

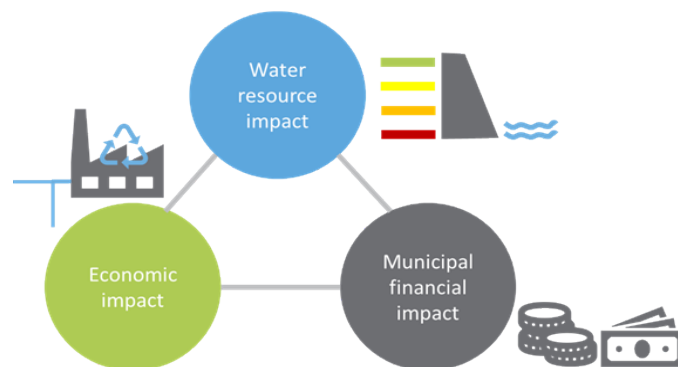
Financial mechanisms and models towards economic water resilience in the Western Cape – Phase 2



PDG previously undertook a study into financial models and mechanisms for hybrid centralised/off-grid water supply systems for the Western Cape Government in 2018/19 as a response to the recent drought and its impact on the economy. The original study covered six local municipalities and the City of Cape Town metropolitan municipality. The Province requested that PDG repeat the study methodology on ten additional municipalities to determine whether hybrid water supply systems for non-residential customers would be applicable in these areas, as well as to broaden the study conclusions.

The findings from this second study were similar to the first in that centralised systems are in most, if not all cases, the most appropriate way to balance competing interests for the public good, in the most fiscally efficient manner. This is not to say that decentralised water supplies should not be prohibited; they should be allowed, or even actively promoted to operate as emergency supplies in drought situations, but not to the detriment of the centralised system. This includes the diversion of public funding towards decentralised systems.

However, much still needs to be done to improve the economic water resilience in centralised (i.e. municipally managed) water supply systems in the province. The study identified four main imperatives to achieve this: 1) making centralised systems more robust through diversification of supplies; 2) improving the financial model of municipal water services through revised tariff structures; 3) assisting with the capital funding of water supply augmentation in capital constrained municipalities through public-private partnership models; and 4) incentivising all users (residential and non-residential) to be as efficient as possible in their use of water.



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As the crisis of the drought diminishes, the impetus to increase water efficiency and water security must not be lost. This study presented the best available data and an integrated modelling methodology to be able to quantify the impact of possible strategic approaches and to rationally evaluate the options.

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HWSM2 PROJECT:

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