



TERMS OF REFERENCE FOR A SOLICITED WRC PROJECT

KEY STRATEGIC AREA	1&2 (Water resources and ecosystems)
THRUST	1 (Governance and institutional arrangements)
PROGRAMME	3 (Water pricing and financing)
TITLE	Revision of the Pricing Strategy for Water Use Charges: Classification of social and commercial projects
ToR NUMBER	1009872

Objectives:

General:

Further development of the concept and operationalisation of the distinction between social and commercial infrastructure in the draft Pricing Strategy for Water Use Charges.

Specific:

1. Develop detailed definitions for social and commercial projects/infrastructure/schemes as well as social and economic users and economic areas as contemplated in the draft Pricing Strategy for Water Use Charges;
2. Revisit the theoretical foundations and existing and relevant policy principles and intent underpinning the classification of water resource infrastructure into social or commercial;
3. Make recommendations on the criteria and process for classification of projects, including an examination of the appropriateness of the Minister's sole discretion as provided for in the draft strategy;
4. Examine the linkages between project classification and the Future Infrastructure Build Charge (FIBC) proposed in the draft strategy, and the potential implications of these linkages; and
5. Ensure alignment between the relevant aspects of the classification approach and the Free Basic Water policy, Regional Bulk Infrastructure Grant framework and other applicable policies.

Rationale:

The National Water Act states that the Minister may, with the concurrence of the Minister of Finance, from time to time by notice in the Government Gazette, establish a pricing strategy for

any water use within the framework of existing relevant government policy. Such a pricing strategy was first developed in November 1999 and the version currently in effect was approved for implementation in 2007. The strategy is undergoing a process of revision, and expert support and input is required on specific aspects of the strategy. The piece of work outlined in these terms of reference focuses on the classification of water infrastructure as social or commercial.

The draft Pricing Strategy for Water Use Charges, published for comment in the Government Gazette on 13 November 2015, makes provision for infrastructure to be classified as either social or commercial. In essence the classification of infrastructure determines the funding model and the implication for the raw water user charges.

Work still needs to be done to strengthen this aspect of the draft strategy. The definition of social infrastructure in the draft strategy needs to be brought into alignment with the relevant definitions used in the Regional Bulk Infrastructure Grant framework, and should also be consistent with the Free Basic Services policy and other applicable frameworks.

The policy rationale, in terms of existing and relevant policy principles and objectives, for differentiating between social and commercial projects needs to be clarified in relation to current public policy. The objective criteria and data that will be used to by the Department to classify social and commercial use must be outlined. Principles contained in the definition of social and commercial infrastructure must be based on existing and relevant public policy. The basis of negotiation with economic users to determine the relevant charge would need to be outlined to ensure fairness across users.

The current approach in the draft strategy of according the Minister sole discretion in classifying infrastructure as social or commercial requires revisiting. This needs to be checked against the principles of transparency that come with tariff setting, as well as any applicable cooperative government prescripts.

This project will be required to work closely with the three other projects that will be commissioned on further aspects of the revision of the Pricing Strategy for Water Use Charges. These aspects are the Future Infrastructure Build Charge, the public interest functions of water resource management activities, and implementation of the Waste Discharge Charge System. Close coordination will also be required with the process being led by the Department of Water and Sanitation and National Treasury, under Operation Vulindlela, to finalise the current draft of the strategy.

Deliverables/outputs:

The following deliverables are indicative and may be tailored to suit the proposed approach:

1. Project design that enables ongoing involvement, knowledge co-generation and consensus building, in support of Operation Vulindlela, with the relevant units in the Department of Water and Sanitation and National Treasury, including an inception meeting.
2. At least one stakeholder workshop at appropriate stage/s of the research process
3. Draft final report for peer review

4. Final report and policy support documents, covering all aspects researched as per specific objectives, including the packaging of the necessary text for inclusion in the revised Pricing Strategy

Impact Areas (WRC Knowledge Tree):

Inform policy and decision-making
Sustainable development solutions
Transformation and redress

Time Frame:

6 months (start date 1 October 2021)
Draft final report to be submitted no later than 15 December 2021

Total Funds Available:

R400,000

Note:

This project is funded through donor funds administered by the WRC. In addition to the standard requirements of the WRC outlined in the memorandum of agreement, the project team will be required to comply with the reporting requirements of the donor.