

WATER SUPPLY & SEWERAGE BOARD



Handbook



Republic of Uganda



gtz



FOREWORD

This Water Supply and Sewerage Board Implementation Handbook provides a concise overview of the workings of the sector for stakeholders operating in Water Authorities and others who may wish to have a quick overview of management and operations. The handbook sets out the stakeholder roles and responsibilities and provides a checklist of standard practices to guide water supply and sewerage boards in their role of management oversight. The manual presents technical and managerial knowledge and skills in a simplified form for the ordinary Board member.

This handbook is intended as a quick reference document for water authorities, water supply and sewerage boards and private operators, as well as to provide orientation to new players in the sector. The emphasis of the handbook is on management of urban piped water supply service delivery, however the concepts are relevant for any area where water and sanitation services are contracted to private operators.

The content of this manual will continuously be revised and/or improved regularly as and when the need arises in order to coup new developments in the sector. A more comprehensive electronic version of the handbook provides the basic sector documents necessary for further understanding our operations in a single package; The Water Policy, Water Act Cap 152, Sample Performance & Management Contracts as well as a guide for computation of management fees.

Special thanks and acknowledgements go to the staff of the Ministry of Water and Environment, Local Governments as well as GTZ as a Sector Development Partner for their support while preparing this Manual.

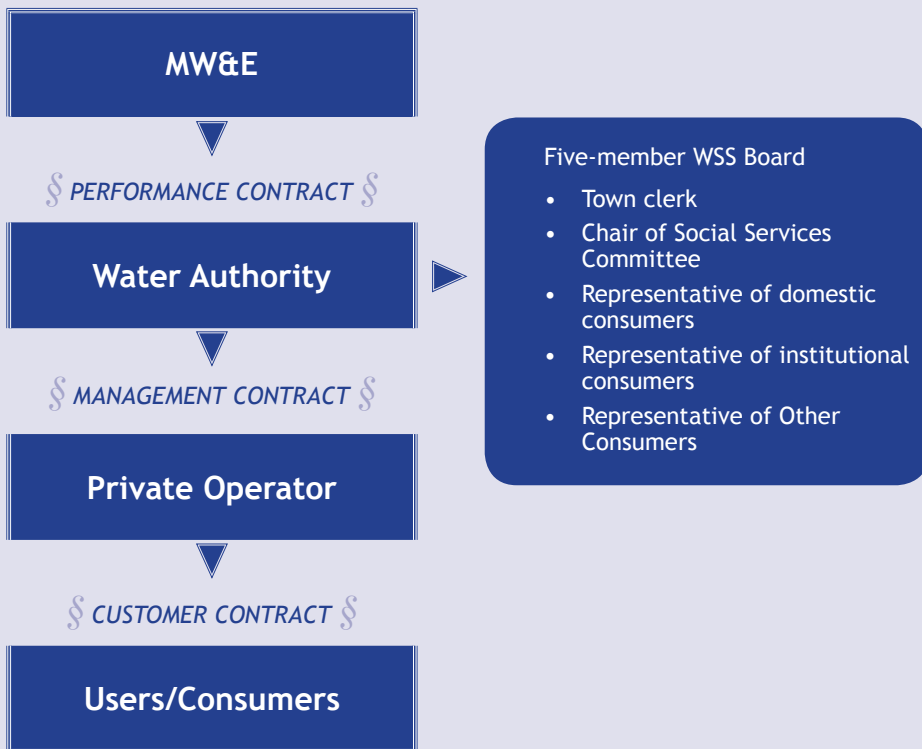
It is my sincere hope that this Handbook will be a useful tool in guiding Water Authorities and particularly the Water Supply and Sewerage Board members in the implementation of Water and Sanitation activities in Uganda.

Hon. Maria Mutagamba

Minister for Water & Environment, Uganda

Water is a key strategic resource, vital for sustaining life, promoting development and maintaining the environment. Access to clean and safe water and improved sanitation facilities and practices leads to improved health and are essential investments in human capital and therefore have a direct and immediate impact on the quality of life and contributing to long-term social and economic development.

Structure of the Water Sector



Working Documents

A number of policy and legal documents have been prepared to guide the sub-sector development efforts. The policies, laws and regulations that have been put in place include:

Constitution of Uganda (1995), Local Governments Act (1997), Uganda Water Action Plan (1995), National Water Policy (1999), Water Act Cap 152 and accompanying regulations: Water Resource regulations (1998), Waste discharge regulations (1998), the Water supply Regulations (1999) and the Sewerage Regulations (1999).

context ii | KEY SECTOR STAKEHOLDERS***Ministry of Water and Environment***

Ministry of Water and Environment (MWE), through the Directorate of Water Development (DWD) is the lead agency for urban water supply. The ministry of water works in close collaboration with other line ministries. MWE has the role of planning, policy making and guidance, support to Local governments, allocating funds, general mobilization of funding and co-ordination of donor inputs.

Ministry of Local Government (MLG)

Ministry of Local Government has the mandate to establish, develop and facilitate the management of self sustaining, efficient and effective decentralized government systems capable of delivering the required services to the people, in order to foster good governance and integrated social and economic development. One of the council secretaries is appointed to the water supply and sewerage board for this purpose.

Ministry of Health (MoH)

Ministry of Health has the responsibility for policy on hygiene promotion and sanitation development.

Ministry of Gender, Labour and Social Development (MGLSD)

The ministry is responsible for spear heading and coordinating gender responsive development and community mobilization. At least one member of the water supply and sewerage board is required to be a woman in compliance with gender responsiveness.

Local Governments (LGs)¹

Local Governments are charged with the responsibility for provision and management of water services, in liaison with the ministry responsible for water. For this purpose urban councils carry out planning, budgeting and resource allocation, community mobilization and ensure their effective participation and involvement, follow up implementation by private sector and support for operation and maintenance of water services, monitoring, prompt accountability and reporting. The water supply and sewerage board is the direct role bearer in these activities.

Private Operator

The private operator is the appointed by the Water Authority to manage day-to-day operations and maintenance of the water supply system and all related operations. The private operator signs an agreement (contract) with the Water Authority and is paid a management fee. Involvement of the private sector has seen private firms and individuals getting involved in the provision of management and operations services.

¹Decentralization Act 1995

context iii | POLICY AND LEGAL FRAMEWORK

The existing policies and laws now in place present a comprehensive regulatory framework for management of the sector. There are a number of other legal documents and policies that help define a general framework and determine priorities for sub-sector development.

The Local Governments Act 1997

The Local Governments Act (1997) specifies functions and services for which central government is responsible, those for district councils, urban councils and those to be devolved by the district council to lower government councils. Among the responsibilities of Urban Councils is the provision and maintenance of water supplies in liaison with the Ministry responsible for water.

The Water Act. Cap 152

This is the main Law guiding the water sector. The sector institutional structures and working documents and policies are based on this law. This act places all rights to control, protect and manage water in Uganda for any use in the Minister.

The National Water Policy

The National Water Policy promotes a new integrated approach to water management to guide the allocation of water and associated investments. This new approach is based on recognition of the social value of water, while at the same time giving attention to its economic value.

Performance Contract

The Performance Contract is derived from the Water Act Cap, 152 1997. The Minister appoints a Water Authority for any declared Water Supply Area and enters into a Performance Contract with each Authority appointed by him/her, which establishes the rights and obligations of the Water Authority.

1 | ROLES & RESPONSIBILITIES FOR OVERSIGHT FUNCTIONS

Water Supply and Sewerage Board²

The water authority is mandated by the minister to constitute – within two months of the commencement of the performance contract – a five-member water supply and sewerage authority board to exercise management oversight for the operations of the authority. The board should comprise:

- (a) The town clerk: accounting officer to provide technical supervisory support
- (b) The chairman of the appropriate committee of the council responsible for water and sewerage services: represents interests of the council
- (c) Three other members selected from various categories of water users (institutional, commercial, industrial and household) in the service area and of:
 - Note: members serve for a renewable term of three years and not exceeding two consecutive terms.
 - At least one member of the water supply and sewerage board shall be female. The composition of the water supply and sewerage board must give due consideration to gender balance.
 - Caliber and qualifications are prescribed by the Local Governments Act 1997.

The Management Contract

The performance contract empowers the water authority to sub-contract the operations and management of the water supply system to a private operator and enter into a management contract with the appointed operator. The management contract is an agreement between a water authority and a private operator authorizing the latter to manage the water supply system for an agreed period. (Currently not exceeding three years)

The minister, water authorities, water supply & sewerage boards and private operators each have distinct roles, duties, rights and obligations under the performance contracts and management contracts. These are summarized below.

Water Supply & Sewerage Boards/Water Authorities

- Ownership of assets
- Manage and control assets
- Sub-contract operations of the water supply system
- Charge and collect money

² Clause 5.3, Standard Performance Contracts

- Comply with laws
- Comply with directions of the minister to renew or extend assets
- Maintain assets
- Not to dispose off assets or create interest in them
- Allow for inspection
- Prepare business plans
- Keep and maintain records
- Meet financial obligations
- Prepare and submit reports to the minister
- Arrange for audit

Private Operator

- Operates and manages the water supply system
- Uses, controls and safeguards system installations
- Carries out repairs
- Extends the system
- Charges and collects tariffs and other charges e.g. connection fees
- Deposits all collections on the Escrow account (No expenditure directly from collections is allowed)
- Maintain accounting and technical records (invoices, bills, receipts, payment vouchers, etc.)
- Submit business plans
- Allow inspections by the authority
- Be paid a management fee compiled on the basis of performance
- Charge interest on delayed payment of management fees
- Be indemnified against claims arising from the operator's bona fide contract activities
- Terminate the contract on authority's failure to pay management fee
- Submit reports to the authority

Ministry of Water and Environment (Rights and obligations of the Minister)

- Appoints, supervises and inspects activities of the authority
- Revises or adds to standards of service
- Arranges compensation on termination of an authority's contract
- May terminate the contract

Key water supply and sewerage board Oversight Processes and Activities

1 – Determination of Tariffs

The water authorities is authorized to determine tariffs in their area of jurisdiction and other such fees, penalties or charges. This however **MUST** be done with the approval of the minister. In order to ensure proper tariff determination and administration, the following are important:

- a) Consultation with consumers
- b) All consumers must pay for the water they consume
- c) Ensuring metering of 100% of consumers (all consumers should be metered)
- d) The tariff must reflect the cost of production

2 – Management of Tariff and Other Revenues

In exercising these functions the water supply and sewerage board should ensure that:

- a) All money from water sold by the private operator should be banked promptly, regularly and in whole
- b) Tariff revenue in arrears is collected by the private operator without undue delays
- c) All revenues are properly recorded and copies of records available to the water supply and sewerage board and the water authority
- d) Payments from the Water Accounts are made only as authorised by the performance contract. A guide of the issues to consider is provided below. Only the following payments are allowed from the escrow account:
 - Private operators' management fees
 - System extensions and major repairs
 - Taxes
 - Water supply and sewerage board expenses not exceeding 5%

Any other withdrawals from the escrow account (including direct payments from non-banked revenue) are **NOT PERMITTED AND SHOULD THEREFORE NOT BE MADE, EXCEPT WITH WRITTEN AUTHORITY FROM THE MINISTER** for Water and Environment. The water supply and sewerage board must undertake to enforce this.

3 – Computation and Payment of the Management Fee

Management fees are determined on either **Base Fee Model** or **Percentage Model**.

(a) Base Fee Model

This model is based on a flat fee per month negotiated at the beginning of the contract and includes other fees such as for new connections,

pipe network maintenance, billing and water sales fee. This model is currently being phased out.

(b) **Percentage Model**

This model is used to compute management fees based on an agreed specific percentage of revenue collected by the private operator during the period. An analytical method of establishing the acceptable percentage has been provided for in the business planning tool issued by the ministry. The tool is also to be used to guide the process of tariff setting for individual water areas.

In both cases payment of the fees computed will be processed using the same procedure:

1. The private operator prepares a monthly invoice and submits it to the water supply and sewerage board by 15th of the following month
2. Water supply and sewerage board officials verify Invoice computations preferably through ground checks
3. If the invoice is found to be valid, it is then approved.
4. A payment voucher is prepared and the approved invoice attached thereon
5. An Escrow account cheque is prepared and signed by the authorized signatories of the Account - the town clerk and the private operator
6. The cheque is submitted to the private operator who should sign the payment voucher and also prepare to submit to water supply and sewerage board a receipt for payment.

The **management contract** provides that the private operator's invoice must be paid within 30 days on receipt of the invoice by water supply and sewerage board. The private operator may charge interest from the date he has provided all the required explanation on the invoice, until the invoice is settled. Non-payment of the management fee may constitute ground for termination of the contract by the operator after expiry of 14 days, following the maximum allowed payment period of 30 days.

Minor and Major repairs and Extensions

Minor repairs can be described as repairs that do not require additional funds to rectify but demand the professional expertise of the operator. On the other hand, major repairs are defined as any repairs that require both the operators' professional expertise and additional funds to rectify. Such costs are the responsibility of the Water Authority.

Extensions (major and minor) should be implemented by the operator unless such works have been determined to be beyond the capacity of the operator.

2 | REPORTING

It is the duty of the water supply and sewerage board to ensure that performance reports are submitted as required.

Periodic Reports

Currently there are two kinds of reporting cycles for authorities.

- Water authorities are required to prepare & submit monthly performance reports to the water authorities section of DWD.
- At the end of every year, water authorities are required to prepare annual reports for submission to the Minister.

Special Reports

Ad hoc Reports

In addition to the regular performance and the annual reports, the minister or the director may require a water authority to produce other reports for various purposes.

Independent Reports

The Ministry of Water & Environment may from time to time undertake independent inspection for which the water supply and sewerage board is required to render maximum cooperation.

3 | CHECKLISTS OF ACTIVITIES AND ROLE OF THE WSSB, PRIVATE OPERATORS, COUNCILS AND WATER AUTHORITÉS

| GENERAL/REGULAR CHECKLIST

Scope of Checklist	Activity/Action	Responsible Person
Asset Register	<ul style="list-style-type: none"> • At the beginning and end of every year, ensure that an asset register is in place • On a regular basis, check that new assets are included and disposed ones removed from the asset register • Regularly check to make sure security for assets is provided and is effective 	WSSB and private operator
Customer Register	<ul style="list-style-type: none"> • Display up-to-date customer register at an appropriate place accessible to the public e.g. Charts at the Water/ Operators office 	WSSB and private operator

| MONTHLY CHECKLIST

Scope of Checklist	Activity/Action	Responsible Person
Bookkeeping	<p>Check the following records & provide report to WSSB:</p> <ul style="list-style-type: none"> • Check ledger books • Cash book • Store records • Bank records • Bank slips • Bank Statements 	Internal auditor
Private operator's Monthly Report & Fees Payments	<p>Before processing check & provide report to WSSB for:</p> <ul style="list-style-type: none"> • Completeness • Validity • Trends • Computation consistent with mode of payment (base fee or percentage) • System maintenance reports or remarks by town engineer • Financial management report or remarks by Internal Auditor 	WSSB secretary
Reporting	<ul style="list-style-type: none"> • Preparation and Submission of Monthly Performance (Technical & Financial) report to WSSB 	Private operator
Water supplied	<ul style="list-style-type: none"> • Bulk Meter Readings 	Town engineer/WSSB
Water Sold	<ul style="list-style-type: none"> • Total Customer Billing 	Private operator

QUARTERLY CHECKLIST

Scope of Checklist	Activity/Action	Responsible Person
Status of system	<ul style="list-style-type: none"> • System tour for physical verification • Compliance with periodic machine service & maintenance log books 	Town engineer/WSSB
Reporting	<ul style="list-style-type: none"> • Preparation of Quarterly Technical Performance Audit report • Submission of Quarterly Performance report • Preparation of Budget request and Cumulative progress reports for O&M • Conditional Grant (if any) to MWE 	Town engineer WSSB secretary Town engineer in liaison with private operator WSSB Secretary
Financial Status	<ul style="list-style-type: none"> • Provide a report on all Income and Expenditure to the WSSB 	WSSB secretary

ANNUAL CHECKLIST

Scope of Checklist	Activity/Action	Responsible Person
Governance	<ul style="list-style-type: none"> • Check Status of Extraction Permit and ensure validity • Conduct or hold consultative meetings with customer/consumer representatives 	WSSB
Reporting	<ul style="list-style-type: none"> • Submission of Auditor General's Annual report to MWE • Submission of Draft Annual Performance report for Water Authority • Preparation of Annual Work Plan for O&M Conditional Grants to MWE • Preparation of annual operational plans • Submission of Annual for O&M Conditional Grants to MWE • Prepare 3-year Business Plans • Submit a 3-year Business Plan to MWE 	Auditor General's Office Private operator Town engineer in liaison with Private operator Town clerk Private operator/ Water Authority Town clerk

| Water supply and sewerage board meetings guide and tools

At every routine meeting of the water supply and sewerage board, a number of documents provide the basic tools for effective participation in meetings and oversight on operations. The most important and basic documents members should demand and be equipped with in good time (one to two weeks to meetings) should include:

- Minutes of previous meetings indicating key issues and action areas
- A very brief report (one page) by the water supply and sewerage board Secretary indicating whether and how decisions of the previous meetings have been complied with and /or implemented
- An independent technical performance report from the water engineer showing the operators level of compliance with system maintenance and service schedules
- Internal Auditors' report indicating the operators' compliance with financial management procedures as provided in the Management contract
- The operators' performance reports defining technical and financial position of the system, water quality management, customer service performance and complaints resolution, problems encountered and resolved or unresolved, pending connections, metering status, arrears management e.t.c
- Study all the documents provided before the meeting.
- Ensure that all the allowances and refunds you get are properly documented and are paid according to the Performance and Management Contracts

JANUARY 2008