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TURNAROUND STRATEGY OF ETHEKWINI WATER & SANITATION UNIT AND IMPLEMENTATION ACTION PLAN: FROM CRISIS TO RESILIENCE

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ABSTRACT

In light of the declining state of municipal services and South Africa's constrained economy, made worse by the impact of climate change, the country's eight leading metros—Buffalo City, City of Cape Town, City of Ekurhuleni, City of eThekweni, City of Johannesburg, Mangaung, Nelson Mandela Bay, and City of Tshwane—play a critical role in sustaining growth and service delivery. National Treasury, in partnership with the Presidency and the Department of Water and Sanitation, has initiated a reform process targeting urban water and sanitation services, particularly within metropolitan municipalities where the impact is most severe.

The Metropolitan municipalities are the prime target for these reforms due to the magnitude of the crisis that the sector is experiencing and the high level of impact that this is causing on the economy, society and to the water and sanitation industry in South Africa as a whole.

Recent analysis of the key indicators in the metropolitan municipalities water & sanitation sector, depicts a picture of under investment for number of years. Mid-year budget review in 2024 indicated that despite the increase in access to water and sanitation services, there is not enough investment in bulk services like wastewater treatments and water treatment, and maintenance in general. Thus, it is recognized that part of turning around municipal water business will require significant investment. The Municipality alone will not be able to meet the investment needs to have significant impact, while failure to provide a solution to the glaring challenges will collapse the economy of both the city and the country.

To address this challenge National government is working with the municipality to develop a long-term sustainable solution in addressing the under investment. National government has produced an incentive grant, which requires Cities to develop a turnaround strategy that sets out clear goals with time bound targets and includes a practical way to develop the necessary capability to implement the strategy effectively. This paper will show how eThekweni Water & Sanitation unit has developed their Turnaround Strategy with the required road map and clear implementation plan that will be measured.

1 INTRODUCTION

South African municipalities, particularly the eight metropolitan municipalities (Category A), are grappling with a steady decline in the performance of core trading services—water and sanitation, electricity, and solid waste management. This decline is attributed to deteriorating infrastructure platforms, increasing operational inefficiencies, declining service reliability, and limited investment in maintenance and upgrades. These factors threaten not only service delivery but also the long-term financial sustainability of cities.

Recognizing these challenges, the National Treasury launched a structured reform programme in 2024, supported by a series of Guidance Notes. These notes serve as policy instruments to drive performance-based reform of

municipal trading services. They set out the rationale for change, define eligibility criteria for conditional grant funding, and outline expectations for operational transformation, institutional reform, and financial transparency. Together, these reforms seek to reverse underperformance by incentivizing well-governed, efficient, and accountable service delivery models. Specifically, the reform aims to reverse underperformance by rewarding well-governed, efficient, and accountable service delivery.

Urban water and sanitation services in South Africa face mounting pressures from aging infrastructure, climate change, population growth, and financial constraints. eThekweni Municipality, serving over 4.2 million residents, has experienced significant service delivery challenges, prompting the development of a comprehensive Turnaround Strategy (TAS) approved in April 2023. This strategy is now supported by a Business and Investment Plan (A2-BIP) and an Institutional Reform Roadmap (A1-IRR), forming the basis for accessing performance-based incentive funding through the Urban Settlements Development Grant (USDG).

This paper presents the strategic transformation of the eThekweni Water and Sanitation Unit through its TAS, A1-IRR, A2-BIP, and Performance Improvement Action Plan- (A3-PIAP). The paper outlines the drivers of change, strategic objectives, implementation mechanisms, and investment priorities aimed at stabilizing and positioning the utility for long-term sustainability.

1.1 Drivers of Change

The development of the TAS was driven by a combination of internal and external factors that created a pressing need for reform within the eThekweni Water and Sanitation Unit (EWS).

The primary drivers of change included:

- **Service Delivery Failures:** Persistent issues with water supply interruptions, sewer spillages, and poor customer service eroded public confidence and required urgent corrective action.
 - **Infrastructure Backlogs and Failures:** Years of underinvestment resulted in aging and failing infrastructure, exacerbated by the April 2022 floods which caused widespread damage to both water and sanitation assets.
 - **Non-Revenue Water (NRW) and Financial Leakage:** High levels of water loss, low metering coverage, and poor billing practices led to reduced revenue collection and financial instability.
 - **Regulatory and Governance Pressure:** National Treasury's Trading Services Reform Strategy and oversight from the Department of Water and Sanitation set new expectations for accountability, transparency, and performance.
 - **Climate Change and Population Growth:** Increasing climate variability and urbanization have intensified stress on water resources, demanding more resilient and forward-looking planning.
 - **Public Trust and Accountability:** Growing dissatisfaction from communities, civil society, and political stakeholders highlighted the need for improved communication, responsiveness, and citizen engagement.
- These factors collectively underscored the urgency for institutional reform and the strategic repositioning of EWS to function as a financially sustainable, performance-managed, and customer-focused utility.

1.2 National Basis for the Turnaround Strategy

National Treasury has acknowledged that trading services—comprising electricity, water and sanitation, and solid waste management—are in a state of progressive decline. This deterioration stems from long-standing underinvestment in infrastructure, resulting in increased operational inefficiencies, frequent service disruptions, declining cash revenues, and weakened financial sustainability across metropolitan municipalities.

As outlined in Guidance Note 2 (GN2), this decline undermines not only service delivery but also the broader economic and financial stability of metros, which depend on trading services for reliable revenue generation. GN2 introduced a more standardized approach to reform, embedding the Trading Services Reform Strategy (TSRS) into the planning, budgeting, and performance cycles of municipalities. It emphasized the importance of aligning trading services reforms with the Medium-Term Strategic Planning (MTSP) and the Medium-Term Revenue and Expenditure Framework (MTREF), ensuring that performance-based funding becomes an integral part of municipal governance.

Complementing this, Guidance Note 3 (GN3) reinforced the need for institutional and governance reforms—particularly around the establishment of a Single Point of Management Accountability (SPoMA), financial ring-fencing, and transparency in reporting. Together, these guidance notes set a national framework aimed at repositioning trading services as professionally managed, accountable, and financially viable components of municipal government.

To operationalize this agenda, eThekweni developed its TAS, in alignment with the TSRS. This is supported by the A1-IRR and the A2-BIP, forming an integrated response to the requirements of the reform strategy.

Rather than serving as compliance documents, these submissions are practical, outcome-oriented instruments designed to:

- Reverse chronic underinvestment in infrastructure and services
- Consolidate accountability under a unified management structure
- Establish credible financial baselines and align budgets with performance outcomes
- Build resilient, customer-focused business units capable of delivering sustainable services

Guidance Note 1 outlines the sequencing and deadlines for these submissions, while GN2 and GN3 collectively provide the structural and institutional expectations underpinning them.

Crucially, Guidance Note 4 (GN4) translates these ambitions into measurable performance commitments through the A3-PIAP. The A3-PIAP serves as a binding accountability instrument, capturing the strategic intent of the TAS, A1-IRR, and A2-BIP within a multi-year implementation matrix. Organized around three performance pillars—Accountability, Financial, and Operational—the A3-PIAP includes specific KPIs tracked quarterly and annually to inform funding decisions.

eThekweni's reform submissions meet the full criteria set out by National Treasury, positioning the municipality for continued support and laying the groundwork for long-term transformation.

1.3 Role of Council and Committees

The municipal Council, as the highest decision-making authority, plays a pivotal role in the approval and oversight of the TAS. It ensures strategic alignment with the Integrated Development Plan (IDP), national development priorities, and long-term municipal goals. Council authorizes funding allocations—whether from internal revenues, grants, or external loans—and leads public engagement processes to ensure the strategy reflects community priorities. Critically, Council

upholds institutional accountability by monitoring the performance of the administration, requiring regular reporting, and holding the City Manager and executive leadership accountable for implementation outcomes.

Supporting this oversight function, Council Committees provide technical input and detailed analysis ahead of formal decisions. The Finance Committee assesses the financial viability of the strategy, funding models, and associated risks. The Infrastructure or Technical Services Committee evaluates the technical feasibility, operational impacts, and implications for service delivery. The Governance or Audit Committee ensures the strategy aligns with procurement regulations, legislative mandates, and ethical governance principles. The Performance Management Committee tracks progress on key deliverables and monitors KPIs linked to the strategy. These Committees also vet and recommend grant applications, development finance proposals, and tariff adjustments necessary to ensure the financial sustainability and successful implementation of the TAS.

2 STRATEGIC FRAMEWORK

2.1 Turn Around Strategy (TAS) Objectives

The TAS outlines 12 strategic objectives focused on financial recovery, water security, asset management, customer service, and governance. Key short-term goals include reducing NRW by 5% annually, improving cash collections to 95%, restoring infrastructure damaged by floods, and establishing a single point of accountability.

The 12 strategic objectives are:

- Emergency financial turnaround
- NRW reduction and cash collection
- Water security
- Bulk water supply
- Institutional capability
- Asset management and operations and maintenance
- Asset creation
- Revenue and finance
- Revenue from ITB land
- Water management devices
- Customer management
- Procurement

These strategies were developed through a series of facilitated workshops involving both internal stakeholders and external departments, led by the City Support Programme Team. The process identified interdependencies and systemic weaknesses.

For the short-term goals such as NRW and cash collection, clear action plans were developed with associated resource requirements. Medium-term action plans address capital projects focused on storm damage recovery and compliance.

2.2 Institutional Reform Roadmap (A1-IRR)

The A1-IRR was submitted to National Treasury on 30 September 2024 and follows the guidelines outlined in NT Guidance Note 4. It aims to establish a ring-fenced, accountable Water and Sanitation business unit.

The six strategic pillars of the roadmap include:

1. Institutionalization of Single Point of Accountability
2. Management Capacity Augmentation
3. Governance Model Improvement
4. Financial Ring-fencing
5. Budget Execution and Private Financing
6. Transparency and Financial Reporting

Key deliverables include:

- Functional Head of Department control over all operations
- Separate financial statements for water services
- Reallocation of grants and revenue to ensure financial sustainability
- Strengthening internal governance to support accountability and long-term performance

2.3 Business and Investment Plan (A2)

Submitted concurrently with A1-IRR, A2-BIP details how the TAS will be operationalized. Its guiding theme is:

“To Stabilize the Water and Sanitation Business and Leapfrog it into the Future”

The immediate objective covered by the Plan is to stabilize the organization, to recover fully in the medium term and prepare for growth into the future. This is EWS’s commitment to implement the reform agenda that water and sanitation, as a trading service, should be managed as a business that is able to generate surplus to re-finance the maintenance of existing assets and the creation of new assets to grow the City’s economy for the future.

In developing the Business and Investment Plan, Figure 1, EWS has taken account of the TAS, changes in the external environment and the Strengths, Weaknesses, Opportunities and Threats in our internal environment. Arising from this analysis, the A2-BIP summarizes strategic challenges, which are reflected in the TAS, that in the main EWS is in a cycle of decline, which requires major changes and improvements.

The plan calls for a shift from reactive crisis management to proactive, sustainable service delivery. It includes:

- R15 billion in capital expenditure over 5 years
- R4 billion investment in NRW reduction
- R25 billion worth of Public-Private Partnership (PPP) projects
- Major initiatives such as fleet renewal, ICT upgrades, and human capital development
- Performance-based contracting and monitoring mechanisms

2.4 Monitoring and Evaluation: Performance Improvement Action Plan (A3-PIAP)

The A3-PIAP is a key instrument for accountability and performance tracking in eThekweni’s reform journey. Issued in alignment with Guidance Note 4 from National Treasury, the A3-PIAP serves as a binding performance agreement between the metro and national government.

This comprehensive plan consolidates all measurable targets from the TAS, A1-IRR, and A2-BIP into a single, integrated framework. Structured around the A3-PIAP template issued by National Treasury, the A3-PIAP includes over 100 Key Performance Indicators (KPIs) which enables transparent monitoring and conditional grant funding alignment.

The three key performance pillars include:

- **Accountability Performance:** Indicators in this pillar assess governance structures, the establishment of a single point of management accountability (SPoMA), and improvements in procurement transparency and institutional autonomy.
- **Financial Performance:** Focus areas include improving the cash collection rate (target 95%), achieving a positive operational cash flow by Year 3, enhancing cost recovery, and aligning the budget with the Business and Investment Plan.
- **Operational Performance:** This includes metrics such as Non-Revenue Water (target <35%), infrastructure reliability (pipe bursts and sewer blockages per 100 km), Blue and Green Drop compliance scores (target >95%), customer response times, and execution of capital projects.

Each KPI in the A3-PIAP is time-bound, with clear targets for Year 1 through Year 3, and is monitored through quarterly and annual reporting. The template facilitates financial transparency and integrates with mid-year budget reviews, enabling adaptive management and funding re-alignment based on actual performance.

By using this structured framework, National Treasury can track the municipality’s progress and release grant funding based on verifiable improvements. For EWS, the A3-PIAP not only clarifies internal priorities but also enhances external accountability and builds public trust in the reform process. Table 1, on the following page, depicts the A3-PIAP template drawn from Addendum to GN 4.

This integration of planning, execution, and accountability positions the A3-PIAP as the cornerstone of sustainable trading services reform.

3 IMPLEMENTATION MECHANISMS

3.1 Performance-Based Management Contract (PBMC)

A five-year PBMC has been introduced to augment technical leadership, fast-track reforms, and embed business principles within EWS. It includes clearly defined performance benchmarks.

3.2 Public-Private Partnerships (PPP)

Major projects include:

- R2.1 billion Regional Wastewater Treatment Works
- Desalination and water reuse projects
- Renewable energy and hydropower for treatment works

3.3 Capacity Building and Change Management

Training, leadership coaching, and improved recruitment mechanisms are being implemented to support the reform process. City-wide stakeholder engagement supports accountability.

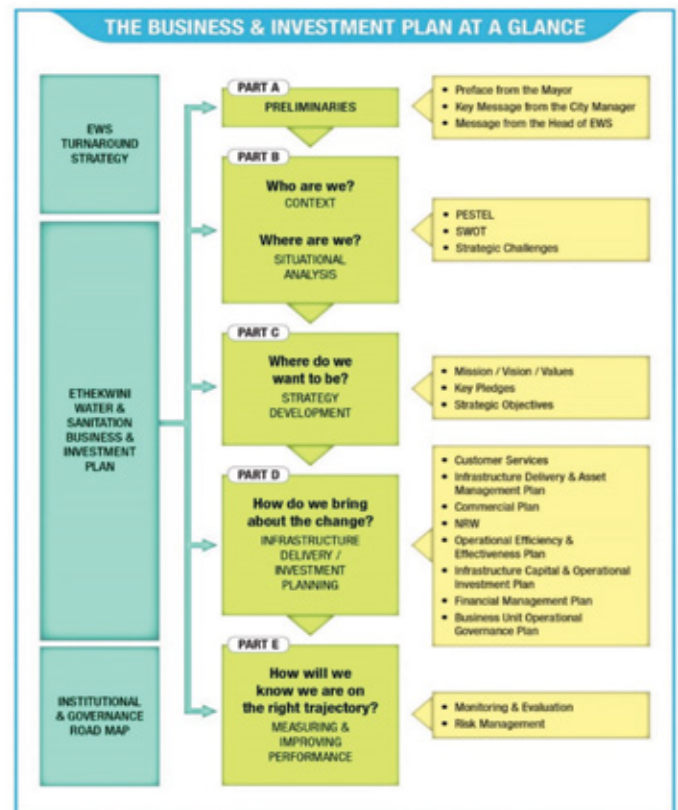


FIGURE 1: Flow Diagram of how the Business and Investment Plan A2-BIP was structured

TABLE 1: Template from Addendum to Guidance Note 4 (GN4): Annexure: technical indicator description and minimum commitments definition sheets quick overview

		(Allocations depend upon prior-year performance)						
Performance areas	Ref	Minimum commitments & performance indicators	YR-1	YR 2	YR 3-6	Weights		
Accountability Performance Minimum commitments	M1	SPoMA Service Compact	binary	binary	binary			
	M2	SPoMA Appointment	binary	binary	binary			
	M3	SPoMA Organisational structure	binary	binary	binary			
	M4	SPoMA Delegations	binary	binary	binary			
	M5	Financial Model and Business & Investment Plan	binary	binary	binary			
	M6	Budget Support of Business & Investment Plan	binary	binary	binary			
	M7	Financial Transparency – separate AFS	binary	binary	binary			
	M8	Support for management of organisational change	binary	binary	binary			
Accountability Performance Performance Indicators	A1	Customer surveys	n.a.	binary	scalable	2	10	
	A2	Financial Accounting – mSCOA compliance	n.a.	binary	scalable	2		
	A3	Public Procurement Transparency	n.a.	binary	scalable	2		
	A4	Capital Budget Execution	n.a.	binary	scalable	2		
	A5	Core Technical & Management Capacity	n.a.	binary	scalable	2		
Financial Performance Performance Indicators	F1	Financial Viability OCCR	n.a.	binary	scalable	5	30	
	F2	Cash Collection rate	n.a.	binary	scalable	5		
	F3	Operational Cash Flow	n.a.	binary	scalable	5		
	F4	Customer Debt management – debtors days	n.a.	binary	scalable	5		
	F5	Infrastructure Capex	n.a.	binary	scalable	5		
	F6	Self-Financing ratio	n.a.	binary	scalable	5		
Operational Performance Performance Indicators Water & Sanitation	W1	Water Security – input volume % raw water allocation	n.a.	binary	scalable	5	60	
	W2	Drinking Water Systems Blue Drop	n.a.	binary	scalable	5		
	W3	Waste Water Treatment Systems Green Drop	n.a.	binary	scalable	5		
	W4	Wastewater % of samples compliant with license	n.a.	binary	scalable	5		
	W5	Water Network – mains failures frequency / 100 km	n.a.	binary	scalable	5		
	W6	Sewer Network – blockages frequency / 100 km	n.a.	binary	scalable	5		
	W7	Physical Water Loss – Infrastructure Leakage Index	n.a.	binary	scalable	5		
	W8	Water Service Complaints Response % in 48 hours	n.a.	binary	scalable	5		
	W9	Sewer Service Complaints Response % in 48 hours	n.a.	binary	scalable	5		
	W10	Non-Revenue Water (NRW)	n.a.	binary	scalable	10		
	W11	Metering Performance	n.a.	binary	scalable	5		
Operational Performance Water & Sanitation Electricity & Energy	E1	Bulk Commercial Metering Performance	n.a.	binary	scalable	5	60	
	E2	Vending Efficiency % of metering operational	n.a.	binary	scalable	5		
	E3	Automated Meter Reading Coverage	n.a.	binary	scalable	5		
	E4	Repairs Efficiency	n.a.	binary	scalable	5		
	E5	Electricity losses as % of electricity purchased	n.a.	binary	scalable	30		
	E6	Network effectiveness ASIFI	n.a.	binary	scalable	5		
	E7	Network effectiveness ASIDI	n.a.	binary	scalable	5		

4 INVESTMENT PRIORITIES

The TAS and associated A2-BIP outline ambitious capital and operational programmes to address historical backlogs, infrastructure decay, and future growth demands. These investments are structured to not only meet immediate service delivery obligations but also catalyze economic development, job creation, and resilience to climate change.

4.1 Water Sector

In the water sector, key priorities include the replacement of 160,000 domestic and commercial meters to improve billing accuracy and revenue

collection. The replacement of 890km of aging water pipelines will reduce water losses, improve pressure management, and ensure more reliable supply. Completion of the Southern Aqueduct, a multi-billion rand regional conveyance infrastructure, will significantly boost bulk water security and address supply constraints in growing northern regions.

4.2 Sanitation Sector

For sanitation, investments focus on the upgrading and expansion of regional Wastewater Treatment Works (WWTWs) and pumpstations, construction of new treatment capacity, and rehabilitation of overloaded

sewer networks. In addition, the plan includes the provision of appropriate on-site sanitation solutions in informal settlements to ensure equitable access to basic services.

4.3 Operational Enhancements

Operational improvements include the renewal of the municipal fleet (valued at R1.7 billion), upgrading of ICT systems for billing, asset management and operations, and decentralization of regional operations centers to reduce response times and enhance customer service delivery.

5 RISKS AND MITIGATION

Implementing a reform programme of this scale and complexity carries inherent risks that must be proactively managed to ensure success.

- **Financial Risks:** These include budget shortfalls, delayed grant disbursements, and under-expenditure of capital budgets. Mitigation measures involve multi-year budgeting, ring-fencing of funds, financial oversight committees, and increased efforts to leverage PPP and donor financing.
- **Institutional and Political Resistance:** Organizational change may be met with internal resistance or political interference. To mitigate this, the municipality is fostering a culture of accountability, promoting leadership stability, and implementing a dedicated change management programme supported by the PBMC.
- **Capacity Constraints:** Technical, managerial, and operational capacity shortages may delay implementation. To address this, EWS is investing in staff training, professional development, and recruitment of scarce skills through new partnerships.
- **Procurement Delays:** Long procurement cycles and complex regulatory requirements can impede project rollout. EWS is addressing this by establishing dedicated bid committees, improving procurement planning, and strengthening contract management systems.

6 CONCLUSION

The EWS TAS represents a decisive shift towards performance-driven municipal reform. By aligning with National Treasury's Trading Services Reform Strategy and fulfilling the requirements of GN1 through 4, eThekweni has initiated a comprehensive transformation rooted in governance reform, financial sustainability, and operational efficiency.

The phased implementation of the TAS, the A1-IRR, the A2-BIP, and the A3-PIAP establishes a clear roadmap for systemic change. Strategic capital investment, institutional restructuring, and performance-based accountability mechanisms are already demonstrating results—ranging from improved financial oversight to enhanced infrastructure delivery.

Crucially, the successful implementation of the reform will not only stabilize municipal trading services but also transform EWS into a truly customer-centric organization. Through strategic initiatives and technological innovation, the City will be better equipped to deliver reliable, transparent, and efficient services. This shift is expected to drive increased public trust, improved customer satisfaction, and stronger relationships between the municipality and the eThekweni community.

With continued political will, targeted capacity-building, and results-based funding, EWS is well-positioned to emerge as a leading model for urban water utility reform in South Africa. The approach adopted by eThekweni offers valuable insights and a replicable framework for other metros facing similar institutional and service delivery challenges.

7 RECOMMENDATIONS

To consolidate the gains of the Turnaround Strategy and ensure long-term success, the following strategic actions are recommended:

- **Institutionalize SPoMA:** Embed the Single Point of Management Accountability (SPoMA) model across all operational and financial systems to drive performance and accountability.
- **Strengthen PIAP Integration:** Use the A3-PIAP as a living document, integrated into annual budgeting, departmental performance agreements, and mid-year reviews.
- **Sustain Stakeholder Engagement:** Engage ward councilors, community forums, and internal teams to build broad-based support for ongoing reforms and improve transparency.
- **Leverage Conditional Funding:** Continue aligning grant funding proposals with PIAP performance indicators to secure infrastructure investment and technical support.
- **Build Technical Capacity:** Expand the municipality's internal capacity through targeted recruitment, training, and partnerships with external experts, including the PBMC.
- **Promote National Learning:** Share experiences and lessons from the eThekweni reform journey with other metros to support a national movement toward trading service excellence.

8 LIST OF ACRONYMS

EWS	eThekweni Water and Sanitation
TAS	Turnaround Strategy
A1-IRR	Institutional Reform Roadmap
A2-BIP	Business and Investment Plan
A3-PIAP	Performance Improvement Action Plan
NRW	Non-Revenue Water
MTSP	Medium-Term Strategic Planning
MTREF	Medium-Term Revenue and Expenditure Framework
GN2	Guidance Note 2
GN3	Guidance Note 3
GN4	Guidance Note 4
PBMC	Performance-Based Management Contract
PPP	Public-Private Partnership
SPoMA	Single Point of Management Accountability
USDG	Urban Settlements Development Grant
DWS	Department of Water and Sanitation
NT	National Treasury
KPI	Key Performance Indicator
WSDP	Water Services Development Plan
IDP	Integrated Development plan
ICT	Information and communication Technology
ITB	Ingonyama Trust Board
TSRS	Trading Services Reform Strategy
SWOT	Strength, weakness, Opportunities and Threats

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