



## 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: Implementation of the Waste Discharge Charge System |
| ToR NUMBER         | 1009870                                                                                                     |

### Objectives:

#### **General:**

Review and testing of the methodology for calculating the Mitigation Charge for piloting the Waste Discharge Charge System (WDCS) in three Water Management Areas (Vaal, Limpopo and Olifants)

#### **Specific:**

1. Revisit, where necessary, the theoretical foundations and policy principles and intent underpinning the WDCS
2. Review and test the Waste Mitigation Charge formula from the 2013 WDCS Strategy (i.e the mitigation charge implementable for waste related water uses).
3. Calculate the Waste Mitigation Charge for six variables viz.: Chemical Oxygen Demand (COD), Phosphates, Sulphate, Chloride and Sodium.
4. Estimate the impact (costs and benefits) of the proposed Waste Mitigation Charge
5. Update the Pricing Strategy on how the WDCS will be implemented.

### 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 pilot implementation of the WDCS, which forms part of the

draft Pricing Strategy for Water Use Charges established in terms of Section 56 of the National Water Act.

The WDCS is being developed by the Department of Water and Sanitation to promote waste reduction and water conservation. It provides a framework for charging for the discharge of waste into water resources. The WDCS is being developed around the “Polluter Pays Principle” and the adoption of economic instruments that aim to promote the sustainable development and efficient use of water resources, promote the internalization of environmental costs by polluters, create financial incentives for dischargers to reduce waste and use water resources in a more optimal way, and to recover costs associated with mitigating water quality impacts of waste discharge.

The Polluter Pays Principle is a well-recognized and celebrated environmental law principle globally. The principle is a common practice, which states that those producing pollution must bear the costs of managing it to prevent adverse impacts on the environment and human health. The primary function of this principle is that it assists in the management and allocation of costs and remediation/rehabilitation between users for adverse impacts caused to the environment. Furthermore, this principle places responsibility on the polluter. The Rio Declaration in 1992 also put emphasis on the principle of internalization of environmental cost which is an economic concept that consists of charging polluter all costs that their activity has created. In South Africa the “Polluter Pays Principle” is one of the guiding principles of the National Environmental Management Act, Act 106 of 1998 which is an umbrella Act for all environmental related matters.

The Department has over the past few years experienced challenges with the implementation the WDCS and there has been significant pressure from external stakeholders to implement the system. Although some work has been done, there are a few challenges that need to be resolved before piloting. The Department has committed in its 2021/22 Annual Performance Plan to pilot the WDCS in the three WMAs in the 2021/2022 financial year, so there is urgency in trying to resolve some of the bottlenecks to ensure successful piloting of the project.

This project focuses only on the Waste Mitigation Charge component of the WDCS, and not the Waste Discharge Levy. Implementation of the project will require close collaboration 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 the public interest functions of water resource management activities. Close coordination will also be required with the process being led by the Department of Water and Sanitation and National Treasury 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 with the relevant units in the Department of Water and Sanitation and National Treasury, in support of Operation Vulindlela, 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, including:
  - Tested and implementable Waste Mitigation Charge formula
  - Calculation of Waste Mitigation Charge for the six variables (Chemical Oxygen Demand, Phosphates, Sulphates, Chloride and Sodium) in the Vaal, Olifants and Limpopo Water Management Areas
  - Estimated costs and benefits of the proposed charges
  - Updated text for the Pricing Strategy to indicate how the WDCCS will be implemented.
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 (Starting 1 October 2021)  
Draft final report to be submitted no later than 15 December 2021

**Total Funds Available:**

R500,000