WATER SERVICES

A discussion with Dr Sean Phillips

Director General, Department of Water and Sanitation

In December 2025, CDE brought together leaders from Johannesburg civil society organisations and Department of Water and Sanitation Director General (DG) Sean Phillips to discuss the water issues facing the country. The session forms part of CDE's ongoing work to bring city stakeholders together to discuss Johannesburg's mounting challenges and to think practically about what it will take to rebuild systems that are no longer functioning.

Phillips argued that the country's main challenge is not water availability or national infrastructure, but the breakdown of water and sanitation services in municipalities. The Constitution assigns responsibility for water services to local government, where, he said, weak municipal management, shortages of suitably qualified technical staff, and institutional structures have caused these services to deteriorate.

He highlighted the scale of the problem with national audit data, citing the *Blue, Green,* and *No-drop reports*.[1] According to these reports, between 2014 and 2023, the percentage of water supply systems with poor or bad microbiological water quality compliance increased from 5 percent in 2014 to 46 percent in 2023.[2] Wastewater infrastructure is in particularly poor condition. In many areas, untreated or poorly treated sewage is entering rivers every day.

He stressed that water and wastewater treatment are technical, industrial processes. They need skilled operators, engineers, and managers who follow strict procedures. Where municipalities do not employ people with the right qualifications, systems start to slip. Maintenance is delayed. Standards are not met. Over time, infrastructure degrades and service quality drops.

A big part of his diagnosis focused on how water services are organised. The law separates two roles: the water services authority – to oversee and regulate services – and the water services provider which is responsible for distributing water. For example, Johannesburg Water is the provider, while the municipality remains the regulatory authority.

In theory, this separation is meant to improve accountability. In practice, Phillips stated, accountability is weakened as water services are absorbed into the wider municipal bureaucracy. Responsibility is spread across multiple departments. Procurement sits in one place. Staffing decisions in another. Billing and revenue collection elsewhere.

Water services in South Africa are meant to pay for themselves. National government provides some support, mainly for free basic water (for poorer residents) and capital infrastructure. But day to day operations and maintenance are meant to be funded from water sales.

That model, Phillips said, is rapidly breaking down. On average, municipalities lose 47 percent of the water they buy before it generates any revenue due to leaks, illegal connections, poor metering.[3] On top of that, councils can legally use water revenue to fund other municipal services. In Johannesburg, income from water and electricity is often used to plug revenue gaps elsewhere.

This leaves many water services operating at a loss. When revenue does not cover costs, maintenance is deferred. Skilled staff are not hired or retained. Infrastructure continues to deteriorate. Could any organisation be expected to function on a financially self-sustaining basis under these conditions, the DG asked.

As a remedy, Phillips proposed a move toward a utility model: an arrangement in which the provider controls its own revenue, is professionally managed and accountable, with control over the functions needed to recover costs and deliver services.

There are reforms now under way that would lend themselves to a utilities company model. The Water Services Amendment Bill, which has been tabled in Parliament, would introduce licensing for water service providers, with minimum technical and financial requirements. Where providers fail to meet these standards, the Minister will be able to initiate a process that could lead to a different provider being appointed. At the same time, National Treasury is pushing for clearer separation of water services from general municipal administration, including ringfencing revenue and establishing clearer lines of accountability.

He stressed that a utility model does not have to take on one fixed form. It can be publicly owned, privately operated or structured as a partnership. What matters is the design, not the ownership.

Several participants raised concerns about privatisation, corruption and the risk of creating new, inefficient private monopolies. Others pointed to Johannesburg's recent experience with water tankers that have been riddled with corruption and deliver poor services at high cost. The question was asked: can the city trust any arrangement that brings private actors into essential services?

In South Africa, as Phillips made clear, private companies cannot own water. Any private involvement would take the form of a concession, with the state retaining ownership of the resource and full regulatory authority. He emphasised that the critical issue is to replace current, dysfunctional structures with effective ones. In his view, any model will fail unless it incorporates three elements:

- Competition, which leads to the best providers being rewarded with contracts and customers, and the worst losing out.
- Incentives that ensure that companies will increase their revenue if they supply cleaner water at a lower cost to more customers.
- Regulations that hold operators to clear standards.

What do these models look like in practice? Cape Town's water utility was mentioned as a publicly-owned entity that remains within the municipality but is fully in control of its core functions and reinvests the money it generates into the service. In other parts of the country, such as Ilembe District Municipality in KZN and Mbombela in Mpumalanga, long-term concessions with private operators have been established and they have generated impressive improvements in the supply of drinkable water. In Emfuleni (in Gauteng), the municipality has initiated a public–public partnership with Rand Water. According to Phillips, these arrangements have largely generated positive results, although some are still in their early stages.

Johannesburg needs a new approach to water provision, one that aligns responsibility with authority and supports stable, accountable service delivery. Reform will be essential. The next administration will have to confront a system that is already failing.

Notes

[1]The Blue Drop, Green Drop, and No Drop reports are issued by South Africa's Department of Water and Sanitation to assess municipal drinking water quality, water losses, and wastewater management; no reports were released in 2024 or 2025.

[2]Department of Water and Sanitation (South Africa), Water and Sanitation Releases 2023 Full Blue Drop Report, media statement, 5 December 2023.

[3]Department of Water and Sanitation , media statement, 5 December 2023.

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