



NATIONAL WATER AND SEWERAGE CORPORATION

ANNUAL ACTIVITY REPORT JULY 2002 – JUNE 2003

JULY 2003

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NATIONAL WATER AND SEWERAGE CORPORATION

ANNUAL ACTIVITY REPORT FOR FINANCIAL YEAR 2002/2003

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 Statute of 1995. Under this statute, the Corporation is required to prepare three year Corporate Plans that provide the strategic frame work 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 Statute, 1995.

1.2 OPERATIONAL STATUS

The National Water and Sewerage Corporation currently operates in Fifteen towns of Kampala, Jinja/Njeru, Entebbe, Tororo, Mbale, Masaka, Mbarara, Gulu, Lira, Fort Portal, Kasese, Kabale, Arua, Soroti and Bushenyi/Ishaka . The NWSC took over the new towns of Soroti and Arua during the Financial Year 2002/2003.

Table 1 : Operation Status

Areas Under NWSC before June 2002		New Areas added 2002 - 2003
Entebbe	Kasese	Arua Soroti
Fort portal	Lira	
Gulu	Masaka	
Jinja/Njeru	Mbale	
Kampala	Mbarara	
Kabale	Tororo	
Bushenyi/Ishaka		

1.3 Goals for the period 2000/2001 to 2002/2003

The Corporate Plan for the three-year period July 2000 to June 2003 was revised for the period 2002/2003 and the following strategic goals were adopted by the Management team:

1. Reduce the level of unaccounted for water to not more than 35% of water produced
2. Manpower levels to be limited to not more than 10 employees per 1,000 water connections.
3. Enhance Customer Care in all Areas to promote NWSC's image and ensure effective response to customer complaints within 36 hours
4. Ensure a continuous all year round water production of not less than 48 million m³ per annum.
5. Reduce the average cost of water produced (excluding depreciation) from Shs 550 per cu.m to Shs 450 per cu.m.
6. Rationalize emoluments of staff to a level that is competitive in Public Utilities and creates a conducive working environment.
7. Increase Annual Turnover from Shs. 30 billion to Shs. 38 billion
8. Increase collection efficiency from 76% to 95% (excluding arrears).
9. Establish within the framework of private sector participation at least 300 water stand posts to boost water distribution in Areas targeting the peri-urban areas.
10. Create a working environment that is conducive to encourage Teamwork and attract both staff and clients.
11. Strengthen process control and water quality monitoring systems to ensure that the customer receives water that complies with national standards for drinking water.
12. Operate the existing Sewage collection, treatment and disposal plants to ensure that effluent quality conform to the National Waste Water Discharge Standards.
13. Increase Water and Sewerage services network coverage in the NWSC Areas by at least 10% and 2% respectively.

14. Increase Service coverage from 60% to 70%.
15. Ensure that new areas taken on break even within a period of three years.
16. Reduce the level of arrears from Shs. 25 billion to Shs. 10 billion.

1.4 Targets for the Financial Year 2002/2003

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 2002/2003 were specified as follows:

- 1) Raise billed income (Income excluding GoU grants) to Ushs 38 billion.
- 2) Reduce overall un-accounted for water (UFW) from 40% to 38%.
- 3) Carry out mains extensions and replacement of old mains of at least 10% for water and 3% for sewerage Network.
- 4) Establish 139 water kiosks/standpipes in all areas and strengthen the existing stand-post management system
- 5) Install 9,430 new water connections in all areas, i.e. 6,600 in Kampala and 2,830 in other areas.
- 6) Collect revenue at an average of 2.8 billion per month.
- 7) Reduce debt age for arrears other than Government from the current 10 months to 6 months.
- 8) Enhance customer care within all areas and ensure effective response to customer complaints within 48 hours.
- 9) Reduce staff to achieve a staff per thousand -connection ratio of 10.

2.0 ACHIEVEMENTS MADE IN FY 2002/2003

Strategies that were undertaken in the financial year 2002/2003 included:

Performance Contracts

The Corporation continued with the implementation of activities stipulated within the Performance Contracts with the Areas and service sections. The periodic reviews of these contracts have realised great strides in the performance of the Corporation.

Stretch-out Programme.

In order to consolidate and surpass the achievements made with the implementation of the Performance Contracts, the NWSC, adopted a new tactical strategy referred to as the "**Stretch-Out Programme**". The programme is aimed at raising the bar for all performance indicators within the Corporation so as to ensure accelerated achievement of performance objectives. The programme aims at introducing anew approach to work in the Corporation and is based on the principles of reduced bureaucracy, increased speed of work, Simplicity, Self-confidence, Worker involvement, Organisational Boundarylessness, and Stretched targets, which are far above SMART targets.

Private Sector Participation in the Kampala Area

During the FY 2002/2003, management reviewed the management services contract in the Kampala Area with the objective of streamlining and ensuring continued benefits from the private manager (ONDEO Services Limited). The contract has been running for about 16 months and has realised a number of successes in terms of customer growth and billings.

DETAILS OF PERFORMANCE ACHIEVEMENTS

The detail of achievements for the year are outlined below:

(i) Service Coverage

Service coverage for water increased from 60% at June 2002 to about 63% by June 2003. This increase was a result of various mains extensions, increased connections of consumers and the creation of public stand posts in all the towns of our operations.

Table 2: Water Supply Coverage As at 30th June 2003

Town	Total No. of Connections	Pipe Network (Kms)	Targeted Population	Population Served (water)	% Served (Water)	% Served (Sewerage)
Kampala	52,611	991.45	1,208,544	749,297	62%	8%
Jinja	7,837	216.22	139,034	104,276	75%	29%
Entebbe	4,052	120.85	57,518	34,511	60%	4%
Tororo	1,739	60.95	42,473	26,333	62%	7%
Mbale	3,496	134.30	70,437	43,671	62%	30%
Masaka	2,561	96.35	61,300	44,136	72%	9%
Mbarara	3,800	98.2	69,208	53,982	78%	6%
Lira	1,608	105.65	89,871	50,328	56%	2%
Gulu	1,556	46.25	113,144	78,069	69%	5%
F/Portal	1,756	67.3	40,605	27,205	67%	2%
Kasese	1,534	48.83	53,446	40,619	76%	0%
Kabale	1,453	85.7	45,757	22,879	50%	10%
Arua	1,076	48.718	45,883	18,353	40%	0%
Bushenyi/Ishaka	597	31.148	23,180	7,186	31%	0%
Soroti	1,496	48.15	41,470	13,270	32%	2%
Total	87,172	2200.066	2,101,870	1,314,115	63%	9%

*Population figures are derived from 2002 Population and Housing Census Provisional Results (Uganda Bureau of Statistics, 2003)

Note: Population coverage is based on the following number of people served per connection:

Domestic.....10 Persons/household/connection
Standpipe.....25 households (each 8 persons)
Institutions: Small towns.....100 persons/Institution per connection
Medium towns.....500 persons/Institution
Large towns.....1,000 persons/Institution

(ii) Income

Billed income for the period July 2002 to June 2003 totalled Shs.34,135 million or a monthly average of shs 2,845 million. This is greater than the budgeted income of Shs 32.500 million, and surpasses the Government Contract target of Shs 31,158 million by 10 %.

(iii) Unaccounted for Water (UFW)

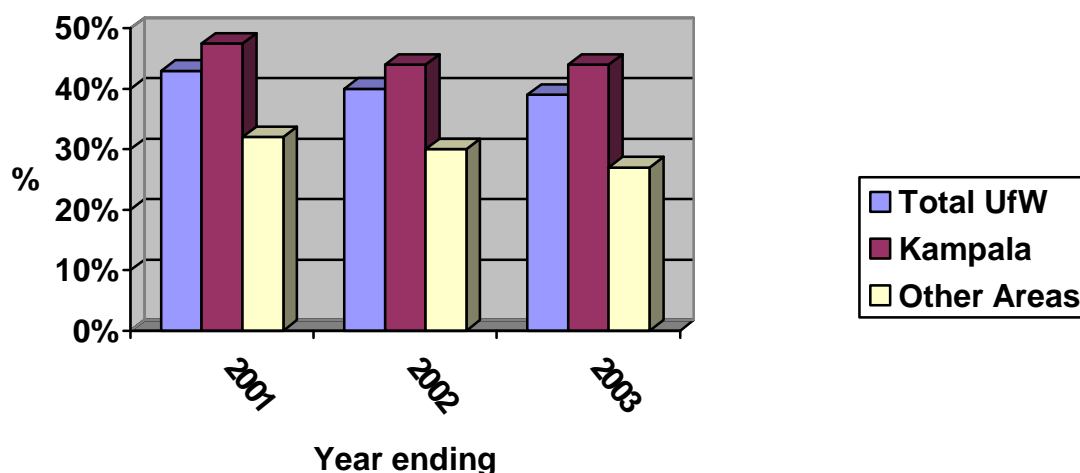
As at June 2003, the overall UFW was 39%, down from 40% at the end of the

FY 2001/2002. In Kampala, the UFW averaged about 44.5% during the FY 2002/2003, while in the other areas, UFW was at an average of about 26.7% down from 30% in the FY 2001/2002.

Table 3: Unaccounted for Water Trends

Year	2000/01	2001/02	2002/2003
Total UfW	43%	40%	39.4%
Kampala	47.5%	44%	44.5%
Other Areas	32%	30%	26.7%

UFW Trends 2000 - 2003



(iv) Staff Productivity

The Corporation had 889 employees as at June 2002. By 30th June 2003, staff had increased to 949 staff (See appendix 3). The staff increase in the year were mainly due to take over of the new towns of Arua, Soroti and Bushenyi. The Staff productivity improved from 12 to 11 staff/1000 connections during the year.

(v) Collection Efficiency

Total cumulative collections as at June 2003, amounted to Shs 38,159 million (including Government Arrears) compared to billings of Shs 38,820 million. The collection efficiency was an average of 98%. Average collections amounted to Shs 3,180 million per month compared to the target of Shs. 2,800 billion per month. This is an achievement of 114% (see annex 8).

(vi) Installation of Public Standposts

During the FY 2002/2003, it was planned that a total of 139 public standposts would be installed. Total number of kiosks installed as at the end of June 2003 were 277. This reflects a percentage achievement of 199%. This achievement is partly explained by the Urban poor project whose aim is to provide safe drinking water to the urban poor mainly in Kampala peri-urban Areas.

(vii) Extension of Water and Sewerage Mains

A total of 109.9 kms of mains were planned for in the FY 2002/2003. A total of 258 kms of mains had been extended as at June 2003. This achievement can be explained by the mains, which were extended during the Stretch-out program in all areas and the urban poor project in Kampala Area. Appendix 5.

It was planned that a total of 8.8 km of sewerage extensions would be carried out during the FY 2002/2003. As at June 2003, a total of 4.18 kms had been extended which lags behind the target. This has been due to the concentration on extension of water mains. (see appendix 5.b). On the other hand the number of sewer connections made were 104.

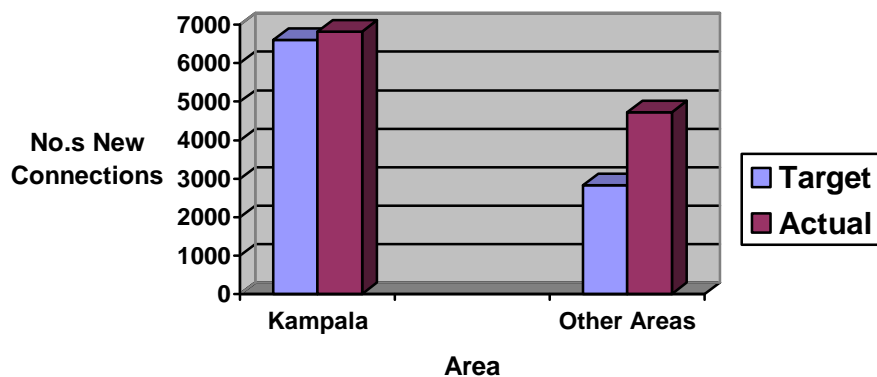
(viii) Water Subscribers/Connections

During the financial year 2002/2003, a total of 11,548 new connections were made. This reflects an achievement of 183% of the financial year target of 6,300 new connections. (see appendix 6).

Table 4 : New Connections : 2002/2003

Year	Target /Budgeted	Actual
Kampala	6,600	6,821
Other Areas	2,830	4,727
New Connections	9,430	11,548

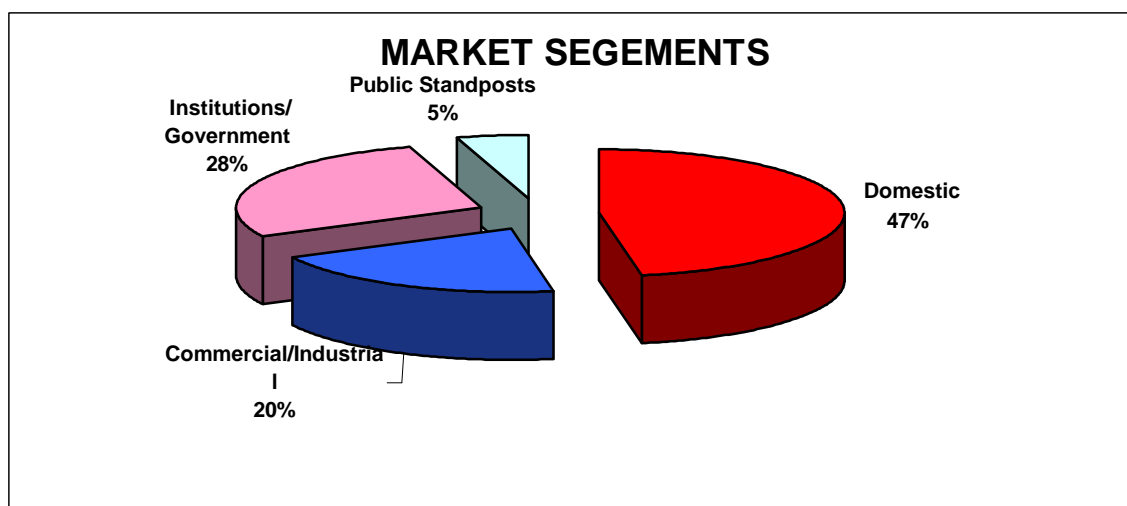
New connections compared to target



This brings the total number of connections to 87,172 connections, which are in the following consumer categories.

Table 5: Break down of consumers by No of connections and volumes consumed

Consumer category	Ratio of connections to total connections (%)	Ratio of Vol consumed (billings) to total billings (%)
Public Standposts	3%	4.7%
Domestic	83%	47.2%
Institutional Government	4%	27.8%
Industrial/Commercial	10%	20.3%
Total	100%	100%



ix) Metering Status.

By the end of June 2003, a total of 82,698 accounts were metered out of 87,172. This represented 95% meter coverage. 99% of 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 OTHER ACTIVITIES

3.1 Operations of the KWSSA Management Contract.

The new Management service contract commenced on 18th February 2002. During financial 2002/2003, the contract realised achievements in regard to the increase in number of new connections, and revenues among others, as indicated in the attached appendices.

3.2 Indexation of the NWSC Tariff

During the FY 2002/2003, the NWSC Tariff was indexed so as to protect it from further erosion, and thus maintain its real value. The indexation is against the domestic price index, foreign price index, the exchange rate and the price of electricity. The indexed tariff was effected on the 1st July 2003.

3.3 Reform of the Urban Water Sector.

In regard to the Urban Water reform process, the procurement of Transaction Advisors for the Lease group was by end of FY 2002/03 in advanced stages. It is envisaged that the Transaction Advisory Team will be on the ground by the end of year 2003.

However, parallel to the reform process, the NWSC has undertaken internal reforms aimed at increasing efficiency of service delivery. The reforms have included the engagement of a Private Operator in the Kampala Area, as mentioned above, and the formulation of Area Performance Contracts and Support Service contracts (APCs, SSCs) within the Corporation. The main characteristics of the APCs and SSCs were among others, increased autonomy of Areas and Support Departments, enhanced commercial orientation, creation of result and output oriented management and increased accountability and clear separation of responsibilities. It is planned to transform the Area Performance Contracts into Area Management Contracts.

4.0 STATUS OF EXTERNALLY FUNDED PROJECTS AS

The following section gives the status of projects currently being undertaken by the Corporation as at 30th June 2003.

4.1 PROJECT NAME: SMALL TOWNS WATER AND SANITATION PROJECT: PART B: JINJA/NJERU CIVIL WORKS COMPONENTS

JINJA/NJERU WATER SUPPLY AND SANITATION REHABILITATION CONTRACT (PROJECT COMPONENT)

Project objectives: The Project aims at the rehabilitation of water supply Facilities in Jinja/Njeru.

Project Area: Jinja/Njeru

Project Life: 1995 - 2002

Project Cost: The estimated total cost of the Project is US \$ 6.9 million (Ug. Shs. 13.8 billion)

Funding Agency: International Development Association (IDA)

Consultant: Mott MacDonald

Contractor: Spencon

Project Status: The rehabilitation of Jinja/Njeru Water and Sewerage system was completed in November 2002. A total of 40km of water mains extensions were made which covered the Njeru Area. As a result of the extensions, a total of 1300 new Water connections were installed.

4.2 PROJECT NAME: KABALE WATER SUPPLY AND SANITATION PROJECT.

Project objectives: This project aims at rehabilitating and expanding Water Supply and Sanitation Systems in Kabale.

Project Area: Kabale

Project Life: 2000 – 2002

Project Cost: US \$ 11 million (US\$ 22.0 billion)

Funding Agency: German Government through Kreditanstalt fuer Wiederaufbau (KfW).

Consultant: Beller Consult GMBH/ M & E Associates

Contractor: Spencon

Project Status: The project was completed in November 2002 and commissioned on January 23rd 2003 by H.E., the President. The Project entailed the refurbishment and expansion of the Kabale Water supply and Sewerage systems. Works undertaken included the construction of the new intake Water Works, and Sewerage treatment plant. A total of 7.8km transmission mains, and 22.5 km of service pipes were extended by the project.

4.3 PROJECT NAME: GABA 1 REHABILITATION PROJECT

Project Objectives: The objectives of the project is to rehabilitate the Gaba 1 plant which will include the restoration of the treatment plant to its original capacity of 72,500 cu.m of water per day. The project is to be undertaken in two phases, phase 1 and 2, at a cost of 2.0 million and, 4.5 million EURO respectively.

Project Area: Gaba 1 Kampala

Project Cost: 6.5 million EURO (US\$ 13.6 billion)

Funding Agency: European Union (EU) and NWSC.

Consultant: Typsa

Contractor: Spencon

Project Status: Phase I works were completed in March 2002 and commissioned in May 2002. Phase 1 undertook the refurbishment of the plant resulting in the increase of water production from 30,000 cu.m to 40,000 per day.

The contract for phase II of the project was launched in March 2003 and will increase the production Capacity from 40,000 cu.m/day to original Production Capacity of 72,000 cu.m/day.

4.4 PROJECT NAME: 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: 16.25 million Euro (US\$ 34.1 billion).

Funding Agency: KfW

Consultant: Beller Consult GMBH/ M& E Associates/CES consulting Engineers

Project Status: As at March 2003, the feasibility study for the project was completed. The next stage is the detailed design stage. During the reporting period, the procurement of the Consultant to carry out the detailed design reached an advanced stage with a No-Objection received for Contract signature. Civil works are due to start by end of year 2003. The project will result in the refurbishment of the water and sewerage systems, which will be able to serve the population projected to 2015.

4.5 PROJECT NAME: 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 \$ 11 million (shs 22.0 billion).

Funding Agency: **Not yet sourced.** However the NWSC has budgeted for minor works to be undertaken in the FY 2003/04 as a bridging measure.

Project Status: A detailed feasibility study was undertaken with funding from IDA under the STWSP in 1997. Funding is being sought to finance the implementation of the Project.

4.6 PROJECT NAME: ACCOMPANYING MEASURES TO THE URBAN WATER SUPPLY & SANITATION PROJECT: WESTERN UGANDA

Project Objectives: Strengthening of the Financial and Technical Performance of the Fort Portal and Kasese Areas through training and provision of IT equipment.

Project Area: Fortportal and Kasese

Project Cost: 230,706 Euro (US\$ 484m)

Funding Agency: KfW

Status: Computers for the billing centres were procured, and the billing centres have been installed in both areas. Pipes and fittings have already been delivered.

4.7 KAMPALA SANITATION MASTER PLAN

Project Objectives: To develop a master plan for Kampala's Sanitation System. All future infrastructure developments to follow the recommendations of the Master Plan.

Project Area: Kampala Water Supply Service Area

Project Cost: US\$: 900,000 (US\$ 1.8 billion)

Project Life: 2003 – 2004

Funding Agency: KfW

Consultant: Beller, Mott McDonald & M & E Associates

Status: The study for the project commenced in February 2003 and will last for 18 months. The study will provide the framework for the improvement and increase in coverage of sanitation services to the population. As at June 2003, an inception report had been presented by the Consultants

4.8 KAMPALA WATER SUPPLY NETWORK REHABILITATION PROJECT

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

- ✍ Reduction of unaccounted for Water 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 billion)

Funding Agency: KfW

Consultant: ONDEO Services Limited

Status: As at March 2003, the Operations investment plan had been approved by the NWSC, and funds from KFW were yet to be disbursed. Investment funds to the tune of 188 million were also disbursed to the project and during the period implementation of the project is under progress.

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

Project Objectives:

- ✍ Strengthen and improve the management of industrial and municipal waste, assess the contribution of urban runoff 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 its Catchment.

Project Cost: US\$: 2.97million (UShs. 5.9 billion)

Funding Agency: World Bank through (IDA).

Status:

- ✍ 22 Staff have been trained on operations and maintenance of BSTW.
- ✍ Laying of twin rising main at BSTW was completed during the reporting period.
- ✍ Optimisation and monitoring of the Luzira Wetland is on- going and 12 data sets have been generated, ponds desludged and pumping system overhauled.

4.10 GABA III WATER PLANT

Project objectives: The Project objective is to increase water production at Gaba II by 84,000m³/day which will be sufficient to meet Water needs for Kampala up to the year 2015.

Project area: Gaba, Kampala.

Project cost: The estimated total cost of the project 16.6 million Euro (Shs 34.9 billion).

Funding Agency: KfW.

Consultant: GkW

Project status: The contract for the consultancy services was signed in August 2002. It is envisaged that construction Works will commence in the first quarter of the year 2004.

4.11 SUBSIDY NEW TOWNS OF ARUA, SOROTI & BUSHENYI

Start Date: July 2002.

Project Life: 2002- 2005

Project objectives

- ✍ Rehabilitate and expand water and sewerage systems in the three new towns.
- ✍ Construct a storage weir in the Enyau River for storing enough water
- ✍ Restoration of originally designed capacity of Soroti treatment plant.

Project Area: Arua, Busheni/Ishaka and Soroti Areas.

Funding Agency: GoU, Shs 400 million per annum

Project Status: Project is a three-year project, which is still on going with minor rehabilitation works being carried out.

Table 6 : BUDGETARY PERFORMANCE OF DONOR ASSISTED PROJECTS**FOR THE PERIOD July. 2002 - June. 2003 - (In shs '000)**

PROJECT NAME		NOTE	NWSC			GOU				DONORS			TOTAL		
			BUDGET	ACTUAL	%	BUDGET		ACTUAL	%	BUDGET	ACTUAL	%	BUDGET	ACTUAL	%
						Submission	Allocation								
Kabale Water Supply Project	KFW	1	60,000	26,314	44%	300,000	555,000	1,101,459	198%	3,525,000	6,715,566	191%	4,140,000	7,843,339	189%
Small Towns Water & Sanitation Project - Part B	IDA	2	173,000	65,577	38%	230,000	554,000	472,922	85%	3,233,000	3,195,168	99%	3,960,000	3,733,667	94%
Gaba 1 Rehabilitation	EDF	3	152,000	454,000	299%	650,000	277,000	0	0%	1,614,000	463,877	29%	2,043,000	917,877	45%
Entebbe Water Supply Expansion	KFW	4	280,000	0	0	2,049,000	716,000	0	0%	4,639,000	0	0%	5,635,000	0	0%
Kampala Network Rehabilitation	KFW	5	880,000	591,849	67%	550,000	393,700	0	0%	2,295,000	791,768	35%	3,568,700	1,383,617	39%
Sanitation Strategy & Sewerage Master plan	KFW	6	0	0	0	90,000	94,000	0	0%	546,000	686,585	126%	640,000	686,585	107%
Kampala Water III Project	SPAIN	7	0	0	0	2,560,000	1,458,000	0	0%	14,562,000	0	0%	16,020,000	0	0%
Peri- Urban Extensions	NWSC	8	750,000	324,000	0	1,595,000	0	0	0%	0	0	0%	750,000	0	0%
Lake Victoria Environmental Management Project	IDA	9	0	0	0	39,000	39,000	1,576	4%	776,000	455,000	59%	815,000	456,576	56%
Gaba III WaterProject	KFW	10	0	0	0	1,129,000	0	0	0	11,007,000	389,499	4%	11,007,000	389,499	4%
Water&Sanitation For Urban Poor	KFW	11	0	0	0	600,000	400,000	370,000	93%	1,456,000	0	0%	1,856,000	370,000	20%
Investment Subsidy-Arua,Soroti,Bushenyi	GOU	12	0	0	0	585,000	500,000	500,000	100%	0	0	0%	500,000	500,000	100%
Restructuring Expenses	GOU	13	0	0	0	1,000,000	1,000,000	1,463,736	146%	0	0	0%	1,000,000	1,463,736	146%
TOTALS			2,295,000	1,461,740	63%	11,377,000	5,986,700	3,909,693	34%	43,653,000	13,116,678	30%	51,934,700	17,744,896	34%

NOTES TO THE FINANCIAL PERFORMANCE REPORT- DONOR ASSISTED PROJECTS

- 1) **Kabale Water Supply Project**
The project is completed. , The defects liability period will be for one year. Additional works including paving the Project sites have been done.
- 2) **Small Towns Water & Sanitation Project - Part B**
The main civil works component of the project was completed on the revised completion date - 12th October 2002. The snag list was agreed and the final certificate submitted for review. The Defects Liability Period will be for one year. The training programme is completed
Parts A&C implemented by DWD have overdrawn the credit by SDR 576,974.84. We expect to recover some of this amount from the balance on their Special Account which they had earlier confirmed to be US\$ 431,586.53.
The Task Team Leader authorised them to draw US\$ 35,000 from this balance to cover an outstanding commitment which was declared during the meeting.
- 3) **Gaba I Rehabilitation**
Phase II construction works contract was awarded to Spenco Services Ltd. Construction Works will begin in March 2003. Expected completion date is April 2004
- 4) **Entebbe Water Supply Expansion**
Technical proposals for consultancy services for Design and Construction supervision were evaluated and a report sent to KFW for No- Objection.
The funding from NWSC will be used for compensation and Government of Uganda will finance the tax component.
- 5) **Kampala Network Rehabilitation**
The project is implemented under a new Management Services contract with M/s ONDEO who commenced work in February 2002. The contribution from NWSC (ie DM. 1.4m) was completed in January 2003. KFW disbursed Euro 255,646.00 into the Operational Investment fund on March 22, 2003.
- 6) **Sanitation Strategy & Sewerage Masterplan**
M/s RRI Beller was procured as the consultant. Work commenced during the reporting period.
- 7) **Kampala Water III Project (Spanish)**
The request to the Ministry of Finance and Economic Planning for approval of the proposed Financing arrangements has not been cleared to date.
It is now unlikely that the project will be implemented within the current Financial Year.
- 8) **Peri- Urban Extensions**
The extensions to Bunamwaya/Lubowa and Gayaza are about 60% and 75% complete respectively. The balance on the budget provision is expected to cover the expected shortfall on the Buddo and Bulenga Extensions. NWSC has provided some materials procured under the Small Towns Water & Sanitation Project. Expenditure has been reflected under the NWSC Dev. Budget.
- 9) **Lake Victoria Environment Management Project**
Replacement of the Bugolobi Twin Rising Mains have improved inflow by 33% Investigations into the viability of using a well managed natural wetland in the tertiary treatment of municipal wastes and using constructed wetlands in the tertiary treatment of industrial wastes on pilot basis are 80% complete
- 10) **Gaba III Water Project(KFW)**
Phase two of the project commenced on 25th February 2003- The consultant has embarked on preparation of Tender Documents and update of the Feasibility Study.
- 11) **Water&Sanitation For Urban Poor**
GOU has released Shs. 370m to date. The funds are held by the Ministry of water, Lands & Environment. NWSC is expected to commit the funds through the Contracts' Committee of the Ministry.
- 12) **Investment Subsidy-Arua, Soroti, Bushenyi**
An account was opened with DFCU. The entire Shs. 500m has been released. The Ministry has requested for ratification of Commitments earlier approved by the NWSC Contracts Committee
by the Ministry Contracts' Committee before payments are processed
- 10) **Restructuring Expenses:** GOU has released a total of Shs. 1,464m to date.

5.0 CONSTRAINTS ENCOUNTERED DURING 2002/2003

5.0.1 Accumulation of Arrears

Accumulation of arrears undermines the Corporation's ability to expand and improve services. During the year the arrears increased from Shs 24, 217 million to shs 24,605 million as at June 2003. The break down in arrears is shown in the table below.

Table 8

ARREARS BY CATEGORY JUNE 2003

Shs 000

CATEGORY	Arrears June 2002	ARREARS June 2003	Arrears as a % of total June 2003
MINISTRIES	7,499,608	7,150,234	29%
PARASTATALS	1,380,128	1,293,853	5%
INSTITUTIONS	1,102,640	1,108 028	5%
COMMERCIAL	5,984,275	6,226,946	25%
LOCAL AUTHORITIES	410,044	353,492	1%
DOMESTIC	7,766,208	8,400,945	34%
FOREIGN EMBASSIES	74,708	71,508	>1%
TOTAL	24,217,609	24,605,005	100%

5.0.2 High levels of Unaccounted for Water in Kampala

The high level of Unaccounted for water in Kampala, (44.5%), still undermines the performance of the Corporation. The principal cause of high water losses is the age of the network (estimated to account for 50% of the losses) and the high administrative losses (estimated to account for 50% of the losses). It is however expected that this problem will be addressed through the Kampala Network Rehabilitation project, which is being implemented by the Kampala private operator, ONDEO Services Uganda Ltd.

5.0.3 Sewerage Coverage

The low sewerage network coverage impairs the ability of the Corporation to adequately provide sewerage services. The coverage for sewerage is currently estimated at about 9%, the low coverage is a result of the lack of funding to carry out a 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 is being carried out starting with Kampala to map out a strategy to improve the sewerage situation in the urban centres.

5.04 High level of suppressed Accounts

The number of suppressed accounts continues to grow as the customer base of the Corporation increases. The number of suppressed accounts have increased from 17,670 as at June 2002, to 17,999 as at June 2003. However, it should be noted that the suppressed accounts as a percentage of total accounts have reduced from 24% to 21% over the year under review.

5.05 Non Viable Towns.

The non-viability of some towns, which is a result of the low level of economic activity and hence the low demand for water services, has strained the financial performance of the Corporation since these towns have to be subsidized by viable towns such as Kampala, Entebbe and Jinja. This was compounded by the addition of the new towns of Arua, Soroti, Bushenyi/ishaka have also resulted into extra towns for subsidization.

5.06 VAT Policy on Water/Sewerage Services

The current VAT policy where VAT is paid on billings as opposed to actual collections impairs the cash flow status of the Corporation.

7.0 SUMMARY OF OVERALL PERFORMANCE FOR THE FINANCIAL YEAR 2002/2003

No.	Target/Activity for FY. 2002/2003	Status of Outputs/Achievements:	Remarks/Constraints
1	Raise billed income (net of VAT) to Shs. 32.5 billion, an average of Shs 2.71 billion per month.	Billings for the year were shs 34.2 billion, which exceeds the targeted amount. Average billings were Shs 2.845 per month	Target achieved and surpassed by 5%. Increased billings realised
2	Reduce overall unaccounted for water from 40% to 38%.	Overall unaccounted for water at 39% by year-end.	Kampala UfW 45.5%, other areas 26.7%. Kampala falls short of target due to network age and administrative losses
3	Water production	Water production was an average of 140,776 cu.m per day.	This marked an increase in water production per day from an average of 128,492 cu.m/day in the previous year 2001/2002.
4	Capacity utilisation of at least 75%	Capacity utilisation was about 65% for the year.	Capacity utilisation was over 75% for the towns of Kampala (86%), Gulu (85%) and Entebbe (93%). These require urgent expansion of production systems. Low utilisation in other towns due to the existence of excess capacities and low growth in demand.
5	Reduce staff to 750 and achieve a staff per thousand-connection ratio of 10.	Staff level increased from 884 in June 2002 to 949 by end of FY 2002/2003. However Staff per thousand-connection ratio of 11 was achieved.	Staff has increased due to take over of new towns of Arua, Soroti and Bushenyi and increase in commercial activities
6	Increase collection efficiency (C.E.) from 76% to 95%	Collection efficiency for the period was 98% including arrears. Average collections per month were Shs 3.180 billion.	Achievement exceeded the target.
7	Install, 139 water kiosks, 30 in Kampala.	Total of 277 water kiosks installed by end of year, 77 in Kampala, and 200 in other areas.	This translates into an overall achievement 199%.
8	Extend mains by 109.9 kms, 43 kms in Kampala.	A total extensions of 257.5 kms extended by end of year.	Achievement of about 234%. This is due to mains extended during the Stretch out Program in all areas and collaboration with KCC and local Governments
9	Increase connections by 9,430, an average of 786 per month.	A total of 11,548 new connections made, average of 962 per month.	Achievement equivalent to 123% of target.
10	Increase active connections from 57,127 to 66,514.	Total active connections were 69,173 by year-end.	Achievement equivalent to 103% of target.
11	Reduce Suppressed accounts to 11,308	Suppressed accounts were 17,999 by year end or 21% of total accounts	Noted that inactive connections increased in absolute numbers, but decreased as a % of total accounts from 24% to 21%. Problem of inactive accounts partly due to non-payment, and obsolete accounts still recorded in database.
12	Carry out universal metering, i.e. 100% metering of all active accounts.	95% of total accounts were metered. Most active accounts i.e. about 99% were metered.	99% of all active accounts were metered.
13	Reduce the level of arrears from Shs 25 billion to Shs. 20 billion	Arrears were Shs 24.6 billion at end of FY 2002/2003 or a net increase of Shs 388 million from previous year.	Arrears increased by 2% due to non-payment by customers.

APPENDICES TO ANNUAL REPORT

1. Water Production, water sold , Billing efficiency and Unaccounted for water (July 2002 –June 2003.
2. Capacity Utilisation July 2002 - June 2003
3. Staffing levels as at June 30th 2003.
4. Water Kiosks/Public Stand posts Installed: July 2002 – June 2003.
- 5.b Sewer Extensions July 2002 - June 2003.
5. Water Mains Extensions: July 2002 – June 2003.
6. New connections July 2002 - June 2003.
7. Status of NWSC accounts: Total, Active, Inactive, Metered, as at June 2003.
8. Status of Arrears as at June 30th 2003.
9. Arrears at 30th June 2003 by Segment.

Annex 1
Water Production, Billing, UfW July 2002 – June 2003

AREA	Water Produced	Water Sold	B.E	UfW
Kampala	36 527 050	20 254 313	55.5%	44.5%
Entebbe	2 274 367	1 536 996	67.6%	32.4%
Jinja	3 964 126	2 795 000	70.5%	29.5%
Tororo	822 665	665 297	80.9%	19.1%
Mbale	1 499 661	1 216 133	81.1%	18.9%
Masaka	897 710	671 007	74.7%	25.3%
Mbarara	1 642 704	1 272 807	77.5%	22.5%
Lira	637 840	555 608	87.1%	12.9%
Gulu	484 475	415 484	85.8%	14.2%
Kasese	493 612	349 048	70.7%	29.3%
Fortportal	449 069	394 715	87.9%	12.1%
Kabale	376 760	229 217	60.8%	39.2%
Arua	406 607	296 108	72.8%	27.2%
Bushenyi	166 951	130 952	78.4%	21.6%
Soroti	757 742	368 695	48.7%	51.3%
Total	51 401 339	31 151 380	60.6%	39.4%
Other Areas	14 874 289	10 897 067	73.3%	26.7%

ANNEX 2.

Capacity Utilisation July 2002 – June 2003.

AREA	Practical capacity m3/day	Average Production m3/day	Capacity Utilisation %
Kampala	117 270	100 449	86%
Entebbe	6 730	6 612	98%
Jinja	24 000	10 645	44%
Tororo	5 914	2 555	43%
Mbale	14 408	4 166	29%
Masaka	10 197	2 510	25%
Mbarara	6 382	4 294	67%
Lira	8 586	1 668	19%
Gulu	1 579	1 338	85%
Kasese	2 368	1 127	48%
Fortportal	2 171	1 221	56%
Kabale	3 600	1 071	30%
Arua	5 400	1 091	20%
Bushenyi	960	520	54%
Soroti	5 529	1 510	27%
Total NWSC	215 094	140 776	65%
Total Other Areas	97 824	40 327	41%

Annex 3

Detailed staff levels as at June 30th 2003

Area	Staff Permanent	Staff Contract	Male	Female	% Female/total staff	Total Staff
Headquarters	124	49	119	54	31%	173
KWSSA	153	58	162	49	23%	211
Kampala	70	45	101	14	12%	115
Jinja	58	19	63	14	18%	77
Entebbe	35	11	35	11	24%	46
Tororo	22	4	22	4	15%	26
Mbale	47	5	43	9	17%	52
Masaka	28	7	31	4	11%	35
Mbarara	39	5	41	3	7%	44
Lira	16	8	22	2	8%	24
Gulu	12	11	22	1	4%	23
Kasese	15	4	16	3	16%	19
Fortportal	16	7	17	4	17%	23
Kabale	3	18	19	2	10%	21
Arua	3	19	17	5	23%	22
Bushenyi/Ishaka	2	13	13	2	13%	15
Soroti	3	20	19	4	17%	23
Total	646	303	764	185	19%	949

ANNEX 4

Water kiosks installed July –June 2003

AREA	Budgeted(Nos.)	July-June(nos)	% Achieved
Kampala	30	77	257%
Jinja	15	18	107%
Entebbe	10	10	100%
Mbale	10	19	190%
Mbarara	10	15	150%
Tororo	5	19	380%
Masaka	6	10	167%
Kasese	6	16	283%
Fortportal	5	13	260%
Lira	10	44	440%
Gulu	10	8	80%
Kabale	10	10	100%
Arua	5	9	180%
Bushenyi/Ishaka	2	6	300%
Soroti	5	3	60%
TOTAL	139	277	199%

ANNEX 5

Water mains extensions July-June 2003.

AREA	Budgeted(kms)	July-June (kms)	% Achieved
Kampala	43	82.05	192%
Jinja	4	14.22	335%
Entebbe	6	23.8	396%
Mbale	6	15.474	258%
Mbarara	4.1	8.2	200%
Tororo	2.1	7.2	343%
Masaka	5	6.36	127%
Kasese	5	7.2	144%
FortPortal	5	28.4	568%
Lira	5.6	18.4	329%
Gulu	5.6	4.8	86%
Kabale	3.8	9.7	255%
Arua	5.3	15.754	297%
Bushenyi/Ishaka	4.1	6.87	168%
Soroti	5.3	9.07	171%
Total	109.9	257.498	234%

ANNEX 5.B

Sewer Mains Extensions FY 2002/2003 as at June 2003

AREA	Budgeted (km)	Actual (km)	% Achievement
KAMPALA	1.2	0	0%
JINJA	0.8	1.22	153%
ENTEBBE	0	0	0%
TORORO	0.8	0	0%
MBALE	0.6	1.49	248%
LIRA	0.8	0.06	8%
GULU	0.8	1.9	238%
MASAKA	0.8	0	0%
MBARARA	3	0	0%
KASESE	0	0	0%
FORTPORTAL	0	0	0%
KABALE	0	0	0%
Arua	0	0	0%
Bushenyi/Ishaka	0	0	0%
Soroti	0	0	0%
TOTAL	8.8	4.18	48%

Sewer Connections made July 2002 – June 2003

AREA	Sewer Connections made July 2002 – June 2003
KAMPALA	43
JINJA	11
ENTEBBE	0
TORORO	3
MBALE	19
LIRA	5
GULU	8
MASAKA	4
MBARARA	5
KASESE	0
FORT/PORTAL	2
KABALE	0
Arua	0
Bushenyi/Ishaka	0
Soroti	0
TOTAL	104

Annex 6
New Water Connections July 2002 - June 2003

Area	Budgeted 2002/2003	Total number of new water connections July- June	Average/ month	% of Budget achieved
Kampala	6,600	6821	568	103%
Jinja	330	889	74	269%
Entebbe	270	418	35	155%
Mbale	320	396	33	124%
Mbarara	320	443	37	138%
Tororo	110	105	8	95%
Masaka	240	360	30	150%
Kasese	160	180	15	113%
Fort Portal	170	187	16	110%
Lira	170	358	30	211%
Gulu	150	172	14	115%
Kabale	110	671	56	610%
Arua	300	316	26	105%
Bushenyi	120	122	10	102%
Soroti	180	110	9	61%
TOTAL	9,430	11,548	962	122%

Annex 7
STATUS OF WATER CONNECTIONS AS AT June 2003

Area	Total Number of Accounts Nos.	Active Accounts Nos.	Inactive Accounts Nos	Metered Accounts Nos.	% of Inactive Accounts/T a/c's	% Metered A/c's/T/a/c's
Kampala	52 611	40 829	11 782	48 952	22%	93%
Jinja	7 837	5 531	2 306	7 837	29%	100%
Entebbe	4 052	3 379	673	3 947	17%	97%
Tororo	1 739	1 664	75	1 739	4%	100%
Mbale	3 496	3 164	332	3 496	9%	100%
Masaka	2 561	2 401	160	2 560	6%	100%
Mbarara	3 800	3 220	580	3 690	15%	97%
Gulu	1 556	1 016	540	1 556	35%	100%
Lira	1 608	1 309	299	1 560	19%	97%
Kasese	1 534	1 292	242	1 534	16%	100%
Fortportal	1 756	1 388	368	1 756	21%	100%
Kabale	1 453	1 257	196	1 362	13%	94%
Arua	1 076	980	96	1 076	9%	100%
Bushenyi	597	557	40	566	7%	95%
Soroti	1 496	1 186	310	1 067	21%	71%
Total NWSC	87 172	69 173	17 999	82 698	21%	95%

ANNEX 8

STATUS OF AREAS AT JUNE 30TH 2003 Billings and collections are VAT inclusive

Shs 000

AREA	ARREARS AT 01/7/02	2002/2003 BILLINGS	2002/2003 COLLECTIONS	ARREARS AT 30/06/2003	COLLECTION EFFICIENCY
KAMPALA	17,343,226	26,262,611	25,844,142	17,711,205	98%
JINJA	3,161,787	3,618,018	3,454,451	3,364,345	101%
ENTEBBE	1,017,212	1,692,078	1,638,049	1,055,701	97%
MBALE	880,154	1,501,158	1,559,790	698,055	104%
TORORO	222,714	700,202	660,456	208,682	94%
MASAKA	265,787	750,241	788,467	203,291	105%
MBARARA	578,811	1,482,564	1,607,114	447,069	108%
LIRA	117,477	502,164	481,184	120,475	96%
GULU	225,538	502,513	504,857	227,222	100%
KASESE	65,111	330,250	319,787	76,230	97%
FORT/PORTAL	146,431	409,259	429,330	122,116	105%
KABALE	47,906	270,159	238,891	56,301	88%
BUSHENYI	28,780	136,361	138,569	24,875	102%
ARUA	—	255,380	228,430	76,223	90%
SOROTI	116,676	407,948	265,104	213,215	65%
TOTAL	24,217,610	38,820,906	38,158,621	24,605,005	98%

ARREARS BY CATEGORY JUNE 2003

Shs 000

CATEGORY	ARREARS	Arrears as a % of total
MINISTRIES	7,150,234	29%
PARASTATALS	1,293,853	5%
INSTITUTIONS	1,108,028	5%
COMMERCIAL	6,226,946	25%
LOCAL AUTHORITIES	353,492	1%
DOMESTIC	8,400,945	34%
FOREIGN EMBASSIES	71,508	0.003%
TOTAL	24,605,005	100%