



NATIONAL WATER SUPPLY & SANITATION COUNCIL

GUIDELINES ON BUSINESS PLANNING

NWS/G002/4-2001

Table of Contents

1. Preface
2. Introduction
3. Definition
4. Functions
5. Timeframe
6. Contents
7. The Process of Writing a Business Plan
8. The Business Plan Presentation Structure
9. Monitoring
10. Appendices

Preface

A wise man traveling to an unknown destination that he has never been will carry a map to direct him. The map will be that which he can easily read and understand.

A business plan is also a tool managers may use to attract investment in their utilities. A well-documented Business Plan may be sold to Banks and Potential Financiers for further investment.

The National Water Supply and Sanitation Council (NWASCO) has developed these guidelines to assist water providers come up with business plans that will be directional and objective.

Water providers in Zambia will have to define their business destination and how they will get there.

The WSS Act requires providers to submit their Business Plan to the regulator so that NWASCO can monitor their performance effectively based on long-term objectives.

This ensures that the regulatory framework is not based on short-term objectives but on sustainable long term planning based on commercial principles.

The guidelines in this documents are not in any exhaustive, and providers may add more details and other subjects as they deem fit.



.....
DR MWENE MWINGA
CHAIRMAN

1. INTRODUCTION

In 1994 the Government of the Republic of Zambia adopted a water policy containing seven sector principles. This was the basis of the water supply and sanitation reforms. Water supply and sanitation service provision was commercialised through the devolution of the responsibility for providing the service to local authorities and the private sector. As provision of water supply and sanitation is a natural monopoly, the new institution set up required the presence of a regulator.

In 1997, the Water Supply and Sanitation Act No. 28 was enacted to regulate the water supply and sanitation sector. The Act established (National Water Supply and Sanitation Council) NWASCO as the regulator and also requires all providers to obtain a licence from NWASCO in order for them to provide water supply and sanitation services.

Further the statutory Instrument No 63 of 2000 under the Water Supply and

Sanitation Act sets out the procedures and requirement for providers to apply to NWASCO for a licence.

The Statutory Instrument stipulates that an application for a licence should be accompanied by a number of documents among which are the following;

- Business Plan
- Copy of the Company Registration Certificate
- Financial Projections of the company and
- Investment Plan

The Statutory Instrument No. 63 outlines in broad terms the contents of the business plan to be submitted. However, in order to ensure that providers make business plans which meet the NWASCO standards, these guidelines give more details on the business plan to be submitted.

2. DEFINITION

A business plan is a comprehensive overview of a company's missions, objectives, strategies and programs for a given period. These objectives, strategies and programs must be linked to the sector policy. It identifies the current situation of a company, where it wants to be at the end of the planning period and, in broad terms, how it proposes to get there. Therefore, the Business Plan is an essential **management tool**, guiding management's decisions and actions.

The Business Plan should reflect a realistic view of the expectations and long-term

objectives of a company. The business plan establishes a **consistent picture** of the company's current and future situation, pointing out its weaknesses and strengths as well as the potential to improve.

In particular, the business plan should demonstrate how the company intends to be more efficient by specifying appropriate objectives and logically setting out the actions necessary to achieve them.

A business plan shows that careful consideration has been given to the business's development.

3. FUNCTIONS

A business plan provides a thought out and logical framework within which a business can develop and pursue business strategies over the planned period. It provides a benchmark against which actual performance can be measured and reviewed.

A business plan furthermore helps management to clarify, focus and research their business's development and prospects and serves as a basis for discussion with third parties (e.g. the financial institutions, stakeholders, regulator, etc).

The board therefore must endorse it, as future board and management decisions will be within the framework of the business plan.

The other documents to be elaborated by the providers should be consistent with it, e.g. the agreements concerning the minimum service level should be reflected in the business plan and the tariff adjustment proposals should be based on the objectives and targets set out in the business plan.

4. TIME FRAME

The business plan should cover a period of three years. A revised business plan is to be presented before the period of three

years of a valid business plan expires and at every review of tariffs

5 CONTENTS

The business plan should comprise but not restricted to the following main parts:

- Executive summary
- General company description
- Management
- The strategic plan
- The activities and work programs
- Marketing Summary
- The efficiency improvement indicators
- Other non-core business activities.

5.1 EXECUTIVE SUMMARY

The **Executive Summary** should present the Business Plan in a concise manner. It should be short and outline the main elements of the Business Plan in a few paragraphs by giving succinct statements of objectives, strategies and actions planned. Special emphasis should be laid on risks and possible actions to overcome

obstacles. It should also include a brief **Mission Statement** of the company.

A **Mission Statement** is a statement, which describes the basic purpose of an organisation. It is used as a basis for formulating goals, objectives and short-term targets.

In the Water and Sanitation sector, a Mission Statement will be written within the policy framework of the sector. It will bring out in a short statement what the company is trying to address or achieve. A description of the mission of the Water Company could for example be: To

provide the whole population of A and B with sufficient clean water continuously on a cost recovery basis.

The Executive Summary will crystallize the entire Business Plan document in an overview format. It will therefore be the last section of the Business Plan to be written.

5.2 GENERAL COMPANY DESCRIPTION

The general company description will in the first place bring out an overview picture of the industry. It will then bring out the following:

- The background of the company,
- Its major services,
- Its main focus

- Perceived potential growth
- Main partners
- Major contracts and agreements
- Recent important changes and

any other general information about the company and the sector.

5.3 MANAGEMENT

The success or failure of any business will largely depend **on the management team** in place. A business with adequate resources is bound to fail if management fails to utilise the resources.

experience must be stated.

The strength of the management team must therefore be strongly stated in the Business Plan. Brief profiles of key personnel including qualifications (academic and professional) and number of years of

The key personnel to be mentioned by name with their qualification and experience in relevant fields are the chief executive officer and heads of departments (directors) of finance, commercial, technical, and human resources. It will be necessary to include an organisation structure in this section.

5.4 STRATEGIC PLAN

The strategic Plan outlines the course of action including the specification of resources required to achieve a specific target. This will set the company's objectives for the planned period.

The strategic plan will:

- Provide a framework for company decision making within the period of the business plan
- Furnish the company with a formal systematic and continuous process of decision making,
- Give direction to the whole organisation.

▪ The Strategic plan is therefore conceptual and directional in content. It should state and include the following:

- Company Objective
- Analysis of Current Position of the Company
- Environmental Analysis
- The Activities and Work programs
- Overall Policies and Guidelines for achieving the Objectives

Mission Statement

A brief mission statement as mentioned in the executive summary section should be clearly outlined. It should come out

clearly as the basis of objectives and policies outlined in the Business Plan.

5.4.1 The Company Objectives

The objectives of the company will be derived from the company's Mission Statement. Objectives will normally be formulated within a hierarchical structure with each level in the hierarchy deriving its objectives from the next level above, all therefore emanating from the organisation overall mission. There must be therefore a hierarchy of objectives going down the organisation structure.

When presenting company objectives and strategies for the period, the progress in ensuring Minimum Service Levels as detailed in the first Service Level Agreement will be clearly reflected. In particular, the company should indicate its objectives for the next three years and the strategies how it intends to achieve them relating to the following key-indicators:

- Coverage in the service area
 - a) Water (connections and kiosks)

b) Sewerage (connections, installations etc)

- Unaccounted for water
- Metered billing
- Collection rate
- Expenditure for personnel / turnover
- Service provision in hours / day
- Water quality
- Total cost recovery
- Untreated trade effluent discharged, etc.

Objectives and sub-objectives with strategies relating to them are to be presented as per Appendix 3. Objectives should be formulated in a general way on company level, and then determined more precisely for the different fields of management. They can also take a specific form for different regions, towns, etc.

A survey of the main objectives (company level, no sub-objectives) compared with the present situation should be presented as per Appendix 4.

5.4.2 Analysis of Current Position of the Company

In order to formulate a course of action, it is necessary to first determine the current situation by way of carrying out a **Position Audit**. A Position Audit focuses the attention of those responsible for the formulation of the Strategic Plan upon the question "**where are we now**". This is with regard to:

- Tangible and Intangible assets
- Finance
- Operating systems
- Internal organisation
- Returns to key stakeholders
- Delivery of services, and other company concerns.

A Position Audit will include the **SWOT Analysis**. SWOT Analysis will basically outline the company's current **Strengths, Weaknesses, Opportunities and Threats**.

A survey of strengths and weaknesses is to be presented in tabular form as per

Appendix 2. A proposal for the "domains" or categories to be covered (first column of the table presented in Appendix 2) is shown in Appendix 1

5.4.3 Business Environment Analysis

During and after the setting of the strategic plan, the company needs to analyse the business environment in which it operates.

The effects of the environment may sometimes make it difficult for the company to achieve its objectives within the planned period. The environment will

include among others **Political, Economical, Social and Technological** factors. (PEST Analysis Factors).

Providers must outline in their Business Plan what impact the PEST analysis factors will have on their business. Where necessary remedial measures should also be outlined so as to show that the objectives would still be achieved.

5.4.4 Activities and Work programmes

This part of the Business Plan will outline in broad terms how the company will get where it wants to be. It will translate the objectives identified in the previous section into activity and work programs for the different departments considered.

It will explain why these programs are felt being necessary and explain why they are believed sufficient to achieve the set goals. It will be helpful to divide the objectives

into sub-objectives for each level of management and set targets and time limits for each sub-objective. Performance measurements methods that will be used must also be expressed clearly for each target.

A summary for detailing activities and programs is presented in Appendix 5.

5.4.5 Overall Policies and Guidelines for achieving Objective

This section helps to establish realistic **Policies and Guidelines**, which the company will adopt to direct it towards achieving the intended objectives.

These will be internal policies and guidelines, which the company perceive as appropriate taking into account its internal and external environments.

These policies and guidelines should be specific and relevant to the sector. Particular emphasis should be directed towards key indicators outlined above and any other mentioned in the Minimum Service Level Agreement. For example, in order to ensure water quality, it may be the company's policy to carry out water tests every after x number of hours.

5.5 MARKETING STRATEGY

The marketing-oriented organisation places the customer and meeting the customers needs at the centre of its corporate plan. An understanding of the customer needs will provide an opportunity for investment. This leads to the development of viable marketing plans that target and promote appropriate service, payment and management options that can be provided reliably at appropriate prices to each of the customer groups.

Marketing Strategy will have at its centre an in depth outline of marketing mix. Marketing Mix is the process of understanding the nature of customers, their current practices, needs, the way they want their needs delivered, the best way to communicate to them and their knowledge of the service provider.

In this part of the Business Plan, factors identified as part of the market mix and how they are together blended must be brought out. The market mix is key to satisfying customer needs which is critical to the survival of the company. There is no such thing as typical marketing mix because each company prescribes its own unique formula.

However, the task of the management is to convert the company assets into customer

valued assets. For example Water providers may bring out how they will blend Products, People, Promotion, Price and Place (the 5 Ps). A feasibility study may be carried out at the end of which certain localities (**p**lace) may be identified as better provided (**p**romoted) with house connections (**p**roduct) as opposed to kiosk because of the life style of the **p**eople in the area. This may include adopting block tariff as the **p**ricing method. The sanitation aspect in this example may involve looking at the social and religious patterns of the people in certain areas (**p**laces). The dominant group in a certain area may not use tissue because of religious persuasions. The marketing strategy may be to build special latrines (**p**roduct) with water basins making it easier to clean without tissue at a special tariff.

Marketing is about satisfying customers through pricing the product at the level, which is sustainable. Therefore measures to be taken in this regard should be outlined clearly in the Business Plan.

The marketing strategies will also address revenue collection. Strategies will have to be formulated which are specifically targeted enhancing at revenue collection. The Business Plan will have to be explicit on revenue collection efficiencies.

5.6 EFFICIENCY INDICATORS

The **efficiency indicators**, defines quantitative and measurable indicators for the set objectives. It should state their current level and the targeted level as the result of the planned actions. Statements

here should be supported by information provided by studies, statistics etc.

All parts of the Business Plan have to cover the following five main fields:

- Organisation and management,

- Human resources management and development,
- Commercial management including marketing and public relations,
- Financial management,
- Operations.

Appendix 1 provides a breakdown of these fields into sub-fields.

Companies should use this part of the Business Plan to set specific quantified and

measurable targets for improvements that they think can be realised by putting

through the strategies and work programs outlined in previous sections. At least the indicators defined in chapter 5.4.1, should be taken up in this section.

A distinction should be made between efficiency improvements (reduced costs or higher revenues) and improvements of service and quality.

5.6.1 Performance improvements

In developing its strategic plan the company should define its potential to improve its efficiency during the Business Plan Period.

The purpose of this part is for the company to:

- a) Set out its views on the extent of possible improvements in efficiency (e.g. reduction of unaccounted for water by x % during the next three years, increase in collection rate to, percentage of bills based on metering increased to, number of staff and personnel expenditure reduced to ... etc) and the evidence on which they are based, establishing links to the other parts of the Business Plan (e.g. programs of installation of new meters, changes in the organisational structure); and
- b) Explain the implications of these improvements on cost (e.g.: 10 % less unaccounted for water will result in production cost lowered by x %) and establish a link to the set targets (e.g. for the first year a reduction of 20 % of

unaccounted for water, is targeted cost will decrease by x % respectively y million Kwacha that will result in achieving the equilibrated result being attained at the end of the second year).

Efficiency improvements should be stated in the first instance in non-financial quantitative terms or percentage terms (e.g. streamlining of procedures will reduce the required number of meter readers by x or the meter installation program will reduce the unaccounted for water by y %) before assessing the possible financial benefits (e.g. by the reduction of the number of meter readers personnel costs will decrease by x million Kwacha, the proposed reduction in consumption of chemicals for treatment without loss of water quality will reduce the costs for chemicals by ... million Kwacha).

The provider should explain how it intends to meet its efficiency assumption and confirm that this can be done without increasing the risk of service or quality compliance failure.

5.6.2 Improvements of water quality and customer service

The purpose of this part for the company is to:

- Set out its views on the scope for improvements in water quality and customer service and the evidence

- on which they are based (thereby especially focusing on the Minimum Service Level), and
- Give detailed estimates of the cost implications.

Quantified targets for indicators for efficiency improvements and improvements in quality and customer service should be presented by using the table presented in appendix 6.

5.7 NON CORE BUSINESS ACTIVITIES

The Business Plan so far has been addressing the main core business of the company, which is water supply and sanitation. However, Water companies may be involved in other businesses (eg Bore drilling, Tourism etc).

In this section of the Business Plan companies should outline other business activities they are engaged in. These activities must be described in full details,

giving reasons why the company has undertaken these activities with details of expected benefits. The following will also have to be shown:

- Strict separation from the core business
- Separate accounts
- Separate company structure
- No subsidising from the main core business and
- It is for the benefit of the main core business

6 THE PROCESS OF WRITING A BUSINESS PLAN

The business plan is the work of the executives of the company. It is always the executives, in the last instance the Managing Director in collaboration with other directors, who will bear the responsibility for the contents and the quality of the Business Plan even if the plan was drawn up with outside help.

Writing the business plan must be done in the first place by the Managing Director together with the executive managers thereby involving all managers of the various departments of the company and key personnel of the provider. Workshops and brainstorming sessions might be helpful if prepared accordingly (topic clearly defined, participants carefully chosen).

The time needed to produce a Business Plan should not be underestimated: It will require several weeks, usually months, depending on the complexity and scale of the company as well as on the relevant

management team. A lot of time will probably be needed for research, preparatory work and,

especially, the process of thinking and discussing. But already the process of establishing the business plan (thinking, discussing, researching and analysing) will be rewarding: It forces managers to present more clearly what they want to achieve, and how and when they can do it.

Before writing the Business Plan the likely length of the plan should be defined; a well-developed plan will take at least twenty pages plus appendices. The Business Plan itself should focus on the essential issues, detailed information being supplied in the annexes. The executive summary should be written last.

The process of writing a Business Plan is to some extent interactive as the different areas covered are closely linked to each other: For example a provider might want to reduce its unaccounted for water by

installing meters but is aware of certain limits because of financial constraints. When it comes to define the objectives for the collection rate the Company might get aware that there is quite a potential to improve it. The revenues and spending priorities should then be revised according to the new objectives – that will allow for procuring more meters, permitting to reduce further unaccounted for water, so cutting cost further ... or, as another example: The analysis of current procedures has shown that the number of meter readers can be reduced to X with the current number of metered household

connections; the personnel cost have been reduced accordingly. When it comes to the objectives of the company, it decides to install additional meters and to extend its network to a district nearly not provided for up to now. So the analysis of the required number of meter readers should be increased and the personnel expenses adjusted if an improvement in metre reading performance is not achievable. In consequence, several drafts will probably be developed before having developed a business plan that truly reflects the company's current situation and its perspectives for the future.

7 THE BUSINESS PLAN PRESENTATION STRUCTURE

In view of the foregoing, the Business Plan to be submitted to NWASCO should be structured as follows:

Cover sheet mentioning name, date and mission of the company
Table of content
Executive summary
General company description
Management
Strategic Plan
The Activities and Work Programmes
Marketing Summary
The Efficiency Improvement Indicators
Non –Core Business Activities
<ul style="list-style-type: none"> • Details of each subject in the contents • Appendices

8. MONITORING

As every management tool, a business plan is only useful to the company if it is used. Therefore, it is essential for a company to monitor regularly the agreed business plan's implementation. It is therefore recommended to integrate all key aspects of the business plan in the internal reporting system. Management should be monitoring the implementation of the business plan at least once a month and

prepare reports for their discussions. Major deviations should be explained and possibilities to react to undesired developments should be discussed and decided upon.

NWASCO will ask for reports that cover the implementation of the business plan once a year.

Appendix 1

1. **BREAKDOWN OF MAJOR FIELDS OF MANAGEMENT INTO SUB-FIELDS**

1. **Management and organisation** includes without being limited to:
 - Institutional and juridical aspects
 - Management instruments
 - Management Information Systems
 - Information technology
 - Internal control & auditing
 - Relations with authorities, financiers and donors and other third parties.

2. **Human resources management and development** includes without being limited to:
 - Human resources assessment
 - Human resources administration (staff planning, job descriptions etc.)
 - Human resources development (performance oriented incentive schemes, promotions according to merit, training etc).

3. **Commercial management, including marketing and public relations** includes without being limited to:
 - Tariff structure and tariff setting (commercial aspects)
 - Customer management (metering, billing, collection, management of pay stations and customer complaints)
 - Public relations (customer sensitising)
 - Collection of socio-economic data.

4. **Financial management** includes without being limited to:
 - Accounting
 - Financial analysis
 - Cash management
 - Tariff setting (financial aspects)
 - Budgeting
 - Long-term projections
 - Procurement.

5. **Operations for water and sewerage** include without being limited to:
 - Supply and demand management
 - Investment planning
 - Asset management
 - Maintenance of infrastructure
 - Water quality
 - Logistics

Provider: _____

Business Plan period _____

Part I

Table 2: Summary of Strategic Objectives

Objective	
-----------	--

Sub-objective	1.1	
Strategy-related objectives of the departments		Department

Sub-objective	1.2	
Strategy-related objectives of the departments		Department

Objective 2	
-------------	--

Sub-objective	2.1	
Strategy-related objectives of the departments		Department

Etc.

Provider: _____

Business Plan period _____

Part II

Table 4: Programs

Department:

Domain	Strategic objectives	Action	Accountable Person	Financing	Deadline date	Costs	Documentation

