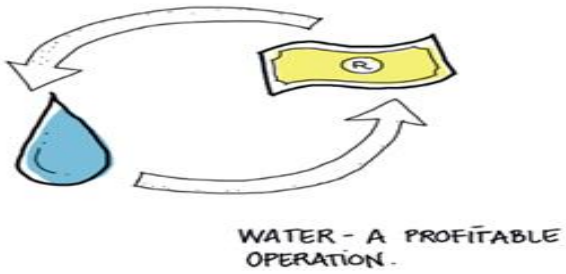
WATER SECTOR COOPERATION BETWEEN South Africa & DENMARK, Annual report for 2019

Danish Authorities in International Cooperation



The true cost of water

In 2019, the South African – Danish Water sector Cooperation programme commenced the implementation of the second phase (2) with a continued focus on three thematic areas: Urban Water Management, Groundwater, Water Efficiency in Industries and two other cross cutting components; Research & Innovation and a water Project Support Facility. A major contribution by Strategic Sector Cooperation(SSC) to support the development of a tool which can be used to effectively determine the true cost of water and sanitation provision at the municipal level in South Africa. The purpose of this is to assist municipalities in the setting of effective water tariffs to enable full cost recovery within the municipal water sector. In order to get a better understanding of the local water tariff and water pricing system, the SSC together with the Department of Water and Sanitation facilitated a water tariff setting workshop. The workshop was scheduled as a knowledge exchange session for information sharing and experiences on water costing and tariff setting.

Policy dialogue

On 26th November 2019, approximately 80 participants from municipalities, government departments, water-boards, universities, consultants and the Water Research Commission gathered together for a one-day workshop in Pretoria to share their perspectives on water costing and tariff setting. The Danish Competition and Consumer Authority and Aarhus Water were also in attendance to share information on their role and modalities for costing and tariff setting methodology. Discussions advocating for full cost recovery were essential, but it became clear that majority of the municipalities do not have a clearer understanding of their water and sanitation systems, therefore unable to determine the true costs of providing these services. The regulatory framework for water tariffs setting was also acknowledged to be very complex, fragmented within the different departments, not transparent and frequently difficult to understand. It was evident that, significant intervention is required in this regard, because the prices of water in many municipalities is not a true reflection of the cost of delivering water to the tap and removal and treatment of wastewater. In consultation with the Department of Water and Sanitation, it was therefore decided to engage consultants (Prime Africa) to support the development of a water costing and tariff setting tool. The water costing and tariff setting tool is to be piloted in four selected areas: Mbombela Municipality, Modimolle Local Municipality, iLembe District Municipality and City of Tshwane.

Outcome

The workshop was successfully conducted, and key salient outcomes were captured to form part of implementation plan in developing the water costing and tariff setting tool (Revenue Cap methodology). The workshop approach proved to be a valuable way of gathering expert knowledge, identifying challenges and information sharing on water tariffs by the relevant stakeholders. Based on the workshop engagements and outcomes, few changes were made e.g. the focus will only be on water costing. Following the workshop, it was agreed that consultants will conduct 3-4 case studies in the selected municipalities and the study will focus on Revenue Cap method. SSC will continue to provide ongoing support to the development of the Revenue Cap, piloting thereof and engage with the Department of Cooperative Governance and Traditional Affairs (COGTA) and South Africa Local Government Association (SALGA) for a rollout/implementation to other municipalities.

Status: Project under implementation.
Partners: Danish EPA, Danish Ministry of Higher Education and Research and The South African Ministry of Water and Sanitation, South African Ministry of Science and Technology
*Contact information: Kim Madsbjerg, Project Manager - Danish EPA, **kimad@mst.dk**; Jørgen Erik Larsen, Water Sector Counsellor, **joelar@um.dk**.*