



National Water and Sewerage Corporation

*Water is Life
Sanitation is Health*

Corporate Plan
July 01, 2003 - June 30, 2006

June 2003

**NATIONAL WATER AND SEWERAGE
CORPORATION**

CORPORATE PLAN

JULY 01, 2003 - JUNE 30, 2006

IN ACCORDANCE WITH SECTION 20

OF

‘THE NATIONAL WATER AND SEWERAGE CORPORATION STATUTE, 1995’

Water is Life

Sanitation is Health

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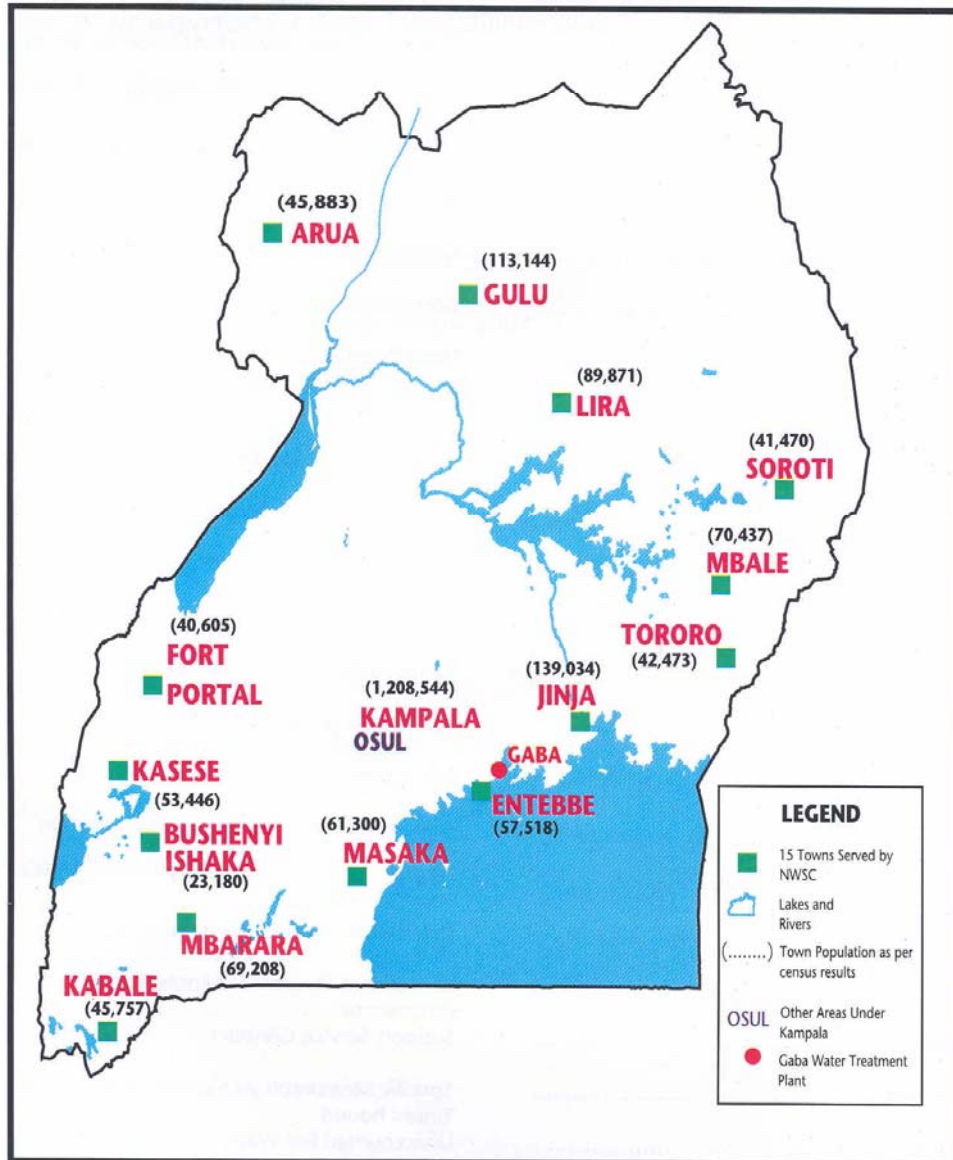
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ABBREVIATIONS AND ACRONYMS

| | |
|--------------|--|
| AHA | Asset Holding Authority |
| AMC | Area Management Contract |
| APC's | Area Performance contracts |
| CPP | Corporate Planning Process |
| DAPCB | Departed Asians' Properties Custodian Board |
| DWD | Directorate of Water Development |
| EU | European Union |
| FY | Financial Year |
| GTZ | German Technical Cooperation |
| GoU | Government of Uganda |
| HQTR | Head Quarters |
| H.E | His Excellency |
| IDA | International Development Association |
| ISO | International Standards of Organisations |
| IT | Information Technology |
| KFW | Kreditanstalt fuer Wiederaufbau |
| KRIP | Kampala Revenue Improvement Program |
| KWSSA | Kampala Water Supply Sewerage Service Area |
| LVEMP | Lake Victoria Environment Management Project |
| MIS | Management Information System |
| NWSC | National Water and Sewerage Corporation |
| OSUL | ONDEO Services Uganda Ltd |
| QMS | Quality Management System |
| SEREP | Service and Revenue Enhancement Programme |
| SSC's | Support Service Contract |
| SMART | Specific, Measurable, Achievable, Realistic and Time-bound |
| UFW | Unaccounted For Water |
| UNBS | Uganda National Bureau of Standards |
| VAT | Value Added Tax |

TOWNS SERVED BY NATIONAL WATER AND SEWERAGE CORPORATION



FOREWORD

On behalf of the Board of Directors of the National Water and Sewerage Corporation (NWSC), I am pleased to present the Third Corporate Plan of the Corporation, for the period 2003 – 2006 as per provisions of Section 20 (1) of the NWSC Statute, 1995.

The First Corporate Plan of the National Water and Sewerage Corporation was for the period 1997 to 2000. The Second Corporate Plan was for the period 2000 to 2003, and it set out to address a number of key issues among which were:

- Expansion of service coverage
- Increase in labour productivity
- Improved distribution of services
- Improved revenue generation
- Involvement of the private sector in service delivery

Evaluation of the NWSC performance for the Second Corporate Plan period showed that considerable progress had been made in the operational and financial status. This was evidenced by among others:

- The expansion of service coverage from 54% as at June 2000 to 63% as at June 2003
- The increase in turnover from Shs. 25.8 billion as at June 2000 to Shs 37.6 billion as at June 2003
- The improvement of staff productivity from 27 staff per thousand connections as at June 2000 to 11 staff per thousand connections as at June 2003.
- The reduction in unaccounted for water from 43% as at June 2000 to 39% as at June 2003.
- The engagement of a Second Management Services Contractor to run the Water Supply and Sewerage Services in the Kampala Area. The Contract was signed in January 2002 and work commenced in February 2002.

The key strategies adopted during the Second Corporate Plan period (2000 – 2003) were the Performance Contract signed with the GoU in 2000, the Short Term Enhancement programmes, and the involvement of the Private Sector.

The Third Corporate Plan, which will cover the period 2003 – 2006, is aimed at further consolidating the achievements of the Second Plan by fostering efficiency gains within the Corporation.

With the adoption of the Corporate Vision “**The NWSC to be the Pride of the Water Sector in Africa**”, the NWSC Strategic Goals for the period 2003 – 2006 are aimed at providing quality services to its customers, with sustainability and viability as the key objectives of this plan.

The main strategies to be adopted during the third Corporate planning cycle will include the continuation of the short term enhancement programmes, the transformation of area performance contracts into area management contracts, and the expansion of the water and sewerage systems to the peri-urban and urban poor settlements with increased use of internally generated resources, and the establishment of a framework within which sanitation issues will be addressed.

The Board of Directors of the National Water and Sewerage Corporation pledges to stand behind management to ensure the full success of the third Corporate Plan for the period 2003 to 2006.

S. L. Okec
CHAIRMAN, BOARD OF DIRECTORS
June 2003

EXECUTIVE SUMMARY

1.0 Introduction

The Ministry of Water, Lands and Environment (MWLE) is responsible for the provision of water and sewerage services in Uganda. The key executing agencies within the Ministry responsible for the provision planning, provision and management of urban water supply and sewerage services in the country are the National Water and Sewerage Corporation (NWSC), and the Directorate of Water Development (DWD). The NWSC is a public corporation which is currently responsible for the supply of water and sewerage services in 15 towns namely, Kampala, Jinja (includes Njeru), Entebbe, Mbale, Mbarara, Masaka, Tororo, Gulu, Lira, Kasese, Fort Portal, Kabale, Bushenyi, Soroti, and Arua, while the DWD is responsible for, among others, overall water resources development and management. The Ministry of Local Government (MoLG) through urban authorities (local councils) is responsible for water supply and sanitation in the urban areas not served by NWSC.

1.1 National Water and Sewerage Corporation

The National Water and Sewerage Corporation was established by Decree No. 34 of 1972, following an earlier study on the need for improvement of water and sanitation in the urban centers of Uganda.

In 1995, the Corporation was re-established by the National Water and Sewerage Corporation Statute, with the primary aim of revising the objectives, powers and structure of the Corporation and to enable the Corporation operate on a commercial and viable basis. The National Water and Sewerage Corporation Statute stipulates that the Corporation provides three-year Corporate Plans.

This Corporate Plan is submitted in accordance with the requirements of Section 20 of the National Water and Sewerage Corporation Statute (NWSC), 1995.

2.0 Background

The first Corporate Plan under the NWSC Statute 1995 was prepared for the period 1997 – 2000, and the Second Corporate Plan for the period 2000 – 2003. The Second Corporate Plan came into being at a time when the Corporation had commenced internal reforms aimed at enhancing efficiency in service delivery and staff productivity. These reforms included the implementation of the 100 Days Programme, the Service and Revenue Enhancement Programmes (SEREP), and the rationalization of staff numbers. The Second Corporate Plan therefore took stock of the internal reforms that had been made. The Plan outlined strategies to further these achievements and to ensure sustainable delivery of services.

3.0 Implementation of the Corporate Plan 2000 - 2003

The major strategy used in the implementation of the Second Corporate Plan was the Performance Contract with Government, which was signed in the year 2000. As a means of operationalising the Contract, management signed performance contracts with individual areas and key functional units within the Corporation. The periodic reviews of these contracts have established great improvements in the performance of the Corporation. In addition, management augmented its activities with the introduction of the Stretch-Out –Programme.

Also during the second corporate plan period, a new Management Services Contractor was procured to run the services for Kampala Area. The contract was awarded to ONDEO Services, a French utility company, in January 2002, and the company took over operations in late February 2002.

Other activities undertaken were the review of the tariff structure which resulted into the reduction of the connection/reconnection fees, abolishing of the minimum charges, and the indexation of the tariff.

4.0 Achievements

As a result of the implementation of the Second Corporate Plan (2000 – 2003) the following major achievements were recorded:

- Service coverage increased from 54% to 63% for water, and from 6% to 9% for Sewerage.
- The Unaccounted for Water reduced from an average of 43% to 39%.
- Staff productivity was increased from 27 staff per one thousand connections to 11 staff per one thousand connections.
- Funds generated from internal sources as a percentage of total capital expenditure increased from 21% to 39%.

5.0 Challenges Faced

A number of challenges were faced in the implementation of the Second Corporate Plan among which were:

- Difficulties in obtaining payment from Government Ministries and some private customers, resulting into a high level of accounts receivable.
- Non-viability of some towns (especially the newly acquired towns), which has strained the performance of the Corporation.
- VAT levy, which has in effect raised the effective price paid by the customers and which in turn affected the willingness to pay and affordability of water.
- Deterioration of the water sources due to increase in human activity coupled with poor sanitation facilities in particular in the Murchison Bay area where the Kampala water works are situated.
- Low sewerage network coverage.
- High level of suppressed accounts

6.0 Corporate Vision and Mission 2003 - 2006

The Vision adopted by the Corporation for the 2003 – 2006 Corporate Plan is,

“ NWSC to be The Pride of the Water Sector in Africa”

To achieve this Vision, the Mission adopted for the 2003 – 2006 Corporate Plan is,

"NWSC to be a Customer Oriented Organization, Providing Excellent Water and Sewerage Services in a Cost Effective Manner”.

7.0 The Way Forward

The main objective of the next corporate plan (2003 – 2006) is to further foster efficiency gains within the Corporation. In line with the Corporate Vision and Mission, the NWSC management has formulated 16 strategic goals which will lead the Corporation through the next three year period.

During the new plan period, it is envisaged that the Performance Contract with Government is to be renewed for a further period of three years. This contract will build on the successes of the previous GoU contract and will focus on maintaining the impetus of improvements and, therefore, the financial viability of the Corporation. This will be augmented with the new management concepts such as the One-Minute – Manager, and the Stretch Out Programmes.

7.1 Investment Activities

NWSC will continue its investment plan to increase the water production capacities and expand the distribution network in its towns of operation. The investment activities will cover all the towns with major projects being carried out in Kampala (Gaba III), Entebbe, and the extension of services to the peri-urban and poor settlements. The other towns will undergo minor rehabilitation and extension of services.

7.2 Reform of the Urban Sector/Involvement of the Private Sector

The Urban Water Sector in Uganda is currently undergoing reform. A study was carried out to review the reform strategy in the large towns, and it recommended a Lease Arrangement for the urban water sub-sector.

In line with the recommendations, the NWSC will review its functions and responsibilities, and implement a functional structure aimed at enhancing efficiency and enabling the NWSC achieve its Corporate Goals. The structure will also take into account the NWSC's future role in the reformed Urban Water Sector. This will include the transformation of Area Performance Contracts into Area Management Contracts, and the strengthening of the NWSC headquarters' monitoring and overall planning roles.

CHAPTER 1

INTRODUCTION

1.0 PERSPECTIVE OF THE WATER SECTOR IN UGANDA

The Ministry of Water, Lands and Environment (MWLE) is responsible for the provision of water and sewerage services in Uganda. The key executing agencies within the Ministry responsible for the provision, planning, and management of urban water supply and sewerage services in the country are; the National Water and Sewerage Corporation (NWSC), and the Directorate of Water Development (DWD). The NWSC is a public Corporation which is currently responsible for the supply of water and sewerage services in 15 towns, while the DWD is responsible for, among others, overall water resources development and management. The Ministry of Local Government (MoLG) through urban authorities (local councils) is responsible for water supply and sanitation in the urban areas not served by NWSC.

1.1 NATIONAL WATER AND SEWERAGE CORPORATION

The National Water and Sewerage Corporation was established by Decree No. 34 of 1972, following an earlier study on the need for improvement of water and sanitation in the major urban centers of Uganda.

The Corporation was initially responsible for the three key towns of Kampala, Entebbe and Jinja. During the 1970's and early 1980's the National Water and Sewerage Corporation like most other institutions in the country at the time suffered substantial decline. Most of the assets were run down and service delivery reduced considerably. From the mid 1980's, following the take over of Government by the National Resistance Movement (NRM) the water sector was increasingly revitalized.

Through the intervention of the International Development Association (IDA) and other donor agencies, the Corporation embarked on major rehabilitation and expansion of its water supply and sewerage systems. Consequently as of June 1995, the corporation was operating in nine towns namely Kampala, Jinja/Njeru, Entebbe, Tororo, Mbale, Masaka, Mbarara, Gulu, and Lira

In 1995, the Government of Uganda re-established the Corporation under the National Water and Sewerage Corporation Statute. The objectives, powers, and structure of the Corporation was thereby revised with the sole objective of making the Corporation operate on a commercial and viable basis.

The National Water and Sewerage Corporation currently operates in fifteen towns namely: Kampala, Jinja/Njeru, Entebbe, Tororo, Mbale, Masaka, Mbarara, Gulu, Lira, Fort Portal, Kasese, Kabale, Arua, Bushenyi/Isahaka, and Soroti. The NWSC towns have a population of 2.1 million people which account for 75% of the population in the large urban centers¹.

¹ Large Urban areas have populations greater than 15,000 people.

1.2 THE PLANNING PROCESS

The approach used in the NWSC Corporate Planning is based on a 20 year 'dream' horizon upon which the Corporate Vision is developed. Work to be carried out in order to realize the 20-year dream is then planned out under Mission Statements through formulating three-year objectives or Strategic Goals which focus on the realization of the Corporate Vision. The Strategic Goals are corporation-wide in nature and are planned to be achieved in three years.

The strategic goals are translated into annual targets at the corporate and functional level which address progressive achievement of the Strategic Goals as contributions of the individual departments. The activities to be undertaken to achieve the targets are later listed and analyzed for associated expenditures and revenues resulting into the annual Departmental Budgets. The Monitoring, Evaluation and Controlling of the budget implementation then follows and this completes the Corporate Planning Process (CPP) cycle. The evaluation of the budget performance automatically results in reviewing and adjustment of the Strategic Goals, and, through this process, the revision of the Corporate Plans on an annual basis. The Corporate Vision is, however, revised every three years, when fundamentally new Strategic Goals are formulated.

1.3 APPLICATION OF THE CORPORATE PLANNING PROCESS

Annual planning is one of the immediate uses of this document. The management of NWSC uses the strategic goals to set targets on a yearly basis for individual departments. The targets are each tested for being measurable, ambitious, specific, having control within the departments, and contributing to one or more of the strategic goals within the year. This is a team task, which requires department heads and section heads to work together in setting targets that they are committed to achieving and are proud of.

1.3.1 Annual Budgets

The Annual Targets are then broken down into Annual Work Plans and Activities needed to achieve the targets. Expenditure estimates and revenues are then attached to the activities from sectional levels to functional and service area levels to form the Corporation's Budget for the year.

1.3.2 Monitoring and Evaluation

For purposes of monitoring, evaluation and controlling of the achievement of set targets, at Sectional or Departmental, and Division levels, an appropriate Management Information System is required. In this regard, minutes of weekly Departmental and Division meetings are circulated to all Senior Managers. Monthly meetings are held to monitor achievements of targets. This completes the Corporate Planning Process Cycle.

1.4 STRUCTURE OF DOCUMENT

The Corporate Plan 2003 – 2006 is organized as follows: The document starts with an Executive Summary which recapitulates the entire report.

Chapter 1 is the introductory chapter which covers the planning process and the layout of the document.

Chapter 2 reviews the performance during the last corporate plan period 2000 – 2003 and outlines the operational, financial, and donor funded projects performance, and the constraints faced in the same period.

Chapter 3 reviews the situational analysis of the Corporation that would affect strategy implementation over the plan period 2003 – 2006.

Chapter 4 covers the way forward and highlights the Corporate Vision, Mission and Strategic goals for the Planning Period 2003 – 2006.

Chapter 5 outlines the Strategies the Corporation intends to adopt to achieve the goals for the period 2003 to 2006.

CHAPTER 2

REVIEW OF PAST PERFORMANCE 2000 - 2003

2.0 INTRODUCTION

Planning the future of any organization starts with a realistic understanding of existing products, divisions, margins, profits, skills and human resource capacities. Analysis of the present operations can be done effectively by reviewing the past year's performance and relating it to the current status of the organization.

This chapter looks at the status of the key operational indicators as at June 2000, the strategic goals for the period 2000 – 2003, strategies used to achieve the goals, the key achievements, performance of Donor funded projects and the constraints faced during the period 2000 - 2003

2.1 REVIEW OF 2000 – 2003 PERFORMANCE

The following section provides a detailed review of the performance during the period 2000 – 2003.

2.1.1 Status of Key Operational Indicators as at 30th June 2000

As at June 2000 an evaluation of the key operational and financial indicators of the NWSC revealed the following situation.

1. **Service coverage:** The Service coverage was about 54% for water and 8% for sewerage.
2. **Water Losses:** The level of unaccounted for water was 43%.
3. **Staff Numbers:** The Corporation had a staff of 1213 employees.
4. **Water Production:** Water Production was an average of 128,733 m³/day (i.e. 47 million m³/annum).
5. **Capacity Utilization:** Capacity utilization was an average of 64%.
6. **Water Network:** The total network length was approximately 1,633 km (including Kabale).
7. **Metering,** nearly all active accounts metered in the areas except for Kampala. Overall, 85% of all accounts were metered.

8. **Number of Connections:** Total connections were 58,794. Average growth of 9% per annum.
9. **Turnover:** Income for the FY 1999/2000 was Shs 25.8 billion.
10. **Collection Efficiency:** Average collection efficiency as at June 2000, was 75%.
11. **Dormant/Inactive Accounts:** The suppressed accounts as at June 2000 were 15,482, out of a total of about 58,794 accounts i.e. 26%.
12. **Customer Service:** Customer care units were established in most areas.
13. **Geographic Scope:** The NWSC operated in the towns 12 towns.

2.1.2 Strategic Goals 2000 – 2003 Corporate Plan

Strategic goals refer to the key performance targets that the Corporation seeks to attain during the Corporate Plan Period. In the Corporate Plan 2000 – 2003, the following strategic goals were determined.

1. Reduce the level of unaccounted for water to not more than 35% of water produced
2. Manpower to be limited to not more than 10 employees per 1,000 connections
3. Enhance customer care in all Areas to promote NWSC's image and ensure effective response to customer complaints within 48 hours
4. Ensure a continuous all year round water production of not less than 45 million m³ per annum.
5. Reduce fixed operating costs in the whole of NWSC by an average of 18% annually.
6. Harmonise the minimum monthly take-home income of staff that is competitive in Public Utilities.
7. Increase annual turnover from Shs 28.1 billion to Shs 36 billion
8. Increase collection efficiency from 76% to 92%
9. Establish within the framework of private sector participation at least 300 water kiosks 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. Enter into performance contracts with managers for management of NWSC Areas with the objective of enhancing efficiency to ensure commercial and financial viability.
13. Carry out strategic alliances with relevant organizations to improve services of the NWSC and enhance environmental protection.
14. Operate the existing Sewerage collection, treatment and disposal plants to ensure that effluent quality conform to the National Waste Water Discharge Standards.
15. Increase Water and Sewerage services existing network coverage in the NWSC Areas by at least 10% and 2% respectively.
16. Develop and implement an integrated Management Information system that supports business needs of the Corporation.

The Goals were formulated on the basis that they were Specific, Measurable, Achievable, Realistic, and Time-bound (SMART).

2.1.3 Strategies Adopted To Achieve Corporate Goals 2000 – 2003

In order to fulfill the aspirations of the 2000 – 2003 Corporate Plan, a number of strategies were adopted. These included both short and long term strategies, plus the involvement of the Private Sector in Service delivery.

2.1.3.1 Short Term Strategies

The following short term strategies were adopted by the Corporation during the Corporate plan period 2000 – 2003:

Performance Contracts (September 2000 to June 2003)

In the year 2000, the Corporation signed a performance contract with the Government. As a means of operationalising the contract, management signed performance contracts with individual areas and key functional units within the Corporation. The area and service performance contracts were subsequently renewed for a period of one year in 2001/2002. 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 in the last corporate plan, the NWSC, adopted a new tactical strategy. The new programme referred to as the "**Stretch-Out Programme**" 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.

2.1.3.2 Long Term Strategies

The following long term strategies were carried out during the Corporate Plan period 2000 – 2003:

Tariff Review

Amendments to the tariff were implemented during the Corporate Plan period 2000 – 2003 which resulted in the reduction of connection, reconnection fees and the elimination of minimum charges as per the new tariff instrument.

Furthermore, in March 2002, Cabinet approved a proposal to index the NWSC tariff so as to protect it from further erosion, and thus maintain its real value. The indexation basically allows for an annual adjustment of the tariff against inflation². The first indexation took effect from April 2002 and entailed a 6% increase of the tariff in the first year of implementation.

On the other hand, in order to promote the competitiveness of industries within the country and to enforce the principle that "the more you consume the less you pay", a discount of 7% was offered to the large consumers using over 1,500 cubic metres of water per month.

Management Information System (MIS)

In line with the implementation of an effective MIS, the networking of the NWSC offices reached advanced stages. In addition, funding was secured for the expansion and modernisation of the 'Scala' Accounting system. A new fixed assets register based on the Scala accounting system was introduced from July 1st 2001.

Investment Strategy

As part of the proposal to expand and improve water and sewerage service delivery, an Investment Plan for the NWSC was prepared. The plan laid out the strategic investment needs for the sector over the interim (up to 2004) and in the long term (2004 - 2014). The Plan is to be used as a guide to the medium term resource flows to the Corporation.

Restructuring

During period 2000 to 2003, the corporation engaged the services of a consultant to restructure the Corporation. The Consultant in his report recommended changes in the structure aimed at enhancing productivity and result-oriented management. The recommendations included a new appraisal system aimed at enhancing performance within the Corporation. The NWSC board subsequently implemented the plan with the creation of new positions and the rationalisation of its staff structure.

2.1.3.3 Private Sector Participation

In line with Government Policy of encouraging Private Sector Participation (PSP) in the delivery of public services, management procured another management services contractor to run the water and

² Indexation Formula attached as Annex 2 to the Corporate Plan Document.

sewerage services in Kampala after the expiry of the KRIP contract in 2001. The contract was awarded to ONDEO Services, a French utility company, in January 2002, and the company took over operations in late February 2002. The contract was awarded for a period of 2 years.

2.2 OPERATIONAL PERFORMANCE 2000-2003

This section describes the operational performance of the Corporation over the planning period 2000 – 2003

2.2.1 Service coverage

During the period 2000 to 2003, the service coverage increased from 54% to 63% for water, and from 7% to 9% for sewerage services. The table below indicates the comparative situation of water coverage as at June 2000 and June 2003.

Table 1: Water Supply Service Coverage 2000 – 2003

| Area | Status June 2000 | | Status June 2003 | |
|-------------------------|---------------------------|--|---------------------------|--|
| | Population Served (Water) | Population served as % of Total population | Population Served (water) | Population served as % of Total population |
| Kampala | 601,000 | 50% | 749,297 | 62% |
| Jinja | 94,543 | 68% | 104,276 | 75% |
| Entebbe | 32,785 | 57% | 34,511 | 60% |
| Tororo | 25,484 | 60% | 26,333 | 62% |
| Mbale | 36,627 | 52% | 43,671 | 62% |
| Masaka | 38,006 | 62% | 44,136 | 72% |
| Mbarara | 49,138 | 71% | 53,982 | 78% |
| Lira | 37,600 | 47% | 50,328 | 56% |
| Gulu | 48,000 | 48% | 78,069 | 69% |
| F/Portal | 26,393 | 65% | 27,205 | 67% |
| Kasese | 29,929 | 56% | 40,619 | 76% |
| Kabale | 13,727 | 30% | 22,879 | 50% |
| Arua* | | | 18,353 | 40% |
| Bushenyi/Ishaka* | | | 7,186 | 31% |
| Soroti* | | | 13,270 | 32% |
| | | | | |
| Total | 1,033,232 | 54% | 1,314,115 | 63% |

* New Towns taken over during the Corporate Plan Period 2000 - 2003
Status of service was not available at June 2000

During the Corporate Plan period 2000 – 2003, the three new towns namely; Arua, Bushenyi/Ishaka, and Soroti were added on to the list of NWSC operational areas bringing the total number of towns operated by the Corporation to fifteen. Table 2 below shows the areas in which the Corporation operates.

Table 2: Operation Status

| Areas Under NWSC before June 2000 | | New Areas added 2000 - 2003 |
|-----------------------------------|---------|-----------------------------|
| Entebbe | Kasese | Arua |
| Fort Portal | Lira | Bushenyi/Ishaka |
| Gulu | Masaka | Soroti |
| Jinja/Njeru | Mbale | |
| Kampala | Mbarara | |
| Kabale | Tororo | |

2.2.2 Reduction in Unaccounted for Water

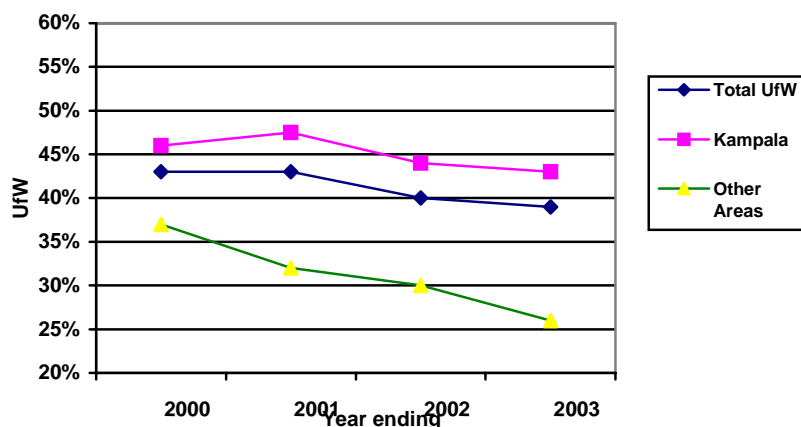
Unaccounted for water was reduced from 43% to 39% against a target of 35% over the three year Corporate Planning Period 2000 to 2003. This reduction translates into a saving of about 1.92 million cubic metres of water during the reporting period. In Kampala, the UfW was 44.5%, compared to 46% at June 2000, while in the other areas it was an average of 27%, compared to the 37% as at June 2000. (see table below and graph below).

Despite the improvements, the UfW in Kampala remains high due to the age of the network especially in the old city centre, and the vulnerability of the system to illegal connections. The problem in Kampala is to be addressed with the implementation of the Kampala Network Rehabilitation Project. In addition, the Corporation is to improve its commercial and billing systems and carry out a systematic customer survey aimed at establishing the status of connections in the Kampala area (suppressed and inactive accounts). The Project is to be jointly funded by the German Government (through KfW) and the National Water and Sewerage Corporation.

Table 3: Unaccounted for Water Trends

| Year | 1999/00 | 2000/01 | 2001/02 | 2002/2003 | Target |
|--------------------|---------|---------|---------|-----------|------------|
| Total UfW | 43% | 43% | 40% | 39% | 35% |
| Kampala | 46% | 47.5% | 44% | 44.5% | 37% |
| Other Areas | 37% | 32% | 30% | 27% | 29% |

Unaccounted for Water trends (2000-2003)



2.2.3 Water Production and Sewerage Services

During the period 2000 – 2003, total water production increased from 47 million cubic meters to 51.4 million cubic meters per annum or an increase of 4.4 million cubic meters. Capacity utilisation increased from 64% to 65% over the same period. The quality of water produced conformed to the Uganda National Standards (i.e. National Standards for Potable Water 1994), and were in line with World Health Organisation guidelines.

Table 4: Capacity Utilisation June 2003.

| Area | Practical capacity m3/day | Average Production m3/day | Capacity utilisation |
|----------------|---------------------------|---------------------------|----------------------|
| Kampala | 117,270 | 100,074 | 85% |
| Jinja | 24,000 | 10,861 | 45% |
| Entebbe | 6730 | 6,231 | 93% |
| Tororo | 5914 | 2,254 | 38% |
| Mbale | 14,408 | 4,109 | 29% |
| Masaka | 10,197 | 2,459 | 24% |
| Mbarara | 6,382 | 4,501 | 71% |
| Lira | 8,586 | 1,748 | 20% |
| Gulu | 1,579 | 1,327 | 84% |

| | | | |
|--|----------------|----------------|------------|
| F/Portal | 2,171 | 1,230 | 57% |
| Kasese | 2,368 | 1,352 | 57% |
| Kabale | 3,600 | 1,032 | 29% |
| Arua* | 5,400 | 1,012 | 19% |
| Bushenyi/Ishaka* | 960 | 457 | 48% |
| Soroti* | 5,529 | 2,076 | 38% |
| Total NWSC | 215,094 | 140,724 | 65% |
| Total other areas excluding Kampala | 97,824 | 40,650 | 42% |

With a view to improving the quality of effluent from sewage treatment works, the Corporation carried out pilot studies on the use of constructed and re-constructed wetlands to provide tertiary treatment for the effluent from waste stabilization ponds. Furthermore, with support from the Lake Victoria Environmental Management Project (LVEMP), investments in waste management at Bugolobi Sewerage Treatment Plant resulted in over 10% increase in raw sewage flow to the plant, and thus improved sewage treatment.

2.2.4 Water Distribution

The total NWSC network increased from 1,633 kms to 2,200 kms (as at June 2003), an increase of 567 kms. The increase includes the network in the new towns. The biggest part of the operating profits have been re-invested in the expansion of the network. Apart from the donor funded network extensions made in the Jinja/Njeru and Kabale towns, the Corporation funded all mains extensions in the other towns from its own resources. Of the total of the mains extensions made during the period 2000 to 2003 about 30% were funded from own resources.

Table 5: Total Connections and Network Length as at 30th June 2003

| Town | Total No. of Connections | Pipe Network (Kms) |
|----------------|-------------------------------------|---------------------------|
| Kampala | 52,611 | 992 |
| Jinja | 7,837 | 216 |
| Entebbe | 4,052 | 121 |
| Tororo | 1,739 | 61 |
| Mbale | 3,496 | 134 |
| Masaka | 2,561 | 96 |
| Mbarara | 3,800 | 98 |
| Lira | 1,608 | 106 |

| | | |
|------------------------|---------------|-------------|
| Gulu | 1,556 | 46 |
| F/Portal | 1,756 | 67 |
| Kasese | 1,534 | 49 |
| Kabale | 1,453 | 86 |
| Arua | 1,076 | 49 |
| Bushenyi/Ishaka | 597 | 31 |
| Soroti | 1,496 | 48 |
| Total | 87,172 | 2200 |

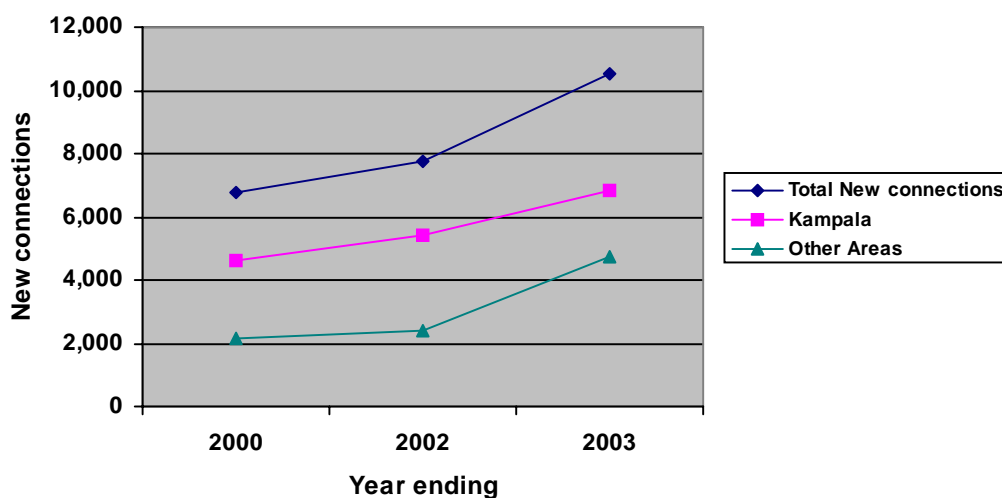
2.2.5 New Connections

Over the period 2000 – 2003, a total of 26,110 new connections were made. The table and graph below show the customer growth during the period under review. The majority of new customers were in the domestic category which represents about 80% of the total customer growth. Kampala continues to dominate in the number of new connections, but considerable growth has been realized in the other areas as well.

Table 6: Growth of New Connections

| Year | 2000/01 | 2001/02 | 2002/2003 | Total |
|------------------------------|----------------|----------------|------------------|---------------|
| Kampala | 4,621 | 5,390 | 6,821 | 16,832 |
| Other Areas | 2,177 | 2,374 | 4,727 | 9,278 |
| Total New Connections | 6,798 | 7,764 | 11,548 | 26,110 |

Growth in new connections



2.2.5.1 Public Standposts

The NWSC provides potable water for the less privileged members of society through the kiosk or public standpipe system. During the period, a total of 428 new water kiosks/public standposts were erected representing a growth of 17%.

Table 7: New Water Standposts/Kiosks erected

| | 2000/2001 | 2001/2002 | 2002/2003 | Total | Target |
|-------------------|-----------|-----------|-----------|------------|--------|
| New Kiosks | 83 | 68 | 277 | 428 | 300 |
| % Growth | 4% | 3% | 12% | 17% | 12% |

However, based on the findings of a study³ carried out to assess how services to the poor can be improved, it was established that the stand posts have clear disadvantages which include long distances people have to walk to the stand posts, and high unit prices i.e. Shs 50 to Shs

100 for a 20 litre jerrycan of water, which results into people resorting to other water sources such as wells and springs which may be contaminated. On the other hand, the study established that Yard Taps were emerging as a promising means of supplying water to low income areas based on the

³ Poverty Impact Assessment of Privatisation of the Urban Water Sector in Uganda – Improving Water Services for the Urban Poor through Sector Reforms, Final Report, prepared for the Utility Reform Unit and Department for International Development by Maxwell Stamp PLC.

merit that a household who has a yard tap provides good opportunities for on-selling of water to the neighbours. By increasing the number of yard connections and on selling in an area, it was established that price of water to the end user could be reduced through competition. Management is studying the recommendations in a bid to establish the best way forward. However in the interim, the erection of standposts will continue as the practical alternative to serving the poor.

2.2.6 Staff Rationalisation

Staff Productivity

During the planning period 2000 to 2003, Staff productivity increased from 27 staff per thousand connections to 11 staff per thousand connections. The manpower level reduced from 1213 as at June 2000 to 950 as at June 2003, a net reduction of about 263 staff.

Restructuring

During the period 2000 to 2003, the corporation engaged a consultant to recommend a functional structure for the Corporation. The Consultant in his report recommended changes in the structure aimed at achieving the goals for the plan period, and increasing productivity. One main aspect of the recommendations included a new appraisal system aimed at introducing result oriented management in the Corporation. The NWSC board subsequently implemented the plan with the creation of new positions and the rationalisation of the staff structure.

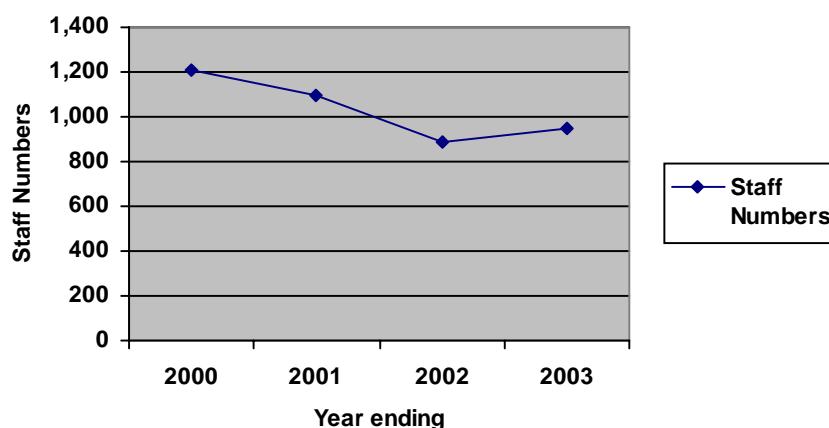
As a result of the restructuring, many staff were laid off under a Special Retirement Scheme which was introduced in 1998. Under this scheme, the more elderly staff who had served for many years, plus less qualified staff were retired. By mid 2001, the manpower level had reduced to about 770. Thereafter, additional staff were recruited to achieve the right balance of skills and efficiency in the Corporation.

The staff rationalisation policy was not aimed at reducing the staff *per se*, but was aimed at improving staff productivity. The table and graph below show the staff trends from 1999 to 2003, both in numbers and productivity.

Table 8: Staff Productivity Trends.

| Year | 1999/00 | 2000/01 | 2001/02 | 2002/03 | <i>Target 2003</i> |
|------------------------------------|---------|---------|---------|---------|--------------------|
| Staff | 1213 | 1,092 | 889 | 950 | 871 |
| Staff/000 water connections | 27 | 21 | 16 | 11 | 10 |

Staff Trends



The growth in staff in the year 2002/2003 was largely due to the take over of new towns and recruitments due to increase in the level of commercial activities.

Staff Training

From the year 2000 to 2003, over 400 staff underwent different Training and Personal Development Programmes. The types of training included: -

1. Masters Programme/Postgraduate Studies
2. Professional Programmes e.g. ACCA, ICSA, CPA
3. Conference/Workshops
4. In-House Programmes
5. Short-Term World Bank Programmes in Washington IP3, Crown Agents (U.K) etc.
6. Part time Evening Programmes.

The emphasis was on short term training aimed at imparting specialized skills. The Top and Senior Management staff were trained in managing Private Sector Partnerships through regulation and contract management courses, while the middle level staff were trained in computer and accounting skills. Leadership and supervisory skills were also some of the courses to which both senior and middle managers were exposed too.

Staff Remuneration

In the year 2001, all staff were awarded a 10% salary increment on average. In addition, during the plan period, benefits to management were monetised. This included the monetisation of housing, transport, and utility benefits. This resulted into reduction of both establishment costs, while at the same time motivating senior managers.

2.2.7 Customer Service Initiatives

Using the new slogan “**The Customer is the Reason We Exist**” the Corporation continued to improve its public image and create a mutual trust and respect for itself through the media. The

Corporation also launched an interactive website, www.nwsc.co.ug, through which regular information is disseminated to and received from customers.

In its quest to strengthen customer services, the NWSC established a new Division, “the Commercial and Customer Services Division” to oversee the implementation of Commercial and billing activities. The division is among other responsibilities mandated to take care of customer care initiatives as well as the expansion of the customer base.

In a bid to be responsive to customer needs, the Corporation also introduced an on-the-spot questionnaire system at its various offices to gauge the customer needs and perception of the services we offer. Such initiatives have enabled the Corporation obtain feedbacks in order to offer the most competitive service to the consumers.

In addition, Customer care units were established in most areas, and job descriptions for customer care staff were provided. Training in customer care was conducted for Commercial Assistants, Front Desk Officers, plumbers, and cashiers from all areas.

2.2.8 Infrastructure Growth

The Corporation continued to receive donor funding for major Capital Development activities. Projects concluded during the Corporate Plan period included the Jinja/Njeru Project, the Kabale Project, and the rehabilitation of the Gaba I project (phase I). On-going projects include Gaba Rehabilitation Project (phase II), the Kampala Network Rehabilitation Project, and the Entebbe Water Supply and Sewerage Rehabilitation Project. The donor partners included the World Bank, the German Government through KfW and German Technical Cooperation (GTZ), and the European Union

2.2.9 NWSC Internal Reforms

The Urban Water Sector in Uganda is currently undergoing reform. During the plan period 2000 to 2003, a study was carried out to review the reform strategy in the large towns, and it recommended a Lease Arrangement for the urban water sub-sector. However, parallel to the reform process, the NWSC has undertaken internal reforms aimed at increasing efficiency of service delivery. Major aspects of the reforms included the following:

Management Services Contract for Kampala

The engagement of a private operator to manage the water and sewerage services in the Kampala Area, which accounts for about 70% of NWSC operations. The Contract was signed with ONDEO Services Limited, a French management utility company, in February 2002 for a period of two years.

Area Performance Contracts

In line with the GoU Performance Contract, Area Performance Contracts (APCs) and Support Service Contracts (SSCs) were formulated 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.

The current internal reforms have received wide acclamation from various donor partners who have acknowledged the improvements especially in the small operational areas where profitability is low.

2.3 FINANCIAL PERFORMANCE 2000 - 2003

This section highlights the key financial performance of National Water and sewerage Corporation in the past three years.

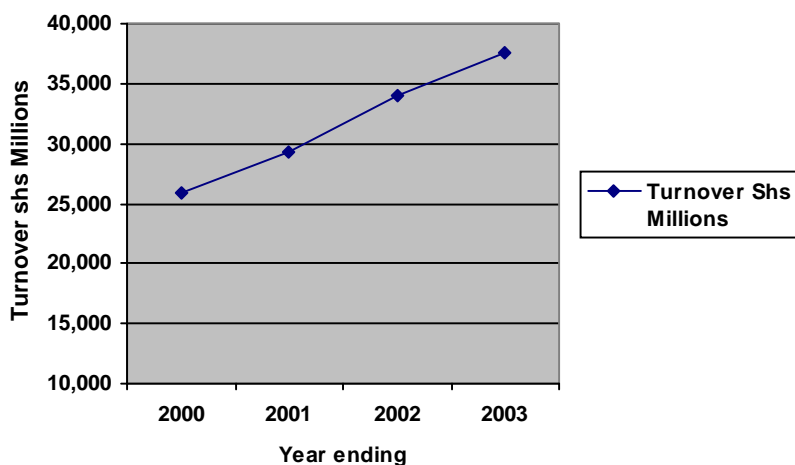
2.3.1 Revenue Improvement

During the last plan period, the annual turnover increased from approximately Ushs 26 billion in the financial year 1999/2000 to Ushs 37.6 billion in the FY 2002/2003, a growth of 46%.

Table 9: Turnover in Shs. millions

| Year ending | 2000 | 2001 | 2002 | 2003 | Target (2003) |
|-------------|--------|--------|--------|--------|---------------|
| Turnover | 25,838 | 29,297 | 34,054 | 37,628 | 36,000 |
| % Growth | 2% | 13% | 16% | 10% | 39% |

Growth in Turnover



2.3.2 Operating Profit

Operating profit before depreciation increased from Shs 3,039 million in the year ending June 2000 to Shs 8,452 million in financial year ending June 2003. See table 10 below and annex 5 for details of financial performance.

Operating profit after depreciation moved from a negative of Shs 4 billion in the financial year ending June 2000 to Shs 1,126 million in the financial year ending June 2003. This showed that the

NWSC was able to cover its costs inclusive of depreciation by the end of the planning period 2000 to 2003.

Operating expenditure as a percentage of Revenue decreased from 88% in financial year ending June 2000 to 77% in the financial year ending June 2003.

Table 10: Operating Profit 2000 - 2003

| | 1999/00 Shs m | 2000/01 Shs m | 2001/02 Shs m | 2002/03 Shs m |
|---|--------------------------|--------------------------|----------------------|----------------------|
| Operating Revenue | 25,839 | 29,279 | 34,052 | 37,628 |
| Operating Costs | 22,800 | 24,910 | 27,103 | 29,176 |
| Operating Profit before depreciation | 3,039 | 4,369 | 6,949 | 8,452 |
| Depreciation | 7,129 | 6,989 | 6,985 | 7,326 |
| Operating Profit after depreciation | (4,090) | (44,372)* | 15,453* | 1,126 |
| Operating Exp as % of Revenue | 88% | 85% | 80% | 77% |

* exceptional item included

2.3.3 The Working Ratio

The working ratio is the ratio of operating costs (exclusive of depreciation and interest charges) to operating revenues (which include revenues from water and sewerage tariffs, service charges, connection fees and re-connection fees). The ratio shows the ability of a business to cover its operating costs. Sound financial management requires the working ratio to be well below 1.

The table below shows the trend of NWSC's working ratio over the last three financial years and the provisional figure for the FY 2002/03.

Table 11: Working Ratio

| | 1999/00 Shs m | 2000/01 Shs m | 2001/02 Shs m | 2002/03 un audited shs m |
|---------------------------------|--------------------------|--------------------------|--------------------------|---|
| Operating costs | 22,800 | 24,910 | 27,103 | 29,176 |
| Operating revenue (core) | 24,233 | 27,103 | 28,945 | 34,427 |
| Working ratio | 0.94 | 0.92 | 0.94 | 0.85 |

The above ratio shows that the NWSC is in a position to cover its operational costs excluding depreciation and interest. It also indicates that the NWSC has made improvements in its financial performance as shown by the decreasing ratio in the financial year 2002/03.

2.3.4 Operating Ratio

The operating ratio is the ratio of operating costs (including depreciation and interest costs) to operating revenues. The ratio should be below 1 for a financially sound entity. The table below shows the trend of the operating ratio for the last three financial years, and the provisional figure for the FY 2002/03. Although there was some improvements, the ratio shows that the NWSC is still not in a position to service its debt obligations.

Table 12: Operating Ratio 2000 - 2003

| | 1999/00 Shs m | 2000/01 Shs m | 2001/02 Shs m | 2002/03 Shs m |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Operating costs (Including Depreciation & Interest costs) | 35,806 | 39,315 | 43,705 | 47,534 |
| Operating revenue | 25,839 | 29,279 | 34,052 | 37,628 |
| Operating ratio | 1.44 | 1.41 | 1.45 | 1.26 |

2.3.5 Current Ratio

The Current Ratio is measured as the ratio between current assets and current liabilities. It is a liquidity measure which reflects the short-run paying ability of a utility. For sound financial management, the ratio should be greater than one.

The table below shows that the current ratio for the last three financial years has been less than one and thus illustrates that the NWSC short-run capacity to pay its debt is still low. The trend for the four years shows a declining ability of the NWSC to repay its debt due to the accumulated (unpaid) interest charges which are treated in the financial statements as current liabilities.

Table 13: Current Ratio 2000 - 2003

| | 1999/00 Shs m | 2000/01 Shs m | 2001/02 Shs m | 2002/03 Shs m |
|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Current Assets | 18,236 | 19,410 | 21,820 | 24,034 |
| Current Liabilities | 20,638 | 25,802 | 38,171 | 52,168 |
| Current ratio | 0.88 | 0.75 | 0.57 | 0.46 |

2.3.6 Staff Costs as a Percentage of Revenue

The staff costs as a percentage of revenue decreased from 39% in the financial year ending 2000 to 22% in the financial year ending June 2003 as shown in the table 14 below:

Table 14: Staff Costs as a Percentage of Revenue

| | 1999/00 Shs m | 2000/01 Shs m | 2001/02 Shs m | 2002/03 Shs m |
|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Staff Costs | 10,036 | 10,466 | 10,495 | 8,340* |
| Revenue | 25,839 | 29,279 | 34,052 | 37,628 |
| Staff/Revenue ratio | 39% | 36% | 31% | 22% |

* Staff costs for 2002/03 exclude Kampala Area

Table 15: FINANCIAL RATIOS TREND: (2000 – 2003)

| | Formula | 1999/00 | 2000/01 | 2001/02 | 2002/03 |
|--|--|----------------|----------------|----------------|----------------|
| i) Current Ratio | $\frac{\text{Current Assets}}{\text{Current Liabilities}}$ | 0.88 | 0.75 | 0.57 | 0.46 |
| ii) Average receivables collection days | $\text{Average receivables/sales} \times 365$ | 170 | 148 | 132 | 139 |
| iii) Average inventory usage days | $\text{Average inventory/sales} \times 365$ | 48 | 40 | 33 | 30 |
| iv) Average creditor payment periods | $\text{Average creditors/sales} \times 365$ | 350 | 282 | 315 | 400 |
| v) Total Assets Turnover: Assets | $\text{Sales/Average Assets}$ | 0.11 | 0.14 | 0.19 | 0.17 |
| vi) Total Fixed Assets Turnover: | $\text{Sales/Average fixed Assets}$ | 0.13 | 0.16 | 0.21 | 0.19 |

Notes**Current Ratio**

The Current Ratio is less than one implying low liquidity. This is due to the high level of GoU on-lent debts, which makes up the largest portion of current liabilities. The ratio has tended to decline as payable loan obligations accrue.

Receivables Collection Days

The decreasing Average Receivables Collection Days from 170 to 139 shows that the management of debtors has improved, and the cash flow has correspondingly improved.

Inventory Usage Days

The decreasing Average Inventory Usage Days ratio from 48 to 30 shows improvement in the inventory management.

Creditor Payment Days

The average Creditor Payment Days increased in the last year 2002/03 due to the build up of accrued debt servicing obligations. This shows a declining ability of the Corporation to pay its debts in the short run.

Total Assets Turnover Ratio

The Total Assets Turnover ratio of less than one shows that the return to assets is still very low

Fixed Assets Turnover Ratio

The Fixed Assets Turnover ratio of below one depicts a low return to fixed assets.

2.4 PERFORMANCE OF DONOR FUNDED PROJECTS 2000 - 2003

The NWSC is a beneficiary of donor funds from both multi-lateral and bilateral sources. The sources include the IDA, EU, the German Government through KfW and GTZ, the French Government. During the period the following projects were accomplished or were in progress.

Small Towns Water and Sanitation Project Part B: Jinja/Njeru

The rehabilitation and expansion of Jinja/Njeru Water and Sewerage systems was completed during the plan period 2000 to 2003 with funding from IDA. A total of 40km of water mains extensions were made, which covered the Njeru Area a result of the extensions, a total of 1300 connections were installed. The water supply is now sufficient to last up to 2010.

Kabale Water Supply and Sewerage Project

In Kabale, the Water Supply and Sewerage systems were refurbished and expanded with funding from the German Government (KfW). Works were completed in October 2002. The works entailed the construction of a new in-take water works, sewerage treatment plant and the rehabilitation and expansion of the water and sewerage network. A total of 7.8 km transmission mains, 33 km of distribution mains, and 22.5 km of service pipes were extended by the project. The project was commissioned on January 23rd 2003 by H.E, the President.

Gaba I Rehabilitation Project

The Gaba 1 Water production plant was refurbished with funding from the EU under Phase I of the project. This resulted into an increase of water production for Gaba I water works from 30,000 cu.m per day to 40,000 cu.m per day. The works were commissioned in May 2002.

Entebbe Water Supply and Sewerage Rehabilitation Project

The feasibility study for Entebbe Water Supply and Sewerage Expansion project was completed during the year 2002. The financing agreement for the project was signed between the Uganda and the Germany Government in the month of July 2002. Civil works are due to start in the first quarter of the year 2004.

Gaba I Rehabilitation: Phase II

As a follow up to phase I of the Gaba I rehabilitation project, the EU agreed to fund the phase II to the tune of 2.5 million Euro. The project was launched in March 2003 and will increase the production capacity from 40,000-cu.m/per day to 50,000-cu.m/per day.

Peri Urban Extensions Project

During the plan period 2000 to 2003, water mains extensions in Kampala were made to the peri-urban areas with funding from the NWSC's own internally generated resources, and in conjunction with the Kampala City Council. Extensions were made to the suburbs of Bunamwaya, Seguku, Kajjansi, Lubowa and Gayaza.

Kampala Sanitation Master Plan Project

During the last plan period, funds were obtained from the Germany Government to carry out a sewerage Master Plan for Kampala. The study commenced in February 2003 and will last for 18 months. The findings of the study will provide a framework for the implementation of down stream activities.

Kampala Network Rehabilitation Project.

Under the Management Services Contract in Kampala, the Germany Government through KfW provided funding for the rehabilitation of the network and other related investments which will reduce on systems losses in Kampala. Funds amounting to 3.3 million Euro were earmarked for this purpose and implementation started during the reporting period.

Gaba III Water Project

During the reporting period, ground work was started to construct a new water production plant at Gaba, i.e. Gaba III, with funding from the Germany Government under a turnkey arrangement. The project will result into additional 80,000 cu.m of water per day. The Contract for the consultancy services was signed in August 2002, and it is envisaged that construction works will commence in the first quarter of the year 2004.

2.5 CHALLENGES FACED DURING 2000 - 2003

Despite the achievements made by the Corporation, there were a number of challenges faced during the period 2000 - 2003. These included:

2.5.1 High level of Arrears

The total arrears as at June 2000 were Shs. 29 billion. The arrears level as at June 2003 was Shs 24.6 billion, which is a significant reduction of Shs 4.4 billion. However, this still poses a threat to the financial performance of the Corporation, and undermines the Corporation's ability to expand and improve services. The break down in arrears is shown in the table below.

Table 16: Arrears by Category as at June 2003
Amounts in Shs 000

| CATEGORY | Arrears June 2000 | Arrears June 2003 | Arrears as a % of total June 2003 |
|--------------------------|--------------------------|--------------------------|--|
| Ministries | 8,184,517 | 7,150,234 | 29% |
| Parastatals | 1,309,165 | 1,293,853 | 5% |
| DAPCB | 3,648,105 | - | |
| Institutions | 1,005,710 | 1,108,028 | 5% |
| Commercial | 6,776,129 | 6,226,946 | 25% |
| Local Authorities | 464,370 | 353,492 | 1% |
| Domestic | 7,840,716 | 8,400,945 | 34% |
| Foreign Embassies | 54,807 | 71,508 | <1% |
| Total | 29,283,521 | 24,605,005 | 100% |

2.5.2 High levels of Unaccounted for Water in Kampala

The high level of Unaccounted for water in Kampala, 44.5%, undermined 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 another 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.

2.5.3 Sewerage Coverage

The low sewerage network coverage impaired 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.

2.5.4 High level of Suppressed Accounts

The number of suppressed accounts continued to grow as the customer base of the Corporation increased. The number of suppressed accounts increased from 17,315 as at June 2000, to 17,999. However, it should be noted that the suppressed accounts as a percentage of total accounts reduced from 26% to 21% over the three years under review.

2.5.5 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, 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, and Bushenyi/Ishaka which resulted into extra towns for subsidization.

2.5.6 VAT Policy on Water/Sewerage Services

The VAT policy had a double edged effect. First and foremost, it imposed an indirect tax on the consumers and thus constrained their ability to pay for services. Secondly, VAT payments on billings other than on cash collections impaired the cash flow position of the Corporation.

CHAPTER 3

CORPORATE SITUATIONAL ANALYSIS

JUNE 2003

3.0 SITUATION ANALYSIS

A company situation analysis is an evaluation of relevant factors in the organization in order to determine its internal strengths and weaknesses on one hand, and the availability of external opportunities and threats on the other hand. In doing this, the objective of the organization is to achieve a strategic fit between the organization's internal skills, capabilities and resources with the external opportunities so as to minimize the threats to the organization.

This chapter analyses the situation of the NWSC and that of the external environment as of 30th June 2003, with the purpose of developing viable strategies for the next three years.

3.1 STRENGTHS, WEAKNESS, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS

The acronym SWOT stands for a company's strengths, weaknesses, opportunities and threats. The SWOT analysis was a tool used for getting a quick overview of the NWSC's strategic position. The analysis consisted of an evaluation of the NWSC's internal strengths and weaknesses and its external opportunities and threats. The analysis underscored the basic point that in order to perform effectively, the NWSC strategy must produce a good fit between the company's internal capability (strengths and weaknesses) and its external environment (reflected partly by its opportunities and threats)

At the end of the Second Corporate Plan period, a SWOT analysis was carried out by the Management of the Corporation, and the following were established as the status of the Corporation in regard to its strengths, weakness, opportunities, and threats

3.1.1 INTERNAL STRENGTHS

i) Technical Skills and Experience

NWSC has a number of skilled technical and experienced staff that gives the organisation a firm stand for the future. The skill mix included engineering, management, legal and planning expertise that has been developed over the years.

ii) Committed Plus Improved Staff Motivation

The National Water and Sewerage Corporation has committed staff that carries out their duties in a spirit of teamwork. The Corporation has also made improvements in regard to staff motivation.

iii) Awareness of Need to Improve Customer Service

The NWSC is aware of its obligations to the public and has adopted the motto “The customer is King and the reason we exist”. Improvements in customer care are exemplified through establishing of Front Desk Offices, and the training of staff in customer care. As a result there have been improvements in the time taken to handle clients.

iv) Experience in Managing the Private Sector

The NWSC, has over the last five years gained experience in working hand in hand with the Private Sector. This has been through managing the two management Contracts in Kampala, (KRIP 1998- 2001, and ONDEO Services 2002 to date) and the Area and Support Service Contracts under the umbrella of the Performance Contract signed with the Government in 2000. This wealth of experience is crucial in light of the pending reforms in the Water Sector. The Corporation has also privatised most of its non-core activities like security, compound cleaning and maintenance of its premises.

v) Management Willingness to Change

The NWSC management has demonstrated its willingness and ability to change with the adoption of a number of change management programmes. The programmes entail changes in the corporate culture and management methods. This has resulted into improvements in the performance of the Corporation. The Stretch-Out Programme has resulted into changes in the working ethics by inculcating speed, simplicity and reduced bureaucracy.

vi) Continuous Improvements in Performance.

Since 1999, the corporation has established a track record of improved performance. Improvements have been realised in both the operational and financial aspects with the improvement in production capacity, reduction in water losses the increased network distribution and increased customer base, which were matched with improved operating profits. These improvements were enabled by the adoption of short- term enhancement programmes which included: the 100 days programme, the Service Revenue Improvement Programme (SEREP), Area Performance Contracts and Support Service Contracts (APCs and SSCs) and now the new management programme of "Stretch-Out".

vii) Fairly Good Infrastructure

NWSC has fairly good infrastructure in terms of its Production, Storage, distribution and tertiary network, Premises, Water treatment Plants and Sewerage Treatment Plant facilities. Most of the systems were rehabilitated in the later parts of the 80's and early 90's. Cognisance is however made of the growing urban populations and changes in technologies, which have outstripped the infrastructure in some areas.

viii) Economies of Scale

The scale of operations within the Corporation has enabled the NWSC benefit from lower unit costs. Costs of certain activities have been reduced due to the scale of operations. The synergies existing within the Corporation have helped reduce overhead costs, such as the bulk procurement of certain products. Chlorine as a major input is currently purchased in bulk for all the NWSC Areas. Water quality monitoring and block mapping functions are centralized and serve the entire NWSC at lower unit costs. Cognisance is however made of the low scale of operations in some of the smaller towns, which affects their ability to attain internationally accepted standards of operation.

ix) Monopoly Power

The NWSC Statute gives the Corporation a monopoly status in the NWSC gazetted areas. This is an advantage in that supply is restricted, thus ensuring a market for the NWSC products.

x) Autonomy Status

The Corporation carries out independent decisions and works as an autonomous entity which speeds up the implementation of management decisions.

3.1.2 INTERNAL WEAKNESSES

i) Overall High Unaccounted for Water (UfW)

The overall UfW of about 39% as at June 2003 is still high in terms of water losses. This is especially true in Kampala with 44.5% of the water produced lost. However the other Areas exhibited a lesser loss of about 27% of the water produced.

ii) Low Service Coverage

The NWSC has a limited network coverage which in turn serves about 63% of the population with water and only 9% with sewerage services. It was however noted that water coverage had grown from a low coverage of 35% in the early 1990's. On the other hand, most inhabitants of the urban areas rely on on-site sanitation facilities.

iii) Underdeveloped MIS and IT System

Despite the technological advancements in the IT sector, the NWSC still lags behind in the computerisation of its activities.

iv) 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 increased from 17,315 as at June 2000, to 17,999 as at June 2003. However, the suppressed accounts as a percentage of total accounts reduced from 26% to 21% over the three years under

review.

v) High Level of Accounts Receivable

The NWSC Arrears which stood at Shs.24.6 billion as at June 2003 is still very high. This impairs the cash flow position of the Corporation and thus ties up funds for investment.

vi) Inadequate Internal Finance for Long Term Investment

Though there was a remarkable improvement in NWSC's operational and financial performance, the corporation is still not able to generate enough funds to finance its long-term investment needs. This thus calls for GoU and donor support for investment.

vii) Inadequate Infrastructure in Some Areas

As mentioned in the strengths, despite the fairly developed infrastructure, the NWSC still faces a problem of the growing urban populations and thus the need to expand and improve on the water supply and sewerage systems. Areas such as Kampala, Gulu, Arua, Bushenyi, Soroti and Mbarara, but to mention a few need further investments to expand and improve service delivery.

viii) Inadequate Customer Focus

Despite the efforts taken to improve customer care within the Corporation, the NWSC still falls short of Total Quality Service delivery. More attention is needed for both the internal and external customers.

3.1.3 EXTERNAL OPPORTUNITIES

i) Increasing Urban Population

The recently concluded census shows that the population in the urban areas has increased at about 4.2% per annum for the large Urban Centres between 1991 to 2002. This has a positive correlation to the demand for NWSC services, and thus provides a larger market. This is an opportunity for NWSC to expand its service coverage so as to meet the increasing demands for both water and sewerage services.

ii) Stable Macro-Economic Environment

The relatively stable and predictable macro-economic environment gives opportunity for the corporation to carry out long term planning and thus provide its services to a wider cross section of people. This stability is demonstrated by the low levels of inflation and the stable and falling interest rates in the money markets.

iii) Abundant Water Resources

The abundant water resources gives the National Water and Sewerage Corporation the opportunity to increase its water production to meet the increasing demand for its services on the market. The water sources include lake Victoria, River Kwanja, and River Manafa but to mention a few.

iv) Improvements in IT

The current improvements in IT and communication in the world over has lead to opportunities to accurately and timely carry out various functions within the Corporation, for example billing of customers, and improvement in the database which acts as a basis for informed decision making. The NWSC improved its outlook by opening a web site "www.nwsc.co.org".

v) Political Stability

The relative political stability has improved the environment in which services are offered. It has promoted strategic planning, investment, and thus the growth of the Water sector. Political stability enhances long term strategic planning and investment, which has been seen within the water sector.

vi) Continued Donor Support

The Corporation continues to benefit from wide donor support. Donors include the German Government, World Bank, European Union, French Government, Belgian Government and the Austrian Government. These have supported the expansion of Gaba I and II water works, Kabale Water and Sanitation project and the Jinja/Njeru areas.

vii) Improved Public Image

Over the last four years, the public perception of the NWSC has improved based on its exemplary performance. This has been established through periodic questionnaires to the public, and also through the Second National Integrity Survey Report of March 2003 prepared by the Inspectorate of Government⁴. This has been coupled with improvements in customer care, changes in the Corporate culture which include wearing of nametags by all NWSC staff.

viii) Enabling Legal Framework

The NWSC Statute 1995 provides flexibility in the operations and activities of the Corporation. It enables the Corporation enter into contracts with third parties, private sector, and was flexible in regard to sourcing of investment funds. This is strategic in light of the reforms going on within the water sector.

⁴ The Report was prepared by K2 Consult (U) Ltd on behalf of the Inspectorate of Government.

ix) Private Sector Participation

With the changing paradigms of managing public enterprises, the NWSC has been able to attract the private sector partners in delivering its services. The fact that there is always willingness of the private sector to participate in the NWSC activities is an opportunity for enhanced synergies with the outside world. Currently a management services operator “ONDEO Services” is operating the Kampala Area. This was a French Company that took over Kampala Area in February 2002 and their contract is to end after two years.

x) Government Support

The Government has always supported the National Water and Sewerage Corporation through the provision of an enabling operating framework, and assistance through provision of finances. Funds are extended to corporation either through on-lent funds or grants.

xi) Strategic Alliance

NWSC has the opportunity to liase with local financial institutions to get funds for supporting some of its projects e.g. from the NSSF. There is also opportunity to liase with other utilities like UEB, so as to promote business.

3.1.4 EXTERNAL THREATS

i) Industrial Restructuring

Because of the on-going process of reform in the water sector in Uganda, uncertainties arising out of the Industrial restructuring tend to prohibit long-term Planning and cause staff anxieties.

ii) VAT Policy

The VAT policy, which stipulates that the NWSC pays VAT on billings other than collections, impairs the cash flow position of the Corporation. It also translates into an increase cost to the consumers and thus affects the affordability by customers

iii) Competition from Alternative Sources

NWSC is facing a problem of competition from alternative water sources such as boreholes, spring water and wells which provide free water to the populace. It was noted that many large consumers in the NWSC operated Towns are constructing their own boreholes which poses a threat to the NWSC market.

iv) Dependence on Foreign Inputs

Most materials like chemicals fittings and pipes are imported from outside countries. This was seen as a threat as supply may be interrupted by any unforeseen problems in the country of origin, e.g. a break out of war.

v) High Cost of Capital

The cost of funds for investment is high in terms of interest. The Corporation had a debt portfolio of almost Shs 84 billion as at June 2003 which it is supposed to start servicing.

vi) Low per capita Income, and Unwillingness to Pay by Some Customers

Because of the nature of the Ugandan economy, characterized by the majority of the urban people being poor, some of the customers find it difficult to pay for water and sewerage services. This is compounded by the fact that those able to pay are not willing to pay for the services. Some customers are not willing to pay their bills due to the mentality that water is a natural resource and therefore it should be free.

vii) Dishonesty of Some Customers

Some customers connect water illegally, and some vandalise meters etc.

viii) High Energy Costs

The Corporation still spends a lot of money on energy bills, and due to unreliable power in some areas, a lot of money is spent on fuel to run the Generators.

ix) Poor Urban Planning

The poor urban planning has hindered the constructive expansion of services to many parts of the urban areas.

3.1.5 CONCLUSION OF SWOT ANALYSIS

The NWSC has taken note of the external threats and internal weaknesses and will endeavour to minimize their impact through:

- Capitalizing on its strengths by carrying out more innovative change management programmes, and effectively utilizing the resources (both infrastructural and human) at hand.
- Taking advantage of the opportunities to consolidate its expansion programmes and enhance its efficiency gains.

CHAPTER 4

WAY FORWARD

VISION, MISSION, AND STRATEGIC GOALS. 2003 – 2006

4.0 THE CORPORATE VISION OF NATIONAL WATER AND SEWERAGE CORPORATION

The Vision of National Water and Sewerage Corporation, to be achieved in a twenty-year planning horizon, is

"NWSC TO BE THE PRIDE OF THE WATER SECTOR IN AFRICA".

It is envisaged that the Vision will be portrayed by:

- i) **Satisfied Customers:** Happy and satisfied customers paying their bills promptly.
- ii) **Adequate Network Coverage:** Adequate water and sewerage network-coverage in all the specified towns where the Corporation operates.
- iii) **Conservation of the Environment:** The Corporation working in harmony with, and contributing to the conservation of the environment.
- iv) **Efficient Work Force:** A Strong Secure and committed Workforce dedicated to the service of the Corporation.
- v) **Decentralization/Private Sector Involvement:**
The Corporation working in alliance with the private sector and a high level of devolved power to the individual areas.
- vi) **Contributing to National Development :**
As the key Utility providing adequate water and sewerage services to all sectors for increased economic development in Uganda.

4.1 THE MISSION STATEMENT OF NATIONAL WATER AND SEWERAGE CORPORATION

The Mission of NWSC is to be a Customer Oriented Organisation providing Excellent Water and Sewerage Services in a Cost Effective Manner.

4.2 CORPORATE STRATEGIC GOALS FOR 2003 -2006

The strategic goals were formulated in line with the Corporate Vision and Mission and are based on the criteria that they are Specific, Measurable, Achievable, Realistic and Time-bound (SMART) for NWSC over the period 2003-2006.

1. **Water losses:** Reduce the level of unaccounted for water from 39% to not more than 36% of water produced
2. **Staff Productivity:** Improve staff productivity through training and a awareness and hence limit manpower levels to not more than 8 employees per 1000 water connections.
3. **Customer Care:** Enhance Customer Care in all Areas, promote NWSC's image, and ensure effective response to customer complaints within 24 hours
4. **Water Supply:** Ensure 24 hour water supply per day in all NWSC Areas.
5. **Staff Emoluments:** Rationalize emoluments of staff to a level that is competitive in Public Utilities and creates a conducive working environment
6. **Revenues:** Increase Annual Revenue from Shs.37.6 billion to Shs.42.8 billion
7. **Collection/Billing Ratio:** Ensure a Collection/Billing ratio (including arrears) of not less than 100%.
8. **Profitability:** Ensure an adequate net operating profit by implementing viable investments and cost effective operation management systems.
9. **Service to the poor:** Establish within the framework of water supply to the urban poor at least 500 public standposts targeting the informal settlements and peri-urban areas.
10. **Water Quality:** Strengthen process control and water quality monitoring systems to ensure that the customer receives water that complies with National Standards for Portable Water 1994.
11. **Sewerage Effluent:** Operate the existing sewerage collection; treatment and disposal plants to ensure that effluent quality conform to the National Standards for effluent Discharge 1999.
12. **Network Growth:** Increase Water and Sewerage services network in the NWSC Areas by at least 45% and 9% respectively.

13. **Water Service Coverage: Increase** Water Service coverage from 63% to 70% of the population.
14. **Debt Age:** Reduce the average debt age from 8 months (Shs 24.6 billion) to 5 months (shs 17.9 billion).
15. **Total Quality Management:** Develop and apply a Certified Quality Management System (QMS) in reference to ISO 9001:2000.
16. **MIS:** Implement a Corporate Wide Management Information system

4.2.1 AREA STRATEGIC GOALS 2003- 2006:

The table below summarises the Area Strategic goals for the period 2003 – 2006. The cumulative goals make the Corporate Goals (details shown in Annex 1 (b)).

Table 17: Area Strategic Goals: 2003 – 2006

| Area/Goals | UfW % Reduction | Water Production/day by June 2006 | No of New Kiosks installed | New connections Installed 2003-06 | Level of Suppressed accounts June 2006 | Billings/month by FY 2005/06 Inclusive VAT Shs Millions | Average collections/month inclusive VAT | Arrears June 2006 Shs millions | New sewerage connections 2003-06 |
|-----------------|-----------------|-----------------------------------|----------------------------|-----------------------------------|--|---|---|--------------------------------|----------------------------------|
| Kampala | 44.5 -41.5 | 110,880 | 120 | 21,805 | 10,570 | 2,565 | 2,627 | 12,893 | 133 |
| Jinja | 30-26 | 11,093 | 24 | 2,106 | 1,687 | 349 | 361 | 2,449 | 36 |
| Entebbe | 33-28 | 6,526 | 24 | 1,467 | 431 | 169 | 169 | 768 | 13 |
| Mbale | 19-14 | 4,676 | 24 | 1,729 | 158 | 158 | 158 | 508 | 55 |
| Mbarara | 23- 19 | 4,553 | 24 | 1,197 | 342 | 145 | 145 | 325 | 24 |
| Tororo | 19-15 | 2,061 | 48 | 408 | 41 | 70 | 70 | 151 | 7 |
| Masaka | 25- 19 | 3,006 | 72 | 1,617 | 80 | 70 | 70 | 148 | 15 |
| Kasese | 29- 23 | 1,312 | 28 | 451 | 135 | 34 | 34 | 55 | 0 |
| Fort Portal | 12- 10 | 1,198 | 26 | 426 | 200 | 40 | 41 | 89 | 12 |
| Lira | 13- 10 | 2,586 | 24 | 1,308 | 151 | 53 | 54 | 87 | 24 |
| Gulu | 14- 9 | 1,445 | 24 | 489 | 279 | 51 | 52 | 165 | 30 |
| Kabale | 39- 30 | 1,195 | 42 | 814 | 104 | 30 | 30 | 41 | 10 |
| Arua | 27- 22 | 2,049 | 59 | 796 | 45 | 29 | 29 | 55 | 0 |
| Bushenyi/Ishaka | 22- 17 | 714 | 24 | 637 | 23 | 14 | 14 | 17 | 0 |
| Soroti | 51- 39 | 2,247 | 24 | 752 | 173 | 45 | 46 | 155 | 19 |
| Total | 39 - 36 | 155,557 | 587 | 36,000 | 14,419 | 3,815 | 3,901 | 17,908 | 378 |

4.3 THE ANNUAL TARGETS FOR THE FY 2003/2004

Within the framework of the Corporate Strategic goals mentioned above, key targets that NWSC intends to achieve during the financial year 2003/2004 are as follows:

1. Reduce overall Unaccounted for water (UfW) from 39% to 38%.
2. Improve Staff Productivity from 11 to 10 staff per 1000 connections.

3. Ensure that total staff costs as a percentage of operating costs are limited to not more than 30%.
4. Enhance customer care in all areas and ensure effective response to customer complaints within 24 hours.
5. Increase Water production from 140,724 cu.m to 145,002 cu.m per day.
6. Raise turnover from Ushs. 37.6 billion to Ushs. 38.5 billion.
7. Increase Collections (excluding arrears over one year) from Ushs 3.1 billion to Ushs 3.4 billion per month.
8. Increase the collection/billing ratio (including arrears) from 100% to 103%.
9. Achieve an Annual Net Operating Profit of Shs 3 billion.
10. Improve the Working Ratio (ratio of operating costs exclusive of depreciation and interest charges to operating revenues which include revenues from water and sewerage tariffs, service charges, connection fees and re-connection fees) from 0.84 to 0.71.
11. Establish 247 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 Portable Water (1994), and National Standards for effluent discharge,1999).
13. Carry out mains extensions and replacement of old mains of at least 15% and 3% for Water and Sewerage network respectively.
14. Install 11,500 Nos. new water connections in all areas, i.e. 4,540 in other areas, and 6,960 in Kampala Area.
15. Increase service coverage from 63% to 65%.
16. Reduce average debt age for arrears from 8 months (shs 24.6 billion) to 7 months (Shs 20.3 billion).
17. Achieve ISO 9001: 2000 Certification for Headquarters, Jinja and Tororo Areas

CHAPTER FIVE

CORPORATE STRATEGIES 2003 - 2006

5.0 STRATEGY

This chapter outlines the fundamental steps that the NWSC intends to take in order to achieve its goals for the period 2003 to 2006. Management has developed strategies which will address the goals taking into account the SWOT analysis in Chapter three.

The Strategies are outlined at two different levels, the Corporate level, and at the functional, or divisional/departmental level.

5.1 CORPORATE STRATEGIES

The Corporate strategies outline the broader activities that cut across the entire organisation and are established at the highest levels of the organization.

5.1.1 Performance Enhancement Programmes

The NWSC will continue with its internal enhancement programmes aimed at further improving efficiency and harnessing increased productivity at all levels. In line with the Stretch-out programme, management has come up with a new management concept "**The One-Minute Management**" concept which emphasises the *three secrets* of *one-minute goal setting*, *one-minute praising* and *one-minute reprimands*. The one-minute management also has the concept of *situational leadership* and *teamwork*, which emphasise different individual/Group development levels, and different *management styles* of "*Directive*" and "*supportive*" behaviour that should be applied to different/same individuals or groups depending on their levels of competence and commitment. The programme is meant to enhance further achievements in the corporation through increased performance and productivity.

5.1.2 Performance Contract with GoU 2003 - 2006

The first performance Contract with the GoU expired on the 30th June 2003. During the new Corporate Plan period, it is envisaged that the Performance Contract with Government is to be renewed for a further period of three years. The Contract will build on the successes of the previous GoU contract and will focus on maintaining the impetus of improvements and therefore the financial viability of the Corporation.

5.1.3 Reform of the Urban Water Sector: Internal Structural Changes

The Urban Water Sector in Uganda is undergoing reform with the objective of increasing efficiency and cost effectiveness in service delivery. The reform strategy recommendations included among others increased private sector participation in the delivery of water and

sewerage services in the large towns. In line with the recommendations, the NWSC is to carry out the following activities during the plan period 2003 to 2006:

Strengthening of NWSC Functions

The NWSC will review its functions and responsibilities so as to align it self to the future role it will play in the sector. In line with this, the NWSC headquarters shall implement an organizational structure commensurate with increased Private Sector involvement in the delivery of water and sewerage services. The organisation structure is attached as appendix 4.

Area Management Contracts (AMC's)

During the Planning period 2003 to 2006, it is planned to transform the Area Performance Contracts (APC's) into Area Management Contracts (AMC's) thereby further enhancing efficiency, performance improvements and customer satisfaction. This will be achieved with the Areas attaining greater independence and increased accountability for the decisions taken. The AMC's will be geared towards: transferring more autonomy to Areas through the use of Areas as semi-legal entities/business spin-offs and then holding them more accountable for results. A comprehensive system of targets that are more focused and customer oriented to enable easy monitoring and verification will be designed. The Areas will have more flexibility in the inputs/processes and control of costs.

Management Services Contract for Kampala

The Management Services Contract in Kampala expires in February 2004. For the remaining term of the Contract, the NWSC Management will focus on effective monitoring and where possible strengthening of the Contract through quarterly reviews. After the expiry of the Contract, Management envisages a continuation of private sector involvement in the Kampala Area. The succession regime will depend upon the final evaluation report of the ONDEO Contract, and the prevailing circumstances in regard to the Urban water sector reform process.

5.2 FUNCTIONAL STRATEGIES

These strategies relate to the activities of the different functional units within the NWSC, which in this case are, Commercial, Technical, Financial and Human Resource Strategies.

5.2.1 Commercial/Customer Service Strategies

The commercial strategies are aimed at increasing the customer base, increasing billings and at the same time recognizing the fact that the customer is the reason we exist.

Customer Care

The NWSC has undergone a portfolio change with the improvement of efficiency and changes in the work culture. However, one of the concerns that remains to be adequately addressed is the issue of the customer satisfaction which is one of the most important ingredients of efficient service delivery. It is the NWSC's intention to further improve its customer relations through a number of actions which will include use of a more friendly approach to business. These will include the minimization of disconnections as a means of enforcing payment, and the use of persuasion to ensure payment of bills.

Urban Poor Policy

The NWSC will promote activities aimed at expanding supply to the low income urban dwellers. As mentioned earlier, the NWSC will continue with the erection of standposts, and will go further to evaluate the use of yard taps as an additional alternative to supplying water to the poor. The NWSC intends to ring fence "a new connections fund" which will be used to facilitate the poorer communities to connect to piped water services. In addition, the NWSC is to establish a new unit, "the Community Management Unit", within the Commercial Division to among others spearhead the provision of Services to the Urban poor through determining their geographic locations and establishing modalities for extending the network.

Suppressed Accounts Strategy

It has been recognized that the level of suppressed accounts at 17,999 is very high. This represents 21% of the total customer database. The NWSC intends to reduce the number of suppressed accounts in the system by:

1. carrying out investigations in the areas so as to establish the age of the suppressed accounts.
2. Sorting of Accounts according to age and recommending accounts over 5 years under suppression for write off.
3. Offering amnesty to those whose accounts are below three years of suppression.
4. Offering payment of arrears in installments for those ready to come back to supply.

It is envisaged that the number of suppressed accounts will reduce from 17,999 (21% of total accounts) to 14,419 (12% of total accounts) as at June 2006. The reduction in suppressed accounts is conservatively projected due to the need for careful scrutiny and assessment of the accounts before write off or reactivation is carried out.

Arrears

The growth of arrears poses a fundamental problem to the sustainability of the Corporation's activities. The arrears are to be addressed in two broad categories, Government and Non Government. The strategy to address the GoU arrears is contained in the Memorandum of Understanding signed between the Ministry of Finance Planning and Economic Development (MoFPED) and the NWSC on 1st April 2003. Under the MoU it was agreed that Government would settle the balance of verified arrears of shs 5.732 billion in two installments by December 2003, and March 2004. The NWSC will take all necessary steps to collect what they bill to Government agencies. Government also agreed to the pre-payment of water services as means of curbing the growth in arrears.

In regard to the non- government arrears, efforts will be directed towards simplifying the payment methods. Incentives will be offered to good paying customers through raffle draws. The NWSC will carry out a door to door investigation to establish the premises which owe it money. Amnesty will be offered to those off supply and willing to come back to supply, and favourable terms of payment will be offered.

Customer Base/Billing Strategy

In a bid to expand its customer database, the NWSC will carry out potential market surveys and carry out strategic alliances with the local Government and Communities so as to encourage them to connect to the NWSC supply systems.

5.2.2 TECHNICAL STRATEGIES

Reduction of Unaccounted for Water

The problem of unaccounted for water, especially in Kampala, is to be tackled through a double edged process. Upfront activities will include the determination of the nature of UfW (i.e. the magnitude of commercial losses versus physical losses). This is to be followed by concerted efforts to address the problem. In Kampala, the technical losses are to be addressed under the auspices of the Kampala Network rehabilitation project which is funded by the German Government through KfW. The project will replace the old network, and the spaghetti lines which are considered vulnerable to leaks and bursts. This will be accompanied by the installation of meters at various strategic points to measure actual flow of water. The administrative losses are to be handled through a systematic customer survey to establish the status of connections, legal or illegal. The survey will also establish the sources of water for those who are currently not on the NWSC supply system.

Quality Control of Water and Sewerage Effluent

The NWSC is to carry out continued sampling of the water at the source, and within the network system. Research will be carried out to improve the quality of water in Kampala, Masaka, Lira, and Mbarara, and effluent quality using wetland systems in Bugolobi, Masaka and Tororo.

Investment Activities

The major guiding principles for investment in the next three years will be viability and the increased use of internally generated funds for investment.

- **Replacement of Assets.**

Most of the NWSC towns were rehabilitated over 10 years ago. For example Gulu and Lira water and sewerage systems were last refurbished in 1992, the Tororo and Mbale systems were refurbished in 1988, while the Masaka and Mbarara systems were last refurbished in 1994. Currently, most of the water and sewerage systems have aged and depreciated. This thus calls for the urgent need to replace the assets, so as to avoid running down of the systems. The average life of most of the machinery and equipment is estimated at 10 years. Hence the NWSC will invest in the refurbishment and replacement of the aged systems.

- **NWSC Own Investment in Areas- Network Expansion**

In addition to the replacement of assets, the NWSC will invest in the expansion of its network. It is envisaged that a total of 750 Kms of mains extensions will be made over the three years. These will be carried out using internally generated funds.

- **Green Field Investments from Internal Sources**

The Gulu system is currently over burdened by the influx of the population into the town. The system was designed to cater for 40,000 people, but the census population established the population in the town at over 100,000 people. There is thus urgent need to expand the production capacities. As external funding is sought, the NWSC will finance specific interventions of the rehabilitation of the Gulu water and sewerage systems, which will be implemented in a phased manner so as to allow financing from own cash generation. This will ensure that water supply in Gulu is improved.

In addition, the NWSC will in a phased manner finance extension of water to Mukono, which will entail the re-enforcement of mains from Kireka, and the erection of a Reservoir in Kireka in the first phase.

- **Implementation of Donor Funded Projects:**

With the assistance of donors, the NWSC will continue its investment drive to increase the water production capacities and expand the distribution network in its towns of operation. The investment activities will cover all the towns with major projects being carried out in

Kampala (Gaba III), Entebbe, and the extension of services to the peri-urban and poor settlements. The other towns will under go minor rehabilitation and extension of services.

Funding for some of these activities have been obtained from the German Government, however, one major undertaking of the NWSC is to increase the utilization of internally generated funds for investment.

- **Sanitation**

During the period 2003 – 2006, the NWSC will continue with the implementation of the Kampala Sanitation Master Plan which is due to be completed in the year 2004. The recommendation of the study will establish the framework within which downstream activities will be implemented. However, in the interim, the Corporation will continue with its extension of the sewerage network using its internally generated funds. It is targeted to connect a total of 378 new connections during the plan period 2003 -2006.

5.2.3 FINANCIAL STRATEGIES

Tariff Policy

The NWSC will continue with the tariff indexation policy so as to avoid erosion of the tariff from such factors like inflation. The NWSC also plans to carry out a review of its tariff structure in order to address the distortions within the current structure (domestic users highly subsidized by Commercial/Industrial users). This is in light of the skewed growth in new domestic consumers vis-a-vis industrial and commercial customers⁵. This will address the issues of sustainability through re-balancing of the tariff, and provision of services to the poor through a subsidized pricing mechanism. However, this is to be integrated in the overall sector reform process so as to avoid multiple tariff changes.

Debt Strategy

Related to the pricing policy, the current NWSC tariff is not a full cost recovery tariff. This implies that the tariff can only cover operation and maintenance plus depreciation costs, however, the Corporation is not in position to meet its debt service obligations, i.e. interest and principal payments⁶. For loan servicing to be possible, the current tariff would have to be increased by about 60%, which is not a feasible option. For the Corporation to continue to operate in a financially sustainable manner, it is necessary for Government to continue with the debt service freeze. Until recently the Corporation has been confronted with the legacy of poor investment decisions which have led to oversized systems and underutilized systems capacity in several towns, this has meant that the huge burden of debt incurred in constructing these systems is not sustainable. Using the available internally generated funds to repay GoU on these unsustainable debts will mean that the Corporation will need to look at more expensive external sources to fund the expansion of coverage and therefore plunging it further into non-sustainable debt. In addition the Corporation will need funds to make extensions to serve the poor and meet critical rehabilitation works and counterpart funding requirements of on-going or planned investments rather than enter into new borrowing from external sources to finance such activities. Hence the issue of the debt needs to be resolved in light

⁵ 82% of new connections were domestic in the FY 2002/03

⁶ Accrued debt as at June 2003 was estimated at shs 84.9 billion (Ush 53.5 billion IDA, Ush 27.7 billion Austria, Ushs 3.7 billion French Government. Total debt servicing per year is equivalent to Shs 13 billion per year equal to 60% of the NWSC's core operating expenses (excluding depreciation) for FY 2002/03.

of the tariff limitations, and the need to commit the financial gains to the much needed investment. The NWSC is to pursue the debt issue with the Ministry of Finance for a possible write off.

Maintenance, New Connections and Network Extensions Funds.

The NWSC is to create funds for Maintenance, New Connections and Network extensions as part of its strategy to ensure that investments and new connections are implemented on a timely basis.

- **Network expansion fund.**

The network expansion fund will cover a three year expansion plan aimed at increasing the total network by 15% per annum.

- **New connection Fund**

The new connection fund will cater for connection costs especially to the poor.

- **Maintenance Fund.**

The NWSC needs the capability to not only maintain its systems and replace worn out assets, but also to react to unexpected breakdowns/liquidity needs. It is therefore targeted to have a maintenance/emergency repair fund for this purpose. This is even more important in the environment NWSC is operating in which there is really no external source of ready and continually available funds that NWSC can access in case of unexpected need arises. This implies that the Corporation will have to set aside part of its surplus for purposes of emergency occurrences

Management Information System

The NWSC is to continue with the computerization of its operation and financial systems with assistance from the German Government through GTZ.

Cash flow Management

The NWSC is to establish a cash flow monitoring mechanism with the establishment of a unit responsible for the enforcement of financial discipline within the Corporation. This will entail strict adherence to the budget so as to ensure that while revenues are maximized, costs are controlled so as to increase the viability of the Corporation.

5.2.4 HUMAN RESOURCE STRATEGIES

The human resource strategies relate to the activities that will be taken to improve staff welfare as well as productivity.

Manpower Strategy: 2003 – 2006

The current manpower level stands at about 970. With the prospects of taking over of new towns and rapid increase in New Connections (Customers) that stands currently at not less than 800 Accounts per month, there will be need to increase manpower as indicated below.

| Year | Total Number |
|-------------|---------------------|
| 2003 | 950 |
| 2004 | 980 |
| 2005 | 1010 |
| 2006 | 1040 |

The figures exclude temporary/casual employees.

It is envisaged that increase in manpower will not affect productivity since monthly increases in connections will out-weigh the increase in manpower. Attached as annex 4 to this document is the organization structure which is to enable the Corporation achieve the strategic goals for the period 2003 to 2006. The structure is not static, and may be reviewed to adapt to any changes in the functionality and responsibilities of the NWSC.

Training and Personal Development Strategy: 2003 – 2006

A new Training and Personal Development Policy is to be developed during the plan period 2003 to 2006. The Training Strategy is to encourage all staff to acquire more skills in their respective disciplines. The Corporation will continue to support and sponsor certain very relevant programmes critical to its operations. Multi-skilling is to be promoted especially through In-House Training Programmes. Training Needs Identification will be carried out on a yearly basis.

Welfare Strategy

- **Salary Administration**

A new salary structure has been put in place that provides for seniority. Staff will be able to move to the next level on an Annual basis so long as they perform: Performance Appraisal will be carried out periodically. Salary for staff will be revisited once in two years to take care of inflation.

- **Medical Scheme**

A very humane Medical Scheme currently in place will continue. However, stringent measures have now been put in place to avoid abuse and reduce costs. Special emphasis is going to be put on the Management of HIV/AIDS at workplace. Collaboration with the AIDS Commission and the Ministry of Health will be crucial.

- **Terminal Benefits**

Terminal Benefits have been improved especially for: Staff who die while still working, Staff who retire on reaching mandatory Retirement Age of 55 years, Staff who due to restructuring programme are rendered redundant. This category will continue to be paid off under Special

Retirement Scheme as a strategy of manpower rationalization as opposed to “Retrenchment” which has a derogatory connotation.

Motivation Strategy

- **Bonus Payments**

Payment of Bonus will continue to deserving staff who meet set targets for the Management Performance Enhancement Programmes such as “Stretch-Out”, “One Minute Management” etc.

- **Loans**

The Corporation shall continue to facilitate staff acquire loans for purposes related to personal development such as housing, transport, study and education of children as a means of securing staff commitment and identity.

- **NWSC T-Shirts**

The Friday dress down policy of wearing NWSC T-Shirts will be promoted in the whole Corporation including our private operators working on our behalf. The uniformity eliminates bureaucracy and instills a corporate culture of simplicity and equality amongst staff of all levels. The uniform also enforces a sense of corporate identity and pride.

- **Industrial Relations Strategy**

Management will continue to work very closely with the Union on matters that affect staff. This strategy is aimed at arriving at consensus to enable Union Supplement Management efforts.

Our management regards the Union as a Partner, not a foe in our efforts to reach our Vision of being the “Pride of the Water Sector in Africa”.

Management will therefore make financial contributions towards the education and sensitization of Union Executives to make them more enlightened and be able to appreciate Management objectives especially during this era of commercialization.

In summary, Management will be pro-active in all matters relating to Human Capital to ensure high motivation of staff if our dream of being the best Water Utility in Africa is to be realized.

5.3 MONITORING AND EVALUATION

For purposes of adequately evaluating and guiding the activities of the Corporation, the different functional divisions within the Corporation will ensure that they submit quarterly reports to the respective Board Committees. For instance, the Management Services division will submit quarterly reports to the Administrative Committee of the Board, while the Audit will submit quarterly reports to the Finance Committee of the Board.

Appendix 1
(a)

FINANCIAL AND OPERATIONAL INDICATORS: 2003/2004 - 2005/2006.

Appendix 1 (a)**ASSUMPTIONS FOR FINANCIAL AND OPERATIONAL INDICATORS USED IN
DERIVATION OF CORPORATE GOALS FOR THE PERIOD JULY 2003 TO JUNE 2006****Total installed capacity of water production (million m3) =78****Average Water + Sewerage Tariff (shs per m3 of water sold) = 1,015****All money values are shown at current prices.**

| | Ref to Goal No. | Year 0 2002/03 | Year 1 2003/2004 | Year 2 2004/2005 | Year 3 2005/2006 |
|--|--------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| Billing Efficiency (Accounted for water) % | 1 | 61 | 62 | 63 | 64 |
| Unaccounted for water (overall) (%) | 1 | 39 | 38 | 37 | 36 |
| UFW Kampala (%) | 1 | 44.5 | 43.5 | 42.5 | 41.5 |
| UFW Other Area (%) | 1 | 27 | 26 | 24.5 | 23.5 |
| Reliability of water Supply Hrs/day | 4 | 18 | 20 | 22 | 24 |
| Revenue: shs millions | 7 | 37,627 | 38,524 | 40,883 | 42,876 |
| Collection/Billing ratio (%) | 8 | 100% | 103% | 103% | 103% |
| Debt Age (months) | 14 | 8 | 7 | 6 | 5 |
| Debt Absolute shs millions | 14 | 24,600 | 20,325 | 19,147 | 17,908 |
| Total No. of Water connections | 13, 14 | 87,172 | 98,672 | 110,672 | 123,672 |
| No. water New connections | 13, 14 | 11,548 | 11,500 | 12,000 | 12,500 |
| No. of Sewerage connections | 13 | 12,043 | 12,162 | 12,288 | 12,421 |
| No New Sewerage connections | 13 | 104 | 119 | 126 | 133 |
| Suppressed accounts % of total accounts | 1,13 | 21% | 17% | 14% | 12% |
| Suppressed accounts | 1,13 | 17,999 | 16,607 | 15,782 | 14,419 |
| No of new Standposts/kiosks | 10 | 277 | 247 | 170 | 170 |
| Service coverage (%) | 14 | 63% | 65% | 67% | 70% |
| No. of employees in service at end of FY | 2 | 950 | 980 | 1010 | 1040 |
| Employees per 1000 connections | 2 | 11 | 10 | 9 | 8 |
| Staff costs as a % of total costs | 2 | 36% | 36% | 34% | 34% |
| Minimum monthly take home pay Shs | 6 | 280,000 | 280,000 | 300,000 | 300,000 |
| Response to Customer Complaints (hrs) | 3 | 36 | 24 | 16 | 12 |
| Operating Surplus before interests on Loans, deprec. and exceptional items. (Shs millions). | 5 | 8,452 | 11,148 | 12,453 | 13,426 |
| Depreciation Shs millions | 5 | 7,326 | 7,740 | 8,757 | 9,743 |
| Operating Profit After Dep. | 5 | 1,126 | 3,408 | 3,696 | 3,684 |

Appendix 1 (b)

AREA SPECIFIC TARGETS:

2003/2004 - 2005/2006.

Table of Area Specific Targets 2003/2004

| AREA | Water Production M³/day | Water Sold M³/day | UFW % | Nos. of Kiosks | Nos. of New Water Conn. | New Sewerage connections | Collections UShs. /Month 000' | Nos. Accounts Reactivated |
|---|---|---|------------------|---------------------------|--|---|--|--|
| Kampala | 103,121 | 58,263 | 43.5 | 50 | 6,960 | 42 | 2,293,830 | 1,357 |
| Jinja | 10,915 | 7,750 | 29.0 | 10 | 672 | 13 | 316,000 | 219 |
| Entebbe | 6,330 | 4,342 | 31.4 | 10 | 468 | 2 | 147,420 | 100 |
| Mbarara | 4,403 | 3,535 | 21.5 | 10 | 384 | 7 | 125,830 | 100 |
| Mbale | 4,294 | 3,543 | 17.5 | 10 | 552 | 20 | 137,920 | 90 |
| Tororo | 2,172 | 1,779 | 18.1 | 20 | 130 | 3 | 60,830 | 25 |
| Masaka | 2,671 | 2,022 | 24.3 | 30 | 516 | 6 | 6,183 | 50 |
| Lira | 2,055 | 1,819 | 11.5 | 10 | 420 | 7 | 46,500 | 57 |
| Gulu | 1,374 | 1,191 | 13.3 | 10 | 156 | 9 | 44,920 | 70 |
| F/Portal | 1,214 | 1,076 | 11.4 | 12 | 140 | 3 | 35,500 | 60 |
| Kasese | 1,346 | 964 | 28.4 | 12 | 144 | 0 | 29,330 | 60 |
| Kabale | 1,113 | 686 | 38.4 | 18 | 260 | 2 | 26,250 | 40 |
| Arua | 1,259 | 926 | 26.4 | 25 | 254 | 0 | 25,330 | 30 |
| Bushenyi/Ishaka | 555 | 444 | 20.0 | 10 | 204 | 0 | 12,080 | 15 |
| Soroti | 2,079 | 1,102 | 47.0 | 10 | 240 | 5 | 39,920 | 40 |
| Subtotal (Kampala exclusive) | 41,881 | 31,179 | 26.0 | 197 | 4,540 | 77 | 1,109,670 | 956 |
| Total | 145,002 | 89,442 | 38.3 | 247 | 11,500 | 119 | 3,403,500 | 2,313 |

Table of Area Specific Targets 2004/2005

| AREA | Water Production M³/day | Water Sold M³/day | UFW % | Nos. of Kiosks | Nos. of New Water Conn. | New Sewerage connectio ns | Collection s UShs. /Month 000' | Nos. Accounts Reactivat ed |
|---|---|---|------------------|---------------------------|--|--|---|---|
| Kampala | 107,290 | 61,692 | 42.5 | 35 | 7 266 | 44 | 2,465,246 | 508 |
| Jinja | 1,104 | 7,908 | 28.4 | 7 | 702 | 12 | 339,009 | 191 |
| Entebbe | 6,435 | 4,479 | 30.4 | 7 | 489 | 5 | 158,470 | 86 |
| Mbarara | 4,565 | 3,588 | 21.4 | 7 | 401 | 8 | 135,627 | 76 |
| Mbale | 4,527 | 3,739 | 17.4 | 7 | 576 | 17 | 148,466 | 35 |
| Tororo | 2,109 | 1,750 | 17.0 | 14 | 136 | 2 | 65,594 | 9 |
| Masaka | 2,841 | 2,187 | 23.0 | 21 | 539 | 5 | 66,655 | 17 |
| Lira | 2,341 | 2,084 | 11.0 | 7 | 438 | 9 | 50,138 | 34 |
| Gulu | 1,409 | 1,240 | 12.0 | 7 | 163 | 11 | 48,387 | 64 |
| F/Portal | 1,701 | 1,531 | 10.0 | 7 | 140 | 4 | 38,266 | 45 |
| Kasese | 1,327 | 969 | 27.0 | 8 | 150 | 0 | 31,610 | 30 |
| Kabale | 1,156 | 740 | 36.0 | 12 | 271 | 3 | 28,294 | 23 |
| Arua | 1,369 | 1,027 | 25.0 | 17 | 265 | 0 | 27,290 | 10 |
| Bushenyi/Ishaka | 642 | 520 | 19.0 | 7 | 213 | 0 | 13,052 | 5 |
| Soroti | 2,187 | 1,181 | 46.0 | 7 | 251 | 6 | 42,934 | 39 |
| Subtotal (Kampala exclusive) | 43,653 | 32,942 | 24.5% | 135 | 4 734 | 82 | 1,193,792 | 664 |
| Total | 150,943 | 94,634 | 37.3% | 170 | 12 000 | 126 | 3,659,038 | 1,172 |

Table of Area Specific Targets 2005/2006

| AREA | Water Production M³/day | Water Sold M³/day | UFW % | Nos. of Kiosks | Nos. of New Water Conn. | New Sewerage connections | Collections UShs. /Month 000' | Nos. Accounts Reactivated |
|---|---|---|------------------|---------------------------|--|---|--|--|
| Kampala | 110,880 | 64,865 | 41.5 | 35 | 7 579 | 47 | 2,627,441 | 1 021 |
| Jinja | 11,093 | 8,053 | 27.4 | 7 | 731 | 11 | 360,769 | 262 |
| Entebbe | 6,526 | 4,607 | 29.4 | 7 | 510 | 6 | 168,945 | 70 |
| Mbarara | 4,553 | 3,643 | 20.0 | 7 | 412 | 9 | 144,859 | 59 |
| Mbale | 4,676 | 3,928 | 16.0 | 7 | 601 | 18 | 158,450 | 27 |
| Tororo | 2,061 | 1,731 | 16.0 | 14 | 142 | 2 | 70,064 | 7 |
| Masaka | 3,006 | 2,345 | 22.0 | 21 | 562 | 4 | 71,202 | 14 |
| Lira | 2,586 | 2,316 | 10.4 | 7 | 450 | 8 | 53,578 | 26 |
| Gulu | 1,445 | 1,286 | 11.0 | 7 | 170 | 10 | 51,641 | 49 |
| F/Portal | 1,198 | 1,078 | 10.0 | 7 | 146 | 5 | 40,873 | 35 |
| Kasese | 1,329 | 984 | 26.0 | 8 | 157 | 0 | 33,778 | 23 |
| Kabale | 1,195 | 789 | 34.0 | 12 | 283 | 5 | 30,242 | 18 |
| Arua | 2,049 | 1,557 | 24.0 | 17 | 277 | 0 | 29,156 | 23 |
| Bushenyi/Ishaka | 714 | 586 | 18.0 | 7 | 220 | 0 | 13,951 | 4 |
| Soroti | 2,247 | 1,258 | 44.0 | 7 | 261 | 8 | 45,814 | 30 |
| Subtotal (Kampala exclusive) | 44,677 | 34,161 | 23.5% | 135 | 4,921 | 86 | 1,273,323 | 632 |
| Total | 155,557 | 99,026 | 36.3% | 170 | 12,500 | 133 | 3,900,764 | 1,653 |

Appendix 2

TARIFF INDEXATION FORMULA

AND

NWSC TARIFF STRUCTURE 2003 -2004

APPENDIX 2 (a)

NWSC TARIFF INDEXATION FORMULA

The NWSC tariff is indexed annually according to the following formula;

$$T_1 = T_0 (A\Delta i + B\Delta f i \Delta f x + C\Delta k)$$

Where:

| | | |
|----------------|---|---|
| To | = | Tariff level at end of year zero. |
| A | = | Proportion of tariff associated with local costs e.g. salaries, and locally sourced goods based on the previous years audited financial Accounts. |
| Δ | = | Change |
| I | = | Domestic retail price index as published by the Bureau of Statistics and based on the underlying inflation rate. |
| B | = | the proportion of the tariff associated with foreign costs, i.e. foreign inputs in the production process based on the previous years audited financial accounts. |
| FI | = | Foreign retail price index based on the US Bureau of Labour Statistics |
| FX | = | US Dollar to shilling exchange rate based on the Bank of Uganda mid exchange rate as at the 30 th June of each financial year. |
| C | = | Proportion of tariff associated with electrical power based on % of electricity cost to total cost as a proxy. (Audited financial Accounts). |
| K | = | Price of electrical power. |
| T ₁ | = | Indexed Tariff at beginning of year one |

Source: Statutory Instrument 2002, No. 23

APPENDIX 2 (b)

NATIONAL WATER AND SEWERAGE CORPORATION WATER AND SEWERAGE TARIFF RATES: 1st JULY 2003 TO 30th JUNE 2004

1. WATER RATES

| | Charges per cubic meter of water shs |
|---------------------------|---|
| Public standpipes | 449 |
| Residential/Domestic | 693 |
| Institutional/Government | 854 |
| Industrial/Commercial | |
| 1. First 500m3 per months | 1,187 |
| 2. 501-1500m3 per months | 1,421 |
| 3. Over 1500m3 per months | 1,324 |

2. SEWERAGE RATES

Sewerage charges for all properties connected to the sewers are based on

| | |
|----------------------|----------------------|
| Domestic category | 75% of water charge |
| All other categories | 100% of water charge |

3. OTHER RATES

New water connection fee ranges from shs 50,000 to shs 1,500,000 depending on the size of connection.

Sewerage connection ranges from shs 100,000 to shs 167,000

Reconnection fee after disconnection for non payment of water charges ranges from shs 10,000 to shs 20,000.

4. SERVICE CHARGE

Ranges from Ushs.1,500 to Ushs 30,000 per month depending on the pipe connection size and consumer category.

Appendix 3

NATIONAL WATER AND SEWERAGE CORPORATION

CORPORATE PLAN 2003 - 2006

**HARMONISED BOARD, DIVISION & DEPARTMENTAL TARGETS
2003/2004**

TABLE OF BOARD AND FUNCTIONAL TARGETS FOR 2003/2004

| BOARD/FUNCTIONAL UNIT | Page |
|---|-------------|
| BOARD | 56 |
| INTERNAL AUDIT | 57 |
| OPERATIONS DEPARTMENT 58 | |
| MONITORING, EVALUATION AND RESEARCH DEPARTMENT | 60 |
| PLANNING AND CAPITAL DEVELOPMENT DEPARTMENT | 61 |
| WATER QUALITY DEPARTMENT | 62 |
| CENTRAL STORES | 63 |
| MANAGEMENT SERVICES DIVISION | 64 |
| HUMAN RESOURCES DEPARTMENT | 65 |
| ACCOUNTS DEPARTMENT | 66 |
| PROCUREMENT DEPARTMENT | 67 |
| COMMERCIAL AND CUSTOMER SERVICES DIVISION | 68 |
| CORPORATE PLANNING/INFORMATION TECHNOLOGY DEPARTMENT | 69 |

BOARD TARGETS 2003/2004

1. Ensure that a proper management structure is in place and that the structure functions to maintain the Corporate integrity, reputation and responsibility.
2. Monitor and evaluate the implementation of the strategies, policies, financial sustainability and management performance criteria and plans of the Corporation.
3. Review the Corporation's systems, processes, and procedures to ensure the effectiveness of its internal systems of control so that its decision making capability and the accuracy of its reporting and financial results are maintained at the highest level at all times.
4. Appoint the Chief Executive, participate in the appointment of all senior management, and ensure that there is appropriate and adequate training for management and other employees, and put in place succession plan for senior management.
5. Identify the Corporation's key risk areas and key performance indicators of the Corporation's business and constantly monitor these factors.
6. Ensure that the Corporation complies with the relevant laws, regulations, governance practices, accounting and auditing standards.
7. Assess the performance and effectiveness of the Board as a whole and that of individual members including the Chief Executive Officer.

INTERNAL AUDIT TARGETS FOR 2003/2004

- I. Review and update audit programmes for the Corporation.
2. Check quarterly the utilization, maintenance and disposal of corporation assets.
3. Check monthly the accuracy, reliability and integrity of the Corporation's accounting, commercial, management and technical information.
4. Check monthly the implementation of stretch out and other revenue improvement programmes in the areas as set by management to ensure value for money

5. Carry out quarterly audit and monthly monitoring of commercial and financial activities of KWSSA.
6. Carry out quarterly visits to areas to verify compliance with the financial regulations, effectiveness of resources utilization and quality of performance.
7. Check monthly the accuracy and completeness of Commercial records throughout NWSC to ensure all consumers connected are captured in the data base and accurately billed.
8. Carry out systems audit in each division every three months to ensure that internal control systems and procedures are adequate and are being complied with
9. Carry out surprise inspection visits to on-going major civil works and projects every two months to ensure contractors interim certificates are correct
10. Participate in the APC/Stretch-out, Tender committee, Total Quality Management, Corporate Planning and other management meetings.
11. Submit Quarterly Audit Reports to the Finance Committee of the Board

OPERATIONS DEPARTMENT TARGETS FOR 2003/2004.

1. Strengthen operational and maintenance strategies to enhance efficiency and effectiveness in the production units to produce a total of 145,002m³/day of treated water per day. (Goals 4,6,12,13,15)
2. Strengthen the distribution management systems and develop distribution planning criteria, standards and procedures to reduce overall un-accounted for water (UFW) from an average 39% to 38%. (Goals 1,3,4,6,12,13,15)
3. Increase the coverage of metered accounts from 93% to 98% in all Areas and carry out replacement of all defective meters. (Goals 1,3,6,15)
4. Hold quarterly marketing/strategic alliance meetings with customers to promote sales and to enhance responsiveness to the customer needs. (Goals 3,6,7,14,15)
5. Establish 247 Water Public Stand Pipes in all areas to enhance provision of services to the poor and establish proper tracking mechanism for services to the poor through strengthened management systems (Goals 3,4,6,7,9,12,13,14)
6. Carry out quarterly process, energy and chemical consumption audit to enhance cost effective operation of all treatment plants. (Goals 8,10,15)
7. Carry out at least 10% water and sewer mains extensions and 1% of water and sewer mains replacement of total network length. (Goals 1,2,3,4,6,9,12,13).

8. Carry out Refurbishment of the Civil Structures of existing treatment systems and the Corporation Premises (Goals 3,4,5,15).
9. Design and carry out cost-effective and timely Planned Preventive Maintenance and Corrective maintenance of NWSC Assets (Goals 1,3,4,6,)
10. Treat and distribute reliable and good quality water supply that meets National and International standards at all times (Goals 3,10,15)
11. Collect, treat and dispose sewerage effluent in conformity with the National Standards. (Goals 3,11,15).
12. Increase the number of active accounts by installing a minimum of 11,500 new water connections in all areas and by investigating and reactivating a minimum 3,000 accounts (Goals 6,7).
13. Carry out block mapping of the new towns and ensure timely block-mapping of all new connections effected in the Areas (Goals 3,5,7,14).
14. Institute pro-active systems to ensure prompt response to customer complaints within 24 hours. (Goals 1,3,6,7,15).
15. Carry timely review and approval of Area requests/work plans and carry out close follow up of procurement of inputs and welfare services ensure timely deliveries(All Goals)
16. Carry out implementation of Government of Uganda (GOU) funded projects in the Towns of Arua, Soroti and Bushenyi (Goals 4,6,9,12,13)
17. Ensure routine management and overall supervision of Area/Departmental operations in line with existing Operating Contracts and Improvement Plans in order to provide reliable services in all Areas (All Goals).

MONITORING, EVALUATION AND RESEARCH DEPARTMENT TARGETS FOR 2003/2004

1. Carry out monthly, quarterly and annual performance evaluation of running Area and other HQTR Performance Enhancement Programmes and provide feedback by 25th of the following month (*All Goals*)
2. Carry out research on best management practices and adapt them in NWSC to improve performance further (*All Goals*).
3. Review the existing Area Performance Contract (APC) framework with a view of evolving it into an advanced Area Management Contract (AMC) framework (*All Goals*).
4. Rationalize performance measurement for Areas by introduction of best-practice efficiency measurement models, namely Data Envelop Analysis and Frontier Analysis that take account of both internal performance indicators and environmental factors (*Goals 1, 2, 5, 6, 7, 9, 12, 13, 14*).
5. Carry out quarterly impact assessment (Cost-Benefit Analysis) of running Area Performance Improvement Programmes and implemented Projects to determine extent of value-for-money creation (*Goals 1, 2, 5, 6, 7, 9, 12, 13, 14*)
6. Establish credible performance analytical systems that promote comparative competition among Areas (*Goals 1, 2, 5, 6, 7, 9, 12, 13, 14*)
7. Establish a computer-based monitoring system that easily tracks the fulfillment of either HQTR or Area obligations in running performance agreements (*All Goals*)
8. Introduce a tailor-made process benchmarking system that allows easy transfer and adaptation of good operating practices from good performing Areas to poor-performing Areas (*All Goals*).
9. Develop a documentary detailing a full account of the evolvement of performance improvement programmes as a base for future Performance Improvement Programmes (*Goal 3*)
10. Carry out research to verify key performance indicators necessary to plan service delivery effectiveness, starting with Kampala as a Pilot Study Area (*Goal 13*)
11. Carry out quarterly corporate plan & GOU contract targets/actual performance analysis and advise management on identified performance gaps and constraints (*All Goals*)
12. Monitor, evaluate and compile monthly progress reports on the implementation of the Quality Management System (QMS) and MIS in selected Units of NWSC (*All Goals*).
13. Review quarterly budget performance reports and advise Departments on areas of weakness requiring attention (*Goal 8*)
14. Carry out quarterly joint technical evaluation audits to assess whether the implemented projects meet intended objectives and advise Management (*Goal 8*)

PLANNING AND CAPITAL DEVELOPMENT DEPARTMENT TARGETS FOR 2003/2004

1. Procure contractors and supervise construction for the following projects
 1. Gaba I
 2. Gaba III
 3. Entebbe Water Supply and Sewerage Project
2. Select and Supervise consultants for Projects
3. Extend water supply to the Urban- poor
4. Extend Water Supply to Peri-urban Areas in Kampala
5. Carry out intervention measures to improve Water Supply in Gulu.
6. Source funds for the implementation of the Sanitation Master Plan.
7. Up-date the NWSC investment programme

WATER QUALITY DEPARTMENT: TARGETS FOR 2003/2004

1. Carry out daily water and bi-monthly waste water quality monitoring in all Areas to comply with the National Drinking water standards and effluent discharge standards
2. Carry out research to improve water quality in Kampala, Masaka, Lira and Mbarara; and effluent quality using wetland systems in Bugolobi, Masaka and Tororo.
3. Coordinate the implementation of Total Quality Management (TQM) and ISO Certification of all Areas
4. Carry out water and waste water quality assessment and evaluation in all Areas through quarterly work visits by analysts in-charge
5. Coordinate the implementation of the first phase of the water safety plans (WSP) in Kampala and Jinja.
6. Implement the on-going Lake Victoria Environment Management Project (LVEMP) as scheduled.
7. Raise at least Ushs. 36 million through consultancy services to external clients.

CENTRAL STORES TARGETS FOR 2003/2004

1. Establish and maintain appropriate stock for Water treatment chemicals 1/2" and 3/4" water meters and 100 class 'A' items in order to minimize ordering and storage costs and reduce stock outs.
2. Improve NWSC's Central Stores physical storage facilities to ensure clean safe storage of materials and facilitate efficient receipt, check and distribution of stocks.
3. Reduce stock variances to not more than 2%, of stock value.
4. Eliminate all direct materials from NWSC Stores and prepare scrap and dead stock lists in all Areas for management's approval and disposal.

MANAGEMENT SERVICES DIVISION TARGETS FOR 2003/2004

1. Obtain Insurance Policies for all Insurable Corporation properties submit and follow up claims as they arise and make quarterly reports to the Chief Manager Management Services. (Goal 9)
2. Acquire all land titles for the corporation in liaison with area managers by 31st December 2003 (Goal 17)
3. Effectively follow up cases in court and make monthly reports to the Chief Manager Management Services. (Goal 7)
4. Procure and install all types of fire extinguishers for all Areas by 30th April 2003. (Goal 9)
5. Train fire fighting for all areas on sites (Goal 2)
6. Engrave all Corporation Assets (Goal 15)
7. Improve customer awareness on the Corporations activities. (Goals 3)
8. Identify and recommend NWSC's participation in relevant fora. (Goals 3)
9. Develop and implement a system for timely response to customer complaints and enquiries in all Areas. (Goals 3)
10. Obtain all names of personnel to be in charge of security in all areas. (Goal 2)
11. Monitor performance of security firms in all areas and assess the security of Corporation properties on a quarterly basis. (Goal 2).

HUMAN RESOURCE DEPARTMENT TARGETS FOR 2003/2004

1. Develop a human resource manual. (2)
2. Implement control measures for cost effective operations of the Medical Scheme to reduce average cost of medical bills to not more than 36,000 per visit.
3. Computerize Human Resource Department
4. Introduce and implement "Long Service Award" Scheme.
5. Continue to rationalize manpower levels.
6. Hold quarterly meetings with senior officers functionally responsible for Human Resource and make at least one visit to each Area during the year to assess employee's working conditions and implementation of personnel policies
7. Modify and implement a staff Appraisal System which adequately covers Management and non-Management category of staff
8. Conduct at least 24 in-house courses/programmes in critical areas such as Customer Care, Plant Maintenance, Quality assurance, Firefighting etc.
9. Carry out Planned Preventive Maintenance Equipment, Buildings and replace all damaged, lost training equipment.
10. Ensure that staff emoluments are competitive.
11. Finalize Training Policy for National Water and Sewerage Corporation and operationalise it.

ACCOUNTS DEPARTMENT TARGETS FOR 2003/2004.

1. Produce the Annual Budget by June 15th.
2. Produce Annual Audited accounts by September 2003.
3. Produce Management Accounts by the 3rd week of the next month.
4. Produce Quarterly Management accounts by the 4th week after the end of the quarter.
5. Develop a system for monthly appraisal of Short-Term investment opportunities.

6. Revise the Accounting Manual.
7. Pay creditors within 30 days.
8. Submit Quarterly Management Accounts to the Finance Committee of the Board

PROCUREMENT DEPARTMENT TARGETS FOR 2003/2004

1. Develop a Procurement Manual tailored to NWSC needs.
2. Develop and implement long term Contracts for supply of key inputs such as chemicals, water meters and pipes.
3. Prepare a procurement plan by September 2003 so as to ensure timely procurement of goods and services.
4. Prepare monthly status Procurement Reports for Management and the Public Procurement and Disposal Authority.
5. Develop a policy and procedures for handling emergency procurements.

COMMERCIAL AND CUSTOMER SERVICES DIVISION TARGETS FOR 2003/2004.

1. Achieve 17% level of suppressed accounts as percentage of total accounts in the Areas (Goals, 1,2,7,8,9,15)
2. Increase the Customer base by 5%. (Goals 2,3,5,6,7,9,10,13,14).
3. Reduce the debt age of arrears to 5 months (Goal 3,6,8,15).
4. Achieve a current bill collection efficiency of 100% and arrears of 50% (Goals 3,6,8,9,11,1,15).
5. Enhance customer care and willingness to pay within all areas and ensure effective response to customer complaints within 24hrs (Goals 3,4,6,7,8,9,12,13,14,15)
6. Enhance the integrity of the data base to reflect the true position by removing dead accounts, hanging accounts, rejected ministry accounts suspense accounts from all databases (1,3,15)
7. Carry out Customer Care, Billing and Debt Management training, once a year, for all staff who interface with customers (Goals 3,8,10,11,14,15).

8. Produce consolidated Revenue and Customer Care Management Information every month (Goals 11)
9. Implement the Urban Poor Programme (Goals 7,8,14)
10. Implement the billing system in the new billing centers of Entebbe, Lira, Gulu, Masaka, Tororo, Soroti and Arua (Goals 3,7,8,11,15)
11. Carry out surveys to identify new areas with potential customers, which needs mains extensions (Goals 2,3,5,6,7,9,10,13,11,14).
12. Finalise and implement the revenue manual (Goals 3,7,15)
13. Implement Customer Policy (Goals 3,7,15)
14. Develop the Investors Road Map to accessibility of Water Services (Goals 3,14)
15. Carry out Social Economic Surveys in project Areas -Sanitation strategy and master plan for Kampala city (Goals 11,12,13).

CORPORATE PLANNING/INFORMATION TECHNOLOGY DEPARTMENT TARGETS FOR 2003/2004

1. Compile and Prepare the Corporate Plan for the year 2004/2005.
2. Prepare the Quarterly, Semi-Annual and Annual Reports for the year 2003/2004.
3. Prepare a new Performance Contract with Government (2003 – 2006).
4. Prepare the Medium Term Budget Framework paper for the year 2004/2005 to 2007/2008.
5. Prepare the Policy Statement for the year 2004/2005.
6. Review the tariff structure and prepare a simplified tariff structure.
7. Revise Tariff by Indexation.
8. Develop an IT policy
9. Develop and implement an integrated Management Information System for NWSC.
10. Implement a Corporate electronic messaging system.
11. Train staff on networks, systems support, Custima, Scala and general Computer applications.
12. Operationalise computerized Cash book, purchase, stock control and Human resource modules.

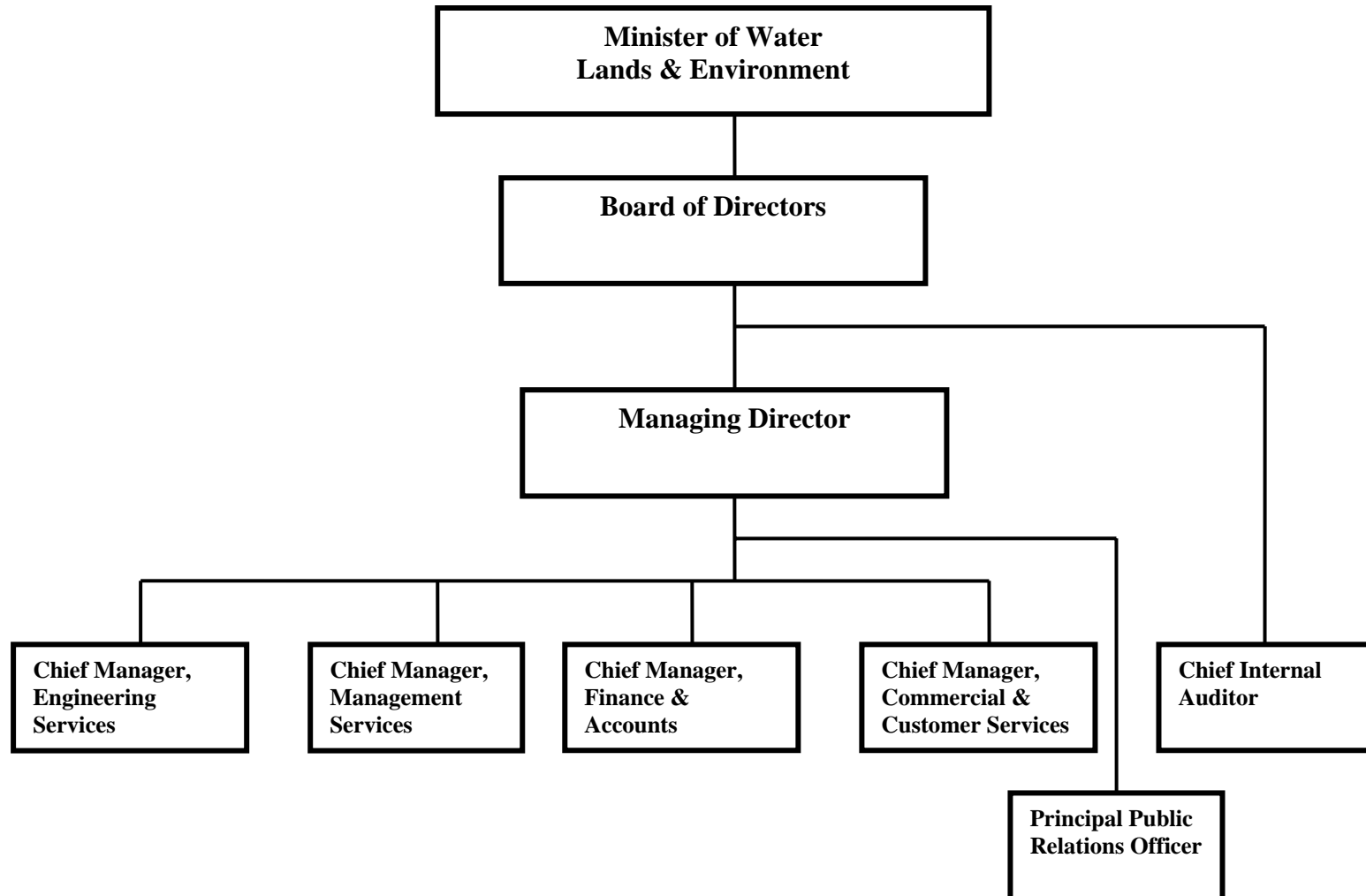
Appendix 4

NATIONAL WATER AND SEWERAGE CORPORATION

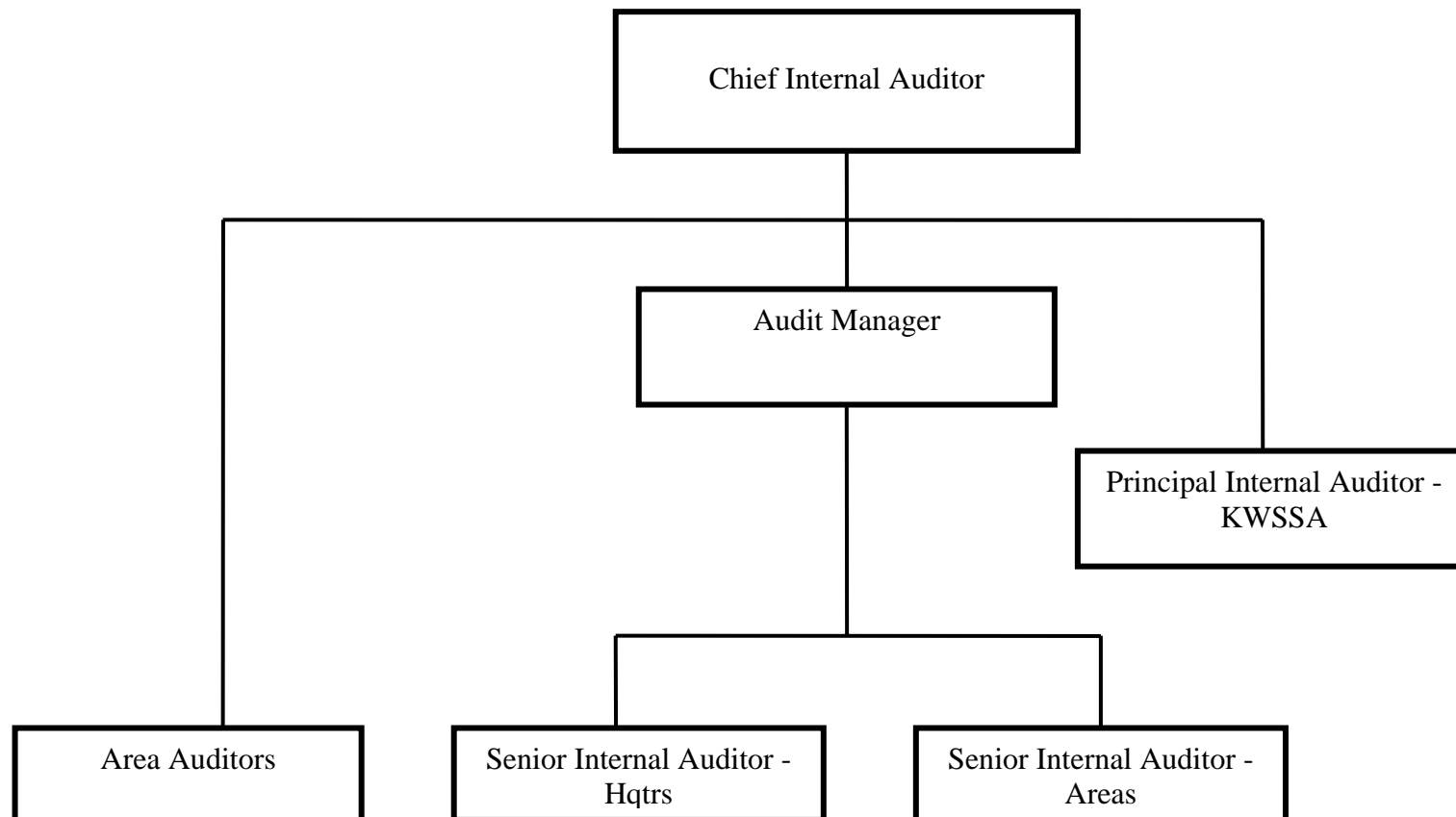
CORPORATE PLAN 2003 - 2006

APPROVED ORGANISATION STRUCTURE

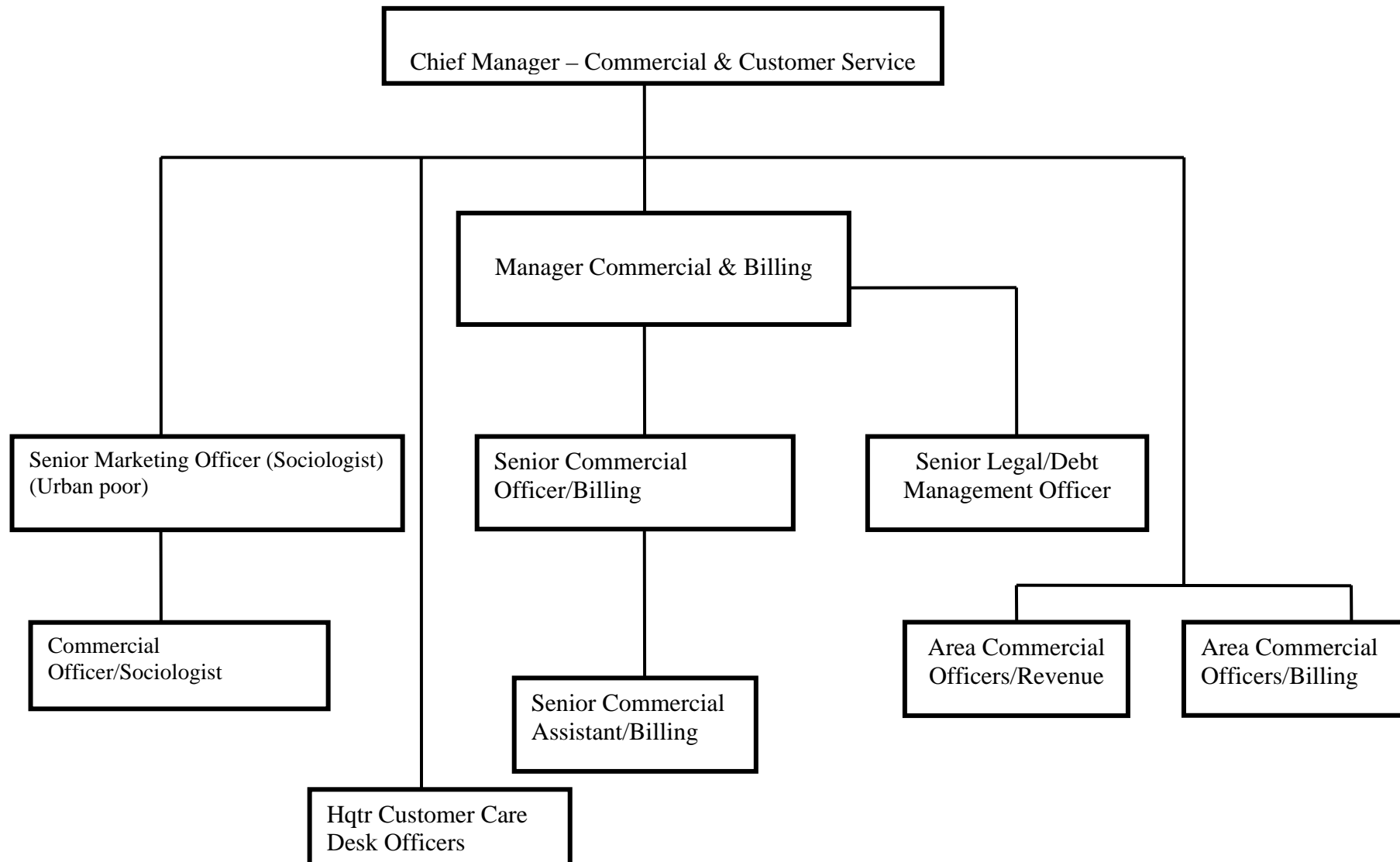
NWSC CORPORATE ORGANOGRAM



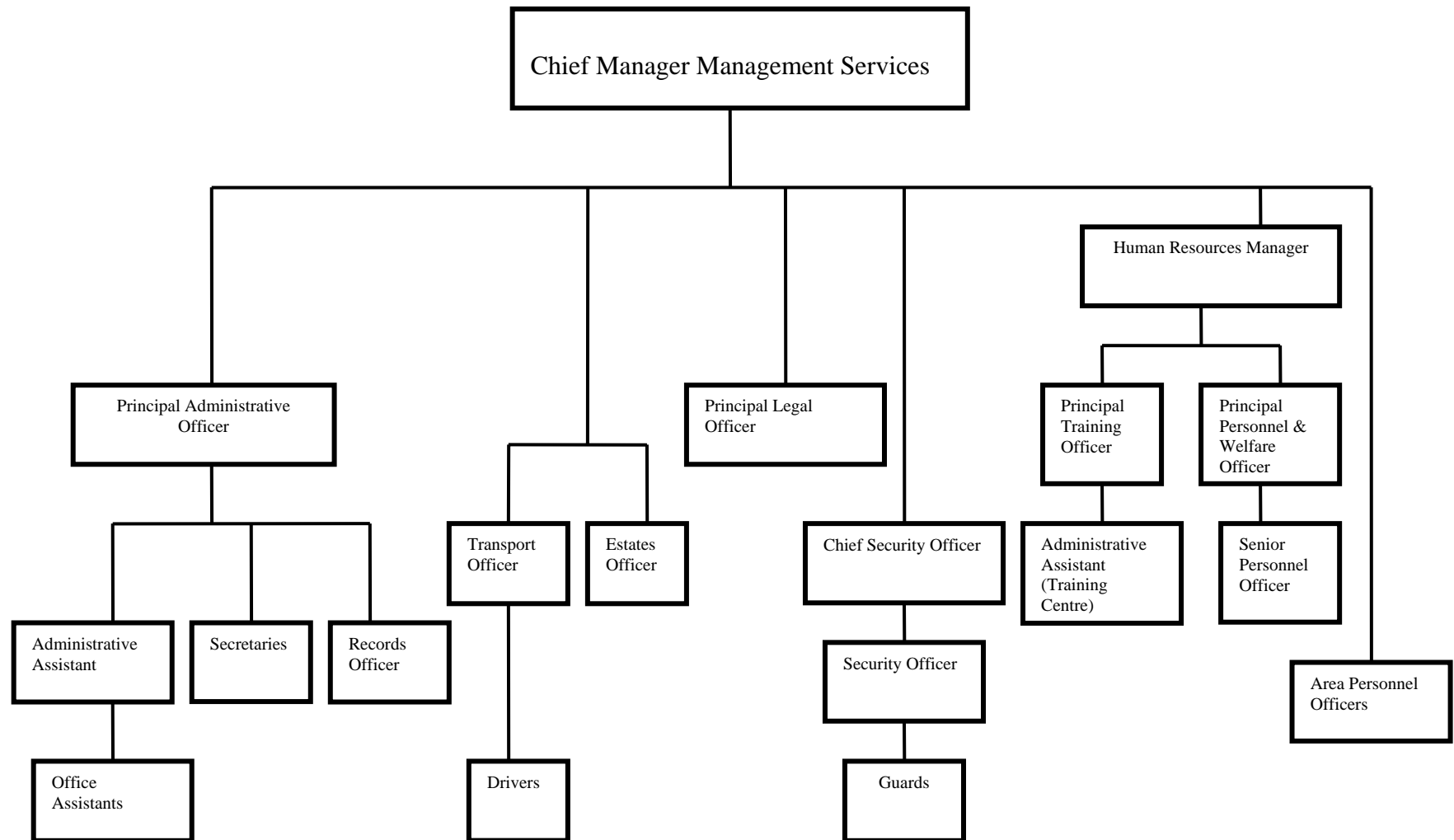
INTERNAL AUDIT DIVISION



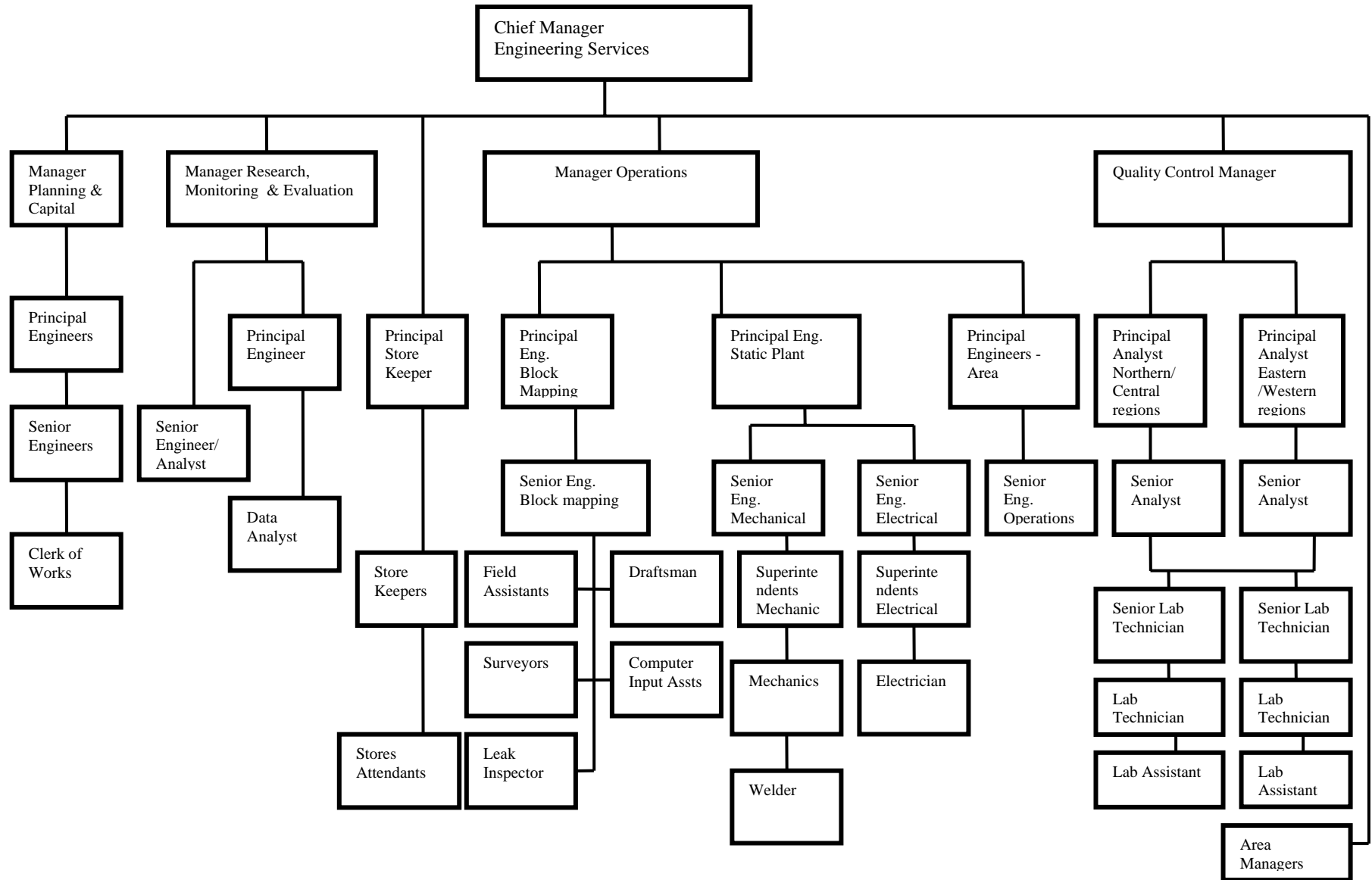
COMMERCIAL SERVICES DIVISION



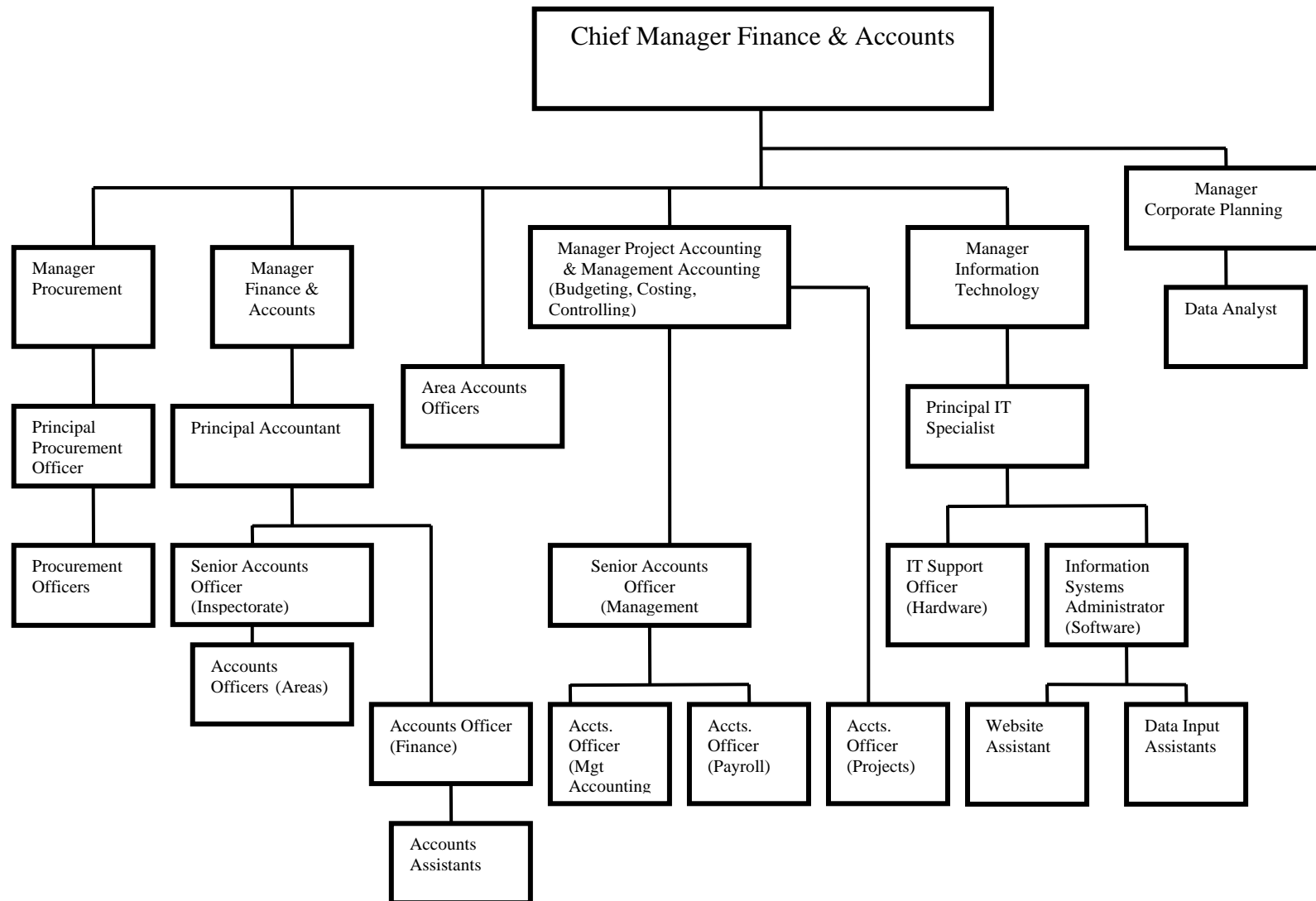
MANAGEMENT SERVICES DIVISION



ENGINEERING SERVICES DIVISION



FINANCE & ACCOUNTS DIVISION



Appendix 5

NATIONAL WATER AND SEWERAGE CORPORATION

CORPORATE PLAN 2003 - 2006

FINANCIAL FORECAST

KEY INDICATORS - PRODUCTION AND DELIVERY

| | | PREVIOUS PLAN 2000 - 2003 | | | | CURRENT PLAN 2003 - 2006 | | |
|--|-----------------|---------------------------|--------|--------|--------|--------------------------|--------|--------|
| Year Ending June, | | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| <u>KAMPALA</u> | | | | | | | | |
| PRODUCTION | | - | - | - | - | | | |
| Capacity | (mil m3/y) | 45.0 | 45.0 | 45.0 | 45.0 | 46.0 | 47.0 | 50.0 |
| Production | (mil m3/y) | 31.8 | 33.6 | 34.0 | 36.5 | 37.7 | 39.1 | 40.3 |
| Billed | (mil m3/y) | 17.8 | 17.8 | 19.0 | 20.3 | 21.3 | 22.5 | 23.6 |
| UfW | (%) | 44% | 47% | 44% | 45% | 43.5% | 42.5% | 41.5% |
| Billing Efficiency | | 56% | 53% | 56% | 55% | 56.5% | 57.5% | 58.5% |
| Sales per Existing Connections | (m3 / day) | 1.91 | 1.97 | 1.64 | 1.47 | 1.36 | 1.19 | 1.08 |
| Sales per New/Newly Activated Connection | (m3 / day) | 1.30 | 0.50 | 0.50 | 0.50 | 0.35 | 0.41 | 0.35 |
| Average Sales per Connection | (m3 / day) | 1.97 | 1.64 | 1.47 | 1.36 | 1.19 | 1.08 | 0.99 |
| CONNECTIONS | | | | | | | | |
| Active Connections | (nos.) | 24,815 | 29,700 | 35,331 | 40,829 | 49,146 | 56,920 | 65,520 |
| Inactive Connections | (nos.) | 10,601 | 9,906 | 10,915 | 11,782 | 11,163 | 11,101 | 10,570 |
| Writeoffs | (nos.) | | | | | 471 | 1,005 | 888 |
| Re-activation Target | (% of inactive) | 6% | 7% | 6% | -7% | 12% | 5% | 10% |
| Re-activation suppressed during year | (nos.) | 669 | 695 | 700 | (867) | 1,357 | 508 | 1,021 |
| Total Water Connections | (nos.) | 35,416 | 39,606 | 46,246 | 52,611 | 59,838 | 67,016 | 75,202 |
| Metered Connections | (nos.) | 30,142 | 35,138 | 42,249 | 48,952 | 56,248 | 63,665 | 72,194 |
| New Connections | (nos.) | 4,434 | 4,678 | 5,390 | 6,821 | 6,960 | 7266 | 7579 |
| % increase in connections | (%) | 14% | 13% | 14% | 15% | 13% | 12% | 11% |
| % metered connections | (%) | 85% | 89% | 91% | 93% | 94% | 95% | 96% |
| <u>OTHER AREAS</u> | | | | | | | | |
| PRODUCTION | | - | - | - | - | | | |
| Capacity | (mil m3/y) | 33.4 | 33.4 | 33.4 | 33.4 | 34.5 | 35.5 | 36.0 |
| Production | (mil m3/y) | 13.5 | 12.8 | 12.9 | 14.9 | 15.4 | 15.9 | 16.4 |
| Billed | (mil m3/y) | 8.5 | 8.7 | 9.0 | 10.9 | 11.4 | 12.0 | 12.5 |
| UfW | (%) | 37% | 32% | 30% | 27% | 26% | 25% | 24% |
| Billing Efficiency | | 63% | 68% | 69% | 73% | 74% | 75% | 76% |
| Sales per Existing Connections | (m3 / day) | 1.38 | 1.26 | 1.23 | 1.13 | 1.05 | 0.92 | 0.84 |
| Sales per New/Newly Activated Connection | (m3 / day) | 0.40 | 0.50 | 0.30 | 0.81 | 0.26 | 0.28 | 0.25 |
| Average Sales per Connection | (m3 / day) | 1.26 | 1.23 | 1.13 | 1.05 | 0.92 | 0.84 | 0.76 |
| CONNECTIONS | | | | | | | | |
| Active Connections | (nos.) | 18,497 | 19,260 | 21,796 | 28,344 | 33,840 | 39,238 | 44,791 |
| Inactive Connections | (nos.) | 4,881 | 7,238 | 6,755 | 6,217 | 5,444 | 4,681 | 3,849 |

Corporate Plan 2003 - 2006

| | | | | | | | | |
|-----------------------------|-----------------|--------|--------|--------|--------|--------|---------|---------|
| Writeoffs | (nos.) | | | | | 421 | 381 | 468 |
| Re-activation Target | (% of inactive) | 15% | 9% | 3% | 8% | 15% | 12% | 14% |
| Net re-activation | (nos.) | 970 | 439 | 217 | 538 | 956 | 664 | 632 |
| suppressed during year | | | | | | 604 | 282 | 268 |
| Total Water Connections | (nos.) | 23,378 | 26,498 | 28,551 | 34,561 | 39,284 | 43,919 | 48,640 |
| Metered Connections | (nos.) | 19,707 | 21,813 | 26,519 | 33,746 | 38,499 | 43,041 | 47,667 |
| New Connections | (nos.) | 1,557 | 2,177 | 2,374 | 4,727 | 4,540 | 4734 | 4921 |
| % increase in connections | (%) | 7% | 9% | 9% | 17% | 13% | 12% | 11% |
| % metered connections | (%) | 84% | 82% | 93% | 98% | 98% | 98% | 98% |
| <u>ALL AREAS</u> | | | | | | | | |
| PRODUCTION | | | | | | | | |
| Capacity | (mil m3/y) | 78.4 | 78.4 | 78.4 | 78.4 | 80.5 | 82.5 | 86.0 |
| Production | (mil m3/y) | 45.3 | 46.4 | 46.9 | 51.4 | 53.1 | 55.1 | 56.7 |
| Billed | (mil m3/y) | 26.3 | 26.5 | 28.0 | 31.1 | 32.7 | 34.5 | 36.1 |
| UfW | (%) | 42% | 43% | 40% | 39% | 38% | 37% | 36% |
| Sales per active connection | (m3/day) | 1.67 | 1.48 | 1.34 | 1.23 | 1.08 | 0.98 | 0.90 |
| Billing Efficiency | | 58% | 57% | 60% | 61% | 62% | 63% | 64% |
| CONNECTIONS | | | | | | | | |
| Active Connections | (nos.) | 43,312 | 48,960 | 57,127 | 69,173 | 82,986 | 96,158 | 110,311 |
| Inactive Connections | (nos.) | 15,482 | 17,144 | 17,670 | 17,999 | 16,607 | 15,782 | 14,419 |
| Total Water Connections | (nos.) | 58,794 | 66,104 | 74,797 | 87,172 | 99,593 | 111,940 | 124,730 |
| | | | | | | 17% | 14% | 12% |
| Metered Connections | (nos.) | 49,849 | 56,951 | 68,768 | 82,698 | 94,746 | 106,706 | 119,861 |
| New Connections | (nos.) | 5,991 | 6,855 | 7,764 | 11,548 | 11,500 | 12,000 | 12,500 |
| % increase in connections | (%) | 11% | 12% | 12% | 15% | 13% | 12% | 11% |
| % metered connections | (%) | 85% | 86% | 92% | 95% | 95% | 95% | 96% |

KEY INDICATORS - STAFF AND TARIFFS

| | | | | PREVIOUS PLAN 2000 - 2003 | | | | CURRENT PLAN 2003 - 2006 | | |
|--|-------------|--------------|--|---------------------------|-------------|-------------|-------------|--------------------------|-------------|-------------|
| TOTAL STAFF ANALYSIS | | | | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Staff Employed as of 1 July at start of financial year | | | | 1,426 | 1,213 | 1,092 | 889 | 950 | 980 | 1,010 |
| Staff Employed year end | | | | 1,213 | 1,092 | 889 | 950 | 980 | 1,010 | 1,040 |
| Staff / 1000 connections active | | | | 28 | 22 | 16 | 14 | 12 | 11 | 9 |
| Staff / 1000 connections total | | | | 21 | 17 | 12 | 11 | 10 | 9 | 8 |
| Staff Reduction/(Increase) | | | | 213 | 121 | 203 | (61) | (30) | (30) | (30) |
| Wages (mil Ushs/yr) | | | | 7,906 | 7,045 | 8,730 | 6,822 | 7,520 | 8,293 | 8,539 |
| Average Wages per Staff (mil Ushs/yr) | | | | 5.54 | 5.81 | 7.99 | 7.67 | 7.67 | 8.21 | 8.21 |
| Staff costs as a percentage of Operating costs. | | | | 44% | 42% | 39% | 29% | 29% | 30% | 29% |
| TARIFFS | | | | | | | | | | |
| Average Water Tariff | | | | | | | | | | |
| | Kampala | (Ushs/m3) | | 1,000 | 1,000 | 977 | 1,036 | 1,103 | 1,114 | 1,114 |
| | Other Areas | (Ushs/m3) | | 930 | 930 | 907 | 961 | 1,023 | 1,033 | 1,033 |
| | All areas | (Ushs/m3) | | 881 | 961 | 953 | 1015 | 1075 | 1086 | 1086 |
| Average Service fee | | | | | | | | | | |
| | Kampala | Ush pm /conn | | 0 | 1,226 | 1,741 | 1,702 | 1,694 | 1,685 | 1,677 |
| | Other Areas | Ush/conn | | 0 | 1,670 | 1,529 | 1,561 | 1,553 | 1,546 | 1,538 |
| | All areas | Ush/conn | | 0 | 1,079 | 1,660 | 1,644 | 1,636 | 1,628 | 1,620 |

INCOME STATEMENT

| | | PREVIOUS PLAN 2000 - 2003 | | | | CURRENT PLAN 2003 - 2006 | | |
|--|---------------|---------------------------|---------------|---------------|---------------|--------------------------|---------------|---------------|
| Year Ending June, | | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| REVENUE | | | | | | | | |
| WATER SALES | | | | | | | | |
| Kampala | Ushs | 15,821 | 17,607 | 18,589 | 21,392 | 23,508 | 25,051 | 26,275 |
| Other Areas | Ushs | <u>7,392</u> | <u>7,823</u> | <u>8,068</u> | <u>10,221</u> | <u>11,669</u> | <u>12,355</u> | <u>12,879</u> |
| Total Sales | Ushs | 23,213 | 25,430 | 26,657 | 31,613 | 35,177 | 37,407 | 39,154 |
| Service fees | | | | | | | | |
| Kampala | Ushs | 0 | 437 | 738 | 834 | 999 | 1,151 | 1,318 |
| Other Areas | Ushs | 0 | 197 | 400 | 531 | 631 | 728 | 827 |
| Total Sales | Ushs | 0 | 634 | 1,138 | 1,365 | 1,630 | 1,879 | 2,145 |
| CONNECTION CHARGES (for new connections) | | | | | | | | |
| No. of Conn. (assumption) | | | | | | | | |
| Kampala | Nos. | 4,434 | 4,678 | 5,390 | 6,821 | 6,960 | 7,266 | 7,579 |
| Other Areas | Nos. | 1,557 | 2,177 | 2,374 | 4,727 | 4,540 | 4,734 | 4,921 |
| Average connection Fee | | | | | | | | |
| Kampala | Ushs/per conn | 0.093 | 0.102 | 0.064 | 0.068 | 0.068 | 0.068 | 0.068 |
| Other areas | Ushs/per conn | 0.062 | 0.075 | 0.068 | 0.051 | 0.051 | 0.051 | 0.051 |
| Kampala | Ushs | 412 | 478 | 344 | 463 | 412 | 430 | 449 |
| Other Areas | Ushs | <u>96</u> | <u>164</u> | <u>161</u> | <u>239</u> | <u>269</u> | <u>280</u> | <u>291</u> |
| Total connection fee | Ushs | 508 | 642 | 505 | 702 | 681 | 711 | 740 |
| Other Water and Sewerage Revenues | | 512 | 397 | 645 | 747 | 600 | 450 | 400 |
| TOTAL REVENUE | | | | | | | | |
| Kampala | Shs m | 16,233 | 18,522 | 19,671 | 22,689 | 24,919 | 26,633 | 28,042 |
| Other Areas | Shs m | 7,488 | 8,184 | 8,629 | 10,991 | 12,568 | 13,363 | 13,997 |
| Other Revenue | Shs m | 512 | 397 | 645 | 747 | 600 | 450 | 400 |
| CORE INCOMES | Shs m | 24,233 | 27,103 | 28,945 | 34,427 | 38,087 | 40,446 | 42,439 |
| OTHER INCOMES | | | | | | | | |
| GoU Grants | Shs m | | 0 | 3,163 | 2,089 | 0 | 0 | 0 |
| Other Grants | Shs m | | | 804 | 431 | 0 | 0 | 0 |
| Adjustments | Shs m | | 1,854 | 818 | 244 | 0 | 0 | 0 |
| Recogn of deferred income | Shs m | 1,606 | 322 | 322 | 437 | 437 | 437 | 437 |

Corporate Plan 2003 - 2006

| <i>sub total</i> | Shs m | 1,606 | 2,176 | 5,107 | 3,201 | 437 | 437 | 437 |
|--|----------------------------|----------------|-----------------|-----------------|----------------|----------------|----------------|-----------------|
| TOTAL INCOME | | 25,839 | 29,279 | 34,052 | 37,628 | 38,524 | 40,883 | 42,876 |
| EXPENDITURE | | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Salaries & Wages | Ushs | 8,519 | 8,975 | 8,730 | 7,290 | 7,520 | 8,293 | 8,539 |
| Restructuring Costs | Ushs | 1,517 | 1,491 | 1,765 | 1,050 | 300 | 100 | 100 |
| Fixed Costs (Staff) | Ushs | 10,036 | 10,466 | 10,495 | 8,340 | 7,820 | 8,393 | 8,639 |
| Premises | Ush m | 776 | 972 | 896 | 1,305 | 1,099 | 922 | 965 |
| Static plant and pipe | Ush m | 4,190 | 4,824 | 6,556 | 7,187 | 7,484 | 7,881 | 8,390 |
| Transport and mobile plant | Ush m | 1,070 | 963 | 810 | 965 | 863 | 865 | 870 |
| Supplies and services | Ush m | 1,531 | 1,983 | 2,553 | 2,993 | 2,624 | 2,763 | 2,836 |
| Administrative expenses | Ush m | 5,197 | 5,702 | 5,628 | 8,243 | 7,336 | 7,456 | 7,600 |
| KRIP & KWSSA fee + incentives | Ush m | 2,135 | 2,894 | 2,073 | 4110 | 4200 | 4200 | 4200 |
| Provision for bad debts | Ush m | 530 | 530 | 680 | 390 | 400 | 440 | 484 |
| Provision for obsolete inventory | Ush m | 120 | 60 | 0 | 0 | 0 | 0 | 0 |
| Other admin expenses | Ush m | 2,412 | 2,218 | 2,875 | 3,743 | 2,736 | 2,816 | 2,916 |
| Financial expenses | | | | 165 | 143 | 150 | 150 | 150 |
| Deferred charges written-off | Ush m | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL OPERATING EXPENSES | Ush m | 22,800 | 24,910 | 27,103 | 29,176 | 27,376 | 28,430 | 29,450 |
| EBITDA | Ush m | 3,039 | 4,369 | 6,949 | 8,452 | 11,148 | 12,453 | 13,426 |
| <i>(earnings before interest, tax, depreciation, & Exceptional item)</i> | | | | | | | | |
| Depreciation | Ush m | 7,129 | 6,989 | 6,985 | 7,326 | 7,740 | 8,757 | 9,743 |
| Exceptional item - Asset Impairment | | | 41,752 | (15,489) | 0 | 0 | 0 | 0 |
| EBIT | Ush m | (4,090) | (44,372) | 15,453 | 1,126 | 3,408 | 3,696 | 3,684 |
| <i>(earnings before interest and tax)</i> | | | | | | | | |
| Interest payable | | 5,877 | 7,416 | 9,617 | 11,043 | 12,147 | 13,362 | 14,698 |
| Interest received | | (17) | (23) | (194) | (11) | (11) | (11) | (11) |
| Net interest | Ush m | 5,860 | 7,393 | 9,423 | 11,032 | 12,136 | 13,351 | 14,687 |
| Net Income before tax (EBT) | <i>Earnings Before Tax</i> | (9,950) | (51,765) | 6,030 | (9,917) | (8,739) | (9,666) | (11,014) |
| Tax credit charge/(Credit) | | 2,647 | (923) | 3,015 | 2,975 | 2,622 | 2,900 | 3,304 |
| NET INCOME | Ush m | (7,303) | (52,688) | 9,045 | (6,942) | (6,118) | (6,766) | (7,710) |

CASH FLOW STATEMENT

| | PREVIOUS PLAN 2000 - 2003 | | | | CURRENT PLAN 2003 - 2006 | | |
|---|---------------------------|-------------|-------------|-------------|--------------------------|-------------|-------------|
| <i>Year Ending 30 June,</i> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| CASHFLOW FROM OPERATIONS | - | - | - | - | | | |
| Net Income (after interest) | (9,950) | (51,765) | 6,030 | (9,917) | (8,739) | (9,666) | (11,014) |
| Add: Depreciation & Amortization | 7,129 | 6,989 | 6,985 | 7,326 | 7,740 | 8,757 | 9,743 |
| Add: Interests | 5,860 | 7,393 | 9,423 | 11,032 | 12,136 | 13,351 | 14,687 |
| Add Asset Impairment | 0 | 41,752 | (15,489) | 0 | 0 | 0 | 0 |
| Add: Deferred Charges | (1,606) | (322) | (322) | (437) | (437) | (437) | (437) |
| Add back deferred charges written off | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Add back provision of slow moving inventories | 0 | | | | | | |
| Add back provision of bad debts | 0 | | | | | | |
| Add loss on disposal of motor vehicles | | 36 | 83 | | | | |
| <i>Subtotal</i> | 1,433 | 4,083 | 6,710 | 8,004 | 10,700 | 12,005 | 12,978 |
| Working Capital Items | | | | | | | |
| GoU Debt Swap | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debtor - GoU | 1,385 | 1,911 | (1,208) | 332 | 3,403 | 229 | 229 |
| Other Debtors | (2,497) | (436) | (1,080) | (487) | 72 | (346) | 1,377 |
| Decrease/(Increase) in Debtors | (1,112) | 1,475 | (2,288) | (155) | 3,475 | (116) | 1,606 |
| Creditors: GoU | | | | | | | |
| Unpaid Loan Interest increase/(decrease) | 5,178 | 7,038 | 9,552 | 11,043 | 11,043 | 11,043 | 11,043 |
| GoU Swap | | | | | | | |
| Unpaid Loan Principal increase/(decrease) | 3,670 | 5,164 | 5,048 | 5,300 | 4,432 | 4,432 | 4,432 |
| Creditors - GoU | 8,848 | 12,202 | 14,600 | 16,343 | 15,475 | 15,475 | 15,475 |
| Creditors - Others | (14,733) | (1,792) | (1,270) | (883) | (2,500) | (2,000) | (2,000) |
| Increase/(Decrease) in Creditors | (5,885) | 10,410 | 13,330 | 15,460 | 12,975 | 13,475 | 13,475 |
| Increase in deferred income | | | | | | | |
| Increase/(Decrease) in Retirement benefits | 509 | 459 | (1,425) | | | | |
| Decrease/(Increase) in Stocks | 533 | (244) | 562 | (255) | (300) | (150) | (150) |
| Add: Net Decrease / (Increase) in Working Capital Items | (5,955) | 12,100 | 10,179 | 15,050 | 16,150 | 13,209 | 14,931 |
| Less: Taxation Paid | 0 | (44) | (119) | 0 | 0 | 0 | 0 |
| Interest Received | 17 | 23 | 194 | 214 | | | |
| Interest paid | (701) | (11) | 0 | 0 | | | |
| Less: Other Non-Income Statement Payments | 0 | 0 | 0 | (2,726) | 0 | 0 | 0 |

Corporate Plan 2003 - 2006

| | | | | | | | |
|---|----------|---------|----------|----------|----------|----------|----------|
| Subtotal | (5,206) | 16,151 | 16,964 | 20,542 | 26,850 | 25,214 | 27,909 |
| Less: Loan principal and interests | 8,848 | 12,202 | 14,600 | 16,343 | 15,475 | 15,475 | 15,475 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Cash Flow from Operations | (14,054) | 3,949 | 2,364 | 4,199 | 11,375 | 9,739 | 12,434 |
| DEBT SERVICING | | | | | | | |
| Cashflow from Interests Payment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cashflow from Principal Payment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Cashflow from Debt Servicing | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CASHFLOW FROM FINANCING ACTIVITIES | | | | | | | |
| Small Towns Water Sanitation Project | 4,195 | 4,796 | 4,984 | 3,195 | 0 | 0 | 0 |
| Cost Overruns - Foreign (STWSP) | 10,240 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cost Overruns - GoU | 2,500 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interests on Cost Overruns - GoU | 1,779 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans repaid (Standard Chartered) | (417) | (83) | 0 | 0 | 0 | 0 | 0 |
| Other Projects | 8,285 | 1,509 | 131 | 0 | 0 | 0 | 0 |
| GoU Grants (contribution to projects) | 0 | 0 | 0 | 1,946 | 2,989 | 4,370 | 3,347 |
| Donor Grants | 0 | 0 | 10,140 | 9,504 | 9,180 | 20,688 | 20,706 |
| Net Cashflow from Financing | 26,582 | 6,222 | 15,255 | 14,645 | 12,169 | 25,058 | 24,053 |
| CASHFLOW FROM INVESTING ACTIVITIES | | | | | | | |
| Small Towns Water Sanitation Project | 4,935 | 5,991 | 5,090 | 3,734 | 0 | 0 | 0 |
| STWSP/Overruns etc | 16,521 | 5,991 | 5,090 | 3,734 | 0 | 0 | 0 |
| Mukono | 0 | 0 | 0 | 0 | 1,000 | 1,300 | 1,500 |
| Gulu | 0 | 0 | 0 | 0 | 1,000 | 1,000 | 1,000 |
| Soroti/Arua/Bushenyi | 0 | 0 | 0 | 0 | 500 | 500 | 400 |
| Kabale Water Supply & Sanitation Project. | 0 | 1,557 | 9,342 | 7,839 | 0 | 0 | 0 |
| LVEMP | 0 | 0 | 105 | 457 | 0 | 0 | 0 |
| Gaba 1 Refurbishment | 0 | 0 | 1,929 | 918 | 2,690 | 0 | 0 |
| Other Projects | 0 | 0 | 0 | 2,698 | 12,339 | 27,408 | 27,103 |
| NWSC Minor Works | 0 | 297 | 610 | 1,692 | 7,442 | 6,594 | 6,899 |
| Net Cashflow from Investing | (16,521) | (7,845) | (17,076) | (17,338) | (24,971) | (36,802) | (36,902) |
| Sale of Property, plant & Equipment | 0 | 56 | 22 | 0 | 0 | 0 | 0 |
| NET CASHFLOW | (3,993) | 2,382 | 565 | 1,507 | (1,427) | (2,005) | (415) |
| Cash taken over from SWSP | | | | | | | |
| Cash Balance b/f, 1 July | 5,838 | 1,845 | 4,227 | 4,792 | 6,299 | 4,872 | 2,867 |
| Cash Balance c/f, 30 June | 1,845 | 4,227 | 4,792 | 6,299 | 4,872 | 2,867 | 2,452 |

| BALANCE SHEET | | | | | | | |
|--|----------------------------------|----------------|----------------|----------------|---------------------------------|----------------|----------------|
| | PREVIOUS PLAN 2000 - 2003 | | | | CURRENT PLAN 2003 - 2006 | | |
| Year Ending 30 June, Operation Year | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| ASSETS | | | | | | | |
| Non current Assets | | | | | | | |
| Property, Plant & Equipment | 203,891 | 163,107 | 188,582 | 196,181 | 213,412 | 241,456 | 268,616 |
| | | | | | | | |
| Current Assets | | | | | | | |
| Stocks/Inventories | 3,098 | 3,342 | 2,779 | 3,034 | 3,334 | 3,484 | 3,634 |
| Trade and other receivables (Debtors) | 12,613 | 11,138 | 13,426 | 13,581 | 10,106 | 10,223 | 8,617 |
| Taxation Recoverable | 657 | 701 | 821 | 1,059 | 1,059 | 1,059 | 1,059 |
| Bank Deposits | 14 | 1,002 | 1,069 | 3,164 | 1,608 | 946 | 809 |
| Bank & Cash balances | 1,855 | 3,227 | 3,725 | 3,196 | 3,264 | 1,921 | 1,643 |
| | 18,237 | 19,410 | 21,820 | 24,034 | 19,371 | 17,632 | 15,761 |
| Total Assets | 222,128 | 182,517 | 210,402 | 220,215 | 232,782 | 259,088 | 284,377 |
| | | | | | | | |
| EQUITY & LIABILITIES | | | | | | | |
| | | | | | | | |
| Equity Reserves | | | | | | | |
| GoU funding | 55,660 | 57,170 | 57,301 | 57,788 | 60,777 | 65,147 | 68,494 |
| Revaluation Reserve | 6,817 | 6,524 | 6,183 | 5,696 | 1,093 | 1,093 | 1,093 |
| Retained Earnings | 55,427 | 3,446 | 12,978 | 2,085 | 2,085 | 2,085 | 8,567 |
| | 117,904 | 67,140 | 76,462 | 65,569 | 63,955 | 68,325 | 78,154 |
| | | | | | | | |
| Non-Current Liabilities | | | | | | | |
| Borrowings | 69,865 | 75,029 | 76,425 | 76,828 | 84,931 | 84,931 | 84,931 |
| Deferred income taxes | 8,632 | 9,342 | 6,181 | 6,181 | 5,085 | 5,085 | 6,181 |
| Retirement obligations | 4,381 | 4,817 | 3,073 | 3,102 | 3,102 | 3,102 | 3,102 |
| Deferred Income | | 386 | 10,089 | 16,367 | 11,732 | 20,693 | 19,271 |
| | 82,878 | 89,574 | 95,769 | 102,478 | 104,850 | 113,811 | 115,796 |
| Current Liabilities | | | | | | | |
| Trade and other payables | 19,966 | 25,212 | 33,495 | 44,376 | 59,836 | 72,811 | 86,286 |
| Borrowings-loans due within 1 year | 83 | | 3,652 | 7,303 | 3,652 | 3,652 | 3,652 |
| Bank overdraft - unsecured | 21 | | | | | | |
| Deferred Income | 1,030 | 322 | 437 | 437 | 437 | 437 | 437 |
| Retirement benefit obligations | 246 | 269 | 588 | 52 | 52 | 52 | 52 |
| Taxation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 21,346 | 25,803 | 38,171 | 52,168 | 63,977 | 76,952 | 90,427 |
| Total Equity and Liabilities | 222,128 | 182,517 | 210,402 | 220,215 | 232,782 | 259,088 | 284,377 |

- | | | |
|--|--|---|
| 1. HEAD OFFICE Plot 39 Jinja Road, P. O. Box 7053, Kampala. Tel: 256761/3, 257800 078-260414/5 | 2. KAMPALA AREA OFFICE Plot 18/20 Sixth Street, P. O. Box 7053, Kampala Tel: 342171, 232658; 232667 | 3. ENTEBBE AREA OFFICE Plot 73, Kampala Road P. o. Box 79, Entebbe Tel: 320091, 320706 |
| 4. MBALE AREA OFFICE Plot 49, Republic Street P. o. Box 2548, Mbale Tel: 045-33709,33742 | 5. MBARARA AREA OFFICE P. O. Box 1371, Mbarara Tel: 0485-20723 | 6. FORTPORTAL AREA OFFICE Plot No. 11-13, Kaboyo Road P. o. Box 203, Fort Portal Tel: 0483 44106,077548331 |
| 7. JINJA AREA OFFICE Bell Avenue, P. O. Box 301, Jinja Tel: 043-121120, 121431 | 8. TORORO AREA OFFICE Plot 13 Bazaar Street, P. O. Box 889, Tororo Tel: 045-4386, 4468 | 9. MASAKA AREA OFFICE Plot 11 Elgin Road, P. O. Box 56, Masaka Tel: 0481-20561 |
| 10. LIRA AREA OFFICE Maruzi Road, P. O. Box 243,Lira. Tel: 0473-20111/20311 | 11. KASESE AREA OFFICE P. O. Box 353, Kasese Tel: 0486-24219 | 12. KABALE AREA OFFICE Plot 89 Katuna Road, P. O. Box 627, Kabale Tel: 0486-24219 |
| 13. BUSHENYI AREA OFFICE Tank Hill P. o. Box 339, Bushenyi Tel: 0485-22339 | 14. SOROTI AREA OFFICE Plot no. 1 Station Road P. O. Box 377, Soroti Tel: 045-61968 | 15. GULU AREA OFFICE Coronation Road P. o. Box 167 Gulu Tel: 0471-32381 |
| 16. ARUA AREA OFFICE Plot 13/15, Packwach Road P. O. Box 980, Arua Tel: 0476-20381 | | |