



water & sanitation

Department:
Water and Sanitation
REPUBLIC OF SOUTH AFRICA

Briefing the Standing Committee on Appropriations on the Appropriation Bill

Presented by:

**Dr Sean Phillips
Director-General**

10 May 2023

Information requested by the Committee

In the letter of invitation from SCOA to DWS for this meeting, DWS was requested to present on the following:

- Appraise the Committee on the Department's preliminary spending outcomes as at the end of the 2022/23 financial year, including measures put in place to prevent possible over/under expenditure on appropriated funds;
- Appraise the Committee on how the Department plans to utilize the proposed allocation of R22.3 billion for the 2023/24 financial year in a manner that is effective, efficient and economical;
- Appraise the Committee on possible service delivery implications and impact of the proposed allocation reductions in key subprograms that are critical to the sector over the MTEF.
- Furthermore, apprise the Committee on how the Department will absorb these reductions in their budget and how the reductions are likely to affect service delivery in these subprograms, namely;
 - Integrated Water Resources Planning subprogramme.
 - Water Resources Institutional Oversight subprogramme.
 - Water Services Regulation subprogramme.
 - Water Services Policy and Strategy subprogramme.
- An overview of the Department's contribution to the South African Economic Reconstruction and Recovery Plan, Broad-Based Black Economic Empowerment and localization of goods and services.
- Provide a detailed report on all vacant positions within the department, per level, maturity profile and comment on what role does the department sees itself playing in job creation, in cognisance of the persistent high level of unemployment facing the country
- Overview of any legal impediments to the Department achieving economic transformation and, if yes, provide proposals in this regard
- Provide a detailed report on the status and progress made in the implementation of the Giyani Water Project.

DWS service delivery strategic priorities for 2023/24

- Continue to accelerate implementation of a range of major projects to augment national bulk water resource infrastructure, e.g. Lesotho Highlands Phase 2, uMkhomazi, Mzimvubu
- Guide and lead the development of other water resources, including groundwater and desalination
- Continue with establishment of the National Water Resource Infrastructure Agency (NWRIA)
- Strengthen the role of DWS in regulating, supporting and intervening in municipalities where municipal water and sanitation services are deteriorating
- Strengthen regulatory interventions to address pollution of the environment and communities from waste-water
- Increase participation of private sector finance and skills in the water sector
- Continue to improve water-use license turnaround times and promote transformation in water-use
- Guide and lead increased water-use efficiency and demand and conservation management, including addressing non-revenue water at municipal level
- Improve billing and revenue collection across the water value chain
- Establish remaining catchment management agencies
- Transform Irrigation Boards into Water User Associations
- Complete reconfiguration of Water Boards

DWS internal strategic priorities

- Complete implementation of new structure, development of new Water Services Branch
- Improve infrastructure procurement
- Eradicate under-expenditure
- Maintain strengthened financial and HR controls
- Continue to ensure progress with all financial misconduct disciplinary cases
- Continue to pursue condonation of historic irregular and unauthorized expenditure
- Continue to maintain low levels of irregular and unauthorized expenditure
- Strengthen external communications

Preliminary spending outcomes for the 2022/23 financial year

Programmes	2022/23				2021/22	
	2022/23 Adjusted Appropriation	Year to date cumulative actual expenditure	Available budget/ Variance	Expenditure as % of Adjusted Appropriation	Year to date cumulative actual expenditure	Expenditure as % of Adjusted Appropriation
	R'000	R'000	R'000	%	R'000	%
Administration	1 990 699	1 957 252	33 447	98.3%	1 716 491	87,6%
Water Resources Management	3 814 317	3 781 243	33 074	99.1%	3 499 861	96.8%
Water Services Management	12 749 994	11 954 920	795 074	93.8%	9 987 154	82,1%
Total Programmes	18 555 010	17 693 415	861 595	95.4%	15 203 506	85,7%
Economic classification						
Current payments	3 727 920	3 643 525	84 395	97.7%	3 215 607	78,2%
Compensation of employees	1 836 433	1 812 886	23 546	98.7%	1 742 236	93,9%
Goods and services	1 891 484	1 830 636	60 848	96.8%	1 473 150	65,2%
Interest and rent on land	3	3	-	100.0%	221	99,5%
Transfers and subsidies	10 802 373	10 799 399	3 974	100.0%	9 414 311	100.0%
Province and municipalities	6 357 665	6 357 147	518	100.0%	5 858 274	100,0%
Departmental agencies and accounts	2 612 140	2 612 140	-	100.0%	2 375 855	100,0%
Foreign governments and international organisations	250 978	250 754	224	99.9%	243 116	99,9%
Public corporations and private enterprises	1 543 686	1 543 686	-	100.0%	902 969	100,0%
Non-profit institutions	1 592	1 485	107	93.3%	577	43,6%
Households	37 312	34 187	3 125	91.6%	33 520	100,0%
Payments for capital assets	4 022 693	3 249 467	773 226	80.8%	2 573 410	61,2%
Buildings and other fixed structures	3 826 390	3 135 658	690 732	81.9%	2 479 579	61,3%
Machinery and equipment	144 761	67 371	77 390	46.5%	52 451	44,7%
Software and other intangible assets	51 542	46 438	5 104	90.1%	41 380	95,7%
Payments for financial assets	1 024	1 024	-	100.0%	178	100,0%
Total economic classification	18 555 010	17 693 415	861 595	95.4%	15 203 506	85,7%

WATER IS LIFE - SANITATION IS DIGNITY

Measures to prevent possible over/under expenditure (1)

- a) Unaudited results for Vote 41 - Department of Water and Sanitation (DWS)
- The Department spent R 17.693 billion of the total adjusted appropriation of R 18.555 billion for the 2022/23 financial year. This translates into expenditure of 95.4% of the budget, R862 million or 5% per cent under spending:
 - Compensation of employees: R23.547 million.
 - Goods and services: R60.848 million.
 - Payments for capital assets: R773.226 million.
- b) Under-expenditure reduced from over R2 billion in 2021/22 to R800m in 2022/23 (95% expenditure of budget of R18.55 billion)
- Applying for roll-overs of R740m of the R800m
 - Measures to reduce under-expenditure to zero in 2023/24 given overleaf
- c) Corrective measures to prevent under expenditure:
- Compensation of employees
 - Critical prioritised funded posts have been filled within the approved compensation of employees budget ceiling over the medium term expenditure framework

Measures to prevent possible over/under expenditure (2)

- Payments for capital assets, goods and services
 - Proactive budget reallocation from low moving projects to the fast moving ones and new and priority interventions.
 - Alignment and timely implementation of annual performance plans, budgets plans, procurements plans and project implementation plans including proactive reallocation of funds, coupled with regular reviews of expenditure versus budget.
 - Development and implementation of Infrastructure Procurement Strategy in line with the Framework for Infrastructure Delivery and Procurement Management.
 - Implementation of improved project management processes in the department.
 - Structured intervention and institutional stabilization of the Water Boards which serve mainly as implementing agents for infrastructure projects where significant under expenditure has been recorded. This includes governance and internal control systems of the Water Boards. Similar interventions and support systems for Municipalities in collaboration with COGTA. Municipalities are also Implementing Agents for Infrastructure Projects.

Plans to utilise proposed allocation of R22.3 billion for the 2023/24 financial year

- The Department has been allocated an amount of R72.322 billion over the MTEF i.e. R22.257 billion, R24.180 billion and R25.885 billion in 2023/24, 2024/25 and 2025/26 respectively.
 - **Compensation of Employees** is allocated an amount of R5.611 billion over the MTEF i.e. R1.790 billion, R1.869 billion and R1.951 billion in 2023/24, 2024/25 and 2025/26 respectively.
 - **Goods and Services** is allocated R5.563 billion over the MTEF i.e. R1.755 billion, R1.862 billion and R1.946 billion in 2023/24, 2024/25 and 2025/26 respectively.
 - **Transfers and Subsidies** is allocated an amount of R46.619 billion over the MTEF i.e. R14.061 billion, R15.618 billion and R16.940 billion in 2023/24, 2024/25 and 2025/26 respectively.
 - **Payments for capital assets** is allocated an amount of R14.530 billion i.e. R4.650 billion, R4.832 billion and R5.048 billion in 2023/24, 2024/25 and 2025/26 respectively.

Funding from the Budget Facility for Infrastructure

- Included in the budget allocation are strategic projects funded from the Budget Facility for Infrastructure in various provinces as follows:
 - R692 million in 2023/24, R673 million 2024/25 and R557 million in 2025/26 to Magalies water to implement the Moretele North Klipvoor Bulk Water supply scheme.
 - R608 million in each year of the 2023 MTEF to Magalies water to implement Phase 2: Pilanesberg Bulk Water Supply Scheme.
 - R150 million in 2023/24, R600 million in 2024/25 and R3.6 billion in 2025/26 to the Water Trading Entity to implement the uMkhomazi Water Project - Raw Water Component (uMWP-1).
 - R305 million in 2023/24, R593 million in 2024/25 and R481 million in 2025/26 to Drakenstein Local Municipality Sanitation to implement the Sanitation Infrastructure Project.
 - R348 million in 2023/24, R250 million in 2024/25 and R390 million in 2025/26 to Nelson Mandela Bay Metropolitan Municipality to implement the Water Security Programme.
 - R86 million in 2023/24, R492 million in 2024/25 and R574 million in 2025/26 to Sol Plaatje Local Municipality to implement the Integrated Bulk Supply System Intervention.
- The Department is working with the Infrastructure Fund on business cases to submit to the Budget Facility for Infrastructure for a range of other projects

Projects to be implemented in 2023/24 financial year

Province	Regional bulk project phases		Water services infrastructure grant projects		Intervention project(s)	Budget for facility infrastructure (BFI)		Bucket sanitation systems
	Under construction	Completed	Under construction	Completed		Under construction	Completed	
Eastern Cape	16	7	80	8	-	-	-	-
Free State	18	5	26	3	-	-	-	10 202
Gauteng	2	0	20	10	1	-	-	-
KwaZulu-Natal	10	1	25	14	1	2	-	-
Limpopo	15	5	105	12	1	1	-	-
Mpumalanga	21	6	26	11	-	-	-	-
Northern Cape	3	2	32	14	-	-	-	596
North West	11	3	36	18	-	-	-	-
Western Cape	3	2	24	13	-	10	1	-
Total	99	31	374	103	3	13	1	10 798

Service delivery implications of the proposed budget reductions

Subprogrammes	Final Appropriation 2022/23	Budget Allocation 2023/24	Variance
	R'000	R'000	R'000
Integrated Water Resources Planning	69 463	73 313	3 850
Water Resources Institutional Oversight	38 588	37 915	(673)
Water Services Regulation	57 531	62 417	4 886
Water Services Policy and Strategy	13 480	8 133	(5 347)

- The net change to the voted baseline reflects an increase as a result of additional allocations through the Budget Facility for Infrastructure however there were specific baseline reduction on various budget items.
- In total the compensation of employees' budget has been reduced from R1.836 billion to R1.790 billion. The total budget reduction of R46.273 million has affected the department as a whole. In line with National Treasury guidelines the department is managing this reduction as follows:
 - ✓ Managing headcount within the allocated compensation ceilings. Only critical and core service delivery posts are being prioritised to fill from any savings resulting from natural attrition
 - ✓ Regular and monthly monitoring of filling of posts and the costs thereof is being implemented to avoid filling of unfunded posts.
- Overall, the department's budget increases over the MTEF – it is mainly the personnel budget which reduces
- While the department has staff shortages in many areas, and does not have the personnel budget to address this, it will do its best to deliver services with the available personnel

Contribution to the South African Economic Reconstruction and Recovery Plan, BBBE and localisation of goods & services (1)

The Department is contributing to the South African Economic Reconstruction, Recovery Plan, Broad-based Black Economic Empowerment and localisation of goods and services through various intervention including:

- a) Strengthening capacity of the state: The Department is working on institutional reforms and alignment of its Entities with aim the of building capable institutions.
- b) Facilitating economic growth and investment:
 - The Department is in the process of improving its turnaround times for issuing water use licenses
 - The Department is putting in place the National Water Resource Infrastructure Agency (NWRIA) to enable greater fund raising for national water resource infrastructure to ensure that the supply of water does not become a binding constraint on growth
- c) Skills development:
 - Through the Learning Academy the Department is offering various engineering and scientists bursary and training opportunities.

Contribution to the South African Economic Reconstruction and Recovery Plan, BBBE and localisation of goods & services (2)

- d) Infrastructure investment: Infrastructure allocations over the MTEF period totals more than R60 billion, these allocations are for various infrastructure projects in the nine provincial offices through grants to local government as well as direct project implementation (by the Department, Water Boards and Construction Unit).
- e) Elimination of improper expenditure:
- The Department has put in systems of internal control to prevent and detect incidents of unauthorized, irregular, fruitless and wasteful expenditure.
 - The current backlog of historic cases are being resolved through investigations and condonation processes with National Treasury
- f) Strategic partnerships
- There are various partnerships between the Department and industry for the delivery of water and sanitation infrastructure. These included partnerships with mining houses and the agricultural sector

Contribution to the South African Economic Reconstruction and Recovery Plan, BBBE and localisation of goods & services (3)

f) Affirmative procurement by the department

- Percentage of targeted procurement budget spent on qualifying small enterprises (QSE) and exempted micro enterprises (EME) =15% respectively.
- For the department's voted budget which was spent through procurement processes last financial year:
 - 27% of the department's procurement was awarded to companies with 50% of more women ownership
 - 5% was awarded to companies with 50% of more youth ownership
 - 1% was awarded to companies with 50% of more ownership by people with disabilities
 - 62% was awarded to companies with at least 50% black ownership
- Both the department's Implementing Agents and the Construction Unit source their materials locally in the areas of the projects to support local economies.

Vacant positions within the department

- Minister approved the new organisational structure on 26 September 2022
- The Department is in the process of implementing the new structure which involves absorption of employees into posts on the new structure on the PERSAL system
- Once the absorption process has been completed, there will be approximately 3000 vacancies on the structure (out of a total of 9485 posts on the new structure)
- As indicated previously, the department's personnel budget is decreasing over the MTEF
- The department spent 99% of its personnel budget last financial year, and had to stop filling positions to avoid over-expenditure over the MTEF
- The Department therefore has no personnel funding to fill the 3000 vacancies, and will only be filling key vacancies as funds become available through natural attrition
- The Department has filled all its top management positions barring one DDG position which recently became vacant after the official was dismissed for financial misconduct
- Three CD positions are in the process of being filled

Legal impediments to economic transformation

- There are some legal impediments to the Department achieving its objectives regarding the transformation of water use allocations in the country
- These will be addressed through amendments to the National Water Act, which have been taken through the cluster system and will be submitted to Cabinet this month for approval for gazetting for public comment. Issues include:
 - The functioning of the water management institutions (irrigation boards and water user associations)
 - Dealing with historic water use allocations
 - The ease with which under-utilised water use allocations can be reallocated
- The department is attempting to assist municipalities to enter into more public private partnerships for water services:
 - The regulatory framework for public private partnerships needs to be reviewed to make it easier and quicker to enter into such partnerships, while still ensuring due diligence – NT is in the process of looking at this
 - Part Two of the Municipal Systems Act requires onerous consultation processes before a municipality can enter into a public private partnership

Progress on the Giyani Water Project

- The Giyani project was initiated during 2009/10 financial year
- It was subjected to a range of delays and is the subject of SIU investigations
- Over the past year, the Minister has focused on accelerating the project
- The bulk pipeline from Nandoni Dam in Vhembe to Nsami Dam in Giyani has now been practically completed and is delivering water to the Nsami water treatment works in Giyani
- This has enabled Mopani District Municipality, with the support of the department, to start the upgrading of the water treatment works in Giyani to treat more water, and to start incrementally constructing water reticulation systems to 55 villages in Giyani to improve the level of service from communal standpipes to yard connections
 - This work is in progress, with contractors appointed and working on site.
 - The contractor for refurbishment and upgrading of the capacity of the WTW was appointed in December 2022 and has started with construction
 - The department is allocating R1.3 billion from its WSIG grant to Mopani District Municipality to complete the construction of this water distribution infrastructure in phases over the next three years
 - 27 contractors have been appointed to work on the first phase of the reticulation infrastructure and contractor are on the ground working

Benefitting villages (1)

The project will benefit **47 086** households in the following villages under Giyani LM

Village No.	Bulk Pipeline	Village Name	Village No.	Bulk Pipeline	Village Name
1	PIPELINE A	Thomo	18	PIPELINE C	Siyandhani/ KaSiandana
2		Khakhala	19		Shamavunga
3		Gawula/ KaGaula	20		Nkomo Units A, B and C
4		Mahlathi/ Mahlathi	21		Hlopekani
5		Ndindani	22		Unit D,E,F
6		Hlomela	23		Units E and F
7	PIPELINE B	Homu 14 A/ Homu	24	PIPELINE D	Kremetart
8		Mapayeni/ Kamapayeni	25		Maswanganyi/ KaMaswanganyi
9		Nwakhuwani	26		Bode & Dzingidzingi
10		Vuhehli	27		Sikhunyani/ KaSikhunyane
11		Nsavulani/ Kasabulane	28		Ngove/ KaNgove
12		Phalaubeni/ Phalakubeni	29		Nkomo / KaNkomo B
13		Mbaula	30		Nkomo A
14		Makhuvha/ KaMakhuva	31		Nkomo C
15		Mushiyani/ KaMushiyani	32		Bambeni
16		Xikhumba/ KaXikhumba	33		Maphata
17		Xawela			

Benefitting villages (2)

Item No.	Bulk Pipeline	Village Name	Item No.	Bulk Pipeline	Village Name
45	PIPELINE F1	Makosha/ KaMakoxa	34	PIPELINE D	Mghonghoma/ KaMunghonghoma
46		KaMakoxa B9/ Risinga view	35		Loloka(Guwela)
47		Siyandani	36		Mnghonghoma
48		Mavalani/ KaMavalani	37		Kheyi/ KaKheyi
49		Mbatlo	38		Gidya(Loloka)
50		Xivulani/ Shivulani	39		Guwela
51		Nwadzekudzeku/Kanw adzekudzeku	40		Mageva
52		Mninginisi(Block 3)	41		Ndhambi/ kaDzumeri
53	PIPELINE F2	Maswanganyi	42		Daniel/ Rababelela
54		Mhlava Willem	43		Mphagani/ KaMpakani
55		Muyexe	44		Namenwarhanga

Benefitting villages (3)

The project will benefit **12 228** households in the following villages amongst others under Collins Chabane LM :

no	Bulk pipeline	Village name	no	Village name
1	Nandoni to Malamulele (secondary pipeline to Nsami pipeline)	Malamulele	8	Malamhala
2		Makumeke	9	Muswana
3		Xithelani	10	Mphambo
4		Dinga	11	Shigamani/ Ka Xigamani
5		Shingwidni	12	Ka Mahosini
6		Mchipisi	13	Jimmy Jones
7		Matsakali	14	Mavambe

WATER IS LIFE - SANITATION IS DIGNITY

Thank you