramme between 2005/06 and 2006/07, due to the shift of the Working for Water programme to the *Sustainable Supply* subprogramme. The *Sustainable Supply* subprogramme increased by 240 per cent over the same period, as a result of both this shift and the additional allocation for the improvement of dam safety and the construction of a new dam.



**Department of Water Affairs and Forestry  
2006/07 Expenditure Trends: Water  
Resource Management (Cont)**

The 144 per cent growth in expenditure on the *Institutional Regulation* subprogramme from 2004/05 to 2005/06 is due to institutional reform activities and the establishment of catchment management agencies.

The 17,4 per cent increase in the budget for compensation of employees between 2005/06 and 2006/07 is a result of the transfer of the Working for Water programme to the *Sustainable Supply* subprogramme.

**Department of Water Affairs and Forestry  
2006/07 Main Functions**

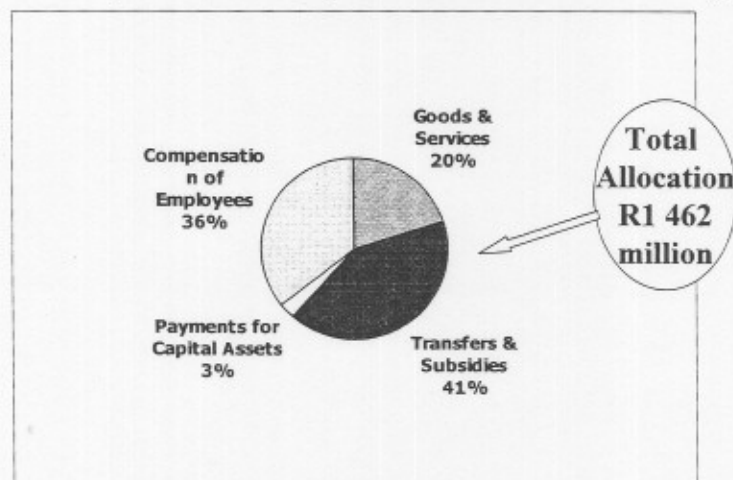
**. Water Services**

**The Water Services Programme ensures access to effective, sustainable and affordable water and sanitation services, through policy development, planning, regulating and monitoring the sector.**

**Department of Water Affairs and Forestry  
2006/07 Expenditure Estimates: Water Services**

Water Services	Expenditure Outcome	Medium-term Expenditure		
	2005/06 R'000	2006/07 R'000	2007/08 R'000	2008/09 R'000
Provisioning Policies	2,999	2,999	2,999	3,209
Water and Sanitation Services	158,421	18,132	19,830	21,218
Water Sector Policies	42,334	44,586	48,037	51,417
Water Sector Support	67,360	75,324	78,585	84,086
Institutional Policies	10,133	10,845	11,387	12,184
Institutional Support	42,245	46,264	48,705	52,114
Transfers Policies	-	-	-	-
Transfer of Functions	15,798	15,480	16,255	17,392
African Initiative	192	100	100	107
African Participation	-	300	803	859
Water Service Admin	9,477	10,183	10,678	11,408
Water Service Support	110,682	105,913	117,942	126,283
Operations of Water Services	1,068,333	1,132,125	1,188,782	1,392,042
<b>Total Allocation</b>	<b>1,627,974</b>	<b>1,462,251</b>	<b>1,544,103</b>	<b>1,772,319</b>

**How do we Allocate our Water Services Budget  
(breakdown by economic classification)**



**Department of Water Affairs and Forestry  
2005/06 Expenditure Trends: Water Services**

Expenditure decreased at an annual average rate of 8,2 per cent, from R2 billion in 2002/03 to R1,5 billion in 2005/06. The sharp decrease is due mainly to the transfer of expenditure on new water and sanitation projects to the municipal infrastructure grant in 2004/05. Expenditure on the programme starts to increase in 2007/08 and 2008/09, at an average rate of 14,8 per cent.

The increase in the *Operations of Water Services* subprogramme in 2003/04 is a result of a one-off allocation of R170 million for emergency water supply. The decrease in the *Provisioning Policies* subprogramme from 2004/05 going forward is a result of the department's changing role - from water service provider to sector regulator.

**Department of Water Affairs and Forestry  
2005/06 Expenditure Trends: Water Services  
- continue**

Expenditure on compensation of employees grows by 6,5 per cent over the 2006 MTEF because the water services activities shift from the water trading account to the vote. The expected increase in expenditure in 2008/09 is due to the R120 million allocated for the refurbishment of water services schemes.

**Department of Water Affairs and Forestry  
2006/07 Main Functions**

**•Forestry**

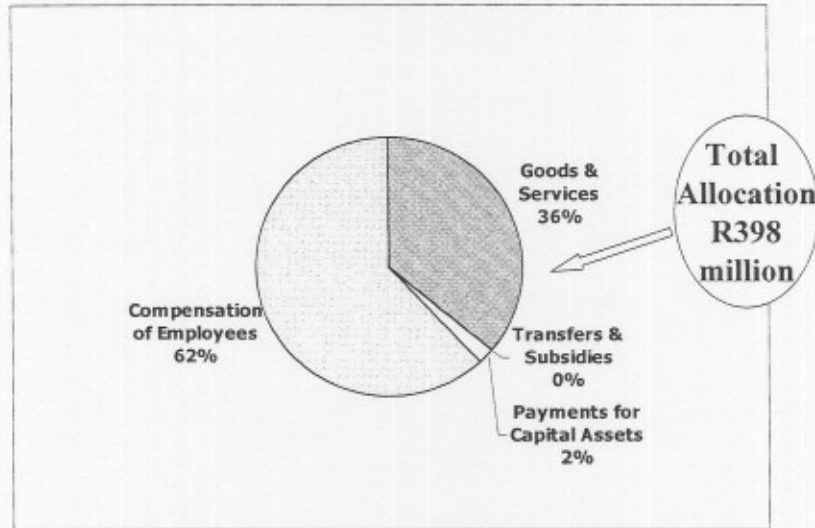
**The Forestry Programme promotes the conservation of plantation and indigenous forests, and their commercial and community use, to achieve optimal social and economic benefits and to promote rural development through policy development, regulation, facilitation, monitoring and evaluation**

**Department of Water Affairs and Forestry  
2006/07 Expenditure Estimates : Forestry**

Department of Water Affairs and Forestry Exchequer Expenditure Trends per Sub-programme				
	Expenditure Outcome	Medium-term Expenditure		
	2005/06 R'000	2006/07 R'000	2007/08 R'000	2008/09 R'000
<b>Forestry</b>				
<b>Sub-programmes</b>				
Forest Oversight	15,440	18,192	20,643	21,366
Forestry Governance	2,067	2,102	2,207	2,313
Forestry Development	9,002	10,153	12,677	13,285
Community Empowerment	24,000	21,552	22,892	23,991
Fire Regulation & Oversight	757	3,015	6,983	7,318
Fire Governance	1,378	2,191	2,301	2,412
State Forest Plans and Regulation	1,149	8,177	8,206	8,529
State Forest Admin & Oversight	22,615	23,293	24,720	25,907
State Forest Management	2,000	2,113	1,938	2,031
Sustainable Forest Management	308,203	268,366	285,149	298,444
Forest Management and Support	1,043	1,682	1,787	1,873
Forestry Support Services	27,891	37,564	31,042	32,689
<b>Total Allocation</b>	<b>415,543</b>	<b>398,400</b>	<b>420,545</b>	<b>440,258</b>



**How do we Allocate our Water Services Budget  
(breakdown by economic classification)**



**Department of Water Affairs and Forestry  
2006/07 Expenditure Trends: Forestry**

Expenditure is heavily influenced by spending on commercial and indigenous forests under the department's control.

Expenditure increases from R403,3 million in 2002/03 to R440,2 million in 2008/09, an average annual increase of 1 per cent, with peak spending in 2004/05 at R466,6 million. The increase was mainly due to a R38 million claim granted to Yorkcor in terms of a court judgement on the cancellation of a long-term timber supply contract.

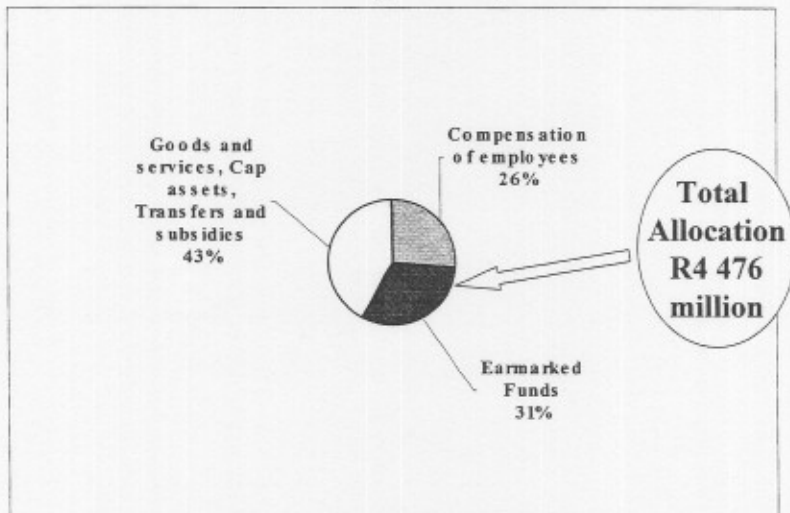
The industrial plantation trading account ceased to operate in 2002/03, and the revenue linked to state-owned forestry enterprises was paid to the National Revenue Fund. The revenue recovered from forestry operations was reassigned to the department for 2003/04, 2004/05 and 2005/06 to cover operating costs for Mpumalanga commercial forestry.



**Earmarked Amounts**  
**(Funds may not be used for other purposes than those specified)**

Activity	2006/07 (R,000)
Devolution of funds from Public Works	97 303
Working for Water	369 000
Working on Fire	44 000
Water services operating subsidy (National)	490 500
Conditional grant to Local Government	500 000
<b>TOTAL</b>	<b>1 400 803</b>

**Earmarked Amounts**  
**(Funds may not be used for other purposes than those specified)**



Thank You  
“Some for all forever”