



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: Public interest functions of water resource management activities
ToR NUMBER	1009871

Objectives:

General:

Quantification of the portions of water resource management activities that are in the public interest, to be funded from the fiscus, and the portions to be funded from raw water tariffs.

Specific:

1. Revisit the theoretical foundations and existing, relevant policy principles and intent underpinning the fiscal funding of components of water resource management activities
2. Develop a standardised approach for determining the public interest component of the water resource management activities
3. Separate and calculate the components of these activities to be funded from raw water use charges from those to be funded through fiscal support.

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 public interest component of water resource management activities.

Catchment Management Agencies are established under Chapter 7 of the National Water Act and are required to perform certain water resource management functions, namely:

1. Catchment management strategy and water resources planning

2. Resource directed measures
3. Water use authorization
4. Control and enforcement of water use
5. Disaster management
6. Water resources management programmes
7. Water related institutional development (stakeholder management and empowerment)
8. Water weed control
9. Maintenance and restoration of ecosystems to improve water resources
10. Geo-hydrology and hydrology
11. Administration & overheads

Given the diverse objectives that the CMAs are meant to fulfil, it is envisaged that they will be funded through a combination of water user charges and the national fiscus. While the intention is that CMAs should be funded primarily through water use charges, fiscal support may be required where subsidy arrangements exist and for ongoing functions that address the broader public interest, including those with national significance. The recovery of water resource management costs to be borne by water users is addressed in the draft Pricing Strategy for Water Use Charges, published for comment in the Government Gazette on 13 November 2015. The draft strategy affirms the principle that the Department of Water and Sanitation will provide fiscal support for core national and public interest functions undertaken by water management institutions, which cannot be recovered fully through water use charges.

In addition to the public interest reference in the draft Pricing Strategy for Water Use Charges, the 2nd edition of the National Water Resource Strategy (2013) also provides for the proposed National Water Resources Infrastructure Agency (NWRIA) to develop public benefit water resource projects. Where applicable, this aspect should be taken into account in the work to be done through this project.

Work still needs to be done to strengthen the way in which the draft Pricing Strategy for Water Use Charges deals with public interest functions of water resource management activities. The objective of this project is to provide a clear definition of the public interest functions, clarify the relevant enabling policy objectives and principles, and quantify the portion to be funded through fiscal support. This will entail adequately defining the public interest component of water resource management activities. From these conceptual foundations, a method must be developed to enable a consistent and transparent approach to the calculation of the public interest component of the water resource management activities, versus the component of these activities to be funded through the Water Resource Management Charge. This method needs to be applied to each of the eleven water resource management activities which should be performed by the CMAs and the NWRIA as appropriate. The financial impact on the fiscus must be modelled based on assumptions made.

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, classification of social and

commercial schemes, 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:

The following deliverables are indicative and may be tailored to suit the proposed research 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, defining public interest functions, clarifying the policy principles and objectives for enabling fiscal support and including financial model/s developed for quantifying the public interest component of water resource management functions
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:

R500,000