



# **Funding CMA's**

## **- Sharing research findings -**

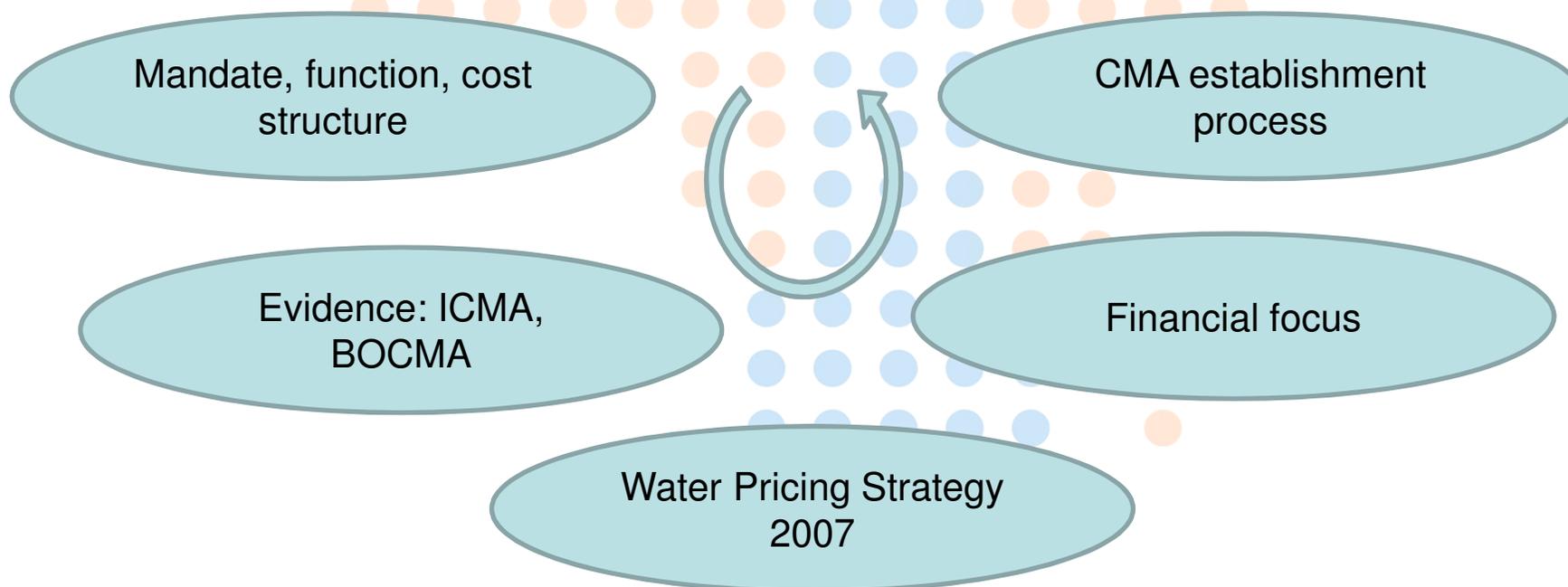
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# Acknowledgements

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- Other Reference Group Members

# Purpose and method

- Purpose: to investigate the mechanisms, conditions and viability of selected revenue streams required to address the cost structure of CMAs

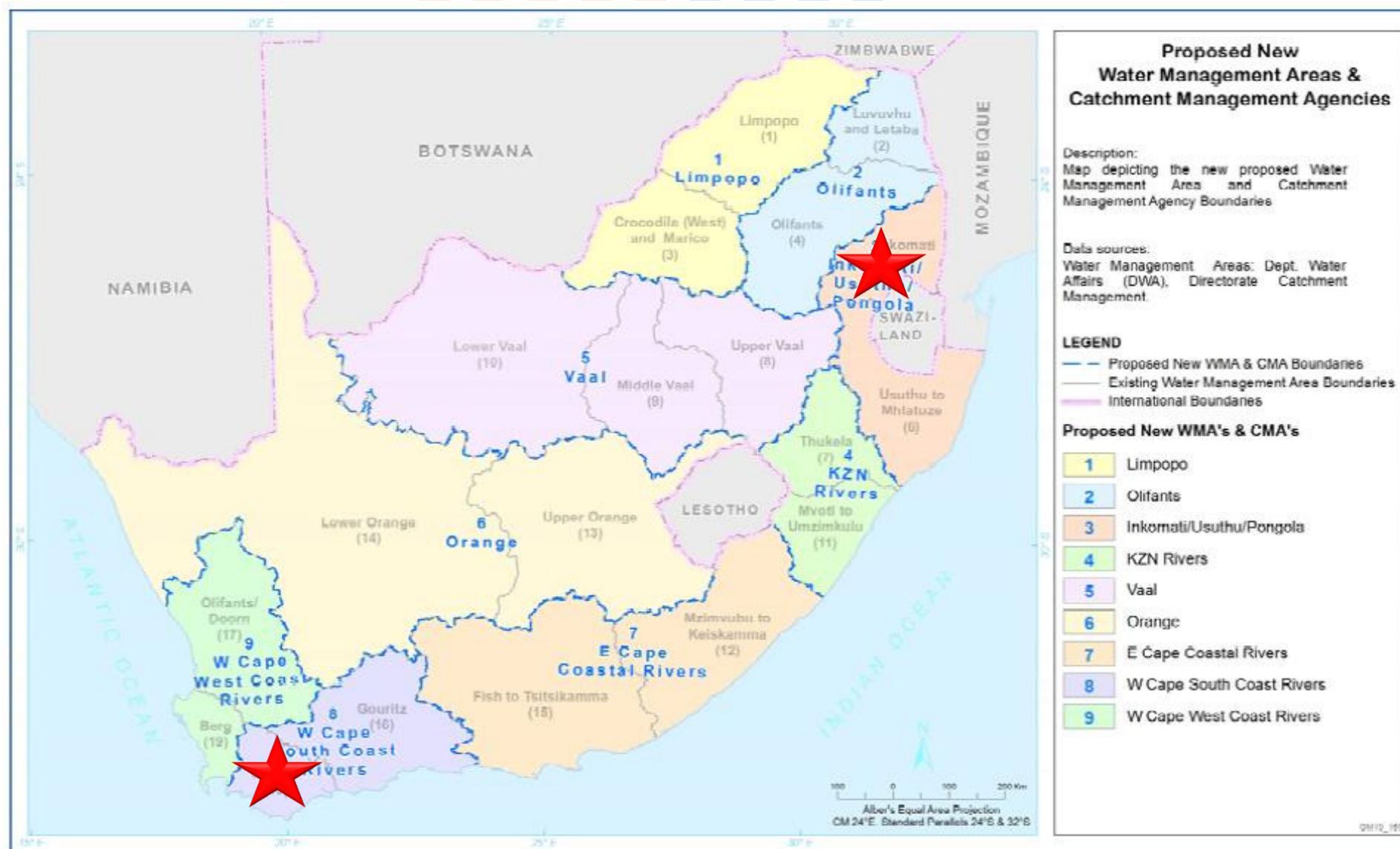


# Mandate, function and structure

- CMAs are statutory bodies - mandate defined in the National Water Act and other DWA publications
- Progressive delegation (phased)

Phase	Delegated or Assigned Functions
<b>Initial</b>	Initial functions
<b>Financial</b>	Registration of water users Setting and recovering water use charges Fostering cooperative governance and partnerships
<b>Management</b>	Making input to DWAF:RO regarding licences Development and operation of waterworks Auditing of catchment management activities Routine monitoring (and information management) Implement physical interventions Outstanding functions in Schedule 3 of the NWA
<b>Responsible authority</b>	Function as responsible authority Monitoring of water use Enforcement of licence conditions

# New CMA's Boundaries



# Other considerations

- Some of the CMAs will serve areas with a relatively small water use management component, while others will serve WMAs with a large and diverse economy, thus the size and powers of the CMA would differ accordingly
- Water user co-operation
- Thus varying personnel and cost structure

# Revenue options

- CMAs may qualify for various grants from DWA:
  - Public benefit grants would cover CMA mandated activities that are in the national benefit such as responsibilities attached to inter-basin transfer schemes, or water allocation reform initiatives.
  - Agriculture grants would cover the budget shortfall accruing from Agriculture water price subsidies.
- Envisaged in DWA's Raw Water Pricing Strategy (2007):
  - Raw water use charges
  - Waste Discharge Charge System (WDCS)
  - Economic charges, and
  - Ecosystem services transfers between CMAs.

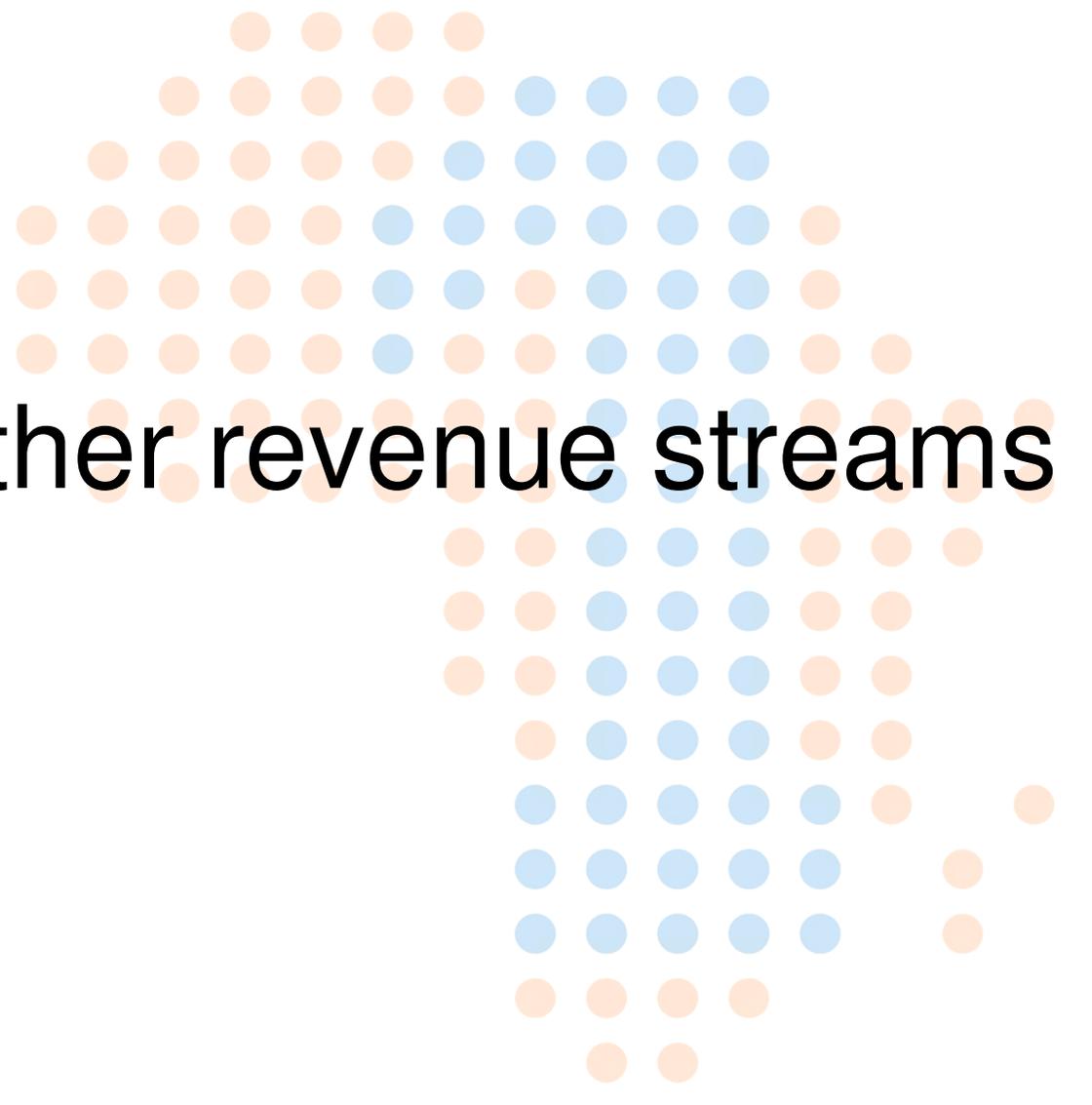
# 1. Raw Water Charges

- Current raw water charges, assuming zero grant funding from DWA, is insufficient to cover the costs of CMAs
- Water resource charges would have to be increase by up to ~250% across all WMA's to generate sufficient revenue to fully account for the cost of operating the CMA's

# Financial modelling output

- R220 million/a to establish CMA's to Initial Phase (1.51 cents/m<sup>3</sup>)
- R830 million/a to establish CMA's to Responsible Authority (5.84 cents/m<sup>3</sup>)

DPSA salary scale	DPSA level		Initial Phase		Consolidation Phase		Full Functionality Phase	
799,028	CEO	14	799,028	799,028	799,028	799,028	799,028	799,028
584,482	Manager	13	584,482	1,753,446	1,168,964	2,922,410	1,753,446	4,675,856
482,160	Manager	12	482,160	482,160	482,160	482,160	482,160	482,160
584,482	Senior	13	584,482	4,091,374	3,506,892	7,013,784	5,844,820	12,858,604
206,982	Junior	9	413,964	2,483,784	1,655,856	3,725,676	2,069,820	6,209,460
165,159	Admin	9	0	825,795	495,477	1,321,272	1,321,272	1,981,908
<b>TOTAL</b>			3,448,598	11,020,069	8,692,859	16,848,812	12,855,028	27,591,498



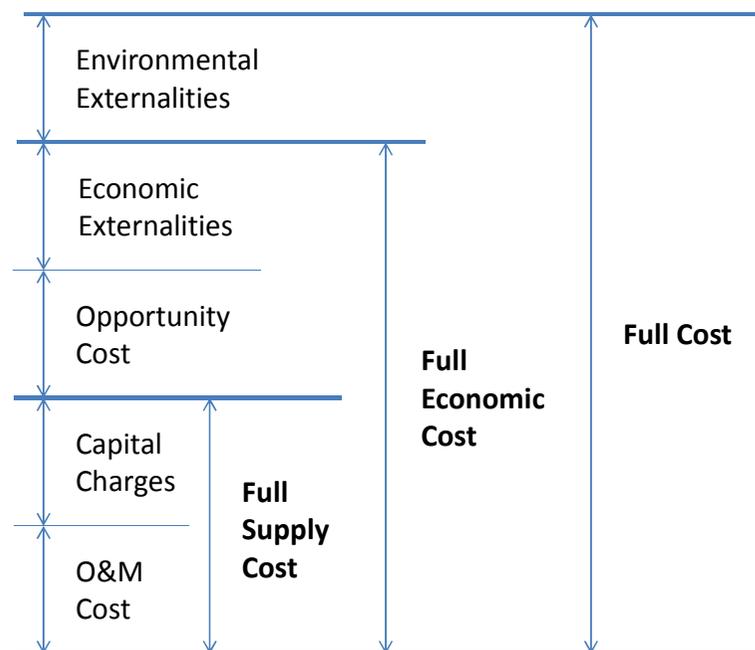
# Other revenue streams ...

## 2. Waste Discharge Charge System

- A mechanism for CMAs to more effectively manage the quality of the water resource through incentive-based control of pollutant discharge into the resource as well as the levying of a charge to mitigate adverse effects of discharges.
- Charges set at levels which will realistically enable the management of the resource quality.
- We anticipate that a CMA would levy an administrative charge on the Tier 1 WDCS charge. This levy could typically range between 12-18% of the Tier 1 charge. In the Olifants WMA case study used in this report, this would amount to an additional revenue of between R67 million to R100 million per year. This revenue would likely be spent on personnel and equipment costs incurred to manage the WDCS.

# 3. Economic charges

- Instruments that encourage the use of water to move from the production of lower to higher value commodities could be introduced.
  - Water Conservation and Water Demand Management (WC/WDM) in the irrigation, domestic water use, and mining sectors
  - Lowering the assurance of supply
  - Compulsory Levy and Purchasing Water Entitlements
  - Payments for ecosystem services



# Other considerations

- National Water Policy Review in 2013
  - Water trading
  - Economic regulator
- Invoicing and cash flow

# Implications

- Budget required is relatively small amount, though not insignificant
- In 2010/11 WRM expenditure was R250 million
- Current budget allocated by the DWA for water resource management in the 2011/12 financial year was R450 million.

# Recommendations

- CMA's progressively increasing raw water use charges and to improve cost recovery
- Ring-fencing required
- Handover schedule to determine an order of priority for water resource management activities to be transferred
- A cost benefit analysis of the various CMA functions needs to be undertaken to identify which specific functions will yield the greatest benefit for the given level of expenditure
- CMA budgets should be set relative to expected revenue
- Establish a contractual obligation between water resource users and their corresponding CMA, detailing services offered and the corresponding charges
- Economic regulation and instruments increasingly important in future.