



21 November 2021

## **ANALYSIS OF THE SECOND QUARTERLY EXPENDITURE REPORT 2021/22: VOTE 41 WATER AND SANITATION**

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### **1. INTRODUCTION**

The Department of Water and Sanitation's legislative mandate seeks to ensure that the country's water resources are protected, managed, used, developed, conserved and controlled by regulating and supporting the delivery of effective water supply and sanitation. This entails adhering to the requirements of water-related policies and legislation, including constitutional requirements that are critical in delivering on the right of access to sufficient food and water, transforming the economy and eradicating poverty. The mandate is derived from the National Water Act (No. 36 of 1998), the Water Services Act (No. 108 of 1997) and the Water Research Act (No. 34 of 1971).<sup>1</sup>

In addition to contributing to the National Development Plan (NDP) 2030, the Department would also continue to directly contribute to the priorities of government as stated on the Medium Term Strategic Framework 2019-2024 (MTSF 2019-2024).<sup>2</sup> The priorities are as follows: Priority 1 Economic transformation and job creation; Priority 4 Spatial integration, human settlements and local government; and Priority 6 Building a capable, ethical and developmental state.<sup>3</sup>

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<sup>1</sup> Department of Water and Sanitation (2021a).

<sup>2</sup> National Planning Commission (2012).

<sup>3</sup> Department of Planning, Monitoring and Evaluation (2019).



The purpose of this report is to provide a comparative analysis of the quarterly expenditure for the 2<sup>nd</sup> quarter 2017/18; 2018/19; 2019/20; 2020/21 and 2021/22 in order to assess the Department's efficiency in discharging its mandate and meeting the planned targets for the 2<sup>nd</sup> Quarter of 2021/22. The analysis also provides an in depth assessment of the 2020/21 second quarterly report. The Special Adjusted Budget 2020 were also used in the assessment.<sup>4</sup>

The expenditure is organised per programme as follows: Programme 1 Administration; Programme 2 Water Resources Management; Programme 3 Water Services Management and. It is worth noting that the Department has reduced its programmes from four in 2020/21 to three in 2021/22 financial year. This may make comparison of expenditure per programme difficult. However, the total quarterly expenditure will be used to compare performance per quarter.

## **2. COMPARATIVE ASSESSMENT OF THE SECOND QUARTERLY EXPENDITURE<sup>5</sup>**

Although the aim of this brief is to assess the second quarterly expenditure report for 2021/22. It is important to assess the expenditure in light of the previous financial years' expenditure at the same time (2<sup>nd</sup> quarter). In this regard, table 1 provides a comparative display of the previous 4 years second quarterly expenditure reports. In summary, the 2021/22 performance shows poor performance when compared to previous quarters based on the overall average expenditure percentage, which stood at 75%. However, Programme 2 Water Resources Management outperformed the other 2 programmes including the previous 4 quarterly programme 2 performances.

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<sup>4</sup> National Treasury (2021).

<sup>5</sup> National Treasury (2021a).



**Table 1.: Comparison of 2<sup>nd</sup> Quarterly Expenditure for 2017/18; 2018/19; 2019/20; 2020/21 & 2021/22**

(red colour indicates both under and over expenditure)

Programme	2017/18 Expenditure (R 000)			2018/19 Expenditure (R 000)			2019/20 Expenditure (R 000)			2020/21 Expenditure (R 000)			2021/22 Expenditure (R 000)		
	Projected	Actual	(%)	Projected	Actual	(%)	Projected	Actual	(%)	projected	Actual	(%)	Projected	Actual	(%)
1	760.6	846.3	89.9	869.4	1432.7	164.8	915.6	804.1	87.8	845.9	790.4	93.4	958.5	705.5	73.6
2	325.7	361.9	90	396.2	364.6	92	414.9	306	73.8	373.4	271.4	72.7	2500.5	2444.3	97.8
3	5 718.3	5 539.4	103.2	6 476.9	5 204.3	80.4	5 870.9	4 874.9	83	5435	5093.3	93.7	4141.3	2560.6	61.8
4	157.2	178.4	88.1	225.1	140.8	62.6	177.7	135.9	75.5	168.8	127.3	75	*	*	*
<b>TOTAL</b>	<b>6 961.7</b>	<b>6 926.0</b>	<b>100.5</b>	<b>7 967.7</b>	<b>7 142.4</b>	<b>89.6</b>	<b>7 379.1</b>	<b>6 120.9</b>	<b>82.9</b>	<b>6 823.2</b>	<b>6 282.4</b>	<b>92.1</b>	<b>7 600.3</b>	<b>5 710.3</b>	<b>75</b>

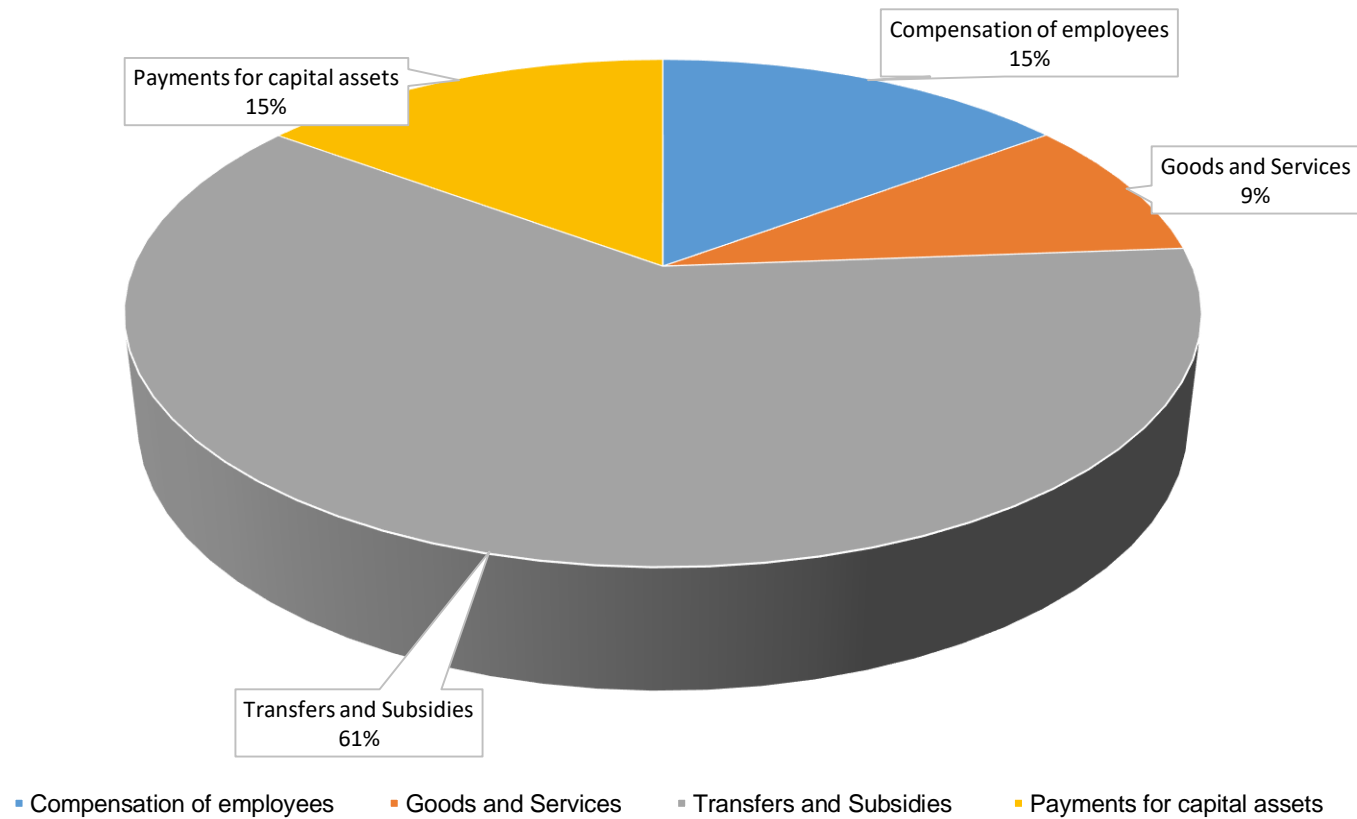
\*Programme 4 disestablished and integrated into programme 2 & 3.

To this end, the Department planned to spend R7.6 billion at the end of the second quarter. Therefore, the actual expenditure of R5.7 billion is R1.9 billion or 25% lower than projected. Overall, the Department spent 32.2% of the available budget of R17.7 billion for 2021/22 at the end of the second quarter.

The analysis of the expenditure per economic classification shows that transfers and subsidies are the main cost drivers, as they constitute the highest expenditure at 64%. While Compensation of employees and payments of capital asserts ranks second and third respectively in terms of expenditure as illustrated on figure 1 below. Transfers and subsidies are mainly to Water Trading Entity, water boards and municipalities.



**Figure 1 Economic Classification of Expenditure (%)**

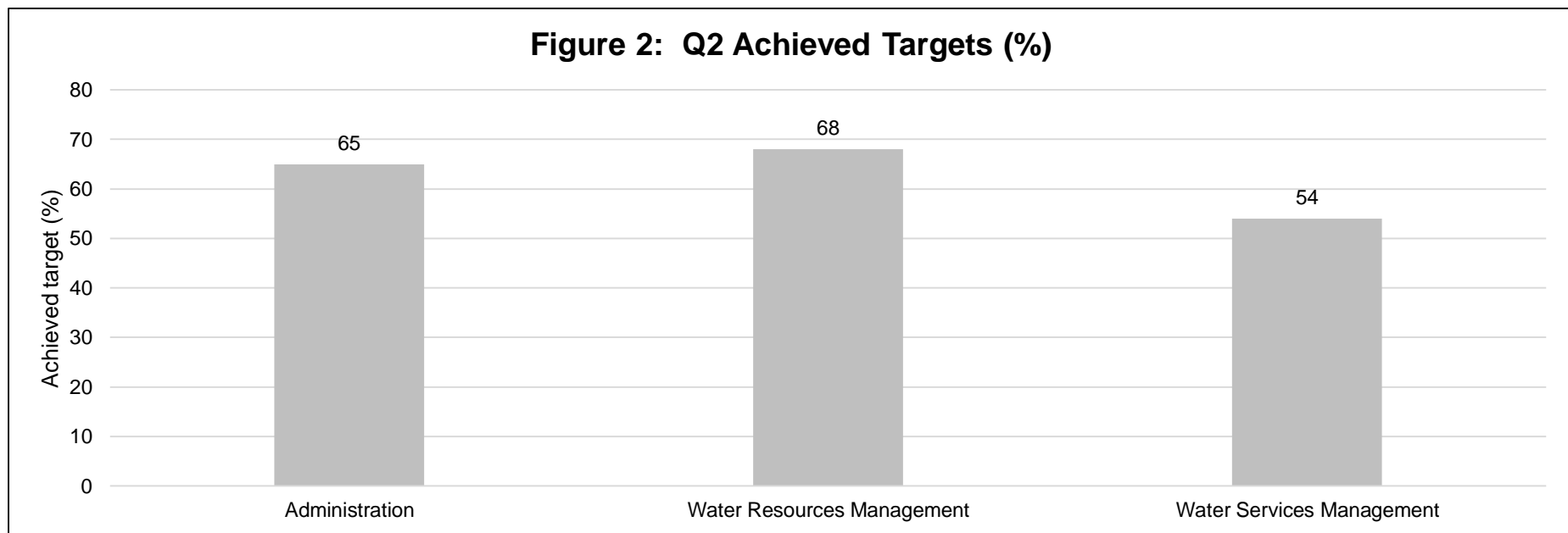


Adapted from National Treasury (2021)



### 3. ANALYSIS OF THE SECOND QUARTERLY EXPENDITURE AND PERFORMANCE PER PROGRAMME

This section provides a summary of performance based on the second quarterly expenditure report for 2021/22.<sup>6</sup> The Annual Performance Plan for 2021/22 - 2023/24<sup>7</sup> and the 2<sup>nd</sup> Quarter performance progress report<sup>8</sup> were also used to evaluate programme performance. Table 2 provides a presentation of the selected second quarter (Q2) performance targets per programme.



<sup>6</sup> National Treasury (2020).

<sup>7</sup> Department of Water and Sanitation (2021) Annual Performance Plan for the Fiscal Years 2021/22 to 2023/24

<sup>8</sup> Department of Water and Sanitation (2021a).



It is worth noting that the performance per programme given below is not exhaustive as it only highlights selected targets that are considered important. However, Figure 2 shows percentages of the achieved targets per programme during Q2. Programme 3 water service management is the worst performer with 54% while water resources management has achieved 68% of its planned targets for Q2. Therefore, Q2 performance is above average with respect to achievement of targets and projected expenditure.

#### **Programme 1 Administration**

65%

This programme spent 73.6% of the projected expenditure due to delays in the matching and placement process to align to the newly approved macro organisational structure, which impacts on filling vacancies. In this regard, the performance for this programme is getting worse with respect to expenditure while in terms of achievement of targets there is a huge improvement as it has achieved majority of its planned targets for quarter 2 with the exception of the percentage expenditure on annual budget and training interventions implemented in the department. These targets were mainly not met due to COVID19 restrictions and the vacant positions.

#### **Programme 2 Water Resources Management**

68%

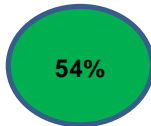
As of 30 September 2021, this programme had spent 97.8% of the total projected expenditure for the second quarter, which is higher than the 72.7% spent in the 2020/21 second quarter. The under expenditure in this regard is attributed to the COVID-19 lockdown resulting in slow procurement of office furniture and equipment, filling of vacant funded posts, construction of weirs and gauging stations.



The department successfully conducted internal stakeholders' consultations on the National Water Act Amendment Bill; Draft Bill on the establishment of the National Water Resources Infrastructure Agency and on the development of status report on the transformation of irrigation boards into water user associations as planned for the 2<sup>nd</sup> quarter. These are commendable achievements towards water sector transformation and security in the country.

Notwithstanding these achievements, the Department failed to conduct stakeholder consultations to update the National Water and Sanitation Master Plan due to COVID19 related restrictions. The internal delays are reported to have delayed the public consultation on the National Water Resources Strategy -3 (NWRS-3) while procurement delays at State Information Technology Agency (SITA) delayed the development of the user requirements specification for the National Digitised Integrated Water and Sanitation Monitoring System.

### **Programme 3 Water Services Management**



As of the end of the second quarter, this programme had spent 68.1% of its projected budget for the second quarter. The slower spending of the projected expenditure is attributed to delays in filling vacant posts and unprocessed invoices in relation to work done through the Regional Bulk Infrastructure and Water Services Infrastructure Grants projects as well as withheld transfers to municipalities contravening the requirements of the Division of Revenue Act.

The Department managed to assess 4 large water supply systems for water losses during Q2. This achievement is commendable as it will go a long way in saving the countries scarce water resources in general and in the Integrate Vaal River, Umgeni River , Crocodile-West Rive and the Western Cape Water Supply Systems in particular. The provincial action plans for the National Sanitation Integrated Plan were achieved as planned.



In conclusion, the Department financial performance has declined when compared with the same period in 2020/21. To this end, the Department has performed well above average in terms of expenditure and attainment of planned targets as shown in figure 2 above. It is worth noting that COVID19 restrictions continue to hamper the performance of the Department as some of the projects and or programmes have not fully recovered from the effect of the pandemic.

### **3. ISSUES FOR CONSIDERATION BY THE PARLIAMENT**

In light of the above analysis of the second quarterly expenditure report and the issues raised under each programme, the Department should clarify the following issues:

3.1. There is under-expenditure across all programmes for this quarter. This implies that the achievement of targets is also negatively affected. In this regard, the Department should furnish the Committee with a report on causes of the slow expenditure, a list of delayed projects and a catch up plan or plans to address these delays. Furthermore, the report should explain how these delays affected the Department in realising its constitutional mandate.

3.2. The Department should provide reasons for slow spending on WSIG and RBIG as this was the case during the last financial year.

3.3. The Department managed to finalise 47% of water use authorisations against 80% planned target for this quarter. It has only managed to process 166 applications out of 356. The department should provide reasons for a failure to meet this target as it is a very important target for water use transformation and economic development of the country. This begs the question; how will the department manage to finalise water use authorisation applications within 90 days as pronounced during the SONA 2021 when it is failing to meet the current 300 days' target.





3.4. The Department failed to conduct internal stakeholder consultation on the Draft Water Services Amendment Act Bill as planned. This failure is a concern in light of the lack of water service delivery across the country due to legislative impediments. It is therefore important that the Department should provide reasons behind this dismal performance and also the plan to fast-track the amendment process.

3.5. The performance information report for Q2 indicates that Vaal Intervention has been achieved under the PPI 3.10.3 which relates to number of intervention projects under implementation. In this regard, the Committee could benefit from the details of the Vaal Intervention target that was achieved in Q2, what exactly has been achieved in this regard?

3.6. The expenditure pattern for Q2 on specifically appropriated items reveals that there is a poor planning with respect to budgeting and project planning. The expenditure pattern shows a complete disregard of the expenditure projections. For example, there was no plan to spend on WTE: Acid Mine Drainage and other capital projects during Q2 but R1.6 billion was spent; the conditional allocations to local government: Water Services Infrastructure Grant had no projected expenditure for Q2 but spent R995 million. These are few examples to demonstrate poor financial control in the Department. In other words, there is no link between project planning and financial management as it appears the projects are implemented without following the implementation schedule that contain spending patterns and related matters. In this regard, the department should provide reasons for expenditure that is not in line with the projected expenditure and how it would be addressed going forward.

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#### 4. REFERENCES

Department of Planning, Monitoring and Evaluation (2019) *Medium Term Strategic Framework 2019-2024*

Department of Water and Sanitation (2021) *Annual Performance Plan for the Fiscal Years 2021/22 to 2023/24*

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National Treasury (2018). Standing Committee on Appropriations: 2<sup>nd</sup> Quarter Expenditure Report 2018/19 Financial Year: Vote 36.

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National Planning Commission. (2012) *The National Development Plan 2030, Our Future – Make It Work*. National Planning Commission, Pretoria.

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