

WATER SERVICES
REGIONAL BULK INFRASTRUCTURE GRANT

POLICY DOCUMENT

DRAFT-6 : 2 February 2007

CONTENTS

1	INTRODUCTION.....	2
2	PURPOSE OF THE GRANT.....	2
3	NEED FOR REGIONAL BULK INFRASTRUCTURE.....	3
3.1	Definition of Regional and Internal Bulk Infrastructure.....	3
3.2	Key Drivers of Regional Bulk Infrastructure.....	3
3.3	Categories of Infrastructure Development.....	4
4	FUNDING FOR REGIONAL BULK INFRASTRUCTURE.....	5
4.1	Funding Options.....	5
4.2	Funding Planning Considerations.....	6
4.3	Need for a Special Fund for Water Services Regional Bulk Infrastructure.....	6
4.4	Social Cost Fund Allocation.....	7
5	CONDITIONS AND CRITERIA.....	7
6	PROCESSES and MANAGEMENT.....	8
6.1	Accounting Process & Responsibility.....	8
6.2	Programme and Fund Transfer Processes.....	8
6.3	Programme Governance and Management.....	10
6.4	Project Planning and Selection Process.....	11
7	ROLES AND RESPONSIBILITIES.....	11
7.1	DWAF.....	11
7.2	DPLG.....	12
7.3	National Treasury.....	12
7.4	Water Services Authorities.....	12
7.5	Sector Role-Players.....	12
8	SPECIFIC ISSUES.....	12
8.1	Ownership of Assets.....	12
9	FRAMEWORK (PART A).....	12
10	Budget Allocation 2007/2008 (PART B).....	14
11	PROJECT LIST 2007/2008 (PART C).....	14
11.1	List of Feasibility Studies.....	14
11.2	List of Capital Projects.....	14

1 INTRODUCTION

This document describes the policy, principles and procedures regarding the management of the national water services regional bulk infrastructure funding programme.

Due to the nature, scope and purpose of water services regional bulk infrastructure, various programmes are directly and indirectly linked to the management thereof. Consequently, this programme must be managed in close coordination with the relevant programmes.

2 PURPOSE OF THE GRANT

This is a specific purpose capital grant with the objective to supplement the financing of the social component of regional bulk water supply and sanitation infrastructure.

The application of this fund is specifically for:

- “Water supply” and “sanitation” regional bulk infrastructure, with the focus on “regional” characteristic and the “infrastructure” element
- Macro and regional “bulk” infrastructure (schemes). Internal bulk infrastructure is to be funded under alternative funding mechanisms (e.g. the MIG for the basic services component)
- The “capital” component of the scheme. This includes all aspects relating to the implementation of the infrastructure, planning, design, procurement and implementation, as well as setting-up the institutional arrangements. Although the operation and maintenance must also be addressed, funding for this must be obtained from alternative funding mechanisms. However, the planning and preparatory work for sustainable management can be included.
- The “social component” and the “enabling economic environment” only. This is the portion of the bulk infrastructure that provides for basic domestic use, associated social requirements and socio-economic development objectives. The fund must enable economic development, which includes higher levels of domestic, commercial and industrial uses, but does not provide for the actual capital of the economic components. This will require co-funding from the economic sectors, which may include once-off capital contributions and/or loan funding. This implies that the comprehensive scheme planning (including social and economic planning) as well as finance planning (e.g. co-funding) must precede application to this grant fund.
- The fund excludes funding for macro water resource developments which requires special funding mechanisms. It must however be noted that there has to be strong linkages between the planning of the bulk water resource projects and regional bulk water services schemes wherever there exists an inter-dependency.
- Due to the complexity and extent of regional bulk infrastructure projects and the need for implementation readiness a specific component of the fund will pro-actively be made available for planning and feasibility studies. This includes macro planning and policy development to deal with the longer-term needs and funding mechanisms for bulk infrastructure development, refurbishment as well as operation and maintenance.

3 NEED FOR REGIONAL BULK INFRASTRUCTURE

This fund is ringfenced for “regional” infrastructure only and not for internal bulk. For clarity of application the following definitions are provided.

3.1 Definition of Regional and Internal Bulk Infrastructure

Regional Bulk Infrastructure is defined as:

- *The infrastructure required to connect the water resources, on a macro or sub-regional scale (over vast distances), with internal bulk and reticulation systems.*
- *“Macro” is defined as infrastructure serving extensive areas across multi-municipal boundaries*
- *“Sub-regional” is defined as large bulk infrastructure serving numerous communities over a large area normally within a specific district or local municipal area*

Internal Bulk Infrastructure (social component can be funded by MIG), is defined as:

- *the infrastructure within a specific municipal area or scheme connecting the water resource or regional bulk system with reticulation networks.*
- *Vice versa it is the infrastructure required to connect effluent/waste water from internal reticulation systems to appropriate treatment plants with associated discharge to the relevant water systems. NB: – it excludes internal reticulation.*

3.2 Key Drivers of Regional Bulk Infrastructure

Regional bulk water services infrastructure plays a key role in bringing water services to all people in South Africa. Due to the size and extent of such infrastructure it plays a vital role in achieving integrated socio-economic development.

The implementation and management of regional bulk water services infrastructure is guided, impacted and driven by various factors, including:

- Water availability and scarcity. The scarcity and availability of water demands that water must be brought over substantial distances to serve communities in an integrated manner. Without such bulk infrastructure, internal services are not possible or not sustainable. This requires extensive water resources planning and water management decision-making. DWAF’s role, as national custodian, planner and regulator is of critical importance in guiding and overseeing this process.
- Benefit of scale. Regional bulk infrastructure covers vast areas and has the characteristic to serve multiple institutions and users. This needs strategic macro planning, facilitation amongst sector stakeholders and reconciliation of the water resources, infrastructure and users. This also requires DWAF guidance and support in partnership with users and water services institutions.
- Integrated management & institutional arrangements. The fact that water resources must be shared amongst numerous communities demands integrated cooperative management of a scheme. This implies joint interests and responsibilities between local authorities which is best managed at regional or partnership level. This presents opportunities of sharing institutional and human resources (skills and capacity) between

neighboring local municipalities and sector partners (between local authorities and industries)

- Socio-economic development. A core characteristic of regional bulk infrastructure is that it serves both the social and economic component of services. The development and management of such infrastructure is dependent on the interaction and cooperation of both sectors. This impacts on the planning, management and financing thereof.
- Financial aspects and viability. Regional bulk schemes promote benefit of scale which can reduce development and operating costs for local services through improved efficiency, cost-sharing and cross-subsidization. Many municipalities are not able to finance and operate large schemes, which implies that many regional infrastructure schemes are not viable, not implemented or are poorly operated. Alternative funding mechanisms and institutional arrangements are required.
- Extended implementation options. Regional bulk services are often better suited for alternative implementation mechanisms such as engineer-procure-construct (EPC) or build-operate-train-and –transfer (BOTT) contracts, which can introduce cost saving through economy of scale.
- Sustainable management. Regional bulk infrastructure development goes beyond the immediate drive and focus of the basic services needs. It also includes sustainable management of bulk infrastructure to ensure operating efficiency of water services. Inefficiency will however impact on a larger group of water users and economic beneficiaries. Risk management and quality assurance is therefore of utmost importance. This requires proactive and comprehensive macro management, lifecycle planning, appropriate institutional arrangements and commitment.

3.3 Categories of Infrastructure Development

The bulk infrastructure funding need can be further differentiated into the following:

- **New Infrastructure development:** Where there is currently no scheme and all facets of a scheme need to be planned (e.g. DeHoop Dam and regional water supply)
- **Extensions to existing infrastructure:** Many of the existing regional water services schemes need to be extended to maintain their services to the growing needs of local water services provisioning. Such extensions may include upgrades to water resource infrastructure (raising of dam), extension of water treatment capacity, increased pumping capacity, doubling of pipelines and/or additional storage (reservoirs).
- **Refurbishment of existing infrastructure:** Recent investigations by DWAF has confirmed that much of the existing water services infrastructure is not properly maintained leading to deterioration of its condition and functionality. Urgent attention needs to be given to refurbishment of existing infrastructure to rectify poor service quality resulting from it. Funding for this is not included in the regional bulk infrastructure fund.

- Renewal of aging infrastructure: When infrastructure reached the end of its functional life it requires replacement. This is currently not included in this fund, but needs to be addressed through effective infrastructure asset management.

These cost elements occur during various stages of the infrastructure life-cycle, but may also coincide where old and new infrastructure is combined. It is essential that all bulk infrastructure developments be undertaken within proper infrastructure asset management plans with specific attention given to life-cycle costing and financing.

4 FUNDING FOR REGIONAL BULK INFRASTRUCTURE

4.1 Funding Options

The unique nature and purpose of regional bulk water services infrastructure dictates the type of funding that can be utilized. The main drivers are the social and economic components to be funded. Each of these has unique financing options (e.g. grants for social services versus loans and capital contributions for economic service components).

Key factors influencing the funding options are the socio-economic profile of the consumers, the social objectives of Government as well as the financial status of the relevant municipalities.

The fact that most regional bulk water services infrastructure serves public and private sector users implies that it requires both public and private sector funding. Either can be grant or loan funding subject to the nature and strategic importance of the services delivered.

In some instances there is also the opportunity for investment funding, mostly via third parties and management agencies.

The type of funding available for bulk infrastructure can be summarized as follows:

- Public and/or private sector funding
- Grant, donor and/or loan funding
- Self funding using internal revenue streams
- Investor funding (e.g. water board bonds; private equity funds)

Public grant funding for water services infrastructure includes:

- Municipal Infrastructure Grant (MIG): This fund is focused on the basic and social component of municipal infrastructure development. It is the dominant funding mechanism of Government to roll-out the basic services programmes and is aimed at infrastructure development within settlement areas (e.g. on-site services, internal reticulation, internal bulk such as local water resources, local water treatment, local supply and village reservoirs).
- Housing Fund: This fund provides housing subsidies to the homeless and indigent people, with limited provision for on-site infrastructure (no bulk infrastructure funding)

Donor funding has played a limited role in bulk water services infrastructure development in South Africa. Specific involvements to date include:

- Capital for small rudimentary infrastructure (e.g. various NGOs; mainly Mvula Trust)
- Donation of construction material (e.g. Republic of China, Japan)
- Institutional development funding, which remains a critical component of sustainable infrastructure development both at local and regional (bulk) levels.

Loan funding for bulk water services infrastructure involves mainly the Development Bank of South Africa (DBSA) as well as various commercial banks. These are key stakeholders in various bulk water services schemes, serving both the public (municipalities) and private sectors (e.g. water boards).

Investor funding is still very limited in water services bulk infrastructure. It is mainly restricted to water boards issuing bonds. Further development of this option needs to be investigated.

The main advantage of regional bulk infrastructure is that it usually has benefits of economy of scale and does not only provide a social service (e.g. basic water services programme of Government). This enables options of cross-subsidization and/or bridging-financing, which are usually not available within the normal government financing models.

4.2 Funding Planning Considerations

Funding for a specific regional scheme requires pro-active planning of funding and finance options. In most cases funding will be a combination of various options, of which a social grant will be a co-fund. The following are key aspects which need to be considered when developing a funding and financing plan:

Factors affecting the funding option:

- Type of infrastructure (material, life expectancy)
- Size of funding
- Financing term and distribution (cashflows)
- Repayment term (years)
- Subsidy requirement (e.g. social component for basic services)
- Level of co-funding
- Financial viability and return on investment
- Socio-political status (affecting donor funding)
- Type of securities and creditworthiness of the users
- Operating arrangements (WSP contracts and track record)
- Operation and maintenance requirements and associated financial implications (e.g. viability)

Each regional bulk infrastructure project needs to assess these factors when developing its specific funding plan, which then will dictate the choice and combination of social and economic funding mechanisms.

4.3 Need for a Special Fund for Water Services Regional Bulk Infrastructure

In general the regional bulk infrastructure projects require large sums of money. The following are some of the cost and financing challenges experienced. This also relates to key drivers presented in section 3.2

- the annual MIG allocations to local authorities are insufficient to start with the implementation of the regional bulk infrastructure needs. Local authorities are therefore postponing the development of regional bulk infrastructure which can lead to sustainability problems and potential collapse of service provisioning
- regional bulk infrastructure projects require more comprehensive planning (technical and financial) and thus are not always included in municipal budgets

- in many cases special financing needs to be obtained, requiring guarantees and cost recovery mechanisms that exceed the resources of the local authorities.

Due to these factors, many of the regional bulk infrastructure projects have not been commissioned, putting severe pressure on sustainability of local schemes and service delivery. To address such projects it has become necessary to dedicate special funding for the regional bulk infrastructure projects. Such funding must however, remain in alignment with the MIG funding of local authorities to ensure that the implementation of bulk infrastructure is delivered in time for the commissioning of local infrastructure developments.

4.4 Social Cost Fund Allocation

National Treasury has approved and allocated special funding amounting to R1,4 billion for regional bulk water services infrastructure.

The MTEF allocations are as follows:

- 2007/2008: R300 million
- 2008/2009: R450 million
- 2009/2010: R650 million

The fund is to be applied as follows:

- 1,5% of the total programme fund to be allocated to programme management. This includes programme coordination, strategic planning and assessment, implementation management as well as programme governance (e.g. monitoring, evaluation and reporting). This is calculated as follows: $1,5\% \times R1,4\text{bill} / 3 \text{ years} = R7 \text{ mill per annum}$.
- R30 to R40 million per annum for feasibility study and asset development planning (this will reduce over time) to ensure appropriate schemes to be implemented.
- The remainder of the fund is the social component contribution to the capital cost to implement the regional bulk water services infrastructure. Strict control must be applied to prevent any duplication of grant funding with other funding mechanisms (e.g. MIG)

This is a specific purpose grant to supplement the financing of the social component of the regional bulk water services infrastructure. The fund therefore is not necessarily committed to fund the full project cost and will in most instances be supplementary to other funding mechanisms.

This component can be calculated in different ways including:

- The actual cost to provide this services for the basic social component only
- The proportional cost based on volumetric water use
- The proportional cost based on infrastructure ownership and control

The specific method of calculation will depend on the size of water use, the consumer profile and other technical and socio-political considerations.

5 CONDITIONS AND CRITERIA

This grant is a conditional grant and all funding allocations are subject to the following conditions and criteria:

- It is a conditional grant focusing on regional bulk water services. The emphasize is on bulk and water and sanitation infrastructure, including associated actions to ensure sustainable and appropriate services.
- Only the social component can be funded. A clear perspective on the user profile must be provided (social and economic).
- The need for and choice of a regional bulk solution must be confirmed and accepted. This requires confirmation of the viability, sustainability, appropriateness and acceptability of the solution.
- Proposed projects must be “implementation ready”. All preparatory work must be completed and approved, including project specific implementation feasibility study, environmental impact assessments, environmental and water resource licensing, social acceptance, financing and institutional arrangements.
- Financing plan with associated/co-funding options and agreements must be in place.
- Co-funding may be required, but NO duplication of funding between alternative grant funds will be allowed.
- Ownership and commitment for sustainable management must be proven.
- Priority in terms of national and sector objectives must be motivated.
- Due to the uniqueness and individuality of each case, nominated proposal will be assessed on merit and associated motivation – no blanket allocation to be made.
- All funding requests must be preceded by integrated socio-economic and technical development planning, the establishment of effective and acceptable asset management plans and systems, reflecting effective water use, associated operation and maintenance plans, suitable institutional arrangements and appropriate motivation for the required funding. Note – this fund is not to be used to endorse /reward poor asset management.
- All projects must be aligned with and referenced to the IDP and WSDP. Such alignment will be confirmed by the project specific feasibility studies and checked by the project assessment panel.

6 PROCESSES and MANAGEMENT

6.1 Accounting Process & Responsibility

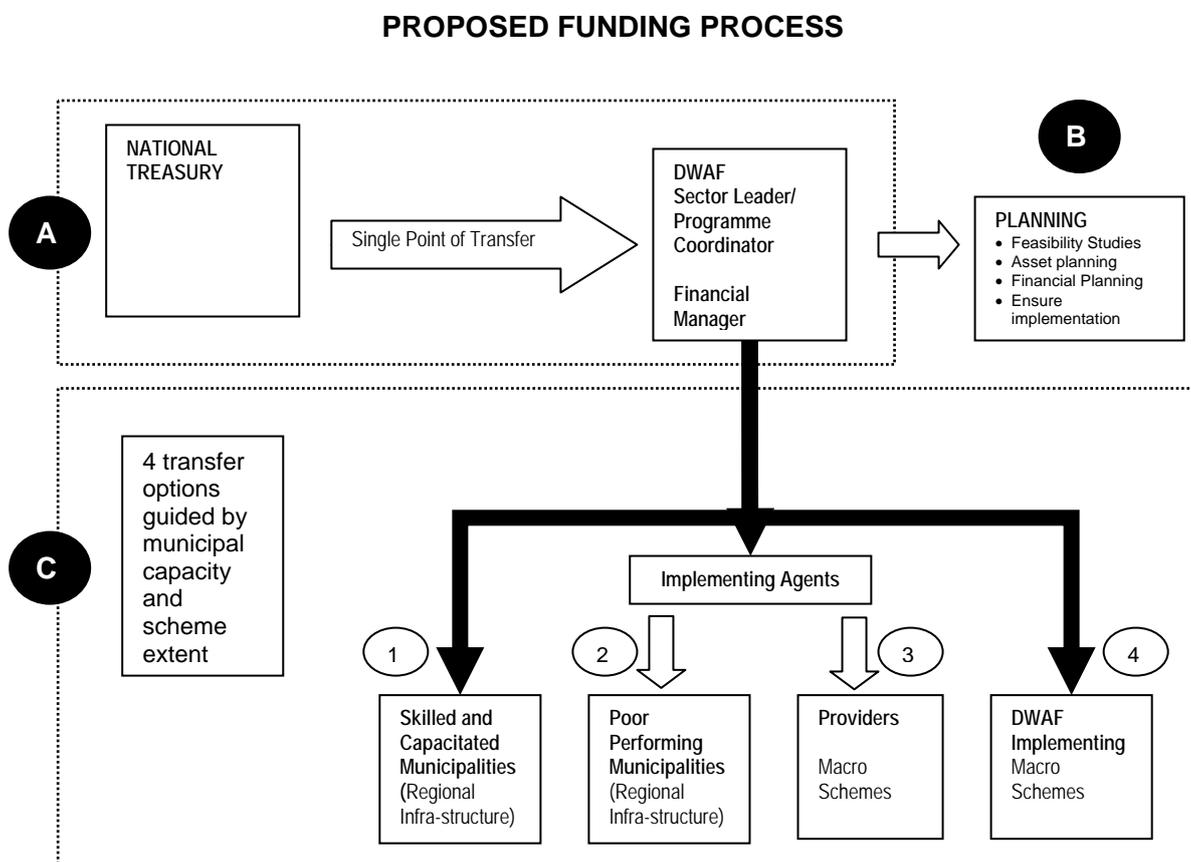
Due to the character and extent of regional bulk water services infrastructure, in many cases serving multi municipal areas, the water resource dependency as well as sector responsibility to ensure service quality, the fund is to be transferred to and managed by the Department of Water Affairs and Forestry (DWAf).

6.2 Programme and Fund Transfer Processes

The management processes are illustrated in figure-1.

These can be grouped into three areas:

- (A) Transfer from NT to DWAF
- (B) Transfer of planning funds to appropriate planning institutions
- (C) Transfer from DWAF to approved project implementation vehicles/entities



(A) Transfer from NT to DWAF

The transfer from National Treasury to DWAF will take place as per DoRA and bi-lateral arrangements.

(B) Transfer of planning funds to appropriate planning institutions

Due to the scale and extent of regional bulk infrastructure development it is important that all implementation be preceded by proper comprehensive feasibility studies and project specifications, which form part and focus on the implementation of the projects. Such studies must be a joint effort between the sector departments, local authorities and relevant role players, resulting in co-ownership and commitment.

Funding for feasibility studies will be directed to DWAF to coordinate and manage the agreed studies and to ensure appropriate solutions. This will include funding for feasibility studies as well as asset planning, financial planning and operational planning.

Funds to be allocated proactively for selected regional bulk schemes subject to strategic importance, social commitment and needs to fast-track implementation. The outcome must be implementation ready projects that have full stakeholder commitment, approved financial plans and appropriate asset management systems and resources.

(C) Transfer from DWAF to approved project implementation vehicles/entities

Various options exist to transfer funds to project implementation. The transfer options will be dictated by (see illustration in Figure-1):

- (1) The scope and extent of the scheme
- (2) The skills, capacity and performance of relevant municipalities
- (3) Existing implementation options (successes)
- (4) Alternative available and applicable options

The different options are:

- Direct transfer to municipalities which have proven project implementation and financial management capacity, considering current commitments and performance
- Transfer to appropriate implementing agents who are appointed to assist weaker municipalities with the implementation management of the regional bulk infrastructure projects
- Transfer to established water services institutions or providers (e.g. water board) to independently implement the project on behalf of DWAF and municipalities
- Transfer to DWAF (e.g. construction unit) to implement the infrastructure.

The appropriate implementation option will be investigated and specified by the feasibility studies. The assessment of municipal capacity, financial status and performance will also be required to guide decision-making on implementation and transfer options.

The criteria for such assessments will typically include:

- Performance
- Financial Integrity
- Political Risks
- Skills and Capacity
- Project Solution and Extent

6.3 Programme Governance and Management

- The over-arching responsibility for programme management, oversight, strategic assessment and coordination is that of DWAF
- An integrated sector task team will be established under the auspices of DWAF to guide the programme. This will include National Treasury, DPLG, SALGA and selected sector stakeholder representation
- A special assessment panel will be established to evaluate and approve all project funding applications. Each project must be motivated to this panel allowing for topic specific interrogation and deliberation of the project suitability

- Specific task teams will be established to assist with specific aspects of the programme. (e.g. planning, financial, institutional including implementation mechanisms)
- Alignment with other programmes and initiatives must be ensured
- Appropriate protocol of engagement with stakeholders and role players must be developed and implemented
- An information, monitoring and evaluation system will be developed and maintained

6.4 Project Planning and Selection Process

Project identification and selection will be coordinated by DWAF. Based on merit and potential, specific projects will receive allocations for feasibility studies. All feasibility studies must be project referenced, implementation focussed and must form part of the project life cycle.

The final selection of implementation projects will be done by the assessment / adjudicating panel with representation from DWAF, NT, DPLG. Specific criteria and motivation formats will be developed to enable effective assessment.

In addition to the criteria listed before, this will include:

- understanding of the social component of the proposed project,
- the financial status of the municipality,
- counter-funding available,
- implementation readiness, and
- strategic /political priority.

Solutions for internal bulk requirements are complex and require effective planning, asset management, financial management, sustainable operation and maintenance as well as effective water resources management. Due to this complexity, and not to reward poor management, it is a requirement that funding for internal bulk infrastructure be preceded by proper planning and asset management programmes. Due to the lack of such plans, a phased approach will be adopted focusing on regional bulk infrastructure projects for the initial year, whilst supporting appropriate planning on internal bulk infrastructure needs.

7 ROLES AND RESPONSIBILITIES

7.1 DWAF

As Sector Leader, responsible for sector performance, DWAF will be responsible for:

- Financial accountability for programme
- Programme coordination and management
- Programme and partnership alliance
- Macro planning, strategic perspectives and priority determination
- Coordination of project specific feasibility studies and implementation planning
- Project implementation management
- Monitoring and Evaluation (M&E)
- Sector Support

7.2 DPLG

The DPLG will :

- ensure programme alignment (e.g. MIG, IDP)
- participate in the programme management, project assessments and adjudication
- facilitate municipal involvement and partnership

7.3 National Treasury

The NT will primarily be involved with :

- Programme funding oversight
- Funding options development
- Facilitate additional funding
- Financial auditing
- Participate in the programme management, project assessments and adjudication
- Ensure alignment with other funding programmes

7.4 Water Services Authorities

The WSA is ultimately responsible and accountable for effective water services delivery.

As part of this programme, the WSA will also be responsible for

- Proper municipal infrastructure planning
- Ensure ownership and commitment for implementation as well as operations and maintenance where applicable
- Ensure effective project management and quality assurance for projects allocated to them.

7.5 Sector Role-Players

Various sector role players will be involved to provide support and capacity (e.g. planning, funding options development, as well as implementation support).

8 SPECIFIC ISSUES

8.1 Ownership of Assets

Ownership will be dictated by the scope and extent of the scheme, as well as the appropriate institutional arrangements. This could include the following:

- Macro Schemes, where the ownership will reside with DWAF and/or regional providers
- Regional Schemes within municipal boundaries as well as internal bulk infrastructure will be owned by the appropriate Water Services Authority or its provider

9 FRAMEWORK (PART A)

The following page lists the latest DoRA framework. Some revisions can still be expected

9. FRAMEWORK (PART A)

Water Services Regional Bulk Infrastructure Grant (WSRBIG)	
Transferring department	<ul style="list-style-type: none"> • Water Affairs and Forestry (vote 34)
Goal	<ul style="list-style-type: none"> • <i>A specific purpose conditional capital grant with the objective to supplement the financing of the social component of regional bulk water and sanitation infrastructure.</i>
Project Purpose	<ul style="list-style-type: none"> • <i>A conditional grant to provide funds for regional bulk infrastructure for water supply to typically supplement the funding of water treatment works at the resource development and link such water resource development with the local bulk and local distribution networks on a regional basis cutting across several local municipal boundaries. In the case of sanitation to provide for supplementation of the regional bulk collection as well as regional waste water treatment works.</i>
Outcome statements	<ul style="list-style-type: none"> • <i>Water supply to all South African will be possible because Regional bulk, local bulk and distribution networks will be in place. No pollution of rivers will happen as regional sewage treatment works will ensure proper waste water disposal. (As South Africa is an arid country it is often impossible for a local municipality to tap into a nearby water resource and therefore such local supply and distribution can only happen when regional bulk supplies are in place.)</i>
Outcome indicators	<ul style="list-style-type: none"> • <i>Local expansion of services for both water and sanitation to poor households will be possible because the necessary regional bulk infrastructure will be in place and functional.</i>
Outputs	<ul style="list-style-type: none"> • <i>Planning finalised for several regional bulk projects, funding arrangements in place for the funding of the economic components of projects and implementation started on a few regional bulk networks, mostly in rural areas.</i>
Output/Performance indicators	<ul style="list-style-type: none"> • <i>Number of projects planned,</i> • <i>Number of funding arrangements in place and number of projects completed.</i> • <i>Number of people or households being served due to a new regional bulk system in place.</i>
Inputs	<ul style="list-style-type: none"> • <i>DWAF will make a yearly estimate of funding requirements for the next 3 years and submit to National Treasury.</i> • <i>DWAF will develop feasibility study criteria criteria and a motivation format.</i> • <i>DWAF will provide planning support as well as a project management unit.</i>
Key Activities	<ul style="list-style-type: none"> • <i>Funding for feasibility studies will be directed to DWAF, who will.</i> • <i>Assess motivations and make feasibility study allocations.</i> • <i>DWAF will coordinate and manage the agreed feasibility studies to ensure appropriate solutions.</i> • <i>The final selection of implementation projects will be done by an assessment / adjudicating panel with representation from DWAF, NT, DPLG).</i> • <i>NT to support municipalities in arranging funding for economic components.</i> • <i>DWAF in consultation with NT will ensure that all funding conditions and criteria are met.</i> • <i>DWAF will determine the best funding transfer option and make arrangements for funding of projects.</i> • <i>DWAF will project manage the projects and report to DPLG and Treasury on progress and expenditure.</i>
Conditions	<p><i>This is a conditional grant focusing on regional bulk water services. The emphasis is on regional bulk water and sanitation services and only the social component can be funded. A clear perspective on the user profile must be provided (social and economic).</i></p>
Allocation criteria	<ul style="list-style-type: none"> • <i>The need for a bulk solution must be confirmed and accepted.</i> • <i>Proposed project must be “implementation ready”. All preparatory work must be completed and approved.</i> • <i>Financing plan with associated/co-funding options and agreements must be in place.</i> • <i>No duplication of funding will be allowed (e.g. MIG)</i> • <i>Ownership and commitment for sustainable management must be proven.</i> • <i>Priority in terms of national and sector objectives must be motivated.</i> • <i>Due to the uniqueness and individuality of each case, nominated proposal will be assessed on merit and associated motivation – no blanket allocation to be made.</i> • <i>In the case of internal bulk, all funding requests must be preceded and accompanied by an acceptable asset management plan.</i> • <i>All projects must be aligned with and referenced to the IDP and WSDP. Such alignment will be confirmed by the feasibility studies and checked by the project assessment panel.</i>
Reason not incorporated in equitable share	<ul style="list-style-type: none"> • <i>This is a specific capital grant with objectives and criteria different from that of the equitable share.</i> • <i>Regional bulk projects will be closely linked to water resource development which is a national competency.</i>
Monitoring mechanisms	<ul style="list-style-type: none"> • <i>Quarterly reports</i> • <i>Annual report</i> • <i>Quarterly visits to projects</i>
Past performance	<p>Audited financial outcomes</p> <ul style="list-style-type: none"> • <i>New Grant—no past performance.</i> <p>Service delivery performance</p> <ul style="list-style-type: none"> • <i>New Grant – past performance.</i>

Projected life	<i>There is a huge backlog for regional bulk infrastructure and further studies will indicate the full extend of the need. At this stage it is estimated to continue beyond 10 years depending on future financing levels.</i>
MTEF allocations	<ul style="list-style-type: none"> • 2007/2008: R 300 million • 2008/2009: R 450 million • 2009/2010: R 650 million
Payment schedule	<ul style="list-style-type: none"> • <i>Not clear what to fill in here</i>
Responsibilities of the National Department	<ul style="list-style-type: none"> • <i>Detailed information on the selection criteria as well as the conditions.</i> • <i>Monitoring of implementation by Water Services Institutions (Municipalities or water Boards)</i> • <i>Direct implementing where capacity gaps exist.</i>
Process for approval of 2007/08 business plans	<ul style="list-style-type: none"> • <i>Business plans for each new project planned to commence in 2007/08 must be submitted to the Department of Water Affairs and Forestry by 28 February 2007.</i> • <i>NT and DPLG will be consulted during the evaluation process of business plans.</i> • <i>Business plans to be evaluated and approval for implementation approved by DWAF before 1 April 2007</i>

10 Budget Allocation 2007/2008 (PART B)

Table 1 (attached) summarizes the provisional budget allocations per province and implementation option. This is a role-up of the project lists shown under PART C, and can change following final project adjudication and approvals.

11 PROJECT LIST 2007/2008 (PART C)

11.1 List of Feasibility Studies

Table 2 (attached) lists the proposed feasibility studies for 2007/2008. These projects have been identified as critical regional water services infrastructure projects, but lack comprehensive feasibility planning, specifically the water resource alignment, financial planning and institutional arrangements to make them implementation ready.

While many of the studies already have business plans outlining the scope of work and funding requirement, each must be assessed and approved by the adjudication panel to ensure that all key elements are addressed by each project specific feasibility study to make the capital project implementation ready.

It must be noted that these planning projects are essential for sustainable implementation and management of the infrastructure projects, many of which will be implemented over 5 to 10 years due to their size and extent. The cost of the planning typically represents 0,5% (for macro projects) to 2% (for sub-regional projects) of the capital value, which is a very low cost element considering the potential savings in capital and operating costs over the infrastructure life. Without these investigations the programme will encounter major management and sustainability risks.

11.2 List of Capital Projects

Table 3 (attached) lists the priority projects for construction during 2007/2008. It should again be noted that the 2007/2008 capital allocation is mostly only the cost for one of the implementation phases and that following years need to provide the remaining funding for functional completion of the projects.

For the macro projects, this implies a financial requirement beyond the current 3 year budget allocation. The actual budget available after 2009/2010 will determine the number of years to complete the project implementation.

For smaller regional projects the phasing of funding allocation may be accommodated within the current 3 year budget of R1,4 billion.

TABLE-1

**NATIONAL BULK INFRASTRUCTURE FUND FOR WATER SERVICES
SUMMARY OF 2007/2008 PROJECT FUND ALLOCATIONS**

PROVINCIAL ALLOCATIONS

Province	Data		Total 07/08 Allocation
	Sum of 07/08 Feasibility Cost	Sum of 07/08 Capital Cost	
EC	R 7 250 000	R 19 500 000	R 26 750 000
FS	R 1 050 000	R 32 900 000	R 34 250 000
KZN	R 4 000 000	R 64 500 000	R 68 500 000
LP	R 7 050 000	R 69 000 000	R 76 050 000
MP	R 3 000 000	R 40 000 000	R 43 000 000
NC	R 1 750 000	R 7 400 000	R 9 150 000
NW	R 5 300 000	R 20 000 000	R 25 300 000
WC		R 10 000 000	R 10 000 000
DWAF Management	R 7 000 000		R 7 000 000
Grand Total	R 36 400 000	R 262 400 000	R 300 000 000

Table 2:

**NATIONAL BULK INFRASTRUCTURE FUND FOR WATER SERVICES
LIST OF PROPOSED FEASIBILITY STUDIES FOR 2007/2008**

FS needed	Y	
Sum of 07/08 Feasibility Cost		
Province	Scheme Name	Total
EC	Alfred Nzo (Matatiele & Mount Ayliff) BWS scheme from new dam	R 1 000 000
	Bizana BWS schemes	R 500 000
	Flagstaff RWS	R 500 000
	Great Kei River Basin Water Supply Scheme	R 500 000
	Hofmeyer /Middleburg Bulk Water Supply (urgent)	R 1 000 000
	Ibeka Water supply	R 500 000
	Idutywa East WS	R 500 000
	Mkambati RWS	R 500 000
	Mncwansa WS	R 500 000
	Ndambe BWS (Grahamstown & Port Alfred augmentation)	R 500 000
	Sudwana WS	R 500 000
	Xora Regional WSS	R 750 000
EC Total		R 7 250 000
FS	Rouxville /Smithfield /Zastron BWS	R 300 000
	Sterkfontein Dam Scheme	
	Dihlabeng / Moqhaka / Nketoana RWS augmentation (oil pipeline)	R 750 000
FS Total		R 1 050 000
KZN	KZN Feasibility Studies	R 4 000 000
KZN Total		R 4 000 000
LP	Makado - West	R 1 500 000
	Matoks BWS	R 1 000 000
	Nshelele BWS	R 750 000
	Lepalalla - Ellisras (ESKOM)	R 1 500 000
	Magalies North (Bella-Bella, Modimole, Mokgoopong)	R 800 000
	Nomanitwa RWS scheme (Middel Letaba)	R 1 500 000
LP Total		R 7 050 000
MP	MP Lowveld Feasibility Study	R 2 000 000
	Western Highveld / Moutse RWS	R 1 000 000
MP Total		R 3 000 000
NC	Richtersveld BWS	R 750 000
	Thembelihle BWS (Hopetown / Strydenburg)	R 500 000
	Heuningvlei / Moshaweng BWS	R 500 000
NC Total		R 1 750 000
NW	Ratlou Local Municipality BWS	R 1 600 000
	Rustenburg BWS augmentation	R 1 500 000
	Midvaal / Central Regional Bulk Water Supply Scheme	R 1 200 000
	Utilisation of Taung Dam Water (including Vryburg BWS)	R 1 000 000
NW Total		R 5 300 000
DWAF Management	DWAF National & Provincial Management & Coordination	R 7 000 000
DWAF Management Total		R 7 000 000
Grand Total		R 36 400 000

Table 3:

**NATIONAL BULK INFRASTRUCTURE FUND FOR WATER SERVICES
LIST OF CAPEX / IMPLEMENTATION PROJECTS FOR 2007/2008**

Implement Ready	Y		
		Data	
Province	Scheme Name	Sum of 07/08 Capital Cost	Sum of Total WS Capital
EC	Bizana BWS schemes	R 10 000 000	R 10 000 000
	Sterkspruit Bulk Supply Mains	R 9 500 000	R 19 000 000
EC Total		R 19 500 000	R 29 000 000
FS	Jagersfontein /Fauersmith Bulk Water Supply	R 16 000 000	R 160 610 000
	Ngwathe Bulk Water Supply	R 2 000 000	R 20 461 000
	Sterkfontein Dam Scheme	R 6 900 000	R 130 300 000
	Tokologo Regional Water Supply	R 8 000 000	R 91 000 000
FS Total		R 32 900 000	R 402 371 000
KZN	uMkhanyakude BWS schemes	R 11 000 000	R 231 500 000
	uThukela BWS schemes	R 11 000 000	R 176 500 000
	uThungulu BWS schemes	R 12 500 000	R 195 600 000
	Zululand BWS schemes	R 30 000 000	R 491 700 000
KZN Total		R 64 500 000	R 1 095 300 000
LP	Mogalakwena BWS	R 25 000 000	R 581 000 000
	Mooihoek/Tubatse BWS	R 14 000 000	R 481 000 000
	Nebo BWS	R 30 000 000	R 665 000 000
LP Total		R 69 000 000	R 1 727 000 000
MP	Inyaka RWS (Injaka Marite bulk)	R 12 000 000	
	Kabokweni RWS	R 8 000 000	R 65 550 000
	Nkomazi BWS	R 10 000 000	R 93 550 000
	Thaba Chweu BWS	R 10 000 000	R 81 239 000
MP Total		R 40 000 000	R 240 339 000
NC	Umsobomvu BWS (Colesberg)	R 7 400 000	
NC Total		R 7 400 000	
NW	Mafikeng Peri-urban water supply scheme	R 10 000 000	
	Maqwasssi Hills RWS	R 10 000 000	R 106 000 000
NW Total		R 20 000 000	R 106 000 000
WC	George BWS augmentation	R 10 000 000	R 93 000 000
WC Total		R 10 000 000	R 93 000 000
Grand Total		R 263 300 000	R 3 693 010 000