

Climate Resilient and Inclusive Urban Water Supply Programme Support to South Africa

<p>Key results:</p> <ul style="list-style-type: none"> - Cities have reduced vulnerability in climate impacted water scarcity through adaptive measures in water supply - Cities have the vision, leadership, partnerships and transversal capabilities to lead cities transformation agenda on climate resilient inclusive water supply - Cities have competence to plan and finance sustainable climate resilient and inclusive water supply investments - Cities leveraging sustainable investments for scaling climate resilient and inclusive urban water supply. - Municipal authorities accountably oversee climate resilient water supply - Municipal water service providers professionally and accountably deliver climate resilient and inclusive water supply - Climate resilient water project solutions with focus on NRW at municipal levels are taken to scale and are being replicated - The public is aware of the linkages between scarce water resources, water use and payment, and acts accordingly <p>Justification for support:</p> <ul style="list-style-type: none"> - The support will assist development of climate adaptation measures to reduce vulnerability to climate impacted water scarcity, making water supply more climate resilient - The support will ensure sustainable access to water despite climate variability and extreme weather events, directly addressing climate adaptation needs - The support will assist the Metro Trading Services reforms which process and develop competences for municipalities to develop water utilities. - The support will also facilitate licensing of water services providers and raise awareness on critical water uses and savings among the general population. <p>Major risks and challenges:</p> <ul style="list-style-type: none"> - Professional capacity, political and social instability, and political economy considerations may prevent or delay adoption of optimal solutions. - Reluctancy from municipalities and water utilities to involve private sector actors in operations of water supply. - Availability of appropriate human and financial resources to implement are limited. - Corruption, misuse of funds, and theft and vandalism are critical risks. 	<p>File No.</p> <p>24/26142</p>																					
	<p>Country</p> <p>Republic of South Africa</p>																					
	<p>Responsible Unit</p> <p>Embassy of Denmark, Pretoria</p>																					
	<p>Sector</p> <p>Water</p>																					
	<p><i>DKK million</i></p> <table border="1"> <thead> <tr> <th></th> <th>2025</th> <th>2026</th> <th>2027</th> <th>2028</th> <th>2029</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Commitment</td> <td>50</td> <td>100</td> <td>100</td> <td>50</td> <td>-</td> <td>300</td> </tr> <tr> <td>Projected Disbursement</td> <td>50</td> <td>50</td> <td>60</td> <td>80</td> <td>60</td> <td>300</td> </tr> </tbody> </table>		2025	2026	2027	2028	2029	Total	Commitment	50	100	100	50	-	300	Projected Disbursement	50	50	60	80	60	300
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	<p>Duration</p> <p>2025 -- 2030</p>																					
	<p>Finance Act code.</p> <p>06.32.01.31</p>																					
	<p>Head of unit</p> <p>Elsebeth Søndergaard Krone</p>																					
	<p>Desk officer</p> <p>Tine Anbæk</p>																					
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<p>Relevant SDGs</p> <table border="1"> <tbody> <tr> <td> No Poverty</td> <td> No Hunger</td> <td> Good Health, Wellbeing</td> <td> Quality Education</td> <td> Gender Equality</td> <td> Clean Water, Sanitation</td> </tr> <tr> <td> Affordable Clean Energy</td> <td> Decent Jobs, Econ. Growth</td> <td> Industry, Innovation, Infrastructure</td> <td> Reduced Inequalities</td> <td> Sustainable Cities, Communities</td> <td> Responsible Consumption & Production</td> </tr> <tr> <td> Climate Action</td> <td> Life below Water</td> <td> Life on Land</td> <td> Peace & Justice, strong Inst.</td> <td> Partnerships for Goals</td> <td></td> </tr> </tbody> </table>		 No Poverty	 No Hunger	 Good Health, Wellbeing	 Quality Education	 Gender Equality	 Clean Water, Sanitation	 Affordable Clean Energy	 Decent Jobs, Econ. Growth	 Industry, Innovation, Infrastructure	 Reduced Inequalities	 Sustainable Cities, Communities	 Responsible Consumption & Production	 Climate Action	 Life below Water	 Life on Land	 Peace & Justice, strong Inst.	 Partnerships for Goals				
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Objectives for programme:

The programme objective is to reduce South Africa's vulnerability to climate impacted water scarcity by delivering climate resilient and inclusive water supply for current and future generations. The programme will have emphasis on enabling climate resilient water management professionalising urban water services to ensure climate adaptation, sustainable use, and equitable access, including for South Africa's poor. Reduction of physical water loss in the supply system in metros and secondary cities will be a key area of intervention for enhancing climate resilience. This will be combined with focused water conservation and demand interventions to promote sustainable consumption and payment patters among water users.

Environment and climate targeting - Principal objective (100%)

	Climate adaptation	Climate mitigation	Biodiversity	Other green/environment
CSPIII	100%			100%
NCDP	100%			100%
NWPO	100%			100%
WWF	100%			100%
Total green budget (DKK)	292,000,000			292,000,000

Cities Support Programme	National Treasury	90
National Competence Development Project	Department of Water and	50
NRW improvement through Private Sector Participation	National Water Partnership Office	40
Public awareness of responsible water use	WWF-South Africa	35
Adaptive management	N/A	37
Unallocated funds	N/A	40
	Programme support	8
	Total	300

Presentation to the Programme Committee
of
Denmark's
Climate Resilient and Inclusive Urban Water Supply Programme Support
to
South Africa

March 2025

Abbreviations

AMG	Aid Management Guidelines of Danish Ministry of Foreign Affairs (Danida)
COP	UN Climate Change Conference of the Parties
CRAIWS	South Africa Climate Resilient and Inclusive Urban Water Supply Programme Support
CSP	Cities Support Programme Phase 3
DBSA	Development Bank of Southern Africa
DI	Confederation of Danish Industries
DFC	Danida Fellowship Centre
DKK	Danish Kroner (exchange rate to Rand; 1DKK =)
DSIF	Danida Sustainable Infrastructure Finance
DWS	Department of Water and Sanitation
FY	Fiscal year
KLIMA	Department for Green Diplomacy and Climate
GEWE	Gender Equality and Women's Empowerment
GHG	Greenhouse Gas
GWSP	Global Water Security and Sanitation Partnership
HRBA	Human Rights Based Approaches
IDA	International Development Association, World Bank Group
IFU	International Fund for Development (Danish DFI)
IPCC	International Panel on Climate Change
LNOB	Leave No-one Behind
MFA	Ministry of Foreign Affairs
MTSR	Metro Trading Services Reform
NGO	Non-government organization
NDPP	Neighbourhood Development Partnership Program, at the National Treasury
NRW	Non-revenue water
NWPO	National Water Partnership Office
OECD-DAC	Organisation for Economic Co-operation and Development – Development Assistance Committee
PBCs	Performance based contracts
SALGA	South African Local Government Association
SDG	Sustainable Development Goals
SECO	Swiss Economic Cooperation and Development
SSC	Strategic Sector Cooperation
TA	Technical Assistance
TBD	To be determined
TCO	Total costs of ownership
tCO ₂ eq	Tons carbon dioxide equivalent
TF	Trust Fund
TOC	Theory of Change
UN	United Nations
UPR	Denmark's Council for Development Policy
WASH	Water supply, sanitation, and hygiene
WCDM	Water Conservation and Demand Management
WB	World Bank
3 Vand	Group of the three largest water utilities in Denmark

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1 Context, strategic considerations, rationale and justification

1.1 Context

The Climate Resilient and Inclusive Urban Water Supply Programme Support (CRAIWS) aims at reducing South Africa's vulnerability to climate impacted water scarcity through supporting climate resilient water use and supply in collaboration with relevant national institutions in South Africa. As part of the new climate and water initiative in Denmark's strategy for engagement in Africa, DKK 300 million have been allocated for a five-year programme. The programme builds on Denmark's support in water management, leveraging experience from partnerships in national and urban water sectors through the Strategic Sector Cooperation (SSC).

Climate change, water and inequality

South Africa is the most unequal country in the world, ranking first among 164 countries in the World Bank's global database of Gini coefficients¹, with a stark wealth gap. Despite economic growth, poverty persists, particularly among historically disadvantaged communities. Unemployment rates are high, especially among youth and women, contributing to economic struggles. Many people still live in informal settlements with limited access to basic services including water. The impacts of climate change affect impoverished communities and indigent households the most because of highly unequal access to clean water leaving many people reliant on inadequate and unsafe water sources.

These high levels of inequality leave most of South Africa, a water stressed country, highly vulnerable to climate change. South Africa ranks among the 30 most water-stressed countries globally, with large arid and semi-arid regions. Changes in water patterns and on-going water challenges pose serious risks to South Africa. Climate projections show a continued rise in temperature, increasing heat stress, flooding, frequent and longer droughts, and declining annual rainfall in parts of the country. In conjunction, degraded water sources, inefficient use of water, aging infrastructure, limited investments, limited capacity and increasing water demand have left many areas with increasing water scarcity. Climate hazards impact the country's scarce water resources, while also increasing demand for water supplies. Consequently, tight management of water resources and reducing current high-water losses is of the essence to increase water availability in times of climate stress and ensuring the climate readiness of these systems.

A projected 17% water deficit by 2030 underscores the urgency for reforms. Despite expanded water access since the 1990s, service quality has deteriorated due to maintenance backlogs, inadequate investment, poor financial management, and high non-revenue water (NRW) losses. Physical loss reached about 30% in 2023 (part of NRW, estimated at 47%) While heavy rains in 2022 and 2023 have improved water availability temporarily, they have also exposed infrastructure vulnerabilities and water quality issues. Addressing these requires strategic investment, innovation and professionalisation in water and sanitation systems, and enhanced monitoring to ensure sustainable water management and equitable service delivery.

Urbanisation and water

The South Africa National Development Plan 2030 (NDP2023) highlights cities as key drivers of economic growth, contributing 85% of the country's economic activity. Overall, municipalities play an essential role in delivering constitutionally mandated public services to a rapidly urbanising population, and within a context of increasing employment and reducing poverty. 67% of South Africans live in urban areas, urban population is expected to increase to 77% by 2050. The eight metros in South Africa represent a total population of 22 million out of a total South African

¹<https://documents1.worldbank.org/curated/en/099125003072240961/pdf/P1649270b73f1f0b5093fb0e644d33bc6f1.pdf>

population of 64 million (2024). Approximately 25% of the country's population, and nearly half of the urban population in the country, reside in the Gauteng Province which contributes to one-third of national GDP growth.

Urbanisation compounded with the enduring legacy of apartheid spatial planning have led to pronounced spatial challenges and inefficiencies. These include spatial injustice and inequality, where the urban poor tend to settle in peripheral urban areas far from social and economic opportunities. The safety, reliability, and accessibility of water services has declined in most of South Africa's urban municipalities, affecting indigent households and poorer population groups the most. In the urban space, about 46% of households lack access to a safely managed water supply, primarily due to quality and reliability issues.

The Department of Water and Sanitation (DWS) plays a critical role as the custodian and public trustee of the nation's water resources, guided by the National Water Act (Act No. 36 of 1998). Local government is constitutionally mandated to oversee and ensure provision of basic services including the delivery of water and sanitation services. A dedicated municipal water supply entity rarely exists. The water supply functions in municipalities are overseen by a technical lead/water services manager, heading a technical department. Key aspects required to manage an effective water services function are typically outside of the control of the water services manager. For example, water services managers have little or no control over the customer relationship, revenue (metering, billing, and cash collection). Water services furthermore fail because of: i) low revenue collection rates resulting in loss of revenues; ii) lack of ringfenced financial resources; iii) poor financial transparency and suboptimal procurement processes; iv) inadequate asset management; and v) underinvestment in infrastructure operations and maintenance.

Municipalities have limited experience in involving the private sector in water services delivery. This is largely because municipalities are concerned that they will lose control over their assets and revenue. Increased private sector involvement therefore require properly packaged projects – in terms of risk allocation, financing model, clearly defined scope of work and performance measurements, payment model and contractual arrangements.

The South African government is currently advancing reforms to address the critical issues in the water sector, including amendments to the National Water Act and National Water Services Act. Key reform elements include separating municipal water authority and service provider roles, introducing a compulsory municipal licensing system, and establishing an independent economic water regulator.

The political economy in the water sector in South Africa is shaped by historical and persistent inequalities, governance challenges, and resource scarcity. Despite constitutional guarantees of access to water, issues like corruption, mismanagement, insufficient investments, and infrastructure decay hinder equitable distribution. Engagement of private sector, balancing efficiency with affordability for marginalised communities, is on the agenda. Climate change and pollution further strain water security, intensifying political contestation. Effective reforms and investment in climate resilient and inclusive water management and supply are therefore crucial for long-term stability and resilience to climate change.

1.2 Lessons learned from previous engagement

The SSC on national water management between Denmark and South Africa began in 2015 assisting the Department of Water and Sanitation (DWS) in its regulatory role with support from the Danish Environment Protection Agency. The cooperation is currently in its third phase with work streams on water sector reform, water services, water efficiency in industries, groundwater, and research and innovation.

Although the national SSC has benefitted from strong political leadership and a dedicated top-management in several intervention areas, particularly in its phase 2 and 3, the SSC experience has highlighted the importance of focus and realism when bringing limited resources into a collaboration with a big and complex partner institution. The institutional complexity has made it challenging to implement initiatives spanning across several divisions or sub-divisions. Linking key management levels and clarifying roles and mandates have proven essential to enhance decision-making and commitment.

Another key lesson (re-)learned is that progress is best achieved by focusing on areas with high national political attention. The water services collaboration benefitted from such attention in phase 2 where the relaunch of national audits of municipal water service provision brought significant traction to the NRW-related guideline developed under the SSC (the so called “No Drop Guideline”). Sustainability of the guideline was further enhanced in phase 3 on the backdrop of extremely critical results of these audits (leading to roll out of systematic use of guideline at provincial level). Similarly, in 2024, Danish assistance to water reform gained momentum as national water services reform work picked on the backdrop of same audit results indicating a looming water crisis.

The SSC on water supply between Denmark and the City of Tshwane began in 2017, with support from Århus Vand and Århus Municipality, focusing on water and wastewater management. This includes assistance with non-revenue water (NRW), and reduction in a Demand Management Area (DMA).

A key lesson (re-)learned is that the success or failure of implementation is driven by the political economy. Effective collaboration depends on working with individuals who are genuinely committed to change and prioritising the greater good over personal or political interests. Identifying "champions" within partner organisations—those who are motivated to drive reform—has proven to be a successful strategy. These insights will be incorporated into the Cities Support Programme (CSP) support.

A hands-on approach, focusing on implementation and tangible results, has yielded significant impact, albeit on a limited scale. Demonstrating technical solutions in practice, such as leak detection methods and direct interventions, has been particularly effective. Additionally, developing strategies for scaling up successful demonstrations and ensuring clear communication has been crucial. However, differences in political and economic contexts across municipalities and metropolitan areas make it challenging to transfer lessons from one location to another. A one-size-fits-all approach should be avoided. These lessons will inform CRAIWS implementation, with particular attention in support to NWPO.

The SSC cooperation has also highlighted the importance of continued commitment and involvement from top management in ensuring success. At the same time, developing mid-management competencies and bridging the gap between top and mid-management levels is essential. This will be addressed through competence development support through DWS.

1.3 Strategic Considerations and Rationale

Denmark’s partnership with South Africa, strengthened by the Green Strategic Partnership Agreement (2022), positions it to support the South African government’s water sector reforms. Danish expertise in water sector governance and technical solutions complements South Africa’s efforts, demonstrated by the Danish Strategic Sector Cooperation (SSC) engagements in national water with the Department of Water and Sanitation as well as in urban water with the City of Tshwane, and most recently the City of Johannesburg.

CRAIWS aligns with Danish policy priorities to address South Africa’s climate vulnerability related to pressing water sector challenges. By leveraging bilateral relations and SSC experience, the

programme has the potential to drive impactful reform, enhance resilience, and improve water access for vulnerable populations by contributing to increased water availability in the network (by addressing NRW).

Reducing vulnerability to water scarcity aggravated by climate change and improving water security will be approached through a focus on resilient urban water supply, specifically through physical loss reduction in the water supply system. For this, aggressive water conservation and demand management (WCDM), not least reduction of over-consumption, and improved cost recovery are key elements, noting that these interventions must be differentiated across the income level groups in South African society.

CRAIWS will adopt a multifaceted approach to facilitate inclusiveness. Making resilient urban water supply inclusive is critical to address the large, underserved – often the most underprivileged – part of the population. The support to CSP and DWS therefore intends to be focused to lead cities transformation agenda on climate resilient inclusive water supply and develop their competence and capacity to plan and finance identified (through CRAIWS) sustainable investments. Support to the implementing partners is intended to facilitate their active engagement of local urban communities through partnership with municipalities, local organisations and civil society in the programme’s planning and decision-making processes. This will be pushed and facilitated through the support of CSP and WWF and is intended to contribute to addressing the unique challenges faced by vulnerable groups, including women and girls, in accessing safe and reliable water supplies.

A CRAIWS-supported awareness raising project will broadly promote aggressive WCDM to build climate responsible water use of pertinent target groups, ranging from high-end water consuming industries over prosperous populations with swimming pools and watering of gardens to disadvantaged populations. In principle, indigent households benefit from the national free basic water policy (6m³/household/months) but suffer frequent water cuts and bad water quality. It also happens that these households consume more than the allocated quota due to absence of metering. Informal settlements rarely have access to water systems, often making them an irrelevant target group for WCDM. The inability of these groups to pay for water services compounds this situation. Campaigns will be developed for specific target groups building on different strategies according to the audience.

CRAIWS will build on insights, experience and relations of the three ongoing SSC programmes with a focus on water at national and urban level. Initiatives supported under CRAIWS will contribute to amplify the value of the SSC cooperation and vice-versa.

CRAIWS focus will be on interventions also supported by SECO (Swiss Economic Cooperation and Development) (CSP and NWPO) and the World Bank (CSP) (IDA-loan: USD 1 billion) as major partners jointly with a range of smaller contributions from other donors. CRAIWS will focus on a sub-set of SECO support to NWPO (Grant: DKK 25 million and to CSP (Grant: DKK 55 million). Denmark and SECO have a joint approach to flow of funds to CSP and NWPO and will request joint reporting on progress from CSP and NWPO.

1.4 Justification of support according to OECD-DAC criteria

To support climate adaptation to scarce water resources in South Africa through climate resilient and inclusive urban water supply is justified. In his 6 February, 2025 State of the Nation address President Cyril Ramaphosa said:

“Starting this year, we will work with our municipalities to establish professionally managed, ringfenced utilities for water [...] services to ensure that there is adequate investment and maintenance. [...] an urgent priority is to ensure a secure and reliable supply of water across the country. [...] We are therefore taking a series of decisive actions to resolve the water crisis, to enable our people to get water where they live...Through the Water Services Amendment

Bill, we will introduce a licensing system for water service providers and remove licenses where providers do not meet the standards for quality drinking water.

As part of the response to addressing water scarcity aggravated by climate change, the support from CRAIWS will focus specifically on these actions. The support will assist South African national and urban municipal authorities in reducing vulnerability to water scarcity, making water supply more climate resilient. This will be achieved by professionalisation of water utilities, reducing water losses, raising awareness on critical water uses and saving among the general population as well as big consumers. This will be addressed by releasing more water into the system through aggressive WCDM and NRW.

According to the OECD DAC Rio Markers CRAIWS is classified with a focus on climate adaptation (Score 2), reducing climate vulnerability related to climate impacted scarce water resources and enhancing adaptive capacity in urban water supply. CRAIWS contributes to ensuring sustainable access to water despite climate variability and extreme weather events. Available climate risk assessments will be applied by the programme partners to facilitate and guide investment in resilient water systems. Strengthening governance and institutional capacity is intended to improve efficient and adaptive water management. Community engagement is anticipated to foster locally appropriate solutions. Integration with disaster risk reduction efforts will minimise climate-related disruptions, through the national disaster management legislation and structures (including the CSP). Promoting technologies to reduce NRW will lessen vulnerability to climate impacted water scarcity. These measures align fully with the Rio Markers by directly addressing climate adaptation needs.

The programme is justified against **the six OECD-DAC evaluation criteria**² as follows:

Relevance: South Africa is a water-scarce nation, ranking among the 30 most water-stressed nations, globally. A projected 17% water deficit by 2030; NRW reached 47.4% in 2023; aging infrastructure, poor asset management, and maintenance backlogs. These challenges need urgent attention.

The Danish support will assist to address these challenges by focusing on releasing more water into the system through aggressive WCDM and reduced NRW promoting climate resilient and inclusive water supply in urban areas, facilitate access to investment in climate resilient water supply infrastructure and developing competences and capacity for national and municipal staff to meet the challenges of the future, including in just and inclusive service delivery. These approaches directly align with the National Development Plan's strategic goals aimed at improving water security and reducing inequalities, and the climate objectives set out in the country's Nationally Determined Contribution to the Paris Agreement³.

Coherence: The Danish support is provided with focus on interventions also supported by the World Bank, SECO and the Development Bank of Southern Africa (DBSA) as major partners jointly with a range of smaller contributions from other donors. This will enhance a coordinated approach to climate resilient, inclusive water supply and will avoid duplication of efforts, sharing of knowledge and lessons learned and provides for more strategic and cohesive engagement with South African partners. The close cooperation with the World Bank will in addition facilitate

² <https://www.oecd.org/dac/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm>

³ South Africa's updated NDC outlines an approach for a just transition to achieve NDC objectives, which includes an adaptation and resilience focus. The Presidential Climate Commission released its Just Transition Framework in 2022, which aims to inform policy making at the nexus of climate and development issues to enable deep, just, and transformational shifts. The target areas for adaptation and resilience in the NDC include agriculture, biodiversity, energy, transport, settlements, and water. South Africa aims to achieve a climate finance floor of USD 8 billion per year by 2030.

cooperation with the Danish supported Global Water and Sanitation Partnership (GWSP) that may provide globally generated key knowledge to e.g. Performance based contracts.

The support will benefit the coming enhanced DSIF engagement in South Africa in the identification of relevant projects for investment and the support will mature close coordination and joint approaches with SSC.

Efficiency: Joint processes with the World Bank and SECO in approaches to implementation and transfer of funds to projects (CSP and support to NWPO) will bring international capacity to the programme, including applying national and international expertise and best practices in a systems (holistic) approach, integrating adaptation to climate change, social inclusion and financial viability into the support. Joint approach with SECO to monitoring of CSP and NWPO facilitate efficient monitoring and reporting by partners.

Effectiveness: The programmes implementation approach is effective by targeting metros and secondary cities and thereby reaching a vast number of beneficiaries at low unit costs. Addressing NRW physical loss is one, if not the most effective, way to conserve scarce water resources and at the same time addressing climate adaptation. The focus on WCDM will promote efficient use of scarce water resources. This will effectively contribute to long-term benefits such as reduced vulnerability for vulnerable communities, and increased climate resilience. Working through the World Bank and DBSA increase opportunities to achieve stronger results with direct investments in more innovative and responsive approaches (e.g. performance-based contracts on NRW) to new and existing challenges. Working through DBSA will further enhance synergies with a coming DSIF loan focusing on municipal infrastructure investment in water and energy. The loan will be implemented through DBSA.

Impact: The support will enhance South Africa's ability to use water resources more efficiently, develop climate resilient water supply and meet water demands, also reaching underserved groups. New approaches to address NRW will be demonstrated and ready for scale-up, and South Africa's institutional capacity will be enhanced to address emerging and future challenges in climate resilient and inclusive urban water supply. Improved water supply systems will lead to better health outcomes for vulnerable groups including women and girls, and people living with disability. These impacts will be achieved through the provision of safe drinking water and reduced prevalence of waterborne disease, thereby reducing the burden on the public health system, and contributing to enhanced social well-being and improved economic productivity.

Sustainability: The programme aims at reducing vulnerability to water scarcity exacerbated by climate change. Supporting sustainable practices in climate resilient and inclusive urban water supply, will have major effects on conserving the water resources and aligns with the DAC emphasis on fostering environmental sustainability. Ensuring that sustainable, climate-informed and just approaches are incorporated into the design and implementation of these services the programme will contribute to long-term viability.

1.5 Matching Danish policy priorities

The United Nations Sustainable Development Goals (SDGs)⁴ is the overall strategic framework that guides development in South Africa, including the Danish support. CRAIWS directly targets SDG 13 – “*Climate Action*”, SDG6 – “*Ensure availability and sustainable management of water and sanitation for all*” and SDG10 – “*Reduce inequality within and among countries*”. In this CRAIWS is in line with the Danish Governments Strategic Foundation (2022)⁵ with focus on implementation of the SDGs and on delivering concrete solutions to the Global South.

⁴ <https://sdgs.un.org>

⁵ <https://www.stm.dk/media/11768/regeringsgrundlag-2022.pdf> (in Danish)

To achieve its objective CRAIWS focuses on climate resilient and inclusive water supply and responds directly to the Danish Finance acts allocation of DKK 300 million to support: i) *the implementation of South Africa water reform to enhance adaptation to climate change affecting drinking water; ii) strengthened urban water management and more efficient water supply; and, iii) benefit poor and marginalised South Africans.* This directly links to the “Africa’s century” (2024)⁶ recommendation to increase efforts for climate adaptation, with a particular focus on water in support of a just, green transition.

CRAIWS will promote the wealth of Denmark's cutting-edge experience as a front runner in efficient and effective urban water supply solutions by seconding Danish senior specialists to the programme. Shorter duration exchanges to Denmark for South African’s working in water supply management and provision will be facilitated as part of the focused competence development. Further, the programme will unpack opportunities to realise the trade and investment potential in the water sector that may lead to private sector engagement and investments.

CRAIWS is aligned with the strategic framework for Denmark's support (2021 – 2025) “*The World We Share*”⁷ and will meet several core strategic considerations of the World We Share, including:

Strengthen action to support climate change adaptation – CRAIWS focuses on reducing water loss in urban water supply thereby adapting to climate change and already scarce water resources through climate change drivers and impacts in the water supply, and increases cities ability to monitor, manage, and prepare for variable water flows.

No-one must be left behind – CRAIWS will promote inclusive outcomes. CRAIWS seeks to identify ways to progress towards inclusive water supply. This means developing approaches to make these shifts.

Ensure new and improved access to water in Africa in urban areas and Contribute to ensuring climate-smart infrastructure. Focus on water supply in rapidly growing urban centres affected by climate change – the entire CRAIWS focus is on providing better climate smart infrastructure and safer water access in urban areas.

Ensure that the focus on clean water contributes to improving health, creating jobs for people and fighting poverty – CRAIWS support to secure and safe water supply will maintain and improve health conditions. Improving and maintain water and targeted water supply to under-serviced areas will address poverty.

1.6 Alignment with Danish cross-cutting priorities

Human rights, social inclusion, and gender equality will be addressed through implementing CRAIWS. Positive programme results are expected for inclusion, poverty, and equality, thereby increasing resilience to climate change.

Access to water is a human right⁸, yet a poorly managed and unequal infrastructure system leave many South Africans excluded from its benefits. Vulnerable groups are the worst off (including

⁶ <https://um.dk/en/foreign-policy/africas-century>

⁷ <https://um.dk/en/danida/strategies-and-priorities>

⁸ Chapter 2 of the Constitution of South Africa provides that: “*Everyone has the right to have access to sufficient food and water.*” As a basic human right, provided for and protected under the Constitution, access to water must be respected, promoted and fulfilled by the state. This right is further enshrined in section 3(1) of the Water Services Act 108 of 1998 (WSA), which provides that everyone has the right to have access to a basic water supply and basic sanitation necessary to ensure sufficient water and an environment not harmful to health or well-being.

women, children and people with disabilities) although the free basic water policy intends to level out some of the inequalities. In alignment with Denmark's policy priorities, CRAIWS will emphasise a socially inclusive and gender-responsive approach to activities. This approach is also well aligned with and will contribute to South Africa's ongoing efforts to address inequality.

Methodologies for ensuring that diverse voices are heard in programme consultations are intended to be developed with programme partners to promote inclusion and the principle of leaving no-one behind (LNOB). This intends to be the underlying principle behind the design and implementation of CRAIWS enabled through dialogue and implementation with the CRAIWS partners. The approach will contribute to South Africa's endeavours towards SDG 10 for reducing inequalities, and to alleviating this national challenge, which along with poverty and unemployment, is politically acknowledged as the national triple challenge. Application of the LNOB principle will also contribute to poverty alleviation.

Further, the programme is targeting Gender, Age and Disability (GAD), Human Rights Based Approaches (HRBA), environmental sustainability, and climate mainstreaming to build climate resilience directly (mainstreaming) and indirectly (enhanced social outcomes):

- Increasing water in the system will enhance climate resilience of vulnerable populations as there will be increased supplies for access by marginalised groups, thus contributing to poverty alleviation and improving access to the rights to dignity and well-being; these rights are being compromised by climate impacted water scarcity. Households in informal settlements in peri-urban areas, women, and other disadvantaged groups will be particularly targeted.
- Targeted gender mainstreaming across programme activities and the development of gender sensitive indicators will enhance gender responsive citizen engagement in capacity development and intervention design and implementation.
- The climate resilience of vulnerable communities will be enhanced through optimised and more efficient water resource use, contributing to urban populations adapting to changing environmental conditions and maintaining access to essential water resources.
- Through CRAIWS awareness campaigns, sustainable water practices by urban and peri-urban populations will be promoted, leading to environmentally beneficial long term behaviour changes.

1.7 Linkages, Synergy and Danish interests

It is of Danish interest to support initiatives that attempt to achieving the SDG goals. Reducing vulnerability to climate impacted water scarcity, securing climate resilient water supply and access to water for all are Danish priorities that CRAIWS deliver on.

CRAIWS aligns closely with the SSC in water, creating strong synergies between these initiatives. The National Water SSC focus on water reform along with the Urban SSC focus on water supply and reduction of NRW, will generate valuable insights that can benefit CRAIWS. Early lessons from the two Urban SSC on NRW will be integrated into work supported by NWPO and may also contribute to the MTSR-component in CSP. Additionally, Danish utility companies involved in SSC in South Africa can share tools, mechanisms, and case studies that highlight Danish expertise and promote competitive Danish products globally, reinforcing Denmark's leadership in the sector.

CRAIWS will support a concerted effort for climate resilient and inclusive water supply that will mobilise enhanced water supply engagement in metros and secondary cities. This will lead to stronger focus in metro and city management and to tangible progress laying a solid ground for

the two urban SSC programmes, including on how to involve the private sector in addressing NRW.

Danida Sustainable Infrastructure Finance (DSIF) would have an interest in establishing a closer connection with CRAIWS to explore potential opportunities for co-financing urban water investments in South Africa. The analysis, project identification, and feasibility studies conducted through CRAIWS could directly support DSIF's preparation processes, helping to inform and shape their investment portfolio.

Danish NGOs may have an interest in CRAIWS due to their focus on sustainable development, climate adaptation, and water resource management. Specifically, the Danish support to awareness raising reaching out to a broader population. In addition, Danish NGOs working with the climate agenda may reach out to peers in South Africa specifically to address social inequalities in water access, advocating for vulnerable populations benefitting from improved access to water supply. Strengthening partnerships between Danish and South African stakeholders can foster long-term resilience and cooperation.

The Danish private sector is interested in expanding its commercial presence in South Africa and gaining early insights into project preparation that could lead to potential contracts. It is therefore important for Danish companies to clearly understand their unique market opportunities in South Africa and for them to actively participate in demonstrating solutions for reducing water losses in urban piped water distribution networks. By showcasing their expertise in high-quality, pressure reducing and energy-efficient technologies, and durable (sustainable) products, Danish businesses can strengthen their position in the market and contribute to more efficient and resilient water management.

The Danish water companies in South Africa are organised in the “Danish Water Tech Group” - a branch network with the goal of furthering the Danish approach to water management and energy efficiency and enhancing activities for the member companies. Currently the “Danish Water Tech Group” promotes three concepts: i) creating demonstration projects in the South African water sector/industry, ii) consortium approaches to larger water projects, and iii) a combined Danish technical training program on Danish best practices within water management (“the Danish Water Academy”). The “Danish Water Tech Group” is founded and facilitated by the Danish Embassy in Pretoria through close collaboration between the trade department and the SSC team.

To strengthen and enhance collaboration between CRAIWS and Danish interests, the Embassy will build on the “Danish Water Tech Group” in which the cooperation with CRAIWS will be organised. This forum will facilitate experience-sharing between Development, Strategic Sector Cooperation (SSC), Trade and Investment, and Finance. The goal is to create close cooperation between CRAIWS, SSC, Danish commercial and non-commercial stakeholders, and DSIF through knowledge exchange and the promotion of market opportunities within the CRAIWS portfolio towards Danish key stakeholders. The agenda of the Group will be demand driven and may include points such as: i) Overview and status of CRAIWS initiatives; ii) Presentation of specific projects at different stages of maturity; iii) “Deep dive” discussions on key themes e.g., Performance-Based Contracts (PBCs), water supply challenges in areas with high NRW; iv) Projects of particular relevance, such as those with co-financing potential, private sector engagement, or commercial interest.

Additionally, CRAIWS support will include secondments of Danish strategic professionals with three CRAIWS partners: CSP, NWPO, and DWS. This will enhance Denmark's insight and policy influence while identifying key champions within partner institutions to further promote CRAIWS initiatives.

1.8 Implementation modality and partners

Implementation of CRAIWS will focus on two key areas:

- Enabling environment of climate resilient and inclusive urban water supply by supporting:
 - National Treasury through CSP
 - Department of Water and Sanitation through the Division of Water Use Compliance Monitoring and Enforcement assisted by Danida Fellowship Centre
- Targeted interventions of aggressive water conservation and demand management and NRW to build climate responsible water use:
 - Support to DWS – National Water Partnership Office (NWPO)
 - Support to WWF – South Africa

Enabling environment

The CSP including the Metro Trading Services Reform component will focus on turnaround strategies, institutional roadmaps, and Performance Improvement Action Plans (PIAPs) for water service utilities, implemented through CSP in close collaboration with municipalities. The CSP Secretariat will coordinate and manage support requests from metros, ensuring the allocation of appropriate technical assistance (TA). This TA will be funded through a World Bank trust fund (MTR). Additionally, the CSP will oversee support requests from metros and secondary cities to address leadership and governance. CRAIWS's support to this will be applied on issues related to climate resilient and inclusive urban water supply, where CSP will be identifying and contracting the necessary TA. This part will be funded through a trust fund in DBSA. The CSP will also be responsible for the management, monitoring, and evaluation of all interventions it supports.

A Danish senior urban development and strategy specialist will be seconded to the CSP to provide strategic advice on climate-resilient and inclusive urban water supply.

To help Water Service Providers (WSP) maintain or obtain permanent licensing for providing urban water supply services, competence and capacity development initiatives will be delivered by DWS in close collaboration with the Danida Fellowship Centre (DFC) and South African training institutions. Licensed or temporarily licensed WSPs in metros and secondary cities can apply to DWS for support in developing competencies with a focus on management level including conducting competence needs assessments. Training offers will be developed for pertinent municipal management level articulating the municipal water authority role and collaboration with WSP. Further, targeted competence development will be offered to key DWS staff (“climate champions”) to spearhead implementation of a new climate response strategy for the water sector.

The DFC will implement these programmes by contracting local South African service providers, including universities and training institutions. For specialised training, Danish institutions may be engaged. Study tours to Denmark will also be arranged.

Targeted Interventions

To reduce non-revenue water (NRW), the NWPO will support municipalities and water boards in preparing, structuring, designing, financing, and implementing water services projects.

With CRAIWS support, NWPO will develop and replicate Performance-Based Contract (PBC) models to address NRW, including implementation of District Metered Areas (DMAs). These areas will primarily be identified via direct requests from metros and secondary cities or through CSP. Danish support can also include DMAs where metros are receiving NRW-related assistance through the Danish SSC programme, i.e. in Tshwane and Johannesburg. The NWPO will compile lessons from early PBC implementations into a standardised “toolbox” of documentation and guidelines, enabling WSPs to efficiently structure and execute water service projects. To facilitate

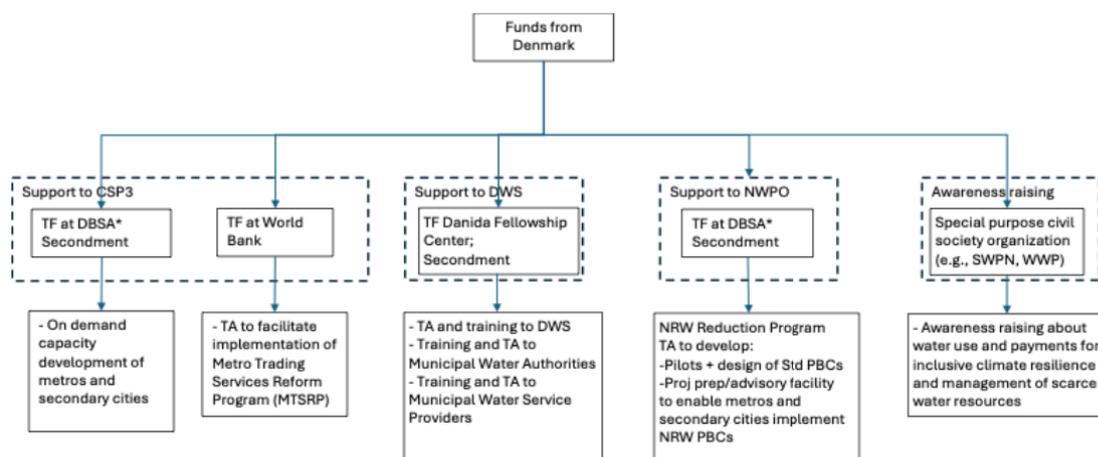
these efforts, NWPO will appoint and contract relevant TA providers to deliver the requested services. Funds for this will be released from a dedicated trust fund in DBSA.

A Danish Public-Private Partnership specialist will be seconded to NWPO to support strategic private sector engagement in NRW initiatives and to connect this work with other relevant programmes, such as the DSIF funded credit line in DBSA and the World Bank GWSP.

WWF South Africa, as a civil society organisation, will develop and roll out a series of public awareness campaigns promoting water conservation and responsible water use in South Africa. These campaigns will be based on lessons learned from similar initiatives in Cape Town and will be closely coordinated with awareness initiatives driven by DWS, City of Tshwane and City of Johannesburg as well as initiatives lead by the 2030WRG.

The awareness efforts will target diverse communities and actors, including change agents, big consumer industries, and encompass wealthy as well as low-income communities in urban settings.

Flow of funds are foreseen as follows:



* Clarify if funds to DBSA should be channeled through NT

2 Programme objective

“Reducing South Africa’s vulnerability to climate impacted water scarcity by delivering climate resilient inclusive water supply for current and future generations”

Through this objective CRAIWS is responding to the following South African national objectives:

- The National Climate Change Response Strategy for Water and Sanitation: *A low carbon, climate resilient equitable and sustainable water and sanitation sector by 2050.*
- The National Water and Sanitation Masterplan: *Affordable and reliable access to sufficient and safe water and hygienic sanitation for socio-economic well-being with due regards to the environment.*
- The National Water Resource Strategy: *The protection & management of water resources to enable equitable & sustainable access to water & sanitation services in support of socio-economic growth & development & sustained ecosystem functioning for the well-being of current & future generations*

CRAIWS will have emphasis on professionalising urban water services to ensure sustainable use, climate adaptation, and equitable access, including for South Africa’s poor. Building on ongoing SSC engagements, it seeks synergies and focuses on efficient management structures with robust monitoring and evaluation frameworks. The four CRAIWS projects are:

1. **Cities Support Programme (CSP):** Led by CSP secretariat within National Treasury. CSP is targeting reforms in metropolitan and secondary city trading services to enhance efficient use of resources, financial sustainability and service quality. The Danish support will focus on water services.
2. **National Competence Development Project (NCDP):** Led by Chief Directorate: Water Use Compliance Monitoring and Enforcement within the Department of Water and Sanitation. This initiative focuses on competence development at multiple government levels for efficient and sustainable use and provision of water, integrating managerial, financial, and climate resilience training. NCDP will be implemented in collaboration with the Danida Fellowship Centre.
3. **Improving Urban NRW through Increased Private Sector Participation (IUNRW/PS):** Led by DWS through the National Water Partnership Office (NWPO) and located in DBSA. IUNRW/PS focuses on private sector involvement in reduction of NRW in metros and secondary cities.
4. **Public awareness of responsible water use (PARWU):** Led by WWF South Africa – a South African NGO. PARWU focuses on preserving scarce water resources through awareness rising of the general public in the challenged water systems, responsible use of water resources and payment for services.

3 Theory of change and key assumptions

3.1 The programme's theory of change

Problem Statement:

South Africa faces water scarcity, high levels of water loss, and inadequate infrastructure, exacerbated by climate change and rapid urbanisation. Without targeted interventions and institutional strengthening, climate change will critically affect South Africa's water resources, and cities will struggle to provide affordable, reliable, and sustainable water services for all.

Expected Impact from CRAIWS Support:

By strengthening institutions, reducing water loss, engaging the private sector, and raising public awareness, CRAIWS will contribute to reducing vulnerability in South Africa's scarce water resources and enable metros and secondary cities to provide climate resilient, reliable and affordable water services. This will enhance socio-economic well-being, adapt urban water supply to climate change, and ensure sustainable water management for current and future generations.

Strategic Interventions and Pathways for Change:

Enabling Metros and Secondary Cities:

- Strengthen the capacity of metros and secondary cities to lead the transformation toward climate resilient and inclusive water supply.
- Support competence and capacity development for municipalities and water service providers to plan, finance, and implement sustainable climate resilient and inclusive urban water supply investments.
- Develop bankable projects for climate resilient water through project identification, feasibility assessments, and sustainable financing strategies.

Strengthening Governance and Accountability:

- Enable DWS and municipalities to exercise their policy-making and regulatory authority in delivering climate resilient and inclusive water services.
- Support municipalities in engaging with licenced, professional water service providers, with contractual frameworks, including for private sector engagement.
- Facilitate training and knowledge-sharing enabled through the Danida Fellowship Centre (DFC) to enhance institutional accountability and effectiveness by targeting urban management in urban municipalities and water service providers.

Reducing Water Loss and Consumption:

- Implement targeted interventions to minimise physical water loss through standards and guidelines and development and replication of best practices.
- Introduce innovative payment models to improve cost recovery and enhance private sector participation, including through performance-based contracts to reduce NRW.

Public Awareness and Behavioural Change:

- Raise awareness about links between climate change, water scarcity, and responsible water use.
- Implement public campaigns to encourage water conservation and willingness to pay for services, driving long-term behaviour change.

3.2 Major Assumptions

- An effective approach to adapting scarce water resources to climate change is by reducing water losses in urban water supply.
- Stable political systems, ability of partners to transform programme support into bankable interventions that attracts funds for actionable uptake by city administrations
- Political will to address climate resilient and inclusive urban water supply
- Metros and secondary cities engage with licensed water service providers
- General public willing to reduce water consumption and pay for services in a process to adapt to climate change
- Metros and secondary cities demonstrate political will in participating
- Decision makers see clear public benefits and understand the urgency of climate resilient water supply
- Private sector actors are interested in engaging performance-based contracts with municipalities

3.3 Draft outcomes for the programme

Cities Support Programme (CSP):

- Cities have the vision, leadership, partnerships and transversal capabilities to lead cities transformation agenda on climate resilient inclusive water supply
Key Indicator: Partnership-based turnaround strategies under implementation with financial transparency

- Cities have competence and capacity to plan and finance sustainable climate resilient and inclusive urban water supply investments
Key indicator(s): Bankable investment plans / municipal revenue increased by x% / municipal water losses decreased by x%
- Cities leveraging sustainable investments for scaling CRAIWS
Key indicators: x% reduction in NRW / x million USD invested in urban water supply / x no. Climate resilient urban water supply feasibility studies

National Competence Development Project (NCDP):

- Relevant DWS directorates enable/capacitate accountable CRAIWS management
Key Indicators: # of urban municipalities capacitated by DWS on climate resilient and inclusive urban water management; Guidelines available for climate resilient urban water management and infrastructure design, # relevant DWS directorates utilising guidelines for climate resilient and inclusive urban water management and infrastructure design
- Municipal authorities accountably oversee/regulate CRAIWS service provision
Key indicator: % of urban municipal authorities that are implementing water authority functions
- Municipal service providers accountably deliver CRAIWS services
Key indicator: % urban municipality WSPs with improved blue and no drop scores/# of licensed urban WSPs

Improved Urban NRW through Increased Private Sector Participation (IUNRW/PSP)

- Climate resilient water project solutions with focus on NRW at municipal levels are taken to scale and are being replicated
Key indicator: # of successful PBCs in South Africa demonstrating reduced; X% reduced NRW
- Improvement in the water security of municipalities and communities through the implementation of sustainable and climate resilient NRW reduction PBC projects with private sector participation.
Key indicator: # m³ of water saved over the first five years in the project areas from the implementation of NRW PBC projects by the beneficiary municipalities, disaggregated by income level

Public awareness of responsible water use (PARWU)

- The public is aware of the linkages between scarce water resources, water use and payment, and acts accordingly
Key indicator: Consumption of water/capita/day (to be fined to discriminate industrial and consumer use)

4 Tentative Budget

	DKK Million	
Cities Support Programme	90	
DBSA Trust Fund	30	
WB Trust Fund	60	
National Competence Development Project	50	
Improved Urban NRW through Increasing Private Sector Participation	40	
Public awareness of responsible water use	35	
Adaptive management	37	
Unallocated funds	40	
Sub-total Programme	292	
Management of the programme	4.5	
Mid-term Review	1	
Learning	2.5	
Sub-total Administration	8	
GRAND TOTAL	300	

The programme budget for a 5-year period is designed to be flexible and responsive to demands and unforeseeable opportunities that should arise. Hence, funds are made available to accommodate for an Adaptive Management approach.

- The contribution to CSP will be divided between two trust funds; one with the World Bank and one with DBSA. The WB trust fund should be used for MSTR initiatives (DKK 60 million) and the DBSA trust fund (DKK 30 million) should be used for demand led urban municipal capacity development in leadership and governance on climate resilient and inclusive water supply.
- The support to National Competence Development Project (DKK 50 million) will be managed and overseen by Danida Fellowship Centre. DFC will enter all necessary contracts with relevant service providers. The budget also includes an administration fee to DFC.
- The support to Improved Urban NRW through Increasing Private Sector Participation (NWPO) has initially been set at DKK 40 million. Although the demand for support may eventually be high, the relatively low support is because NWPO is currently working on proof of concept for PBCs. When proof of concept for PBCs is in place and other methods for reduction of NRW may be proven, the need for addition funds to NWPO may increase significantly. For this purpose, a budget of DKK 37 million is set aside for Adaptive management (to be shared with the project on public awareness and responsible water use).
- Public awareness of responsible water use will be implemented and administered by WWF (DKK 35 million) and used for public awareness campaigns, possibly including development

of advertisement (TV and radio), mobile message support and direct campaigns in targeted urban settings. This budget will include an administration fee to WWF. The need for additional funds may increase over the course of project implementation. For this purpose, a budget of DKK 37 million is set aside for Adaptive management (to be shared with NWPO).

- Unallocated funds (DKK 40 million) are reserved to support one or more relevant projects to CRAIWS that may emerge during implementation. Such projects and allocation of the unallocated funds should be defined by the time of the Mid-term review.
- Programme management (DKK 4.5 million) will include a direct contract with an external national /international monitoring consultant to undertake direct monitoring of the 4 projects in the programme and prepare synthesised reporting to the Embassy of Denmark and to the CRAIWS oversight committee (DWS and EDK).
- The budget for the mandatory MFA mid-term review (DKK 1 million) is to allow for a review of the programme and especially for assembling evidence that builds on the results framework to provide an assessment on the extent to which there has been a contribution to the higher-level objectives. These funds are administered by the EDK.
- The strategic secondees (approx. DKK 7.5 million per secondee) are based on an estimate of staff grade costs over 5 years. Final clarification of the secondment modality, recruitment process and budget implications will be confirmed in liaison with the programme partners before the final programme document is submitted for approval.
- To ensure possibilities for cross-learning within the programme and to inform a broader audience on climate resilient urban water supply, funds (DKK 2 million) are set aside to address this when it becomes relevant. These funds are administered by the Danish Embassy.

5 Institutional and Management arrangement

CRAIWS will have a bi-annual high level policy conference (oversight committee) chaired by the Director General of the Department for Water and Sanitation and co-chaired with the Ambassador of Denmark. Directors of each of the CRAIWS projects will participate in the conference. The conference will discuss progress of the programme and provide general policy directions to CRAIWS in response to the climate change response strategy and the water reform process in South Africa.

The institutional and management structure of the projects within CRAIWS should be lean and in principle be aligned with existing structures. For CSP and NWPO structures are established but the approach is not particularly lean. In the continued programme preparation, the scope for influencing these structures will be explored.

Existing institutional and management structures:

Cities Support Programme (CSP): A National Steering Committee is entrusted with oversight. The committee includes the key stakeholders involved in the three trading services (Water and Sanitation, Electricity, Solid Waste Management). The Embassy of Denmark can be represented here, joined with a representative from SECO. Programme administration is placed in the National Treasury's Neighbourhood Development Partnership Programme (NDPP), and the day-to-day management undertaken by the CSP team, a dedicated Programme Management Unit (PMU) within NDPP/NT. A Danish urban water supply specialist will be seconded to the PMU. Project

Implementation Units (PIUs) are to be established (with no funds from CRAIWS) at either a provincial or metro-level to ensure more agile and targeted capacity development and implementation support.

Improving Urban NRW through Increasing Private Sector Participation (IUNRW/PSP):

The NWPO is established as an independently managed entity under DWS and is located within the DBSA with separate budget using DBSA corporate infrastructure to deliver on its mandate. The NWPO operates at an arm's length to DWS's responsibilities to roll out the various water programmes. NWPO is governed by an Oversight Committee (OC) between DWS, DBSA, and South African Local Government Association (SALGA). The Oversight Committee approves the annual implementation programme, supporting budget of projects, and ensure compliance with Government and NT policies, priorities and budgets. An advisory committee, made up of stakeholders in the public water sector provides strategic advice to the OC and promotes "on-boarding" of municipalities to the support and recommend projects to be considered by the NWPO for implementation.

A Management Committee exists for the SECO support and consists of representatives of SECO, and management of NWPO and DWS. The committee meet bi-annually to discuss and endorse progress on supported initiatives and activities and approve annual workplans and budget. The Embassy of Denmark could join this Management Committee. The committee would also discuss topics of particular interest for the participating DPs, including links to other supported activities (e.g. SSC) and opportunities for finances (e.g. DSIF).

Institutional and management structures expected to be established:

National Competence Development Project (NCDP): Chief Directorate: Water Use Compliance Monitoring and Enforcement within DWS has the responsibility for implementation of NCDP. A Steering Committee (SC) will be established to meet twice per year chaired by DWS and co-chaired by the Embassy of Denmark. In addition to the joint chairmanship the members of the SC will include SALGA.

Actual implementation of the support will be done through a unit in the Danida Fellowship Centre (DFC). DFC will be responsible for contracting South African, Danish and relevant international training institutions as service providers. The implementation will be overseen and guided by the Chief Directorate: Water Use Compliance Monitoring and Enforcement.

Public awareness of responsible water use (PARWU): PARWU will be implemented by WWF and overseen by a Steering Committee consisting of Embassy of Denmark as chair and co-chaired by a representative from DWS. Other members invited to participate could be key actors engaged in responsible water use awareness raising including representatives from selected metros and secondary cities. The SC will meet bi-annually to discuss progress on supported initiatives and activities. In addition, the SC would discuss topics of particular interest for the participating SC members. The daily implementation of the support will be the responsibility of WWF South Africa through a team that will engage civil society organisations to interact with the public at the local level.

6 Risk Management

- Professional capacity, political and social instability, and political economy considerations may prevent or delay adoption of optimal solutions (e.g. performance-based contract on NRW). The practical challenges may exceed the technical and financial resources available.
- Reluctancy from Metros and Cities to involve private sector actors in operations of water supply given the general misinterpretation from municipalities on private sector involvement and for political economy reasons.

- Availability of appropriate human and financial resources to implement are limited, given the poor economic situation in most metros and cities.
- Water users are unwilling to pay for services.
- Corruption, misuse of funds, and theft and vandalism are critical risks, given the multi-stakeholder engagement and various levels of contracts to be entered and the obvious high economical and financial IRR on NRW.
- Danish interests miss out on opportunities promoted arising from Denmark's programme support to the water sector.

City Support Program (CSP)

South Africa's water supply and sanitation services face significant challenges, including high levels of Non-Revenue Water (NRW) at 47%. To address this, the National Treasury's Cities Support Program (CSP) is working with other South African Departments and the Metropolitan Municipalities and secondary cities in implementing the metro trading services reform agenda for water, electricity and solid waste. The reform is driven by a need to introduce a results-based approach to support the turnaround in the financial, technical, and corporate performance of the trading services.

Summary of CSP capacity assessment

CSP is housed in the National Treasury (NT) within the intergovernmental relations (IGR) division for more than a decade and the programme is entering the 3rd phase. CSP has 12 number of professional staff, with women in all leading positions. CSP is supported through a trust fund in the World Bank and possibly a trust fund in DBSA, to contract highly qualified national and international consultants to assist in technical issues. SECO has supported CSP over the past 10 years and will continue their support for a coming 5-year period. A challenge for CSP may be that support becomes split between Metro Trading Services Reform and other CSP activities, leading to two leaderships. It remains to be seen if this is a strength or a weakness.

Being housed at NT and aimed at supporting spheres of government, CSP is a strong partner. They have the ear of government partners. The Metro Trading Services Reform aims to support metros in leadership coaching and climate resilient infrastructure planning, amongst other activities. These activities contribute towards strengthened urban water and sanitation management and more efficient (and financially sustainable) water supply services. CSP's approach is feasible and effective and have the capacity and links to NT in achieving the intended results related to the support from CRAIWS, noting the existing legal framework which promotes collaboration amongst spheres of government.

CSP's objectives remain pertinent, given the ongoing challenges of exclusive urban development. The programme has been and will continue to be instrumental in driving fiscal and policy reforms, as well as promoting cooperative governance by aligning the mandates of various national and local entities.

CSP, under NT, aligns with South African Labour Law under Employment Equity Act (EEA) and its code of good practice. This includes handling of sexual harassment cases in the workplace. This code provides guidelines for employers and employees on preventing and eliminating sexual harassment and ensuring a safe and respectful work environment. NT also has policies in place on prevention, elimination and management of sexual harassment in the workplace.

Summary of CSP features

Name of Partner	Core business What is the main business, interest and goal of the partner?	Importance How important is the project/programme for the partner's activity-level (Low, medium; high)?	Influence How much influence does the partner have over the project/programme (low, medium, high)?	Contribution What will be the partner's main contribution?	Capacity What are the main issues emerging from the assessment of the partner's capacity?	Exit strategy What is the strategy for exiting the partnership?
City Support Programme	Creating capable, well-performing and financially sustainable service utilities providing reliable and affordable services to citizens and businesses in support on government's top priority, inclusive economic growth.	Medium to high: CSP is expanding its activities, which will require additional funding to capacitate urban municipalities.	High. The Results framework will provide overall direction. Implementation will be delivered according to demand from metros and secondary cities.	The partner will continue to champion the cities agenda and leverage USD1 – 3 billion for investments in the metro trading services, including water supply and sanitation services.	<p>Strength: Strategic focus: the CSP has clear strategic framework aimed at improvement of capacity of cities and it fosters collaboration</p> <p>Weakness Effective implementation challenges across different municipalities</p> <p>Opportunities: CSP can contribute to economic growth and enhance climate resilience.</p> <p>Threats: Changes in political leadership and</p>	After end of support, it is anticipated that NT takes over full responsibility for continued financial support to municipalities and it is assumed that municipalities will have the capacity to develop and finance their own investment programmes.

					priorities in continuity of the program and economic downturns which may impact on funding.	
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National Water Partnership Office (NWPO)

The National Water Partnership Office (NWPO) is a program initiated by the Department of Water and Sanitation (DWS) to accelerate the development of water and sanitation infrastructure across South Africa. Functioning as a ring-fenced national implementing office, the NWPO partners with the Development Bank of Southern Africa (DBSA), which serves as the mandated implementing partner. Additionally, the NWPO collaborates with the South African Local Government Association (SALGA) to assist municipalities in creating bankable projects. These projects focus on key areas such as reducing Non-Revenue Water (NRW) and promoting water reuse, ultimately enhancing water service delivery at the municipal level.

The primary objective of the NWPO is to facilitate public-private partnerships, thereby enhancing investment in water and sanitation projects. This is done by assisting municipalities to prepare, structure, design, finance and implement water services projects and improve service delivery, within each of the standardised programmes adopted and implemented under the NWPO.

Summary of partner capacity assessment:

The NWPO, as part of the DWS, holds the power to drive change and create meaningful impact, as it supports municipalities by developing bankable projects aimed at reducing NRW and promoting water reuse, ultimately improving water service delivery at the local level.

The NWPO currently operates with a manager overseeing six programs, each to be led by a program lead, supported by an administrator and a technical specialist. Additionally, the organization should include 10 personnel staff assigned to support these programs. Many of these positions, however, remain vacant, as NWPO is only 1.5 year into operations and still in the process of establishing its credibility and still in the process of developing proof of concept on PBCs.

The only programme within NWPO fully staffed is that of NRW. NWPO has established an agreement with five metros for the NRW program and has secured funding from SECO and the Green Climate Fund (GCF), demonstrating the partner's financial credibility.

NWPO aligns with national and regional gender equality frameworks (i.e., Employment Equity Act). One of the NWPO key performance indicators is: increased participation of women, youth and marginalised groups in water and sanitation provision.

The NWPO operates as a ring-fenced unit within the DBSA, utilizing the bank's corporate infrastructure, including human capital, procurement, and financial management. As a result, it adheres to the policies, systems, and procedures established by the DBSA for these support functions. However, the NWPO independently develops its own technical content, for which the DBSA does not assume responsibility.

NWPO operates within the framework of South Africa's public service policies. As a result, it is required to comply with national guidelines and regulations governing Sexual Exploitation, Abuse, and Harassment (SEAH).

Summary of NWPO features

Name of Partner	Core business What is the main business, interest and goal of the partner?	Importance How important is the project/programme for the partner's activity-level (Low, medium high)?	Influence How much influence does the partner have over the project (low, medium, high)?	Contribution What will be the partner's main contribution?	Capacity What are the main issues emerging from the assessment of the partner's capacity?	Exit strategy What is the strategy for exiting the partnership?
NWPO	NWPO offers a comprehensive range of services to municipalities and water boards, supporting them in the preparation, structuring, design, financing, procurement, and implementation of water service projects. Through these efforts, NWPO aims to enhance	Medium to high: The programme will support partners in establishing a proof of concept and replication to facilitate public-private partnerships (PPPs), including Performance-based Contracts in the water sector	High. While the program has a logical framework outlining all activities, the specific outputs to be delivered by NWPO will be elaborated responding to demands from municipalities. Guidance from NWPO will influence the implementation of the project.	The partner has successfully secured the participation of five metros in the NRW programme. NWPO also has access to project preparation funding, which will be utilized to create investment opportunities for lenders, funders, and investors.	<p>Strength: NWPO has the capacity to assist municipalities in developing bankable projects, particularly in key areas such as reducing NRW and promoting water reuse. These efforts contribute to improved water service delivery at the local level.</p> <p>Weakness: A major challenge for the organization is that NWPO is newly established with limited track record and a lack of a proven proof of concept for implementing PBCs, which reduces its ability to attract private investment.</p> <p>Opportunities: expanding private sector engagement and public-private partnerships (PPPs) to secure funding and technical expertise for water projects. Additionally, NWPO can drive climate resilience, adopt</p>	At the end of the support period, NWPO is expected to replicate proof of concept in PBCs in NRW, enhancing its credibility and enabling it to operate independently. There may be need for additional support after the first programme period.

	<p>service delivery within each of its standardized programs.</p>				<p>innovative water technologies, and scale up efforts in reducing NRW and promoting water reuse.</p> <p>Threats: Political economy in general and specifically the influence of municipal councillors in overriding Performance-Based Contracts (PBCs) poses a significant risk to the effectiveness and implementation of structured water service improvement initiatives.</p>	
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Department of Water and Sanitation (DWS)

The Department of Water and Sanitation (DWS) is responsible for formulating and implementing policies that govern South Africa's water sector. Beyond its policy-making role, DWS also acts as the regulator, overseeing both the technical and economic aspects of water management.

South African municipalities are experiencing a sharp decline in water conservation and demand management performance. In response, DWS is implementing water management reforms through the Water Services Amendment Bill, which is currently under review. This bill will introduce a licensing system for Water Service Providers (WSPs), allowing DWS to revoke licenses if providers fail to meet quality standards. Additionally, Water Service Authorities (WSAs) will be required to establish Performance-Based Contracts (PBCs) with WSPs to enhance accountability and service delivery.

Summary of partner capacity assessment

The Chief Directorate: Water Use Compliance Monitoring and Enforcement at DWS comprises 105 staff members, including both national and provincial personnel. This unit consists of several directorates: Drinking Water Regulation, Wastewater Service Regulation, Water Resource Regulation, Compliance Monitoring, and Enforcement. Together, these directorates are responsible for establishing regulations, norms, and standards, as well as monitoring compliance with the Water Services Act. Their oversight ensures that municipal wastewater service institutions and drinking water service providers adhere to regulatory requirements.

DWS employs innovative regulatory tools, including the Blue Drop, Green Drop, and No Drop certification programs. These initiatives provide valuable insights that help identify and prioritize key interventions in the water and sanitation sector based on their findings. They also evaluate municipal performance in delivering water services by assessing infrastructure conditions, adherence to proper treatment processes, staff competency, and financial management.

Before conducting these assessments, the assessors receive rigorous training on the relevant background information and audit guidelines. This training equips them to complete the Blue, Green Drop, and No Drop assessment scorecards accurately and carry out the assessments professionally.

DWS, in collaboration with the Water Research Commission (WRC), is currently evaluating the requirements for obtaining WSP license, with the Blue Drop, Green Drop, and No Drop certification programs playing a central role. Introduced in 2008, the Blue Drop and Green Drop programs, along with the No Drop program, which was launched in 2013, operate on a multi-year project basis with a substantial budget. This long-term investment highlights DWS's commitment to institutionalizing these tools.

Since WSPs will obtain the licenses, DWS, through these Drops, has the ability to train both DWS staff and municipal officials. Prioritizing training for senior management would be more impactful, as many key water service challenges stem from managerial rather than operational issues.

DWS, together with Danida Fellowship Center (DFC) and South African qualification institutions (i.e., QTCOⁱ, EWSetaⁱⁱ, LGSetaⁱⁱⁱ) will develop training programs that will aim to enhance skills in the sector.

DWS and municipalities, as government entities, adhere to national and regional gender equality frameworks, such as the Employment Equity Act. This legislation promotes equal workplace opportunities while explicitly prohibiting sexual harassment. In line with this commitment, these entities have implemented policies to prevent, eliminate, and manage workplace harassment, fostering a fair and inclusive work environment. Furthermore, DWS aligns its planning with the National Development Plan, which aims to eliminate poverty and reduce inequality by 2030. A key component of this plan is gender equality, with a strong emphasis on gender-responsive budgeting. This approach ensures that public resources are allocated strategically to advance gender equality and empower women.

Summary of DWS features

Name of Partner	Core business What is the main business, interest and goal of the partner?	Importance How important is the project/programme for the partner's activity-level (Low, medium high)?	Influence How much influence does the partner have over the project programme (low, medium, high)?	Contribution What will be the partner's main contribution?	Capacity What are the main issues emerging from the assessment of the partner's capacity?	Exit strategy What is the strategy for exiting the partnership?
DWS	DWS plays a vital role in regulating water use efficiency, developing infrastructure, and ensuring that all citizens have access to safe and reliable water and sanitation services. As part of its mandate, DWS is responsible for enabling inclusive water services that are professionally managed, efficiently operated, and delivered by a skilled and competent workforce	Medium to high: WSP licensing to be accessible, the DWS, WSAs, and Water WSPs must have competent staff. This can be accomplished by providing training to senior staff within these organizations, ensuring they have the necessary expertise to support the licensing process effectively.	Medium. DWS, through the Water Services Act, will encourage WSAs and WSPs to participate in the proposed training. However, even without the Act, WSAs and WSPs would still benefit from the training, as it enhances their capacity to improve water service delivery	DWS will establish regulations and criteria for obtaining a WSP license. These criteria will serve as a foundation for developing the relevant curriculum, ensuring alignment with regulatory requirements.	Strength: Regulator of water and sanitation services with good policies Weakness: Despite its regulatory role, DWS lacks the authority to mandate municipalities to participate in training programs, limiting its ability to enforce capacity-building initiatives. Opportunities: DWS has the potential to collaborate with metropolitan municipalities, leveraging legal frameworks such as the Public Finance Management Act (PFMA) and the Municipal Finance Management Act (MFMA). These regulations provide a structured approach to managing public funds and promote cooperation across	By the end of the support period, DWS and Municipalities are expected to have a professionally managed and efficiently operated system, delivered by a skilled and competent workforce. This will empower officials to work effectively

					<p>different levels of government.</p> <p>Threats: The approval of the Water Services Amendment Bill by Parliament poses potential regulatory uncertainties. Additionally, municipal councils have the power to override WSP Performance-Based Contracts (PBCs), which may hinder planned interventions and service improvements</p>	
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Annex 8: Process Action Plan

PROCESS ACTION PLAN		
Activity	Timing/deadline	Responsible
Continued consultations with partner organisations	April 2025	Embassy/Consultant
Finalisation of programme document and associated project documents ready for appraisal	May 2025	Embassy
Appraisal	June 2025	LEARNING
Follow up on appraisal recommendations	July-September 2025	Embassy/Consultant
Submitting final documents for UPR	15 September 2025	Embassy
Presentation for the Council for Development Policy (UPR)	2 October 2025	Embassy
Approval by the Minister	October 2025	LEARNING
Signing of agreements	October/November 2025	Embassy