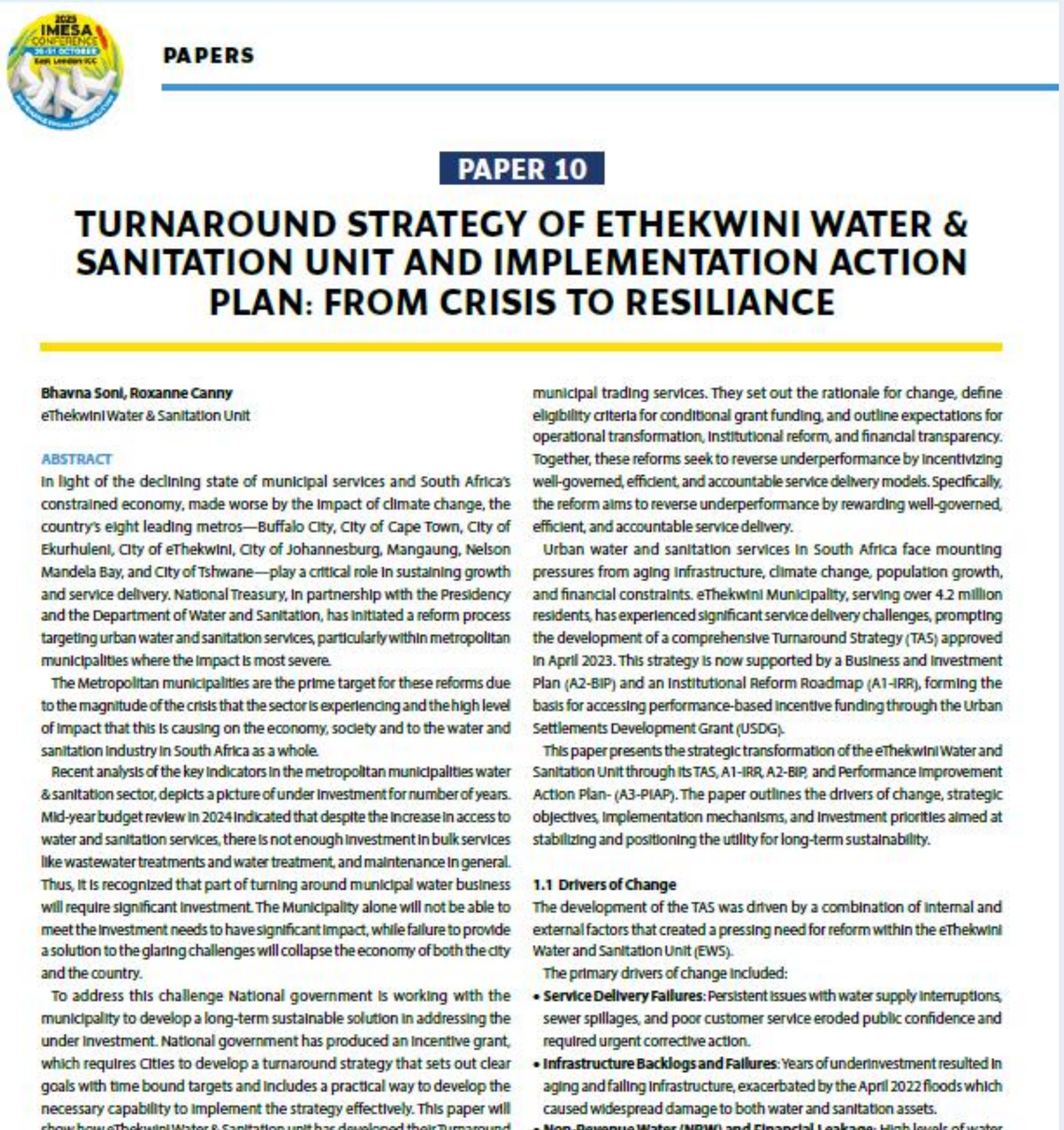
Turnaround Strategy
eThekwini Water & Sanitation

Overview and Status Update

Roxanne Canny Pr.Eng
MSc , BSc Civil Eng



Turn Around Strategy for EWS



PAPERS

PAPER 10

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

Bhavna Soni, Roxanne Canny
eThekwini Water & Sanitation Unit

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 eThekwini, 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 eThekwini Water & Sanitation unit has developed their Turnaround 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. eThekwini 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 eThekwini 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 eThekwini 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

Presented at IMESA 2025

Available on the IMESA Website

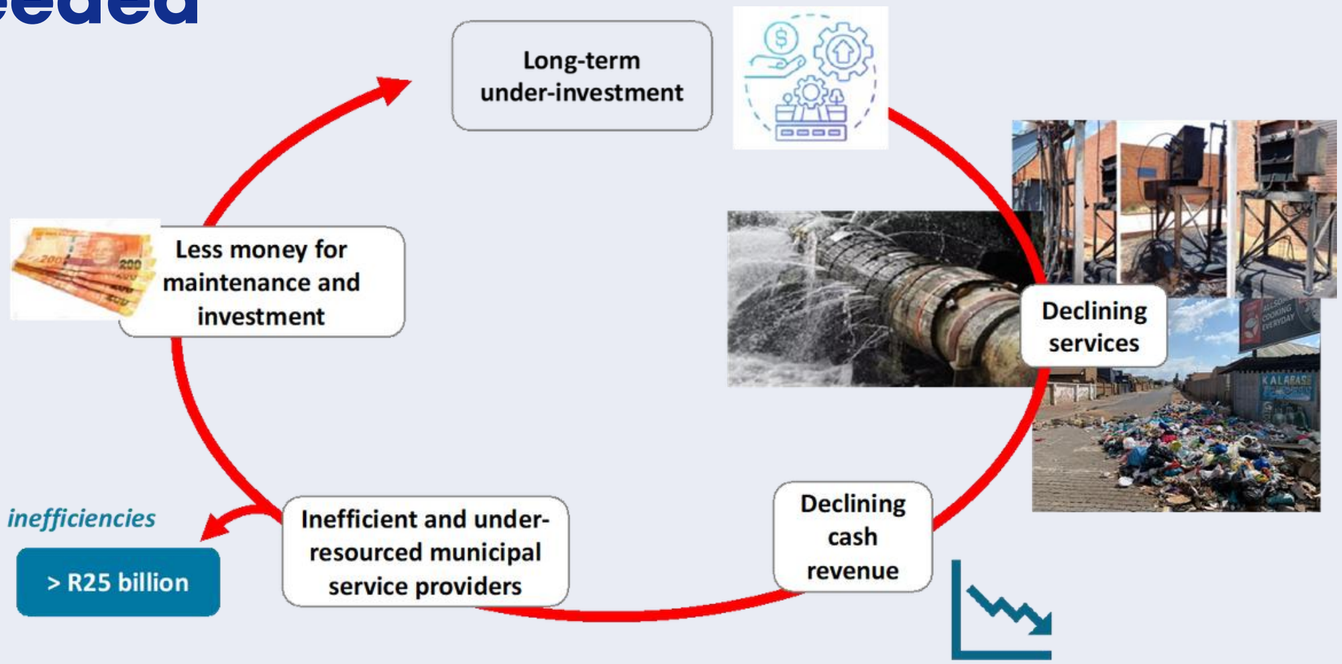
Why the Turn Around Strategy Was Needed

01 **Aging Infrastructure**

02 **High Levels of Non Revenue Water**

03 **Constrained Municipal Finances**

04 **Governance & Accountabiloity Challanges**

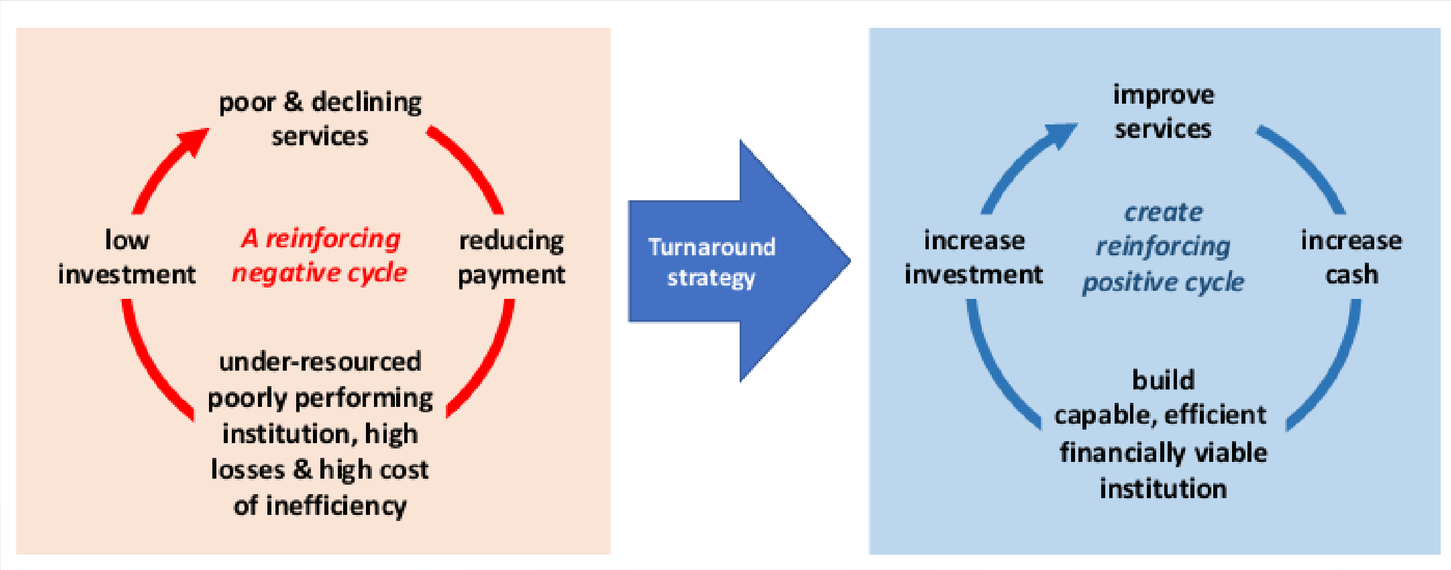


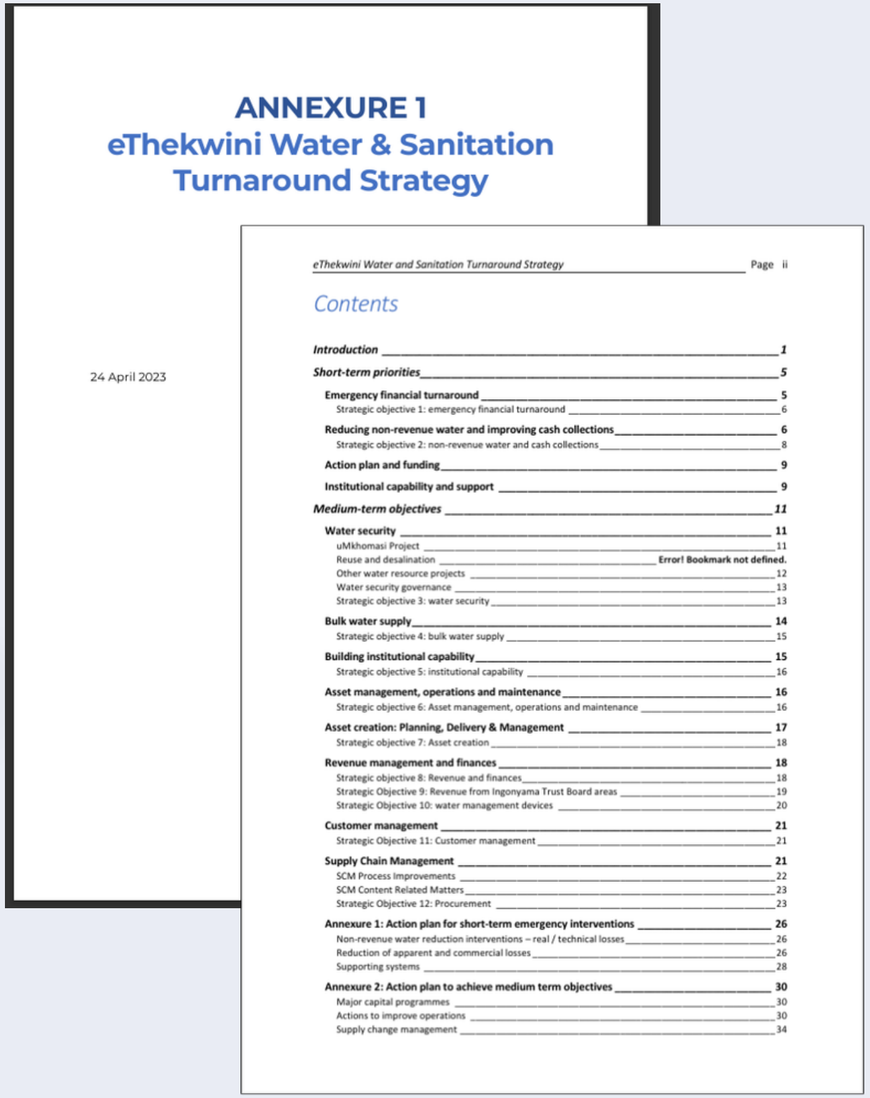




April 2022 Floods

Turn Around Strategy





ANNEXURE 1
eThekwini Water & Sanitation
Turnaround Strategy

24 April 2023

eThekwini Water and Sanitation Turnaround Strategy Page ii

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Move to an integrated Business Model

2023

2024

Metro Trading Services Reform Strategy

National Treasury Reform

Incentive-based funding

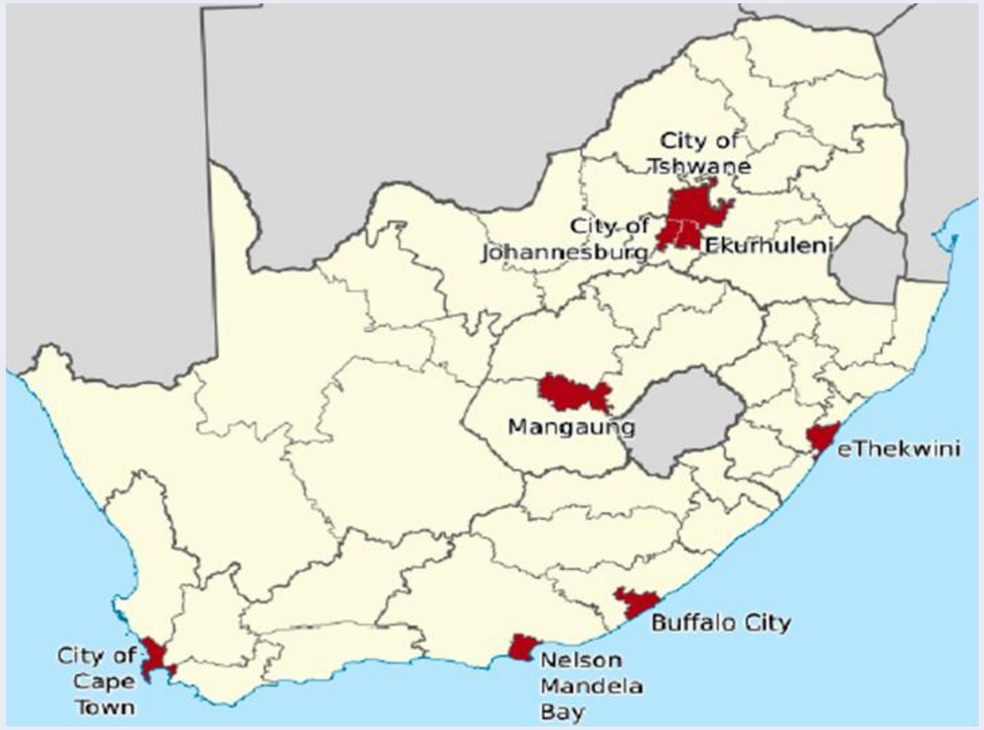
Municipalities must demonstrate preformance by satisfying measurable targets over time to unlock funding

Structured Process

- Strategies
- Supporting plans
- Monitoring of performance
- Assessment of progress

Response to Declining Performance

Established a structured framework requiring metros to develop Turnaround Strategies



Aimed at improving Performance

Improving performance, strengthening governance and restoring financial stability

NATIONAL TREASURY

Metro preparations for the introduction of trading services infrastructure financing reforms
Guidance Note 2
Municipal Finance Management Act No. 56 of 2003

Guidance Note 2: Assessment Criteria, Process and Timeframes

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NATIONAL TREASURY

Metro preparations for the introduction of trading services reforms
Guidance Note 4
Municipal Finance Management Act No. 56 of 2003

Guidance Note 4: Formalisation of metro commitments in Annexure 3: Performance Improvement Action Plan (A3: PIAP) of Metro Trading Services Reform Strategies

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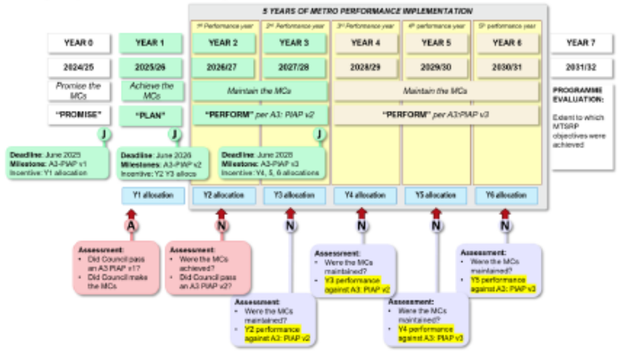
Performance areas	Ref	Minimum conditions / performance indicators	Method of measuring allocations for			Weights	
			YEAR-1	YEAR 2	YEARS 3-6		
Operational Performance	E1	Bulk Commercial Metering Performance	n.a.	binary	scalable	5	
Performance Indicators	E2	Vending Efficiency % of metering operational	n.a.	binary	scalable	5	
Electricity & Energy	E3	Automated Meter Reading Coverage	n.a.	binary	scalable	5	
	E4	Repairs Efficiency	n.a.	binary	scalable	5	60
	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	

6. Overall programme timing: introduction of performance incentive funding:

6.1 The introduction of a year for preparation, planning and achievement of minimum commitments as outlined in Section 3 (see Section 3) means that there will effectively be five years during which metro performance can be measured against numerical targets. It is also advisable to allow one opportunity to reset the targets against which performance is being measured, to take account of early experience and iron out remaining challenges.

6.2 The following graphic illustrates the structure of the programme over the forthcoming six municipal financial years, shown between Year 0 (the current financial year 2024/25) and Year 7 (2031/32). The green represents MTREF years currently being planned for (Years 1 to 3); and the yellow shows the second half of the incentive programme, Years 4 to 6).

Timing of performance, recognition and reward



6.3 The programme has the following features:

- Three versions of the A1: PIAP:
  - version 1 (by end June 2025), indicative, accompanied by eight minimum commitments;
  - version 2 (by end June 2026), final, with targets for Y2, Y3, Y4, Y5, Y6; and
  - version 3 (by end June 2028), reset, with reset targets for Y4, Y5 and Y6.
- An indicative incentive allocation per trading service per metro per year, based on population and poverty indices.
- six independent assessments, each necessary for the transferring officer to release funds linked to the indicative allocation for the trading service for the year:
  - the first assessment is light touch, to confirm the commitments;

Reform Framework
TAS, A1, A2, A3

TAS

Turnaround Strategy

Strategic Direction
and
key interventions

A1

Institutional Reform Roadmap

Governance &
Accountabilty

Financial
Transparency

SPoMA

A2

Business and Investment Plan

Sets our the
Financial Model

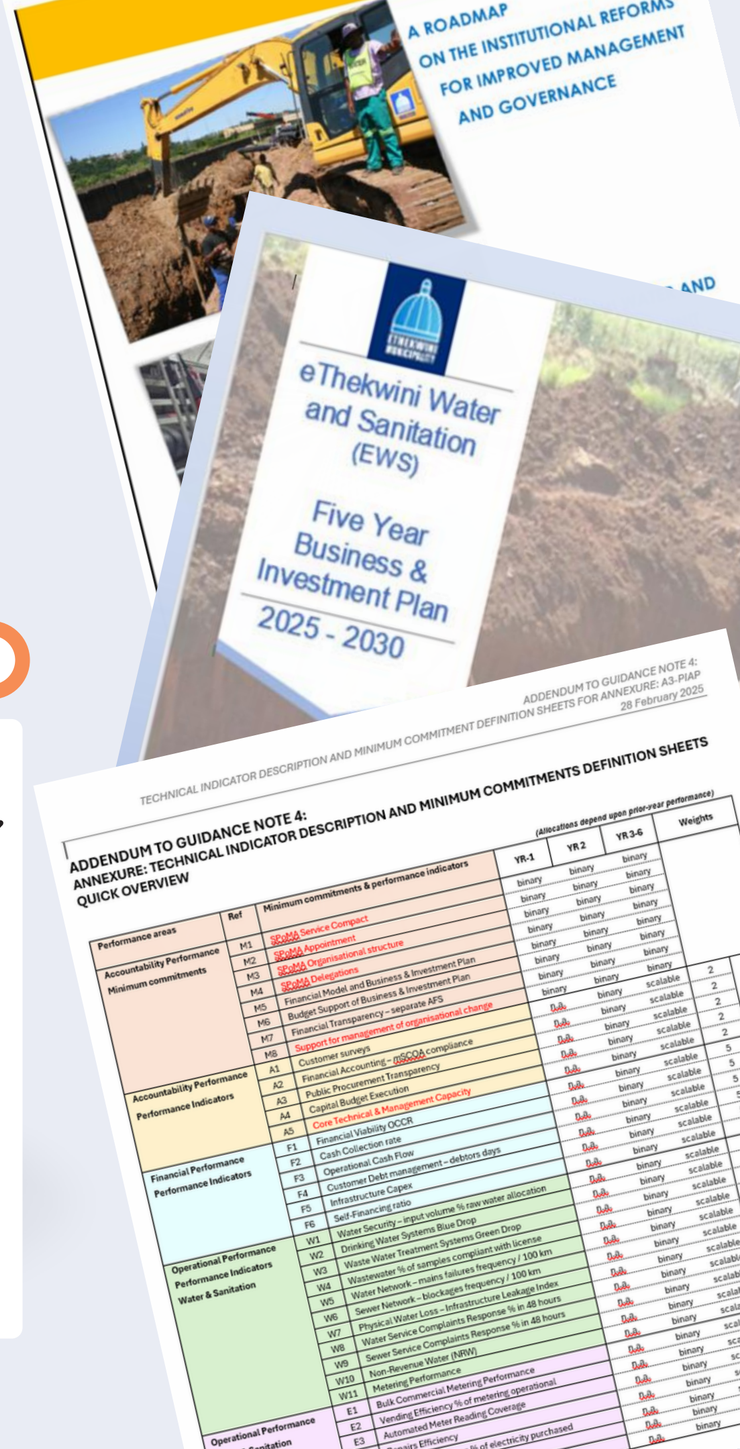
Investment
requirements

Funding strategy

A3

Performance Improvement Action Plan (PIAP)

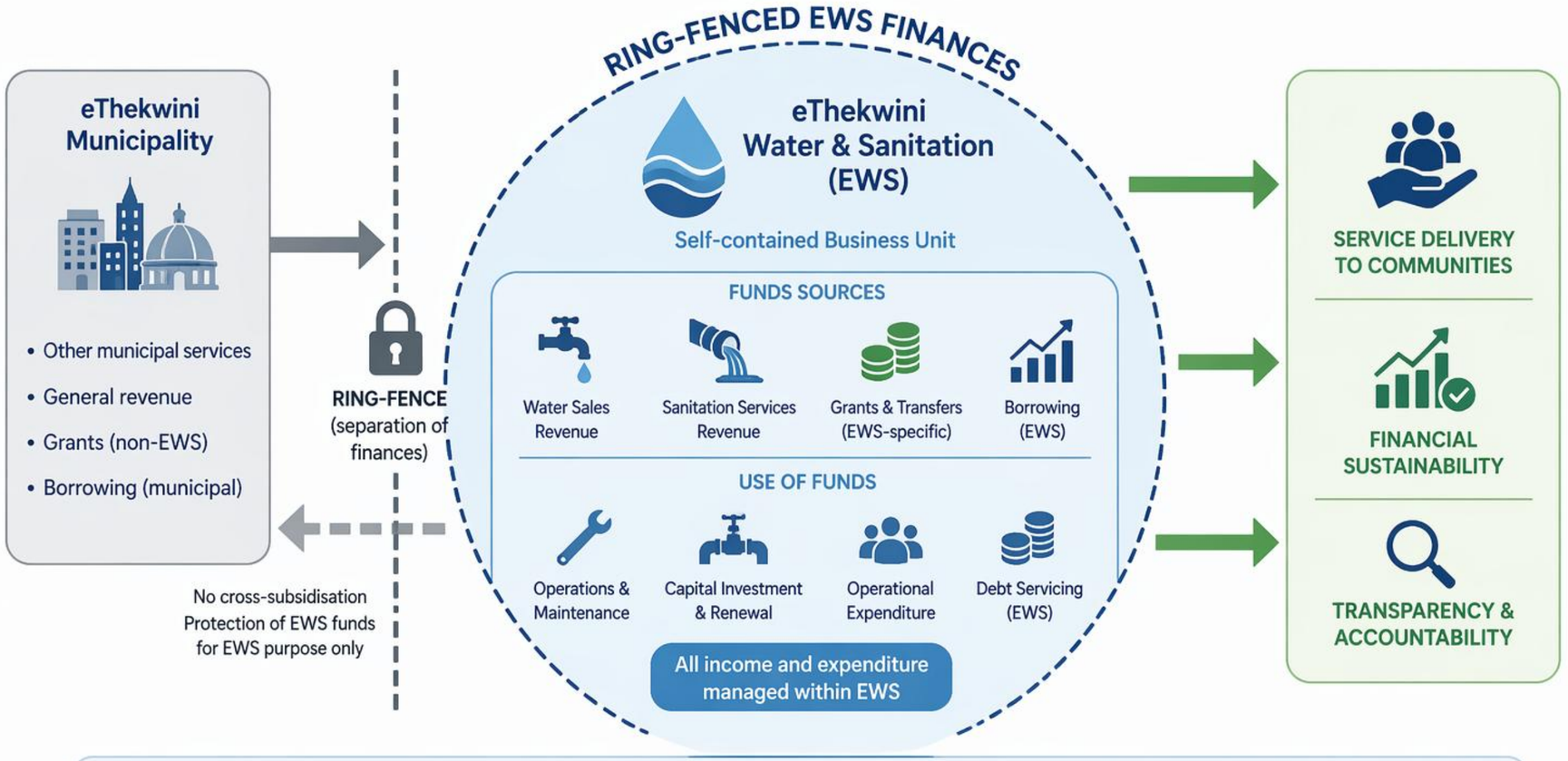
Measurable
Performance
Indicators



Financial & Governance

RING-FENCED FINANCES – EWS

A self-contained, accountable and financially sustainable business



STRONG GOVERNANCE & ACCOUNTABILITY

- Ring-fenced bank accounts
- Separate financial reporting
- Clear accountability (Single Point of Management Accountability)
- Audited & performance monitored
- Aligned to National Treasury Reform Requirements

KEY INPUTS

INVESTMENT NEEDS
Infrastructure renewal, expansion and resilience

REVENUE IMPROVEMENT
Tariff adequacy, billing efficiency, reduced non-revenue water

OPERATIONAL EFFICIENCY
Cost optimisation, energy efficiency, process improvement

INSTITUTIONAL CAPACITY
People, skills, systems and organisational effectiveness

Status Quo

Progress to Date

01 TAS was approved in 2023, was then aligned to the requirements of NT in 2024.

02 A1, A2 and A3

03 NRW Unit - Advanced Stage : Recruitment

04 The Financial Model - multiple scenarios

05 A3- PIAP - Plans are in place and EWS are on target to meet all deadlines set by NT

PIAP Organisation Structure and Water Director Vacancy

1. Approval and initiation of institutional reform to ring fence EWS as per memo by CM on 1 April 2024;
2. Setting up and development of reporting toolkit for PeWG
3. Submission of Business & Investment plan and Governance Roadmap and acceptance by NT and Approval by Council
4. Signing of bulk water agreement for UMkhomazi Dam
5. Minor organogram amendments approval to establish NRW branch and Asset Management branch and post have been advertised
6. Reduction in sewer and water repair backlogs by 30 June 2024
7. Increase in materials, tools and vehicles to operational teams
8. Acceptance of PBC for NRW reduction for PINK area for BFI funding –R189m grant and R189m interest free loan
9. Issuing of the PPP tender for Umdloti & Umkomaas WWTW
10. Issuing of EOI for the PBMC for increasing management capacity
11. Establishment of Stakeholder engagement platform in partnership with DWS and Worldbank and the publication of monthly dashboards on the internet
12. Partnership with UUW water to accelerate resolution of sanitation issues
13. Partnership with UUW on the MMM programme (Bulk Meter, Monitor and Modelling) – PSP has been appointed in Dec 2024
14. Reduction in NRW losses as at 30 June 2024

Going Forward

Improved infrastructure reliability

Reduced water lossess

Financial Sustainability

Improved Service Delivery

Forthcoming timetables

12.1 The following table tabulates the schedule leading to the launch of the Metro Trading Services incentive component, including its first year of operation.

When	What
Nov 2024	• A3 template and guidance note issued
Dec 2024 – Jan 2025	• Metros develop the A3s for W&S and E&E (CSP support as required/requested)
Jan – Feb 2025	• Metros submit draft A3s • A3s discussed at Mid-Year Budget Review: NT & national departments engage with metros on drafts
March 2025	• Metros update A3s as required • CSP support to Metros as required/requested
Apr – May 2025	• Metros submit revised A3 – for the Benchmarking engagement
May – June 2025	• Metro Councils approve A3 as part of Metro Budget documentation
June – July 2025	• Independent assessment: that the council adopted an A3/PIAP of acceptable quality as per prescribed process
Aug – Sept 2025	• Release of awarded allocations for FY 25/26
August – Oct 2026	• First full independent assessment – for the purpose of determining allocations for FY 27/28

12.2 This table offers a perspective on the annual schedule over the period of the Trading Services incentive component:

Programme year	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Financial year	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Performance assessment #		-	2	3	4	5	6
When assessment takes place		July-Aug 2025	Aug-Oct 2026	Aug-Oct 2027	Aug-Oct 2028	Aug-Oct 2029	Aug-Oct 2030
Assessment of what		Light, to confirm A3 submission & Council approval	Metro A3 implement-ation progress	Metro A3 implement-ation progress	Metro A3 implement-ation progress	Metro A3 implement-ation progress	Final metro A3 progress & baseline of future intervention
Programme evaluation					Programme mid-term evaluation		Programme final evaluation

In Closing

A deeper focus on the realities of implementation

- **Challenges**
- **Lessons Learnt**



"From planning to performance – and from performance to impact.

The success of the **turnaround strategy** will not be measured by the plans we develop, but by the **improvements** experienced by the **communities** we serve.



Stabilising the Trading Services and Leapfroging them into the