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# 1. SCOPE OF WORK

## 5.1 **BACKGROUND**

The South African National Biodiversity Institute (SANBI) is currently implementing the five-year Global Environmental Facility (GEF) funded Ecological Infrastructure for Water Security (EI4WS) Project in partnership with the Department of Forestry, Fisheries and the Environment (DFFE) and the Development Bank of Southern Africa (DBSA). The project aims to develop policy and capacity incentives for mainstreaming biodiversity and ecosystem values into national, regional, and local development policy and finance and is working in two demonstration catchments. One of these demonstration catchments is the greater uMngeni catchment. SANBI has entered into a collaboration agreement with Umgeni Water (UW) to implement some of the work of the project in the greater uMngeni catchment.

South Africa is a semi-arid, water stressed country with an average rainfall of about 450mm, which is well below the world average of about 860mm per year. The country is faced with uneven spatial distribution of water, seasonal rainfall, and relatively low flow in rivers, which limit the proportion of stream flow available for use. Subsequently, a clear understanding of the amount of water we have, who is using it and where, is key to achieving good water resource management and long-term planning in South Africa.

The National Water Act (NWA No. 36 of 1998) provides for the protection, development, conservation, management, control, and use of water resources in an equitable and sustainable manner. Section 21 of the NWA defines water use as activities that have an impact on the quantity, quality, and aquatic ecosystem (habitat and biota) of a water resource. This section lists 11 water uses which are grouped into Domestic/Industry, Agriculture and Stream flow reduction sectors in the 2007 water pricing strategy. Furthermore, section 26 and 34 of the NWA require water users to register their water uses with the Department of Water and Sanitation (DWS). Registration of water use enables systematic and fair recovery of the actual cost for water. Water uses are charged in the pricing strategy as per section 56 of the NWA for the purposes of:

- Funding water resource management and water resource development.
- Achieving equitable and efficient allocation of water.
- Providing differential rates for water use and Waste Discharge Charge System (WDCS).

Currently, the pricing strategy does not reflect the full cost of water. Emphasis is given to abstraction and stream flow reduction related uses with minimum or no consideration of Ecological Infrastructure (EI) maintenance/restoration, discharge related and opportunity costs. Hence this document intends to appoint a service provider to assist key stakeholders to investigate the full cost of raw water for different user groups in the greater uMngeni catchment and explore opportunities within the raw water pricing strategy that ensure more equitable allocation of the full cost for water amongst different users. The uMngeni and uMkhomazi catchments have been selected as key focus areas for this project.

## **5.2 PURPOSE OF THE APPOINTMENT**

The purpose of this document is the appointment of a competent Professional Service Provider (PSP) to assist key stakeholders to investigate the full cost of raw water for different user groups in the greater uMngeni catchment and explore opportunities within the raw water pricing strategy that ensure more equitable allocation of the full cost for water amongst different users.

## **5.3 DURATION OF THE PROJECT**

The PSP will be required to conclude this project within a period of 12 months. There will be no extensions granted to this 12-month period.

## **5.4 PROJECT OUTCOMES**

The PSP will be required to demonstrate innovative and creative ways to execute the project scope (building on existing information) and build capacity (UW, SANBI and other stakeholders), encouraging and promoting learning and building strategic relationships. The scope of work of the project is outlined below.

## **5.5 PROJECT SCOPE**

The scope of this project is the following:

- Convene and facilitate stakeholder workshops to assist stakeholders to identify water user groups within the greater uMngeni catchment.
- Undertake a water user analysis with stakeholders for the greater uMngeni catchment.
- Establish the criteria for prioritisation of water user groups for this project and use the criteria to prioritise the water user groups for the study.
- Investigate and select a suitable methodology for investigating the full cost of raw water for the prioritised user groups within the greater uMngeni catchment.
- Determine the full cost of raw water for the prioritised user groups within the greater uMngeni catchment using the selected costing method.
- Develop a process to determine opportunity costs (including identifying any implicit or explicit subsidies within the system and the effects thereof), economic and environmental externalities of not allocating the total cost of water to the different water user groups.
- Review the current allocation of the cost of raw water for the prioritised water users within the raw water pricing strategy.
- Investigate and recommend opportunities for inclusion of EI in the raw water pricing strategy.

- Convene and facilitate stakeholder workshops to identify funding mechanisms for the restoration and maintenance of EI for the case study catchments.

## 5.6 **DELIVERABLES**

The following deliverables are expected as part of the services that will be provided by the appointed service provider:

- An inception report which must include a detailed work plan indicating the phases of work, timing, key deliverables, milestones and budget breakdown.
- An analysis of the identified water user groups within the greater uMngeni catchment.
- Established criteria for prioritisation of water user groups for this project.
- A methodology for investigating the full cost of raw water for the prioritised user groups within the greater uMngeni catchment.
- A full cost of raw water for the prioritised user group within the greater uMngeni catchment using the selected costing method.
- A process to determine the opportunity costs (including identifying any implicit or explicit subsidies within the system and the effects thereof), economic and environmental externalities of not allocating the total cost of raw water to the different water user groups.
- Review current allocation of cost of raw water for the prioritised water users within the raw water pricing strategy.
- Recommendations for opportunities to include EI in the raw water pricing strategy.
- Identified funding mechanisms for the restoration and maintenance of EI for the case study catchments.
- A process infograph for the steps that were followed to undertake the project: Assist key stakeholders to investigate the full cost of raw water for different user groups in the greater uMngeni catchment and explore opportunities within the raw water pricing strategy that ensure more equitable allocation of full cost for raw water amongst different users.
- A draft final report consisting but not limited to:
  - An explanation of how skills have been imparted/transferred to project staff from Umngeni Water and SANBI.
  - An analysis of the identified water user groups within the greater uMngeni catchment.
  - Established criteria for prioritisation of water user groups for this project.
  - A methodology for investigating the full cost of raw water for the prioritised user groups within the greater uMngeni catchment.
  - A full cost of raw water for the prioritised user group within the greater uMngeni catchment using the selected costing method.

- A process to determine the opportunity costs (including identifying any implicit or explicit subsidies within the system and the effects thereof), economic and environmental externalities of not allocating the total cost of raw water to the different water user groups.
  - A review of the current allocation of cost for the prioritised water users within the raw water pricing strategy.
  - Recommendations for opportunities to include EI in raw water pricing strategy.
  - Identified funding mechanisms for the restoration and maintenance of EI for the case study catchments.
- Final report

## **5.7 SKILLS AND COMPETENCIES REQUIRED**

To fulfil the requirements for assisting key stakeholders to investigate the full cost of raw water for different user groups in the greater uMngeni catchment and explore opportunities within the raw water pricing strategy to ensure a more equitable allocation of the full cost for raw water, the service provider should have the following demonstrable experience, skills, and competencies:

- Excellent knowledge of water policies and legislation.
- Strong financial acumen with good understanding of financial mechanisms in the water sector.
- Excellent research, creativeness and innovative skills.
- An ability to incorporate action learning and information transfer.
- Excellent analytical, conceptual and report writing skills.
- Excellent stakeholder engagement and social process learning skills.

## **5.8 EXPERIENCE AND QUALIFICATION OF PSP**

The key personnel that will be assigned for undertaking the study should have expertise in natural science and environmental economics with 5 years' experience in undertaking financial analysis in the raw water pricing strategy. Furthermore, the key personnel should have proven knowledge and experience working in the greater uMngeni catchment with stakeholders.

## **5.9 REPORTING REQUIREMENTS**

Following confirmation of the selection and appointment of the Professional Service Provider (PSP), a kick-off meeting shall be held between the PSP and the Umgeni Water project team. The purpose of the meeting will be to:

- Confirm the scope of work and any information requirements.
- Obtain additional project background information from Umgeni Water.
- Confirm the project approach, project scope and design, reporting requirements and schedule.
- The successful service provider will be required to provide monthly progress and monthly progress meetings will be held between the PSP and the Umgeni Water project team.

## **5.10 EVALUATION OF PROPOSAL**

The potential service provider will be required to submit, at its own cost, a proposal/method statement in which it will show its ability to perform the tasks described in these Terms of Reference.

Proposals shall include the following:

- CV of proposed key personnel indicating the project manager and project team showing relevant qualifications and experience.
- Demonstration of an understanding of the scope of work required.
- Method statement indicating the methodology that will be employed.

- Work or preliminary program indicating timeframe for deliverables.
- A clear understanding of what is required as deliverables to this project must be presented.
- A cost estimate for all tasks of work is required. The hourly rate of personnel must be stated. The costing should indicate costs per task as well as overall costs.
- Travel and disbursements must be incorporated into the budget.
- Administration costs including project management fees must also be included where applicable (specify).

## 2. ELIGIBILITY AND EVALUATION CRITERIA

### 6.1 EVALUATION METHOD:

The quotation will firstly be evaluated on eligibility. If found to be eligible, it will be further evaluated in two stages i.e.

- Functionality shall be assessed. A minimum functionality score of 70 (seventy) points is required for the tender to be considered further.
- Price & Preference using the 80/20 Preference Point Scoring System in terms of PPPFA

#### Stage 1

Eligibility
Umgeni Water will only consider submissions from tenderers who satisfy the following criteria:
a) the Tenderer has completed and signed the Bidders Disclosure Form ( <b>SBD4</b> ).
b) The Key personnel needs to be registered with the relevant professional registration bodies i.e. SACNASP or similar.

#### Stage 2

Functionality										
The minimum qualifying Functionality Evaluation Score shall be seventy (70) points.										
The table below lists the returnable schedules that set out the scoring criteria and sub-criteria, and the percentage weighting for the score achieved against the relevant schedule:										
<table><tr><th>Returnable Schedule</th><th>Weighting %</th></tr><tr><td>• Tenderer's Experience</td><td>30 points</td></tr><tr><td>• Experience of Key Personnel</td><td>30 points</td></tr><tr><td>• Method Statement</td><td>30 points</td></tr><tr><td>• Preliminary programme</td><td>10 Points</td></tr></table>	Returnable Schedule	Weighting %	• Tenderer's Experience	30 points	• Experience of Key Personnel	30 points	• Method Statement	30 points	• Preliminary programme	10 Points
Returnable Schedule	Weighting %									
• Tenderer's Experience	30 points									
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• Method Statement	30 points									
• Preliminary programme	10 Points									
<b><u>Failure to score a single point in any of the criteria listed above will deem the bid to be non-responsive and the bidder will be disqualified.</u></b>										

**Note: Bidders must achieve a minimum score of 70 points for Stage 2 of the technical criteria, in order to be considered for the next level of the evaluation process i.e., Price and BEE.**

### **Stage 3**

#### **Price Evaluation**

The procedure for the evaluation of responsive tenders is Method 2 (Financial Offer and Preference) using Price & Preference 80/20 Preference Point Scoring System in terms of PPPFA

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