



SIXTH PERFORMANCE CONTRACT

(PC6)

FOR THE PERIOD 1st JULY 2018 – 30th JUNE 2021

Between

THE GOVERNMENT OF THE REPUBLIC OF UGANDA

And

NATIONAL WATER AND SEWERAGE CORPORATION

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THIS AGREEMENT is made on the..... day of 2018

BETWEEN:

- (1) The Government of Uganda (herein referred to as GoU) represented by the Ministry of Water and Environment (hereinafter referred to as "**MWE**") which expression shall where the context so admits include its authorized representatives, agents, assignees and successors in title), located on Plot 21/28 port Bell Road Luzira of P.O Box 20026, Kampala, Uganda on the one hand; and
- (2) The National Water and Sewerage Corporation (herein referred to as the "**NWSC**") which expression shall where the context so admits include its authorized representatives, agents, assignees and successors in title) located on Plot 3 Nakasero Road of P.O Box 7053, Kampala, Uganda on the other hand.

MWE and NWSC may hereinafter be referred to individually as "Party" and collectively as "Parties".

WHEREAS:

The MWE is mandated under the Water Act CAP 152, Laws of Uganda 2000 to enter into Performance Contracts with Water and/or Sewerage Authorities appointed in accordance with Section 46 of this Act, to provide water supply and sewerage services to the people of Uganda efficiently and economically and it is understood that the Areas specified in Appendix 1 are already declared Water and Sewerage Supply Areas, and National Water and Sewerage Corporation (NWSC) has been appointed as such the Water and Sewerage Authority;

AND

Whereas the Ministry of Finance, Planning and Economic Development (MoFPED) under the Public Enterprises Reform and Divestiture Act (PERD Act) CAP 98 is mandated to exercise the strategic monitoring role and liaise as necessary with MWE in monitoring the performance, and in the development of operating plans of Public Enterprises of which NWSC is classified under class II

The NWSC is a Statutory Public Corporation empowered under the NWSC Act CAP 317 Laws of Uganda 2000 as a body corporate, to enter into such Contracts and act as a Water Supply and Sewerage Authority in Uganda;

The Parties further agreed that the Performance Contract be one of the main instruments for regulating water supply and sewerage services provided and managed by NWSC;

AND

The underlying principles of the Performance Contract (PC) is that NWSC will be given sufficient autonomy to manage the operations of the public utility in a rigorous and enterprising manner, exercise and balance this autonomy within the agreed mandate, and a framework of effective accountability;

AND

The Performance Contract shall in no way amend, supersede or modify the provisions of the Water Act, the NWSC Act, the Public Finance Management Act 2015 (PFMA), the Public

Enterprise Reform & Divestiture Act (PERD Act), the Public Procurement and Disposal of Public Assets Act (PPDA), the National Environment Act, the National Forestry and Tree Planting Act, the Land Act, the Land Acquisition Act, and the regulations promulgated thereunder.

NOW:

PURSUANT to sections 46, 47 and 48 of the Water Act which empowers the Minister to enter into a Performance Contract with an appointed Water Authority and Section 7, 8, 9 and 11 of the PERD Act that provide for the oversight of Public Enterprises;

AND section 4 of the NWSC Act which expresses the functions of the Corporation in accordance with the Water Act.

IT IS HEREBY AGREED AS FOLLOWS:

PART A: PRELIMINARY

1.0 PURPOSE OF THE CONTRACT PC6

The purpose of this Contract is:

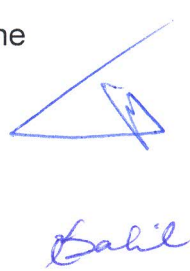
- 1.1 To further set out the role, scope and performance targets of NWSC as a Water and Sewerage Authority in the Areas in which it is granted jurisdiction by the MWE as indicated in Appendix 1.
- 1.2 To ensure that there is an agreed framework within which the NWSC goals can contribute towards the achievement of overall National Sector Goals within the anticipated time frames.

2.0 COMMENCEMENT DATE

This Contract is deemed to take effect on and from the 1st day of July 2018 and shall continue for a period of three (3) years or until it is terminated in accordance with the provisions of this Agreement or any other governing law in Uganda.

17.1 3.0 PARTIES TO THE CONTRACT

- 3.1 The parties to this Performance Contract are the Government of the Republic of Uganda (GoU) herein represented by MWE and NWSC.
- 3.2 For the purposes of administering the Contract, GoU will be represented by the following:
 - 3.2.1 The Minister, Ministry of Water and Environment
 - 3.2.2 The Permanent Secretary, Ministry of Water and Environment
 - 3.2.3 The Director, Directorate of Water Development
- 3.3 NWSC will be represented by:
 - 3.3.1 Chairman Board of Directors, National Water and Sewerage Corporation
 - 3.3.2 Managing Director, National Water and Sewerage Corporation



4.0 NWSC GOVERNANCE PROVISIONS

- 4.1 GoU undertakes to permit full commercial freedom to NWSC and its successor entities in all Areas of its operations (including capital expenditure, commercial borrowing to fund investment programs, staffing and salary levels, and tariffs), subject to the provisions of:

- 4.1.1 The National Water Policy Document 1999
- 4.1.2 The terms of this Performance Contract
- 4.1.3 The Water Act CAP 152 Laws of Uganda 2000
- 4.1.4 The NWSC Act CAP 317 Laws of Uganda 2000
- 4.1.5 The PERD Act CAP 98 Laws of Uganda 2000
- 4.1.6 The Public Finance Management Act, 2015
- 4.1.7 Any other relevant legislation now or in the future

5.0 THE CONTRACT DELIVERABLES

- 5.1 It is agreed that the Contract deliverables shall be the achievement of set targets by the NWSC and as agreed with all relevant parties at the onset of the Contract. These will take the form of the Key Performance Indicators summarized in a score card as detailed in **Appendix 2, with the supporting assumptions in Appendix 3.**
- 5.2 Without prejudice to Clause 4.1, the NWSC shall be solely responsible for ensuring that the Contract Deliverables are at all times performed in accordance with:
- 5.2.1 The NWSC statutory mandate and all relevant Laws of Uganda at the time being in force;
 - 5.2.2 The Sector Strategic Investment Plan, National Development Plan, Government manifesto and Vision 2040;
 - 5.2.3 NWSC 's obligations in terms of this Agreement; and
 - 5.2.4 Good Industry Practice.

6.0 ASSISTANCE AND CO-OPERATION

- 6.1 Each Party undertakes to co-operate fully with the other in order to facilitate the performance of this Agreement and in particular will use reasonable endeavors to avoid unnecessary complaints, disputes and claims against the other Party.
- 6.2 The GOU will make all efforts to assist NWSC in performing its obligations under this Agreement.



PART B: GENERAL PROVISIONS

7.0 GENERAL OBLIGATIONS AND RESPONSIBILITIES OF THE NWSC

- 7.1 NWSC's Board of Directors will carry out its mandate in accordance with the NWSC Act, best practice and principles of Corporate Governance.
- 7.2 NWSC shall carry out its statutory functions with the aim of achieving the agreed upon performance targets which are listed in Appendix 2 of this Agreement during the Contract Period.
- 7.3 NWSC is responsible for collecting, organizing and presenting all data and information required to compute the performance indicators.
- 7.4 NWSC will carry out an investment programme in line with Clause 8.2 and Appendix 5, primarily aimed at achieving the key performance indicators included in this Contract. GoU contribution to the investment programme will be subject to MTEF allocation to the Water and Sanitation Sector.

8.0 FINANCIAL MATTERS, ACCOUNTS AND RECORDS

- 8.1 NWSC shall keep proper books of account of the revenue, operational costs and expenditures of the Corporation and shall keep those books and all correspondences and documents belonging or relating to the subject matter as required by the NWSC Act and the National Audit Act, 2008 and any other applicable laws that may be in force from time to time.

8.2 FINANCING OF INVESTMENTS

- 8.2.1 It is understood in this Agreement that the NWSC investment programme is to be financed with a cocktail of funding as presented in Appendix 5. The funding will be realized from the following sources;
 - a) The NWSC internally generated resources.
 - b) The Government of Uganda.
 - c) The Donors/Development Partners.
 - d) Any other Financing options.
- 8.2.2 Clause 7.4 notwithstanding, appraisal of the investment performance of NWSC will be based on investments funded from internally generated resources or cash flows only.

9.0 GENERAL OBLIGATIONS AND RESPONSIBILITIES OF GOVERNMENT

- 9.1 The GoU will shoulder the costs of investments deemed to be of a social mission nature. Under such circumstances, the internal rate of return of the investment may be calculated to determine the necessary GoU subsidy to prevent the investments being a financial burden to NWSC.
- 9.2 Funding for major investments in water and sewerage works shall be sourced from the Government and Development Partners with some contribution from NWSC where feasible. In this regard, the GoU and NWSC will endeavor to source funds to cater for these investments.

- 9.3 For all the new towns to be taken on by the NWSC, investment needs assessment will be conducted so as to come up with a realistic investment and financing plan to improve services within these towns. The financing plan shall clearly show the contribution (subsidy) from the GoU, and the use of internally generated funds as needed.
- 9.4 GoU also undertakes to adequately budget and timely release funds to settle all its current bills and all the arrears.
- 9.5 Further to clause 9.4 above, GoU commitment to investments as described in clauses 9.1 to 9.4 shall apply to this performance Contract only when commitment of the required funds has been formally secured by NWSC from GoU in advance.

10.0 NWSC SUB-CONTRACTORS

NWSC shall not be relieved or excused of any responsibility, liability or obligation under this Agreement by the appointment of any Sub-Contractor to carry out any part of the Contract Deliverables. NWSC shall be responsible for the payment, performance, acts, defaults, omissions, breaches and negligence of all Sub-Contractors.

11.0 CONTRACT MANAGEMENT AND REPORTING

- 11.1 Both parties recognize that the Corporate Plan Goals and Objectives (2018-2021) shall form the basis for the Annual Performance Contract Targets (2018-2021).
- 11.2 NWSC will prepare and submit to MWE the Quarterly Progress Reports after the end of each quarter as per section 48 (2) of the Water Act CAP 152. The Quarterly Progress Reports will entail the following, among other things: a performance review of the Corporation compared to the PC6 targets, main activities and initiatives undertaken during the reporting quarter, major issues (Contractual or otherwise) requiring MWE's attention and action as well as the planned major activities and initiatives for the remaining quarter(s) of the financial year under review.

The MWE will review Quarterly Progress Reports and give feedback, if any, within 21 days from the date the report is received.

- 11.3 A formal review of NWSC's performance under this Contract will be carried out once a year by the Performance Review Team (PRT) at the Ministry of Water & Environment (MWE) through the Directorate of Water Development (DWD), and may be assisted by a representative from MoFPED and/or an independent consultant with suitable experience in utility performance monitoring.
- 11.4 The performance review under this Contract will be held every November (for previous financial year-end). The parties will agree on any actions required by either party moving forward to the next formal review.
- 11.5 The MWE will be responsible for compilation of the Report on the Proceedings and Resolutions of the Review within two weeks from the review meeting, and the Resolutions adopted may then be construed to be part of this Performance Contract.
- 11.6 The Performance Review Team representatives from MWE will specifically address the following:

- (a) NWSC's performance evaluation against specific indicators presented in Appendix 2 with supporting assumptions in Appendix 3.
 - (b) May seek clarification from NWSC on any underlying trends or events arising from the Quarterly Progress Reports, as well as such trends or events at a utility level if relevant.
 - (c) Will agree with NWSC the required PC6 reporting format that should be included in NWSC's own quarterly cumulative reports.
 - (d) Will review the calculation for the Annual Composite Aggregate Score (CAS) within 14 days of receipt of the CAS from NWSC after each financial year-end.
 - (e) Consider any other issues that may from time to time be agreed upon by the parties.
- 11.7 The review methodology used by the MWE will be agreed upon by the parties prior to its application to the review process for purposes of minimising disputes. However, the final decision on the review methodology will be made by the MWE.
- 11.8 The adoption or rejection of any MWE feedback is at the discretion of the NWSC, unless such feedback is according to other relevant legislation in force at the time. Any performance increases or decreases that are deemed to flow from the adoption or rejection of feedback is solely for the management of NWSC.

12.0 REWARD/PENALTY STRUCTURE

- 12.1 The incentive/penalty mechanism is to be governed by the NWSC Act, and as such approved by the Board. The Board will on the basis of the reviewed performance determine the reward/penalty to be given to the employees.
- 12.2 The NWSC Head Office Team is accountable for the achievement of the performance objectives and expectations of the Performance Contract.
- 12.3 The NWSC Head Office Team shall be responsible for putting in place innovative measures and mechanisms to ensure that the Performance Contract targets and expectations are achieved.

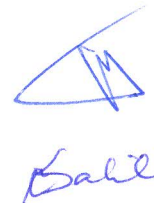
The reward/penalty structure for the NWSC Head Office Team is illustrated in the table below:

Performance	Composite Aggregate Score	Measure	Bonus/ Penalty
Outstanding	4	8% above PC 6 Target	25%
PC6 Target	3	As given in the Appendix 2	12.5%
Minimum Performance Target	2	As given in the Appendix 2	0%
Below Expectations	1	Failure to achieve Half the Minimum Performance Targets (weighted)	(6.25%)

Performance	Composite Aggregate Score	Measure	Bonus/ Penalty
Poor (Extreme underperformance)	0	Failure to achieve All the Minimum Performance Targets (weighted)	(12.5%)

The reward/penalty computation shall:

- a) Be computed based on the relative weighting of each of the key performance indicators presented in Appendix 2.
 - b) Include a maximum performance incentive of 25% of annual gross salary on the achievement of a Composite Aggregate Score of 4, equivalent to achievement of Outstanding Performance, which is 8% above the PC6 Targets.
 - c) Include a maximum penalty of 12.5% of annual gross salary on the achievement of a Composite Aggregate Score of 0 (failure to achieve all the agreed minimum performance targets).
 - d) Include a performance incentive of 12.5% of annual gross salary on the achievement of a CAS of 3, which is equivalent to the achievement of all the PC6 Targets as given in Appendix 2.
 - e) Be a prorated performance incentive for any measure between a CAS of 4 and 3.
 - f) Be a prorated performance incentive for any measure between a CAS of 3 and 2.
 - g) Be no incentive or penalty on achievement of a CAS of 2 (equivalent to achievement of the minimum performance target).
 - h) Be a prorated penalty for any measure between a CAS of 0 and 2.
- 12.4 The PRT, in deciding the appropriate bonus rate to apply in any year, will give due weight to the achievement of targets set out in this Contract. The detailed incentive/penalty formula is attached as Appendix 4.
- 12.5 It is understood that bonus awards for other staff other than those defined under Head Office that are critical to the achievement of the Corporate objectives/targets as defined in this Contract shall be paid according to the provisions in their appointment Contracts **and other applicable operating frameworks.**
- 12.6 In the event that NWSC fails to perform its obligations to meet the agreed performance targets for reasons other than those outside its control, the GoU will be entitled to enforce any penalties it deems fit against the NWSC in line with the NWSC Act.



PART C: GENERAL PROVISIONS

13.0 DISPUTE RESOLUTION PROCEDURE

Any dispute arising out of or in connection with this Agreement shall be resolved in accordance with the procedure set out below:

Initially any dispute will be communicated to the Permanent Secretary MWE for resolution by the Minister, in consultation with the Ministry of Finance, Planning and Economic Development, who shall forward the matter to a sub-committee of no more than three members of the Water Policy Committee (WPC) for technical advice;

Where the Minister, guided by the WPC sub-committee, is unable to resolve such a dispute, within 14 days of being advised by the WPC sub-committee, he/she shall notify the NWSC whereupon the procedures set out for mediation, conciliation and arbitration under the Arbitration and Conciliation Act shall be applied.

14.0 AMENDMENTS

No provision of this Agreement may be amended, substituted or otherwise varied, and no provision may be added to or incorporated in this Agreement, except (in any such case) by an agreement in writing signed by the duly authorized representatives of the Parties.

15.0 SEVENTH PERFORMANCE CONTRACT (PC7)

15.1 Six (6) months or any other period to the expiration of the duration of this Performance Contract as the parties may deem proper, the parties shall meet and consider the necessity of entering into the next Performance Contract.

15.2 In the event that the parties shall deem it necessary to enter into the Seventh Performance Contract (PC7), the parties shall co-operate and endeavor to negotiate and conclude PC7 by 30th June 2021 on terms mutually agreed by the parties.

16.0 FORCE MAJEURE

Neither party shall be liable for delay or failure results from: acts of God including disasters/calamities; war/terrorism/riots/civil commotion; Strikes/industrial disputes.

17.0 GOVERNING LAW AND JURISDICTION

This Agreement shall be considered as a Contract made in the Republic of Uganda and shall be subject to the Laws of Uganda.



IN WITNESS HEREOF the parties have executed this Agreement by their duly authorised representatives on the date mentioned herein above.

FOR AND ON BEHALF OF THE GOVERNMENT OF UGANDA:



MINISTER, MINISTRY OF WATER AND ENVIRONMENT




PERMANENT SECRETARY, MINISTRY OF WATER AND ENVIRONMENT

In the Presence of:



DIRECTOR, DIRECTORATE OF WATER DEVELOPMENT

FOR AND ON BEHALF OF NATIONAL WATER & SEWERAGE CORPORATION:



CHAIRMAN, BOARD OF DIRECTORS, NATIONAL WATER & SEWERAGE CORPORATION



MANAGING DIRECTOR, NATIONAL WATER & SEWERAGE CORPORATION

In the Presence of:



CORPORATION SECRETARY, NATIONAL WATER & SEWERAGE CORPORATION

Appendix 1

Areas of NWSC Operations

#	Town	#	Town	#	Town	#	Town	#	Town
1	Kampala City	49	Kapeeka	97	Kwapa SC	145	Mitooma	193	Kihihi
2	Mukono Municipality	50	Nakaseke	98	Mella SC	146	Rutookye	194	Kambuga
3	Kira Municipality	51	Nakasongola	99	Osukuru SC	147	Kabira	195	Butogota
4	Nansana TC	52	Mubende	100	Soroti	148	Buhweju/Nsiika	196	Kanyampanga
5	Wakiso TC, Buloba	53	Kiganda	101	Kaberaimaido	149	Mayanga-Omuribiri	197	Kanyantorogo
6	Kakiri	54	Kigumba	102	Atiriri	150	Kanyabwanga-Omukabanda	198	Nyamirama
7	Entebbe	55	Bweyale	103	Kalaki	151	Bitereko-Iraramira	199	Kateete
8	Kajjansi	56	Kiryandongo	104	Otuboi	152	Kati-Rwempungu	200	Ibanda
9	Jinja	57	Kamuli	105	Amuria	153	Kisiizi-Kengyera	201	Rwenkobwa
10	Njeru	58	Mbulamuti	106	Serere	154	Sheema	202	Kamwenge
11	Buwenge	59	Kyotera	107	Kitgum	155	Kisoro	203	Ishongororo
12	Kagoma	60	Kalisizo	108	Pader	156	Mbarara	204	Kahunge
13	Lugazi	61	Sanje	109	Patongo	157	Kinoni	205	Kabuga
14	Nkonkonjeru	62	Kakuuto	110	Kalongo	158	Rubindi	206	Lyantonde
15	Buikwe	63	Rakai	111	Pajule	159	Bwizibwera	207	Kasagama
16	Iganga	64	Mutukula	112	Nebbi	160	Biharwe	208	Kaliro
17	Mayuge	65	Apac	113	Paidha	161	Kaberebere	209	Kinuka
18	Kaliro	66	Aduku	114	Nyapea	162	Nyeihanga	210	Ntungamo
19	Bugiri	67	Ibuje	115	Pakwach	163	Kagongi	211	Omungyenye
20	Naluwerere	68	Kaye Landing Site	116	Okollo	164	Sanga	212	Rubaare
21	Busembatya	69	Arua	117	Moroto	165	Fort Portal	213	Kagarama
22	Lukka	70	Wandi	118	Matany	166	Kichwamba	214	Rwentobo
23	Buwuni	71	Yumbe	119	Kangole	167	Kibiito	215	Rwashemeire
24	Mityana	72	Omogo	120	Adjumani	168	Rwimi	216	Kyempene - Rugarama
25	Masaka	73	Kubala	121	Busia	169	Rubona	217	Nyabihoko
26	Kalungu	74	Okpkotani	122	Kapchorwa	170	Katebwa	218	Rushere
27	Mukugwe	75	Mbale	123	Sipi	171	Kicucu	219	Kiruhura
28	Lukaya	76	Budadiri	124	Pallisa	172	Rugendabara	220	Kazo
29	Sembabule	77	Sironko	125	Ngora	173	Kasunganyanja	221	Kinoni
30	Bukakata	78	Bukedea	126	Kumi	174	Kabale-Kabarole	222	Kikatsi
31	Mpugwe	79	Kachumbala	127	Koboko	175	Kyenjojo	223	Mpondwe

#	Town	#	Town	#	Town	#	Town	#	Town
32	Lutuuku	80	Gulu	128	Moyo	176	Mugusu	224	Katwe
33	Kyambi	81	Unyama	129	Kotido	177	Kijura	225	Harukungu
34	Namibirizi	82	Anaka	130	Kaabong	178	Kasese	226	Ruhama
35	Mateete	83	Lira	131	Hoima	179	Hima	227	Kitwe
36	Mitete	84	Dokolo	132	Bushenyi	180	Nyakigumba	228	Kikagati
37	Ntuusi	85	Tororo	133	Ishaka	181	Masindi	229	Mirama Hills
38	Lwebitakuli	86	Malaba	134	Itendero	182	Kabale	230	Rukoni
39	Lugushuru	87	Nagongera	135	Kabwohe	183	Muhanga	231	Kyazanga
40	Buwama	88	Bubuto SC	136	Ryeru	184	Kamwezi	232	Katovu
41	Mpigi	89	Bunanbwana SC	137	Magambo	185	Rukungiri	233	Lwengo
42	Kayabwe	90	Sisuni SC	138	Kyabugimbi	186	Kyangyenye	234	Kinoni -Lwengo
43	Kisozi	91	Butiru TB	139	Irembezi	187	Kebisoni	235	Kagoma
44	Luweero	92	Manafwa	140	Katerera	188	Buyanja	236	Gombe
45	Wobulenzi	93	Lirima	141	Kitagata	189	Rwerere	237	Kyabadaza
46	Bombo	94	Lwakhakha	142	Bugongi	190	Nyakagyeme		
47	Zirobwe	95	Bumbo SC	143	Rubirizi	191	Mubanga		
48	Semuto	96	Buwoni SC	144	Kashenshero	192	Kanungu		


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Appendix 2
NATIONAL WATER AND SEWERAGE CORPORATION (NWSC)
PERFORMANCE SCORECARD 2018-2021


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Code	KPI	CAS Acronym	Unit	Minimum Performance Target	Year 1 In Line Targets 2018/19	Year 2 In Line Targets 2019/20	Year 3 In Line Targets 2020/21	Weight %	Formula	Data Verification	Reporting Frequency	Reporting Scope	
												NWSC	REGION
TECHNICAL													
Te.01	Non-Revenue Water	NRW	%					40.0%				Yes	No
								20.0%					
	Kampala Water	NRW-KW	%	38%	37%	36%	35%	7.0%	(Volume of water Supplied-xol. of Water sold)/Vol of water Supplied	Validated reports for Water Production, Supplied and Sales	All Quarterly	No	Yes
	Central Region	NRW-C	%	23%	22%	22%	21%	5.0%				No	Yes
	Eastern & Northern Region	NRW-EN	%	20%	19%	19%	18%	4.0%				No	Yes
	Western & South Western Region	NRW-MSW	%	23%	22%	22%	21%	4.0%	Number of meters installed and in good conditions/Total meter requirements %	Validated area statistics	Quarterly	Yes	Yes
Te.02	System Input Metering Coverage	SIMC	%	70.0%	73.0%	76.0%	80.0%	5.0%	good conditions/Total meter requirements %	Validated area statistics	Quarterly	Yes	Yes
Te.03	New Water Connections (operational)	NWC	Number	40,000	44,000	47,000	50,000	5.0%	Incremental growth	Validated area statistics	Quarterly	Yes	Yes
Te.04	New Sewerage Connections (operational)	NSC	Number	200	230	240	260	5.0%	Incremental growth	Financial Accounts, Project Reports	Quarterly	Yes	Yes
Te.05	Capex Budget Implemented	CW	% of UGX million	80.0%	80.0%	82.0%	85.0%	5.0%	% spent of Capex budget (internally generated funds)		Quarterly	Yes	No
30.0%													
COMMERCIAL													
Co.01	Water Sales Volume Growth	WS	M3 million	82	84	87	90	15.0%	10% growth per annum	Sales Statistics	Quarterly	Yes	Yes
Co.02	Collections/Billing Ratio	CBR	%	95%	95%	95%	95%	10.0%	Collections/Billing %	Billing System	Quarterly	Yes	Yes
Co.03	Average Days Receivable	RCD	days	83	80	77	74	5.0%	Receivables/Sales x 365	Financial Accounts	Quarterly	Yes	Yes
9.0%													
Fi.	FINANCIAL												
Co.01	Return on Capital Employed	ROCE	%	1.0%	1.0%	1.0%	1.0%	5.0%	EBIT (Assets-Liabilities)/%	Audited Accounts	Quarterly	Yes	Yes
Co.02	Operating Cost/Revenue (Working Ratio)	WR	%	85%	80%	80%	80%	4.0%	Operating Cost/Revenue %	Financial Accounts	Quarterly	Yes	Yes
8.0%													
Qu.	QUALITY OF SERVICE&ENVIRONMENT												
Qu.01	Compliance to Drinking Water Standards	WQ	%	98%	98%	98%	98%	6.0%	% Samples Pass Rate	National Standard, DWR Reports	Quarterly	Yes	Yes
Qu.02	Compliance to Sewerage Standards	EDC	%	35%	50%	50%	50%	2.0%	% Samples Pass Rate		Quarterly	Yes	Yes
5.0%													
Pp.	PRO-POOR ORIENTATION												
Pp.01	Pro-Poor Connections Growth	PPC	Number	980	1,100	1,200	1,400	5.0%	10% growth in pro poor connections	Billing System	Quarterly	Yes	Yes
4.0%													
Tg.	TRANSPARENCY/GOVERNANCE												
Tg.01	Audit Recommendations Implemented	ARI	%	70.0%	82.0%	83.0%	84.0%	4.0%	% Audit Queries Resolved	Board Audit Reports	Quarterly	Yes	Yes
4.0%													
Cu.	CUSTOMER SATISFACTION INDEX												
Cu.01	Customer Satisfaction Survey	CSI	%	70.0%	70.0%	70.0%	70.0%	4.0%	Average Score %	Annual Customer Satisfaction Survey	Annual	Yes	Yes
100.0%													
TOTAL													

Appendix 3

ASSUMPTIONS OF THE PC6 PERFORMANCE SCORE CARD

1. NON REVENUE WATER (NRW)

NRW is one of the most important indicators for assessing the operational efficiency of a utility. NRW is defined as the difference between the volumes of water supplied and water sold expressed as a percentage of the treated water supplied, ie $(\text{water supplied} - \text{water sold}) / \text{water supplied} \times 100$. NRW under this Agreement is categorised into NRW for the four regions; Kampala Metropolitan Region, Central Region, Eastern and Northern Region, and Western and South Western Region.

The intention is to discern the uniqueness of each region. Kampala Metropolitan is expected to achieve NRW reduction from 37% in the first year (FY2018/19) to 35% in the last year (FY2020/21) and other regions to reduce NRW by 2% based on the following assumptions:

- Save for Kampala Metropolitan, significant progress has been made over the years to reduce NRW and reducing NRW further from the baseline performance (minimum performance target) is much harder and in some areas uneconomical. The significant reduction of NRW in Kampala, is based on the planned interventions aimed at curbing water losses over the next three years. These include among others water network rehabilitation, extension and rezoning under the Kampala Water Lake Victoria WatSan Project and strategic priority meter replacements.
- A survey will be undertaken to establish the requirement for all abstraction and supply points to be equipped with approved system meters. System input meters start with the water supplied point as a minimum, but larger networks will require system meters at other key points. Where viable and cost-effective, these should be able to record and transmit data via the cell-phone network. This will enable more accurate system losses to be calculated and addressed. Over the three years, system input meter coverage should improve by at least ten percentage points.
- Implementation of the planned investments as presented in Appendix 5 including the Kampala Network Expansion Project in which the Network will be rationalised and pressure within the system balanced.
- Average daily supply time of 20 hours.
- Water production requirements will be synchronised to facilitate operating cost optimisation required to meeting demand.
- Replacement of the planned old sections of the aged network.
- Replacement of at least 20,000 existing customer meters, targeting mainly old and defective meters.
- Implement pressure management programmes in all areas.

2. NEW WATER CONNECTIONS

This is also an output indicator that shows the growth of the Corporation's water service coverage. It is projected that new connections will grow at an average of 47,000 per annum in the next 3 years. This is a fair growth given the saturated supply within the central business districts of most of the old Areas. The growth in connections is largely tied to the expansion of network under the SCAP-100 project, based on the following assumptions;

- There is increased connectivity on the New Water Mains extensions under the SCAP-100 project.
- Timely implementation of the planned interventions under the Water Supply Stabilisation Programme and the planned investments as presented in Appendix 5.

3. NEW SEWER CONNECTIONS

This is an output indicator that shows the growth of the Corporation's sewerage service coverage. Sewer connections are expected to grow at an average of 243 per annum in the next 3 years. The following assumptions have been made in setting the targets:

- Implementation of the Kampala Sanitation Project as presented in Appendix 5.
- Aggressive marketing of the new sewer lines constructed under the Kampala Sanitation Project.

4. PROPORTION OF NWSC FUNDED CAPITAL BUDGET EFFECTIVELY IMPLEMENTED

Value of Capital works implemented as a percentage of total capital budget is also a financial efficiency indicator that measures budgetary discipline in implementation of planned capital works. Specifically, this indicator will be assessed based on the projects funded using NWSC's internal resources as per the Annual Budget. A minimum of 80% is targeted annually across the three years based on strict and realistic planning and budgeting. The following assumptions were considered in setting these targets:

- Realisation of the projected cash flow.
- Stable macro-economic environment.

5. WATER SALES

This indicator measures the volumetric water sales and gives an indication on the NWSC's real growth. The increase in water sales is a manifestation of improvements in the level of service and increased water supply coverage. *Bahil*

The water sales are projected to grow by 8 million cubic meters over the three years from a minimum target of 82 million cubic meters. The water sales target was set with the following assumptions:

- Implementation of the planned investment activities outlined in Appendix 5, including the Kampala network restructuring and expansion programme.
- An annual average increase of atleast 40,000 connections as a result of connectivity on the new water mains extended under the SCAP-100 project, connections from the existing system and planned investment activities presented in Appendix 5.
- Reduction in NRW from 37% to 35% for Kampala, 22% to 21% for Central, 19% to 18% for Eastern and Northern Region, and 22% to 21% for Western and South Western Region as explained in section 1.
- Strategic meter replacement undertaken, with at least 20,000 meters replaced per annum.

6. AVERAGE DAYS RECEIVABLE

This is a financial efficiency indicator which depicts the commitment and resolve of NWSC to collect balances owed by the debtors within the reporting period. This indicator also measures the effectiveness of the collection process and is defined as the amount of outstanding revenue (arrears) at the end of the year divided by the total billed revenue per day.

Under this Contract, NWSC is expected to reduce the average days receivable to 74 days over the three-year period. The target for average days receivable was based on the following assumptions:

- All GoU arrears are cleared.
- Timely payment of GoU current bills.
- All government institutions connected with prepaid meters.
- Collection efficiency of at least 98 percent.

7. RETURN ON CAPITAL EMPLOYED (ROCE)

This is the bottom line indicator which measures the financial health of a Company. It measures the strength of the balance sheet in realising operating profit before finance costs and tax, and therefore the ability of the balance sheet to attract interest bearing debt.

The year 1 inline target is 1% which is expected to remain at same level throughout the three-year period. The ROCE target was set with the following assumptions;

- An increase of 8million cubics per annum in water sales mainly as a result of the improvements in the level of service, operational efficiency and increase in the customer base due to the ongoing projects and planned investment activities presented in Appendix 5.
- An increase in the asset base as a result of the takeover of new towns, SCAP-100 project implementation (with no immediate returns) and the investment activities presented in Appendix 5. Some of these investments have a strong social mission element and based

on the added fact of lagged returns for most of the investments, the ROCE is not expected to grow in the short run.

8. COMPLIANCE WITH NATIONAL STANDARD FOR DRINKING (POTABLE) WATER, 2008

The indicators for: Bacteriological quality, Colour, Turbidity, Chlorine residual, PH, Electrical conductivity, Alkalinity and Hardness were agreed upon to assess compliance of the water delivered to the customers in relation to the National Water Standards for drinking water. NWSC is expected to achieve 98% compliance over the three-year period based on the following assumptions:

- Timely implementation of the planned investments as presented in Appendix 5.
- Availability and timely supply of chemicals and ingredients for water quality treatment.
- Continued standardisation and modernisation of the water quality monitoring systems.

9. COMPLIANCE WITH EFFLUENT DISCHARGE PARAMETERS

This indicator measures the Corporation's compliance to meeting the effluent standards with regard to BOD and Total Suspended Solids (TSS). NWSC is expected to achieve an average of 50% compliance by the end of the Contract. The following assumptions were taken in setting the above target;

- Timely implementation of the Kampala Sanitation Program and other planned investments presented in Appendix 5.
- Desludging and continued maintenance of all the waste stabilization ponds.

10. PRO-POOR CONNECTION GROWTH

This indicator measures the extent of service to the poor through provision of kiosks/Public Stand Post connections. The pro-poor connections are projected to grow by an average of 1,233 PSPs per annum during the three-year period. The above projections were based on the following assumptions:

- Continued operationalization of the urban poor branch in Kampala and rolling out of the Urban Poor interventions to the rest of other areas.
- Timely implementation of the urban poor projects and other planned investments as presented in Appendix 5.
- Implementation of SCAP-100 project aimed at installing 20,000 PSPs in over 12,000 villages over the three-year period

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11. PERCENTAGE OF AUDIT RECOMMENDATIONS IMPLEMENTED DURING THE YEAR.

Percentage of Audit recommendations implemented during the years is a governance indicator showing conformance to audit recommendations and good governance. By the end of the three-

year period, NWSC is expected to ensure that at least 84% of both the Internal and External Audit Resolutions recommended are implemented, given the following assumptions:

- The audit recommendations are within the mandate of NWSC to implement.
- Goodwill from all concerned stakeholders to support NWSC in implementing the audit recommendations especially those beyond its control.

12. CUSTOMER SATISFACTION INDEX

This is a measure of customers' satisfaction with NWSC services. The indicator helps in promoting an increased focus on customer requirements and stimulates improvements in NWSC services. A Customer Satisfaction Index of at least 70% is considered as the best practice and hence the annual CSI target for the next three years based on the following assumptions:

- Reliable and continuous 20-hour daily supply of water.
- Effective and timely response to customer complaints.
- Adoption of other interactive digital technologies for increased outreach.
- Continuous use of the on-spot billing in all Areas.
- Effective use of Customer Relations Model (CRM) to capture and follow up on customer complaints.
- Introduction of more flexible payment options for customers.
- Effective utilisation of the Local Water Committees, School Water and Sanitation Clubs, Water Community Communication Clubs, Water Barazas and other stakeholder engagements to enhance collaborations with communities and other stakeholders.

13. MINIMUM PERFORMANCE TARGETS

Minimum performance targets were derived from the average actual performance for the period 2015 - 2018. These were used in the computation of the Composite Aggregate Score (CAS).



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2 Appendix 4 Incentive Framework

REWARD AND PENALTY STRUCTURE

The Reward/Penalty structure shall include a maximum performance incentive of 25% of Annual Gross Salary (AGS) on the achievement of Outstanding Performance (OP) (equivalent to a Composite Aggregate Score (CAS) of 4), 12.5% of the AGS on the achievement of the **PC 6** Performance Targets (PCT) which translates into CAS of 3, no incentive and no penalty on achievement of all the agreed base performance targets (equivalent to CAS of 2), a penalty of 6.25% of AGS on performing below expectations (equivalent to CAS of 1) and a maximum penalty of 12.5% of AGS for extreme underperformance (equivalent to CAS of 0) and a prorated percentage of AGS for any performance between CAS of 0 and 4.

The Composite Aggregate Score shall be computed as follows:

$$\text{CAS} = (0.07X_{\text{NRW-KW}} + 0.05X_{\text{NRW-C}} + 0.04X_{\text{NRW-EN}} + 0.04X_{\text{NRW-WSW}} + 0.05X_{\text{SIMC}} + 0.05X_{\text{NWC}} + 0.05X_{\text{NSC}} + 0.05X_{\text{CW}} + 0.15X_{\text{WS}} + 0.10X_{\text{CBR}} + 0.05X_{\text{RCD}} + 0.05X_{\text{ROCE}} + 0.04X_{\text{WR}} + 0.04X_{\text{WQ}} + 0.04X_{\text{EDC}} + 0.05X_{\text{PPC}} + 0.04X_{\text{ARI}} + 0.04X_{\text{CSI}})$$

Where:

#	CAS =	Composite Aggregate Score
i.	$X_{\text{NRW-KW}}$ =	Performance Score on Non-Revenue Water-Kampala Water
ii.	$X_{\text{NRW-C}}$ =	Performance Score on Non-Revenue Water-Central Region
iii.	$X_{\text{NRW-EN}}$ =	Performance Score on Non-Revenue Water- Eastern & Northern Region
iv.	$X_{\text{NRW-WSW}}$ =	Performance Score on Non-Revenue Water-Western & South Western Region
v.	X_{SIMC} =	Performance Score on System Input Meter Coverage
vi.	X_{NWC} =	Performance Score on New Water Connections
vii.	X_{NSC} =	Performance Score on New Sewerage Connections
viii.	X_{CW} =	Performance Score on Capital Works
ix.	X_{WS} =	Performance Score on Water Sales
x.	X_{CBR} =	Performance Score on Collection/Billing Ratio
xi.	X_{RCD} =	Performance Score on Receivable Collection Days (Average Days Receivables)
xii.	X_{ROCE} =	Performance Score on Return on Capital Employed
xiii.	X_{WR} =	Performance Score on Working Ratio (Operating Cost/Revenue)
xiv.	X_{WQ} =	Performance Score on Water Quality
xv.	X_{EDC} =	Performance Score on Effluent/Sewerage Discharge Compliance
xvi.	X_{PPC} =	Performance Score on Pro- Poor Connections
xvii.	X_{ARI} =	Performance Score on Audit Recommendations Implemented
xviii.	X_{CSI} =	Performance Score on Customer Satisfaction Index

Notes

A performance score of 4 (four) shall equate to achievement of the Outstanding Performance Target (OPT), 3 (three) to achievement of the PC6 Performance Targets (PCT), 2 (two) to achievement of the Minimum Performance Target (MPT), and zero for failure to achieve the Minimum Performance Target. The performance score shall be computed as follows:

Indicators	Actual Performance	Performance Score (X _i)
SMC, NWC, NSC, CW, WS, CBR, ROCE, WQ, EDC, PPC, ARI, CSI	$AP \geq OPT$	4
	$PCT < AP < OPT$	$3 + \left(\frac{AP - PCT}{OPT - PCT} \right)$
	$AP = PCT$	3
	$PCT > AP > MPT$	$2 + \left(\frac{AP - MPT}{PCT - MPT} \right)$
	$AP = MPT$	2
	$AP < MPT$	0
RCD, NRW, WR	$AP = OPT$	4
	$OPT < AP < PCT$	$3 + \left(\frac{PCT - AP}{PCT - OPT} \right)$
	$AP = PCT$	3
	$PCT < AP < MPT$	$2 + \left(\frac{MPT - AP}{MPT - PCT} \right)$
	$AP = MPT$	2
	$AP > MPT$	0


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Appendix 5

NWSC PLANNED INVESTMENTS 2018-2021

NWSC Planned Funding and Expenditure 2015-2016 (Shs. Million)

No	Project Name	Funding Source	2018/2019	2019/2020	2020/2021	TOTAL
1	Kampala Sanitation Project (Lake Victoria Protection Project Phase 1 &	NWSC	3,000	4,000	0	7,000
		GoU	55,000	33,887	0	88,887
		Donor	22,738	0	0	22,738
Sub-total			80,738	37,887	0	118,624
2	Kampala Water – Lake Victoria Watsan Project	NWSC	4,000	0	0	4,000
		GoU	31,769	25,415	9,531	66,715
		Donor	180,024	144,019	54007.0875	378,050
Sub-total			215,793	169,434	63,538	448,764
3	Water MGT and Dev't Project	NWSC	1,500	0	0	1,500
		GoU	2,000	0	0	2,000
		Donor	33,850	4,100	0	37,950
Sub-total			37,350	4,100	0	41,450
4	Packaged Water Treatment Plants for Kasese, Fort Portal	NWSC	250	0	0	250
		GoU	0	0	0	0
		Donor	0	0	0	0
Sub-total			250	0	0	250
5	Karuma-Gulu (IPILC)	NWSC	0	0	0	0
		GoU	0	0	0	0
		Donor	28,481	36,938	5,128	70,547
Sub-total			28,481	36,938	5,128	70,547
6	Hoima and Masindi Water and Sanitation Project (Albertine Grabben North)	NWSC	0	0	5,000	5,000
		GoU	0	0	4,502	4,502
		Donor	0	138,866	22,509	161,375
Sub-total			0	138,866	32,010	170,876
7	Development of water & sanitation infrastructure for Mbarara - Masaka-Isingiro	NWSC	2,000	4,000	4,000	10,000
		GoU	6,000	8,012	549	14,561
		Donor	305,505	49,519	2,518	357,542
Sub-total			313,505	61,530	7,067	382,102
8	Investment Subsidy for new towns.	NWSC	1,200	1,200	1,200	3,600
		GoU	6,000	6,000	6,000	18,000
		Donor	0	0	0	0
Sub-total			7,200	7,200	7,200	21,600
9	Kampala South Watsan Project	NWSC	3,000	3,000	5,000	11,000
		GoU	0	27,468	27,468	54,936
		Donor	0	211,793	211,793	423,585
Sub-total			3,000	242,261	244,261	489,521
10	Kyotera Water Works and Bulk Transfer to neighbouring towns	NWSC	18,500	24,500	24,500	67,500
		GoU	0	0	0	0
		Donor	0	0	-	0
Sub-total			18,500	24,500	24,500	67,500
11	Service Coverage Acceleration Plan (SCAP-100)	NWSC	41,000	41,000	0	82,000
		GoU	37,500	30,000	0	67,500
		Donor	0	0	0	0
Sub-total			78,500	71,000	0	149,500
12	Compact Wastewater Treatment Plants for Kitgum, Kasese, & Masaka Towns	NWSC	1,200	4,000	600	5,800
		GoU	0	0	0	0
		Donor	0	0	0	0
Sub-total			1,200	4,000	600	5,800

No	Project Name	Funding Source	2018/2019	2019/2020	2020/2021	TOTAL
13	Kapchorwa Water supply project	NWSC	4,200	675	600	5,475
		GoU	0	0	0	0
		Donor	0	0	0	0
			4,200	675	600	5,475
Sub-total						
14	Fort Portal Water Production Improvement Project	NWSC	1,000	200	0	1,200
		GoU	0	0	0	0
		Donor	0	0	0	0
			1,000	200	0	1,200
Sub-total						
15	Mbarara Emergency Water Production Improvement Project	NWSC	1,750	250	0	2,000
		GoU	0	0	0	0
		Donor	0	0	0	0
			1,750	250	0	2,000
Sub-total						
16	Ssembabule Water Supply improvement Project	NWSC	1,000	0	0	1,000
		GoU	0	0	0	0
		Donor	0	0	0	0
			1,000	0	0	1,000
Sub-total						
17	Ovisoni Water Supply Project -Arua	NWSC	800	0	0	800
		GoU	0	0	0	0
		Donor	0	0	0	0
			800	0	0	800
Sub-total						
18	Water Supply Stabilisation for Moyo, Kotido and Kabong	NWSC	1,500	0	0	1,500
		GoU	0	0	0	0
		Donor	0	0	0	0
			1,500	0	0	1,500
Sub-total						
Total		NWSC	85,900	82,825	40,900	209,625
		GoU	138,269	130,781	48,050	317,100
		Donor	570,597	585,234	295,954	1,451,785
		Grand	794,766	798,841	384,903	1,978,510

Exchange rate:

1EUR = Ushs. 4,235.85

1USD = Ushs. 3,615.75

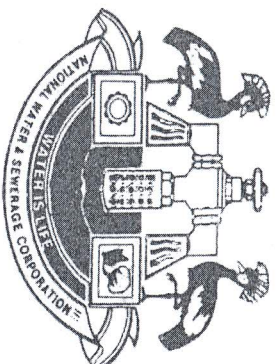
1UA = Ushs. 5,088.74

Note: However, these will be updated at the beginning of every financial year and every mid-year (December) to align the projects with the emerging priorities.

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Appendix 6
Customer Satisfaction Survey Sample


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National Water and Sewerage Corporation (NWSC)

Customer Satisfaction Survey for FY...../.....

Sample Customer Satisfaction Survey Questionnaire

Dear Esteemed Customer, Customer Satisfaction Surveys are part of the NWSC's continuous endeavour to serve you better and the Corporation would like to know how you feel about NWSC services. We are therefore conducting a survey to establish areas that you would like NWSC Management to improve upon since you are the reason we exist. The survey is voluntary and should last no more than 10 minutes. Your opinions are very important to us. You are kindly requested to fill in this questionnaire, and please be assured that your responses will be treated with **confidentiality**. Thank you for your valuable time.

Section A: [Customer Priorities]

This section consists of a set of 7 questions intended to find out the importance attached to various aspects of our services.

Indicate the level of importance based on a scale: 1 represents "not very important" and 5 represents "very important"; please tick the most appropriate importance level in the boxes as indicated below.

No:	QUESTIONS	TICK THE APPROPRIATE IMPORTANCE LEVEL				
		Not very important 1	Not important 2	Neutral 3	Important 4	Very Important 5
1.	How would you rate the importance you attach to having a reliable and continuous supply of tap water to your home/premises/institution?					
2.	How would you rate the importance you attach to receiving good quality water at your home/premises/institution?					
3.	How would you rate the importance you attach to receiving timely and accurate monthly bills for the water you consume?					
4.	How would you rate the importance you attach to having your enquiries / queries / complaints responded to or resolved quickly?					
5.	How would you rate the importance you attach to being treated well as a valuable customer when you interact with our staff					
6.	How would you rate the importance you attach to having a convenient system and options for paying your monthly water bills					
7.	How would you rate the importance you attach to receiving regular information updates regarding our services and plans					

Please provide here below any comments and/or suggestions on any other service attributes that NWSC should consider:

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Section B: [Customer Satisfaction]

This section consists of a set of 7 questions intended to find out your level of satisfaction with respect to our services.

Indicate the level of satisfaction based on a scale: 1 represents "very dissatisfied" and 5 represents "very satisfied"; please tick the most appropriate satisfaction level in the boxes as indicated below.

No:	QUESTIONS	TICK THE APPROPRIATE SATISFACTION LEVEL				
		Very dissatisfied 1	Dissatisfied 2	Neutral 3	Satisfied 4	Very satisfied 5
1.	How would you rate your level of satisfaction with the reliability and continuity of water supply to your home/premises/institution?					
2.	How would you rate your level of satisfaction with the quality of water you receive at your home/premises/institution?					
3.	How would you rate your level of satisfaction with the accuracy and delivery of monthly bills for the water you consume?					
4.	How would you rate your level of satisfaction with the time we take to respond to or resolve your enquiries or queries or complaints?					
5.	How would you rate your level of satisfaction with regard to our customer care in general?					
6.	How would you rate your level of satisfaction with regard to the convenience of our bill payment processes and options?					
7.	How would you rate your level of satisfaction with our effort in providing information updates regarding our services and plans?					

Please provide here below any comments and/or suggestions that would help NWSC to improve customer services:

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