TERMS OF REFERENCE FOR A SOLICITED WRC PROJECT

KEY STRATEGIC AREA	**1&2 (Water resources and ecosystems)**
THRUST	**1 (Governance and institutional arrangements)**
PROGRAMME	**2 (Policy, science and implementation)**
TITLE	**Development and application of standardised tools to support assessment of the socio-economic impact of water re-allocation through compulsory licensing**
TOR NUMBER	**1009948**

Objectives:

General:

Develop a set of standardized approaches that can be used to support assessment of the socio-economic impact of water re-allocation plans, and test and refine these approaches in selected catchments in the Inkomati-Usuthu Water Management Area.

Specific:

1. Evaluate previous relevant water re-allocation processes in South Africa including, but not limited to, the three compulsory licencing processes already completed in the country and the Water Allocation Plans within the Inkomati-Usuthu Catchment Management Strategy.
2. Review relevant domestic and international experience and good practice relating to the assessment of the socio-economic impacts of water re-allocation
3. Drawing on the knowledge generated through objectives 1 and 2, propose a set of standardised approaches and tools for assessing the socio-economic impacts of water re-allocation that are:
    a. applicable in water re-allocation processes in any Water Management Area in the country;
    b. as simple as possible while achieving the policy intent and meeting the minimum requirements specified in the relevant prescripts; and
    c. integrated with other relevant planning tools and approaches for water resource management and development.
4. Provide guidance for water re-allocation planners and decision makers on the practical interpretation of what constitutes “severe prejudice to the economic viability of an undertaking” in the context of section 22(6) of the National Water Act (NWA). This

guidance, which may take the form of benchmarks, criteria, thresholds etc, must aid planners in understanding the potential implications of their re-allocation decisions in relation to this clause of the NWA.

5. Test and refine the tools and approaches developed through objectives 3 and 4 in selected catchments (Sabie, Crocodile, Komati and Usuthu) in the Inkomati-Usuthu Water Management Area, in support of the finalisation of Water Allocation Plan and planned compulsory licensing processes. The possibility of a new regional dam within the Crocodile catchment must be factored in as one of the scenarios to be considered.
6. Make recommendations on how future compulsory licensing processes can be improved and expedited, including amendments to legislation where necessary.

Rationale:
As one of its primary objectives, the National Water Act (NWA) sets out to ensure equitable access to water, including rectifying the effects of past racial and gender discrimination on access to water for productive purposes. The NWA further enables the efficient, sustainable and beneficial use of water in the public interest, including the facilitation of social and economic development. In pursuit of these objectives, principles and mechanisms are set down in legislation for the allocation and re-allocation of water resources.

Compulsory licensing, as provided for in section 43 of the NWA, is one such mechanism. It is intended to be used in areas which are, or are soon likely to be, stressed in terms of water quantity or quality, or where it is necessary to review prevailing water use to achieve equitable access to water. To date, however, only three compulsory licensing processes have been undertaken. While some reflection on these processes has been done, both within the Department of Water and Sanitation (DWS) and by researchers, all these learnings have not been synthesised into a coherent set of recommendations on how compulsory licensing can better be done in the future.

Further, there is a need for a standardised set of tools and approaches to guide and expedite aspects of the licensing process, including the assessment of the socio-economic impacts of authorising a particular proposed allocation schedule. The re-allocation of water will have positive and negative socio-economic impacts, and decision makers need to be aware of these impacts and factor them into their decision making. The NWA does not provide guidance on how to assess socio-economic impacts but does state that in situations that an existing lawful user receives a reduced allocation through a re-allocation process, compensation can be sought if this results in severe economic prejudice. Guidance is required on how this should be practically interpreted for each user sector in water re-allocation processes, in order to provide decision makers with an understanding of potential implications in relation to this section of the NWA.

Reconciliation studies and water balance studies conducted in the Inkomati-Usuthu Water Management Area by DWS and the Inkomati-Usuthu Catchment Management Agency (IUCMA) have demonstrated that future demands will not be met with current water sources. In addition, the IUCMA has finalised its Catchment Management Strategy, which must incorporate a Water Allocation Plan. Various developmental scenarios and proposed curtailment scenarios are being developed for various catchments in the Water Management Area. To finalise the Water Allocation Plan, a socio-economic impact study must be conducted. As a result, it is proposed to

use selected catchments in this Water Management Area as a test site for the tools and approaches for socio-economic assessment to be developed through this study.

The scope of this socio-economic impact assessment will encompass:

- Social and economic values inherent in the allocation of water within the prescribed area for landholders and the wider community;
- Social and economic impacts of water allocation, both short and long term, including the effects on the value of land; and
- Social and economic impacts of water resources developmental options such as construction of the regional dam in the Crocodile catchment.

The water use sectors in these catchments are domestic, municipal (light industry, hospitals, offices, etc), irrigation, large industries (including power generation), mining and forestry. For each of these sectors it will be required to estimate the economic return relative to the water use of that sector, as well as the number of jobs created. In cases where associated industries benefit from a primary water use, for example the fruit packing industry is directly reliant of the irrigation sector, this must also be quantified and reported on. Care must be taken to understand the effects of re-allocating water on all economic levels i.e. local, national and international economy, and that the implementation of the plan will not merely shift poverty from one sector to another, (e.g. from the rural poor to farm labourers), but will in fact increase the economy of the region as a whole. In short, the socio-economic assessment must evaluate the impacts of over-allocation and the extent to which the proposed re-allocation of water will bring about the equitable distribution of water, address the plight of the rural poor and promote gender equality.

In catchments such as the Crocodile, Sabie and Lower Komati, where water is already over-allocated, the compulsory licensing process will be initiated as soon as circumstances allow, or as outlined in the National Water Resource Strategy. In areas where there is no available allocable water, water may have to be re-allocated using compulsory licensing - to ensure the fair and equitable use of water, to correct over-allocations or to protect aquatic ecosystems. In these cases, special attention will be given to the possible social, economic and ecological implications of the re-allocation process. In these catchments new demands for water could be met by taking into account all relevant considerations including alternative sources of water or mechanisms for reallocation without the need for curtailing existing lawful water use.

Available information

In the Inkomati-Usuthu WMA, information to be provided to the research team will include quantitative data on water availability, requirements (current and future) and the extent to which reasonable curtailment strategies can beneficially impact on the water balance as part of the process to reconcile water requirements with available water. Information on current and future demands of water user sectors in each catchment, including the water requirements for the Reserve, opportunities to make more water available and scenarios of potential curtailments will also be available.

Deliverables:

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

1. Report covering objectives 1 and 2

2. Report containing the tools and approaches covered in objectives 3 and 4
3. Socio-economic assessment report for the selected catchments in Inkomati-Usuthu WMA
4. Final report and policy support documents, covering all aspects researched as per specific objectives

Time Frame:
Planned project start date: 1 April 2023
Completion of objectives 1-4 by 30 November 2023
Completion of objective 5 and 6 by 31 March 2024
Draft final report to be submitted by 31 May 2024

Total Funds Available:

Objectives 1-4:	R1,000,000
Objective 5:	R500,000
TOTAL	R1,500,000

Further details on these ToR can be accessed here and information on submission of proposals can be accessed here.