



NATIONAL WATER AND SEWERAGE CORPORATION KAMPALA WATER

BRANCH PERFORMANCE CONTRACT

(BPC)

Between

KAMPALA WATER and BRANCH

KAMPALA WATER AND SEWERAGE SERVICE AREA

July 2006

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This **PERFORMANCE CONTRACT** is made this Day of 2006

BETWEEN

1. The General Manager on behalf of the Partnership of Kampala Water (hereafter referred to as the "Operator") of Kampala Water and Sewerage Service Area, P.O. Box 70255, Plot 18/20 6th Street, Industrial Area Kampala; on one hand

AND

2. Branch (.....) Manager on behalf of the Branch.... Management Team (hereafter referred to as the "Sub- Operator") of Kampala Water and Sewerage Service Area, P.O. Box 70255, Plot 18/2 plot....., Street, Kampala on the other hand.

Hereinafter referred to as the "Parties"

WHEREAS:

- A. The Corporation is responsible, under the National Water and Sewerage Corporation Act, Cap 317 Laws of Uganda 2000, (the "Act") for the operation and development of water supply and sewerage services in gazetted towns, including Kampala, in the Republic of Uganda.
- B. The Corporation signed a Performance Contract with the Government of Uganda (GoU) on 19th December 2003, pursuant to section 48 of the Act.
- C. 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 business units.
- D. Clause 6 (1) of the Act 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.
- E. The NWSC-Head Office signed a two year Internally Delegated Area Management Contract (IDAMC) Phase II with the Partnership of Kampala Water, represented by the General Manager, in line with the NWSC Corporate Plan 2006-2009
- F. Clause 4.3 of the IDAMC for Kampala Water allows the Operator to discretionally but in a professional manner develop the services in Kampala Area efficiently in the best interests of the NWSC Head Office, which include but are not limited to improved customer services and achievement of the performance standards set forth in the IDAMC
- G. The Kampala Water Partners are desirous of ensuring the continued decentralisation of functions to the Branches through a framework of Branch Performance Contracts.

AND WHEREAS

- H. The Sub-Operator understands and agrees to be bound, as an agent of the Operator in Branch of Kampala Water and Sewerage Service Area, by the relevant provisions stated in the Kampala Water IDAMC II and any amendments and variations thereto, which relevant clauses of the IDAMC form part of this Contract.
- I. The Operator has requested the Sub-Operator to undertake the management of water supply and sewerage services, where applicable, within the Branch of Kampala Water and Sewerage Service Area (the "Branch").
- J. The Sub-Operator, having demonstrated to the Operator 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 "Services").

NOW WHEREFORE:

- K. The purpose and objective of this Contract and the arrangements it puts in place is to promote further improvements and enable Kampala Water achieve its service and performance obligations set forth in the IDAMC.

THE PARTIES AGREE AS FOLLOWS:**1 DEFINITIONS AND INTERPRETATIONS**

- 1.1 Unless the context otherwise requires the following terms shall whenever used in this contract have the following meanings:

"Act" means the National Water and Sewerage Corporation Act, Cap 317 Laws of Uganda 2000.

"Area" means the service area in which Kampala Water has been mandated by the Corporation to provide the services.

"Arrears" means the accounts receivables of more than 30 days old.

"Assets" means the infrastructure, plant and equipment used in the provision of the Services.

"Billings" means all income relating to invoices raised by the Sub-Operator in connection with the Services, including without limitation, fees, tariffs, levies, charges, commissions, royalties and penalties, but excluding Value Added Tax and other applicable taxes and duties and income from rechargeable works arising from damage to the networks caused by third parties.

"Block map" means 500m by 500m Square Geographical Index, used by the Corporation that displays geographic information necessary for the location of the Corporation's Services, of the Corporation's Customers and the planning and management of the infrastructure in connection with provision of the Services.

"Business Plan" means a detailed account of how the Sub-Operator will provide the Services in the Zone, showing expected incomes, detailed work

plans, and expenditures, and human resources management matters as provided for in Clause 5.4.

“Capital Works” are system Rehabilitation and/or Expansion works which the Operator deems appropriate to be carried out by itself and therefore do not form part of the activities to be undertaken by the sub-operator detailed in the Business Plan in the Ninth Schedule.

“Cash Operating Margin” is the difference between collections (net of VAT) and operating expenditures (excluding depreciation, interest and taxes).

“Collections” means all revenue paid to and all compensation received by the Sub-Operator in connection with the Services, including without limitation, fees, tariffs, levies, charges, commissions, royalties penalties and collection by other Branches on behalf of the Sub-Operator. Collections exclude Value Added Tax and other applicable taxes and duties, unpaid cheques, collection on behalf of other Branches and income from rechargeable works arising from damage to the networks caused by third parties.

“Collection Accounts” means the bank accounts in the name of the Corporation into which all revenues arising from the provision of the Services for the Area are deposited.

“Commencement Date” means the day of 2006.

“Connection Efficiency” is the ratio of active connections to total connections, expressed as a percentage.

“Contract” means the present contract signed by the two parties.

“Contract Year” means the year starting from the commencement date.

“Corporation” means the National Water and Sewerage Corporation (NWSC).

“Customer” means a person entitled to receive water supply and sewerage services from the Corporation.

“Fiscal Year” means the fiscal year starting on 1st of July and ending 30th of June.

“General Manager” means the Managing Partner of the Operator.

“GoU” means Government of Uganda.

“Human Resource Plan” means the Plan with respect to the management, organisation and supervision of the Sub-Operator’s staff as described in Clause 6 and in the Sub-Operator’s Business Plan.

“IDAMC” means Internally Delegated Area Management Contract between NWSC Head Office and Kampala Water.

“Kampala Water Partnership” means the General Manager in association with the Partners (management team) as set-out in the Partnership Deed of the IDAMC.

“Law applicable” means the law and any other instruments applicable in the Republic of Uganda.

“Logistics” means any specialised operational inputs and services provided by the Operator for the smooth operations of the Branch.

“M.O.U.” means the Memorandum of Understanding between the Government of Uganda and the Corporation in respect to the payment of Government Bills as set out in the Fourth Schedule.

“Operator” means Kampala Water Partnership represented by the General Manager.

“Parties” means the parties to this Contract and “Party” means either one of them.

“Plant” means the machinery used for the provision of the Services.

“Person” includes a firm, corporation, partnership, joint venture, unincorporated association and public authority.

“Services” 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 5.2, so as to provide water supply and sewerage services to the Corporation’s customers in accordance with agreed standards.

“Sub-Operator” means Branch Manager with a selected management team at the zone as specified in the Branch Management M.O.U as detailed in the Sixth Schedule.

“Unaccounted for water” means the ratio between non-billed water to water produced (m³). It also means “Non-Revenue Water”

“Branch” means that part of the service area where the Branch Management Team (Sub-Operator) has been mandated to provide the services as defined in the First Schedule.

“Branch 7” means a selected number of Large Customers for whom the responsibility of Collecting Bills and measuring consumption is shared between the Sub-Operator and Operator.

“Branch Manager” means the team leader of the Sub-Operator.

- 1.2 References to clauses and schedules are to the clauses of and the schedules to this Contract.
- 1.3 Words importing gender include either gender.
- 1.4 The singular includes the plural and vice versa.
- 1.5 Headings are for convenience only and do not affect interpretation.
- 1.6 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.

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

1.8 This Performance Contract is deemed to be subordinate to the IDAMC between NWSC-Head Office and the Kampala Water

2 THE CONTRACT DOCUMENTS

2.1 The Contract documents shall consist of the Performance Contract, and any subsequent amendments, and the following Schedules:

- (a) First Schedule Area of Authority
- (b) Second Schedule Performance Standards
- (c) Third Schedule Government MOU on Payment of GoU Bills
- (d) Fourth Schedule Approved Sub-Operator's Guidelines for Procurement and Disbursement of Funds
- (e) Fifth Schedule Terms of Secondment of Staff to the Sub-Operator
- (f) Sixth Schedule Sub-Operator's M.O.U
- (g) Seventh Schedule Computation of Incentive Fee
- (h) Eighth Schedule List of Required Reports
- (i) Ninth Schedule Sub-Operator's Business Plan
- (j) Tenth Schedule Support Services

3 DURATION OF CONTRACT

3.1 This Contract shall come into effect on the Commencement Date as defined in Clause 1.1.

3.2 This Contract shall continue being in force for a period of one (1) year and eleven (11) months. The Intended Completion Date is 30th June 2008. Thereafter the Contract may be re-negotiated and renewed unless either party has given to the other party ninety (90) days' previous written notice of intent not to renew the Contract.

4. APPOINTMENT AND RESPONSIBILITY OF THE SUB-OPERATOR

4.1 The Operator hereby appoints the Sub-Operator to be the sole and exclusive provider of the Services in the Branch for the duration of the Contract.

4.2 The Sub-Operator's right to provide the Services in the Branch is exclusive subject to:

- a) all the areas covered by the set of Block maps defined in the First Schedule.
- b) where water supplies are being provided by means of private ground water abstraction. The Sub-Operator shall refer requests for new

private ground water abstraction to Operator for action in accordance with the Law.

- 4.3 The Sub-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 Branch efficiently, in the best interests of the Operator, in a professional manner in accordance with the provisions of this contract.

5. DUTIES, OBLIGATIONS AND RIGHTS OF THE SUB-OPERATOR

5.1 General

- 5.1.1 Without detracting from any duties, obligations and rights imposed on or conferred (whether expressly or by implication) upon the Sub-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 Sub-Operator to meet the performance standards set out in the Second Schedule of this Contract and it shall be the duty, obligation or right of the Sub-Operator:

5.2 To Provide Operations Management Services

- 5.2.1 The Sub-Operator shall discharge all the duties and obligations of a water supply and sewerage service provider within the Branch for the term of this Contract. These shall include, but are not limited to:

- a) water distribution;
- b) maintenance of assets;
- c) customer care and marketing;
- d) billing and revenue collections; and
- e) customer connections growth.
- f) Water quality

- 5.2.2 In discharging the duties and obligations referred to in Clause 5.2.1, the Sub-Operator shall exercise due diligence, efficiency and economy in accordance with generally accepted professional conduct and practice, shall employ sound management practices and appropriate technology in the best interests of the Operator, and shall comply with:

- a) any code of workmanship prescribed by the Minister under Section 70 of the Act;
- b) every provision of all laws relating to the duties and obligations referred to in Clause 5.2.1, to the occupational health and safety of employees and to the environment;
- c) any notice, instruction or direction issued in accordance with Clause 16.2.

- 5.2.3 The Sub-Operator shall raise, collect and remit all taxes, rates, charges, fees, and penalties and provide all returns, files and documents as may be directed by the Operator from time to time in respect of the duties and obligations referred to in Clause 5.2 1.
- 5.2.4 The Sub-Operator shall ensure that all premises relating to the provision of the Services in the Branch are maintained and kept clean in a way that promotes good hygiene and the Corporate image.
- 5.2.5 Failure by the Sub-Operator to comply with the provisions of Clauses 5.2.4 resulting in poor housekeeping conditions or undue damage to the Corporate image shall constitute a breach of this Contract in accordance with Clause 14.3.

5.3 To Collect Revenue for Services Provided

- 5.3.1 The Sub-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.
- 5.3.2 The Sub-Operator shall cooperate with the Operator in ensuring that bills from "Branch 7" customers are collected. Specifically, the Sub-Operator shall ensure that the customers in question are timely billed and bills are certified by responsible officers.
- 5.3.3 In connection with clause 5.3.1, the Operator undertakes to have a shared responsibility with the Sub-Operator to collect GoU bills and arrears as contained in the M.O.U detailed in the Third Schedule.
- 5.3.4 The Sub-Operator shall deposit all monies collected under Clauses 5.3.1 to 5.3.3 into the Collection Accounts, located in the banks advised by the Operator from time to time, by no later than the following working day. The Collection Accounts shall be solely in the name of the Corporation and under the control of the Corporation.
- 5.3.5 Failure to deposit any revenue collected into the Collection Accounts as provided under Clause 5.3.4 shall constitute a breach of this Contract in accordance with Clause 14.3.
- 5.3.6 Any monies not deposited as provided under Clause 5.3.4, whether by omission or commission of the Sub-Operator or otherwise, shall be recoverable from the Sub-Operator and shall be remitted to the Operator within fifteen (15) days of receiving written notice from Operator of the amount due.
- 5.3.7 In discharging its duties, the Sub-Operator may, request the Operator, for the services of an independent Debt Collector for purposes of recovering debts that are deemed by the Sub-Operator difficult to be recovered.
- 5.3.8 The Operator shall in line with Clause 5.3.7 engage an independent Debt Collector and ensure that feed back is given to Sub-Operator on a fortnight basis regarding the Debt Collector's services. Any

payments due to the Debt Collector shall be subject to the satisfaction of the Sub-Operator.

5.4 To Prepare, Modify/Amend and Submit a Business Plan

- 5.4.1 The Sub-Operator shall prepare and submit, a One-year Business Plan with projections for the second year, for the Operator's approval, before the Commencement Date. The Business Plan shall address/follow the Corporation's running strategic/corporate-planning tenets and shall be in the format agreed with the Operator.
- 5.4.2 The Business Plan in Clause 5.4.1 shall be part of this Contract, as detailed in the Ninth Schedule, but the Sub-Operator shall have flexibility to change the strategies therein in a manner that promotes achievement of performance targets specified in this contract.
- 5.4.3 The Business Plan prepared under Clause 5.4.1 shall be reviewed, updated and submitted to the Operator at any other time as may be directed by the Operator in an agreed format, to incorporate new performance improvement aspects beneficial for the provision of the Services in the Branch.
- 5.4.4 Failure to submit a modified Business Plan in accordance with the provisions of Clause 5.4.3 shall result in withholding of the Incentive Fee in accordance with Clause 7.3.2.
- 5.4.5 Preparation and submission of a Business Plan to the Operator under Clause 5.4.1 and 5.4.3 shall in no way detract from the Sub-Operator's duties, obligations and rights under this Contract.
- 5.4.6 If the Sub-Operator is of the opinion that matters have arisen that may prevent, or significantly affect the achievement of Business Plan objectives and targets, the Sub-Operator shall immediately notify the Operator of its opinion and the reasons thereof. The Sub-Operator shall suggest remedies, interventions and an alternative action programme that shall become a basis for the Operator to consent to amendment of the Business Plan.
- 5.4.7 The Business Plan is for the Sub-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 Plan serve the purpose of guiding the Sub-Operator. Nothing in this respect, other than the performance standards in the Second Schedule shall be binding during the performance evaluation and/or payment of Incentive Fee.
- 5.4.8 Clause 5.4.7 notwithstanding, if the Sub-Operator feels that the modification of the Business Plan or any other additional assignment of activities by Operator has caused a change in the scope of operations, the Sub-Operator shall compute the additional costs arising out of these changes and submit the proposals to the Operator for additional facilitation. The Operator shall accordingly be obliged to provide this facilitation.

5.5 To Safeguard, Use, Maintain and Control Assets

- 5.5.1 The Corporation maintains all rights of ownership of the assets related to the provision of the Services in the Area.
- 5.5.2 The Sub-Operator shall have access to, the right to use, and the duty to safeguard, maintain and control the assets referred to in Clause 5.5.1, 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 Branch.
- 5.5.3 The Sub-Operator shall maintain in good working condition, throughout the term of this Contract, the assets referred to in Clause 5.5.1 and shall ensure that adequate control is maintained over assets in its custody.
- 5.5.4 The Sub-Operator shall not dispose of or create any interest in the assets referred to in Clause 5.5.1.

5.6 To Carry out Rehabilitation and Extensions to the System

- 5.6.1 The Sub-Operator as part of the Business Plan shall be responsible for submission of proposals to the Operator regarding the rehabilitation and/or extensions to the Water Supply and Sewerage system.
- 5.6.2 The Sub-Operator shall co-operate with the Operator in the execution of any rehabilitation works and/or extensions to the system, emergency responses to social related activities and improvement of services to the urban poor undertaken by the Operator.
- 5.6.3 Further to Clauses 5.6.1 and 5.6.2, the Sub-Operator shall be responsible for the planning and implementation of water mains extensions of dimensions and lengths respectively not exceeding DN50 and 2km.

5.7 To Carry out Procurement

- 5.7.1 To enable smooth operations in the Branch, the Sub-Operator shall carry out micro procurements of goods, works and services in accordance with the procurement guidelines set forth in the Fourth Schedule.

6. SUB-OPERATOR'S PERSONNEL

- 6.1 As part of the Business Plan required under Clause 5.4 the Sub-Operator shall submit a plan with respect to the management, organization and supervision of Staff (the "Human Resources Plan") subject to the Human Resource Plan of the Operator as provided for under the IDAMC. The Human Resources Plan shall include but not be limited to proposals for:
- (a) staff rules, including disciplinary and grievance handling procedures;
 - (b) job classification and salary scales;
 - (c) the performance appraisal methods
 - (d) staff welfare.
- 6.2 The Sub-Operator shall manage personnel seconded by the Operator in accordance with the Human Resource Plan submitted under Clause 6.1, and according to the terms of staff secondment set forth in the Fifth Schedule of this Contract. Clause 6.1 notwithstanding, the Sub-Operator shall manage personnel in accordance with the Staff Terms and Conditions of Service of the Operator as provided for under the IDAMC.
- 6.3 The Sub-Operator shall discipline staff and recommend to the Operator for staff recruitment and/or promotion in accordance with the approved Human Resource Plan contained in the Business Plan.
- 6.4 Without detracting from the provisions of the Human Resource Plan to be submitted under Clause 6.1:
- (a) personnel seconded by Operator to the Sub-Operator shall not be prejudiced in terms of annual or any other periodic reviews of promotion undertaken by the Corporation and shall be equitably considered and treated in any such reviews;
- 6.5 The Sub-Operator shall not terminate the services of any seconded staff; such staff shall only be referred back to the Operator, clearly detailing circumstances leading to the return of the staff.
- 6.6 Where the Sub-Operator refers seconded staff back to the Operator for reasons which the Operator deems to be improper, including but not limited to sectarian, pecuniary or other prejudicial interests of the Sub-Operator, the Operator shall reject such referral clearly detailing the reasons for such rejection.
- 6.7 Notwithstanding Clause 6.6, the Sub-Operator shall have the right to refer seconded staff back to the Operator where the Sub-Operator finds such staff to be mis-behaving, undisciplined or under-performing due to patronage from the Operator and other offices outside Kampala Water.
- 6.8 The Sub-Operator shall not be obliged to accept any staff transferred or recruited on his behalf without his consent.

- 6.9 Addition, removal or replacement of staff of the Sub-Operator included in the Branch Management M.O.U in the Sixth Schedule shall be conducted in accordance with the M.O.U.
- 6.10 Notwithstanding Clause 6.9:
- (a) the Sub-Operator shall submit the nomination of an individual selected to take up a designated post eligible as a member of the Branch Management Team in accordance with the M.O.U to the Operator for non-objection;
 - (b) the Operator shall grant non-objection within a period of seven (7) days of receipt of a nomination under Clause 6.10 (a) failing which the Operator shall be deemed to have granted non-objection; and
 - (c) the Operator shall not object unreasonably to the nomination by the Sub-Operator and shall give to the Sub-Operator the reasons for any objection.
- 6.11 The Branch Manager shall endeavour to be in his/her duty station and shall notify the Operator of any intended absence. Where the Branch Manager plans to be absent from the duty station for a period exceeding forty eight (48) hours the Branch Manager shall notify Operator, in writing, indicating the person whom the Branch Manager shall have appointed to act in his/her position during his/her absence. Such person shall be selected from members of the Branch Management Team.

7. FINANCIAL PROVISIONS AND INCENTIVE FEES FOR THE SUB-OPERATOR

7.1 Financial Provisions

- 7.1.1 In discharging the duties and obligations set forth in this Contract, the Sub-Operator shall be dully facilitated by the Operator on the basis of the agreed operating and administrative expenses set out in the approved Sub-Operator's Business Plan (Ninth Schedule).
- 7.1.2 Any funds and/or stock transferred by the Operator to the Sub-Operator to cover operating and administrative expenses/requirements in the Branches, shall be disbursed/utilised and accounted for in accordance with the disbursement and accountability procedures set forth in the Fourth Schedule.
- 7.1.3 The Sub-Operator shall operate an Operations Bank Account with any Commercial Bank acceptable to and in accordance with the Corporation's Financial Regulations.

7.2 Payment of Incentive Fees

- 7.2.1 The Sub-Operator shall be entitled to receive a monthly and/or quarterly Incentive Fee from the Operator in accordance with the provisions set out in the Seventh Schedule (Computation of Incentive Fee) in respect of the Sub-Operator's extent of achievement of the performance targets set forth in the Second Schedule. The sharing of the Incentive Fee shall be as specified in the approved Business plan and the Sixth Schedule. The Incentive Fee shall provide for the

Performance Fee due to the Sub-Operator's Team Leader subject to the provisions in the Sixth Schedule.

- 7.2.2 The Sub-Operator shall as part of its reporting, notify the Operator the extent of achievement of the Performance Standards and the Incentive Fee correspondingly due to the Sub-Operator for any given month by the 10th of the following month.
- 7.2.3 The Operator shall review the Sub-Operator's reports, verify the Incentive Fee due and effect the payment of the Incentive Fee within 14 Days provided that Sub-Operator would have promptly and satisfactorily answered any queries raised by the Operator regarding the reports and incentive fee computation.
- 7.2.4 Failure by the Operator to pay the incentive fee, as per the provisions of Clause 7.2.3, shall amount to a breach of this Contract in accordance with Clause 14.4.

7.3 Penalties

- 7.3.1 Where the Sub-Operator fails to achieve the minimum performance standards set forth in the Second Schedule of this Performance Contract, for reasons other than those outside its own control, the Sub-Operator **may** forfeit a portion of the Incentive Fee due for that month/quarter, according to the computation detailed in the Seventh Schedule, provided always that the portion of the Incentive Fee to be forfeited may be discretionary reduced by the Operator upon review of the reasons leading to the failure.
- 7.3.2 Where the Sub-Operator fails to provide the Operator with a modified Business Plan in accordance with Clause 5.4.3 or to report to the Operator in accordance with Clause 10, the Operator shall, at its discretion, withhold thirty per cent (30%) of the Incentive Fee earned by, and payable to, the Sub-Operator as set out in the Seventh Schedule, until such provisions are met.

7.4 Disbursement of Incentive Fee

- 7.4.1 Once the Incentive Fee has been earned by the Sub-Operator as prescribed in Clause 7.2.1, it shall be shared in full according to the criteria set out in the approved Human Resource Plan/ Business Plan and the Sixth Schedule.
- 7.4.2 The Operator, in line with Clause 7.4.1 shall deposit the appropriate portions of the earned incentive fee to the salary accounts for the individual Sub-Operator's staff
- 7.4.3 The incentive remuneration/payment criteria to the Sub-Operator's seconded staff shall, for purposes of harmony, be suggested by the Sub-Operator and approved by the Operator in the Human Resource Management Plan to be submitted according to Clause 6.1.

8. DUTIES, RIGHTS AND OBLIGATIONS OF THE OPERATOR

8.1 General

8.1.1 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 a similar office, it shall be the duty, obligation or right of the Operator:

8.2 To advise on the Corporation's Schedules of Tariffs, Fees, Rates and Charges

8.2.1 The Operator shall have the right to advise, from time to time, the Corporation's schedules of tariffs, fees, rates and charges to be levied and collected by the Sub-Operator under Clause 5.3, set in accordance with the provisions of the Act or other applicable laws and regulations.

8.2.2 In case of any tariff changes during the course of implementation of this Contract, the Collection and Billing targets specified in the Second Schedule shall be accordingly adjusted.

8.3 To Provide Water production, Transmission, Storage and Quality Management Services

8.3.1 The Operator shall:

- (a) Produce and deliver sufficient quantities and satisfactory quality of water to the water distribution network in the Branch to enable the Sub-Operator achieve its water sales target.
- (b) Operate, maintain and keep in good condition the water treatment, pumping/boosting, transmission and storage plant and equipment to ensure a reliable and constant supply of good quality water to the network in the Branch.

8.3.2 Failure by the Operator to meet the obligations set out in Sub-Clauses 8.3.1 (a) & (b) above for three consecutive months and thereby jeopardising the Sub-Operator's ability to meet the performance targets for billing, collections and cash operating margin as specified in the Second Schedule, shall constitute a breach of this Contract by the Operator in accordance with Clause 14.4.

8.4 To Provide Logistics and Support Services

8.4.1 The Operator shall:

- (a) Carry out bulk procurements of requisite materials and equipment that are agreed to be provided by the Operator in the Sub-Operator's Business Plan and deliver the same to the Sub-Operator according to the schedule agreed in the Business Plan.

- (b) Provide support and advisory services (i.e. Illegal use reduction, GIS, Data Base Management, IT, Transport, Finance & Accounts, Procurement, Stores, Meter servicing, Backstopping Network operations, Human resource Management, Security, sewerage services and customer care) as set out in the Tenth Schedule of this Contract to enable the smooth operations of the Branch
- (c) Expeditiously review any additional requirements that may arise under Clause 5.4 and provide feedback to the Sub-Operator within seven (7) working days.
- (d) Ensure that the Sub-Operator's Business Plan is adequately harmonised with Kampala Water Business Plan and the NWSC budget format and that any adjustments arising out of this harmonisation are mutually agreed with the Sub-Operator.
- (e) Transfer an agreed amount of funds to the Operations Bank account for the Branch to enable smooth operations in the Branch. This advance shall be replenished within seven (7) working days of receipt of accountability.

8.4.2 Failure by the Operator for three consecutive months to provide logistics and Support Services under Clause 8.4.1 and thereby jeopardising the Sub-Operator's ability to meet the performance targets for billing, collections, cash operating margin and connection efficiency as specified in the Second Schedule, shall constitute a breach of this Contract by the Operator in accordance with Clause 14.4.

8.4.3 The Operator shall upon request from the Sub-Operator in line with Clause 5.3.4 engage a Debt Collector/s and administer the Debt Collectors' Contracts in accordance with the relevant provisions under the IDAMC for Kampala Water.

8.4.4. A Debt Collector engaged under Clause 8.4.3 shall be entitled to charge a commission not exceeding 10% of the debts collected and such commission shall be treated as a surcharge on the amount to be collected.

8.5 To Carry Out Rehabilitation and Expansion Works

8.5.1 Subject to Clause 5.6.3, the Operator shall have the responsibility of implementing any Rehabilitation and/or expansion Works to the system and premises in the Branch as agreed in the Sub-Operator's Business Plan.

8.5.2 Clause 8.5.1. notwithstanding, the Operator shall have the responsibility of implementing any other Rehabilitation and/or expansion works that may not be captured in the Sub-Operator's Business Plan but are in the opinion of the Operator necessary for the overall improvement of service provision in the Area. Such works shall be done with prior notice to and in cooperation with the Sub-Operator to ensure the continued smooth operations of the Area.

8.5.3 Any changes to the Sub-Operator's Business Plan arising out of any works carried out under Clause 8.5.1 and Clause 8.5.2 shall result in amendment of the Sub-Operator's Business Plan in accordance with Clause 5.4.

8.6 To Provide General Strategic Support and Guidance

8.6.1 The Operator shall provide strategic support and guidance in matters of legal services, human resource management policies, public relations and customer care and security of assets; in as far as this does not result into undue interference in the Sub-Operator's execution of its Business Plan subject to Clause 9.

8.7 To Monitor and Evaluate Performance

8.7.1 The Operator shall carry out the following:

- (a) regular performance analysis in respect to reports submitted under Clause 10 in accordance with the requirements of the Eighth Schedule and provide feedback on compliance to agreed performance standards, by 25th of the following calendar month;
- (b) providing the Sub-Operator with monthly comparative benchmarking data from other Branches with the overall objective of encouraging contestability among Sub-Operators;
- (c) any other form of monitoring and evaluation implied by other clauses of this Contract and provide feedback to the Sub-Operator within two weeks of completion thereof.

8.7.2 The Operator may plan and initiate performance improvement programmes, of a service Area-wide nature, in close consultation with the Sub-Operator and the Sub-Operator shall be obliged to cooperate.

9. INTERVENTION IN OPERATIONS

9.1 In accordance with the sections 5 and 8, the Operator shall not interfere with BUT may intervene in the day to day operations of the Sub-Operator or may issue any instructions to the Sub-Operator with the strategic objective of achieving the Kampala Water performance standards and meeting obligations under the IDAMC and such intervention or instructions shall not be deemed undue interference

10. RECORD KEEPING, ACCOUNTING AND REPORTING

10.1 The Sub-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 Corporation and shall prepare and submit regular reports to the Operator in accordance with the Eighth Schedule of this Contract, or such other manner and format as may be required by the Operator.

- 10.2 The Sub-Operator shall ensure Branch data safety on the Custima shared database and shall adequately provide for daily data back-ups as advised by the Operator.
- 10.4 All records are confidential to the Sub-Operator and the Operator, or any person authorised by or representing the Operator, except that any customer or former customer of the Sub-Operator may apply to the Sub-Operator for a copy of all records held by the Sub-Operator concerning that customer, in such a form as may be prescribed by the Operator, and the Sub-Operator shall provide such customer or former customer with a copy of the relevant records, at the Operator expense in accordance with Clause 5.3.
- 10.5 The Operator shall organise period (monthly/quarterly) performance review meetings. The Sub-Operator, upon notice given by the Operator, is obliged to appear in such meetings convened by Operator to discuss the affairs of the Area. The Operator may, with reasonable prior notice, and in connection with the services under this Contract, request the Sub-Operator to make such presentations, reports, demonstrations or take such actions in these meetings as the Operator may deem necessary. The Operator shall meet the costs of these meetings.
- 10.9 Failure of the Sub-Operator to comply with the provisions of this Clause may result in withholding a portion of the Incentive Fee in accordance with Clause 7.3.

11. INSPECTION AND AUDIT

- 11.1 The Sub-Operator shall allow the Operator, or any person authorised by or representing the Operator, access at any time to:
- (a) inspect, audit or conduct a survey, make copies of any records or documents, or any other aspect related to the Services for purposes of ascertaining whether the Sub-Operator is complying with this Contract and the obligations under it.
 - (b) inspect any land owned or occupied by the Corporation;
 - (c) inspect any Corporation's assets under the Sub-Operator's custody and any other assets renewed, acquired or constructed by the Operator in accordance with the terms of this Contract, or any other assets used by the Sub-Operator in the provisions of the Services;
 - (d) make any tests, take any measurements or take any samples;
 - (e) take any photographs or make any plans or drawings; and
 - (f) ascertain that good management practices are being observed.
- 11.2 The Operator, or any person authorised by or representing the Operator, shall audit the Sub-Operator's records, documents, operations, systems, assets, financial, commercial and technical information, the contract records or any other aspect of the system, including without limitation invoices, receipts, and analogous supporting data and pertinent information and data set out or implied by the provisions of the Contract, at any reasonable time and without notice to the Sub-Operator.

- 11.3 The Sub-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.
- 11.4 In the event that the inspection and audit under this clause establishes that there is unacceptable misuse of assets and resources, the responsible Sub-Operators staff shall be subjected to the disciplinary measures, terms and conditions as laid out in the Kampala Water IDAMC.

12. SUB-CONTRACTS AND ASSIGNMENT

- 12.1 In discharging the duties and obligations under the Contract, the Sub-Operator may sub-contract any part of such duties to an independent party with the written approval of the Operator and in accordance with the Procurement Guidelines set out in the Fourth Schedule. The Sub-Operator shall provide the Operator with such information about the proposed sub-contractors as the Operator may require and shall execute a contract approved by the Operator.
- 12.2 The Sub-Operator shall remain liable under the Contract for the discharge of any duties and obligations sub-contracted under Clause 12.1.
- 12.3 The Sub-Operator shall not assign the Contract or any part thereof, or any benefit or interest therein or there-under to any other person.

13. INDEMNITY

- 13.1 Provided that the Sub-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 Sub-Operator's provision of the Service or otherwise in the course of performing the duties set forth in this Contract. The Operator shall on behalf of the Corporation, indemnify the Sub-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.

14. TERMINATION

- 14.1 This Contract shall terminate at the expiration of the period and in the manner specified under Clause 3.2 unless it is renewed as specified in that Clause.
- 14.2 Notwithstanding Clause 14.1, this Contract may be terminated by either party when the other party commits a fundamental breach of the contract, as specified in Clauses 14.3 and 14.4.
- 14.3 In accordance with Sub-clause 14.2 the Operator may terminate this contract:
- (a) by thirty (30) days' prior notice given to the Sub-Operator, upon failure of the Sub-Operator to maintain assets, keep good housekeeping conditions or uphold the corporate image as specified under Clause 5.2.5;

- (b) by ten (10) days' prior notice given to the Sub-Operator, upon failure of the Sub-Operator to deposit revenue collected as specified under Clause 5.3.5;
- (c) by thirty (30) days' prior notice given to the Sub-Operator, upon failure of the Sub-Operator, for three consecutive months and despite the provisions of Clause 5.4.7, to achieve any of the minimum performance targets specified in the Second Schedule of this Contract for water sold, billing, collections, Suppressed accounts and domestic arrears.
- (d) by thirty (30) days' prior notice given to the Sub-Operator, upon failure by the Sub-Operator to comply with the requirements of a written notice from the Operator concerning issues in respect to any of the provisions of this Contract.
- (e) by thirty (30) days' prior notice given to the Sub-Operator, upon failure of the Sub-Operator:
 - (i) for three consecutive months, to achieve a monthly collection target of Ushs/= (..... shillings only), evaluated monthly starting from the Commencement Date.
 - (ii) to achieve the monthly targets for any two (2) of the other performance indicators for six consecutive months as specified in the Table of the Second Schedule.

14.4 In accordance with Clause 14.2 the Sub-Operator may terminate this contract:

- (a) by thirty (30) days' prior notice given to the Operator, upon failure of the Operator to pay the incentive fee due to the Sub-Operator under Clause 7.2.4;
- (b) by thirty (30) days' prior notice given to the Operator, upon failure of the Operator to comply with its obligation not to interfere with operations under Clause 9.1.
- (c) by thirty (30) days' prior notice given to the Operator, upon failure of the Operator, for three consecutive months and despite the provisions of Clause 5.4.7, to provide logistics and Support services under Clause 8.4 and delivering reliable and sufficient quantities of water to the network in accordance with Clause 8.3

14.5 Notwithstanding Clauses 14.1 and 14.2, the Operator may, by a notice given to the Sub-Operator of not less than three months, terminate the contract for purposes of implementing other performance improvement programmes or reform initiatives that may arise as a result of re-structuring of the Corporation's roles and responsibilities.

14.6 Notwithstanding Clauses 14.1, 14.2 and 14.5, this Performance Contract shall automatically terminate if the Kampala Water IDAMC is terminated.

- 14.7 Any termination under this Clause shall, notwithstanding, be deemed to be effective on the last day of the month in which the termination is intended or should occur.
- 14.8 Upon termination of the contract:
- (a) the provision of the Service shall revert to the Operator ;
 - (b) the Sub-Operator and seconded staff in the Branch shall revert to the Operator and shall be subject to the Operator's terms and conditions of service then prevailing;
 - (c) the Sub-Operator shall transfer back to the Operator all the assets of the Corporation whether transferred to the Sub-Operator at the commencement of the contract or subsequently acquired, including all un-deposited collections, any unused advances and any other assets whatsoever or wherever rightly belonging to the Corporation; and
 - (d) the Sub-Operator shall deliver to the Operator all data, information, documentation and accounts of any kind whatsoever prepared by the Sub-Operator in performance of the Services together with a detailed inventory of them.
- 14.9 The Operator shall, within thirty (30) days, pay to the Sub-Operator all verified outstanding amounts of incentive fee due to the Sub-Operator under Clause 7.2. No compensation, however defined, shall be payable to the Sub-Operator.

15. RESOLUTION OF DISPUTES

- 15.1 The Operator and the Sub-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 thirty days of emergence of the dispute.
- 15.2 Upon expiry of the period in Clause 15.1 and failure of the two parties to resolve a dispute as provided therein, the aggrieved party shall refer the matter to the NWSC Authorized Representative of the IDAMC within fourteen (14) days. The NWSC Authorized Representative shall subsequently hear both parties, reach a decision on the matter and notify the parties within fourteen (14) days. A decision of the NWSC Authorized Representative on a matter brought to it under this Clause shall be final and binding on the parties.

16. MISCELLANEOUS PROVISIONS

16.1 Waiver

- 16.1.1 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.
- 16.1.2 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.

16.2 Notices

16.2.1 Any notice, instruction, direction, request or permission to be given or made under this Contract shall (unless otherwise provided by this Contract) be in writing and shall be sufficiently served if delivered by hand or sent by registered mail or facsimile to the respective Parties at the addresses set out in the Preamble to this Contract:

- (a) For and on behalf of the Operator by the General Manager, or any person authorised by and acting on behalf of the General Manager with prior notice to the Sub-Operator.
- (b) For and on behalf of the Sub-Operator by the Branch Manager, or any person authorised by and acting on behalf of the Branch Manager with prior notice to the Operator.

16.3 Authorised Representatives

16.3.1 The Authorised Representative of the Operator shall be:

Eng. Harrison Mutikanga
 General Manager
 Plot 18/20 6th Street Industrial Area
 P.O.Box 70255
 Kampala, Uganda

16.3.2 The official designate of the Operator Representative shall be:

Mr. Willy Nuwamanya
 Customer Service & Billing Manager
 Plot 18/20 6th Street Industrial Area
 P.O.Box 70255
 Kampala, Uganda

16.3.3 The Authorised Representative of the Sub-Operator shall be:

.....
 Branch Manager
Plot Street
 P.O.Box 70255
 Kampala, Uganda

16.3.4 The official designate of the Sub-Operator's Representative shall be:

.....
 Branch Senior Commercial Officer
Plot Street
 P.O.Box 70255
 Kampala, Uganda

16.4 Amendment or Variation

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

16.5 Limitation of Contract

16.6.1 This Contract is intended to act as a partnership between the Operator and the Sub-Operator in respect of driving performance in Branches. Fairness will therefore prevail during the entire contract management.

IN WITNESS WHEREOF the Operator and the Sub-Operator hereby cause their Signatures to be hereunto affixed on this Day of, 2006. The contract is deemed to have commenced onDay of2006, the year of our Lord.

The Sub-Operator

- 1. Signed by

BRANCH.....MANAGER On behalf of Branch
- 2. Witnessed by:

SENIOR COMMERCIAL OFFICER On behalf of Branch
- 3. Witnessed by:
Peter Werikhe On behalf of the Staff
SECRETARY UPEU-NWSC

The Operator

- 1. Signed by:
Eng. Harrison Mutikanga On behalf of the Operator
GENERAL MANAGER-
KAMPALA WATER
- 2. Witnessed by:
Willy Nuwamanya On behalf of the Operator
CUSTOMER SERVICE & BILLING MANAGER

Endorsement

- 1. Endorsed by:
Laro Wod Ofwono **CHAIRMAN UPEU**
- 2. Endorsed by:
Dr. Eng. Silver Mugisha **NWSC Authorised Representative**
- 3. Endorsed by:
Dr. William Tsimwa Muhairwe **MANAGING DIRECTOR-NWSC**
- 4. Endorsed by:
Eng. Yorokamu Katwiremu **CHAIRMAN, TECHNICAL**
COMMITTEE OF THE BOARD
- 5. Endorsed by:
Mr. B. Ganyana Miiro **CHAIRMAN, NWSC BOARD**

FIRST SCHEDULE
AREA OF AUTHORITY

SECOND SCHEDULE
PERFORMANCE STANDARDS

2.1 Minimum Performance Standards

The Table 2.1 sets out the Minimum Performance Standards to be achieved by the Sub-Operator. The table also includes weighting factors for each performance indicator. The weighting fraction of the achieved Minimum Performance Standard **may** be used in determining the correction factor due to Minimum Standards to be applied in computing the monthly Incentive Fee for the Sub-Operator in accordance with the Seventh Schedule.

The Minimum Performance Standards (Targets in Table 2.1 without “**”) are derived from monthly average for the six months period Nov 2005 – April 2006.

** “Start” are cumulative Minimum Performance Standards as of April 2006 and ** ”End” are cumulative Performance Standards to be achieved at the end of the Contract Year i.e. June 2007. The monthly minimum targets will be taken as a linear interpolation between “Start” and the “End” of year Performance Standards

The Minimum Performance Standards have been established based on the water supply and sewerage tariffs being applied by the Corporation during the FY2005/06. In the event that these tariffs are increased the Minimum Performance Standards for Billings and Collections may be adjusted on a pro-rata basis.

Table 2.1 MINIMUM PERFORMANCE STANDARDS FOR YEAR 1

CATEGORY A: WATER BALANCE INDICATORS

Snr	Ref	Notes	Indicator	Unit	Minimum Standard - Yr1	Weight Factor
1	B	1	Water sold	m ³	.....	12

CATEGORY B: OPERATIONAL INDICATORS

Snr	Ref	Notes	Indicator	Unit	Minimum Standard – Yr1	Weight Factor
2		3	Percentage of metered active connections	%	.....%	2
3	P	3	Metering Efficiency (= Number of Metered Accounts/Total Number of Accounts)	%	.....%	2
4		3	Percentage of reported Pipe leaks/bursts repaired	%	.....	3
5	S	3	Average response time to leaks/bursts	hrs	.....	4

CATEGORY C: LEVELS OF SERVICE INDICATORS

Snr	Ref	Notes	Indicator	Unit	Minimum Standard – Yr1	Weight Factor
6	Q	2	New Water Connections	Nr	.....	6
7	J	2	Active water connections**	Nr	Start: End:	8
8	K	2	Inactive Water Connections**	Nr	Start: End:	10
9		3	Percentage of customer complaints responded to or resolved	%	.....%	7
10		3	Average response time to complaints of technical nature	hrs	.....	4
11		3	Average response time to complaints of commercial nature	hrs	.....	4

CATEGORY D: FINANCIAL INDICATORS

Snr	Ref	Notes	Indicator	Unit	Minimum Standard – Yr1	Weight Factor
12	D	2	Total Billing (net of VAT), (Ushs 000')	Ushs	.....	10
13	G	2	Total Collections (net of VAT), (Ushs 000')	Ushs	.....	18
14		2	Domestic Arrears (Ushs 000')	Ushs	Start: End:	10

2.2 Performance Targets for Year 1

The Table 2.2 sets out the Performance Targets to be achieved by the Sub-Operator by the end of the BPC. The table also identifies the key Performance Standards which shall be used in determining the Incentive Fee in accordance with the Seventh Schedule.

The BPC Performance Targets have been established based on the water supply and sewerage tariffs being applied by the Corporation during the FY2006/07. In the event that these tariffs are increased the Performance Targets for Billings and Collections may be adjusted on a pro-rata basis.

Table 2.2 PERFORMANCE TARGETS FOR YEAR 1

S#	Ref	Notes	Performance Standard	Annual Target Performance Standards for the BPC i.e. July'06 to June'07
1.	B	6+4+10	Annual Vol of water billed (m3)	.....
2.	D	8+4+6+10	Annual total billings (Ushs 000') - excl. VAT	.....
3.	D-1	8+10	Annual total billings (Ushs 000') - incl. VAT	.....
4.	G	8+4+10+6	Annual total collections (Ushs 000') - excl. VAT	.....
5.	G-1	8+10	Annual total collections (Ushs 000') - incl. VAT	.....

S#	Ref	Notes	Performance Standard	Annual Target Performance Standards for the BPC i.e. July'06 to June'07
6.	J	7+9	No. of active connections - water supply - by end of Year	.....
7.	K	6+7+9	No. of inactive connections - by end of Year	.....
8.	L	7+9	Total number of connections - by end of Year	.....
9.	M	7+4+9	Connection efficiency (%) - by end of Year= $J/L\%$%
10.	N	7+9	No. of metered connections - by end of Year	.....
11.	O	7+9	No. of un-metered connections - by end of Year	.....
12.	P	7+9	Metering efficiency (%) - by end of Year= $N/L\%$%
13.	Q	10	Annual No. of new connections	.....
14.	R	9	Ave response time to customer complaints (hrs) – commercial nature - by end of Year	.....
15.	S	9	Ave Response time to leaks & bursts (hrs) - by end of Year	.....
16.		9	Domestic Arrears – by Year End	

Notes:

1. To be calculated based on the meter readings for the preceding month.
2. To be calculated based on the actual numbers on the last day of the preceding month.
3. To be calculated for the preceding month.
4. Criteria to be used to calculate the Incentive Fee as provided under the Seventh Schedule.
5. To be recorded by the Sub-Operator at any point in the water distribution network in accordance with the Water Safety Plan for Kampala.
6. To be calculated based on the cumulative monthly water sales for the entire Contract Year.
7. To be calculated based on the actual numbers on the last day of the month ending the contract year.
8. To be calculated for the entire contract year.
9. Monthly target to be derived by making a linear interpolation from the respective Minimum Performance Standard (Table 2.1) to the Annual Target which is also the target for the last month of the contract year.
10. Monthly target is taken as the arithmetic average of the Annual Target.

Key Assumptions:

1. Billing and Collection Targets do not include future tariff indexation.
2. Collection targets include arrears.
3. Bad debts to be written off expeditiously.

THIRD SCHEDULE
GOVERNMENT MoU
ON
PAYMENT OF GoU BILLS

Telegram.....
Fax: 230891
Telex: 61274
E-mail: mwle@infocom.co.ug
Telephone: General: 342931/3
Hon. Minister of State (Water): direct 259420
Hon. Minister of State (Lands): Direct 231020
Hon. Minister of State (Environment): Direct 349265
Permanent Secretary: 230879
Director Water Development: 221632
Director Lands and Environment: 341875
Under Secretary: 236359



THE REPUBLIC OF UGANDA

MINISTRY OF WATER, LANDS
AND ENVIRONMENT
P.O.BOX 7096
KAMPALA, UGANDA.
16th April, 2003

ADM/71/02

In any correspondence on
this subject please quote No.

To: All Permanent Secretaries,

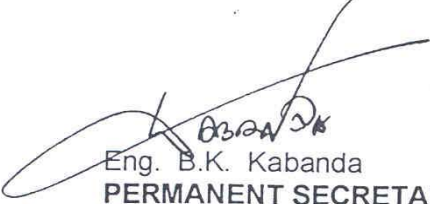
RE: BUDGETING & PAYMENT FOR WATER BILLS FOR FY 2003/2004.

Please refer to the letter from the Managing Director – National Water & Sewerage Corporation Ref: CMCCS/33 dated 28th March 2003 outlining water consumption estimates for all Ministries for the FY 2003/2004, sent to you for guidance in the budgeting process for the FY 2003/2004.

Government is keen to arrest accumulation of domestic arrears and as such requires that every Ministry makes adequate provisions for water bills in the budget proposals for FY 2003/2004. Government has further committed itself to pay all outstanding and verified arrears for water bills and to make pre-payment releases as provided for in your budgets within the 1st week of every month as per the Memorandum of Understanding (MoU) herewith attached.

In accordance with this agreement, please ensure that you make adequate provisions in your budget proposals as estimated by National Water & Sewerage Corporation. Government has made it clear that it will honor its obligation and will no longer accommodate arrears for future water consumption from any ministry. I request therefore, that you take note of the obligations of Ministries as outlined in the attached MoU and ensure total compliance.

Thank you for your cooperation.


Eng. B.K. Kabanda
PERMANENT SECRETARY.

- c.c. PS/ST, Ministry of Finance, Planning & Economic Development
- " Director of Budget, Ministry of Finance, Planning & Economic Development
- " Head of Public Service and Secretary to Cabinet
- " Director - Reform Utility
- " Managing Director - NWSC

MEMORANDUM OF UNDERSTANDING

Between

GOVERNMENT OF THE REPUBLIC OF UGANDA

And

NATIONAL WATER AND SEWERAGE CORPORATION

On

PAYMENT OF ARREARS AND CURRENT BILLS FOR WATER AND SEWERAGE SERVICES

Dated this 10th Day of April 2003

REPUBLIC OF UGANDA

MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENT OF UGANDA AND NATIONAL WATER AND SEWERAGE CORPORATION ON PAYMENT OF ARREARS AND CURRENT BILLS FOR WATER AND SEWERAGE SERVICES

This memorandum of understanding is made this 10th day of April 2003 between **Government of Uganda** represented by the Ministry of Finance Planning and Economic Development, P. O Box 8147, Kampala and **National Water and Sewerage Corporation** of P. O Box 7053, Kampala - Uganda.

WHEREAS the GoU is desirous of ensuring sustainable delivery of water supply and sewerage services to urban areas served by NWSC, the perpetual accumulation of arrears by GoU Ministries/units present a threat to both the smooth operations and financial viability of NWSC, and **WHEREAS** the GoU has put in place mechanisms for cash budgeting for utility payments, the current arrangements have been unable to stop accumulation of arrears by GoU Ministries/units the two parties hereby agree on the following to resolve the issue of the current arrears and take steps to prevent accumulation of future arrears as follows:

1.0 VERIFIED ARREARS AS AT 30TH JUNE 2002

- Government recognizes that it owes NWSC U.Shs 5.732bn, which represents verified arrears for the Fys: 1999/00 – 2001/02 as per Annexure I.
- The two parties hereby agree as follows:

1.1 Obligations of Government:-

- i) Government will settle the above arrears in two (2) equal instalments by March 2004, the first of which will be made by December 2003.

1.2 Obligations of NWSC

- i) NWSC will collect all released arrears from line ministries/units and evidence of which will be presented to MoFPED within one month of release.

2.0 CURRENT BILLS FOR FY 2002 - 2003

- NWSC recognizes and acknowledges the efforts by MoFPED to promptly make monthly releases to line ministries/units totalling to Ushs3.829bn as of February 2003, against a total billing of Ushs4.686bn as per Annexure I.
- NWSC recognizes that Line Ministries/units have paid Ushs3.412bn out of a total release of Ushs3.829bn up to February 2003. A total of U.Shs.417mill. is yet to be paid to NWSC as per Annexure I.
- Projected billing for the FY 2002/2003 is estimated at Ushs7.111bn against the approved projected release of Ushs6.003bn (* includes ministries/units with budgets which are more than billings) as per Annexure II
- Current under-budgeting up to February 2003 amounts to Ushs1.117bn (Annexure I) and is projected to increase to Ushs1.558bn by June 2003 (* excludes ministries/units with budgets which are more than billing) as per Annexure II.
- The two parties hereby agree as follows:

2.1 Obligations of Government:-

- i) MoFPED agrees to verify and settle within the FY 2003/2004 the verified arrears for FY 2002/2003.

2.2 Obligations of NWSC for the FY2002/2003

- i) NWSC with the assistance of the PS MoWLE, will meet with all defaulting ministries/units to reconcile accounts and agree on payment schedules out of the outstanding released funds amounting to Ushs417m.
- ii) NWSC will collect the outstanding released amounts of Ushs417m from line ministries/units, evidence of which will be presented to MoFPED within one month of signing this MoU.

3.0 WAY FORWARD FOR FUTURE BILLS

- The two parties recognize the need to prevent future accumulation of arrears by taking necessary measures to keep consumption within budget.
- Both parties recognize the desire to institute a pre-paid metering mechanism as a means of arresting accumulation of arrears which could take any of the two forms:
 - Prepaid Metering mechanism
 - Advance payments
- In search for pre-paid meters, NWSC advertised and received expressions of interest from various suppliers, the analysis showed that there is yet no appropriate pre-paid metering technology for large water consumers such as Government ministries/units. NWSC however continues to search for appropriate pre-paid metering technology.
- The two parties therefore agree as follows:

3.1 Obligations of NWSC 2003/2004

- i) NWSC will provide comprehensive data to all line ministries/units **and** MoFPED as a basis for adequate budgetary provision within their annual ceilings to avoid instances of arrears accumulation (Annexure III).
- ii) NWSC will ensure that all line ministries and government departments have received and acknowledged monthly invoices and the actual monthly bills, copy of which will be given to MoFPED. The monthly invoices will be based on earlier months consumption or 1/12th of budget whichever is the lower.
- iii) NWSC will furnish MoFPED and the Auditor General with monthly and quarterly status of actual bills, releases and payments by line ministries/units .
- iv) NWSC will continue to investigate possibilities of successfully implementing pre-paid metering as a mechanism for pre-payment by line ministries/units.
- v) NWSC shall take remedial measures for non-compliances.

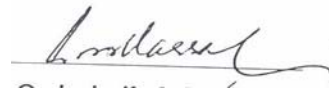
3.2 Obligations of Government

- i) MoFPED hereby agrees to make adequate budgetary provisions as allocated by line ministries/units within which to confine their consumption to avoid accumulation of arrears.

- ii) MoFPED hereby agrees to make monthly releases, by the first week every month, in monthly instalments to line ministries/units against NWSC invoices or a twelfth of their budgetary provisions, whichever is the lower.
- iii) The line ministries/units shall deposit on their accounts with NWSC the monthly release by the 15th day of every month. In case of over provision on the water item, reallocation will only be possible when certified by NWSC in writing.

Now therefore the two parties hereby sign this memorandum of understanding as a mechanism to forestall further accumulation of GoU arrears on the date and year first above written.

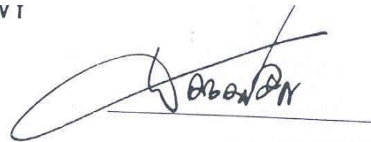
Signed by : C.M Kassami
Permanent Secretary / Secretary to Treasury
Ministry of Finance, Planning & Econ Dev't



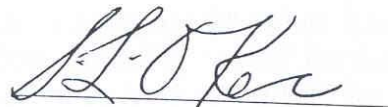
On behalf of GoU

Witnessed by: Eng. B.K. Kabanda
Permanent Secretary,
Ministry of Water, lands & Environment

V T

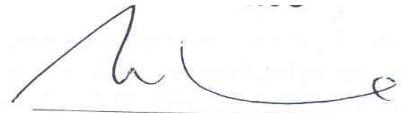


Signed by: S. L. Okec
Chairman of Board of Directors
NWSC



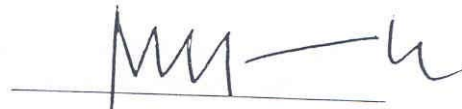
On behalf of NWSC

Signed by: Dr. William T. Muhairwe
MANAGING DIRECTOR
NWSC



On behalf of NWSC

Witnessed by: David Mpango Kakuba
CORPORATION SECRETARY
NWSC.



FOURTH SCHEDULE
APPROVED SUB-OPERATOR'S
GUIDELINES
FOR
PROCUREMENT
AND
DISBURSEMENT OF FUNDS

1.0 INTRODUCTION

- 1.1 These guidelines are for purposes of regulating the Procurement function under the Kampala Water (KW) – Branch Performance Contracts (BPC).
- 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. Where there is a conflict the Law, Regulations and PPDPA Guidelines take precedence over NWSC guidelines, Policies and Procedures.

2.0 KAMPALA WATER - BRANCHS PROCUREMENT MANDATE

2.1 Delegated function

The General Manager - KW on behalf of the Managing Director Managing Director - NWSC may delegate to the Sub-Operator functions of the Kampala Water Contracts Committee and Procurement and Disposal Unit as shall be specified from time to time.

2.2 Procurement Threshold for Kampala Water:

The Branch Manager on recommendation of the Branch Procurement Committee, subject to documentation approval by the KW Procurement Section, subject to the approved Sub-Operator's Business Plan, on the recommendation of KW Contracts Committee (KWCC) and upon clearance from the General Manager - KW, may award contracts for Procurement of goods, services and works up to the value threshold of:

Requirement	Category I
- Goods	Shs.5 million
- Services	Shs.5 million
- Works	Shs.5 million

2.3 Procurements of higher values

For values higher than Shs.5 million, the Sub-Operator, subject to the approved Sub-Operator's Business Plan, raise purchase requisitions and comprehensive specifications and description of the scope of works, goods and/or services to be provided. Kampala Water shall then source quotations, evaluate bids, follow up the necessary approvals and ensure that the corresponding contracts are signed or Local Purchase Orders are signed as the case may be. Upon formal commitment the Sub-Operator may be requested to manage the execution of the resulting contracts.

- N.B:**
- Procurements in excess of Shs.15.0 million require NWSC Contracts Committee approval.
 - Procurements in excess of Shs.18.0 million require NWSC Board approval.
 - Procurements in excess Shs.50.0 million require Solicitor Generals' approval of the solicitation document, evaluation reports and draft contract.

3.0 DELEGATED FUNCTIONS

3.1 The **General Manager – KW on behalf of the Managing Director - NWSC** may delegate the functions below to the Branch Manager or any other staff in Branch:

- i) Certifying availability of funds prior to initiation of any procurement.
- ii) Committing funds prior to issuing Purchase Order/Contract.
- iii) Ensuring implementation of contracts in accordance with Contract conditions.
- iv) Approval of micro-procurement not exceeding Ushs.2, 000,000/= without waiting for KWCC meeting.
- v) Ensuring timely submission of Branch Procurement Reports to KW – Procurement Section.
- vi) The above-delegated functions cannot be assigned to a member of the Sub-Operator's Procurement Committee or Administrative Assistant.

3.2 Sub-Operator's Procurement Committee (SPC)

- i) Review documentation and approve all micro-procurements.
- ii) Members of SPC to sign a code of ethics specified in the PP Form 211 in the Regulations.
- iii) The KWCC may delegate some of its functions in accordance with the Procurement Regulations.

3.3 Sub-Operator's Procurement Unit (SPU)

- i) Liaise with KW – Procurement Section and KWCC in organizing Contract Committee meetings.
- ii) Manage evaluation process for micro procurements.
- iii) Issue of Solicitation documents for micro procurements.
- iv) Make recommendations for award of contract.
- v) Prepare Sub-Operator's procurement reports.
- vi) Keep proper records of all procurements carried out in the Branch.

4.0 SUB-OPERATOR'S PROCUREMENT COMMITTEE (SPC) AND PROCUREMENT UNIT (SPU)

4.1 Composition of SPC

- i) Minimum 3, maximum 5.
- ii) Branch Manager and Stores Assistants (Accounts Assistant) not to be members of SPC.
- iii) Staff of the SPU (Administrative Assistant) not to be members of SPC.
- iv) Branch Manager to recommend to KW Contracts Committee names of SPC members for approval – **(probably Senior Commercial Officer, Branch Engineer, Technical Supervisor and Commercial Assistant)**.
- v) Quorum – 3 members.
- vi) The prime signatory to the Purchase Order/Contract shall not be a member of KWCC.
- vii) Should include a lawyer if possible.

4.2 Composition of SPU

- 4.2.1 Minimum 1 – **(probably Administrative Assistant)**.
- 4.2.2 A member of SPC shall not be in the SPU.
- 4.2.3 The Branch Manager shall not be a member of SPU.
- 4.2.4 A Storekeeper or Stores Assistant (Accounts Assistant) shall not be a member of the SPU.

5.0 PROCUREMENT METHODS

The Sub-Operator will mainly use the micro procurement method in accordance with Procurement Regulations and delegated authority. Procurement methods for thresholds exceeding those of micro procurements will be the responsibility of the Operator although the Sub-Operator may initiate such procurements and undertake to manage the execution of the resulting contracts or commitments. Salient issues regarding micro procurements are highlighted below:

5.1 Micro Procurement

- i) Micro procurements are for estimated values not exceeding Shs.2.0 million for goods, works and services.
- ii) At least one quotation from registered and eligible supplier or contractor is sufficient.
- iii) Transactions carried out under micro-procurement are to be ratified by the KWCC.
- iv) Monthly micro-procurement reports are to be submitted by the Branch Manager to KW Procurement section by the 3rd of every month.
- v) Bidding and advertisement period is not applicable.
- vi) Public notice before award not applicable.
- vii) A formal signed Purchase Order may not be necessary under micro-procurement where cash payment transactions are involved.
- viii) 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.
- ix) The Branch Manager has been delegated authority to procure goods or works or services under micro procurement method up to UGX 2m/=.

5 Request for Quotations/Proposals (RFQ/P)

For procurements with estimated values ranging between UGX 2m/= and UGX 5m/= the Sub-Operator shall follow the following guidelines:

- i) Quotations are used for works and supplies (goods) while Proposals are used for services.
- ii) For estimated value for the goods, works or services not exceeding Ushs.30.0 million.
- iii) At least 3 or more suppliers shall be invited to give quotations using standard bidding documents from PPDPA.
- iv) Where 3 bids are not obtained, the Evaluation Committee shall decide whether or not to proceed with the process.
- v) Approvals for award of contracts to be obtained from the relevant authorities as specified in paragraph 2.0.
- vi) Minimum bidding period five days, advertisement period not applicable.
- vii) Solicitation documents to be issued using PP from 30 or 31.
- viii) Bids to be received by the SPU staff in person and issue a receipt to the Bidder or through a bid box using PP Form 34.
- ix) Bid closing to be witnessed/signed by a member of SPU and SPC.
- x) Verbal, fax or electronic quotations not allowed.
- xi) Requests for KW - Contracts Committee approval is to be sought using the standard forms in the PPDPA Regulations.

5.3 Direct Procurement (Single Sourcing or Mono-quotation)

Direct procurement method for values above Shs.2.0 million is to be approved by KWCC in accordance with the PPDPA Regulations for values within the delegated KWCC threshold.

6.0 PROCUREMENT PROCESS

6.1 Purchase Requisition (PR)

- 6.1.1 All purchases shall be initiated after confirmation of budget provisions by Finance Manager or person with delegated authority.
- 6.1.2 Purchases to be initiated using Form PP20.
- 6.1.3 PR to contain detailed specifications (not brand names).

6.2 Procurement Reference Number

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

6.3 Procurement Planning

- 6.3.1 Branch Managers should prepare work plans for procurements in line with the approved business plans.
- 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 Total procurement cycle time (lead-time) for procurement under various procurement methods to be considered.

7.0 CONTRACT MANAGEMENT

- 7.1 Assigned Sub-Operator to manage its contract once a Purchase Order/Contract is issued.
- 7.2 User Sub-Operator to nominate a contract manager from it or other department.
- 7.3 A nominated contract manager should prepare a contract implementation plan using PP Form 60.
- 7.4 KWCC to monitor contract performance.
- 7.5 Contract variations to be issued only with the approval of the KWCC and other relevant authorities where applicable.
- 7.6 Contract amendments to be issued only with approval of the KWCC and other relevant authorities where applicable.
- 7.7 Termination of contract to be done with the approval of the KWCC and other relevant authorities where applicable.

8.0 REPORTS

- 8.1 The Sub-Operator shall prepare procurement reports in accordance with guidelines set out in the Eighth Schedule of this Contract.
- 8.3 **Minutes of SPC Meetings**
Minutes of every SPC meeting should be forwarded to KW – Procurement Manager within 1 week after date of each meeting.

9.0 CODE OF ETHICS

All members of SPC, SPU and others involved in procurement function are to sign a code of ethical conduct provided in Procurement Law and Regulations PPDP. A.

10.0 STANDARD DOCUMENTS

- i) SPC should use the standard documents contained in the PPDP. A Regulations 2003.
- ii) No amendments to the standard documents are to be made without the approval of the PPDP. A.

11.0 PENALTIES FOR NON-COMPLIANCE TO THE PPDP. A LAW

- i) No action shall lie against a member of staff for any act or omission done in good faith.
- ii) Offences include: failure or refusal to give reports and required information, connivance and collusion to commit a fraud or corrupt act.
- iii) Penalties include:
 - a. Withdrawal of delegated authority by HQRS.
 - b. On conviction, a fine of Shs.5.0 million or imprisonment for 3 years or both to a person who commits the offence.

12.0 INTERPRETATION/GUIDANCE ON THE PROCUREMENT LAW/REGULATIONS

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

- General Manager, Kampala Water
- Procurement Manager, Kampala Water
- Senior Legal Officer, Kampala Water

13.0 SUPPLEMENTARY GUIDELINES

These supplementary guidelines are meant to give the Sub-Operator further clarification on the operational procedures to be followed in executing the procurement function.

- (i) Sub-Operator's Section Heads shall raise the Purchase Requisitions (PRs)
- (ii) The PRs shall be approved by the Branch Managers.
- (iii) The Sub-Operator shall requisition for funds (Imprest) and coordinate the procurement of the required items within the Branch.
- (iv) The sub-Operator shall provide weekly accountability for the procurements made. This shall include receipts annotated with the name & signature of the Accounts Assistant.
- (v) The Sub-Operator shall be required to submit accountability for funds released to them before requisitioning for more funds. The ceiling for micro-procurements excluding trenching & back filling, shall be Shs. 2,000,000/= per transaction.
- (vi) The cash imprest of Shs. 2,000,000/= is replenish able at any time in whole or in part once duly accounted for.
- (vii) Sub-Operators shall be allowed to make commitments on behalf of KW for amounts not exceeding Shs. 5,000,000/= provided that such commitments are due to activities in the approved Biz Plan, Procurement Guidelines are duly followed and the General Manager's Clearance obtained.

- (viii) Deadlines for feed back on clearance of documents and award approvals and payments – within 10 days from effective submission, 30 days payments

14.0 SPECIFICITY OF PROCUREMENTS ASSIGNED TO SUB-OPERATOR

For purposes of better specificity, it shall be the responsibility of the Sub-Operator to procure the works, goods and/or services with respect to items listed below:

- i) Repairs to office premises & electrical fittings
- ii) Welfare items e.g. sugar, milk, tea leaves
- iii) Cutlery items
- iv) Cleaning materials
- v) Newspapers
- vi) Light field tools; *Sub-Operator to use pre-qualified suppliers furnished by the Operator*
- vii) Ordinary stationery
- viii) Office painting and/or refurbishment
- ix) Office partitioning
- x) Maintenance of mobile plant; *Sub-Operators to be provided with a list of pre-qualified garages. KW - Transport Section to prepare guidelines. Threshold – repairs individually exceeding UGS 500,000/= and occurring more than once in two weeks - (e.g. overhauls) to be handled by the Operator.*
- xi) Emergency transport requirements – hiring of vehicles
- xii) Sanctioning servicing of equipment e.g. computers; *Running service contracts to be procured by Operator,*
- xiii) Servicing to be sanctioned by Sub-Operators
- xiv) Office furnishing & equipment; *Threshold – UGS 500,000/=, beyond this refer to Operator*
- xv) Airtime for fixed lines & mobile phones; *Monthly threshold – UGS 500,000/=.*
- xvi) Trenching & back filling for new connections
- xvii) Emergency procurement of Pipe fittings; *Branch Managers may procure pipe fittings directly for network maintenance or new connections, in cases where the Operator's stores cannot provide these materials upon request.*

FIFTH SCHEDULE
TERMS OF SECONDMENT
OF
STAFF TO THE SUB-OPERATOR

1. Staff selected by the Sub -Operator shall be transferred from the Operator with effect from 2005.
2. From the time of secondment by the Operator the seconded staff shall 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 a salary not less than what they were earning prior to the Commencement Date of the Branch Performance Contract.
5. At the expiry of the Contract with the Sub-Operator the staff will be returned to the Operator.
6. In case of special or normal retirement during or at the end of the Contract with the Sub - Operator, the period served with the Sub-Operator shall be included in the computation of terminal benefits.
7. Any employee whose service is not required by the Sub-Operator shall be returned to the Operator and the Sub-Operator may request for a replacement in accordance with Clause 6 of this contract.
8. Staff wishing to go for full time training of more than 30 days which is out side the approved training plan of the operator will be returned to the Operator and thereafter will be subjected to the Operator's terms and conditions of service regarding training.
9. In cases where a seconded staff has to take leave exceeding 30 days, such staff shall be returned to the Operator and a suitable replacement duly effected.
10. An employee who attains the mandatory retirement age of 55 years shall be paid retirement benefits by the Corporation, but may continue to serve the Sub-Operator until the expiry of his/her contract with the Operator.
11. The Operator shall be responsible for payment of contract gratuity for all seconded staff on contract in accordance with the provisions of the Kampala Water IDAMC.

SIXTH SCHEDULE
SUB-OPERATOR'S MoU

The Republic of Uganda

Memorandum of Understanding between the Team Leader and Key Staff on Service Provision and Achievement of Targets under the Performance Contract in Branch....

THIS Memorandum of understanding is made and entered into this day of 2006, by and between the Branch Manager, who shall be categorised and referred to in this agreement as **The Team Leader**”, and the following staff of the sub -operator who shall be referred to as **Key staff** and hereinafter collectively referred to as the **Team**.

Team Leader:

1. Title: Branch Manager

Key staff:

2. Title:

3. Title:

4. Title:

5. Title:

E.T.C

WHEREAS All the team has decided to carry on business in the name of **KAMPALA WATER**, abbreviated as **KW**, with effect from Day of 2006 at their office located at

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

1. The business of the team shall be carried out in designated premises provided by the operator.
2. The business of the team shall be deemed to have commenced from**day of 2006** and it shall be continued until **day of 2008**.
3. The transactions of the team shall be solely aimed at *providing water supply and sewerage services in Kampala Water Supply Service Area as a sub -operator of Kampala Water an Agent of the National Water and Sewerage Corporation – Head Office as provided for under the Internally Delegated Area Management Contract.*
4. It is hereby understood that the key -staff will be appointed by the team leader with the approval of the Operator. And they shall hold their positions by virtue of their employment.
5. A key-Staff will cease to be a member of this Team upon that Key-Staff ceasing to hold one of the designations eligible for this Team and shall subsequently be subject to the relevant Staff Terms and Conditions of Service and Regulations of the Operator.
6. Where a Key-Staff, by virtue of ceasing to hold a designation eligible for this Team, leaves the Team, that member shall be replaced in the Team by the individual who

assumes the vacant eligible designation. The new Key-Staff shall have the same rights and obligations in the Team as the departing Key-Staff had in the Team and the Team shall continue in force as if no change of member had occurred.

7. In the event that an individual ceases to be a member of the Team in the middle of the month, the earnings due to the departing member up to the date of departure shall be ascertained and paid to that departing member or an authorised agent of the member.
8. The team leader shall be the accounting authority of this team.
9. The team leader undertakes to work diligently in the best interest of Kampala Water and with the confidence of all the other team members in order to achieve the Objective of the Operator.
10. The team **may** operate bank accounts or other accounts in their name provided it doesn't conflict with the interests of the Corporation. Such an account or accounts will be opened subject to the Operator's clearance and the Operator shall not unreasonably withhold the clearance.
11. The team leader may pledge credit on behalf of the team on the strength of the credit-worthiness of the team or the operator if the same is required for the purpose of the business of the operator and is in accordance with the provisions of this Contract.
12. The team shall in good faith develop the business of the operator and shall be just and honest in transactions relating to the business of the Operator and shall not engage in any business where there is a conflict of interest with the Operator's business. The team shall at all times give to the Operator just and faithful account of the same without any concealment and shall also upon request furnish to the operator all information sought in relation to the business.
13. The earnings of the Team shall be distributed in full and shall be shared as follows:
 - a) Where the earnings are in respect of the Monthly Incentive Fee under the provisions of the Branch Performance Contract, the Team shall pay% of these earnings to the employees (seconded staff) in a manner laid out in the BPC Business Plan and Human Resource Plan submitted under the Branch Performance Contract. The remaining% of the earning in respect of the Monthly Incentive Fee shall be shared by the Team in the following ratio:
 - i. Team Leader..... %
 - ii. Key Staff%
14. Liabilities of the Team:
 - a) Each individual member of the team shall be responsible and liable for his/her personal debts and liabilities which shall be discharged by him/her personally and he/she shall keep the other members of the team and the Operator indemnified to that respect.
 - b) Each member of the team shall indemnify the team as well as the Operator for loss caused to the Operator or team as the case may be by his/her fraud or breach of authority in the conduct of the business of the Operator.
 - c) All members of the team will jointly and severally be responsible for any action jointly taken in the interest of the Operator's business

11. Meetings of team:

The team shall hold at least one meeting per week and a copy of the resolutions at that meeting will be sent to the Operator within seven working days of holding such meeting.

Notwithstanding the above, management meetings at departmental or sectional level, will continue as before.

12 During the continuation of the business or at any time thereafter, any dispute or difference relating to the business which may arise between the team, and cannot be resolved by the team leader, shall be referred to the Operator for adjudication. A decision of the Operator shall be final and binding on the team.

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

Key staff:

1. Title: _____ Name: _____ Signature: _____

2. Title: _____ Name: _____ Signature: _____

3. Title: _____ Name: _____ Signature: _____

Team Leader:

1. Title: _____ Name: _____ Signature: _____

SEVENTH SCHEDULE
COMPUTATION OF INCENTIVE FEE

7.0 INCENTIVE FEE

The Sub-Operator shall be entitled to an Incentive Fee Payment every month subject to the Sub-Operator's performance during the previous month. The Incentive Fee (IF) Payable to the Sub-Operator for a given month shall be computed on the following basis:

$$IF = X\% * [COM_a - COM_m] * [0.4WS_{pa} + 0.1B_{pa} + 0.2SA_{pa} + 0.3DA_{pa}] * (P/N)$$

The formula is applicable only if: $COM_A > COM_M$

Where:

- IF** = The Incentive Fee payable to the Sub-Operator for a given month
- X%** = The agreed %age of the improvement in Cash Operating Margin (COM) to be retained by the Sub-Operator as an incentive to improve the margin.
- COM_M** = Minimum **Cash Operating Margin** and is to be computed as the difference between the Minimum monthly revenue collections standard and the agreed/approved Branch specific monthly operating expenses.
- COM_A** = The actual **Cash Operating Margin** and is to be computed as the difference between the actual monthly revenue collections and the actual Branch specific monthly operating expenses for a given month.
The agreed/approved Branch specific monthly operating expenses (B-OPEX) are highlighted in Table 7.1.
- WS_{pa}** = Percentage incremental achievement in the improvement of **Volume of Water Sold (WS)** and this shall be used as a surrogate indicator for steps towards reducing **Unaccounted for water or Non-Revenue Water**.
- B_{pa}** = Percentage incremental achievement in the improvement of **Billing (improvement in Revenue)**.
- SA_{pa}** = Percentage incremental achievement in the reduction of **Suppressed Accounts**
- DA_{pa}** = Percentage incremental achievement in the reduction of **Domestic Arrears**
- P** = The weighted number of Minimum Performance Standards, as set out in the Second Schedule) that have been achieved for the given month
- N** = 100 = The total weighted number of Minimum Performance Standards to be achieved

NOTES:

- The Incentive Fee (IF) shall be paid to the Sub-Operator on a prorated and weighted basis once the Sub-Operator exceeds the minimum performance standards (MPS).
- The IF computation shall be prorated between the MPS and the desired target Performance Standards (TPS) at the end of the Contract duration or the end of the respective months as the case may be.
- The desired TPS and MPS are those set out in the Second Schedule of this Contract.
- The IF shall be reviewed on a quarterly basis.
- The Quarterly review of the IF shall provide for the principles of Earning Back or Positive Performance Credits within the Quarter and the Year in case of the last Quarter of the ZPC. The Sub-Operator shall therefore be entitled to an Incentive Fee compensation at the end of a given Quarter.

- f) The IF shall be based on only five parent performance targets/indicators and these include: (i) the Billing (B), (ii) the Water Sales (WS), (iii) the Suppressed Accounts (SA), (iv) the Domestic Arrears (DA) and (v) Cash Operating margin (COM).
- g) 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 targets and also achieved all the minimum standards.
- h) The maximum IF payable for a given month shall be capped at UGX/=.
- i) The computation of the IF is based on the sum of the weighted percentage incremental achievement of the parent targets as in the above highlighted formula.
- j) The percentage incremental achievement (PIA) for any given indicator for any month shall be capped at 1.0 and shall be computed as follows:

$$PIA = [(I_a - I_m)/(I_t - I_m)] * 100$$
Where:
 I_m = the minimum performance standard for a given indicator
 I_t = the desired target performance standard for a given indicator for the month or quarter in question
 I_a = the actual achieved performance level for a given indicator for the month in question.

- k) Cash Operating Margin shall be defined as :

Revenue receipts – Operating expenses (as out Table 7.1 below)

Where, for this purpose;

Revenue receipts shall be exclusive of VAT.

Table 7.1: Operating Expenditure Classification for the Zone Performance Contracts

Account No.	Account Description	Cost Allocation
Employee Related Costs*		
4101	Basic Salary	KW - Centre
4103	Work Bonus	KW – Centre
4105	Shift Allowance	KW – Centre
4107	Attendance/Performance Bonus	KW – Centre
4108	Car & Cycle Allowance	KW – Centre
4109	Housing Allowance-Employees	KW – Centre
4112	SSF	KW – Centre
4113	Health/Medical Expenses	KW – Centre
4114	Leave Transport	KW – Centre
4115	Funeral Expenses	KW – Centre
4117	Gratuities	KW – Centre
4119	Lunch & Transport Allowance	KW – Centre
4122	Responsibility Allowance	KW – Centre
4124	Water Allowance	KW – Centre
4125	Telephone Allowance	KW – Centre
4126	Electricity Allowance	KW - Centre
Premises		
4201	Repair and Maintenance (premises)	Branch Specific
4202	Fixtures & Fittings	Branch Specific
4203	Water	Branch Specific
4204	Electricity	Branch Specific
4205	Telephone	Branch Specific
4206	Cleaning Materials	Branch Specific
4207	Property Insurance	KW – Centre
4208	Ground Rent & Rates	KW – Centre
4209	Office Rent	KW - Centre

Account No.	Account Description	Cost Allocation
Static Plant & Pipe Networks		
4301	Fuel & Lubricants (static)	Branch Specific
4302	Media (sand)	<i>KW – Centre</i>
4303	Repairs & Maintenance (static)	<i>KW – Centre</i>
4304	Electricity	<i>KW – Centre</i>
4305	Insurance	<i>KW - Centre</i>
Transport & Mobile Plant		
4401	Fuel & Lubricants (mobile)	Branch Specific
4402	Motor Vehicle Insurance	<i>KW – Centre</i>
4403	Repairs & Maintenance (mobile)	Branch Specific
4405	Licences, Road Toll & Taxes	<i>KW - Centre</i>
Supplies & Services		
4501	Chemicals	<i>KW – Centre</i>
4502	Tools & Light Plant	Branch Specific
4503	Repairs to Equipment	Branch Specific
4504	Uniforms & Protective Clothing	<i>KW - Centre</i>
4506	Printing, Stationery & Publications	Branch Specific
4507	Fax & Courier Services	Branch Specific
4508	Office Supplies	Branch Specific
Administrative Expenses		
4602	Meeting expenses	Branch Specific
4603	Travelling expenses (local)	Branch Specific
4604	Entertainment	Branch Specific
4605	Publicity	<i>KW - Centre</i>
4615	Subsistence –Lunch/Transport	Branch Specific
4618	Security Guard Expenses	<i>KW - Centre</i>
Financing Costs		
4714	Bank charges	<i>KW - Centre</i>

EIGHTH SCHEDULE
LIST OF REQUIRED REPORTS

A) Monthly Reports

The Sub-Operator shall prepare and submit to the Operator within 7 days after the end of each month a monthly report which summarises the activities of the Sub-Operator in format acceptable to the Operator and highlighting the following areas:

i) Technical - Network O&M

- Repair of leaks and bursts – by: Nos, pipe material, dimension & location
- Materials used for repairs
- Average response times
- Supply interruptions
- Leak Search & detection
- Buried/faulty fixtures/controls identified

ii) Technical - Metering

- Meter servicing – on site,
- Meter repairs and testing – referred to Workshop
- Meters installed
- Meters replaced

iii) Technical - Water Quality

- Residual Chlorine
- Turbidity
- Colour
- Status of sampling points

iv) Technical - Sewerage

- No of applications received and forwarded to the Centre
- No of connections made (by the Centre)
- Blockages reported
- Blockages cleared
- Average response time(s)
- Sewer Extensions made – length, location, pipe dimension & material

v) Technical - Capital Works

- Network extensions made
- Network Intensifications made
- Network rationalisation initiated
- Network rationalisation outstanding
- Network replacements made
- Refurbishment of premises

vi) Customer Service & Billing - New Connections

- No of applications forms issued
- No of applications received
- No of applications approved
- No of applications connected
- Separation of accounts
- Un-updated new connection by month end
- Materials received for New Connections
- Materials used for New Connections
- New connections made on new extensions

vii) Customer Service & Billing – Meter Reading

- Meters read

- Meters not read (buried, gate locked, defective meters, A/Cs not updated, wrong reference, meter reversals etc)
 - Anomalies (defective meters, meter reversals, meter bypasses, meters tempered with, stolen meters etc)
- viii) Customer Service & Billing - Billing**
- Water sales – m3 (by category)
 - Amount billed (by category) – Ushs
 - Estimated Bills – by m3 & Ushs
 - Bill Adjustments•
- ix) Customer Service & Billing – Connection Status**
- Active Water Connections
 - Inactive Water Connections
 - Total Water Connections
 - Metered connections
 - Un-metered connections
 - Metered Active connections
- x) Customer Service & Billing - Revenue Collection**
- Collections from Bills
 - Collections from New connection Fee
 - Collections from materials & pipe-works of New connections beyond 50m
 - Ordinary rechargeable works (networks considered internal to the customer's premises)
 - Miscellaneous collections (fines, reconnection fees)
 - Arrears list – by category
 - Arrears Payment Agreements
 - Bad debts – proposed for write-off, written-off, outstanding write-offs
 - Debt Collectors – No. of a/cs and amount submitted to DC, Amount collected by DC, performance of DC, any request(s) for services of DCs made to the Centre
 - Disconnections/Reconnections
- xi) Customer Service & Billing - Customer Care**
- Complaints received (commercial & Technical)
 - Complaints resolved (commercial & Technical)
 - Complaints pending (commercial & Technical)
 - Response time (commercial & Technical)
 - Strategic Alliance Meetings
- xii) Customer Service & Billing – Illegal Use Reduction**
- No of suspected illegal cases reported
 - No of suspected illegal cases investigated and confirmed
 - No. & amount of fines raised
 - No. & amount of fines collected
- xiii) Procurement**
- Summary of contracts signed
 - Summary of contracts completed
 - Summary of (micro) procurements made
 - Procurements initiated and forwarded to the Centre
- xiv) Human Resources**
- Staffing levels – Contract/Permanent staff, Trainees, Casuals
 - Disciplinary cases

- Medical – MTOs issued
- No of staff on leave
- Staff returned, replacements

xv) (Mini) Stores Management

- Stores status report (receipts, issuance, and closing balance)

xvi) Finance & Accounts

- Accountability of Cash Imprest
- Accountability for New Connection Trench Excavations
- Scala data input summaries
- Accountability for Petty cash (receipts & payments)
- Creditors' invoices cleared by the Branch & forwarded to the Centre for Payment

xvii) Transport

- Fleet status report (No. of vehicles & motor cycles, fuel consumption, condition, downtime, repairs & servicing, accidents)

xviii) Security

- No. of Guards
- Incidences reported and handled
- Incidences reported but pending

xix) Status of Business Plan Implementation

- Completed Biz Plan activities
- Ongoing Biz Plan Activities
- Delayed Biz Plan Activities
- Constraints requiring redress
- Any proposals for rescheduling
- Tracking on commitments at the Branch

B) Stand Alone Event-Driven Reports

At any time during the Contract period but with reasonable notice given to the Sub-Operator, the Operator may request the Sub-Operator to prepare and submit stand-alone report(s) regarding any event related to the provision of Services provided that the preparation and submission of such reports does not adversely affect the Sub-Operator's capacity to meet its obligations under the Contract.

NINTH SCHEDULE
SUB-OPERATOR’S BUSINESS PLAN

TENTH SCHEDULE
SUPPORT SERVICES

Without limiting the generality of the Services to be provided by the Operator as provided for in Clause 8 of this Contract, the Operator shall provide the following Support and Advisory Services in accordance with Sub-Clause 8.4.1(b):

a) Water Network Operations, Expansions and Improvements

- i) Network Rationalisation & pipe replacements
- ii) Planned Preventive Maintenance
- iii) O&M of Boosters and Reservoirs
- iv) Network Extensions/ Intensifications; The Sub-Operator will initiate and supervise pipe-works on Sub-mains up to 2" and 2 km. The Operator will be responsible for procurement and contract execution for all other pipe lengths and sizes .
- v) Resolving Dry Zones & Supply interruptions; The Sub-Operator shall be responsible in case immediate (72 hrs) solutions are feasible. The Operator shall be responsible in case the problem requires network planning and rationalisation (but still this must be initiated by the Sub-Operator).
- vi) Repair of Leaks and Bursts; The Sub-Operator shall be responsible for all pipe network dimensions BUT excluding Transmission and Trunk mains. The Operator shall backstop the Sub-Operator regarding repair of leaks and bursts upon request from the Sub-Operator.

b) Sewerage Services

- i) Sewage Blockages (Clearance and Patrol); The Sub-Operator shall be responsible for patrolling and monitoring the sewer network in the Branch to ensure timely identification of sewage blockages and spillages and prompt notification to the Operator in case the Operator's support is required in clearing the blockages and spillages. The Operator shall ensure timely response to clearing the blockages and spillages whenever requested by the Sub-Operator.
- ii) Renewals and replacements of sewer mains.
- iii) Extensions to the sewer network.
- iv) Planned Preventive Maintenance (PPM) to the Sewer Network including but not limited to regular and discretionary jetting of trouble-some spots.
- v) Operation and maintenance (O&M) of Sewage Booster stations and sewer rising mains.

c) Meter Servicing

- i) Operator shall be responsible for repairs and/or testing or calibrating consumer meters in the Meter Workshop located at 6th Street. On the other hand, the Sub-Operator shall be responsible for on-site servicing consumer meters at the customers' premises.
- ii) Operator shall be responsible for monitoring, servicing and reading selected Large meters that fall under Branch 7 (Large Meters Section). The Sub-Operator is encouraged to take interest in the monitoring, servicing and reading activities of Operator regarding the large meters that fall under its Branch and bring to the attention of the General Manager any dissatisfaction with the Operator's vigilance in monitoring and reading the said large meters.

d) GIS

- i) Updating of digital maps
- ii) Surveying of new extensions
- iii) Map production for new areas
- iv) Plotting of Network Overview maps

- v) On the other hand the Sub-Operator will be responsible for: Surveying for new connections; Printing of Block Maps for field operations and investigations; and Investigating and Updating accounts as well as production of survey sheets.

e) Transport & Fleet Management

- i) Procuring and contracting services providers for Fuels and Lubricants.
ii) Major Repairs and Maintenance of fleet (refer to procurement guidelines for thresholds)
iii) Licensing / Insurance
iv) On the other hand the Sub-Operator shall be responsible for day-to-day fleet management including, but not limited to:
- Movement Scheduling
 - Maintaining Logbooks
 - Parking
 - Ensuring License Validity/ Insurance, OTV etc.
 - Issuing of fuel & lubricants
 - Minor & emergency repairs
 - Hire of transport in case of need

f) Finance and Accounts

- i) SCALA Payroll
ii) Statutory Deductions and recovery of Staff Loans
iii) Processing and effecting all payments to creditors excluding those drawn from the Branches' Operational Bank account
iv) Prompt transfer of funds to the Branch
v) On the other hand the Sub-Operator shall be responsible for payments regarding commitments under Imprest, including New connection casuals and contractors; as well as responsible for certifying & initiating payments for works supervised/executed by the Sup-Operator on behalf of Operator e.g. mains extensions

g) Procurement

- i) Pipes for mains extensions, intensification and network O&M.
ii) Pipe fittings and accessories. However, emergencies shall be handled by the Sub-operator.
iii) Water flow meters
iv) Contractors for Mains extension (up to DN 50 & 2 km); Procurements are to be initiated & contractors are to be supervised by the Sub-operator
v) Contractors for Mains extension (more than DN 50) – procurement and supervision
vi) Accountable stationery
vii) Procuring service providers of fuel and lubricants; Issuance of fuel to be handled by Sub-Operators.
viii) Publicity; However, the Sub-operators will initiate.
ix) Office accommodation; Sub-operators to identify & initiate
x) Hire of security services including cash-in-transit

h) Stores

- i) Procure & maintain adequate stock levels for transfers to Branches at all times but excluding items purchased under the Sub-Operator's Imprest

- ii) Monitor stock levels in the Branches
- iii) Give guidance to Sub-Operator in setting up the record and control systems at the mini-stores.
- iv) On the other hand the Sub-Operator shall be responsible for maintaining a mini-store, requisitioning for transfers, carrying out direct purchases, issuing supplies and materials for office use and field operations as well as maintaining and updating stock cards and reconciling between receipts, issues and balances at the mini-stores.

i) Human Resource Management

- i) Recruit staff as per Sub-Operator's identified staffing needs.
- ii) Handle disciplinary cases referred to it by the Sub-Operator.
- iii) Prepare and implement a training programme that incorporates the training needs assessment carried out by the Sub-Operator.
- iv) Guide the Sub-Operator on the implementation of NWSC Human Resource Policies and any amendments or additions thereto.
- v) Furnish the Sub-Operator with a list of authorised medical service providers. Process and effect payment of medical bills. Handles special medical cases.
- vi) Provision of uniform and protective wear.
- vii) Promptly pay leave allowances.
- viii) Safely keep and adequately maintain staff personal files and all other related records.
- ix) Promptly replace any of the Sub-Operator's staff in accordance with Clause 6.7 of this Contract.

j) Security

- i) Operator shall handle all general and major security issues, outside assets in Custody of Sub-Operator, including cash collections in transit.
- ii) On the other hand, the Sub-Operator shall be responsible for safeguarding office premises, equipment and assets in custody of the Branch.

k) Data Base Management

- i) Running the main billing process. This will involve setting the system to bill (make computations) all active accounts basing on data input by the Sub-Operator.
- ii) Administering the functionality of the billing system (Tuning the system parameters) to ensure that the billing system is functioning properly.
- iii) Administration of the billing system to ensure database integrity.
- iv) Ensuring daily backups of the database. This is to include safe custody of backup media and continuous update of the off-site server located at NWSC-Head-office.
- v) Generation of billing statistics. This is to include summaries by Branch and the overall position of Kampala Water.
- vi) Billing software trouble shooting and coordinating the software upgrades.
- vii) Training of CUSTIMA users and developing of users' manuals.
- viii) Monitoring the overall quality of the billing database information. This is to include providing back-up support to the Branch Billing Officers.
- ix) On the other hand the Sub-Operator shall be responsible for the following:
 - a. Creating accounts for new applicants
 - b. Posting meter readings, customers' payments, adjustments and transaction transfers
 - c. Amendments to customers' accounts and attributes
 - d. Updating general information regarding metering
 - e. Production and renewal of validation reports

- f. Printing and checking of invoices
- g. Re-billing
- h. Filing documents
- i. Effecting disconnections and reconnections in the system
- j. Production of ad-hoc reports e.g. disconnection lists, statements of accounts, etc

l) Information Technology

- i) Maintenance of LAN and WAN Systems
- ii) Installation and upgrade of Computer systems
- iii) Management of Contracts with IT Vendors and Service providers
- iv) Updating of support systems e.g. front end
- v) Support of different systems e.g. e-mail and billing system
- vi) Installation of Internet Services
- vii) Upgrade of the bandwidth (will cater for ;internet services and extra data transfer)
- viii) Security, backup and Disaster recovery process.
- ix) The Sub-Operator on the other hand will be responsible for maintaining the Customer Support /Helpdesk as well as sanctioning the routine servicing of computer equipment with the contracted Service Providers.

m) Customer Care

- i) The Operator shall be responsible for coordinating and harmonising publicity programmes upon request from and initiation by the Sub-Operator. Publicity programmes shall include but not be limited to: electronic media, print media, fliers, brochures, promotions and bazaars etc.
- ii) The Operator shall also promptly provide guidance and/or feedback to the Sub-Operator regarding all customer complaints referred to the Operator by the Sub-Operator.
- iii) In line with (ii) immediately above, the Sub-Operator shall be responsible for handling all customer complaints including but not limited to the following:
 - a. Reception of customers
 - b. Registration and timely and appropriate routing of customer complaints
 - c. Sensitizing customers about NWSC Services and the customers' obligations
 - d. Handling all complaints including those that require journal entries
 - e. Conducting strategic alliance meetings

n) Illegal Use Reduction

- i) Coordinate and maintain a central data base for illegal use cases
- ii) Follow up cases from the Branch that require legal actions
- iii) Carry out night investigations
- iv) Provide the Branch with technical and logistical assistance where necessary; including items such as pipe location and leak detection.
- v) On the other hand the Sub-Operator shall be responsible for the following activities, among others:
 - a. Field reporting of suspected illegal use cases
 - b. Investigating of suspected cases
 - c. Estimating fines upon confirmation
 - d. Collecting and following up fines including signing of agreements
 - e. Reconnections and disconnections (including uprooting)
 - f. Conducting pro-active illegal use investigations.