

NATIONAL WATER AND SEWERAGE CORPORATION

ANNUAL ACTIVITY REPORT JULY 2006 – JUNE 2007

JULY 2007

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NATIONAL WATER AND SEWERAGE CORPORATION

ANNUAL ACTIVITY REPORT FOR FINANCIAL YEAR 2006/2007

1.0 THE OBJECTS AND FUNCTIONS OF THE CORPORATION

The legal framework governing the operations of National Water and Sewerage Corporation is defined by the National Water and Sewerage Corporation Act requires that the Board shall from time to time prepare and submit to the Minister three year corporate plans that provide the strategic framework within which the Corporation operates.

1.1 MANDATE

The principal business of the Corporation as defined in the National Water and Sewerage Corporation Statute is to operate and provide water and sewerage services in areas entrusted to it under the Water Act 2000.

1.2 OPERATIONAL STATUS

The National Water and Sewerage Corporation currently operates in twenty two towns namely: Kampala, Jinja/Njeru, Entebbe, Tororo, Mbale, Masaka, Mbarara, Gulu, Lira, Fort Portal, Kasese, Kabale, Arua, Bushenyi/Ishaka, Soroti, Mukono, Malaba, Lugazi, Iganga, Mubende, Hoima and Masindi. Mukono water services is managed by Kampala Area; Malaba is under Tororo Area while, Lugazi is managed under Jinja Area. The town of Iganga is currently under going rehabilitation with funding from ADB. Effective July 1st 2006 NWSC took over the management of the three new towns Mubende, Hoima, and Masindi.

Table 1: Operation Status

| Areas Under NWSC as at June 2007 | | |
|----------------------------------|-----------------|---------|
| Kampala | Lira | Mubende |
| Entebbe | Soroti | Hoima |
| Jinja | Arua | Masindi |
| Mbale | Bushenyi/Ishaka | |
| Mbarara | Masaka | |
| Tororo | Kabale | |
| Fort Portal | Mukono | |
| Gulu | Malaba | |
| Kasese | Lugazi | |
| Iganga | | |

1.3 Goals for the period 2006-2009

The NWSC Corporate Plan for the three-year period July 2006 to June 2009 was developed at the beginning of this financial year 2005/2006. The following strategic goals were adopted for the period 2006-2009 by the Management team:

1. Reduce non-revenue water from 31.7% to not more than 28.7% of water produced.
2. Improve staff productivity and limit manpower levels to not more than 6 employees per 1,000 water connections and ensure staff costs as a ratio of operating costs is reduced from 45% to 39%.
3. Strengthen customer services in All Service Areas so as to ensure prompt and effective response to all customer needs and resolution of customer complaints to satisfaction of our customers.
4. Ensure 24-hour water supply per day in all NWSC Service Areas.
5. Ensure that potable water and sewerage effluent meet National Standards.
6. Increase Annual Revenue from Shs. 58 billion to Shs. 82 billion.
7. Ensure a Collection/Billing ratio (including arrears) of not less than 100%.
8. Ensure growth in net operating profit from Shs. 4 billion to 11 billion.
9. Reduce the debt age from 6 months to 4 months of billings.
10. Increase water service coverage from 70% to 75%.
11. Increase sewerage extensions by 60kms, and increase the number of sewerage connections by 2,500.
12. Increase service coverage to informal settlements and peri-urban areas
13. Undertake the refurbishment and rehabilitation of the water and sewerage systems in Gulu, Kasese, Arua and Bushenyi.
14. Ensure the completion of the on-going capital works in Kampala (Gaba III) and Entebbe.
15. Carry out internal reforms and restructuring aimed at achieving the enhanced mandate of the Corporation
16. Cluster towns to form viable blocks within the NWSC framework.

1.4 Targets for the Financial Year 2006/2007

Annual targets are developed by management as strategies to meet the long term corporate goals. Within the context of the strategic goals mentioned above, the key targets, which NWSC intended to achieve during the financial year 2006/2007, were specified as follows:

1. Limit overall non revenue water (NRW) to 32.0% (38.0% for Kampala and 18.3% for other Areas).
2. Ensure a Staff Productivity of not less than 8 staff per 1,000 connections.
3. Ensure that total staff costs as percentage of operating costs are limited to not more than 44%.
4. Enhance customer care in all areas and ensure effective response to customer complaints within 16 hours.
5. Increase water production from 160,081 cubic meters to 164,431 cubic meters per day.
6. Raise turnover from Shs.58 billion to Shs.68.0 billion
7. Increase average cash Collections (excluding arrears over one year) from US\$4.0 billion to Shs.5.0 billion per month
8. Increase the collection ratio from 90% to 93%
9. Achieve a Net Operating Profit of at least Shs. 8 billion
10. Achieve a Working Ratio (operating costs, exclusive of depreciation, to operating revenue) of 0.69.
11. Establish 120 public standposts in all areas and strengthen the existing water vending Management system for the urban poor.
12. Ensure that water and effluent quality conform to National Standards i.e. National Standards for Potable Water (1994), and National Standards for Effluent Discharge (1999).
13. Carry out mains extensions of 76.44 kms water and sewer extensions of 3.0 kms.
14. Install 23,560 new water connections in all areas, i.e. 9,460 in other areas, and 14,100 in Kampala Area.
15. Install 261 new sewer connections

16. Increase water service coverage from 70% to 71%; and sewerage coverage from 7% to 7.5%

2.0 ACHIEVEMENTS MADE IN FY 2006/2007.

During the year 2006/07, Management continued with the implementation of innovative strategies aimed at achieving the strategic goals and the annual targets set out in the NWSC Corporate Plan and the NWSC-GoU Performance Contract. The following specific strategies were employed in this regard:

2.1 Launch of the IDAMC Phase II

During the reporting period, the NWSC Management launched the second phase of the IDAMC's. The emphasis of the new contracts is to further increase operational autonomy, accompanied by the quest for innovation. Fundamental aims of the new contracts need to improve service reliability and the distribution of services within the various areas. One of the key changes in the contracts was the emphasis on performance based pay; an indication of risk transfer and accountability to the areas. Furthermore, penalties for failure to achieve targets and misreporting of performance were highlighted.

2.2 The Simplified Sewer Connection Policy

In order to bolster the number of new sewer connections, the NWSC Board approved the implementation of a new sewerage connection policy, which became effective from 1st July 2006. The following guidelines are to be followed in the implementation of the policy: i) all customers whose premises are within a distance of 60 meters from NWSC sewer mains are covered ii) the NWSC provides all materials for installation of sewer lines and iii) customers are required to pay for the connection fee only. The policy was aimed at improving the sewerage coverage, capacity utilisation of the sewerage treatment ponds/plants, and the promotion of environmental management through encouraging safe waste water disposal, among others.

2.3 Customer Care Improvements

During the year, Management continued with its emphasis on improving customer care and ensuring that services are delivered efficiently. For example, the Corporation continued to enhance the performance of the Customer Call Centres. The Corporation also continued to partner with various Commercial Banks in the promotion of the Direct Debit Payment System and Over-the Counter Bill Payments.

2.4 Reinforcing Performance Standards through the Checkers System

In line with the implementation and consolidation of the Internally Delegated Area Management Contracts (IDAMCs), management developed the “checkers system”. This program was meant to enhance the monitoring role of the Head Office and to improve efficiency in the operations of the Areas. During the year, the checkers system was devolved downwards to the Kampala Area. The checkers system has also undergone refinement in order to make it more effective. Guidelines for the monitoring process were reviewed, while the checking teams were reconstituted by putting in place multi-disciplinary teams to monitor area operations.

2.5 External Services Expansion

During the year, the Corporation continued with benchmarking and collaborating with other utilities within the region. Through the External Services Unit (ESU), our IT and Commercial Services were contracted by Nairobi City Water and Sewerage Company Ltd. The ESU also provided management /operational advisory service to Dar-es-Salaam Water and Sewerage Corporation (DAWASCO). During the same period, the Corporation signed several memoranda of understanding with water companies to undertake similar assignments in Ghana, Zambia, and Kenya. To emphasize its importance, the ESU was reconstituted into a full Division in the Corporate Structure and its roles enlarged to include institutional development.

DETAILS OF PERFORMANCE ACHIEVEMENTS

The detail of achievements for the year are outlined below:

2.1 Service coverage

Service coverage increased marginally from 70% to 71% by June 2007. In the past coverage has been increasing at a rate of 2%-3% per annum. However, the operational period from July 2006-June 2007 was faced with a number of problems which affected the water production. These included; the reducing water levels and increased power outage which dampened the growth rate of new connections, as there was insufficient water supply. This in turn affected the growth rate of coverage.

Table 2: Water Supply and Sewerage Coverage As at 30th June 2007

| Town | Total No. of Connections | Pipe Network (Kms) | Targeted Population | Population Served | % Served (Water) | % Served (Sewerage) |
|-----------------|--------------------------|--------------------|---------------------|-------------------|------------------|----------------------|
| Kampala | 106,522 | 1,162.50 | 1,402,981 | 999,892 | 71% | 5% |
| Jinja/Lugazi | 12,064 | 270.53 | 154,970 | 123,389 | 80% | 23% |
| Entebbe/Kajansi | 11,038 | 160.23 | 63,488 | 42,285 | 67% | 4% |
| Tororo | 3,383 | 88.80 | 49,688 | 27,266 | 55% | 7% |
| Mbale | 6,023 | 168.97 | 77,144 | 50,501 | 65% | 27% |
| Masaka | 4,847 | 147.36 | 65,835 | 49,418 | 75% | 8% |
| Mbarara | 7,292 | 125.20 | 82,532 | 69,657 | 84% | 5% |
| Lira | 4,268 | 135.77 | 132,060 | 94,669 | 72% | 2% |
| Gulu | 3,232 | 83.70 | 161,477 | 136,525 | 85% | 7% |
| F/Portal | 3,131 | 134.87 | 43,609 | 32,254 | 74% | 2% |
| Kasese | 2,837 | 66.25 | 75,443 | 67,941 | 90% | 0% |
| Kabale | 2,829 | 110.70 | 53,118 | 34,761 | 65% | 11% |
| Arua | 3,408 | 105.93 | 58,363 | 35,751 | 61% | 0% |
| Bushenyi/Ishaka | 1,399 | 64.43 | 26,837 | 11,835 | 44% | 0% |
| Soroti | 2,978 | 80.63 | 41,636 | 15,748 | 38% | 2% |
| Hoima | 1,990 | 110.20 | 9,053 | 4,372 | 48% | 0% |
| Masindi | 1,933 | 120.00 | 22,635 | 8,455 | 37% | 0% |
| Mubende | 1,523 | 70.00 | 19,457 | 6,987 | 36% | 0% |
| Total | 180,697 | 3,206.08 | 2,540,325 | 1,791,890 | 71% | 6% |

Notes: 1. Population figures are derived from the 2002 Uganda Population and Housing Census Main Report (Uganda Bureau of Statistics, 2005)

Population coverage is based on the assumption that the following number of persons are served per connection:

Domestic.....6 Persons/household/connection

Standpipe.....25 households (each 6 persons)

Institutions:

Small towns.....100 persons/Institution per connection

Medium towns.....500 persons/Institution

Large towns.....1,000 persons/Institution

2. Figures in the table exclude Lugazi (taken over in May 2005) and Iganga (yet to be taken over by the Corporation).

3. Figures for Kampala include the suburbs of Mukono, Kajansi and Nansana

2.2 Income

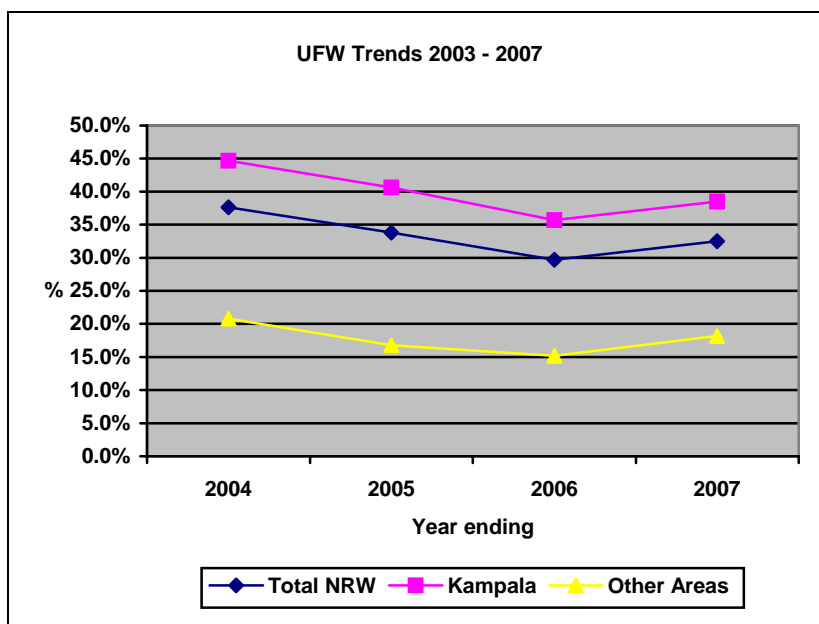
Billed income for the period July 2006 to June 2007 totalled Shs. 68,558 million or a monthly average of shs 5,713 million. This is slightly greater than the budgeted income of Shs 68,000 million.

2.3 Non-Revenue Water (NRW)

As at June 2007, the overall NRW was 32.5%, an increase compared to 29.7% at the end of the FY 2005/2006. In Kampala, the NRW averaged about 38.5% (target 36.6%) compared to 35.7% as at end of June 2006, while in the other areas, NRW was at an average of about 18.2% (target 16.6%) compared to 15.2% as at end of June 2006. The non revenue target was not achieved due the bulk metering of many outlets which established the fact that NRW was previously under estimated in some towns. As a result, re-assessed NRW levels were found to be higher in towns such as Mbarara, Masaka, Fort Portal, and Kampala. However, with the streamlining of the measurement framework, it is hoped that the monitoring of the NRW will now be systematic and that the NRW levels will be adequately contained.

Table 3: Non-Revenue Water Trends

| Year | 2003/04 | 2004/05 | 2005/2006 | 2006/2007 |
|--------------------|---------|---------|-----------|-----------|
| Total UfW | 37.6% | 33.8% | 29.7% | 32.5% |
| Kampala | 44.7% | 40.6% | 35.7% | 38.5% |
| Other Areas | 20.8% | 16.8% | 15.2% | 18.2% |

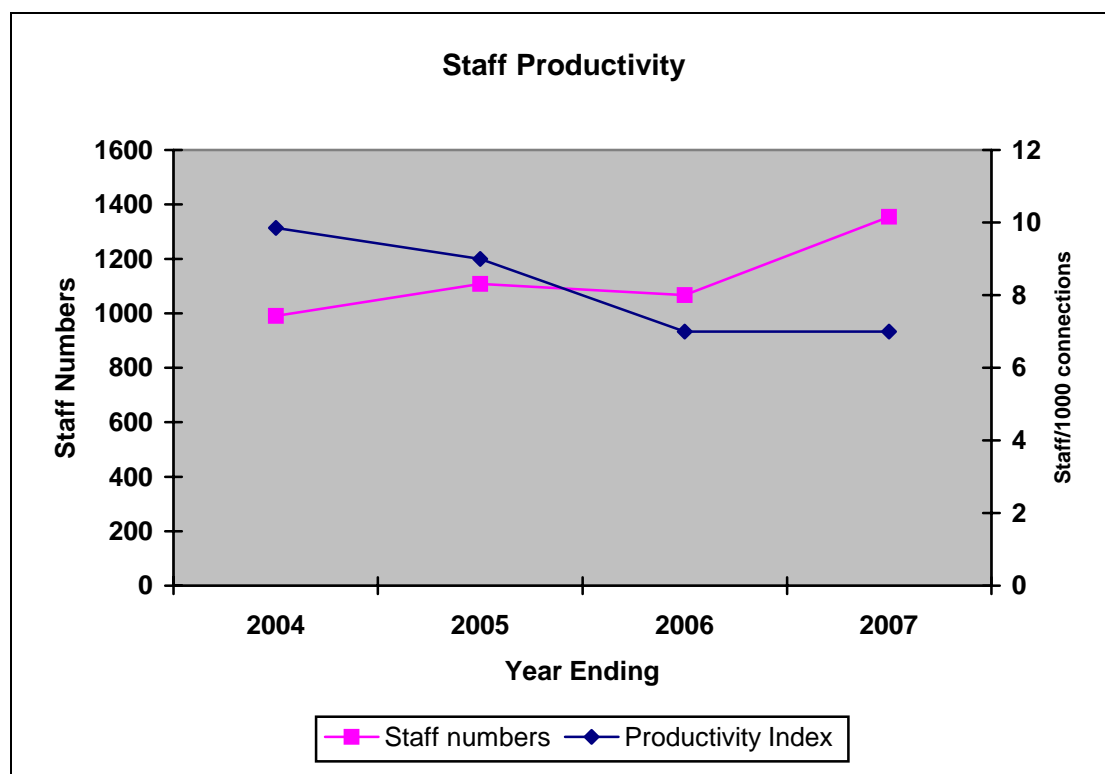


2.4 Staff Rationalisation

The Corporation had 1,067 employees as at June 2006. As at 30th June 2007, staff numbers were 1,338 (target 1,067) (See appendix 3). The staff increase in the year were mainly due to the expansion of NWSC's business activities which included the fast growth in the customer base. However, the Corporation was cognisant of the need to maintain and achieve the productivity co-efficient, which improved from 9 to 7 (target 8) staff per thousand connections.

Table 4: Staff Productivity Trends.

| Year | 2003/04 | 2004/05 | 2005/06 | 2006/07 |
|------------------------------------|---------|---------|---------|---------|
| Staff Numbers | 990 | 1,108 | 1,067 | 1,338 |
| Staff/000 water connections | 10 | 9 | 7 | 7 |



2.5 Collection Efficiency

Total cumulative collections as at June 2007, amounted to Shs 71,779 million (including Government Arrears + VAT) compared to billings of Shs.78,011million. The collection efficiency was an average of 92%. Average collections amounted to Shs.6.0 million per month compared to the target of Shs. 5.0 billion per month. This is an achievement of over 100% (see annex 8).

2.6 Installation of Kiosks/Public Stand posts

During the FY 2006/2007, it was planned that a total of 120 public standposts would be installed. Total numbers of kiosks installed as at the end of June 2007 were 122 (see Annex 4). This reflects a percentage achievement of 102%.

2.7 Extension of Water and Sewerage Mains

During the FY 2005/2006, a total of 76.44 kms of mains were planned. As at June 2007, a total of 96.3 kms of mains had been extended (see appendix 5). This translates into an achievement of 126%.

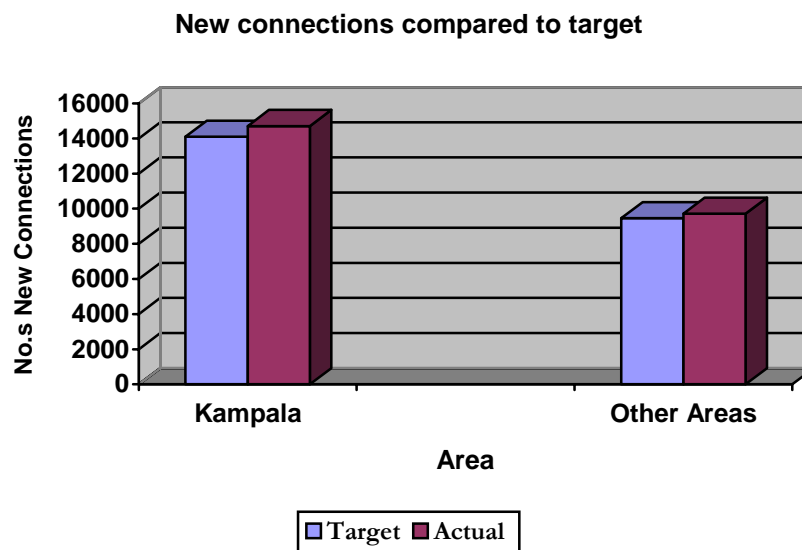
With regard to Sewer extensions, it was planned that a total of 3km of sewerage extensions would be carried out during the FY 2006/2007. As at June 2007, a total of 0.44 kms had been laid, which translates into an achievement of 15% (see appendix 5.b). On the other hand the number of sewer connections made were 333.

2.8 Water Subscribers/Connections

During the financial year 2006/2007, a total of 24,418 new connections were made. This reflects an achievement of 104% of the targeted 23,560. (See appendix 6).

Table 5: New Connections: 2006/2007

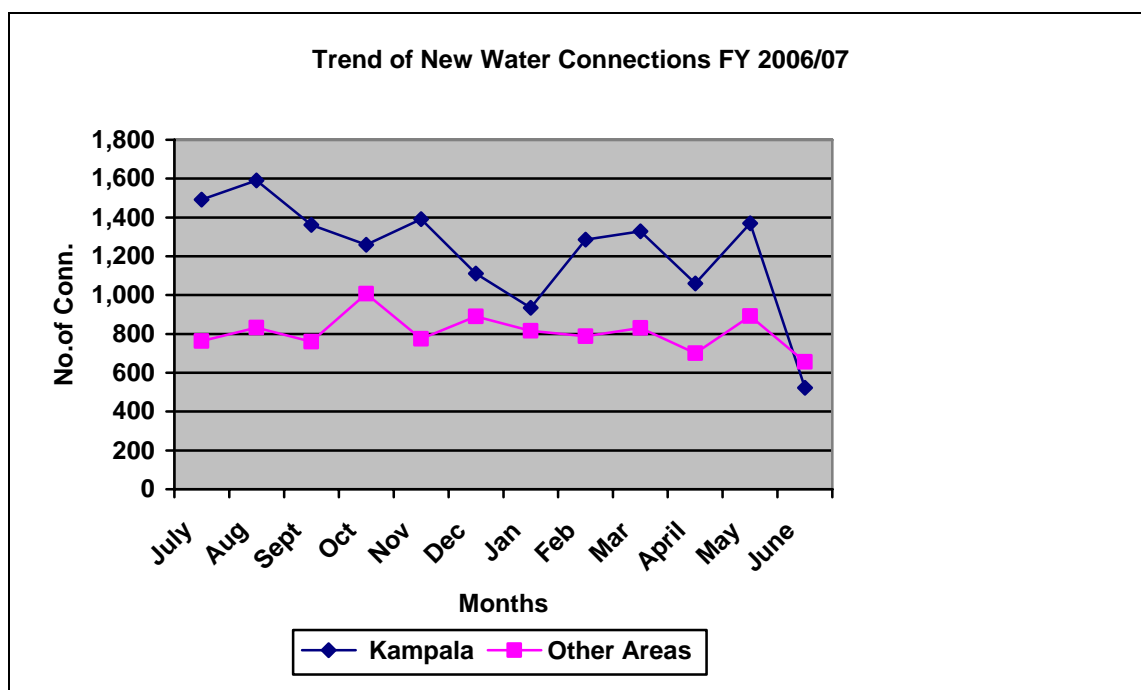
| Year | Target /Budgeted | Actual | % Achieved |
|-----------------|------------------|--------|------------|
| Kampala | 14,100 | 14,708 | 104% |
| Other Areas | 9,460 | 9,710 | 103% |
| New Connections | 23,560 | 24,418 | 104% |



This brings the total number of connections to 180,697 connections broken down in the customer categories as follows. The detailed connections on a monthly basis are shown below. The low growth in Kampala for the month of June was due to the delay in the delivery of water meters. However its envisaged that this drop will be compensated for during the month of July 2007.

Table 6: New Water Connections in NWSC NWSC Towns 2006/07

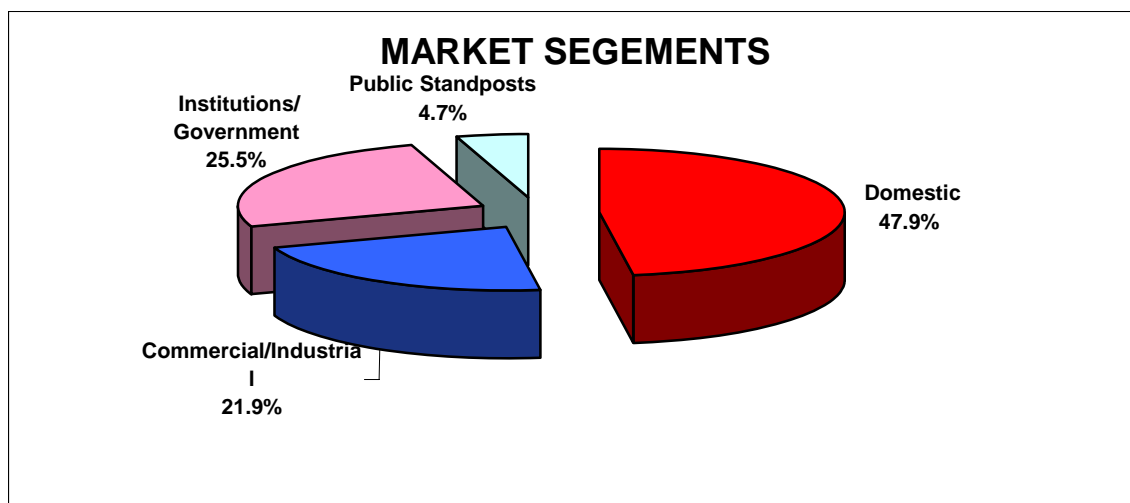
| Month | July | Aug | Sept | Oct | Nov | Dec | Jan | Feb | Mar | April | May | June |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Kampala | 1,492 | 1,591 | 1,361 | 1,260 | 1,391 | 1,111 | 935 | 1,285 | 1,329 | 1,060 | 1,370 | 523 |
| Other Areas | 764 | 833 | 760 | 1,007 | 775 | 890 | 816 | 788 | 830 | 700 | 891 | 656 |
| Total | 2,256 | 2,424 | 1,221 | 2,267 | 2,166 | 2,001 | 1,751 | 2,073 | 2,159 | 1,760 | 2,261 | 1,179 |



The market segments as at June 2007 are shown below. The domestic connections account for the highest percentage of the customer base 83% and commensurately the highest volume of water billed 48%. Of interest however is the fact that though the institutions and Government account for a low percentage of the customer base (3.4% and 10.6% respectively), they each account for about 30% of the total monetary income

Table 7: Water Market Segments 2007

| Consumer Category | No. of Connections | As % of Total Connections | Volume of Water billed (cubic meters) | As % of Total billed | Revenue Billings Shs.m | As % of Total Revenue |
|-------------------------|--------------------|---------------------------|---------------------------------------|----------------------|------------------------|-----------------------|
| Public standpipes | 5,782 | 3.2% | 1,919,886 | 4.7% | 1,440 | 2.1% |
| Domestic | 149,617 | 82.8% | 19,566,506 | 47.9% | 25,161 | 36.7% |
| Institution/ Government | 6,144 | 3.4% | 10,416,407 | 25.5% | 20,019 | 29.2% |
| Industrial/ Commercial | 19,154 | 10.6% | 8,945,856 | 21.9% | 21,939 | 32% |
| Total | 180,697 | 100% | 40,848,656 | 100% | 68,558 | 100% |



2.9 Sewerage Services

During the financial year 2006/07, a total of 333 sewer connections were installed. (see annex 6 b for details). The table below shows the trend of sewerage connections over the last 3 years.

Table 8: Trend of Sewer Connections

| Year | 2003/04 | 2004/05 | 2005/06 | 2006/07 |
|----------------------------|---------|---------|---------|---------|
| New Sewerage Connections | 153 | 262 | 229 | 333 |
| Total Sewerage Connections | 13,362 | 13,624 | 13,853 | 14,186 |
| % Growth | 1% | 2% | 2% | 2% |

Despite the introduction of a new simplified sewerage connection policy in the FY 2006/07, new sewer connections have remained low. The major reason for the low sewer connection rate is the limited sewerage network coverage, and the reluctance of customers to connect to the sewer system due the fact that most of them already have on-site sanitation facilities. Furthermore, some of the NWSC areas have no water borne or piped sewerage services. These include the Areas of Arua, Bushenyi/Ishaka, Kasese, Mubende, Hoima, Masindi, Malaba, Lugazi, and Iganga.

However, with the completion of the Sanitation Master Plans for both Kampala and other towns, another project under the Kampala Master Plan called Protection of Lake Victoria is still in progress. In Kampala, its recommended that four sewer sub-zones be established in Bwaise, Nalukolongo, Kinawataka and Bugolobi. The project objectives include; contributing to the reduction of anthropogenic pollution to the Lake Victoria in the vicinity of the Kampala urban areas and to contribute to the improvement of the living sanitary conditions of the population living within the Kampala urban areas. The project total cost is about 14 million Euros (Ushs32.9 billion) and its being funded by KfW, EU and NWSC. Kampala Sanitation Master Plan serves as a guideline for the present project. The program will result in decreasing pollution and nutrient discharge

into the Inner Murchison Bay of Lake Victoria, improve the collection and treatment efficiency of the waterborne sewerage system, achieve 100% removal, disposal and treatment of septic tank sludge and will demonstrate ways for a cost effective, hygienic and environmental –friendly collection, haulage and disposal of pit latrine sludge. The total estimated expansion costs are US \$ 97.4 million for Kampala, and an average of US \$ 2 million for each of the other town.

In regard to sewerage services, the NWSC has of now managed to respond timely to spillages and overflows, and improved the quality of sewerage effluent. Furthermore, most properties which use private on-site sanitation facilities are serviced indirectly by the Corporation through the use of private cesspool emptiers which empty at our various treatment plants through out the country.

2.10 Metering Status.

As at June 2007, a total of 179,039 accounts were metered out of 180,697. This represents 99% meter coverage. All active accounts in all areas were metered by the same date. The details of water subscribers and meterage are given in Appendix 7.

3.0 Flagship Investments

3.1 Mukono Water Supply Project

During the financial year 2006/07, the Corporation continued to fund capital development projects from its internally generated funds. Mukono Water Supply Project was one of the projects funded entirely from NWSC resources. Work on this project commenced in June 2004 and Phase 1 of the Project was commissioned in December, 2004. In the second half of the financial year 2006/07, a contract for the Phase II works was signed at a total cost of Shs 11 billion. Phase II will entail the construction of 250 m³ and 50 m³ high level reservoirs at Tucker Hill and Gulama hill in Mukono and Seeta respectively, and two 1,350 m³ low level reservoirs at Lower Nabuti in Mukono and 1000 m³ low level reservoir in Seeta respectively. An 11 Km 500mm DI reinforcing transmission main will also be laid from Mutungo to Namanve to boost the pressures and ensure constant water supply to Mukono. A booster station will be constructed at Namanve. Construction is envisaged to start in June 2007.

3.2 Gulu Water Supply and Sewerage Rehabilitation Project.

The second major project funded entirely by the NWSC is the design feasibility study for rehabilitation of the Gulu Water and Sewerage Systems at an estimated cost of shs 2 billion. The construction phase of the project is to be funded with a cocktail of funds from the NWSC, the Northern Uganda Social Action Fund (NUSAF), and the GoU. However the project will commence with emergency works estimated at about Ushs.2.7 billion. These emergency works will involve desilting of Oytino dam, laying of a DN300 raw water pumping main and rehabilitation works at the treatment plant. Bids for the emergency works were submitted on 12th March 2007 and evaluated. Works are envisaged to commence in the

first half of the next financial year. Funds earmarked; for the FY 2006/08 include Shs. 2.5 billion from GoU, 350 million from NUSAF.

4.0 CONSTRAINTS ENCOUNTERED DURING 2005/2006

4.1 Accumulation of Arrears

Accumulation of arrears undermines the Corporation's ability to expand and improve services. The arrears as at 30th June 2007 stood at Shs 34.4 billion. It should be noted that Government arrears continue to increase and now account for 39% of the total arrears and arrears in the domestic category account for 35%. A breakdown of the arrears is shown in Table 5. However since October 2006 Government has released 6.8 billion. Ushs.2.9 billion was released in October and 4.4 billion was released in December 2006. A balance of Ushs. 2.2 billion remains to be paid by Defence out of the requested Ushs.7.1 billion

Table: 7 ARREARS BY CATEGORY JUNE 2007 (Shs 000')

| CATEGORY | Arrears June 2006 | ARREARS June 2007 | Arrears as a % of total June 2007 |
|--------------------------|--------------------------|--------------------------|--|
| MINISTRIES | 10,855,787 | 13,392,240 | 39% |
| PARASTATALS | 636,054 | 663,904 | 2% |
| INSTITUTIONS | 1,227,037 | 1,413,455 | 4% |
| COMMERCIAL | 6,239,279 | 6,459,526 | 19% |
| LOCAL AUTHORITIES | 391,573 | 311,628 | <1% |
| DOMESTIC | 11,113,781 | 12,135,866 | 35% |
| FOREIGN EMBASSIES | 53,149 | 68,597 | 0.2% |
| TOTAL | 30,516,658 | 34,445,217 | 100% |

4.2 Low Sewerage Coverage

The low sewerage network coverage impairs the ability of the Corporation to adequately provide sewerage services. The coverage for sewerage currently estimated at about 7%, the low coverage is a result of the lack of funding to carry out comprehensive extension of the sewerage network, which is highly capital intensive and thus requires large sums of funds for investment. However, a Sanitation Master Plan for Kampala, and sanitation strategies for the 14 other towns were completed as at the end of the reporting period. The investment requirements as established by the studies amount to about Euro. 190 m. for which funding is being sought.

4.3 Non-Viable Towns.

At the beginning of the FY 2006/07, three more new towns were gazetted as NWSC Areas of operation. The new towns include Mubende, Hoima and Masindi. As a rule, towns with underdeveloped infrastructure create a financial burden to the Corporation since they cannot raise sufficient funds to finance their operations.

In the future, once new towns are gazetted to NWSC, management plans to conduct comprehensive investment analysis as a basis for Government subsidies to meet shortfalls in funding in those towns.

4.4 Receding Water Level in Lake Victoria

Variation in the level of Lake Victoria and the problem of poor water quality at the intakes has affected the supply of water especially in the areas of Entebbe, Jinja and Kampala. The receding lake level has exposed the intakes thus affecting both extraction capacity and water quality. This phenomenon calls for immediate intervention in terms of redesigning the intakes. Similarly the deteriorating raw water quality has resulted into increased chemical usage in order to treat the water to acceptable standards and has slowed down new connections in dry zones. The Ministry of Finance and Economic Development instructed NWSC to source for funding to mitigate the effects of the of lake levels by extending raw water intakes further offshore. The cost of the works for Kampala, Jinja and Entebbe Water works is estimated at some US Dollars 3 million. Currently, bids have are being solicited to carry out the works.

4.5 VAT Policy on Water/Sewerage Services

The current VAT policy has two problems: (i) as an indirect tax, VAT has the effect of increasing the cost of water to consumers and therefore limiting service access especially to domestic consumers, including the poor, (ii) payment of VAT based on billings (as opposed to actual collections) impairs the cash flow of the Corporation particularly where there are high levels of arrears. NWSC has made a study of VAT regimes within the Eastern African Region and we noted that

- i) Different VAT treatments obtain in different countries ranging from VAT exemption, standard rating and zero rating.
- ii) The best option (as in the case of Kenya) is Zero Rating; implying that all water consumers do not pay VAT (i.e. pay zero rate) while the water authorities can claim input VAT on all their expenses.

In future, and in line with the East African community initiative of streamlining taxation in the region, Management shall endeavor to lobby Government to adopt zero rating of VAT for water supplied by NWSC.

4.6 Power Cuts

Frequent power cuts and erratic supply is experienced in many of our areas as a result of which the Corporation incurs high energy costs in terms of generator fuel to supplement power supplied from the national grid.

5.0 STATUS OF CAPITAL DEVELOPMENT PROJECTS AS AT JUNE 2007

The following section gives the status of projects currently being undertaken by the Corporation.

5.1 ENTEBBE WATER SUPPLY AND SEWERAGE EXPANSION PROJECT

| | |
|----------------------------|---|
| Project Objectives: | The project is aimed at rehabilitating and expanding both the Water and Sewerage systems in Entebbe. |
| Project Area; | Entebbe. |
| Project Cost: | Euro 17.9 million (US\$ 35.8 billion). |
| Funding Agency: | KfW/NWSC/GoU |
| Consultant: | Beller Consult GMBH/ M& E Associates/CES Consulting Engineers |
| Project Status: | The project commenced in January 2005. Technical commissioning of the project was carried out in May 2007, the intake works and the pipeline extension to Bwebaja was completed by end of June 2007. The project has increased water production from 8,000 cu.m/day to 20,000 cu.m/day. This will serve the population up to 2020. What is left is the extension to Kajansi which is due to undertaken in the FY 2007/08. |

5.2 REHABILITATION AND EXPANSION OF GULU WATER SUPPLY AND SEWERAGE SYSTEM

| | |
|----------------------------|---|
| Project Objectives: | The project is aimed at rehabilitating and expanding the water and Sewerage systems in Gulu. |
| Project Area: | Gulu |
| Project Cost: | The estimated total cost of the project is US\$ 48 billion. |
| Consultant: | M/S Gauff consultants/ M & E Associates. |
| Funding Agency: | NWSC is financing the Consultancy services at about US\$ 2 billion |
| Project Status: | Tenders for emergency works contract were evaluated in March 2007. Project work was divided into phases due to cost constraints. The project is to be funded through collaboration between NWSC and the Northern Uganda Social Action Fund (NUSAF). Estimated costs for emergency works are |

about Ushs.2.7 billion. Emergency works will involve desilting of Oyitino dam, laying of a DN300 raw water pumping main and rehabilitation works at the treatment plant. Works are envisaged to commence in the first half of the next financial year.

5.3 KAMPALA SANITATION MASTER PLAN (Protection of Lake Victoria)

Project Objectives:

- To contribute to the reduction of anthropogenic pollution of the Lake Victoria in the vicinity of the Kampala urban areas.
- To contribute to the improvement of the living and sanitary conditions of the population living within the Kampala urban areas.

Project Area: Kampala (Lake Victoria-Nakivubo Channel)

Project Cost: Euros 14 million (UShs. 32.9 billion)

Funding Agency: KfW (Euro 6.0m), EU (Euro 6.9m), NWSC (Euro 1m)

Consultant: (Consultant not yet procured)

Status: Kampala Sanitation Master Plan serves as the guideline for the present project proposal. The program will result; in decreasing pollution and nutrient discharge into the Inner Murchison Bay of Lake Victoria, improve the collection and treatment efficiency of the waterborne sewerage system, achieve 100% removal, disposal and treatment of septic tank sludge and will demonstrate ways for a cost effective, hygienic and environmental-friendly collection, haulage and disposal of pit latrine sludge. Euros 6 million has been confirmed for the feasibility study. Tenders for the feasibility study were opened on 21st March 2007. Evaluation of the tenders is on going. The financing agreement between KfW and EU is being finalised though not yet signed and record of transfer of money was sent to Ministry of Finance

5.4 KAMPALA WATER SUPPLY NETWORK REHABILITATION PROJECT

Project Objectives: The project aims at supporting Kampala Water Supply Service Area. The key objectives include;

- Reduction of unaccounted for water (UfW) to less than 40%
- Increasing the customer base
- Strengthening the network in order to boost pressures in the remote areas and increase the viability of the Peri- Urban Extensions

Project Area: Kampala

Project Cost: Euro 3.32 million (U shs. 7.64 billion)

Funding Agency: KfW

Consultant: Kampala Water Partnership.

Status: As at June 2007, the following had been accomplished under the Kampala Rehabilitation project.

- Rehabilitation of Reservoir/tanks in Kololo, Kireka and Makindye was completed and this has improved the reliability of water supplied in areas of Kireka and Makindye.
- The Contract for Illegal Use Reduction and leak detection was prepared, negotiated and implemented. This was signed in March 2007 and it was meant to reduce NRW percentage in Kampala.
- Completed Procurement of electromagnetic meters to measure production from Gaba and preparation for installation were initiated and finalised in June 2007.
- Initiated network improvements to boost water supply in areas of Ntinda-Namugongo, Gayaza-Road-Mpererwe and Jinja Road-Banda. By end of June 2007, 80% of the works on the Ntinda-Namugongo, Gayaza road- Mpererwe pipelines were completed and labour contractors for Jinja Road-Banda selected and waiting for delivery of pipes by Multiple Industries to commence works.
- Procured contract to carry out ground water assessment as an alternative solution to the no water problems in and boosting water supply to Mukono. The initial investigations report revealed that it was not a viable alternative due to low yields and the wide spread of the borehole locations requiring lengthy pumping mains to connect them to the network and power supply.

5.5 LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT (INDUSTRIAL AND MUNICIPAL WASTE WATER MANAGEMENT COMPONENT)

Project Objectives:

- Improve the management of industrial and municipal waste, assess the contribution of urban run off to lake pollution, and alleviate the overall environmental degradation.
- Investigate the viability of using constructed wetlands in the tertiary treatment of industrial wastes under a pilot scheme.
- Investigate the viability of using a well managed natural wetland in the tertiary treatment of Industrial wastes.
- Rehabilitate the Bugolobi Sewage Treatment Works.

Project Area: Lake Victoria and it's Catchment.

Project Cost: US\$: 2.97million (UShs. 5.5 billion)

Funding Agency: World Bank through (IDA).

Status:

Phase I of the project was completed and the activities taking place are for the bridging period between Phase I and II (January 2006 and June 2007). Phase II of the project was expected to begin after December 2005, but it has been rescheduled to begin in June 2007. The following activities are to be carried out during the bridging gap period June 2006-June 2007):

- Up-dating mapping of pollution hotspot locations within the lake basin using GIS.
- Implementation of cleaner production in selected industries and encourage use of the pollution control manual.
- Upgrading of the hydraulic Model for monitoring of dispersion of pollutants at flash points at Kiyindi and Inner Murchison Bay.
- Quantification of diffuse pollution loading and urban run-off from identified pollution hotspots.
- Monitoring the use and sustainability of the micro-projects initiated by the components and consolidate efforts to improve management of Nakivubo Wetland with key stake holders.
- Short-term training of industrialists and component staff among others.

5.6 GABA III WATER PLANT

Project objectives: The Project objective is to increase water In Kampala that will be sufficient up to the year 2015.

Project area: Gaba, Kampala.

Project cost: The estimated total cost of the project 13.8 million Euros (US\$ 31.7 billion).

Funding Agency: KfW/GoU/NWSC

Consultant: GkW in association with Aqua (Consult) U Ltd.

Contractor: DYWIDAG International GmbH.

Project status: The Contract for construction of new water works was awarded to DYWIDAG International in October 2004. The project was substantially completed in March 2007 and was commissioned by H.E the President in May 2007. The plant is now being operated by NWSC staff under the supervision of the contractor. The new plant has added 80,000 cu.m of water to the production capacity in Kampala.

5.7 MUKONO-SEETA WATER SUPPLY AND SANITATION PROJECT

- Project Objectives:** Main objective is to improve the health and socio-economic situation and thereby the productivity of the people of Mukono/Seeta through the provision of safe drinking water and promotion of sanitation.
- Project Area:** Mukono-Seeta
- Project Scope:** The project to be implemented in three phases.
Phase one involved laying of 10Km of 400mm/300mm diameter transmission main and 35km of distribution pipeline
Phase two will involve construction of two reservoirs at Gulama Hill and Tucker Hill and booster pump station at Seeta.
Phase three will concentrate on the intensification of the distribution network and installation/construction of a sewerage system.
- Project Cost:** Ushs.6.4 billion (Phase 1), 4 billion (phase II).
- Funding Agency:** NWSC

Status: Phase 1 was completed and commissioned by H.E. the President in the financial year 2004/2005. Phase II which is ongoing, will cover the construction of reservoirs and laying of a reinforcement transmission main from Mutungo to Namanve. The contract for Phase II was signed in May 2007 at a sum of Shs 11 billion. Works are due to commence in the month of June 2007.

5.8 14 TOWNS SEWERAGE/SANITATION STUDY

- Project Objectives:** To develop Sewerage and Sanitation Master Plans for the 14 other NWSC towns other than Kampala.
- Project Area:** 14 NWSC Towns.
- Project Cost:** US\$: 375,000 (Ushs.683 million)
- Funding Agency:** CIDA Canadian International Development Agency)/Cowater
- Status:** The study commenced in October 2003. The feasibility studies for the 12 towns and full Master Plans for Kasese and Arua towns were received. A dissemination workshop was organised on 9th November 2005 and the consultants presented their findings from all the 14 towns. Funds are being sought for the implementation of the recommendations.

5.9 KAMPALA URBAN POOR PROJECT

Project Objectives:

- To improve the living conditions of the urban residing living in informal settlements in and around Kampala.
- Develop effective delivery systems and sustainable management systems for the public stand posts for the urban poor.

Project Area: Kampala.

Project Cost: Ushs.400 m and Euro 2.5 million (Ushs. 6 billion)

Funding Agency: GoU and NWSC.

Status: The consultant, Beller/M&E Associates/DELTA/WEDC, submitted the final design report. In addition, application was made to African Water Facility by NWSC for \$ 0.5M to facilitate developing countries to achieve the MDGs. Delays in the procurement process have led to the lagging behind of the Kampala Urban Project. AfDB component (Kagugube) tenders have been invited for the consultancy, and submission is due by the end of June 2007. The Contract for works under the KfW component was signed, arrangements for commencement are being made i.e. letters and securities are to be obtained.

5.10 KAMPALA PERI-URBAN PROJECT

Project Objectives:

- To improve the living conditions of the urban poor in and around Kampala.
- Develop effective delivery systems and sustainable management systems for the public standposts for the urban poor.

Project Area: Kampala.

Project Cost: Ushs. 1.5 billion.

Funding Agency: NWSC's internally generated funds.

Status:

Water mains extensions have been made in the areas of Kyanja, Kyeyagalire, Kirinya, Bulenga, Lubowa, Bunamwaya, Seguku, Nansana/Naalya, Kiwatule-Nabe Road, Bulenga—Kikaya, Buziga, Kiwatule, Mugongo Road, Kinawa-Mugongo, Kamwokya-Kifumbira, Kiteezi and Buddo/Nabingo. Another 10kms of transmission mains has been extended to Buloba on Fort Portal- Mubende road

Matugga: The Matugga line was completed during the FY 2006/07, and works entailed laying of 12 kms of pipe sections of DN 250, DN 200, DN 150 and DN 100 and construction of booster pumping

station. A reservoir of 560m³ capacity per day and limited distribution system was constructed by Wakiso District.

Buloba; In regard to the Buloba mains, bids were submitted for the consultancy, and evaluation is on-going

5.11 KAMPALA TRANSMISSION MAINS PROJECT

| | |
|-----------------------------|---|
| Project Objectives : | To improve the water supply in both the low and high level system in Kampala. |
| Project Area: | Kampala |
| Project Cost : | USD 11.6 million |
| Consultant : | HP Gauff |
| Contractor: | Sogea/Spencon/Satom |
| Funding Agency : | KfW/GoU/NWSC |

The Government of the Republic of Uganda received a grant from the Federal Republic of Germany, through the Kreditanstalt für Wiederaufbau (KfW) for the implementation of Component 3: Construction of Transmission Mains (23 Km). The scope for this component comprises of laying the following pipelines:

- DN 700 from Gaba III Water Treatment plant to Gunhill reservoirs, about 11.0 Km and capable of conveying 50,000 m³/day to the existing reservoir.
- DN 900 from Gaba III WTP to Muyenga reservoirs, about 6.4 Km and capable of conveying 90,000 m³/day.
- DN 500 from Muyenga to Rubaga reservoir, about 5.3 Km, capable of conveying 29,000 m³/day.
- Rehabilitation of the reservoirs at Muyenga, Gunhill and Rubaga

Status of Construction Works

The works were completed by June 2007 and the lines were commissioned.

**BUDGETARY PERFORMNACE OF DONOR ASSISTED PROJECTS
FOR THE PERIOD JULY 2006-JUNE 2007- (In Shs'000)**

| PROJECT NAME | | NOTE | NWSC | | | GOU | | | | | DONORS | | | TOTAL | | |
|--|---------|------|-------------------|------------------|-------------|------------------------|------------------|--------------------------|---------------------------|------------|-------------------|-------------------|------------|-------------------|-------------------|------------|
| | | | Revised BUDGET | ACTUAL | % | BUDGET | | ACTUAL | | % | BUDGE T | ACTUAL | % | BUDGE T | ACTUAL | % |
| | | | | | | NWSC Submissi on | GoU Approved | GoU Actual Release | Actual expenditu re | | | | | | | |
| Kampala Network Rehabilitation | KfW | 1 | 10,000 | 0 | 0% | 200,000 | 0 | 0 | 0 | 0% | 4,660,000 | 1,099,956 | 24% | 5,010,000 | 1,099,956 | 22% |
| Entebbe Water Supply Expansion | KfW | 2 | 150,000 | 1,072,715 | 715% | 8,297,000 | 110,360 | 0 | 0 | 0% | 17,206,000 | 12,068,621 | 70% | 25,653,000 | 13,141,336 | 51% |
| Gaba III Water Project | KfW | 3 | 400,000 | 120,903 | 30% | 4,150,000 | 1,031,130 | 997,974 | 991,974 | 99% | 7,240,000 | 9,526,323 | 132% | 11,790,000 | 10,639,200 | 90% |
| Lake Victoria Environmental Management | KfW | 4 | 0 | 0 | 0% | 16,300 | 0 | 0 | 0 | 0% | 0 | 0 | 0% | 16,300 | 0 | 0% |
| Urban Poor Project. | GOU/KfW | 5 | 100,000 | 0 | 0% | 1,300,000 | 0 | 0 | 0 | 0% | 5,500,000 | 466,905 | 8% | 6,900,000 | 466,905 | 7% |
| IT Project | GTZ | 6 | 40,000 | 0 | 0% | 0 | 0 | 0 | 0 | 0% | 752,000 | 0 | 0% | 792,000 | 0 | 0% |
| Jinja Intake & Offshore Pipeline | IDA | 7 | 400,000 | 122,643 | 31% | 1,540,000 | 0 | 0 | 0 | 0% | 0 | 0 | 0% | 1,940,000 | 122,643 | 6% |
| Transmission Mains for Gaba | KfW | 8 | 350,000 | 327,490 | 94% | 4,120,000 | 1,108,511 | 1,258,024 | 1,242,305 | 99% | 12,100,000 | 11,229,609 | 93% | 16,570,000 | 12,799,403 | 77% |
| Offshore Pipeline (Gaba) | GoU | 9 | 0 | 0 | 0% | 4,150,000 | 0 | 0 | 0 | 99% | 0 | 0 | 0% | 4,150,000 | 0 | 0% |
| Gaba (2) Improvement Works | EU | 10 | 0 | 0 | 0% | 2,176,000 | 0 | 0 | 0 | 0% | 1,650,000 | 0 | 0% | 3,826,000 | 0 | 0% |
| TOTALS | | | 1,450,000 | 1,643,751 | 113% | 25,949,300 | 2,250,001 | 2,255,998 | 2,234,279 | 99% | 49,108,000 | 34,391,414 | 70% | 76,647,300 | 33,928,014 | 44% |

NOTES TO THE FINANCIAL PERFORMANCE OF DONOR-ASSISTED PROJECTS FOR JULY 2006 - JUNE 2007

1. Kampala Network Rehabilitation

Out of the approved funding for KNRP Phase II of 1.5million Euros, only 194,985 Euros (Ushs.429 million) was released at the beginning of the FY 2006/07. A request for release of 503,000 Euros (Ushs.1.106 billion) covering requirements under the OIP for the period of March 2007 – May 2007 was sent to KfW in February 2007. However the funds have not yet been received.

The Technical Audit (BCT) Contract for the Technical Auditor in respect of Phase II was 125,000 Euros out of which 140,665 Euros has been spent to date. A request for the extension of the Contract was approved with an additional funding of 55,000 Euros (Ushs.121 millions) by KfW in January 2007 to facilitate timely completion of Phase II Audit.

On the whole Ushs.1.042 billions has been spent this year giving us 22% progress on the project.

2. Entebbe Water Supply Expansion

Work is substantially complete and all facilities have been handed over to Area office. Extension to Kajjansi is 50% done. The Management proposed budget re-allocation of Ushs.1 billion from Mukono-Seeta Water Supply to Entebbe Water Supply and Extension was finally implemented to boost the project, hence NWSC contribution to 715%. This covers what was originally meant to be paid from GoU funding partially. Donors continued support is about 65% for the FY 2006/2007, however, contractor's invoices amounting to Ushs. 3.47 billion are not yet paid. Thus overall, only 48% of the total budget has been achieved, the project is in its defects liability period.

3. Gaba III Water Project (KfW)

Donor funding of 132% is attributed to outstanding invoices brought forward from last FY 2005/06, despite the effective funding implementation, invoices submitted amounting to 247,650 Euros are outstanding. Invoices amounting to UShs. 64.2 million are awaiting clearance from NWSC. NWSC contribution for FY 2006/07 is about 30% and GoU has effectively implemented its budget to 99%. Gaba III Project is now in the Defects liability period until January 2008 and some of the assets are being handed over to NWSC. On the overall, 90% of the project is complete.

4. Kampala Urban Poor Project

Draft tender document was approved by the Solicitor General and forwarded to KfW for comments and Consultants were short listed. Only 3% of the budgeted capital expenditure was met to date due to delays in the procurement process.

5. IT Project

No payments have been made yet but works started in February 2007 and expected to take six months. A Contract of Euros 347,776.2 (Ushs.755.7 millions) for the purchase of Licences and an Installation customisation, Training and Implementation of Base HiAffinity Billing and Customer management system has been signed and sent to the vendor (DSTI). Initial payment is expected before the end of the year.

6. Jinja Intake and Offshore Pipeline

The project was earlier tendered and only one bid was submitted and it was high, thus it was agreed that tenders be re-advertised. Bids are to be submitted on 26th July 2007. An amount of Ushs.1.5 Billion was submitted for GoU funding but nothing was approved. GoU thus requested NWSC to borrow the required funds from a commercial bank.

7. Transmission Mains for Gaba

The project is fully operational. One outstanding invoice amounting to 675,139 Euros (Ushs. 1.48 billion) has been submitted to Donors and is expected to be cleared soon to cover approved funding for FY 2006/07. GoU has effected its contribution on this project fully. The remaining 1% is the proportion of taxes mistakenly deducted as Withholding Tax by Ministry of water and Environment.

8. Offshore Pipeline (Gaba)

The projected funding of Ushs.1.45 billion did not materialise as the funds were not approved in GoU budget. GoU had requested NWSC the funds from a commercial bank. The project was tendered but revised tender documents delayed and as such bid opening date has been postponed.

9. Gaba(2) Improvement Works

The anticipated funding from GoU and Donors did not materialise. Hence, overall 0% budget performance.

**BUDGETARY PERFORMANCE OF PROJECTS FULLY FINANCED BY NWSC
FOR THE PERIOD JULY 2006-MARCH 2007**

| | Project Name | NWSC Shs 000 | | |
|---|--|------------------|----------------|------------|
| | | BUDGET | ACTUAL | % |
| 1 | Mukono - Seeta Water Supply | 2,800,000 | 545,729 | 19% |
| 2 | Bushenyi Water Supply | 400,000 | 0 | 0% |
| 3 | Arua Water Supply | 300,000 | 0 | 0% |
| 4 | Gulu Water Supply | 800,000 | 0 | 0% |
| 4 | Buloba Water Supply | 400,000 | 0 | 0% |
| 5 | Matugga Water Supply | 150,000 | 62,780 | 42% |
| 6 | Sanitation Improvement for (K'la,Mska,&Jinja) | 20,000 | 0 | 0% |
| | TOTALS | 4,870,000 | 608,508 | 12% |

**NOTES TO THE FINANCIAL PERFORMANCE REPORT – PROJECTS
FULLY FUNDED BY NWSC FOR JULY 2006 TO JUNE 2007:**

1. Mukono-Seeta Water Supply

The Works Contract was signed and work started. The proposed re-allocation of Ushs. 1 billion to Expansion of Entebbe water Supply was implemented. So far Ushs. 545 millions has been spent on the project. However, contractor's invoice of Ushs. 45 Millions are under payment process by NWSC.

2. Bushenyi Water Supply

Consultancy Contract has been signed and the Consultant has started on working. Consultancy advance payment of Ushs. 90.7 Million awaits clearance from NWSC.

3. Arua Water Supply

Procured a contractor for works and the negotiations for the contract are done.

4. Gulu Water Supply project

Works contract is at Solicitor General office for clearance and we hope work to start this month. So far nothing is spent on the project.

5. Buloba Water Supply

Evaluation of consultancy bids has been done and Pipe laying of 10km has been completed.

6. Matugga Water Supply

The defects liability period ended in June 2007 and the project is yet to be commissioned. A total amount of Ushs. 62.7m has been spent on this project.

SUMMARY OF PERFORMANCE AS AT END JUNE 2007

| No . | Revised Target/Activity for FY. 2006/2007 | Status of Outputs/Achievements: July – March 2007 | Remarks |
|------|--|---|--|
| 1 | Raise operating income to Shs. 68 billion, an average of Shs 5.6 billion per month. | Operating income for the period July 2006-June 2007 was shs 68.6 billion against the period target of 68.0 billion. 100% target achieved. | Target of average collection per month of 5.6 or 100% of the monthly average target achieved. |
| 2 | Limit overall NRW to 32%, 38% for Kampala, and 18.3% for other areas. | Overall unaccounted for water as at June was 32.5%. | Kampala UfW 38.5%, other areas 18.2%. |
| 3 | Water production at 164,431 cubic meters. | Water production was an average of 166,173 cu.m per day. | Water production as at June 2007 was 165,867 cu.m per day. Daily production has increased due to the three new Towns of Hoima, Masindi & Mubende. |
| 4 | Capacity utilisation of at least 75% | Capacity utilisation was about 52% as at end of June 2007. | Overall Capacity utilisation as at June 2007 was at 52%. Reduction in capacity utilisation is due to expansion of Gaba III and Entebbe Projects, this has increased capacity for Kampala by about 20,000 cu.m per day and for Entebbe by about 12,000 cu.m per day |
| 5 | Maintain staff to not more than 1,132 and achieve staff per thousand connection ratio of 6 | Staff as at June 2007 staff were 1,338, equivalent to a staff productivity ratio of 7. | The increase was due to the take over of new towns and the restructuring and increase in activities in the large towns such as Kampala. |
| 6 | Increase collection efficiency (C.E.) from 90% to 93% | Collection efficiency for the period July 2006- June 2007 was at 92%. | Collection efficiency was at 92% as at end of FY 2006/07. |
| 7 | Install, 120 water kiosks, 18 in Kampala. | Total of 122 water kiosks installed by end of June 2007, | This translates into an overall achievement of 102% of the period's target. |
| 8 | Extend mains by 76.44 kms, 28.34 kms in Kampala. | A total of 96.3 kms of water mains had been extended by end of June 2007 | Achievement of over 100% of the annual target. |
| 9 | Increase water connection by 23,560 or an average of 1,963 per month. | A total of 24,418 new water connections made, average of 2,035 per month. | Achievement equivalent to 104% of the year's target. |
| 10 | Increase active connections from 132,444 to 159,065. | Total active connections were 157,595 by end of June 2007 | Achievement equivalent to 99% of the annual target. |
| 11 | Reduce Suppressed accounts to 23,194 | Suppressed accounts were 23,102 as at June 2007 or 13% of the total accounts. | Target achieved by almost 100% .Percentage of inactive accounts to total remained at 13% as at June 2007. |
| 12 | Carry out universal metering i.e. 100% for Active Accounts. | 99% of total accounts were metered. Active accounts 100% were metered. | 99% of all active accounts metered. |
| 13 | Achieve an average debt age of not more than 5 months of billings (shs 30.8 billion) | Arrears as at end of June 2007 stood at Shs.34,445 billion. | The level of arrears has reduced from last quarter ending March 2007 by about Shs.538 million. |

APPENDICES TO ANNUAL ACTIVITY REPORT

1. Water Production, Water Sold, Billing efficiency and Unaccounted for water July 2006 –June 2007.
2. Capacity Utilisation July 2006 - June 2007.
3. Staffing Levels as at June 30th 2007.
4. Water Kiosks/Public Stand posts Installed: July 2006 – June 2007.
- 5.a Water Mains Extensions: July 2006 – June 2007.
- 5.b Sewer Extensions July 2006 - June 2007.
- 6.a New Water Connections July 2006- June 2007.
- 6.b New Sewerage Connections July 2006 - June 2007.
- 7.a Status of Water accounts: Total, Active, Inactive, Metered, as at June 2007.
- 7.b Status of Sewer Accounts as at 30th June 2007
- 8.a Status of Arrears as at June 30th June 2007.
- 8.b Arrears at 30th June 2007 by Segment.

Water Production and Billing Efficiency July 2006- June 2007.

| <i>AREA</i> | <i>Water Produced m3</i> | <i>Water Sold m3</i> | <i>Billing Efficiency (%)</i> | <i>NRW (%)</i> |
|------------------------------|----------------------------------|--------------------------|---------------------------------------|--------------------|
| Kampala | 42,769,202 | 26,314,953 | 61.5% | 38.5% |
| Jinja/Lugazi | 3,911,000 | 3,119,650 | 79.8% | 20.2% |
| Entebbe/Kajansi | 2,346,712 | 1,875,782 | 79.9% | 20.1% |
| Tororo | 777,000 | 696,632 | 89.7% | 10.3% |
| Mbale | 1,367,000 | 1,261,000 | 92.2% | 7.8% |
| Mbarara | 2,149,453 | 1,721,159 | 80.1% | 19.9% |
| Masaka | 1,102,000 | 838,000 | 76.0% | 24.0% |
| Lira | 905,000 | 831,000 | 91.8% | 8.2% |
| Gulu | 807,850 | 764,800 | 94.7% | 5.3% |
| Kasese | 576,655 | 447,810 | 77.7% | 22.3% |
| Fort Portal | 632,700 | 518,630 | 82.0% | 18.0% |
| Kabale | 506,509 | 417,756 | 82.5% | 17.5% |
| Arua | 670,322 | 578,084 | 86.2% | 13.8% |
| Bushenyi/Ishaka | 245,535 | 206,207 | 84.0% | 16.0% |
| Soroti | 741,860 | 452,846 | 61.0% | 39.0% |
| Hoima | 256,924 | 184,387 | 71.8% | 28.2% |
| Masindi | 377,051 | 338,914 | 89.9% | 10.1% |
| Mubende | 398,617 | 281,046 | 70.5% | 29.5% |
| <i>Total NWSC</i> | 60,541,390 | 40,848,656 | 67.5% | 32.5% |
| <i>Total Other Areas</i> | 17,772,188 | 14,533,703 | 81.8% | 18.2% |

Capacity Utilization As At June 2007

| <i>Area</i> | <i>Practical capacity m3/day</i> | <i>Average Production m3/day</i> | <i>Capacity Utilization (%)</i> |
|--------------------------|--|--|---|
| Kampala | 197,270 | 117,176 | 59% |
| Jinja/Lugazi | 24,000 | 10,715 | 45% |
| Entebbe/Kajansi | 20,000 | 6,429 | 32% |
| Tororo | 5,914 | 2,139 | 36% |
| Mbale | 14,408 | 3,745 | 26% |
| Mbarara | 10,197 | 5,889 | 58% |
| Masaka | 6,382 | 3,019 | 47% |
| Lira | 8,586 | 2,479 | 29% |
| Gulu | 2,696 | 2,213 | 82% |
| Kasese | 2,368 | 1,580 | 67% |
| Fort Portal | 2,171 | 1,733 | 80% |
| Kabale | 3,600 | 1,388 | 39% |
| Arua | 5,400 | 1,836 | 34% |
| Bushenyi/Ishaka | 960 | 673 | 70% |
| Soroti | 5,529 | 2,032 | 37% |
| Hoima | 3,000 | 1,033 | 34% |
| Masindi | 3,000 | 1,033 | 34% |
| Mubende | 2,500 | 1,092 | 44% |
| Total NWSC | 317,981 | 166,173 | 52% |
| Total Other Areas | 120,711 | 50,993 | 42% |

Annex 3
Staff Status As at June 2007

| <i>Area</i> | <i>Permanent Staff</i> | <i>Contract Staff</i> | <i>Male</i> | <i>Female</i> | <i>Female /Total Staff Ratio</i> | <i>Total June 2007</i> |
|-----------------|------------------------|-----------------------|--------------|---------------|----------------------------------|------------------------|
| Headquarters | 8 | 189 | 133 | 64 | 48% | 197 |
| Kampala Water | 19 | 599 | 477 | 141 | 30% | 618 |
| Jinja/Lugazi | 2 | 78 | 68 | 12 | 18% | 80 |
| Entebbe/Kajansi | 2 | 55 | 39 | 18 | 46% | 57 |
| Tororo | 1 | 30 | 28 | 3 | 11% | 31 |
| Mbale | 1 | 51 | 42 | 9 | 21% | 52 |
| Masaka | 1 | 39 | 36 | 4 | 11% | 40 |
| Mbarara | 4 | 53 | 53 | 4 | 8% | 57 |
| Lira | 1 | 20 | 19 | 2 | 11% | 21 |
| Gulu | 1 | 26 | 25 | 2 | 8% | 27 |
| Kasese | 1 | 15 | 14 | 2 | 14% | 17 |
| Fort Portal | 1 | 17 | 17 | 1 | 6% | 18 |
| Kabale | 0 | 24 | 21 | 3 | 14% | 24 |
| Arua | 1 | 22 | 17 | 6 | 35% | 23 |
| Bushenyi/Ishaka | 0 | 20 | 17 | 3 | 18% | 20 |
| Soroti | 1 | 20 | 16 | 5 | 31% | 21 |
| Hoima | 1 | 12 | 11 | 2 | 15% | 13 |
| Masindi | 1 | 12 | 10 | 3 | 23% | 13 |
| Mubende | 1 | 10 | 8 | 3 | 38% | 11 |
| Total | 47 | 1,291 | 1,051 | 287 | 22% | 1,338 |

Annex 4.

Water Kiosks/Public Stand Posts Installed July 2006 - June 2007

| <i>Area</i> | <i>Original Budget (Nos)</i> | <i>Revised Budgeted (Nos.)</i> | <i>July 2006- June 2007</i> | <i>(%) Achieved</i> |
|-------------------|--------------------------------------|--|-------------------------------------|---------------------|
| Kampala | 18 | 18 | 2 | 11% |
| Jinja/Lugazi | 8 | 8 | 8 | 100% |
| Entebbe/Kajansi | 5 | 5 | 2 | 40% |
| Tororo | 10 | 10 | 11 | 110% |
| Mbale | 10 | 10 | 16 | 160% |
| Mbarara | 5 | 5 | 6 | 120% |
| Masaka | 5 | 5 | 6 | 120% |
| Lira | 5 | 5 | 9 | 180% |
| Gulu | 10 | 10 | 8 | 80% |
| Kasese | 3 | 3 | 0 | 0% |
| Fort Portal | 5 | 5 | 7 | 140% |
| Kabale | 3 | 3 | 3 | 100% |
| Arua | 10 | 10 | 8 | 80% |
| Bushenyi/Ishaka | 0 | 0 | 0 | 0% |
| Soroti | 5 | 5 | 2 | 40% |
| Hoima | 8 | 8 | 13 | 163% |
| Masindi | 5 | 5 | 7 | 140% |
| Mubende | 5 | 5 | 14 | 280% |
| <i>Total NWSC</i> | 120 | 120 | 122 | 102% |

Annex 5 a
Water Mains Extensions in FY 2006/2007 as at 30th June 2007.

| <i>Area</i> | <i>Budgeted for FY 2006/07(km)</i> | <i>Revised Target for FY 2006/07(km)</i> | <i>Actual July-June 2007 (km)</i> | <i>Actual as % of revised target</i> |
|------------------------|--|--|---------------------------------------|--|
| Kampala | 39.0 | 28.34 | 24.7 | 87% |
| Jinja/Lugazi | 16.0 | 2.2 | 5.0 | 227% |
| Entebbe/Kajansi | 14.0 | 5.0 | 5.0 | 100% |
| Mbale | 8.0 | 3.0 | 6.3 | 210% |
| Mbarara | 5.0 | 2.0 | 3.1 | 155% |
| Tororo | 5.0 | 3.0 | 4.6 | 153% |
| Masaka | 7.0 | 3.0 | 3.0 | 100% |
| Kasese | 5.0 | 4.0 | 3.3 | 83% |
| Fort Portal | 3.0 | 4.0 | 3.0 | 75% |
| Lira | 3.0 | 3.7 | 6.7 | 181% |
| Gulu | 6.0 | 3.0 | 4.2 | 140% |
| Kabale | 6.0 | 4.0 | 7.0 | 175% |
| Bushenyi/Ishaka | 11.0 | 2.2 | 3.0 | 136% |
| Soroti | 7.0 | 2.0 | 4.1 | 205% |
| Arua | 5.0 | 2.0 | 4.1 | 205% |
| Hoima | 7.0 | 0.0 | 0.0 | 0% |
| Masindi | 6.0 | 3.0 | 3.3 | 110% |
| Mubende | 5.0 | 2.0 | 4.7 | 235% |
| Total | 150 | 76.44 | 96.3 | 126% |

Annex 5.b
Sewer Mains Extensions FY 2006/2007 as at 30th June 2007.

| <i>Area</i> | <i>Budgeted for FY 2006/07 (km)</i> | <i>Revised Target for FY 2006/07(km)</i> | <i>Actual July- June 2007 (Km)</i> | <i>Actual as % of revised target</i> |
|------------------------|---|--|--|--|
| Kampala | 3.3 | 0.4 | 0.0 | 0.0% |
| Jinja/Njeru | 1.5 | 0.0 | 0.0 | 0.0% |
| Entebbe | 1.0 | 0.0 | 0.0 | 0.0% |
| Mbale | 1.0 | 0.06 | 0.74 | 100.0% |
| Mbarara | 0.5 | 0.0 | 0.0 | 0.0% |
| Tororo | 0.5 | 0.0 | 0.0 | 0.0% |
| Masaka | 1.4 | 1.0 | 0.38 | 38.0% |
| Kasese | 0.0 | 0.0 | 0.0 | 0.0% |
| Fort Portal | 0.5 | 0.0 | 0.0 | 0.0% |
| Lira | 1.2 | 1.2 | 1.2 | 100.0% |
| Gulu | 0.6 | 0.35 | 0.0 | 0.0% |
| Kabale | 0.5 | 0.0 | 0.0 | 0.0% |
| Bushenyi/Ishaka | 0.0 | 0.0 | 0.0 | 0.0% |
| Soroti | 0.0 | 0.0 | 0.0 | 0.0% |
| Arua | 0.0 | 0.0 | 0.0 | 0.0% |
| Hoima | 0.0 | 0.0 | 0.0 | 0.0% |
| Masindi | 0.0 | 0.0 | 0.0 | 0.0% |
| Mubende | 0.0 | 0.0 | 0.0 | 0.0% |
| Total | 12.0 | 3.0 | 2.32 | 77% |

Annex 6 (a)
New Water Connections July 2006– June 2007

| <i>Area</i> | <i>Year's Target 2006/2007</i> | <i>Revised Target for FY 2006/07</i> | <i>New Water Connections July-2006 June 2007</i> | <i>Average/ month</i> | <i>Actual as % of revised target</i> |
|------------------------|------------------------------------|--|--|---------------------------|--|
| Kampala | 16,492 | 14,100 | 14,708 | 1,226 | 104% |
| Jinja/Njeru | 1,550 | 1,150 | 1,250 | 104 | 109% |
| Entebbe | 1,557 | 1,000 | 1,068 | 89 | 107% |
| Tororo | 323 | 300 | 286 | 24 | 95% |
| Mbale | 964 | 700 | 673 | 56 | 96% |
| Lira | 848 | 685 | 659 | 55 | 96% |
| Gulu | 593 | 550 | 502 | 42 | 91% |
| Masaka | 786 | 600 | 477 | 40 | 80% |
| Mbarara | 1,094 | 900 | 878 | 73 | 98% |
| Kasese | 401 | 350 | 346 | 29 | 99% |
| Fort Portal | 443 | 350 | 358 | 30 | 102% |
| Kabale | 485 | 385 | 416 | 35 | 108% |
| Arua | 660 | 560 | 676 | 56 | 121% |
| Soroti | 560 | 280 | 314 | 26 | 112% |
| Bushenyi/Ishaka | 249 | 170 | 155 | 13 | 91% |
| Hoima | 1,253 | 940 | 1,072 | 89 | 115% |
| Masindi | 340 | 240 | 275 | 23 | 23% |
| Mubende | 400 | 300 | 305 | 25 | 102% |
| Total | 28,968 | 23,560 | 24,418 | 2,034 | 104% |

Annex 6 (b)
Sewer Connections July 2006 to June 2007

| <i>Area</i> | <i>Year's Target 2006/2007 (Nos)</i> | <i>Revised Target for FY 2006/07</i> | <i>New Sewer Connections July-2006 June2007 (Nos)</i> | <i>Average/ month</i> | <i>Actual as % of revised target</i> |
|------------------------|--|--|---|---------------------------|--|
| Kampala | 292 | 60 | 59 | 5 | 98% |
| Jinja/Lugazi | 58 | 20 | 18 | 2 | 90% |
| Entebbe/Kajansi | 39 | 5 | 63 | 5 | 1,260% |
| Tororo | 39 | 10 | 14 | 1 | 140% |
| Mbale | 78 | 25 | 29 | 2 | 116% |
| Lira | 58 | 10 | 12 | 1 | 120% |
| Gulu | 78 | 45 | 38 | 3 | 64% |
| Masaka | 39 | 10 | 11 | <1 | 110% |
| Mbarara | 78 | 50 | 54 | 5 | 108% |
| Kasese | 0 | 0 | 0 | 0 | 0% |
| Fort Portal | 29 | 4 | 10 | <1 | 250% |
| Kabale | 13 | 19 | 23 | 2 | 121% |
| Arua | 0 | 0 | 0 | 0 | 0% |
| Soroti | 32 | 3 | 2 | <1 | 67% |
| Bushenyi/Ishaka | 0 | 0 | 0 | 0 | 0% |
| Hoima | 0 | 0 | 0 | 0 | 0% |
| Masindi | 0 | 0 | 0 | 0 | 0% |
| Mubende | 0 | 0 | 0 | 0 | 0% |
| Total | 833 | 261 | 333 | 28 | 128% |

Annex 7a

Status of Water Accounts as at 30th June 2007

| <i>Area</i> | <i>Total No. of Accounts</i> | <i>Active Accounts</i> | <i>Inactive Accounts</i> | <i>Metered Accounts</i> | <i>% Inactive</i> | <i>Metered A/c's as a % of total a/c's</i> |
|------------------------|--------------------------------------|----------------------------|------------------------------|-----------------------------|-------------------|--|
| Kampala | 106,522 | 89,983 | 16,539 | 105,531 | 16% | 99% |
| Jinja/Lugazi | 12,064 | 9,903 | 2,161 | 12,064 | 18% | 100% |
| Entebbe/Kajansi | 11,038 | 10,254 | 784 | 11,024 | 7% | 100% |
| Tororo | 3,383 | 3,215 | 168 | 3,086 | 5% | 91% |
| Mbale | 6,023 | 5,430 | 593 | 6,023 | 10% | 100% |
| Mbarara | 7,292 | 7,035 | 257 | 7,198 | 4% | 99% |
| Masaka | 4,847 | 4,212 | 635 | 4,743 | 13% | 98% |
| Lira | 4,268 | 3,823 | 445 | 4,268 | 10% | 100% |
| Gulu | 3,232 | 3,080 | 152 | 3,232 | 5% | 100% |
| Kasese | 2,837 | 2,767 | 70 | 2,837 | 2% | 100% |
| Fort Portal | 3,131 | 3,062 | 69 | 3,131 | 2% | 100% |
| Kabale | 2,829 | 2,796 | 33 | 2,829 | 1% | 100% |
| Arua | 3,408 | 3,305 | 103 | 3,408 | 3% | 100% |
| Bushenyi/Ishaka | 1,399 | 1,378 | 21 | 1,380 | 2% | 99% |
| Soroti | 2,978 | 2,206 | 772 | 2,864 | 26% | 96% |
| Hoima | 1,990 | 1,949 | 41 | 1,990 | 2% | 100% |
| Masindi | 1,933 | 1,692 | 241 | 1,933 | 12% | 100% |
| Mubende | 1,523 | 1,505 | 18 | 1,498 | 1% | 98% |
| Total | 180,697 | 157,595 | 23,102 | 179,039 | 13% | 99% |

Annex 7b

Status of Sewer Accounts as at 30th June 2007

| <i>Area</i> | <i>Active Accounts</i> | <i>Inactive Accounts</i> | <i>Total</i> |
|-----------------|----------------------------|------------------------------|---------------|
| Kampala | 5,854 | 1,251 | 7,105 |
| Jinja/Lugazi | 2,190 | 621 | 2,811 |
| Entebbe/Kajansi | 171 | 1 | 172 |
| Tororo | 185 | 5 | 190 |
| Mbale | 1,479 | 35 | 1,514 |
| Mbarara | 322 | 45 | 367 |
| Masaka | 296 | 27 | 323 |
| Lira | 196 | 57 | 253 |
| Gulu | 463 | 27 | 490 |
| Kasese | 0 | 0 | 0 |
| Fort Portal | 81 | 1 | 82 |
| Kabale | 442 | 79 | 521 |
| Arua | 0 | 0 | 0 |
| Bushenyi/Ishaka | 0 | 0 | 0 |
| Soroti | 231 | 127 | 358 |
| Hoima | 0 | 0 | 0 |
| Masindi | 0 | 0 | 0 |
| Mubende | 0 | 0 | 0 |
| Total | 11,910 | 2,276 | 14,186 |

Annex 8 (a).

NATIONAL WATER AND SEWERAGE CORPORATION**WATER/SEWERAGE BILLINGS, COLLECTIONS AND ARREARS STATUS AS AT JUNE 2007**

All figures in shs 000'

Billings and collections are VAT inclusive

| AREA | ARREARS AT 01/07/06 | BILLINGS | COLLECTIONS | ARREARS AT 31/6/07 | COLLECTION EFFICIENCY |
|-----------------|------------------------|-------------------|-------------------|-----------------------|--------------------------|
| KAMPALA | 19,931,898 | 51,747,347 | 48,772,329 | 21,070,937 | 94% |
| JINJA/LUGAZI | 3,582,423 | 6,244,443 | 5,467,759 | 4,231,164 | 88% |
| ENTEBBE/KAJANSI | 1,145,815 | 3,393,428 | 3,030,447 | 1,318,085 | 89% |
| MBALE | 1,511,526 | 2,500,093 | 1,995,711 | 1,913,422 | 80% |
| TORORO | 591,575 | 1,136,189 | 857,707 | 744,169 | 75% |
| MASAKA | 693,610 | 1,550,380 | 1,569,560 | 653,831 | 101% |
| MBARARA | 714,939 | 3,169,263 | 2,755,182 | 1,089,685 | 87% |
| LIRA | 458,205 | 1,326,974 | 1,126,304 | 612,696 | 85% |
| GULU | 818,157 | 1,392,310 | 1,127,442 | 1,027,907 | 81% |
| KASESE | 128,420 | 673,937 | 625,024 | 178,385 | 93% |
| FORTPORTAL | 183,089 | 901,111 | 813,923 | 271,409 | 90% |
| KABALE | 114,870 | 793,761 | 746,964 | 133,145 | 94% |
| BUSHENYI | 30,610 | 339,129 | 340,525 | 26,621 | 100% |
| SOROTI | 466,951 | 773,695 | 738,029 | 478,472 | 95% |
| ARUA | 227,355 | 849,930 | 790,450 | 281,038 | 93% |
| HOIMA | - | 287,104 | 211,905 | 69,000 | 74% |
| MASINDI | - | 517,422 | 498,075 | 158,079 | 96% |
| MUBENDE | - | 414,595 | 311,242 | 157,175 | 75% |
| TOTAL | 30,599,442 | 78,011,109 | 71,778,578 | 34,445,217 | 92% |

Annex 8b.

WATER/SEWERAGE BILLINGS, COLLECTIONS AND ARREARS STATUS AT JUNE 2007.

All figures in Shs.000'

Billings and collections are VAT inclusive

Billings comprise of water sales, sewerage and service charge

| CUSTOMER SEGMENT | ARREARS AT 01/07/06 | % | BILLINGS | % | COLLECTIONS | % | ARREARS AT 31/6/07 | % |
|-------------------------|--------------------------------|-------------|-------------------|-------------|--------------------|-------------|-------------------------------|-------------|
| MINISTRIES | 11,103,492 | 36% | 14,917,403 | 19% | 12,876,462 | 18% | 13,392,240 | 39% |
| PARASTATALS | 621,201 | 2% | 2,470,405 | 3% | 2,188,014 | 3% | 663,904 | 2% |
| INSTITUTIONS | 1,209,398 | 4% | 6,565,707 | 8% | 6,076,817 | 8% | 1,413,455 | 4% |
| COMMERCIAL | 6,125,728 | 20% | 25,654,743 | 33% | 24,301,912 | 34% | 6,459,526 | 19% |
| LOCAL AUTHORITY | 418,715 | 1% | 424,496 | 1% | 418,080 | 1% | 311,628 | 1% |
| DOMESTIC | 11,067,878 | 36% | 27,554,575 | 35% | 25,506,579 | 36% | 12,135,866 | 35% |
| FOREIGNEMBASSY | 53,031 | >0% | 423,780 | 1% | 410,714 | 1% | 68,597 | >0 |
| TOTAL | 30,599,442 | 100% | 78,011,109 | 100% | 71,778,578 | 100% | 34,445,217 | 100% |