



NATIONAL WATER AND SEWERAGE CORPORATION

INTERNALLY DELEGATED AREA MANAGEMENT CONTRACT

(IDAMC)

**HEAD OFFICE ELGON WATER
PARTNERSHIP**

MBALE WATER SUPPLY SERVICE AREA

December 2003

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APPENDICES

This **MANAGEMENT CONTRACT** is made this 17th Day of December, 2003

BETWEEN

1. The National Water and Sewerage Corporation Head Office (hereafter referred to as the “Head Office”) of P.O. Box 7053, Plot 39, Jinja Road, Kampala; on one hand

AND

2. Elgon Water Partnership (hereafter referred to as the “Operator”) of Mbale Water Supply Service Area, P.O. Box 2548, Mbale on the other hand.

Hereinafter referred to as the “Parties”

WHEREAS:

- A. The Corporation entered into a Performance Contract with the Government of Uganda (GoU) pursuant to section 48 of the Water Statute, 1995;
- B. Clause 8.2.2 of the GoU Performance Contract urges the Corporation to continue to implement the current performance improvement programmes under the current arrangements and uphold the institutional reform initiatives by the current management to effect the transformation of Areas into autonomous units;
- C. Clause 6 (1) of NWSC Statute, 1995 allows the Corporation to do all things that are necessary for, or are in connection with, the achievement of its objectives and the performance of its functions;
- D. Clause 19 (1) & (2) of NWSC Statute, 1995 allows the Corporation to engage officers and employees that are necessary to perform its functions and to determine the terms and conditions of appointment for employees as need arises.
- E. Clause 36 (1)-f of NWSC Statute, 1995 allows the Corporation, subject to other provisions of the same Statute, to make bye-laws regulating the duties, remuneration and conditions of service of officers and employees of the Corporation.
- F. The approved NWSC Corporate Plan 2003-2006 provides for a new management arrangement wherein certain management responsibilities within NWSC’s operational areas are delegated to an agent under delegated area management contracts.

AND WHEREAS

- G. The Operator understands and agrees to be bound, as an agent of the Head Office in Mbale Water Service Area, by the relevant provisions stated in the Performance Contract and any amendments and variations thereto, which relevant clauses of the GoU Performance Contract forms part of this Contract;

- H. The Head Office has requested the Operator to undertake the management of water supply and sewerage Services, where applicable, within the Mbale Water Supply Service Area (the “Area”);
- I. The Operator, having demonstrated to the Head Office that it has the required managerial, technical, scientific, engineering and operational skills and competencies in respect of water supply and sewerage services, has agreed to provide an effective and efficient management service (the “Service”);

NOW WHEREFORE:

- J. The purpose and objective of this contract and the arrangements it puts in place is to promote further improvements in the operational and financial performance of the Corporation.

THE PARTIES AGREE AS FOLLOWS:

1. INTERPRETATIONS

- 1.1 Unless the context otherwise requires the following terms shall whenever used in this contract have the following meanings:
 - (a) “Area” means the service area in which the Corporation provides the Services as defined in the First Schedule of this Management Contract.
 - (b) “Area Manager” means the Managing Partner of the Operator.
 - (c) “Business Plan” means a detailed account of how the Operator will provide the Services in the Area, showing expected incomes, detailed work plans and expenditures, and human resources management matters as provided for in Clause 14.
 - (d) “Collection Account” means the bank account in the name of the Corporation into which all revenues arising from the provision of the Services for the Area are deposited.
 - (e) “Commencement Date” means the date on which this Contract shall become effective, provided always that the commencement date shall:
 - (i) Where the contract is signed on the 1st day of the month, occur on the date on which the Contract is signed.
 - (ii) Where the Contract is signed after the 1st day of the month, occur on the first day of the calendar month following the month in which the Contract is signed.
 - (f) “Contract” means the present contract signed by the two parties.
 - (g) “Corporation” means National Water and Sewerage Corporation.
 - (h) “Fiscal Year” means the fiscal year starting on 1st of July and ending 30th of June.

- (i) "Law applicable" means the law and any other instruments applicable in the Republic of Uganda.
- (j) "Logistics" means any specialised operational inputs and services provided by the Head Office for the smooth operations of the Area.
- (k) "Operator" means the Area Manager in association with the approved selected management team as specified in the Deed of Partnership in the Seventh Schedule of this Contract.
- (l) "Parent targets" refer to Working Ratio (Operating Expenses, less depreciation to Billing ratio), Unaccounted for water, Connection Efficiency (Active connections to total connections ratio), Collection period and Cash Operating Margin (Collections less total Operating expenses, excluding depreciation) as defined in the Third Schedule.
- (m) "Plant" means the machinery used for the provision of the Services.
- (n) "Person" includes a firm, corporation, partnership, joint venture, unincorporated association and public authority;
- (o) "Service" means the operation, maintenance and management of the water supply, water distribution, sewerage and sewage treatment facilities, including all related customer, financial and human resources aspects as set out in Clause 9, so as to provide water supply and sewerage services to the Corporation's customers in accordance with agreed standards.
- (p) "Top Management" means that management team at the Head Office comprised of the heads of the Corporation's divisions and departments reporting to the Managing Director.

1.2 Headings are for convenience only and do not affect interpretation.

1.2.1 In interpreting this Contract, a construction of words that would promote the purpose or object underlying the Contract must be preferred to a construction that would not promote that purpose or object.

1.3 This Contract shall be interpreted in accordance with the laws of the Republic of Uganda.

2. THE CONTRACT DOCUMENTS

The Contract documents shall consist of:

- (a) This Management Contract
- (b) The Business Plan
- (c) First Schedule Area of Authority

- (d) Second Schedule Assets Handed Over
- (e) Third Schedule Performance Standards
- (f) Fourth Schedule PPM Programme and Guidelines for Corrective Maintenance
- (g) Fifth Schedule Government MOU on Payment of GoU Bills
- (h) Sixth schedule Computation of Management Fee and Incentive Payment & Management Fee Invoice Form
- (i) Seventh Schedule Deed of Partnership of the Operator
- (j) Eighth Schedule Procurement Guidelines
- (k) Ninth Schedule List of Required Reports
- (l) Tenth Schedule Terms of Secondment of Staff to the Operator
- (m) Eleventh Schedule Procedures for Disbursement of Funds
- (n) Twelfth Schedule Support Services Provided by the Head Office

3. COMMENCEMENT OF CONTRACT

This Contract shall come into effect on the Commencement Date as defined in Sub-clause 1.1 (d).

4. DURATION OF THIS CONTRACT

This Contract shall come into effect on the Commencement Date and shall continue in force for a period of 2 years ending on the second anniversary of the Commencement Date. Thereafter the Contract shall be re-negotiated and renewed unless either party has given to the other 90 days' previous written notice of intent to terminate the Contract. This Contract shall be subject to quarterly reviews beginning three months from the Commencement Date and every three months thereafter in accordance with the provisions of Clause 24.1 and the Ninth Schedule.

5. NOTICE UNDER THIS CONTRACT

- 5.1 Any notice, instruction, direction, request or permission to be given or made under this Contract shall be given or made by:

For the Head Office:

A member of Top Management authorized by and acting on its behalf;

For the Operator:

The Area Manager or any person authorised by and acting on behalf of the Area Manager with prior notice to the Head Office.

6. ASSIGNMENT OF THE CONTRACT

- 6.1 The Operator shall not assign the Contract or any part thereof, or any benefit or interest therein or thereunder
- 6.2 The Head Office shall, by notice to the Operator, given at least 90 days in advance, be entitled to assign its rights and obligations, in whole or in part, to any other person, as defined in sub-clause 1.1 (n), which may become responsible for provision of Services in the Area in accordance with the Water Statute, 1995. Any such assignment by the Head Office shall become effective on the ninetieth (90th) calendar day following the said notice or on such later date as may be specified in the notice.
- 6.3 Notwithstanding anything to the contrary as may be stated in or reasonably inferred from the Contract, the Operator shall not be entitled to any payments or compensation, either by the Head Office or by any assignee of the Head Office consequent either directly or indirectly on the exercise by the Head Office of its rights in accordance with Sub-clause 6.2

7. APPOINTMENT AND RESPONSIBILITY OF THE OPERATOR

- 7.1 The Head Office hereby appoints the Operator to be the sole and exclusive provider of the Services in the Area for the duration of this Contract.
- 7.2 The Operator shall, in such manner and at such times as they shall in their discretion see fit, use all their skills and knowledge to manage, administer, conduct, maintain and develop the Services in the Area efficiently, in the best interests of the Head Office, in a professional manner and, in particular but without prejudice to the generality of the foregoing, shall carry out the duties and obligations and have the rights set forth in this Contract.
- 7.3 The Operator shall also be responsible for the efficient implementation of any development plan, which has now or may hereafter be agreed between the Head Office and the Operator.

DUTIES, OBLIGATIONS AND RIGHTS OF THE OPERATOR

Without detracting from any duties, obligations and rights imposed on or conferred (whether expressly or by implication) upon the Operator by this Contract or implied by law or commercial custom on managers of a business similar to the Service, it shall be the duty and obligation of the Operator to meet the performance standards set out in the Third Schedule of this Contract and it shall be the duty, obligation or right of the Operator:

8. TO SAFEGUARD, USE, MAINTAIN AND CONTROL ASSETS

- 8.1 The Corporation reserves the rights of ownership in the assets related to the provision of the Services in the Area as set out in the Second Schedule to this Contract
- 8.2 The Operator shall have access to, the right to use, and the duty to safeguard, maintain and control the assets referred to in Sub-clause 8.1, without charge, for the purpose of discharging its duties and obligations or exercising its rights under this Contract, for the term of this Contract, in a way that is beneficial to the customers of the Corporation in the Area
- 8.3 The Operator shall maintain in good working condition, throughout the term of this Contract, the assets referred to in Sub-clause 8.1 and shall ensure that adequate control is maintained over assets in his/her custody.
- 8.4 The Operator shall not dispose of or create any interest in the assets referred to in Sub-clause 8.1, except on the express written instruction of the Corporation.
- 8.5 The Operator shall comply with any directions of the Head Office to use or dispose of any asset or any money or other consideration to which the Corporation becomes entitled as a result of disposing of any asset referred to in Sub-clause 8.1.
- 8.6 The Operator shall notify the Head Office, in writing, of any assets the Operator acquires on behalf of the Corporation for use in the provision of the Services.
- 8.7 The Operator shall be responsible for acquisition of land titles for the Corporation's properties in the Area in the name of the Corporation but shall request assistance from Head Office on issues which are beyond its control or where it is clearly more economical for the Head Office to intervene.

9. TO PROVIDE OPERATIONS MANAGEMENT SERVICES

- 9.1 The Operator shall discharge all the duties and obligations of a water supply and sewerage service provider within the Area for the term of this Contract. These shall include, but are not limited to:
 - (a) Water production
 - (b) Water distribution
 - (c) Customer connections growth
 - (d) Sewage collection, treatment and disposal, where applicable
 - (e) Customer care and marketing
 - (f) Billing and revenue collections

- 9.2 In discharging the duties and obligations referred to in Sub-clause 9.1, the Operator shall:
- (a) exercise due diligence, efficiency and economy in accordance with generally accepted professional conduct and practice, and shall employ sound management practices and appropriate technology in the best interests of the Corporation;
 - (b) work with the staff agreed to with and seconded by the Head Office.
 - (c) comply with:
 - (1) Any code of workmanship prescribed by the Minister under Section 70 of the Water Statute, 1995.
 - (2) The performance standards specified or referred to in the Third Schedule to this Contract.
 - (3) Every provision of all laws relating to the duties and obligations referred to in Sub-clause 9.1, to the occupational health safety of employees, to the environment, to the collection and payment of taxes and to any other matter whatsoever.
 - (4) The terms of any water or waste discharge permit granted to the Corporation.
 - (5) Any notice, instruction or direction issued in accordance with Clause 5.
 - (d) Raise, collect, remit and pay all taxes, rates, charges, fees, and penalties and provide all returns, files and documents as may be directed by the Head Office from time to time.
- 9.3 In discharging the duties and obligations referred to in Sub-clause 9.1, the Operator may sub-contract any part of such duties to an independent party with the express approval of the Head Office and in accordance with the Procurement Guidelines set out in the Eighth Schedule. The Operator shall provide the Head Office with such information about the proposed sub-contractors as the Head Office may require and shall execute a contract approved by the Head Office.
- 9.4 The Operator shall remain liable under the Contract for the discharge of any duties and obligations sub-contracted under Sub-clause 9.3.
- 9.5 The Operator shall ensure that the planned preventive maintenance (PPM) programme and guidelines for corrective maintenance are executed in a cost-effective and efficient manner in accordance with the Fourth Schedule.
- 9.6 The Operator shall ensure that all premises relating to the provision of the Services in the Area are maintained and kept clean in a way that promotes good hygiene and the corporate image.

- 9.7 Failure by the Operator to comply with the provisions of Sub-clauses 9.5 and 9.6 resulting in asset stripping, poor housekeeping conditions or undue damage to the corporate image shall constitute a breach of this Contract in accordance with Clause 29.2.
- 9.8 The Area Manager shall endeavour to be in his/her duty station and shall notify the Head Office of any intended absence. Where the Area Manager plans to be absent from the duty station for a period exceeding 48 hours the Area Manager shall seek clearance from Head Office, in writing, including the person whom the Area Manager shall have appointed to act in his/her position during his/her absence.

10. TO CARRY OUT REHABILITATION AND EXTENSIONS TO THE SYSTEM

- 10.1 The Operator shall be responsible for the implementation of any rehabilitation and/or extensions to the system agreed with the Head Office in the Business Plans as the responsibility of the Operator.
- 10.2 The Operator shall co-operate with the Head Office in the execution of any rehabilitation works and/or extensions to the system that the Head Office deems to be major, which are therefore the responsibility of the Head Office, as well as any other works which are not the responsibility of the Operator under Sub-clause 10.1.
- 10.3 In executing the duties and obligations under Sub-clause 10.1 the Operator shall follow the Procurement Guidelines set out in the Eighth Schedule to this Contract.

11. COLLECT REVENUE FOR SERVICES PROVIDED

- 11.1 The Operator shall charge tariffs and collect fees, rates and charges or any other income for the provision of the Services in accordance with the Corporation's approved tariff structure and other financial policies/instruments.
- 11.2 Sub-clause 11.1 notwithstanding, the Operator shall work closely with the Head Office in ensuring that centralised government ministry debts (defence, prisons, police and president's office) are cost-effectively collected. Specifically, the Operator shall ensure that the ministries in question are timely billed, bills certified by responsible officers and monies collected in accordance with the Memorandum of Understanding (M.O.U) with Government in this respect as set out in the Fifth Schedule. The Operator shall promptly refer cases of laxity by Government to honour payments in accordance with the M.O.U, to the Head Office for redress.
- 11.3 The Operator shall deposit all monies collected under Sub-clauses 11.1 and 11.2 into the Collection Account by no later than the following working day. The Collection Account shall be solely in the name of and under the control of the Corporation.
- 11.4 Failure to deposit any revenue collected into this account as provided under Sub-clause 11.3 shall constitute a breach of this Contract in accordance with Clause 29.
- 11.5 Any monies not deposited as provided under Sub-clause 11.3, whether by omission or commission of the Operator or otherwise, shall be recoverable from the Operator and

shall be remitted to the Head Office within 15 days of receiving written notice of the amount due.

12. TO RECEIVE AND SPEND A MANAGEMENT FEE

- 12.1 In consideration for discharging the duties and obligations set forth in this contract, the Operator shall be entitled to receive a Management Fee from the Head Office on the basis set out in the Sixth Schedule and in the manner set out in this Clause.
- 12.2 Where the Operator fails to achieve the minimum performance standards set forth in the Third Schedule of this Management Contract, for reasons other than those outside its own control, the Operator shall forfeit a portion of the Management Fee according to the computation detailed in the Sixth Schedule, provided always that the portion of the Management Fee to be forfeited may be reduced by the Head Office upon review of the reasons leading to the failure.
- 12.3 Where the Operator fails to provide the Head Office with a modified Business Plan in accordance with Clause 14 or to report to the Head Office in accordance with Clause 15, the Head Office shall, at its discretion, withhold 30% of the Performance and Incentive Fees earned by, and payable to, the Operator as set out in the Sixth Schedule, until such provisions are met
- 12.4 The Operator shall compute the monthly Management Fee due under Sub-clause 12.1 and shall submit an invoice for the appropriate Management Fee to the Head Office by the 12th day of every month in respect of the Management Fee for the previous calendar month. The invoice shall show the detailed computation of the Management Fee and shall be in a format and have content acceptable to the Head Office, as shown in the Sixth Schedule of this Contract.
- 12.5 The Operator shall have a right to settlement of the invoice referred to in Sub-clause 12.4 by the Head Office within 15 days from the receipt of such invoice by the Head Office provided that:
 - (a) the Operator shall have provided all explanations, corrections and information requested by the Head Office regarding the invoice within 2 working days of receiving them; and
 - (b) Any requests by the Head Office for explanations, corrections and information shall have been made at least 2 working days prior to the expiry of the period under this Sub-clause.
- 12.6 Sub-clauses 12.5 notwithstanding, the Head Office shall pay the Base Fee component of the Management Fee, as specified in the Sixth Schedule of this Contract, by the 26th day of the month in which the invoice referred to in Sub-clause 12.4 is presented.
- 12.7 Where the Head Office fails to settle the amount due to the Operator in accordance with Sub-clause 12.5, the Operator shall be entitled to interest earned on the invoice balance from the first day after the expiry of the period under Sub-clause 12.5 to the

date the Operator receives payment. Such interest shall be due and payable together with the outstanding invoice balance.

- 12.8 The provisions of Sub-clause 12.7 shall apply for a maximum of 30 days following which continued non-settlement of the Operator's invoice by the Head Office shall amount to a breach of this Contract in accordance with Clause 29.
- 12.9 Any interest due under Sub-clause 12.7 shall be at a rate equivalent to the prevailing rate charged to preferred customers (also known as the prime rate) of the bank where the Collection Account of the Corporation in that Area is located.
- 12.10 Once the Management Fee has been received as prescribed in this Clause, the Operator shall ensure that funds are disbursed in accordance with the procedures set forth in the Eleventh Schedule to this Contract.
- 12.11 To enable the Operator fund innovations aimed at increasing revenues and/or operating margin, the Operator may apply savings on any non-controllable expenditure item of the Base Fee towards other non-controllable expenditure items of the Base Fee.
- 12.12 Sub-clause 12.11 notwithstanding, savings on a non-controllable expenditure item of the Base Fee shall not be directly applied to pay any employee salaries but may be used to increase the Operating Margin so as to increase the amount available for sharing as an Incentive Fee.
- 12.13 The Operator may apply savings on any controllable expenditure item of the Performance Fee towards any other expenditure item, at their discretion, provided the use of such savings is appropriately disclosed to the Head Office as provided for in the Eleventh Schedule.
- 12.14 In applying the savings under Sub-clauses 12.12 and 12.13 first priorities shall be given to clearing any liabilities outstanding at the time and the Operator shall not apply savings under those Sub-clauses unless all such liabilities are cleared.
- 12.15 Manipulation or concealment of expenditure liabilities so as to report and apply savings in contravention of Sub-clause 12.14 shall amount to a breach of this Contract in accordance with Clause 29.
- 12.16 The remuneration/payment criteria to the Operator (Area Manager and approved selected key staff) shall, for purposes of harmony, be set out in the Deed of Partnership in the Seventh Schedule to this Contract. Thereafter, the Operator shall not deviate from the criteria without notice and approval by the Head Office in accordance with Clause 28.1.
- 12.17 The remuneration/payment criteria to the Operator's seconded staff shall, for purposes of harmony, be suggested by the Operator and approved by the Head Office in the Human Resource Management Plan to be submitted according to Clause 14.6. Thereafter, the Operator shall not deviate from the criteria without notice and approval by the Head Office.

12.18 The Operator shall pay all other seconded staff, apart from the staff specified in the Deed of Partnership set out in the Seventh Schedule, a minimum of what they were receiving from the Head Office prior to the Commencement Date.

13. TO MAINTAIN AND KEEP RECORDS

13.1 The Operator shall keep proper and adequate accounts and records related to the provision of the Services consistent with the financial regulations and the reporting requirements of the Head Office as set out in the Ninth Schedule of this Contract.

13.2 The accounting period of the Operator shall be consistent with the requirements of the financial regulations of the Corporation.

13.3 The Operator shall follow the budgeting and accounting system of the Corporation.

13.4 The Operator shall use the existing internal accounting control system of the Corporation.

13.5 Except as provided in Sub-clauses 13.7 and Clause 16, all records are confidential to the Operator and the Head Office.

13.6 Any customer or former customer of the Operator may apply to the Operator for a copy of all records held by the Operator concerning that customer, in such a form as may be prescribed by the Head Office.

13.7 The Operator shall provide a customer or former customer under Sub-clause 13.6 with a copy of the relevant records, but may impose a reasonable charge to cover the costs to the Operator of making the copy available in accordance with Clause 11.

14. TO PREPARE, MODIFY/AMEND AND SUBMIT BUSINESS PLANS

14.1 The Operator shall prepare and submit for Head Office approval, a two-year rolling Business Plan before the Commencement Date. The Business Plans shall address/follow the Corporation's running strategic/corporate-planning tenets and shall be in the format determined by the Head Office.

14.2 The Operator shall modify any Business Plan submitted under Sub-clause 14.1 in such manner and such format as determined by the Head Office as may be requested by the Head Office from time to time in order to enhance the provision of Services in the Area.

14.3 Without detracting from Sub-clause 14.1, the Business Plan under the same Sub-clause shall be reviewed, updated and submitted to the Head Office on an annual basis or at any other time as may be directed by the Head Office to incorporate new performance improvement aspects beneficial for the provision of the Services in the Area.

- 14.4 Failure to submit a modified Business Plan in accordance with the provisions of this Clause shall result in withholding of the Management Fee in accordance with Sub-clause 12.3.
- 14.5 Preparation and submission of a Business Plan to the Head Office under this Clause shall in no way detract from the Operator's duties, obligations and rights under this Contract.
- 14.6 If the Operator is of the opinion that matters have arisen that may prevent, or significantly affect the achievement of Business Plan objectives and targets, the Operator shall immediately notify the Head Office of its opinion and the reasons thereof. The Operator shall suggest remedies, interventions and an alternative action programme that shall become a basis for the Head Office to consent to amendment of the Business Plan.
- 14.7 The Business Plan is for the Operator to plan operations and achieve the performance standards agreed in this contract. The qualitative strategies and attendant re-statement of performance standards in the business plans serve the purpose of guiding the Operator. Nothing in this respect, other than the performance standards in the third schedule shall be binding during the performance evaluation and/or payment of management fee.

15. TO REPORT TO THE HEAD OFFICE

- 15.1 The Operator shall prepare and submit regular reports to the Head Office in accordance with the Ninth Schedule of this Contract.
- 15.2 Sub-clause 15.1 notwithstanding, the Operator shall prepare and submit such reports about its obligations under this contract, in a manner and format, as required by the Head Office.
- 15.3 The Operator, upon notice given by the Head Office, is obliged to appear in meetings convened by Head Office to discuss the affairs of the Corporation. The Head Office may, with reasonable prior notice, request the Operator to make such presentations, reports, demonstrations or take such actions in these meetings as the Head Office may deem necessary.
- 15.4 Failure of the Operator to comply with the provisions of this Clause may result in withholding of the Management Fee in accordance with Sub-clause 12.3 .
- 15.5 The Operator shall ensure Area data safety on the Custima database and shall, in particular, take daily data back-ups. The Operator shall submit to the Head Office monthly back-up tapes of the Custima data for the Area in accordance with the provisions of the Ninth Schedule.

16. TO ALLOW INSPECTION

- 16.1 The Operator shall allow the Head Office, or any person authorised by or representing the Head Office, access at any time to:

- (a) inspect any land owned or occupied by the Head Office;
- (b) inspect any assets of the Head Office and any other assets renewed, acquired or constructed by the Head Office in accordance with the terms of this Contract, or any other assets used by the Operator in the provisions of the Services; inspect any land, works, buildings or any other assets;
- (c) make any tests, take any measurements or take any samples;
- (d) take any photographs or make any plans or drawings; and
- (e) inspect and, if necessary, make any copies of any records or documents referred to in Clause 13 in order to ascertain whether the Operator is complying with this Contract, the GoU Performance Contract and the Statute and to satisfy audit requirements under Clause 21 of this Contract.
- (f) ensure that good management practices including, but not limited to, time keeping, customer care, housekeeping, and smartness are being observed.

16.2 The Operator shall allow the Head Office, or any person authorised by or representing the Head Office, access at any time in order to audit the accounts as set out under Clause 21. The Operator shall allow access to any records, documents, reports, information, assets and systems and shall provide such explanations and take such actions as are required to satisfy the objectives of the audit.

17. TO BE INDEMNIFIED

17.1 Provided that the Operator, their servants and employees shall use diligence and care in carrying out their duties hereunder, neither they nor any of their servants and employees shall be liable for any damage to persons or property arising out of the Operator's provision of the Service or otherwise in the course of performing the duties set forth in this Contract. The Head Office shall indemnify the Operator and every such person against all claims, demands, losses, liabilities, actions, lawsuits, costs and expenses arising directly or indirectly out of or in consequence thereof or in the implementation of this Contract.

18. TO MANAGE PERSONNEL

18.1 The Operator shall manage personnel according to the approved Human Resource Plan submitted under Sub-clause 14.7 and according to the terms of staff secondment set forth in the Tenth Schedule of this Contract.

18.2 The Operator shall recruit, discipline, and promote staff up to salary scale 6, in accordance with the approved Human Resource Plan. The Operator shall, in writing, refer cases of recruitment and promotion for staff in salary scales 5 to 2 to the Head Office, with a clear rationale for the need, and shall receive feedback from the Head Office within 15 days. Where the Head Office fails to provide feedback within the period specified herein, the Operator shall implement the recruitment or promotion on an acting basis with written notice to, and subject to ratification by the Head Office.

- 18.3 The Operator shall not terminate the services of any seconded staff; such staff shall only be referred back to the Head Office, clearly detailing objective circumstances leading to the return of the staff.
- 18.4 Where the Operator refers seconded staff back to the Head Office for reasons which the Head Office deems to be improper, including but not limited to sectarian, pecuniary or other prejudicial interests of the Operator, the Head Office shall reject such referral.
- 18.5 Sub-clause 18.4 notwithstanding, the Operator shall have the right to refer seconded staff back to the Head Office where the Operator finds such staff to be misbehaving, undisciplined or under-performing due to patronage from the Head Office and other offices.
- 18.6 The Operator shall not be obliged to accept any staff transferred or recruited on his behalf but without his consent.
- 18.7 Addition, removal or replacement of staff of the Operator included in the Deed of Partnership in the Seventh Schedule shall be conducted in accordance with the Deed of Partnership.

DUTIES, RIGHTS AND OBLIGATIONS OF THE HEAD OFFICE

Without detracting from any duties, obligations and rights imposed on or conferred (whether expressly or by implication) upon the Head Office by this Contract or implied by law or commercial custom on a similar office, it shall be the duty, obligation or right of the Head Office:

19. TO SET TARIFFS, FEES, RATES AND CHARGES

- 19.1 The Head Office shall have the right to set the tariffs, fees, rates and charges to be levied and collected by the Operator under Clause 11, subject to the provisions of the Water Statute or other applicable laws and regulations.
- 19.2 In exercising its rights under Sub-clause 19.1, the Head Office shall give due consideration to any proposals submitted by the Operator in its Business Plans and seek any necessary explanations, advice and information from the Operator. Such proposals and explanation shall, however, not deter the Head Office from setting a corporate tariff that takes care of both social mission and commercial objectives.
- 19.3 In exercising its rights under Sub-clause 19.1, the Head Office shall, from time to time, publish a schedule of approved tariffs, fees, rates and charges and related instructions and shall furnish the Operator with such schedule.

20. TO PAY A MANAGEMENT FEE AND CERTAIN OTHER COSTS

- 20.1 The Head Office shall have the obligation to pay to the Operator a Management Fee duly computed and demanded by the Operator in accordance with Clause 12.

- 20.2 The Head Office shall have the right to inspect the operations of the Operator as set out in Clause 16 to obtain such information as it requires to ascertain the Management Fee payable under Sub-clause 20.1.
- 20.3 The Head Office shall remit to the Operator the amount demanded by the Operator and certified by the Corporation in accordance with Clause 12.
- 20.4 To enable start-off of the activities in the Operator's Business Plan the Head Office shall pay to the Operator a working capital advance as follows:
- a) Within 7 days of the commencement date, an amount shall be advanced to the Operator equal to one month of the non-employee related expenditure items of the Base Fee determined in accordance with the Sixth Schedule to this Contract;
 - b) Within the last 7 days of the first month of the commencement date, an additional amount shall be advanced to the Operator equal to one month's Base Fee determined in accordance with the Sixth Schedule.
- 20.5 Upon termination of the Contract as provided under Clause 29 of this Contract, the Head Office shall recover any outstanding advance paid out under Sub-clause 20.4 by offsetting this amount against the last invoice payable to the Operator.
- 20.6 The Head Office undertakes to verify, in liaison with the Operator, and, within one month of the Commencement Date, make good all liabilities of the Area that will have properly and justifiably accumulated up to the commencement date.
- 20.7 Sub-clause 20.6 notwithstanding, any liabilities of the Area found to be improper, due to the negligence or abuse of office by the Area's predecessor management team or other unjustified cause, shall not be accepted by the Head Office and shall be recovered by the Head Office from the individuals that were responsible for their occurrence without precluding additional disciplinary action in accordance with the Head Office terms and conditions of service.
- 20.8 The Head Office shall dispose of the Area's expenses of special nature such as VAT, rent, insurance, ground rates, water abstraction permits, employee medical expenses chargeable to the Area and any other charges, in any manner deemed appropriate by the Head Office.
- 20.9 The Head Office undertakes to provide funds for planned development activities in the Area as set out in the approved Business Plans provided that any funds remaining after completion of development activities or any funds transferred in excess of the actual cost of development activities shall revert back to the Head Office and shall be recoverable from the Operator.
- 20.10 The Head Office shall remit monies collected by the Operator to carry out rechargeable works within 7 working days of receiving a written request from the Operator, provided such request is accompanied by satisfactory proof that such monies are available on the Area's Collection Account.

21. TO AUDIT ACCOUNTS AND OPERATIONS

- 21.0 The Head Office, or any person authorised by or representing the Head Office, may audit the Operator's accounts, documents, operations, systems, assets, financial and technical information, financial statements, the contract records or any other aspect of the system, in respect of any matters including matters related to the Contract at any reasonable time and without notice to the Operator and shall have the rights of access to inspect as set out under Clause 16.
- 21.1 Sub-clause 21.1 shall expressly include the rights of The Auditor General of Government, as provided for under the NWSC Statute and other applicable laws and regulations, whether in connection with a Statutory Audit or any other audit, examination or investigation.
- 21.2 The Head Office or any person authorised by or representing the Head Office, shall have the right, for purposes of determining the standards of services or compliance with the terms of this Contract or the Operator's obligations under it, to inspect, audit or conduct a survey of the Services or any other aspect related to the Services
- 21.3 The Head Office at its discretion shall, for purposes of verifying or determining the correctness of the documents and statements submitted by the Operator pursuant to the provisions of Clauses 9 and 13 have the right to cause an inspection and audit to be made on the operational, transactional and financial documents and records of the Operator including without limitation invoices, receipts, and analogous supporting data and pertinent information and data set out or implied by the provisions of the Contract. The Operator shall be obliged to provide the relevant documents when demanded and as required by the Head Office.
- 21.4 In the event that the inspection and audit under this clause establishes that there are amounts recoverable from the Operator under Sub-clauses 11.5, 20.9 or otherwise, the Operator shall remit such amounts to the Head Office within 15 days of receiving written notice from the Head Office. In the event that the inspection and audit establishes that the Operator has overpaid the Head Office, then such overpayment shall be credited (by issuance of a credit note) to the Operator without the right to earn any interest thereon.

22. NOT TO INTERFERE WITH OPERATIONS

- 22.1 The provisions in this Contract notwithstanding, the Head Office shall not interfere with the day to day operations of the Operator. In particular, the Head Office shall not:
- (a) Issue instructions to the Operator regarding operational decisions or actions except by way of an amended Business Plan in accordance with the provisions of this Contract;
 - (b) Issue instructions to the Operator or attempt to influence the Operator's decision regarding the connection of a customer to the water supply or sewerage system;

- (c) Issue instructions to the Operator or attempt to influence the Operator's decision regarding any lawful action taken by the Operator regarding non-payment by a customer;
- (d) Withhold payments due to the Operator on account of the Operator refusing or failing to comply with instructions issued in contravention of this Clause;

22.2 Contravention of this Clause by the Head Office, to the extent that it jeopardises the Operator's achievement of the performance standards of the Third Schedule or to the extent that it constrains the Operator's ability to meet other obligations under this Contract, shall constitute a breach of this Contract in accordance with Clause 29.

23. TO PROVIDE LOGISTICS AND ASSETS MANAGEMENT

23.1 The Head Office shall:

- (a) Carry out bulk procurements of requisite materials and equipment that are agreed to be provided by the Head Office in the Operator's Business Plans and deliver the same to the Operator according to the schedule agreed in the Business Plans.
- (b) Carry out planned preventive maintenance of static plant and equipment as set out in the Fourth Schedule of this Contract.
- (c) Provide support services, advice and other services set out in the Twelve Schedule of this Contract to enable the smooth operations of the Area.
- (d) Expeditiously review any additional requirements that may arise under Sub-clause 14.9 and provide feedback to the Operator within 7 working days.
- (e) Maintain and regularly update a central geographical information system.
- (f) Ensure adequate budget provision for key logistical requirements.

23.2 Failure by the Head Office to provide logistics and asset management under Sub-clause 23.1 to the extent that it jeopardises the Operator's ability to meet, for three consecutive months, the minimum performance targets for billing, collections, or unaccounted for water as specified in the Third Schedule shall constitute a breach of this Contract in accordance with Clause 29.

23.3 The Head Office shall provide appropriate assistance to the Operator to acquire land titles for the Head Office's properties in the Area as requested under Sub-Clause 8.7.

24. MONITOR AND EVALUATE PERFORMANCE AND CARRY OUT PERFORMANCE IMPROVEMENT PROGRAMMES

24.1 The Head Office shall carry out the following:

- (a) Regular performance analysis in respect to reports submitted under Clause 15 in accordance with the requirements of the Ninth Schedule and provide feedback on compliance to agreed performance standards, by 25th of the following calendar month.
- (b) The Operator shall attend a quarterly review meeting to be called and chaired by the Head Office under the provisions of Clause 4 to review the contents of the Quarterly Report submitted in accordance with the Ninth Schedule.
- (c) Effective monitoring of water and sewage effluent quality in the Area to ensure compliance with National Standards.
- (d) Provide the Operator with monthly comparative benchmarking data from other Areas with the overall objective of encouraging competition among Operators.
- (e) Regular customer surveys with the overall objective of protecting customers and promoting customer care in the Area, in line with the service level expectations stipulated in this Contract.
- (f) Any other form of monitoring and evaluation implied by other clauses of this Contract and provide feedback to the Operator within two weeks of completion thereof.
- (g) Plan and initiate performance improvement programmes, of a corporate nature, in close consultation with the Operator. Incorporation of such programmes shall be treated as a modification of the Business Plans and shall be handled as stipulated in Clause 14 of this Contract.

25. TO CARRY OUT MAJOR CAPITAL WORKS

- 25.1 The Head Office shall have the responsibility of funding and implementing any major capital project in the Area.
- 25.2 Implementation of works under Sub-clause 25.1 by the Head Office, or any person authorised by or representing the Head Office, shall be done with prior notice to and in cooperation with the Operator to ensure the continued smooth operations of the Area.
- 25.3 Any changes to the Operator's Business Plan arising out of any works carried out under Sub-clause 25.1 shall result in amendment of the Operator's Business Plan in accordance with Sub-clause 14.9.

26. TO PROVIDE GENERAL STRATEGIC SUPPORT AND GUIDANCE

Without detracting from the other clauses under the obligations, power and rights of the Head Office in this Contract, the Head Office shall provide strategic support and guidance in matters of human resource management policies, procurement, finance and accounts, commercialization, public relations and customer care and security of assets.

MISCELLANEOUS PROVISIONS

27. WAIVER

- 27.1 A failure, delay or indulgence on the part of either party in exercising any power or right under this Contract does not waive that power or right.
- 27.2 Any single exercise of a power or right under this Contract does not preclude any other or further exercise of it or the exercise of any other power or right under this Contract.

28. AMENDMENT OR VARIATION

- 28.1 This Contract may be amended or supplemented, at any time, in writing when it is agreed to and signed by both parties.

29. TERMINATION

- 29.1 This Contract shall terminate at the expiration of the period and in the manner specified under Clause 4 unless it is renewed as specified in that clause.
- 29.2 Sub-clause 29.1 notwithstanding this Contract may be terminated by either party when the other party commits a fundamental breach of the contract, as specified in Sub-clauses 29.3 and 29.4.
- 29.3 In accordance with Sub-clause 29.2 the Head Office may terminate this contract:
- (a) by 30 days' prior notice given to the Operator, upon failure of the Operator to maintain assets, keep good housekeeping conditions or uphold the corporate image as specified under Sub-clause 9.7;
 - (b) by 10 days' prior notice given to the Operator, upon failure of the Operator to deposit revenue collected as specified under Sub-clause 11.3;
 - (c) by 30 days' prior notice given to the Operator, upon failure of the Operator, for three consecutive months and despite the provisions of sub-Clause 14.9, to achieve the minimum performance targets specified in the Third Schedule of this Contract for – billing, collections, unaccounted for water and suppressed accounts;
 - (d) by 30 days' prior notice given to the Operator, upon failure by the Operator to comply with the requirements of a written notice from the Head Office concerning issues in respect to any of the provisions of this Contract.
- 29.4 In accordance with Sub-clause 29.2 the Operator may terminate this contract:
- (a) by 30 days' prior notice given to the Head Office, upon failure of the Head Office to pay an amount due to the Operator under Sub-clause 12.7;

(b) by 30 days' prior notice given to the Head Office, upon failure of the Head Office to comply with its obligation not to interfere with operations under Sub-clause 22.2;

(c) by 30 days' prior notice given to the Head Office, upon failure of the Head Office, for three consecutive months and despite the provisions of Sub-clause 14.9, to provide logistics and asset management under Sub-clause 23.2.

29.5 Sub-clauses 29.1 and 29.2 notwithstanding, the Head Office may, by reasonable notice given to the Operator, terminate the contract for purposes of implementing other performance improvement programs or reform initiatives.

29.6 Upon termination of the contract, the Head Office shall, within 30 days, pay to the Operator all outstanding amounts due to the Operator under Clause 12. No compensation, however defined, shall be payable to the Operator.

29.7 Any termination under this Clause shall, the effect of the notice period notwithstanding, be deemed to be effective on the last day of the month in which the termination is intended or should occur.

29.8 Upon termination of the Contract, the Operator and seconded staff in the Area shall revert to the Head Office and shall be subject to the Head Office terms and conditions then prevailing.

29.9 Upon termination of the Contract, the provision of the Service shall revert to the Head Office.

29.10 Upon termination of the Contract, the Operator shall transfer back to the Head Office all the assets of the Corporation whether transferred to the Operator at the commencement of the contract or subsequently acquired, including all undeposited collections, any unused advances and any other assets whatsoever or wherever rightly belonging to the corporation.

30. LIMITATIONS OF THE CONTRACT

30.1 This Contract is intended to act as a partnership between the Head Office and the Operator in respect of driving performance in Areas. It clearly spells out the roles of either party and explicitly demonstrates that each party needs the other to produce the required performance. Fairness will therefore prevail during the entire contract management.

31. RESOLUTION OF DISPUTES

31.1 The Head Office and the Operator shall endeavour to amicably and promptly resolve any disputes that may arise under this contract and are notified to each other as provided, in good faith and within 30 days of emergence of the dispute.

31.2 Upon expiry of the period in Sub-clause 31.1 and failure of the two parties to resolve a dispute as provided therein, the aggrieved party shall refer the matter to the NWSC

Managing Director within 14 days. The NWSC Managing Director shall subsequently hear both parties, reach a decision on the matter and notify the parties within 14 days.

31.3 If, after receiving notification of the NWSC Managing Director's decision under Sub-clause 31.2, an aggrieved party is not satisfied, the party shall refer the matter to the NWSC Board of Directors within 14 days in accordance with the appropriate Board procedures. A decision of the NWSC Board of Directors on a matter brought to it under this Clause shall be final and binding on the parties.

IN WITNESS WHEREOF the Head Office and the Operator hereby cause their Signatures to be hereunto affixed on this 17th Day of December, 2003. The contract shall commence on 1st January 2004.

The Area

- 1. Signed by
David Opoka
AREA MANAGER
On behalf of Elgon Water Partnership
- 2. Witnessed by:
Connie Nagimesi
ACCOUNTS OFFICER
On behalf of Elgon Water Partnership
- 3. Witnessed by:
Peter Werikhe
SECRETARY UPEU-NWSC
On behalf of the Staff

The Head Office

- 1. Signed by:
Charles Odonga
CHIEF MANAGER, ENGINEERING SERVICES
On behalf of the Head Office
- 2. Witnessed by:
David Mpango Kakuba, FCIS
CORPORATION SECRETARY
On behalf of the Head Office

Endorsement

- 1. Endorsed by:
Laro Wod Ofwono
CHAIRMAN UPEU
- 2. Endorsed by:
Dr. William Tsimwa Muhairwe
MANAGING DIRECTOR-NWSC
- 3. Endorsed by:
Eng. Yorokamu Katwiremu
CHAIRMAN, TECHNICAL COMMITTEE OF THE BOARD
- 4. Endorsed by:
Mr. Samuel Labeja Okec
CHAIRMAN, NWSC BOARD

NATIONAL WATER AND SEWERAGE CORPORATION

**INTERNALLY DELEGATED AREA MANAGEMENT CONTRACT (IDAMC)
BUSINESS PLAN.**

DECEMBER 2003

EXECUTIVE SUMMARY

This business plan has been prepared to support the bid of the Area Management partnership to manage the Mbale Water and Sewerage Service Area under the delegated Area management Contract (DAMC).

Service levels have greatly improved over the last few years but there is still great room for tremendously increased scale of operations.

The peri-urban areas have been noted as high growth localities necessitating water mains extension while the need to extend sewerage coverage beyond the municipality still presents a major revenue improvement strategy.

Several new strategies to address performance issue impacting on the four key objectives (working ratio, unaccounted for water, connection efficiency and collection period) are an outcome of the SWOT analysis, have been scheduled for implementation here.

We propose a management fee of Ushs 82 million (eighty two million) to cover both the base fee and performance fee, against which will be delivered an operating margin of Ushs 88 million (eighty eight million). The supporting cash flows and computations have been filed as appendix 2.

We also agree to retain 40% of all incremental operating margin (x%) while 60% will be due to the headquarters.

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1.0 DESCRIPTION OF THE CURRENT BUSINESS SITUATION

1.1 Description of the service area

Mbale District

Mbale District is located in Eastern Uganda 256 kilometers from Kampala City. It has a total of 3 counties, one Municipality, 28 sub-counties, 3 urban divisions and 97 parishes. Kenya, Tororo, Pallisa, Kumi and the newly formed District of Sironko border the District. It has a total land area of 1,600 square kilometers. Out of the 28 rural sub-counties, 9 sub-counties are mountainous. The population density of the District stands at 284 persons per square kilometer while the total population of the District stands at 720,000.

The National Water & Sewerage Corporation Mbale Service Area falls within the Mbale District.

1.1.1 Size of service area

The NWSC Mbale service area covers 144' square kilometers with an effective service coverage of 80%. The service coverage area extends into three districts; Tororo district to the South (Nampologoma, Bunyole county), Pallisa district to the East (Jami trading center in Kamonkoli sub county), and a significant part of Mbale District. While the total coverage of the water services is high, the sewerage network coverage is only limited to the areas of old settlement that includes the central business district, Industrial Area, Namakwekwe housing estates and the Indian quarters.

A detailed map has been attached as Appendix 14 for reference.

1.1.2 Total population of the service area

The population of the service Area within Mbale District itself is 157,121 persons as per schedule attached as Appendix 2, while the population outside the District within the Service Area (Tororo and Pallisa Districts), is 15,000 persons. This works out to 22,446 households within Mbale district alone and a total of 24,571 throughout the service area.

This information is based on the last population and Housing Census.

Population served

The population served by the Area is 172,121 persons

Households served, average family size

The above mentioned number of persons makes 24,571 households, each of which has on average Seven (7 persons per family).

1.1.3 Local economy

Mbale district is at the hub of economic activities in the Eastern Region due to its strategic location on the route from Kampala to Western Kenya as well as Kampala to Northern and North Eastern Uganda and is in effect an informal regional centre.

It therefore provides a base for most government and non-governmental organizations Eastern region operations as well as the private sector and is therefore home to many salaried citizens.

There are however a large number of the predominantly urban poor population (estimated at about 70,000 persons). In addition there are daytime dwellers that come from villages for business purposes to which provision of a subsidized service, as a social obligation is necessary. This is however only possible on a cost effective and sustainable basis.

1.1.4 Market analysis

The Market situation

Based on the analysis of the Uganda National Household Survey 1999/2000 in Mbale District Areas, there is still predominant reliance on agriculture for income Appendix 5(Crop farming) therefore seasonal income trends.

The population is also largely rural based requiring a strategy to extend services to the peri urban areas in order to reach new consumers as well as strategies to attend to the poor (Appendix 4).

Household types are however largely independent residences (85.2%) which is significantly higher than benchmarked areas and provide opportunity for house connections (Domestic). It is also noted that house water connections and public taps already account for 23.6% of water service in the entire District (Appendix 6 and appendix 7). This is positive and points to already good enlightenment, which can be built upon.

Rural Safe Water coverage in the District is still extremely poor (Appendix 3) and our efforts will be able to improve this dismal situation.

As a result of efforts by other stakeholders in the water and sanitation sector (Government departments, non-governmental organizations, local authorities) to deliver services to the population, our anticipated exclusive dominance in delivery of the services in the designated area has over the years been strengthened. There are nevertheless some gravity water schemes, boreholes, rainwater harvesters and protected wells.

1.1.5 Current Service Demand

The current demand from the locations being served is 3,500 – 4,500 m³ of water per day. This requirement is being met fully with the exception of Nkoma and Namunsi area, which experience low pressures for much of the day. Sewerage services at all coverage locations are being fully delivered and the only service gaps remain where the lines have never been laid.

By nature of the landscape only areas within the lower zone are currently supplied. But there is increase in settlement in higher landscape areas, which the area cannot yet serve unless a reservoir tank is located at a higher attitude for example the area of Gangama, Namanyonyi, Bumboi & Busano.

Projected Demand

An ambitious roll out plan for both the water and sewerage services has been planned and will in the next two years result in a 10% increase in the service coverage. The new growth areas have been highlighted in the map attached as appendix 14 and listed in the mains extensions schedule – appendix 13.

1.1.6 The Customers

Our Customers fall under the following categories with unique characteristics:

? Domestic.

Represent a high growth category due to the direction of growth in the service Area (peri-urbanization).

? Commercial/Industrial.

There is little growth in this category with the exception of the hospitality industry – Hotels and Lodges.

? Institutions.

There continues to be high growth in this category with the Universal Primary Education initiative as well as continued en masse enrolment of students from Western Kenya.

? Stand Pipes/Yard Taps.

This continues to serve the urban poor as well as others unable to afford house connections. It is therefore a key tool in servicing the less developed localities.

? Ministries, Centralized.

Consumption is based on demand rather than cost since the consumption units are not responsible for payment but only verification of correctness.

High need for rechargeable works arises since their maintenance units are often ill equipped.

? Ministries, Decentralized.

These are good usage control units but growth in this category is very low.

1.2 Our services

The following services continue to be provided by NWSC Mbale Area:

1.2.1 Piped Water delivery:

This is delivered to our consumers through a distribution mains comprising of 300” diameter trunk mains which feeds into 100” diameter and 80”mm diameter distribution mains. The total network length is 152 kilometers and spans over a radius of about 20 kilometers. The water quality is excellent and service delivery good.

1.2.2 Sewerage services

The sewers only cover 12 square kilometres of the total service Area and the network length totals 29 kilometers but is limited to close within the town centre. There is great demand for extension of this network to cover a larger radius since the coverage is at only 44% of the Municipality.

1.2.3 Laboratory and water quality consultancy services

The Area is equipped with two modern laboratories and well-qualified staff capable of offering a wide range of consultancy service. Owing to the varied sources and quality of water being accessed by communities outside our service area, there continues to be great need to have tests carried out and advise provided on safety.

1.2.4 Cesspool emptying

The corporation has a cesspool emptier stationed at Fort Portal Area at the disposal of NWSC Mbale Area at a cost. The services to the customer are therefore based on the hire charges for the emptier. Customers with access to private cesspool emptiers are therefore liable to only pay the costs of disposal of the sewage in our lagoons.

1.2.5 Tankered water sales:

Several metered points (37) thirty seven have been installed for sales of tank loads of water. This service is of growing demand since it serves developments and communities outside our network coverage area.

1.3 Six Month Performance History

Table 1 Six Month's Performance history

Indicator	Units	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03
Water sold	m ³	106,823	110,773	105,919	116,091	102,490	107,345
Billing	Ushs	137,876	143,764	145,549	150,371	153,792	154,832
Collections	Ushs	89,067	123,000	181,449	172,616	121,720	116,214
Operating margin	Ushs	5,783	36,389	50,188	88,838	69,875	32,803
Total arrears	Ushs	791,165	789,384	700,055	713,153	747,196	796,488
UFW	%	19.9	18.9	18	16.2	20	16.8
Percentage metering	%	100	100	100	100	100	100
Percentage of meters read	%	100	100	100	100	100	100
Percentage of reported	%	100	100	100	100	100	100

Indicator	Units	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03
pipe leaks/bursts repaired							
Average response time to leaks/bursts	Hrs	2.5	2	1.5	2.5	1.5	3
Response time to sewage blockages and/or overflows	Hrs	2.5	2	1.5	2.5	1.5	3
New water connections	No.	29	43	42	38	30	33
Active water connections	No.	2956	3065	3164	3235	3312	3350
Suppressed/Inactive water connections	No.	453	389	332	299	252	245
New sewer connections	No.	3	0	1	4	3	2
Active sewer connections	No.	1134	1146	1082	1196	1228	1233
Inactive sewer connections	No.	197	187	156	141	112	109
Percentage of customer complaints responded to or resolved	%	100	100	100	100	100	100
Average response time to complaints of technical nature	Hrs	4	4	4	4	4	4
Average response time to complaints of commercial nature	Hrs	2	2	2	2	2	2
Percentage of samples failing bacteriological water quality tests	%	0	0	0	0	0	0
Percentage of samples failing physico-chemical water quality tests	%	0	0	0	0	0	0

Indicator	Units	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03
Percentage of samples meeting sewage effluent quality standards	%	99	100	100	100	100	100

1.4 Key/Critical Goals and Objectives

The following have been focused on as the key goals & objectives which will enable the same Area achieve its mission “to be the best provider of water & sewerage services”

Table 2 Key/Critical goals and objectives

	Indicator	Unit	Target Year 1	Target Year 2	Keys to Success
1.	Working ratio	%	53	50	<ul style="list-style-type: none"> ✍ Optimized costs ✍ Increased billings
2.	UFW	%	14.6	12	<ul style="list-style-type: none"> ✍ Replacement of old lines ✍ Illegal consumption control ✍ Timely leak detection ✍ Control of Fire hydrants ✍ Sensitization of public ✍ Early notification of road repairs ✍ Close meter monitoring
3.	Connection Efficiency	%	95	96	<ul style="list-style-type: none"> ✍ Re-activate accounts ✍ Increase on new accounts ✍ Restrain from disconnection
4.	Collection Period	Days	125	84	<ul style="list-style-type: none"> ✍ Strengthen collection system ✍ Follow up absentee landlords ✍ Minimize erroneous billing ✍ Customer sensitization ✍ Close follow up of debtors.

1.5 SWOT Analysis

Table 3 SWOT Analysis

Function/Business aspect	Strengths	Weaknesses	Opportunities	Threats
Revenue Collection	<ul style="list-style-type: none"> ? Motivated staff ? 10 zones created each manned by a Zonal Leader. ? Good Customer relations. ? Expanding Network. ? Mobile cash reception (though limited) ? Good billing cycle. ? Area has customer segments (uses different approaches to contact different customers) 	<ul style="list-style-type: none"> ? Distant Customers inconvenienced even when ready to pay because of transport costs. ? Payment options currently limited. ? High bills due to leakages after meter. ? Culture of paying after disconnection 	<ul style="list-style-type: none"> ? Authority to use media campaigns and other initiatives. ? Strengthen Mobile cash collection task teams. ? Deducting bills from salaried customers. ? Open up payment options. ? Improve contact with Customers. ? Wider service coverage – covering 3 Districts 	<ul style="list-style-type: none"> ? Rising poverty leading to inability to pay ? Mentality that water is free. ? Absentee Landlords ? Landlords taking money from customers and failing to remit to NWSC.
Billing	<ul style="list-style-type: none"> ? Supply adequate. ? Committed and optimum staff. ? Good record keeping. ? Universal metering. ? Own Data Centre thus timely billings and record update. ? Transport availability for field staff. 	<ul style="list-style-type: none"> ? Low sewage coverage. ? Inaccurate and estimated meter readings. ? Inability to supply water to high level areas. ? Illegal connections. ? Few controls in network thus in case of bursts, many customers supply is 	<ul style="list-style-type: none"> ? Willingness by many to connect to sewer extensions. ? Public toilets connected to sewers yet not billed. ? Commercial tariff for residential houses transformed to student hostels. ? Increase in Hotels. ? Fast rising population 	<ul style="list-style-type: none"> ? Blanket application of commercial tariffs at building sites is counter productive. ? Increase in alternative water sources ? Loss of water due to old pipes

Function/Business aspect	Strengths	Weaknesses	Opportunities	Threats
		<i>interrupted.</i>		
Unaccounted For Water	<ul style="list-style-type: none"> ? Weekly monitoring of bulk meters ? Old pipe network being replaced. ? Prompt response of identified faulty meters. ? Committed staff. ? Phones available to enhance coordination and avoid reservoir overflows. ? Waste Inspector in place to Monitor unnecessary wastage. 	<ul style="list-style-type: none"> ? Old Network prone to leaks & bursts. ? Illegal connections and meter bypasses. ? Lack of leak detection equipment. ? Lack of fittings for asbestos cement pipes with Mbale. 	<ul style="list-style-type: none"> ? Installation of more control valves to avoid unnecessary service interruptions. ? Strengthen mechanism for reported leaks and bursts. ? Institute heavy penalties for illegal connection, meter by pass meter tampering 	<ul style="list-style-type: none"> ? Flushing of mains. ? Abuse of fire hydrants by Police.
Suppressed accounts	<ul style="list-style-type: none"> ? The Area stopped disconnections. ? Suppressed account committee in place. ? All suppressed accounts have been compiled for action. 	<ul style="list-style-type: none"> ? Delay of bad write off by the Board. ? Low pressures in some areas ? Inadequate vigilance. ? Most suppressed accounts belong to Municipal Council District Administration & Bugisu Cooperative Union. 	<ul style="list-style-type: none"> ? Many disconnected accounts with balances ready to return to supply. ? Vigilance to stop sinking of boreholes in the Area. ? Proper supervision of the suppressed accounts committee. 	<ul style="list-style-type: none"> ? Some suppressed accounts do not exist. ? Unviable extensions (Politically driven).
Cost Optimization	<ul style="list-style-type: none"> ? Area has optimum staff levels. ? Control of Medical Scheme. ? Electricity cost reduced by maximizing operation of the 	<ul style="list-style-type: none"> ? Power outages forcing pumpage during peak hours. ? Too much paper work and reports are 	<ul style="list-style-type: none"> ? Outsourcing grass cutting to reduce costs. ? Use of intercom, lotus notes, walkie talkies to minimize telephone costs. 	<ul style="list-style-type: none"> ? Poor raw water quality leading to high chemical costs.

Function/Business aspect	Strengths	Weaknesses	Opportunities	Threats
	<p><i>Gravity Plant (Bunkoko)</i></p> <ul style="list-style-type: none"> ? <i>Optimization of chemical usage by carrying out Pilot Demand Tests.</i> ? <i>Verification of defects before repair of vehicles.</i> 	<p><i>duplicating.</i></p> <ul style="list-style-type: none"> ? <i>High medical charges.</i> 	<ul style="list-style-type: none"> ? <i>Use of IT developments to reduce travel costs for communication and reporting.</i> ? <i>Use of Lotus notes to help reduce costs on Stationery, fax and courier services.</i> ? <i>Unutilized plant capacity at the Gravity Water Works Bunkoko)</i> 	<ul style="list-style-type: none"> ? <i>Landslides during wet season and low levels during droughts.</i>
New connections	<ul style="list-style-type: none"> ? <i>Qualified and committed staff/Team.</i> ? <i>Mains extensions widely done.</i> ? <i>Settlement and developments following the extensions.</i> ? <i>Rapidly sprawling peri-urban areas.</i> 	<ul style="list-style-type: none"> ? <i>Inadequate mechanism to follow up new connection forms picked up, submitted and no connections made.</i> ? <i>Some properties are far from the mains and private land has to be traversed.</i> ? <i>Inadequate marketing and strategic alliance meetings regarding new connections.</i> ? <i>Low pressure in some areas e.g. Nakaloke, Gangama.</i> 	<ul style="list-style-type: none"> ? <i>Viable extensions as most citizens are moving to Peri-urban Areas.</i> ? <i>Build Customer confidence by building a culture of Area Manager endorsing the estimates for authenticity.</i> ? <i>To manage New Connections in a proactive manner.</i> ? <i>Form a New Connection Committee.</i> 	<ul style="list-style-type: none"> ? <i>Some Customers cannot afford fittings for new connections</i> ? <i>Alternative water sources.</i> ? <i>Roads not opened up in some viable areas.</i>

2.0 THE MARKETING PLAN

2.1 Marketing/Sales Targets

Our marketing targets stand as scheduled below:

Table 4 Marketing/Sales targets

No.	Indicator	Unit	Base Performance	Target Year 1	Target Year 2
1	Water sold (Monthly average)	M ³	1,298,880	1,368,870	1,404,999
2	Billing (Monthly average)	UShs. ,000's	140,000,000	148,489,000	154,489,000
3	New connections (Monthly average)	No.	36	48	48
4	Active accounts (At year end)	No.	3,725	4,308	4,910
5	Suppressed accounts (At year end)	No.	230	227	205

2.2 Marketing Strategies and Resource Requirements

The marketing strategy will address the promotional activities, service pricing, mode of service delivery and highlight the actual services to be provided.

2.2.1

Promotion strategies.

1. **Electronic media advertisements.**

Effective value for money advertisements to promote our services will be aired through Open Gate FM and the three other Mbale based radio stations. A weekly radio programme will also be aired.

2. **Trade fair & exhibitions.**

A non stop exhibition plan that rotates along different parts of the service area and covering all aspects of our service that the public seeks quality, pricing, new connections procedures, suppressed accounts.

Participation in all Local Trade Fair will also be emphasized; School outreaches to impact on our market through the increasing literacy levels are also planned.

3. **Monthly news letter.**

A well-designed monthly two page(printed back to back) newsletter “WATER IS LIFE” with well-selected content to promote our service, distributed free to all consumers with their monthly bill. New connection procedures, our tariff rates, water quality & notification of leaks and bursts procedure will be highlighted.

4. Service coverage extension.

The supply coverage to date still leaves a wide gap. Mains extensions to several places of high growth have been planned for.

5. Strategic alliance.

Bi-weekly Strategic Alliance meetings with Consumer groups, Local Councils, the District and Municipal Leadership, School Administrators and other key Consumers will be consistently held to improve our business.

6. One stop shop/single day connection system.

The Area Team will commit itself to effect single day new connections. In line with facilitating this, a Loan Scheme will be discussed with several banks by which they may extend short term loans to Customers unable to fund material requirements, paid through a reputable hardware for approved material requirements.

The Area will in no way be involved in the transaction between the loan applicant and the Bank.

7. Rechargeable works capability

The Team will equip itself and create capacity to efficiently carry out rechargeable works (service beyond the meter) to generate additional Customer confidence from such works as well as provide quality where this is often lacking (unscrupulous private Plumbers currently dominate this service).

8. Rebates & discounts.

A rebate system to Local Council 1 Cells will be introduced by which an amount of at least Ushs.2,000= is “earned” to the Local Council Cell from which any new connection arises. This is recorded on a register and is monthly converted to yard taps, stand pipes or stand pipe bills for the particular Local Council Cells. This should encourage the Local Council teams to actively work for a positive new connection result.

9. Awards & prizes.

A raffle will be held monthly with a quarterly grand draw. Prizes and award for excellence in consumption, payment, reporting of leaks and bursts and other service related performance would be made on a daily basis (T- shirts, pens, exercise books, and other items).

10. Prefinance/loan schemes.

Arrangements to prefinance the material requirements of new connections, where the cost is significant will be proposed to a reputable bank so that finance may not be a bottleneck to Customer connections.

11. Beneficial alliances.

Continued service promotion through close alliance with Donors, District authorities and non Governmental Organizations to enable financing of mains extensions to target Areas will be emphasized.

12. Schools hygiene programme.

A school outreach plan to take advantage of the improved literacy rate and therefore promote enlightenment on water & sanitation issues is planned. This will enable the households views on clean water access be positively impacted by the main users-the children.

13. Customer care.

Excellent Customer Care (good office environment, well trained, responsive and receptive staff) shall at all times be emphasized to ensure a positive response from our Consumers.

14. Countering the competition through customer enlightenment.

Good enlightenment on the quality standards of our service at all levels to promote produce loyalty will be carried out. This will win over the proponents of boreholes, protected springs and gravity water and weaken the competing, often unsafe and illegal alternative water services.

An effective marketing intelligence system will be put in place to support our market research initiatives.

2.2 Pricing strategies.

Price will be as per tariff structure approved by the Authority (see appendix 12).

2.3 Sales forecasts

Monthly projections, which will enable us achieve our goals and objectives earlier highlighted are as below:-

1. Water.

Year 1 114,073 m³ per month

Year 2 117,083 m³ per month

2. Sewerage Services.

Year 1 35,000 m³ per month

Year 2 40,000 m³ per month

3. Cesspool Emptying.

Trips (each truck of 15m³)

	Year 1	50
	Year 2	100
4.	Tankered Water Sales	<u>m</u> ³
	Year 1	20,000 per month
	Year 2	30,000 per month
5.	Consultancy Services	
	Year 1	2 No. per month
	Year 2	3 No. per month

2.3.1 Delivery strategy

We shall continue to distribute our products as follows:-

- ✘ Existing & extended networks both water & sewage
- ✘ Designated sales points for Tankered water & kiosks.
- ✘ Any Geographical location for on site water testing and consultancy.
- ✘ Mobile units for Cesspool emptying (private & corporate) and private tankers (water).
- ✘ All locations for the “rechargeable works”.

2.3.2 Products & services.

Our main products/services will continue to be water & sewerage services. Tankered water sales, consultancy services, Cesspool emptying and rechargeable works will also be continued.

2.4 Resources to be provided by the Head Office

Summary of the costs of the proposed mains extensions that are to be met by the Head Office is scheduled as appendix 13.

3.0 THE OPERATING PLAN

3.1 Operating Targets

Table 5 Operating Targets

No.	Indicator (All monthly averages)	Unit	Base Performance	Target Year 1	Target Year 2
1	UFW	%	19	14.6	12
2	Percentage metering	%	100	100	100

No.	Indicator (All monthly averages)	Unit	Base Performance	Target Year 1	Target Year 2
3	Percentage of meters read	%	100	100	100
4	Percentage of reported Pipe leaks/bursts repaired	%	100	100	100
5	Average response time to leaks/bursts	Hrs	4	2	2
6	Response time to sewage blockages and/or overflows	%	4	2	2
7	New sewer connections	No.	24	24	24
8	Active sewer connections	No.	1257	1281	1305
9	Inactive sewer connections	No.			
10	Percentage of customer complaints responded to or resolved	%	100	100	100
11	Average response time to complaints of technical nature	Hrs	4	2	2
12	Average response time to complaints of commercial nature	Hrs	4	2	2
13	Percentage of samples failing bacteriological water quality tests	%	0	0	0
14	Percentage of samples failing physico-chemical water quality tests	%	0	0	0
15	Percentages of samples meeting sewage effluent quality standards	%	100	100	100
16	Total collections	Ushs	1,680,000	1,956,561	2,039,256
17	Operating margin	Ushs	779,184	1,055,745	1,138,440
18	Total arrears	Ushs	796,488	618,619	433,232

3.2 Operating Strategies and Resource Requirements

A detailed operating plan outlining all aspects of activities/operations and in line with the Targets and Strategies set and agreed upon is presented below.

3.2.1 Water production

We shall carry out water production in our two Treatment Plants as follows:

Manafwa water works.

- ✍ Maintain a three shift Arrangement to optimize staff productivity.
- ✍ Pumping in this station to be restricted to only during off-peak hours (10.00 p.m. – 6.00 a.m) to optimize on power costs, unless in cases of extreme emergency.
- ✍ To further minimize on power costs, modern communication equipment will be put in place to improve contact between the two Water Works – so that Manafwa pumping is only done as a top-up supply.
- ✍ Routine PPM and BDM shall be carried out routinely.
- ✍ Adequate stocks of Bulk Chemicals will be maintained to ensure uninterrupted Water Treatment.
- ✍ Ensure maximum cleanliness standard at all times.
- ✍ To work with the Management of UEDCL & UETCL to see that there is constant power supply & both parties do meter reading.

Bunkoko water works.

- ✍ A four-shift arrangement will be maintained as the Plant operates 24 hours.
- ✍ This being a gravity system, necessary system modifications are to be made to ensure a major increase in capacity utilization from 50% to over 80% so as to make an overall saving in electricity costs.
- ✍ Equip both plants with weighing scales (2 No.) for accurate chemical application.
- ✍ Ensure excellent record keeping at the Water Works.

- ✍ Equip the Plants with light tools and equipment to do minor maintenance and repair works.
- ✍ Put in place mechanisms to minimize system down time.
- ✍ Ensure that water (and sewerage effluent) quality meets both the National and International standard.
- ✍ Ensure that both dams are routinely maintained.
- ✍ Ensure that the raw pipeline is maintained.
- ✍ Ensure maximum cleanliness at all times in the Plant.
- ✍ Ensure that all treatment units are operational and very clean e.g. clarifiers, reservoirs etc.

3.2.2 *Water distribution.*

Mbale Area Water Supply Service Area has now a network radius of 16km from the Central Business District out of which the asbestos cement component is 60%.

The following strategies/activities will be carried out to ensure continued supply in the service area.

- ✍ Equip the Distribution and Sewage Section adequately with the necessary tools and equipment.
- ✍ Provide adequate transport to field staff.
- ✍ Replace old pipe network.
- ✍ Carry out regular flushing of the mains.
- ✍ Acquire leak detection equipment/borrow from Jinja Area.
- ✍ Document and operationalise all work procedure.
- ✍ Carry out intensive checks on Field Staff deployed on a daily basis.
- ✍ Replace and service meters.
- ✍ Fix leakages and bursts.
- ✍ Effect new connections.
- ✍ Provide staff with protectives.

- ✍ Carry out District metering as well as continue with universal metering.
- ✍ Reduce physical water loses.
- ✍ Install more control valves at critical point to minimized service interruptions.

3.2.3 *Water mains extension/kiosks*

The Area will continue to expand its Customer base through viable main extensions so as to meet the marketing forecasts for billing, new connections and revenue. This will be done in line with our capital investment plans as high lighted in appendix 13.

Among other activities to be carried out here are:

- ✍ Identification of potentially viable areas for mains extensions both in peri-urban areas and nearby semi-urban centers.
- ✍ Liaise with the Municipal authorities and LC's to lay mains extensions in viable areas which have developed but not yet been opened (No roads).
- ✍ Procure pipes and fittings reuired for extensions.
- ✍ Avail funds for mains extensions.
- ✍ Supervise mains extensions.
- ✍ Use a proactive approach to attract new connections.
- ✍ Continue networking with other authorities to extend water & sewerage mains.

In addition the Area intends to construct 10 No. of Kiosks in fulfillment of NWSC commitment to take services to the Urban poor.

Summary of Operating Strategies and Resource Requirements

3.2.4 *Water production issues and strategies*

Issues

- i. Improve accessibility to waterworks
- ii. Construct gabions at Manafwa intake to prevent possible diversions on the river due to erosion
- iii. Equip the laboratory with autoclave and fridge

Table 5 Operating Strategies and resource requirements (water production)

No	Strategy/actions	Target impacted	Resource requirement	By who
1.	Desilting of Dams Quarterly	Water sales	300,000=	WSS
2.	Cleaning of Backwash Tanks, Clarifiers, Filters – (weekly) and Reservoirs Quarterly.	Water Quality	500,000=	WSS
3.	Laboratory Analysis at Water Works (daily) – timely provision of reagents and other Laboratory consumables (Headquarters).	Water Quality/Sales	-	LT
4.	Disludging and back washing of classifiers daily.	Water Quality/Sales	-	WSS
5.	Sampling in Distribution and Waste Stabilization Ponds.	Effluent quality	140,000=per month	AM
6.	Ensure excellent record keeping in the Water Works.	Water production		WSS
7.	Ensure all Laboratory equipment is in good working order.	Water production		
8.	All pilot Chemical Demand Test are done weekly.	Water Quality/Sales	-	LT/HQRS QCM
9.	Procure a weighing scales 2 No. for Bulk Chemical application in Manafwa/Bunkoko.	Water Quality/Sales	200,000=	AM
10.	Ensure all water treatment plants and waste treatment ponds are clean at all times.	Water Quality/Sales		AM
11.	Document and operationalise the plant procedure manual for all operations.	Water Quality/Sales		LT/WSS
12.	Stock adequate bulk chemicals in the Area.	Water Quality/Sales	1,800,000=	AM

No	Strategy/actions	Target impacted	Resource requirement	By who
13.	Put in place measure to minimize system down time. <ul style="list-style-type: none"> - Routine PPM programme. - Plant breakdown maintenance programme. - Stock enough fittings and spares in area stores. - Train area staff to handle BDM & PPM. - Organize Training for Plant Operators. 	Water Quality/Sales	3,000,000=	WSS
14.	Put in place mechanisms to attain Water & Sewerage effluent Quality. <ul style="list-style-type: none"> - Prepare a sampling programme. - Transport check samples to Central Laboratory. - Laboratory consumables - Disludging of Ponds (Capital Expenditure) - Fridge for the Laboratory 	Water Quality/Sales	300,000= per month 100,000=/month 10,000,000= 500,000=	WSS
15	Construction of Gabions at Manafwa water intake	Water sales	2,000,000=	AM
16	Tarmacking access road	Water production	10,000,000=	AM
17	Procure 01 No Autoclave 01 No Fridge	Water Quality	5,000,000= 500,000=	AM

3.2.5 Water distribution, issues and strategies.

Issues

- i. Boosting of pressures in the water distribution networks especially Nakaloke and Nkoma.
- ii. Construct public stand pipes in the low income areas.

Table 6 Operating Strategies and resource requirements (water distribution)

No.	Strategy/action	Target impacted	Resource requirement
1.	Carry out mains/extension water /sewerage. See appendix	7,8	117,000,000=
2.	Equip the Sewage and Distribution with the necessary tools & equipments	10	1,000,000=
3.	Provide readily available transport for field staff.	5,6	0
4.	Replacement of old mains. Refer to Distribution maintenance No.6.	1,4	0
5.	Acquire the necessary fittings for repairs.		0
6.	Carry out regular flushing of the mains.	1,12,13	0
7.	Borrow leak detection equipment from Jinja Area.	1	0
8.	Document and operationalise all work procedures.		0
9.	Carry out intensive checks on field staff deployed on a daily basis.	4,5,6	0
10.	Install 10 No. control valves at critical points to minimize service interruptions.	1	4,000,000=
11.	Procure 2 NO booster pumps complete with interconnections and accessories	Improved billing, New connections and revenue	32,000,000=
12.	Procure 02 No stock and die	Water sales	2,000,000=
13.	Construct a pumping mains to Nakaloke centre (Appendix 13)	Water sales	106,988,000=

3.2.6 Distribution maintenance/sewerage strategies

No.	Strategy/actions	Target impacted	Resource requirement
1.	Maintain all the equipment in good working order-jetting machine, road rotator, rodding sticks for sewerage.		
2.	Intensify foot patrols on mains and other service lines to detect bursts and leakage in time to reduce service interruption & UFW		
3.	Create an intensive mechanism to reward Customers who report bursts, leakages, and illegal connections.	UFW	
4.	Stock adequate light tools and other materials required for maintenance.		
5.	Institute a mechanism to identify faulty meters early before loses become significant.	Billing; UFW	
6.	Reduce physical water losses through a). Calibration of bulk meters <ul style="list-style-type: none"> - Throttling of valves to reduce pressure in high-pressure areas. - Bulk District metering. - Replacement of AC pipes with PVC/HDPE in phases in the following areas: Wanale Road (400m) Busamaga Area (400) Union Road (400m) 	UFW	4,000,000= 4,000,000= 3,200,000=
7.	Provide adequate fittings for repairs/maintenance. <ul style="list-style-type: none"> - Everite joints 3" diameter - J.V. Couplings 4' diameter - Bolts & Nuts 		1,800,000= 900,000= 400,000=
8.	Construct 10 No. Water Kiosks.		2,000,000=

3.2.7 Issues and strategies to improve unaccounted for water

Issues

- i. Old network/mains – prone to leaks and bursts
- ii. Network is predominantly asbestos – prone to leaks and bursts
- iii. People with illegal connections
- iv. Meter by-passes
- v. Road works by the Municipal Council without prior notice
- vi. Lack of leak detecting equipment
- vii. Faulty meters
- viii. Meter tampering/defilement
- ix. Buried meter – leading to estimates
- x. Abuse of fire hydrants by Police and Ministry of Works
- xi. Mobile phones available to enhance coordination and avoid reservoir overflows
- xii. Area has mechanism of quick response to leaks and bursts
- xiii. Flushing of the mains
- xiv. Old pipe network is being replaced
- xv. Area conducts weekly monitoring of bulk meters – meters for big consumers
- xvi. There is a waste inspector who monitors illegal connections and meter by-passes
- xvii. Prompt replacement of identified faulty meters
- xviii. Lack of proper mechanism to win commitment of customers who report illegal connections, bursts and leaks – marketing, incentives, educating people about responsibilities etc.
- xix. Mains extensions will lead to more connections and this will balance the pressures even better
- xx. Committed Staff, punctual
- xxi. Lack of fittings for asbestos pipes within Mbale – takes too long to restore the service
- xxii. Inadequate communication geared towards reporting leaks and bursts

Strategies to address UFW issues

Table 7 Operating Strategies and resource requirements (UFW)

No.	Item.	By who	By when	Cost
1.	Replacement of old pipe network/mains as follows:	AM; WSS; AO		
	? Wanale Rd – 400m of 3"		30 th Jan 2004	4.2m
	? Busamaga Rd – 500m of 2"		28 th Feb 2004	4.0m
	? Majanga Rd – 300m of 3"		30 th March 2004	3.5m
	? Union Rd – 400m of 2"		30 th April 2004	3.2m
	? Nabuyonga Rise – 1100m of 6" to replace 4" pipe		30 th May 2004	16.2m

No.	Item.	By who	By when	Cost
2.	Stock fittings for 2", 3", 4" & 6" for UPVC pipes and associated fittings e.g. everite joints, JV Couplings, PVC adaptors, bolts & nuts and HDPE 2" & 3" straight sockets.	AM, WSS, DO		7M
3.	Vigilance in Monitoring against illegal connections, meter by-passes; meter tempering/defilement	SO; WI	30 th January 2004	
4.	Construction of lockable chambers where there is persistent suspected meter tempering/defilement	WSS; DO	28 th February 2004	1.5m
5.	Write to Mbale Municipal Council & Ministry of Works authorities requesting them to inform the Operator of any planned road works to avoid damages to the Water Mains and resultant wastage of water & consequences.	AM	7 th January 2004	
6.	Borrow leak-detecting equipment from Jinja Area.	AM; WSS	When required	
7.	Faulty and buried water meters leading to estimates to be replaced/looped	DO; CO	30 th January 2004	
8.	Inform and sensitize the concerned Police & Ministry of Works Officials on abuse of fire hydrants.	AM	7 th January 2004	
9.	Deploy Plumbers (in alternation) to read bulk meters and big consumers' meters on a daily basis.	DO	2 nd January 2004	
10.	Sensitize the public about their responsibilities on reporting illegal connections; bursts; leakages; and any other malpractices (strategic alliance' electronic media etc).	AM; CO; AO	30 th January 2004	200,000= pm

3.2.8 Strategies to reduce suppressed accounts

Issues

- i. Some suppressed accounts do not exist on the ground – they can be wiped out of the data base.
- ii. Delay of bad debts write off by the Board
- iii. The conditions for write off are stringent – e.g. requirements for death certificate.
- iv. Low pressures in some areas – some accounts are suppressed because of low pressures

- v. Mbale Area has stopped disconnections – in principle
- vi. Inadequate vigilance to
- vii. Most of the properties with suppressed accounts belong to Municipal Council, District Administration and BCU
- viii. Unviable extensions – politically driven
- ix. Inadequate vigilance to stop sinking of boreholes in the service area

Strategies to address issues on suppressed accounts

Table 8 Operating Strategies and resource requirements (Suppressed accounts)

No.	Item	By who	By when	Cost
1	Investigate to establish suppressed accounts that do not exist and delete from the data base	CO; SO	March 2004	
2	Write a reminder to Chief Manager Commercial Services on bad debt write off delays	A/M	January 2004	
3	Identify and liaise with L.C. to provide proof of death of some property owners for possible write off	A/M	January 2004	
4	Write to Municipal, District Administration and Bugisu Cooperative Union Managements on the need to harmonize outstanding debts accruing from their properties	A/M	January 2004	
5	Consider the Customer base and viability of politically driven extensions before implementation.	A/M		
6	Compile a list of Boreholes in our service Area for submission to Headquarters.	A/M	December 2003	

3.2.9 *New connections*

Issues

- i. Some Customers cannot afford fittings for new connection lines
- ii. There are low pressures in some zones e.g. Nakaloke
- iii. There are areas with sufficient pressures where extensions can be made.
- iv. The Mbale Citizens are moving out to peri-urban areas increasing the viability of extensions outwards
- v. Settlements/developments are following the services
- vi. Inadequate marketing and strategic alliance meetings regarding mains extensions
- vii. Inadequate mechanism to follow up new connection forms picked up, submitted and no connections made
- viii. Some properties are far from the mains and private land has to be traversed – no road openings
- ix. System of Area Manager endorsing the estimates should be reinforced to build more confidence among new Customers

Strategies to address issues on new connections

Table 9 Operating Strategies and resource requirements (New connections)

No.	Item	By who	By when	Cost
1.	Write to Manager Operations to expedite procurement of a booster pump for Nakaloke, Gangama and surrounding Areas.	A/M	December 2003	
2.	Accept some Customers who cant afford fittings for new connections to pay in installments.	A/M	Always	
3.	Identify Areas with sufficient pressures where extensions can be made specify locations and requirements/ BOQ.	WSS	January	
4.	Carry out aggressive marketing of the planned extensions.	CO/WSS	January 2004	
5.	Strengthen mechanisms for follow up on new connection forms picked up by Customers as well as physically deliver application forms to prospective Customers.	CO/WSS	January 2004	
6.	Liaise with Local Leaders and land owners to lay water mains on private land where there are no road openings yet are viable/developed	A/M	January 2004	
7.	All estimates for new connections should be done with transparency	WSS/DO	Always	

	and endorsed by Area Manager to build Customer confidence			
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3.2.10 Revenue collections

Issues

- i. Poverty leading to less ability to pay
- ii. Mentality that water is free leading to unwillingness to pay
- iii. Government schools delay to pay – “UPE money has not yet come”
- iv. Zonal teams have made it more convenient for some far-off customers to pay in the field
- v. Payment options by customers are currently limited
- vi. Opportunity of deducting bill payments from salaried Customers
- vii. Absentee landlords.
- viii. Landlords taking money from tenants and not forwarding the payment to NWSC
- ix. Erroneous billing and Customers who deliberately claim their bills to be erroneous
- x. Leakages on service lines, after the meter, leading to very high bills
- xi. Meter defilements that backfire leading to higher meter readings
- xii. Culture of paying after disconnection
- xiii. Good billing cycle and efficient bill delivery
- xiv. Good contacts with big consumers
- xv. Area has Customer segments – uses different approaches to contact the different segments.

Table 10 Operating Strategies and resource requirements (Revenue collection)

No	Item	By who	By when	Cost
1.	Due to the biting poverty, some Customers should be allowed or advised to pay in installments	A/M	Always	
2.	Educate Customers on vigorous Wter Treatment and handling operations to eliminate the attitude of “water is free”.	A/M	Always	
3.	Write to Government School to clear their bills by 15 th of every month to reduce delays in payments	A/M	Monthly	
4.	Get telephone contacts of absentee Landlords for easy communication and/or advise them to make pre-payments	CO/CA	Monthly	
5.	Encourage tenants to personally pay their bills on behalf of their Landlords	CO/CA	Monthly	

No	Item	By who	By when	Cost
6.	Avoid erroneous billing as much as possible to through thorough scrutiny	CO/CA	Monthly	
7.	Meter Readers to ensure that all leakages after the meter should be reported promptly to avoid high bills.	CA/CO	Daily	
8.	Eliminate "Culture of payment after disconnection" through regular visits and reminders to the concerned Customers	A/M	Monthly	

3.2.11 Billings.

Issues

- i. Low sewerage coverage – cannot enhance bill amounts
- ii. There is willingness by many residents to connect to sewer extensions
- iii. Inaccurate and estimated meter readings
- iv. Meters without flow restrictors
- v. Bulk meters for Police, Prisons and Military barracks get frequently stuck leading to estimation
- vi. Public toilets are connected to sewers but disconnected from water and are thus are not billed
- vii. A few residential houses are being transformed into student hostels – a commercial tariff should be applied
- viii. There are few controls in the network – in case of bursts, a lot of water is lost or many customers are inconvenienced and consumption is negatively affected
- ix. Blanket application of commercial tariff on all building sites is in a way counter productive

Strategies on billing

Table 11 Operating Strategies and resource requirements (Billing)

No.	Item.	By who	By when	Cost
1.	Make sewer mains extensions to potentially viable areas – Namatala area (700m), Nkoma (800m), Nyanza Road (100m)	WSS	January 2004	45M
2.	Install Ejector pump in the Prison barracks	A/M M(O)	January 2004	30M
3.	Where sewer main extension have been made a deliberate effort should be made to connect Customers to the sewer.	WSS/SO	January	

No.	Item.	By who	By when	Cost
4.	Meters that have been in use for the last 10 years should all be replaced.	WSS/DO	January 2004	
5.	Meters which reverse should be replaced.	WSS/DO	January 2004	
6.	Install meters with flow restrictors	WSS/DO	January 2004	
7.	Daily monitoring of Bulk meters for Police, Prisons & Military Barracks.	DO	Daily	
8.	All public toilets should be surveyed for possible reconnection of water	WSS/DO	A.S.A.P.	
9.	Identify all students hostels within our supply Area and change all tariffs to Commercial.	CO/CA	January 2004	
10.	Install more control valves for isolation to minimize service interruption in case of bursts.	WSS/DO	January 2004	
11.	All Tariffs on building sites should be based on the intended use of the construction.	CO/CA	January 2004	

3.2.12 Sewerage services

Issues

- i. Produce effluent which conforms to National Standards
- ii. Unpaved and eroded banks at the sewerage ponds.
- iii. Prompt response to Sewage blockages.

Table 12 Operating Strategies and resource requirements (Sewerage services)

No.	Item.	Target impacted	By who	By when	Cost
1.	Dislodging of the sewerage ponds(2 no)	Effluent quality	AM		10 M
2.	Paving of earthbanks at the sewage ponds	Effluent quality			

No.	Item.	Target impacted	By who	By when	Cost
			AM		15 M
3.	Procure two sets of rodding sticks	Response time	AM	January	2 M

3.2.13 Administration

Issues

- i. Carry out regular servicing of the existing fire extinguishers.
- ii. Equip three lawn mowers to ensure smartness at NWSC premises
- iii. Furnish the new office block
- iv. Enhance outlook of new area office to promote customer care
- v. Completion of the office block

Table 12 Operating Strategies and resource requirements (Sewerage services)

No.	Item.	Target impacted	By who	By when	Cost
1.	Carry out servicing of fire extinguishers	Safety	AM		2.5 M
2.	Procure three lawn mowers	Cleanliness	AM		4.8 M
3.	Procure new office furniture	Customer care	AM	January	5 M
4.	Completion of office block	Cost optimization	AM	January 2004	40 M
5.	Procure three computers	Records management	AM	January 2004	6 M

3.2.14 Cost optimization.

Issues.

- i. Area is currently at optimum staff levels – these levels should be maintained, Area will not succumb to Head Office pressure to increase staff
- ii. Control of medical scheme should be more effective
- iii. Outsourcing grass cutting will reduce on costs (no need to repair and maintain cutting machines, buy fuel, payment for casual worker)
- iv. Procure intercom, telephone system within lotus notes and walkie talkies will minimize telephone costs.

- v. Joint reading of the electricity meters and pumping during off-peak hours will help to minimize the energy bill.
- vi. Verification of defects before repair of vehicles should be strengthened
- vii. Use of lotus notes will help reduce costs on stationery, fax and courier services
- viii. Opportunity to us IT developments to reduce on travel costs for communication and reporting
- ix. Area has good budgetary controls

Strategies on issues under cost control.

Table 13 Operating Strategies and resource requirements (Cost control)

No.	Item.	By who	By when	Cost
1.	Build capacity through training for the current staff to enhance staff competence on the jobs without increasing the numbers (lotus notes; etc). Encourage multi-skilling (continuous in-house/on job training)	A/M; SPO	Quarterly	2.4M
2.	Continuously Monitor the Medical Scheme to check any forms of abuse and ensure value for money services. (cost effectiveness)	SPO; SO; UNION C/MAN	ASAP Thereafter Routinely	
3.	Procure intercom to ease communication and optimally utilize the telephone system within lotus notes and walkie talkies to control costs.	AM; WSS, SO, AO		800,000= for intercom & Telephone set 70,000=
4.	<i>Procure three lawn mowers and out-source operation of the mowers to competent persons.</i>	<i>Am; AO</i>		<i>4.8M</i>
5.	Continue always carrying out joint reading of UEDCL meters & optimize pumping during off-peak hours to minimize electricity costs.	WSS	Routinely	

No.	Item.	By who	By when	Cost
6.	Verification of defects, reported before authorization or repairs of motor vehicles/motor cycles & other mobile plants.	SO/TO	Routine	
7.	Reduce on copies of letters and duplicated reporting and optimally utilize the Lotus notes to reduce costs on stationery.	AM; All Heads of Section	Routine	
8.	Optimize use of IT developments/equipment to communicate with Headquarters and thus reduce on travel costs.	AM, All Heads of Section.		

4.0 THE HUMAN RESOURCE PLAN

The Human Resource Plan focuses on maintaining an optimal, skilled/experienced, competent and well-motivated work force, with a formidable teamwork spirit, and shall aim at achieving improved staff productivity from the present level of 14.6 staff per 1000 connections.

4.1. Human resource needs/plan.

4.1.1 Human resources needs.

The Operator proposes to maintain the present staffing level of forty seven (47) established staff.

The Staffing position shall be as follows:

Table 14 Human resource needs

No.	Section.	No.of established staff	No.of contract staff
1.	Management Services	07	01
2.	Commercial & customer Services	08	03
3.	Finance & Accounts	03	01
4.	Water Distribution	11	-
5.	Sewerage Services	04	-
6.	Quality Control	02	-
7.	Water Production (Manafwa)	05	-
8.	Water Production (Bunkoko)	06	01
		47	06

Multi-skilling shall continue to be employed for optimal utilization of the available human resources.

Engagement of hired labour on contract and casual basis shall be done as and when necessary to supplement the established staff levels.

4.1.2 Expenditure projections related to the human resource Plan/needs.

The Operator proposes to maintain the present budgetary provisions for the human resources related costs as at 31st December 2003.

Table 15 Summary of the proposed monthly employee related costs:

<i>Basic</i>	12,900,000=
<i>Bonus/Incentives</i>	343,000=
<i>Hired labour</i>	700,000=
<i>Shift Allowance</i>	409,000=
<i>Attendance/Performance Bonus</i>	1,245,000=
<i>Car/Cycle Allowance</i>	2,980,000=
<i>Housing Allowance</i>	6,450,000=
<i>NSSF Employers' contribution</i>	2,841,000=
<i>Medical Expenses</i>	1,985,000=
<i>Leave Transport Allowance</i>	728,000=
<i>Funeral Expenses</i>	380,000=
<i>Special Emergency Allowance</i>	245,000=
<i>Lunch/Transport Allowance</i>	3,080,000=
<i>Utility Allowance</i>	358,000=
<i>Responsibility/Duty Allowance</i>	322,000=
TOTAL	34,966,000=

4.2. **Procedures for staff hiring, promotion and discipline**

National Water & Sewerage Corporation policies, procedures and guidelines on hiring, promotion and discipline of staff shall remain applicable under the IDAMC period.

The operator shall be responsible for recruitment/hiring and promotion of staff in National Water & Sewerage Corporation salary scales 6 to 10. For staff in National Water & Sewerage Corporation salary scales 5 to 2, the operator shall make recommendations to the employer for appointment or promotion as and when necessary.

4.2.1 Hiring policy

Where need to recruit/hire arises, the operator shall:

(a). For NWSC Scales 2 to 5:

(i). Make recommendations to the employer for appointment from Human Resources in the Area.

(ii) Inform the employer of the existence of a vacancy and request the employer to post a suitably qualified, skilled and experienced person to fill the vacancy.

(b). For NWSC Scales 6 to 10:

(i). Internally advertise and/or advertise in a preferred media.

(ii). Conduct interviews in a transparent and fair manner so as to appoint purely on merit.

(c). For Contract/Casual Labour:

(i). Advertise (Notice boards; media, etc).

(ii). Conduct interview with transparency and fairness.

(iii). Appoint on merit.

Contract periods shall depend on the need but shall be either short -term renewable contracts of 6 months or upto 2 years contracts.

4.2.2 Staff promotions

Performance evaluation shall be a continuous phenomenon based on the “One Minute Management Concept” of setting individual and Sectional Targets and continuously evaluating performance.

Annual Performance Appraisals shall be carried out by the Operator. The Senior Personnel Officer shall coordinate the carrying out of performance appraisals by the respective Heads of Section, Area Manager and the Employer.

Recommendations for promotion shall be reviewed by Management and implemented if within its jurisdiction (scales 6 to 10) or forward to the Employer (for Scales 2 to 5) based purely on merit.

4.2.3 *Disciplinary procedures*

The following procedure will apply where an employee fails to meet expected standards of conduct or performance inspite of endeavors to correct the non-conformity.

1. Verbal Warning.

If an employee fails to conform to expected standards of conduct or performance, the first stage of the disciplinary procedure shall be to give such employee a verbal warning.

2. First Written Warning.

In case of continued failure to conform to expected standards of conduct or performance despite the verbal warning or if there is a more serious non-conformity/case of indiscipline in respect of the employee previously given a verbal warning, a written warning shall be given.

3. Second Written Warning.

In the event that the employee continues to fail to meet the expected standards of conduct or performance despite the first written warning or in the event of a non-conformity considered to be serious but does not warrant termination of service, then a second and final written warning shall be given.

4. Suspension From Duty.

If the operator's interest requires, the employee who has allegedly misconducted him/herself may be suspended from duty in accordance with the provisions of NWSC Conditions of Service (1995) while the alleged misconduct is being investigated.

5. Punishment

Where the operator is satisfied beyond reasonable doubt that the alleged misconduct is proved and that disciplinary action should be taken, then the operator shall take disciplinary action on the employee as shall be deemed appropriate.

Where such punishment is termination of service/dismissal, the operator shall refer the matter to the Employer, with all relevant details.

6. Disciplinary Committee.

The operator shall institute a Disciplinary Committee to handle disciplinary matters and advise on actions to be taken in accordance with the provisions of NWSC Terms & Conditions of Service & Staff Regulations.

7. Conditions of Service & Staff Regulations.

The NWSC conditions of service & Staff Regulation – 1995 and the current Collective Bargaining Agreements with UPEU shall remain binding.

4.3. Staff remuneration plan

To avoid any complications in the transfer (Secondment) from and return to National Water & Sewerage Corporation of the present Staff, the current job classification, salary structure and scales shall be maintained.

Annual salary increments shall be implemented on the basis of continuous performance evaluation an annual performance appraisal of staff.

Remuneration packages of contract staff and hired casual labour shall be negotiated individually with the concerned persons and in accordance with National Water & Sewerage Corporation Policy and Guidelines.

50% of the incentive fee shall be apportioned to seconded staff.

Salaries/Wages will be payable monthly in arrears by the end of the month in which it is due.

Allowances payable to all staff shall be effected in accordance with

NWSC terms and conditions of service and financial regulations/guidelines (Appendix 11 for details)

4.4. Staff development plan

4.4.1 Staff training & development

National Water & Sewerage Corporation Training Plan shall be adopted by the Operator as the overall guide.

The Training Plan shall essentially be carried out locally using a combination of Workshops/Seminars, Self-learning facilities and short courses (fellowships). Workshops will be the preferred vehicle as they are more cost effective and have the additional advantage that participants of the same peer group support each other as they put into practice the techniques & skills learnt. Emphasis will be on maintenance of facilities & Marketing Customer Care Services as well as training on new technologies (computer soft/hard ware, etc), on short term of up to one week programmes or fellowships of not more than 30 days duration.

Table 16 Detailed **training plan**

No.	Training programme	Target group	Time schedule	Venue
1.	Customer care and marketing skills	All staff who interface with customers	March 2004	Mbale
2.	Water treatment and plant maintenance	Water production staff	JUNE 2004	Mbale
3.	Water distribution, sewerage maintenance and leak detection.	Distribution and sewerage section staff	September 2004	Mbale
4.	Supervisory Management.	Heads of section	December 2004	Mbale
5.	Safety and Health	All staff	March 2005	Mbale
6.	Fire fighting and safety precautions	All staff	June 2005	Mbale
7.	Computer training appreciation	All Heads of Section, secretary, commercial staff and cashier.	September 2005	Mbale
8.	Map reading	Meter readers, plumbers, mates and overseers	December 2005	Mbale
9.	Essential skills for efficient private sector management	Area Manager and other operators	January 2004	South Africa

Short term training programmes/fellowships not exceeding 30 days are proposed for the operators in fields relevant to and that add value to individual performance/efficiency in their respective jurisdictions.

Such training programmes shall be identified from reputable internationally recognized institutions.

Approval and funding of such training programs shall be sought from relevant authorities of NWSC.

NWSC policies and guidelines on this aspect not detailed here shall remain applicable.

4.4.2 *Expenditure projections attached to the staff training plan.*

It is assumed that the Employer shall continue to provide training to staff and meet the training costs.

This cash flow estimates therefore project expenditure to cover allowances (transport and subsistence) for staff nominated to attend training programmes locally. We propose a cash flow provision of Ushs.500,000= quarterly.

4.5. Staff management (strategies for enhancing team action & worker involvement)

To encourage team work spirit, staff participation in the Management of the day -today activities, contribution of views and motivation of staff towards successful performance, the Operator plans to build on the “One Minute Management” concept of “Goal Setting” and SWOT analysis right from individual through the respective Sections to overall Area level.

4.5.1. SWOT analysis & monthly workout sessions.

Continuous SWOT analysis and monthly performance review Workout sessions shall be conducted as measures of drawing road maps/action plans towards improvement and achievement of targets. Active and objective participation of all staff shall be encouraged in the review work-out sessions.

4.5.2 Weekly management meetings.

Management Meetings shall be conducted on a weekly basis to review/evaluate performance and Map out strategies for continual improvement and achievement of targets/objectives. These meetings shall comprise of the Partnership members and Area Internal Auditor.

4.5.3 Zonal team activities.

Consolidation/Strengthening of Zonal Team activities on suppressed accounts, revenue generation/collection; illegal consumption/connections; patrols to check bursts/leakages/sewage spillages and daily monitoring of big Customers meters.

4.5.4 Facilitation

Adequate and prompt facilitation in terms of transport for field activities, sufficient provision of required tools/equipment, prompt payment of allowances, adequate provision of uniforms/protectives and other staff welfare provisions and office supplies shall significantly contribute towards enhancing inner drives amongst staff to perform; to the satisfactory achievement of Targets/Goals.

4.5.5 Capacity building (human resource development).

Multi-skilling shall be a strategic way forward. This shall require capacity building through tailor made training programmes to enhance competence on the jobs.

4.5.6 Harmonious industrial relations

Harmonious industrial relations shall be fostered to enhance teamwork spirit, motivation and work morale.

4.5.7 Expenditure projections attached to strategies for enhancing team action & worker involvement.

It is projected that the expenditure projections attached to strategies for enhancing Team Action & Worker Involvement shall be financially sustained through the proposed monthly cash flow provisions (monthly transfer of funds as at 31st December 2003).

4.6. Staff welfare

4.6.1 Medical scheme

In conformity with the principle of promoting occupational safety and health, the operator undertakes to have and maintain a healthy workforce by providing medical treatment to all employees, his/her spouse and up to six children below the age of 18 years through the medical scheme under the following guidelines:

- a) An employee requiring medical attention for self, spouse or entitled children shall inform the authorizing officer(Senior Personnel Officer or in his absence Area Manager or Accounts Officer) who shall if satisfied that the person in question is entitled , issue a Medical Authority form for presentation to the authorized medical practitioner (clinic/hospital) for treatment

A medical Authority form shall not be issued to more than one person and shall not be transferable.

- b) For purposes of identification, the operator shall issue identification cards to the entitled dependants which must be presented to the medical practitioner prior to obtaining the required medical attention.
- c) The operator will not accept liability for any expenses whatsoever incurred in connection with medical treatment
 - i. Without an authorized medical treatment authority form(except in cases of extreme emergency)
 - ii. Obtained by any person not entitled thereto under NWSC regulations.
- (d). Any other NWSC policy and guidelines regarding employees treatment shall remain applicable under this contract.

4.6.2: Protectives/Uniforms

The operator shall provide appropriate protectives and/or uniforms to entitled staff annually as follows

Table 17 Protective and uniforms

#	Category of staff	Protectives	Quantity
1	Plumbers, Mates, Overseers, Water Supply Superintendent, Plant attendants, Shift overseers, Drivers, Office attendants, Lab technician and assistant.	Overalls	02 pieces each
2	Lab technician, Lab assistant, Water supply superintendent, Shift overseers	Overcoats	01 No each

3	Office attendant, drivers	Safari(Kaunda)suits	02 No each
4	Cashier, front desk officer	Business suits	02 No each
5	Meter readers	Uniform (Shirts and trousers)	02 No each
6	Plant attendants, shift overseers, meter readers	Rain coats	01 No each
7	Sewerage section, water treatment section, distribution section staff	Hand gloves	Replenishable
8	Water treatment and sewerage section staff	Nasal/gas masks	Replenishable
9	All staff (all staff now involved in field activities)	Gumboots	01 pair each

Our annual budget shall make provisions for these items

4.6.3 MILK

The operator undertakes to provide milk to the following categories of staff who handle chemicals and /or are exposed to fumes

- i. Sewerage section staff
- ii. Water treatment plant staff
- iii. Laboratory staff
- iv. Storekeeper

The operator shall provide five (05) litres of milk per week or the equivalent in cash to each staff in the above category.

4.6.4 Health and Safety

- (a). The operator undertakes to eliminate or control accidents and health hazards and will encourage employees et comply with safety and health standards
- (b). The operator shall provide first aid facilities or equipment as necessary to provide adequate first aid for employees.
- (c). The operator shall install fire fighting equipment at all work places as a precautionary measure in the event of a fire outbreak and shall endeavour to train all staff in fire fighting, health and safety.
- (d). The operator shall undertake annual chec ups/immunization of staff against water borne infections.

4.6.5 *Leave*

i. Annual Leave

All established staff shall earn annual leave of 30days (including week ends and public holidays) The operator shall pay leave transport allowance when due at the rate of 5% of the employees basic annual salary.

ii. NWSC terms and conditions of service

On annual maternity, paternity, compassionate Leave and leave without pay are adopted in their entirety and remain applicable during the Internally Delegated area Management Contract period(Appendix 11)

5.0 THE FINANCIAL MANAGEMENT PLAN

5.1 The Project Fixed Costs (F_C) and Controllable Costs (C_C)

The projected costs are as scheduled in the attached

Table 18 projected costs

National Water & Sewerage Corporation

Mbale Area

SCHEDULE OF QUARTERLY COSTS

1.1.2004 - 31.12.2005

Cost	Past 6 Months	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
Element	AVERAGE	2003/2004	2003/2004	2004/2005	2004/2005	2004/2005	2004/2005	2005/2006	2005/2006
	Ushs' 000	Ushs' 000	Ushs' 000	Ushs' 000	Ushs' 000	Ushs' 000	Ushs' 000	Ushs' 000	Ushs' 000
Total fixed costs	255,113	196,023	194,523	196,023	196,023	194,523	194,523	194,523	194,523
Total controllable	61,225	53,596	53,596	53,596	53,155	53,596	52,167	52,167	52,167
Total costs	316,338	249,619	248,119	249,619	249,178	248,119	246,690	246,690	246,690

5.2 Area's Share of the Operating Margin Surplus

It is agreed that the Area retains 40% of all incremental operating margin while headquarters will receive 60%. This computed in the two attached worksheets.

National Water & Sewerage Corporation

Mbale Area

Schedule Of Incentive Computations

Table 19 Schedule of incentive computations

Element	Past 6 Months	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
	Average	2003/2004	2003/2004	2004/2005	2004/2005	2004/2005	2004/2005	2005/2006	2005/2006
	Ushs' 000	Ushs' 000	Ushs' 000	Ushs' 000	Ushs' 000	Ushs' 000	Ushs' 000	Ushs' 000	Ushs' 000
Billings	443,088	446,238	448,587	450,936	453,285	455,634	457,983	460,332	462,682
Collections	408,003	490,863	493,446	496,027	498,612	501,195	503,778	506,361	508,944
Operating Costs	316,338	264,796	263,296	264,796	264,355	263,296	261,867	261,867	261,867
Om E	91,665	226,067	230,150	231,231	234,257	237,899	241,911	244,494	247,077
Om O		91,665	91,665	91,665	91,665	91,665	91,665	91,665	91,665
(Om E - Om O)		<u>134,402</u>	<u>138,485</u>	<u>139,566</u>	<u>142,592</u>	<u>146,234</u>	<u>150,246</u>	<u>152,829</u>	<u>155,412</u>
Hq Share 60%		80,641	83,091	83,740	85,555	87,740	90,148	91,697	93,247
Area Share 40%		53,761	55,394	55,826	57,037	58,494	60,098	61,132	62,165

APPENDICES

APPENDICES

Income and expenditure projections 2004

Table 20 Income and expenditure projections 2004

Acc. code	Description	Jan 2004 shs'000	Feb 2004 shs'000	Mar 2004 shs'000	Apr 2004 shs'000	May 2004 shs'000	Jun 2004 shs'000	Jul 2004 shs'000	Aug 2004 shs'000	Sep 2004 shs'000	Oct 2004 shs'000	Nov 2004 shs'000	Dec 2004 shs'000
Revenue Ushs													
	Billing	148,485	148,746	149,007	149,268	149,529	149,790	150,051	150,312	150,573	150,834	151,095	151,356
	Arrears	610,895	603,171	595,447	587,723	579,999	572,275	564,551	556,827	549,103	541,379	533,655	525,931
	Collection	163,334	163,621	163,908	164,195	164,482	164,769	165,056	165,343	165,630	165,917	166,204	166,491
Employee related costs													
4101	Basic salary	12,900	12,900	12,900	12,900	12,900	12,900	12,900	12,900	12,900	12,900	12,900	12,900
4103	Work bonus	591	591	591	591	591	591	591	591	591	591	591	591
4105	Shift allowance	409	409	409	409	409	409	409	409	409	409	409	409
4107	Attendance/performance bonus	1,245	1,245	1,245	1,245	1,245	1,245	1,245	1,245	1,245	1,245	1,245	1,245
4108	Car and Cycle allowance	2,980	2,980	2,980	2,980	2,980	2,980	2,980	2,980	2,980	2,980	2,980	2,980
4109	housing allowance - employees	6,450	6,450	6,450	6,450	6,450	6,450	6,450	6,450	6,450	6,450	6,450	6,450
4112	SSF	2,841	2,841	2,841	2,841	2,841	2,841	2,841	2,841	2,841	2,841	2,841	2,841
4113	Health/Medical expenses	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985
4114	Leave transport	726	726	726	726	726	726	726	726	726	726	726	726
4115	Funeral expenses	380	380	380	380	380	380	380	380	380	380	380	380
4117	Hired labour	700	700	700	700	700	700	700	700	700	700	700	700
4119	Lunch and transport allowances	3,080	3,080	3,080	3,080	3,080	3,080	3,080	3,080	3,080	3,080	3,080	3,080
4122	Responsibility allowance	322	322	322	322	322	322	322	322	322	322	322	322
4124	Water allowance	50	50	50	50	50	50	50	50	50	50	50	50
4125	Telephone allowance	120	120	120	120	120	120	120	120	120	120	120	120
4126	Electricity allowance	187	187	187	187	187	187	187	187	187	187	187	187
Premises													
4201	Repair and maintenance - Premises	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
4202	Fixtures and fittings	124	124	124	124	124	124	124	124	124	124	124	124
4203	Water	128	128	128	128	128	128	128	128	128	128	128	128
4204	Electricity	184	184	184	184	184	184	184	184	184	184	184	184
4205	Telephone	600	600	600	600	600	600	600	600	600	600	600	600
4206	Cleaning materials	150	150	150	150	150	150	150	150	150	150	150	150
4207	Property insurance	278	278	278	278	278	278	278	278	278	278	278	278

Acc. code	Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
4208	Ground rent and rates	442	442	442	442	442	442	442	442	442	442	442	442
4209	Office rent												
	Static plant & pipe networks												
4301	Fuel and lubricants-static	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
4302	Media sand	212	212	212	212	212	212	212	212	212	212	212	212
4303	Repairs and maintenance - static plant	3,000	4,500	3,000	3,000	3,000	3,000	4,500	3,000	3,000	3,000	3,000	4,500
4304	Electricity	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
4305	Insurance	996	996	996	996	996	996	996	996	996	996	996	996
	transport and Mobile plant												
4401	Fuel and lubricants - mobile	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
4402	Motor vehicle insurance	108	108	108	108	108	108	108	108	108	108	108	108
4403	repairs and maintenance - Mobile	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
4405	Licence, road toll and taxes	42	42	42	42	42	42	42	42	42	42	42	42
	Supplies and services												
4501	Chemicals	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
4502	Tools and light plant	315	315	315	315	315	315	315	315	315	315	315	315
4503	repairs to equipment	441	441	1,870	441	441	1,870	441	441	1,870		441	1,870
4504	Uniforms and protective clothing	573	573	573	573	573	573	573	573	573	573	573	573
4506	Printing, stationery and publications	700	700	700	700	700	700	700	700	700	700	700	700
4507	Fax abd courier services	82	82	82	82	82	82	82	82	82	82	82	82
4508	Office supplies	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
	Administrative expenses												
4602	Meeting expenses	316	316	316	316	316	316	316	316	316	316	316	316
4603	Travelling expenses	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215
4605	publicity	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
4615	Subsistence - lunch/transport	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
4618	security guard expenses	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658
	Financing charges												
4714	Bank charges	300	300	300	300	300	300	300	300	300	300	300	300
	Total controllable costs	17,389	17,389	18,818	17,389	17,389	18,818	17,389	17,389	18,818	16,948	17,389	18,818
	Total Uncontrollable costs	64,841	66,341	64,841	64,841	64,841	64,841	66,341	64,841	64,841	64,841	64,841	66,341
	Total operating expenses	82,230	83,730	83,659	82,230	82,230	83,659	83,730	82,230	83,659	81,789	82,230	85,159
	Operating Margin	(81,104)	(79,891)	(80,249)	(81,965)	(82,252)	(81,110)	(81,326)	(83,113)	(81,971)	(84,128)	(83,974)	(81,332)

Income and expenditure projections 2005

Table 21 Income and expenditure projections 2005

Acc. code	Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
		2005 shs'000	2005 shs'000	2005 shs'000	2005 shs'000	2005 shs'000	2005 shs'000	2005 shs'000	2005 shs'000	2005 shs'000	2005 shs'000	2005 shs'000	2005 shs'000
Revenue Ushs													
	Billing	151,617	151,878	152,139	152,400	152,661	152,922	153,183	153,444	153,705	153,966	154,227	154,489
	Arrears	518,207	510,483	502,759	495,035	487,311	479,587	471,863	464,139	456,415	448,691	440,967	433,243
	Collection	166,778	167,065	167,352	167,639	167,926	168,213	168,500	168,787	169,074	169,361	169,648	169,935
Employee related costs													
4101	Basic salary	12,900	12,900	12,900	12,900	12,900	12,900	12,900	12,900	12,900	12,900	12,900	12,900
4103	Work bonus	591	591	591	591	591	591	591	591	591	591	591	591
4105	Shift allowance	409	409	409	409	409	409	409	409	409	409	409	409
4107	Attendance/performance bonus	1,245	1,245	1,245	1,245	1,245	1,245	1,245	1,245	1,245	1,245	1,245	1,245
4108	Car and Cycle allowance	2,980	2,980	2,980	2,980	2,980	2,980	2,980	2,980	2,980	2,980	2,980	2,980
4109	housing allowance - employees	6,450	6,450	6,450	6,450	6,450	6,450	6,450	6,450	6,450	6,450	6,450	6,450
4112	SSF	2,841	2,841	2,841	2,841	2,841	2,841	2,841	2,841	2,841	2,841	2,841	2,841
4113	Health/Medical expenses	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985
4114	Leave transport	726	726	726	726	726	726	726	726	726	726	726	726
4115	Funeral expenses	380	380	380	380	380	380	380	380	380	380	380	380
4117	Hired labour	700	700	700	700	700	700	700	700	700	700	700	700
4119	Lunch and transport allowances	3,080	3,080	3,080	3,080	3,080	3,080	3,080	3,080	3,080	3,080	3,080	3,080
4122	Responsibility allowance	322	322	322	322	322	322	322	322	322	322	322	322
4124	Water allowance	50	50	50	50	50	50	50	50	50	50	50	50
4125	Telephone allowance	120	120	120	120	120	120	120	120	120	120	120	120
4126	Electricity allowance	187	187	187	187	187	187	187	187	187	187	187	187
Premises													

Acc. code	Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
4201	Repair and maintenance - Premises	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
4202	Fixtures and fittings	124	124	124	124	124	124	124	124	124	124	124	124
4203	Water	128	128	128	128	128	128	128	128	128	128	128	128
4204	Electricity	184	184	184	184	184	184	184	184	184	184	184	184
4205	Telephone	600	600	600	600	600	600	600	600	600	600	600	600
4206	Cleaning materials	150	150	150	150	150	150	150	150	150	150	150	150
4207	Property insurance	278	278	278	278	278	278	278	278	278	278	278	278
4208	Ground rent and rates	442	442	442	442	442	442	442	442	442	442	442	442
4209	Office rent												
	Static plant & pipe networks												
4301	Fuel and lubricants-static	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
4302	Media sand	212	212	212	212	212	212	212	212	212	212	212	212
4303	Repairs and maintenance - static plant	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
4304	Electricity	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
4305	Insurance	996	996	996	996	996	996	996	996	996	996	996	996
	transport and Mobile plant												
4401	Fuel and lubricants - mobile	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
4402	Motor vehicle insurance	108	108	108	108	108	108	108	108	108	108	108	108
4403	repairs and maintenance - Mobile	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
4405	Licence, road toll and taxes	42	42	42	42	42	42	42	42	42	42	42	42
	Supplies and services												
4501	Chemicals	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
4502	Tools and light plant	315	315	315	315	315	315	315	315	315	315	315	315
4503	repairs to equipment	1,870	441	441	441	441	441	441	441	441	441	441	441
4504	Uniforms and protective clothing	573	573	573	573	573	573	573	573	573	573	573	573
4506	Printing, stationery and publications	700	700	700	700	700	700	700	700	700	700	700	700

Acc. code	Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
4507	Fax abd courier services	82	82	82	82	82	82	82	82	82	82	82	82
4508	Office supplies	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
	Administrative expenses												
4602	Meeting expenses	316	316	316	316	316	316	316	316	316	316	316	316
4603	Travelling expenses	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215
4605	publicity	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
4615	Subsistence - lunch/transport	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
4618	security guard expenses	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658
	Financing charges												
4714	Bank charges	300	300	300	300	300	300	300	300	300	300	300	300
	Total controllable costs	18,818	17,389	17,389	17,389	17,389	17,389	17,389	17,389	17,389	17,389	17,389	17,389
	Total Uncontrollable costs	64,841	64,841	64,841	64,841	64,841	64,841	64,841	64,841	64,841	64,841	64,841	64,841
	Total operating expenses	83,659	82,230	82,230	82,230	82,230	82,230	82,230	82,230	82,230	82,230	82,230	82,230
	Operating Margin	(83,119)	(84,835)	(85,122)	(85,409)	(85,696)	(85,983)	(86,270)	(86,557)	(86,844)	(87,131)	(87,418)	(87,705)

CAPITAL BUDGET SCHEDULE 2004

CAPITAL BUDGET SCHEDULE

Table 22 Capital Budget Schedule 2004

AREA COMPONENT												
PARTICULARS	Jan 2004 Ushs	Feb 2004 Ushs	Mar 2004 Ushs	Apr 2004 Ushs	May 2004 Ushs	June 2004 Ushs	July 2004 Ushs	Aug 2004 Ushs	Sept 2004 Ushs	Oct 2004 Ushs	Nov 2004 Ushs	Dec 2004 Ushs
Extensions as listed(Water)	1,600,000		4,000,000		5,000,000		1,200,000		1,400,000		1,400,000	
Extensions as listed (Sewers)												
Gabion construction	1,500,000	1,500,000										
Access road tarmacking					5,000,000	5,000,000						
Fridge/Autoclave								50,000,000				
Public standpipes	2,500,000	2,500,000										
Die and stock purchase				2,000,000								
Desludging of two ponds				5,000,000		5,000,000						
Paving of Earthbanks				5,000,000	5,000,000	5,000,000						
Fire extinguishers			2,500,000									
Lawn mowers	1,600,000									1,600,000		
Office furniture	5,000,000											
Office block extension	40,000,000											
Computers (3 No)								2,000,000	2,000,000	2,000,000		
Parallel mains to Nakaloke		16,048,200	16,048,200									
TOTAL AREA COST	52,200,000	20,048,200	22,548,200	12,000,000	15,000,000	15,000,000	1,200,000	52,000,000	3,400,000	3,600,000	1,400,000	-

HEADQUARTER'S COMPONENT												
Extensions as listed(Water)	4,948,800		12,372,000		15,465,000		3,711,600		4,330,200		4,330,200	
Extensions as listed (Sewers)												
Prisons Ejector pumps			30,000,000									
Nakaloke booster pumps		32,000,000										
Parallel mains to Nakaloke		37,445,800	37,445,800									
TOTAL HEADQUARTER'S COST	4,948,800	69,445,800	79,817,800	-	15,465,000	-	3,711,600	-	4,330,200	-	4,330,200	-
OVERALL CAPEX COSTS	57,148,800	89,494,000	102,366,000	12,000,000	30,465,000	15,000,000	4,911,600	52,000,000	7,730,200	3,600,000	5,730,200	-

CAPITAL BUDGET SCHEDULE 2005

Table 23 Capital Budget Schedule

AREA COMPONENT												
Particulars	Jan 2005 USHS	Feb 2005 USHS	Mar 2005 USHS	Apr 2005 USHS	May 2005 USHS	June 2005 USHS	July 2005 USHS	Aug 2005 USHS	Sept 2005 USHS	Oct 2005 USHS	Nov 2005 USHS	Dec 2005 USHS
Extensions as listed(Water)	1,400,000		1,400,000		800,000		1,400,000		1,000,000			
Extensions as listed (Sewers)					2,000,000						3,000,000	
Gabion construction												
Access road tarmacking												
Fridge/Autoclave		500,000										
Public standpipes												
Die and stock purchase												
Desludging of two ponds												
Paving of Earthbanks												
Fire extinguishers												
Lawn mowers												
Office furniture												
Office block extension												
Computers (3 No)												
Parallel mains to Nakaloke												
TOTAL AREA COST	1,400,000	500,000	1,400,000	-	2,800,000	-	1,400,000	-	1,000,000	-	3,000,000	-
<u>HEADQUATERS COMPONENT</u>												
Extensions as listed(Water)	4,330,200		4,330,200		2,474,400		4,330,200		3,093,000			

Extensions as listed (Sewers)					11,080,000						16,620,000	
Prisons Ejector pumps												
Nakaloke booster pumps												
Parallel mains to Nakaloke												
TOTAL HEADQUATER COST	4,330,200	-	4,330,200	-	13,554,400	-	4,330,200	-	3,093,000	-	16,620,000	-
OVERALL CAPEX COSTS	5,730,200	500,000	5,730,200	-	16,354,400	-	5,730,200	-	4,093,000	-	19,620,000	-

Table 24 Schedule of capital expenses

No	Service	Planned Location/Detail	Length (Metre)	Unit Cost (Ushs)	Material	Size mm	Cost (Ushs)	
1	Water	Busamaga Road	800	8,186	HDPE PN 10	63 mm	6,548,800	
2	Water	Musoto Area	2,000	8,186	HDPE PN 10	63 mm	16,372,000	
3	Water	Bubirabi Area	2,500	8,186	HDPE PN 10	63 mm	20,465,000	
4	Water	Bufumbo Link	600	8,186	HDPE PN 10	63 mm	4,911,600	
5	Water	Sironko Road	700	8,186	HDPE PN 10	63 mm	5,730,200	
6	Water	Bujoloto Road	700	8,186	HDPE PN 10	63 mm	5,730,200	
7	Water	Kolonyi Close	700	8,186	HDPE PN 10	63 mm	5,730,200	
8	Water	Kasanja Village	700	8,186	HDPE PN 10	63 mm	5,730,200	
9	Water	Busiu Trading Centre	400	8,186	HDPE PN 10	63 mm	3,274,400	
10	Water	Wakiro Road, Maluku	700	8,186	HDPE PN 10	63 mm	5,730,200	
11	Water	Afya Road	500	8,186	HDPE PN 10	63 mm	4,093,000	
12	Sewerage	Namatata Area	600	32,700	PVC	200 mm	19,620,000	
13	Sewerage	Nkoma Area	400	32,700	PVC	200 mm	13,080,000	
14	Water	Construction Of Stone Gabions - Manafwa Waterworks						3,000,000
15	Water	Tarmacking Of Access Road - Bunkoko Waterworks						10,000,000
16	Laboratory	Fridge And Autoclave For Area Laboratory					5,500,000	
17	Distribution	Construction Of Ten Public Standpipes					5,000,000	
18	Distribution	Stock And Dies Purchase					2,000,000	
19	Sewerage	Desludging Of Two Sewage Ponds					10,000,000	
20	Sewerage	Paving Of Earthbanks - Namatata Sewage Ponds					15,000,000	
21	Sewerage	Procurement Of Two Sets Of Rodding Sticks					2,000,000	
22	Administration	Procurement Of Ten Fire Extinguishers					2,500,000	
23	Administration	Procurement Of Two Lawn Mowers					1,600,000	
24	Administration	Procurement Of Office Furniture For New Block					5,000,000	
25	Administration	Completion Of New Office Block					40,000,000	
26	Administration	Procurement Of Three Computers					6,000,000	
27	Parallel Pumping	Mains To Nakaloke						
	Water	Nakaloke Road	2,000	8,186	HDPE PN 10	63 mm	16,372,000	
	Water	Nakaloke Road	4,000	12,279	HDPE PN 10	93 mm	49,116,000	
	Water	Nakaloke Road	2,500	15,000	uPVC	123 mm	37,500,000	
	Water	Nakaloke Road	200	20,000	uPVC	183 mm	4,000,000	
							331,603,800	

FIRST SCHEDULE

AREA OF AUTHORITY

Map and description of the area for which the Corporation is responsible

SECOND SCHEDULE

ASSETS HANDED OVER

THIRD SCHEDULE – MBALE AREA

PERFORMANCE STANDARDS

CATEGORY A: WATER BALANCE INDICATORS

No.	Indicator	Unit	Minimum Monthly Performance	Average Monthly Target (Year 1)	Average Monthly Target (Year 2)
1	Water sold	m ³	108,240		

CATEGORY C: OPERATIONAL INDICATORS

No.	Indicator	Unit	Minimum Monthly Performance	Average Monthly Target (Year 1)	Average Monthly Target (Year 2)
2	UFW	%	17.0	14.5	12.0
3	Percentage of meters read	%	100		
4	Percentage of reported Pipe leaks/bursts repaired	%	100		
5	Average response time to leaks/bursts	hrs	4		
6	Response time to sewage blockages and/or overflows	%	3		

CATEGORY D: LEVELS OF SERVICE INDICATORS

No.	Indicator	Unit	Minimum Monthly Performance	Average Monthly Target (Year 1)	Average Monthly Target (Year 2)
7	New connections	Nr	47		
8	Active water connections ** Baseline – 3,350	Nr	3,968	4,569	5,156
9	Inactive Water Connections ** Baseline - 245	Nr	187	166	159
10	New Sewer Connections	Nr	2		
11	Active Sewer Connections ** Baseline – 1,233	Nr	1,257		
12	Percentage of customer complaints responded to or resolved	%	100		
13	Average response time to complaints of technical nature	hrs	<12		
14	Average response time to complaints of commercial nature	hrs	<12		

15	Percentage of samples passing bacteriological water quality tests	%	100		
16	Percentage of samples passing physico-chemical water quality tests	%	100		

CATEGORY E: FINANCIAL INDICATORS

No.	Indicator	Unit	Minimum Monthly Performance	Average Monthly Target (Year 1)	Average Monthly Target (Year 2)
17	Billing - Total	Ushs '000	140,000	148,370	154,571
18	Collections - Total	Ushs '000	140,000	163,207	170,028
19	Cash Operating margin*	Ushs '000	57,770	80,977	87,798
20	Arrears – Total ** Baseline – 796,488	Ushs '000	796,488	618,44	432,959

*** Cash Operating Margin – is shall be defined as :**

Revenue receipts – Operating expenses

Where, for this purpose;

Revenue receipts shall be inclusive of VAT, and

Operating expenses shall exclude re-sanding and de-sludging costs as well as medical expenses of special nature chargeable to the Area but paid by Head Office.

**** Indicators with this sign are cumulative.** The figures shown are those to be achieved at the end of year. The monthly targets will be taken as the linear interpolation between the baseline and the end of year targets.

FOURTH SCHEDULE

PPM PROGRAMME AND GUIDELINES FOR CORRECTIVE MAINTENANCE

Planned Preventive and Corrective Maintenance Guidelines

Background

The Head Office Static Plant Maintenance Unit's mandate under the Delegated Area Management Contract as a maintenance support service provider to all NWSC service Areas shall entail Planned Preventive Maintenance, Corrective Maintenance and replacement of Electromechanical Plant. This guideline defines the scope of the PPM and Corrective Maintenance role, which the Static Plant unit will undertake.

Planned Preventive Maintenance –PPM and Planned Corrective Maintenance

- ? Static Plant Unit shall prepare and implement Annual Planned Preventive Maintenance Programmes in consultation with the Operator. The Unit may amend in consultation with the Operator the above maintenance programme as deemed fit.
- ? In order to ensure that the Corporation's Assets are in sound condition at all times, the Static Plant Unit shall undertake all Planned Preventive Maintenance activities classified as *Service B, C & D* as the case may be. This will be implemented in accordance with the Annual Maintenance Plan given in this Schedule.
- ? The Operator shall undertake all Planned Preventive Maintenance activities classified as Service A.
- ? Depending on local capacities and availability of skills within Operator's Team, the Operator may undertake part of PPM Service "B" and other minor repairs such as:
 - ✍ Tightening of loosened bolts of both motors, pumps and any other associated coupled load.
 - ✍ Replacement of blown fuses and pin type relays after verification (if due to power surge or age)
 - ✍ Adjustment of gland packing on pumps
 - ✍ Identification , repair and replacement of faulty valves within the pumps
 - ✍ Plumbing tasks e.g. fitting of Air Release Valve.
 - ✍ Identification and flushing of clogged chemical dosing lines
 - ✍ Cleaning of foot valves
 - ✍ Any other faults that may be identified by the Operator
- ? In pursuant of the above provision, the Operator shall discuss and agree with Principal Engineer Static Plant on the scope, nature and methodology of work.
- ? It is therefore in the interest of Operator that the PPM programme is fully adhered to. In this respect the Operator undertakes to notify and update the Static Plant Unit on any other faults that the Operator has identified that require to be addressed during the upcoming PPM programme.

- ? The Operator shall be responsible for payment of allowances to Headquarters Staff listed to undertake the PPM activity, minor maintenance costs¹ and fuel costs where applicable. It is therefore the duty of the Operator to ensure effective supervision of the maintenance team to promote cost efficiency.
- ? Headquarters shall fully finance all major planned corrective activities such as overhauling of Electromechanical equipment, replacement of parts, rewinding of flashed motors etc, whether out sourced or repaired by the Static Plant Maintenance Unit. Such costs shall not be included in the computation of the Operator's incentives
- ? In pursuant of the above provision, the Static Plant Unit shall inform the Operator two weeks in advance on the scope of works to be undertaken and list of staff that are to carry out the maintenance works indicating clearly the amounts to be paid. In addition to this, the maintenance Unit shall report to the operator to brief him on updated scope of works to be undertaken.
- ? The Operator has no right to divert funds allocated for Planned Preventive Maintenance work to finance other activities. In this regards the Operator shall not defer the PPM programme for reason of having no resources to finance the programme.
- ? The Static Plant Unit shall on commissioning or completion of maintenance works discuss with the Operator details of works carried out. The Operator shall endorse a copy of the maintenance report as a sign of acceptance of works carried out.

Emergency Corrective Maintenance (CM)

- ? The Operator shall log all emergencies and immediately communicate to Static Plant by telephone, fax, email and/or writing the details of emergency works to be undertaken. Where faults are reported by telephone communication, the Operator shall send a written communication/defect sheet to the Static Plant unit.
- ? On receipt of the defect report, Static Plant Unit shall assess the nature of fault and establish whether the remedial tasks can be handled by the Operator or the works have to be undertaken by Static Plant. Unit.
- ? In the event that the Operator can not handle the remedial tasks, Static Plant Unit shall immediately dispatch a team to handle the repairs.
- ? The Operator in consultation with the Static Plant Unit may carry out the agreed remedial service depending on the Operator's capacity and advise the Static Plant Unit accordingly.
- ? Static Plant Unit shall ensure expeditious handling of all emergency repairs and in case works can not be completed within the stipulated period, the Operator shall co-operate with the maintenance team to enable them complete works. The Operator undertakes to carry out close supervision of such works to ensure cost efficiency.
- ? The Operator shall be responsible for payment of allowances to Headquarters Staff listed to undertake the emergency and facilitate the team with minor maintenance costs, manpower, fuel costs/transport, and communication facilities where applicable.
- ? The Static Plant Unit team shall on completion of emergency works discuss with the Operator details of works carried out. The Operator shall endorse a copy of the maintenance report as a sign of acceptance of works carried out.

¹ All costs referred to as minor costs, of any nature shall not exceed Ushs 70,000/= per visit, otherwise such costs shall be paid on reimbursable basis from Head Office

Asset Replacement/Installation of New Assets

- ? In order to ensure that the Corporation assets are in sound condition at all times, the Static Plant Unit shall update the inventory of the Electro-Mechanical assets, review the operational status and efficiency.
- ? Static Plant Unit shall prepare, implement and /or amend in consultation with the Operator an Annual Plan for asset replacement and installation of new electromechanical plant.
- ? The Static Plant Unit shall provide technical specifications for electro-mechanical assets in liaison with the Operator and hence initiate procurement process.
- ? The Static Plant Unit shall participate in the tender documentation for a replacement and installation of new assets, carry out technical evaluation of bids, inspect goods and supervise installation and commissioning of the assets.
- ? Major asset Replacement costs shall be fully financed by the Head office and hence the Operators incentives shall not be affected.
- ? The Operator shall be responsible for payment of allowances to Head office Staff listed to undertake the replacement of asset/installation of new assets, finance minor modifications, if any, and effectively supervise the installation and commissioning process to ensure value for money.
- ? The Static Plant unit team shall on commissioning or completion of works prepare a report for discussion with the Operator. The Operator shall endorse a copy of the report as a sign of acceptance of works carried out.
- ? The Operator shall maintain records of key performance indicators on all Static Plants The following will constitute the key performance indicators
 - o Average flow rate per pump
 - o Nominal current flow of the pumps and blowers
 - o KVA maximum demand per month
 - o Hours run per pump per month
 - o Down time of faulty assets
 - o Generator oil top ups and hour runs per month
 - o Generator fuel consumption (*fuel used per hour*) per month
 - o Monthly - Average engine operating oil pressure and temperature
 - o Generator frequency
 - o Maintenance unit rating in the Area (response to calls, quality of service delivery e.t.c.)

PLANNED PREVENTIVE MAINTENANCE
CHECKS ON MECHANICAL PLANT (Pump, Motor Blower, Compressor, Generator e.t.c.)

SERVICE “A”

1	M	Check for - abnormal vibrations or excessive noise
2	M	Check for - visual mechanical damage
3	M	Check for - any missing or loose nuts, bolts studs or rivets
4	M	Check for - machine or bearing over temperature
5	M	Check for - bearing noise level
6	M	Check for – water, oil, grease and air leakage
7	M	Check for – gland over temperature
8	M	Check for - visual display failure on gauges - pressure, flow recorders e.t.c.
9	M	Check for – valve failure/leaks
10	M	Check for – chemical levels, concentrations and dosage
11	M	Check and clean – gland well water drainage
12	M	Check and ensure – protective guards (coupling and other machines) are secured in place
13	M	Check and ensure – water, fuel, oil sump levels correct before start
14	M	Check and ensure – battery terminals and acid water levels are normal
15	M	Check and ensure – all plant operational safety procedures are followed before and after starting the machine
16	M	Check and ensure – chemical levels, concentrations and dosage are right
17	M	Check and Ensure – machine running belts are properly tensioned

CHECKS ON ELECTRICAL PLANT (Pump, Motor, Blower, Compressor, Generator e.t.c.)

SERVICE “A”

1	E	Check and Ensure – motor and panel cleanliness
2	E	Check and Ensure – motor foundation bolts are secure
3	E	Check and Ensure – panel instruments/meters are functioning normally
4	E	Check and Ensure – power voltage is within the normal range.
5	E	Check for – any sign of physical damage on motor or panel parts
6	E	Check – power frequency is 50Hz.
7	E	Check and Ensure – necessary selector switches are set in right positions
8	E	Check and Ensure – electrical control systems are functioning properly
9	E	Check and Ensure – control indicator lamps are working & reset if tripped
10	E	Check and Ensure – emergency switch is in open position for running
11	E	Check and Ensure – motor starter operations are functioning properly
12	E	Check and record – motor 3 phase - voltage, current and freq (start/run).
13	E	Check and record – start/stopping time and machine hour run
14	E	Ensure – Starting and Stopping procedures are followed/displayed
15	E	Record – any machine defect noted and the exact time it occurred
16	E	Note and Ensure – power voltage is recorded (Time it occurred)

MECHANICAL PLANTS (Pump, Motor Blower, Compressor, Generator e.t.c.)

SERVICE “B”

		<i>While pump is in operation, carry out the following</i>
1	M	Check machine or bearing over temperature
2	M	Check for - water, oil, grease and air leakage
3	M	Check delivery gauge reading if indicating the right pressure
4	M	Check for – coupling buffers/bushes
5	M	Check for - bearing noise level
6	M	Check for – pump for visual mechanical damage
7	M	Stop the pump and carry out the following:-
8	M	Check pump/motor alignment

9	M	Open both end bearing covers, check, clean and grease the bearings
10	M	Check for – coupling buffers/bushes
11	M	Check pump gland for any leakages and add more rolls of gland packing or adjust the gland
12	M	Check and ensure – protective guards (coupling and other machines) are secured in place
13	M	Check and Ensure – machine running belts are properly tensioned
14	M	Clean the pump, carry out test and handover to Operator
15	M	Clean the pump; carry out test and handover to Operator after rectifying any defects identified above.

ELECTRICAL PLANT S (Pump, Motor, Blower, Compressor, Generator e.t.c.)

SERVICE “B”

1	E	Check tightness of bolts, fans, guards and terminal blocks
2	E	Visual inspection on motor, conduits brush gears holders, cables
3	E	Test insulation resistance of the motor and supply cable
4	E	Check panel heater, transformer, arc shields clean dirt cracks
5	E	Check bearing condition, temperature and noise
6	E	Test motor for vibration, overheating and noise
7	E	Check overload setting, fuse rating and all terminations for tightness
8	E	Check the operation of relays, interlocks and timers
9	E	Monitor operation of controls/switches, starting system
10	E	Check oil leaks, conditions, repair leakages and top up
11	E	Test and hand over to operator
12	E	Check operation of start/stop buttons
13	E	Check panel door hinges lubricate if necessary
14	E	Inspect pole pieces and shading rings
15	E	Blow, suck, clean dust from all airways and panel
16	E	Test and hand over to Operator after rectifying any defects identified above

MECHANICAL PLANTS (Pump, Motor Blower, Compressor, Generator e.t.c.)

SERVICE “C”

		While pump is in operation, carry out the following
1	M	Check bearing over temperature
2	M	Check for - abnormal vibrations or excessive noise
3	M	Check for - visual mechanical damage
4	M	Check for - any missing or loose nuts, bolts studs or rivets
5	M	Stop the pump and carry out the following:
6	M	Check the coupling buffers/bushes
7	M	Check pump/motor alignment
8	M	Check pump gland for any leakages and add more rolls of gland packing or adjust the gland
9	M	Check for - visual mechanical damage
10	M	Check for – valve failure/leaks and add gaskets
11	M	Open both end bearing covers, check, clean and grease the bearings
12	M	Check and ensure – protective guards (coupling and other machines) are secured in place
13	M	Check and ensure – battery terminals and acid water levels are normal
14	M	Check and ensure – all plant operational safety procedures are followed before and after starting the machine
15	M	Check and ensure – chemical levels, concentrations and dosage are right
16	M	Check and Ensure – Machine running belts are properly tensioned
17	M	Carry out test and hand over the pump to the Operator after rectifying any defects identified above

ELECTRICAL PLANTS (Pump, Motor, Blower, Compressor, Generator e.t.c.)

SERVICE “C”

1	E	Check tightness of bolts, fans, guards and terminal blocks
2	E	Visual inspection on motor, conduits brush gears holders, cables
3	E	Test insulation resistance of the motor and supply cable
4	E	Check panel heater, transformer, arc shields clean dirt cracks
5	E	Check bearing condition, temperature and noise
6	E	Test motor for vibration, overheating and noise
7	E	Check overload setting, fuse rating and all terminations for tightness
8	E	Check the operation of relays, interlocks and timers
9	E	Monitor operation of controls/switches, starting system
10	E	Check oil leaks, conditions, repair leakages and top up
11	E	Test and hand over to operator
12	E	Check operation of start/stop buttons
13	E	Check panel door hinges lubricate if necessary
14	E	Check auxiliary circuit operation
15	E	Inspect pole pieces and shading rings
16	E	Blow, suck, clean dust from all airways and panel
17	E	Test starter panel and run plant for at least one hour
18	E	Hand over tested plant to the operator after rectifying any defects identified above

MECHANICAL PLANTS (Pump, Motor Blower, Compressor, Generator e.t.c.)

SERVICE “D”

1	M	Isolate the pump by closing delivery and suction valves tightly
2	M	Disconnect the priming line and suction pipe from the pump
3	M	Pull out bearing housing + bearing of non drive end side
4	M	Extract gland packing
5	M	Untie the pump tie bolts and foundation bolts
6	M	Strip down the stages one after the other, while marking them
7	M	Disconnect motor from the pump, pull out coupling of pump, pull out bearing + housing of drive end, and withdraw shaft from housing
8	M	Cleaning of the pump casings
9	M	Cut gasket from manila paper
10	M	Re- assemble pump with new parts as required
11	M	Cut new packing and gland pack the pump, fit back bearing housing and new bearings and grease them
12	M	Connect back suction pipe and priming line
13	M	Fit pump coupling and re-align pump and motor
14	M	Clean the pump, open valves and prime pump
15	M	Carry out test on pump and hand over to operator after rectifying any defects identified above

ELECTRICAL PLANTS (Pump, Motor, Blower, Compressor, Generator e.t.c.)

SERVICE “D”

1	E	Check tightness of bolts, fans, guards and terminal blocks
2	E	Visual inspection on motor, conduits brush gears holders, cables
3	E	Test insulation resistance of the motor and supply cable
4	E	Check panel heater, transformer, arc shields clean dirt cracks
5	E	Check bearing condition, temperature and noise
6	E	Test motor for vibration, overheating and noise
7	E	Check overload setting, fuse rating and all terminations for tightness

8	E	Check the operation of relays, interlocks and timers
9	E	Monitor operation of controls/switches, starting system
10	E	Check oil leaks, repair leakages
11	E	Check oil levels top up or change if necessary
12	E	Check for condition and leakages in capacitor and repair or replace
13	E	Test and hand over to operator
14	E	Check operation of start/stop buttons
15	E	Check panel door hinges lubricate if necessary
16	E	Check auxiliary circuit operation
17	E	Inspect pole pieces and shading rings
18	E	Clean/replace contacts and arc shields
19	E	Blow, suck, clean dust from all airways and panel
20	E	Varnish motor windings and allow to dry for at least 48 hours if necessary
21	E	Test run starter panel and run plant for at least one hour
22	E	<i>Hand over tested plant to the operator after rectifying any defects identified above</i>

FIFTH SCHEDULE

GOVERNMENT MOU ON PAYMENT OF GoU BILLS

SIXTH SCHEDULE - MBALE AREA

COMPUTATION OF THE MANAGEMENT FEE AND INVOICE FORMAT

The monthly Management Fee payable to the Operator shall be the sum of the Base Fee, the Performance Fee and Incentive Fee due for a given month; and will be computed on the following basis:

Sno	Component	Computation Formula	Remarks
1	Base Fee ¹	$F_C + 0.75(C_C)$	Where: F_C = Non-controllable (fixed) costs C_C = Controllable costs
2	Performance Fee ²	$0.25(C_C) * [P/N]$	Where: P = The weighted number of service standards that have been achieved for the given month $N = 100$ = The total weighted number of service standards to be achieved
3	Incentive Fee ³	$X\% * [K + (OM_E - OM_O)] *$ $[0.3WR_{pa} + 0.3UFW_{pa} + 0.2CE_{pa} + 0.2CP_{pa}]$ The formula is applicable only if: $OM_E > OM_O$	Where: K = A constant representing the level of incentive equity/subsidy extended to non-break even and/or "small" Areas OM_O = Minimum cash operating margin based on the agreed OPEX (Base Fee + Performance Fee) and the set Minimum Standard for collections. OM_E = The achieved cash operating margin during the month being evaluated $X\%$ = The agreed %age of the improvement in OM to be retained by the Operator as bonus. WR_{pa} = Percentage incremental achievement in the improvement of the Working Ratio UFW_{pa} = Percentage incremental achievement in the reduction of Unaccounted for water CE_{pa} = Percentage incremental achievement in the increase in Connection Efficiency CP_{pa} = Percentage incremental achievement in the reduction in the Collection Period

Notes:

1. Base Fee

- a) The Operator shall be paid a constant monthly base fee.
- b) The base fee shall be based on the operating expenses agreed upon between the Head Office and the Operator and detailed in the Business Plan of the Operator.
- c) The base fee shall cover 100% of the non-controllable (fixed) component and 75% of the controllable component of the monthly operating expenses and details of the costs related to items under each component are laid out in the Business Plan.
- d) The uncontrollable (fixed) and controllable costs in the Business Plan shall be classified as in the Table below:

Expenditure Account Classification for Delegated Area Management Contracts

Account No.	Account Description	Classification
Employee Related Costs*		
4101	Basic Salary	Uncontrollable Cost
4103	Work Bonus	Uncontrollable Cost
4105	Shift Allowance	Uncontrollable Cost
4107	Attendance/Performance Bonus	Uncontrollable Cost
4108	Car & Cycle Allowance	Uncontrollable Cost
4109	Housing Allowance-Employees	Uncontrollable Cost
4112	SSF	Uncontrollable Cost
4113	Health/Medical Expenses	Uncontrollable Cost
4114	Leave Transport	Uncontrollable Cost
4115	Funeral Expenses	Uncontrollable Cost
4117	Gratuities	Uncontrollable Cost
4119	Lunch & Transport Allowance	Uncontrollable Cost
4122	Responsibility Allowance	Uncontrollable Cost
4124	Water Allowance	Uncontrollable Cost
4125	Telephone Allowance	Uncontrollable Cost
4126	Electricity Allowance	Uncontrollable Cost
Premises		
4201	Repair and Maintenance (premises)	Uncontrollable Cost
4202	Fixtures & Fittings	Uncontrollable Cost
4203	Water	Controllable Cost
4204	Electricity	Controllable Cost
4205	Telephone	Controllable Cost
4206	Cleaning Materials	Controllable Cost
4207	Property Insurance	Uncontrollable Cost
4208	Ground Rent & Rates	Uncontrollable Cost
4209	Office Rent	Uncontrollable Cost
Static Plant & Pipe Networks		
4301	Fuel & Lubricants (static)	Uncontrollable Cost
4302	Media (sand)	Uncontrollable Cost
4303	Repairs & Maintenance (static)	Uncontrollable Cost
4304	Electricity	Uncontrollable Cost
4305	Insurance	Uncontrollable Cost
Transport & Mobile Plant		
4401	Fuel & Lubricants (mobile)	Controllable Cost
4402	Motor Vehicle Insurance	Uncontrollable Cost
4403	Repairs & Maintenance (mobile)	Uncontrollable Cost
4405	Licences, Road Toll & Taxes	Uncontrollable Cost
Supplies & Services		
4501	Chemicals	Uncontrollable Cost
4502	Tools & Light Plant	Controllable Cost
4503	Repairs to Equipment	Controllable Cost

Account No.	Account Description	Classification
4504	Uniforms & Protective Clothing	Uncontrollable Cost
4506	Printing, Stationery & Publications	Controllable Cost
4507	Fax & Courier Services	Controllable Cost
4508	Office Supplies	Controllable Cost
Administrative Expenses		
4602	Meeting expenses	Controllable Cost
4603	Traveling expenses (local)	Controllable Cost
4604	Entertainment	Controllable Cost
4605	Publicity	Controllable Cost
4615	Subsistence –Lunch/Transport	Controllable Cost
4618	Security Guard Expenses	Controllable Cost
Financing Costs		
4714	Bank charges	Uncontrollable Cost

* Employee related costs for key staff of the Operator (Partners) – *take home packages* - will be taken as controllable costs and these shall be clearly spelt out by the Operator in the business plan or at any time from commencement of the Contract as may be required by the Head Office.

2. Performance Fee

- e) The performance fee shall be computed as the product of 25% of the controllable component of monthly base operating expenses; as described in d) above; and the weighted fraction of the achieved minimum performance standards.
- f) The notion of the performance fee is that the Operator's key staff should be able to earn at least their full salary once the minimum performance standards are achieved 100%.
- g) The minimum performance standards shall be those set by the Head Office and detailed in the Third Schedule.
- h) The minimum performance standards shall be based on the 20 indicators outlined in the tables below. The tables also include the weighting factors. The sum of the weights is equal to 100. Note that: the number of indicators shown in the tables below only form part of the whole range of indicators to be reported on by the Operator.

CATEGORY A: WATER BALANCE INDICATORS

No.	Indicator	Unit	Frequency of Measurement	Minimum Standard	Weight Factor
1	Water sold	m ³	Monthly	108,240	5

CATEGORY C: OPERATIONAL INDICATORS

No.	Indicator	Unit	Frequency of Measurement	Minimum Standard	Weight Factor
2	UFW	%	Monthly or quarterly	17.0	10
3	Percentage of meters read	%	Monthly	100	2
4	Percentage of reported Pipe leaks/bursts repaired	%	monthly	100	2
5	Average response time to leaks/bursts	hrs	monthly	4	2
6	Response time to sewage blockages and/or overflows	%	monthly	3	2

CATEGORY D: LEVELS OF SERVICE INDICATORS

No.	Indicator	Unit	Frequency of Measurement	Minimum Standard	Weight Factor
7	New connections	Nr	Monthly	47	4
8	Active water connections	Nr	Monthly	3,968	8
9	Inactive Water Connections	Nr	Monthly	187	5
10	New Sewer Connections	Nr	Monthly	2	3
11	Active Sewer Connections	Nr	Monthly	1,257	3
12	Percentage of customer complaints responded to or resolved	%	monthly	100	5
13	Average response time to complaints of technical nature	hrs	Monthly	<12	2
14	Average response time to complaints of commercial nature	hrs	Monthly	<12	2
15	Percentage of samples passing bacteriological water quality tests	%	monthly	100	5
16	Percentage of samples passing physico-chemical water quality tests	%		100	4

CATEGORY E: FINANCIAL INDICATORS

No.	Indicator	Unit	Frequency of Measurement	Minimum Standard	Weight Factor
17	Billing	Ushs	Monthly	140,000	10
18	Total Collections	Ushs	Monthly	140,000	9
19	Cash Operating margin	Ushs	Monthly	57,770	12
20	Total Arrears ** (refer to Third Schedule)	Ushs	Monthly	796,488	5

3. Incentive Fee

- i) The Incentive Fee (IF) shall be paid to the Operator on a prorated and weighted basis once the Operator exceeds the minimum performance standards (MPS) for the parent indicators.
- j) The IF computation shall be prorated between the MPS and the desired target Performance Standards for parent indicators at the end of the Contract duration or the end of the respective months as the case may be.
- k) The improvements in a parent indicator that will contribute to the IF are capped and will be limited to the achievement of the desired target performance standard. If the improves performance beyond the desired target performance standards, that improvement beyond the desired performance standard, except for the cash Operating margin, will not contribute to the IF. .
- l) The desired target Performance Standards set by the Head Office and agreed upon with the Operator are presented in the Third Schedule.
- m) The IF is capped. The IF to be earned shall not exceed UGX 25.0 million/=.

- n) The IF shall be based on only five parent performance targets/indicators and these include:
 (i) the working ratio (WR), (ii) the UFW, (iii) the Connection Efficiency (CE), (iv) the Collection Period (CP) and (v) Cash Operating margin (OM).
- o) The maximum IF payable for a given month shall be X% of the difference between Minimum Operating Margin and the achieved Operating Margin provided that the Operator shall have achieved 100% of the other four parent desired target performance standards.
- p) The computation of the IF is based on the sum of the weighted percentage incremental achievement of the parent targets.

$$IF = X\% * [K + (OM_E - OM_O)] * [0.3WR_{pa} + 0.3UFW_{pa} + 0.2CE_{pa} + 0.2CP_{pa}]$$

Where:

X% = 40%

K = Zero

OM_O = UGX 57,770,000/=

OM_E = The achieved cash operating margin at the month end during the contract

WR_{pa} = Percentage incremental achievement in the reduction of the **Working Ratio**

UFW_{pa} = Percentage incremental achievement in the reduction of **Unaccounted for water**

CE_{pa} = Percentage incremental achievement in the increase in **Connection Efficiency**

CP_{pa} = Percentage incremental achievement in the reduction in the **Collection Period**

- q) The percentage incremental achievement (PIA) shall be computed as follows:

$$PIA = [(Ia - Im)/(It - Im)] * 100$$

Where:

Im = the minimum performance standard for a given indicator

It = the desired target performance standard for a given indicator for the month or quarter in question

Ia = the actual achieved performance level for a given indicator for the month in question.

- r) Operating Margin shall be defined as :

Revenue receipts – Operating expenses

Where, for this purpose;

Revenue receipts shall be inclusive of VAT, and

Operating expenses shall exclude re-sanding and de-sludging costs as well as medical expenses of special nature chargeable to the Area but paid by Head Office.

SEVENTH SCHEDULE – MBALE AREA

DEED OF PARTNERSHIP OF THE OPERATOR

THIS PARTNERSHIP AGREEMENT is made and entered into this 1st Day of January 2004, by and between the following, who shall be referred to in this Agreement as “Partners”:

Name: David Charles Opoka	Title: Area Manager
Name: Connie Nagimesi	Title: Accounts Officer
Name: Eric Nyanga	Title: Water Supply Superintendent
Name: Robert Okema Okello	Title: Commercial Officer
Name: Athanasius Maraka	Title: Senior Personnel Officer
Name: David Ogaram	Title: Laboratory Technician
Name: John Wycliffe Ouma	Title: Union Chairman

WHEREAS ALL partners have decided to carry on business in the name of Elgon **Water Partnership** with effect from 1st January 2004, at NWSC Mbale, Plot 49 Republic Street, Mbale.

NOW IT IS AGREED BY AND BETWEEN THE PARTNERS AS UNDER:-

1. The business of the partnership shall be carried out under the name of **Elgon Water Partnership**.
2. The business of the partnership shall be deemed to have commenced from commencement date of the Internally Delegated Area Management Contract and it shall be continued until the date when the Internally delegated Area Management Contract terminates.
3. The partners have agreed that the business of the partnership shall be solely to provide water supply and sewerage services in Mbale Water Supply Service Area as an Agent of the National Water and Sewerage Corporation – Head Office as provided for under the Internally Delegated Area Management Contract.
4. The principal place of business of the partnership shall be Plot 49 Republic Street, Mbale.
5. The partnership is at will. The partners have formed this partnership by virtue of the designations they individually hold in the National Water and Sewerage Corporation and by virtue of their desire and willingness to improve the performance of NWSC in the provision of water supply and sewerage services in Mbale Area. The partners agree to work jointly in conducting the business of the partnership. The eligible designations for this partnership are: *Area Manager, Accounts Officer, Water Supply Superintendent, Commercial Officer, Senior Personnel Officer, Laboratory Technician and Union Chairman*. A partner will cease to be a member of this partnership upon the partner ceasing to hold one of the designations eligible for this partnership and shall subsequently be subject to the Terms and Conditions of Service of the National Water and Sewerage Corporation.
6. Upon any partner ceasing to be a partner, the partnership shall not be dissolved.
 - a) Where a partner, by virtue of ceasing to hold a designation eligible for this partnership, leaves the partnership, that partner shall be replaced in the partnership by the individual who assumes the vacant eligible designation. The new partner shall have the same rights

and obligations in the partnership as the departing partner had in the partnership and the partnership shall continue in force as if no change of partners had occurred.

- b) In the event that a partner ceases to be a partner in the middle of the month, the earnings due to the departing partner up to the date of departure shall be ascertained and paid to the departing partner or an authorised agent of the partner.
7. The Partner with the Area Manager designation shall be the Accounting Officer (Managing Partner) of this partnership. The Managing Partner shall have authority to bind the Partnership in entering into the Internally Delegated Area Management Contract with National Water and Sewerage Corporation – Head Office and shall represent the Partnership in any matters relating to the Internally Delegated Area Management Contract.
8. The Managing Partner undertakes to work diligently in the best interest of the Partnership and with the confidence of all the other partners in order to achieve the Object of the Delegated Area Management Contract.
9. The earnings of the partnerships shall be distributed in full and shall be shared as follows;
- a) Where the earnings are in respect of a surplus from the Performance Fee under the provisions of the Delegated Area Management Contract, the partners shall share the earnings in the following ratio:-
- | | | |
|------|---|------------|
| i. | Area Manager | 15% |
| ii. | Accounts Officer ... | 14% |
| iii. | Water Supply Superintendent | 14% |
| iv. | Commercial Officer | 14% |
| v. | Senior Personnel Officer | 14% |
| vi. | Laboratory Technician ... | 14% |
| vii. | Union Chairman ... | 14% |
- b) Where the earnings are in respect of the Incentive Fee under the provisions of the Delegated Area Management Contract, the partners shall pay 50% of these earnings to the employees (seconded staff) in a manner laid out in the Partnership's Business Plan submitted under the Internally Delegated Area Management Contract. The remaining 50% of the earning in respect of the Incentive Fee shall be shared by the partners in the following ratio:
- | | | |
|------|---|------------|
| i. | Area Manager | 15% |
| ii. | Accounts Officer ... | 14% |
| iii. | Water Supply Superintendent | 14% |
| iv. | Commercial Officer | 14% |
| v. | Senior Personnel Officer | 14% |
| vi. | Laboratory Technician ... | 14% |
| vii. | Union Chairman ... | 14% |
10. No bank accounts or other accounts shall be opened in the name of the Partnership firm.
11. No partner shall raise any loan on the strength of the credit-worthiness of the Partnership firm except when the same is required for the purposes of the business of the Partnership firm.
12. The partners may by mutual consent appoint any person as employee, agent or sub-agent as may be deemed fit and proper for the purpose of carrying on the business of the partnership.
13. The partners shall in good faith develop the business of the partnership and shall be just and honest in transactions relating to the business of the partnership. Each partner shall at all times give to the other partners just and faithful account of the same without any concealment and shall also upon request furnish to the others full and correct explanations thereof.
14. Liabilities of the partners

- a) Each partner shall be responsible and liable for his personal debts and liabilities which shall be discharged by him personally and he shall keep the other partners and the partnership indemnified to that respect.
- b) Each partner shall indemnify the partnership as well as the other partners for loss caused to it or him as the case may be by his fraud or breach of authority in the conduct of the business of the partnership.

15. During the continuation of the partnership or at any time thereafter, any dispute or difference relating to the partnership or its business which may arise between the partners, and cannot be resolved by the managing partner, shall be referred to the Managing Director of the National Water and Sewerage Corporation for adjudication. A decision of the Managing Director shall be final and binding on the partners.

16. The partners may add, alter, amend provisions of this partnership deed in any manner they mutually agree to provided that the additions, alterations and amendments do neither adversely affect the object of the Internally Delegated Area Management Contract nor unduly negatively affect the terms and conditions service of the employees (seconded staff). Such additions, alterations and amendments shall be recorded in writing and signed and accepted by all the partners in which occurrence they shall be operative as terms of this partnership deed.

IN WITNESS WHEREOF, the parties hereto under set and subscribe their hands this day, month and year mentioned hereinabove.

Name: David Charles Opoka

Signature:

Name: Connie Nagimesi

Signature:

Name: Eric Nyanga

Signature:

Name: Robert Okema Okello

Signature:

Name: Athanasius Maraka

Signature:

Name: David Ogaram

Signature:

Name: John Wycliffe Ouma

Signature:

EIGHTH SCHEDULE

PROCUREMENT GUIDELINES

1.0 INTRODUCTION

- 1.1 These guidelines are for purposes of regulating the Area Procurement function under the Delegated Area Management Contracts (DAMC). They also apply to all the other NWSC Areas that are not under DAMC program.
- 1.2 These guidelines shall apply in harmony with the Procurement and Disposal of Public Assets Law, Regulations, Public Procurement and Disposal of Public Assets Authority (PPDPA). Guidelines and NWSC Accounting Instructions and Manual, copies of which are available with the Area Manager.
- 1.3 **Effective Date:** 01st January 2004.

2.0 AREA PROCUREMENT MANDATE

- 2.1 Delegated function.
The Managing Director may delegate to the Area, functions of the HQRS Contracts Committee and Procurement and Disposal Unit in line with the value Threshold in 2.2 below.
- 2.2 **Procurement Threshold:**
Areas may award contracts for Procurement of goods, services and Works up to the following value thresholds:

Requirement	Category I	Category II
- Goods	Shs 5.0 million.	Shs 5.0 million
- Services	Shs 8.0 million.	Shs 5.0 million
- Works	Shs 8.0 million.	Shs 5.0 million

N.B Category I: Entebbe, Jinja, Mbale and Mbarara Areas

Category II: All other Areas except OSUL

2.3 Procurements of higher values

- 2.3.1 Areas may source quotations, evaluate bids and recommend to HQRS Contract Contract Committee for approval of procurements above their thresholds Specified in paragraph 2.2 above but not exceeding Shs 30.0million.

- N.B:-
- Procurements in excess of Shs 18.0 million require Boards' approval.
 - Procurements in excess Ug shs 50.0 million require Solicitor Generals' Approval.

3.0 DELEGATED FUNCTIONS

3.1 Area Manager.

- 3.1.1 Certifying availability of funds prior to initiation of any procurement. 3.1.2 Committing funds prior to issuing Purchase Order/Contract
- 3.1.3 Signing of Purchase Order/Contract.
- 3.1.4 Ensuring implementation of contracts in accordance with Contract conditions.

- 3.1.5 Micro-procurement not exceeding Ushs 500,000/=.
- 3.1.6 Ensure timely submission to HQRS Contracts Committee of Area Procurement Reports

3.2 Area Contracts Committee (ACC)

- 3.2.1 Approve Request for Quotation documents.
- 3.2.2 Approve procurement methods.
- 3.2.3 Approve Evaluation Committee teams.
- 3.2.4 Approve Evaluation Methodology.
- 3.2.5 Approve Appropriateness of contract documents.
- 3.2.6 Review and approve evaluation reports.
- 3.2.7 Review and recommend to HQRS items for disposal.
- 3.2.8 Ensure compilation and reviews of Area procurement reports
- 3.2.9 Ratify all micro-procurements.
- 3.2.10 Review and recommend to HQRS items for disposal.

3.3 Area Procurement Units (APU)

- 3.3.1 Liaison with ACC in organizing Contract Committee meetings.
- 3.3.2 Manage pre-bid meetings.
- 3.3.3 Manage bid closing and bid openings.
- 3.3.4 Manage evaluation process..
- 3.3.5 Issuing of Request for Quotation/Proposal documents
- 3.3.6 Making recommendations for award of contract to the ACC.
- 3.3.7 Preparation of Area procurement reports.
- 3.3.8 Keep proper records of all procurements carried out in the Area.

4.0 AREA CONTRACTS COMMITTEE (ACC) AND AREA PROCUREMENT UNIT (APU)

4.1 Composition of Area Contracts Committee (ACC).

- 4.1.1 Minimum 3, maximum 5.
- 4.1.2 Area Manager and Storekeepers or Store Assistants not to be members of ACC.
- 4.1.3 Staff who evaluate procurements not to be members.
- 4.1.4 Area Manager to recommend to HQRS Contracts Committee names of ACC members for approval.
- 4.1.4 Quorum – 3 members.
- 4.1.5 The prime signatory to the Purchase Order/Contract shall not be a member of ACC.

4.2 Composition of Area Procurement Unit (APU).

- 3.3.1 Minimum 1.
- 3.3.2 A member of ACC shall not be in the APU.
- 3.3.3 The prime signatory to the Purchase Order/Contract shall not be a member of APU.
- 3.3.4 A Storekeeper or Stores Assistant shall not be a member of the APU.

5 PROCUREMENT METHODS.

Areas are to use the following procurement methods:

- 5.1 Micro procurement.
 - 5.1.1 For estimated values not exceeding Shs 2.0 million for goods, works and services.

- 5.1.2 At least one quotation from registered and eligible supplier or contractor.
- 5.1.3 Transactions carried out under micro-procurement are to be ratified by the ACC within the month of occurrence.
- 5.1.4 Monthly micro-procurement reports are to be submitted by the Area Manager to HQRS Contracts Committee by the 5th of every month.
- 5.1.5 Bidding and advertisement period is not applicable.
- 5.1.6 Public notice before award not applicable.
- 5.1.7 All micro-procurements to be published monthly on the Area Notice Board.
- 5.1.8 A formal signed Purchase Order may not be necessary under micro-procurement where cash payment transactions are involved.
- 5.1.9 An Invoice or Receipt for goods, works or services under micro-procurement shall show the name of the supplier/contractor and VAT Registration Number, where applicable.

5.2 Request for Quotations/Proposals (RFQ/P).

- 5.2.1 Quotations are used for works and supplies (goods) while Proposals are used for services.
- 5.2.2 For estimated value for the goods, works or services not exceeding Ushs 18.0 million.
- 5.2.3 At least 3 or more suppliers shall be invited to give quotations.
- 5.2.4 Where 3 bids are not obtained, the Evaluation Committee shall decide whether or not to proceed with the process.
- 5.2.5 Approvals for award of contracts to be obtained from the relevant authorities as specified in paragraph 2.2 and
- 5.2.6 Minimum bidding period five days, advertisement period not applicable.
- 5.2.7 Bids to be received by the APU staff in person and issue a receipt to the Bidder.
- 5.2.8 Verbal, fax or electronic quotations not allowed.
- 5.2.9 Publish best-evaluated bidder on Area Notice Board for a minimum of five days before issuing the Purchase Order/Contract.
- 5.2.10 Advertising period not required.
- 5.2.11 Requests for Contracts Committee approval is to be sought using the standard forms in the PPDA Regulations.

5.3 Direct Procurement (Single sourcing or mono-quotation)

- 5.3.1 Direct procurement method is to be approved by ACC in accordance with the PPDA Regulations for values within the ACC threshold

6 PROCUREMENT PROCESS.

6.1 Purchase Requisition (PR).

- 6.1.1 All purchases shall be initiated after confirmation of budget provisions by Area Manager.
- 6.1.2 Purchases to be initiated using format from PPDA of PR.
- 6.1.3 PR to contain detailed specifications (not brand names).

6.2 Procurement Reference Number.

- 6.2.1 Each Area procurement transaction to be assigned a reference number by one nominated person.
- 6.2.2 The Reference number is to be in accordance with PPDA Guidelines no. 2/2003.
- 6.2.3 All bidding documents and contracts are to have a reference number in accordance with PPDA Guidelines.

6.3 Procurement Planning.

- 6.3.1 Areas should prepare work plans for procurements.

- 6.3.2 Work plans should take into account time for processing of procurements up to delivery of goods, works or services.
- 6.3.3 Aggregating of requirements essential.
- 6.3.4 Splitting of requirements only permitted with justified technical and economic advantages.
- 6.3.5 The procurement methods which mainly depend on the value should be considered during the planning.
- 6.3.6 Emergency procurements permitted only under specific circumstances otherwise not allowed.
- 6.3.7 Multi-Annual procurement work plans should be based on approved budget.

6.4 Sourcing of Suppliers/Contractors

The following are the minimum eligibility requirements.

- 6.4.1 Only Bidders with legal capacity to enter into contracts are to be considered.
- 6.4.2 Bidders should not be;
 - Insolvent.
 - In receivership
 - Bankrupt
 - Being wound up
- 6.4.3 Bidders must have fulfilled obligations to pay Government taxes and social security contributions.
- 6.4.4 Bidders without a conflict of interest in relation to subject of procurement
- 6.4.5 Trading license.
- 6.4.6 Income tax clearance.
- 6.4.7 VAT registration.
- 6.4.8 Area to verify accuracy, validity and authenticity of eligibility documents.
- 6.4.9 All suppliers are to sign a declaration of compliance to codes of conduct issued by PPDA.

6.5 Evaluation of Quotations.

- 6.5.1 Evaluation of quotations or proposals shall be carried out by at least three persons (Evaluation Committee).
- 6.5.2 Evaluation to be recommended by APU and approved by ACC.
- 6.5.3 Evaluation Reports (PPDA FORMAT) to be presented to ACC for approval.

7 CONTRACT MANAGEMENT .

- 7.1 Each user department is to manage its contract once a Purchase Order/Contract is issued.
- 7.2 APU to monitor contract performance.
- 7.3 Contract variations to be issued only with the approval of the ACC.
- 7.4 Contract amendments to be issued only with approval of the ACC.
- 7.5 Termination of contract to be done with the approval of the ACC.

8 REPORTS.

8.1 Statutory reports

The following reports are statutory and must be forwarded monthly to HQRS by 5th of the following month:

- Monthly report on micro-procurements.
- Monthly report on the status of all procurements.

8.2 Other Reports

Monthly reports on procurements of value Shs.5.0 million and above for Board of Directors, to be submitted to HQRS by 5th of the following month.

8.3 Minutes of ACC Meetings

Minutes of every ACC meeting should be forwarded to HQRS Contracts Committee within 1 week after date of each meeting.

9 DISPOSAL OF ASSETS.

- Assets for disposal to be identified by users.
- List of items for disposal to be forwarded to HQRS relevant Head of Division for on ward presentation to the Contracts Committee at HQRS.

10 CODE OF ETHICS

All members of ACC, APU and others involved in procurement function are to sign a code of ethical conduct provided in Regulations PPDPA.

11 STANDARD DOCUMENTS

11.1 Areas are to use the standard documents contained in the PPDPA Regulations 2003.

11.2 No amendments to the standard documents are to be made without the approval of the PPDPA.

12 PENALTIES FOR NON-COMPLIANCE TO THE PPDPA LAW

12.1 No action shall lie against a member of staff for any act or omission done in good faith.

12.2 Offences include: failure or refusal to give reports and required information, connivance and collusion to commit a fraud or corrupt act.

12.3 Penalties includes;

-Withdrawal of delegated authority by HQRS.

-On conviction, a fine of Shs 5.0 million or imprisonment for 3 years or both.

13.0 INTERPRETATION/GUIDANCE ON THE PPDPA LAW.

Any interpretation, guidance or clarifications required on the PPDPA Law, Regulations and Guidelines should be addressed to any of the following:

Manager, Procurement, HQRS.

Principal, Legal Officer, HQRS.

Principal Procurement Officer, HQRS.

NINTH SCHEDULE

REPORTING REQUIREMENTS

The list of reports to be submitted by the Operator will include:

Category A:

Daily entries – collections, banking, water production, new connections, disconnections, customer complaints etc

Category B:

Weekly Reports (to be submitted before end of Tuesday of the following week) – mainly financial reports; collections, banking, expenditure (OPEX), highlights of contractual issues etc

Category C:

Monthly Report on Operations (to be submitted before 12th of the following calendar month) – Performance Standards (achievement against targets, where applicable), Technical (water production, distribution, quality, sewerage), Commercial (billing, collections, arrears, connections, marketing and customer care programmes), Finance (cash, banking, OPEX, CAPEX), Management Services (staffing levels, staff welfare and discipline, transport, security, legal, premises, public relations etc). The Reporting format shall be as agreed with the Head Office from time to time.

Category D:

Quarterly Report (To be submitted by 15th of the month following quarter end); the report shall cover all aspects related to achievement of Performance Standards (achievement against targets, where applicable), Technical (water production, distribution, quality, sewerage), Commercial (billing, collections, arrears, connections, marketing and customer care programmes), Finance (cash, banking, OPEX, CAPEX), Management Services (staffing levels, staff welfare and discipline, transport, security, legal, premises, public relations etc). The Reporting format shall be as agreed with the Head Office from time to time.

After the submission of the quarterly report, the Operator shall be required to attend a quarterly review meeting, in accordance with this contract. The scheduling of the quarterly review meeting shall be planned by the Head Office and agreed by both parties. The quarterly review meetings shall be chaired by the Chief Manager, Engineering Services or his assign and the resolution arising thereof shall form part of the contract. The venue for the quarterly review meeting shall be the Head Office, unless otherwise decided by the Head Office. Each party shall meet its own attendant meeting costs.

Category E:

Stand Alone Regular Reports (to be submitted as directed by the Head Office, from time to time). These will include:

- Out-put VAT on non-consumption charges
- Staff Loan Repayment Scheme
- Arrears List
- Procurement

Category F:

Event driven reports (to be submitted as directed by the Head Office, from time to time); these shall include but are not limited to:

- Reports on disciplinary cases
- Mains extensions

TENTH SCHEDULE

TERMS OF STAFF SECONDMENT TO THE OPERATOR

1. Staff selected by the Operator shall be transferred from the Corporation with effect from 1st January, 2004.
2. From the time they receive appointment letters from the Operator and they accept them they will be bound by terms and conditions of service of the Operator
3. They will be paid by the Operator according to its salary structure
4. They will be paid not less than what they were earning prior to the Commencement Date of the Delegated Area Management Contract
5. At the expiry of the Contract with the Operator the staff will be returned to the Corporation
6. In case of special or normal retirement at the end of the Contract with the Operator, the period served with the Operator shall be included in the computation of terminal benefits
7. Any employee whose service is not required by the Operator shall be returned to the Corporation.
8. Staff wishing to go for full time training for more than 30 days will be returned to the Corporation and thereafter will be subjected to Corporation's terms and conditions of service regarding training.
9. An employee who attains the mandatory retirement age of 55 years shall be paid retirement benefits by the Corporation and shall cease to be a Corporation transferred staff, but may continue to serve the Operator until the expiry of his/her contract with the Operator.
10. Employees on contract at the Commencement Date of the Contract will be paid their gratuity by Corporation at the expiry of their contract with the Corporation. The Operator shall be responsible for payment of their contract gratuity if any at the end of the remaining period of service to the Operator.

ELEVENTH SCHEDULE:

Procedures for use and disbursement of management fees

1. General

The procedures laid down in this schedule are intended to supplement existing NWSC financial policies and procedures and are, in particular, intended to provide specific guidance for the use and disbursement of the management fees earned by Operators under the IDAMC. The Operator's obligation to comply with the NWSC financial policies and procedures is by no means changed by the procedures in this schedule.

2. Use of the management fee to meet operating expenses

For purposes of the IDAMC, an Area's operating expenses have been classified as either Uncontrollable or Controllable. Under the IDAMC the Operator shall, in consideration for providing the required services in the Area, earn and receive a management fee in accordance with the terms set out in the Operator's approved business plan.

The management fees received by an Operator shall be applied, as first priority, to meet all the operating expenses of the Area to the extent of such expenses. No part of the management fee shall be distributed as surplus, profit or incentive payment to the Operator unless all liabilities relating to the operating expenses of the Area have been paid or sufficient funds have been set aside in the Area's operating bank account to cover such liabilities.

The Operator shall account for all operating expenses of the Area, including any surplus, profit or incentive payments to the Operator, in accordance with the NWSC financial policies and procedures as prescribed in the financial procedures manual.

3. Expenditure in respect of the Base Fee

The Operator shall, each month, receive a portion of the management fee known as the Base Fee in accordance with the Operator's approved business plan. The Base Fee is an agreed amount paid to the Operator to meet all the Area's monthly Uncontrollable expense or liability items and 75% of the Uncontrollable expense or liability items.

Once the Base Fee is transferred onto the Area operating account, the Operator shall proceed to use such funds to meet the Area's operating expenses or liabilities in accordance with existing financial policies and procedures. Where the amount spent on any Uncontrollable expense item in any month is less than the amount of funds provided for that item in that month, the Operator may apply the surplus towards any other Uncontrollable expense item at the Operator's discretion. Similarly, the Operator may apply more funds towards any Uncontrollable expense item than was provided for that item in that month provided there are equivalent surpluses available from other Uncontrollable expense items arising from either that month or from prior months.

If after meeting all Uncontrollable expense or liability items there is still a surplus of funds available for Uncontrollable expense items, such surplus shall be debited to account code 4622 "Surplus on Uncontrollable Costs" with the contra entry to account code 2040, these two accounts having been created for this specific purpose. As part of the quarterly reviews provided for under the Contract, surpluses accumulated under account 2040 shall be verified by the Head Office and when found to be bona fide savings shall be applied to the Operating Margin available for payment of the incentive fee. The entries in accounts 4622 and 2040 shall then be reversed to clear the verified amount.

4. Expenditure in respect of the Performance Fee

The Operator shall, each month, receive a portion of the management fee known as the Performance Fee in accordance with the Operator's approved business plan. The Performance Fee is an agreed amount paid to the Operator on the basis of 25% of the Uncontrollable expense items in the business

plan. The Performance Fee is earned by the Operator pro-rata on the basis of achievement of the minimum performance standards set out in the Third Schedule of this Contract.

Once the Performance Fee is transferred onto the Area operating account, the Operator shall proceed to use such funds to meet the Area's operating expenses or liabilities in accordance with existing financial policies and procedures. Where the amount spent on any Controllable expense item in any month is less than the amount of funds provided for that item in that month, the Operator may apply the surplus towards any other Uncontrollable or Controllable expense item at the Operator's discretion. Similarly, the Operator may apply more funds towards any Controllable expense item than was provided for that item in that month provided there are equivalent surpluses available from other Controllable expense items arising from that month.

If after meeting all Controllable expense or liability items there is still a surplus of funds available for Controllable expense items, such surplus shall be applied to the Operating Margin available for payment of the incentive fee.

5. Expenditure in respect of the Incentive Fee

The Operator may, in addition to the Base Fee and the Performance Fee, receive a portion of the management fee known as the Incentive Fee in accordance with the Operator's approved business plan. The Incentive Fee is an agreed amount paid to the Operator on the basis achieving an Operating Margin in excess of the agreed minimum Operating Margin and prorated on the basis of achievement of Parent Targets as set out in the business plan.

Each month the Operator shall, on the basis of that month's operating performance results and reports issued thereon, compute the appropriate Incentive Fee earned by the Operator. The Operator shall submit to the Head Office an invoice for monthly management fee including the properly computed incentive fee as set out in this Contract.

Once the Incentive Fee is transferred onto the Area's operating account, the Operator shall proceed to disburse the funds in accordance with the financial plan set out in the business plan.

6. Payments through Payroll

In accordance with NWSC policy, all eligible payments to NWSC staff arising under the IDAMC which are required by applicable laws or regulations to be reported as employee payments shall be expensed and paid through payroll in accordance with applicable procedures. In particular the following payments shall be effected through monthly payroll:

- Basic pay and allowances for seconded staff;
- Basic pay and allowances for key staff of the Operator;
- Any share of the Incentive fee paid to a seconded staff by the Operator;
- Any share of the Incentive fee paid to key staff of the Operator; and
- Any other payment to a seconded staff or key staff of the Operator which is required by NWSC policy to be effected through payroll.

7. Accountability for and Disclosure of Use of Funds

While the IDAMC's primary objective is to allow increased autonomy in decision-making to the Operator, it is also the objective of the IDAMC to ensure full compliance with the existing NWSC financial policies and procedures. In particular, the Operator is required to ensure maximum transparency and accountability in all transactions conducted for the Corporation. The Operator shall adhere to all existing NWSC requirements for proper authorization and documentation of transactions, as well as the requirements for recording, classifying and reporting of transactions. The Operator shall also comply with all directions issued by the Head Office related to the proper disclosure and accountability for funds under the IDAMC.

TWELFTH SCHEDULE

SUPPORT SERVICES PROVIDED BY THE HEAD OFFICE AND

AND PROCEDURES FOR PROVISION OF BLOCK MAPPING SERVICES TO AREAS

Background

Besides giving general strategic direction, Head Office shall provide the following Support Services to the Operator

Block-mapping Services

- ? Updating of Block Maps for new water and sewerage extensions and connections.
- ? Maintenance of Central GIS for all Areas.
- ? Production of Block maps for field use.
- ? Allocation of property references and maintenance of serial numbering system for water and sewer connections.

Technical Backstop Support

- ? ?? Carrying out design of water distribution systems above DN 80 mm in size and sewer lines above DN 150 mm in size.
- ? ?? Coordinating the budget preparation process and seeking budget reallocation/ supplementary budgets where applicable.
- ? ?? Assist in tender documentation for works contracts to be undertaken in the Areas and participate in solicitation and evaluation of bids for values beyond Area's thresholds
- ? ?? Coordinating the procurement of inputs beyond the Areas thresholds for the Areas
- ? ?? Coordinating the approval of inputs by NWSC Top management, Contracts committee and the Board where applicable
- ? ?? Prepare Board papers for all Area's inputs requiring Board Approval.
- ? ?? Carrying out Asset Condition Surveys, network analysis studies/modeling and demand analysis to enhance better network performance.
- ? ?? Providing technical support services on operation of water and sewerage systems.
- ? ?? Provide support in the implementation of performance improvement schemes.
- ? ?? Carry out arms-length supervision of water and sewerage extension and management of Corporation Assets.
- ? Follow up implementation of audit and quality management recommendations that are beyond the Area's direct control.

Information Technology Services

- ? ?? Specialized maintenance of the IT Hardware.
- ? ?? Licensing and maintenance of IT Software packages.
- ? ?? Upgrading of IT systems and equipment.
- ? ?? Design of IT Systems, infrastructure and networks
- ? ?? Preparation of specifications, tender documentation and evaluation, inspection of systems and supervision of installation of systems.
- ? ?? Provision of technical remote user support and troubleshooting.

The cost of maintenance (preventative and repair) of IT equipment within the Area offices will be borne by the area.

Quality Management Support

- ? ?? Overseeing the water quality monitoring program of the Area and assurance of compliance with standards.
- ? ?? Monitoring of the performance of sewage treatment plants and determination of pollution load into the receiving environment in reference to the National Standards.
- ? ?? Water quality data compilation, analysis, interpretation and information dissemination for water quality improvement.
- ? ?? Coordination of calibration and service of laboratory equipment.
- ? ?? Specification and initiation of bulk chemicals, laboratory equipment and reagents.
- ? ?? Tender documentation and evaluation, inspection of goods and services related to quality management.
- ? ?? Carrying out research to improve treatment processes and providing advisory services on improvement measures for effective operational performance.
- ? ?? Coordination of the development of a quality management system and specifically quality assurance in laboratory work.

Security Services

- ? ?? Overall monitoring of security of Area Assets.
- ? ?? Undertake to put in place emergency security measures in the Areas.
- ? ?? Provide arms length guidance on general security of NWSC installations and assets
- ? ?? Maintaining a Data base of effective private security firms and advise the Operator where necessary in solicitation of security services.
- ? ?? Provide strategic guidance in investigating and prosecuting offenders for cases prejudicial to NWSC interests.
- ? ?? Provide guidance to the operator in matters related to protection of NWSC employees.
- ? ?? Provide guidance and assistance to the operator in carrying surveillance on suspicious characters to deter them from committing offences against NWSC.

Central Store Services

- ? ?? Overall monitoring of NWSC Stores.
- ? ?? Provision of advisory services to NWSC stores.
- ? ?? Stocking bulk stock items.
- ? ?? Coordinating optimum utilisation of stock items.
- ? ?? Stocking of accounting stationary.

Procurement Services

- ? ?? Procurement of bulk chemicals, pipes & fittings, fuel and chemicals to benefit from bulk discount.
- ? ?? Procurement of foreign goods and services.
- ? ?? Procurement of goods and services beyond the Operator's threshold.
- ? ?? Procurement of specialised items.

PROCEDURE FOR PROVISION OF BLOCK MAPPING SERVICES TO AREAS

1. Block mapping Schedule

- ? Headquarters shall prepare an annual plan for updating block maps in all Areas (see Annex 1 attached).
- ? Areas shall include appropriate information in their monthly reports to enable the Block-mapping Section plan for the mapping activities.

2. Water/Sewer Extensions

- ? The Operator shall report monthly on all water and sewer extensions carried out in their Areas clearly indicating the length, size and location of the extensions order to enable the Block mapping staff carry put proper planning before visiting the Areas. This information shall be incorporated in the monthly reports to headquarters.
- ? The Operator shall maintain in their Areas, a database of all mains extensions. The database shall be in form of maps/sketches showing the following:
 - a) Location of the extension(s) –street/ village name.
 - b) Length of main indicating the starting point and the end points.
 - c) Size of main
 - d) Pipe material
 - e) Location of fittings e.g. washouts, air valves, sluice valves, etc.
 - f) Location of tee-junctions if any.
 - g) Location of manholes (in case of sewers).

3. New Connections (both water and sewerage)

The operator shall:

- ? Allocate interim property reference numbers to the applicants and attach a copy of the block map extract to the new connection application before installing new connections.
- ? Keep all files for new customers that have not been mapped separately to be later passed over to the block mapping team when they visit the Area.
- ? Report number of new connections installed in their respective Areas a monthly basis to headquarters.

4. Allowances

- ? The Operator shall pay allowances to block-mapping staff. In case of Areas with a big backlog of work, or new Areas where new block maps are to be produced, staff will be transferred temporarily to the Areas and disturbance allowance will be paid as the staff shift to the Areas and as they return to Kampala. In areas where there is no backlog, staff

will be paid night allowance depending on the days spent in the Areas but in any case not exceeding two weeks. The staff will then be able to get their own accommodation.

5. Transport

Headquarters shall:

- ? Provide a vehicle(s) to the block mapping team(s).
- ? Provide fuel for the journey from headquarters to the Areas.

The Operator shall:

- ? Provide fuel for internal operations and for return journey to headquarters.
- ? Provide a vehicle for the block mapping operation (in exceptional cases where headquarters cannot provide a vehicle) to enable the update of maps continue in line with the agreed schedule. In such cases, headquarters shall reimburse the costs incurred.

6. Manpower

- ? Headquarters shall provide key staff to carry out field surveys and update the block maps.
- ? The Operator shall provide some additional support staff when required e.g. when excavation is needed to expose pipes, buried meters, etc. or to guide the block mapping staff to consumers that have been connected to newly laid mains.

7. Replacement of Block-maps

- ? The Operator shall request in writing for replacement of block-maps, two weeks in advance to allow for copying and preparation of maps.

8. Digitisation of Block maps

- ? Headquarters shall digitise block maps for all Areas and have them updated periodically.

