



Policy development and governance arrangements for water services in small towns: Uganda

Work Package 1

Deliverable 1.1

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Introduction

This report summarises several aspects of water and sanitation services provision in Uganda's small towns. It lays out the policies for water management in the small towns and the various management models. Uganda's development is guided by Uganda's National Development Plan (NDP II). It aims at increasing access to safe water in urban areas to 95% (100% in NWSC towns) by 2020. Uganda's Vision 2040 aims for a level of urbanisation of 60% by 2040. The challenge currently is the high population growth which is seen to out run the gains in infrastructure development (SPR 2017). As a result, increase in the number of people served with clean and safe water is eroded and the number of unserved remains stagnant and even growing. Various management models have been tested to serve the growing populace in small towns which have evolved with time.

Institutional and Legal Framework

24% of the Ugandan population is urban with 1 capital city, 41 municipalities, 210 Town councils and numerous Town Boards¹. The access to piped water supply in urban areas currently stands at 71%². A small town is a gazetted town council or town board³. By this definition, the Capital city and municipalities are the large towns and the rest of the urban centres are Small Towns. NWSC is currently responsible for 218 urban centres which are managed under 47 Operational Service Areas. The Directorate of Water Development is responsible for the water services provision in the other urban centres/small towns.

Laws Relevant to Small Towns

2.1.1 The Constitution of the Republic of Uganda

The Constitution is the supreme law of Uganda and all other laws and regulations must not conflict or be inconsistent with it. If any other law is inconsistent with any provisions of the Constitution, the Constitution prevails and the other law is, to the extent of the inconsistency, rendered null and void.

The Constitution incorporates a number of national objectives and principles which all laws, including the water and sanitation sector laws, must comply with. For instance, National Objective (objective XIII) of the Constitution obliges the GoU to protect important natural resources including water and land. This means that both ground and surface water in Uganda including water point sources and wetlands are required to be utilised in a manner that enhances their protection.

Access to water is considered a fundamental right of all Ugandans and part of social justice and economic development. For this purpose, national objective XIV(b) of the Constitution provides that all Ugandans shall enjoy rights and opportunities and access to social services, including access to “clean and safe water”. The right to clean and safe water is included as a national objective XXI which requires the state to “take all practical measures to promote a good water management system at all levels.”

National objective XXII requires the state to promote sustainable development and public awareness of the need to manage natural resources including water resources in a balanced and sustainable manner for present and future generations. In particular, the state is obliged to take measures to prevent or minimise damage and destruction of water resources resulting from pollution and other sources. This is reinforced by Article 39, which guarantees every Ugandan a right to a clean and healthy environment.

The regulatory framework for urban water and sanitation including developing of a suitable enabling legal framework must therefore be in line with principles and provisions of the Constitution.

2.1.2 The Water Act, Cap 152

The Water Act is the principal water and sanitation sector law in Uganda. It was enacted in 1995 based on the recommendations of the Water Action Plan (WAP), which included those relating to the reform of the then existing water sector legal and institutional framework. The purpose and objectives of the Water Act are set out in section 4 of the Act. They include:

¹ National Population and Housing Census 2014, Uganda Bureau of Statistics projections for 2017

² Sector Performance Report 2017

³ Definition

- ❑ promotion of rational management and use of water in Uganda through the introduction of appropriate standards and techniques for the investigation, use, control, protection, management and administration of water resources;
- ❑ coordination of public and private activities that affect the quantity, quality, distribution, use or management of water resources;
- ❑ coordination, allocation and delegation of institutional roles and functions in the water sector;
- ❑ to promote the provision of clean, safe and sufficient water supply for domestic purposes;
- ❑ to facilitate the orderly development and use of water resources for non- domestic use; and
- ❑ to control pollution and promote the safe storage, treatment, discharge and disposal of water to avoid and/or minimize harm to the environment and human health.

Regulation of water extraction and supply

All aspects relating to water extraction and supply are regulated by the central government. Accordingly, “all rights to investigate, control, protect and manage water in Uganda for any use is vested in the Government and shall be exercised by the Minister and the director (DWD) in accordance with this Part of the Act” (Section 5 of the Act).

Section 5 of the Act is reinforced by section 6 which imposes a general restriction in relation to the right to acquire or use water. Section 6 provides that no person shall acquire or have a right to use water, to construct or operate any water works except in accordance with the provisions of the Water Act. The only concessions and exemptions provided under section 7 are available to an occupier of, or resident on, any land where there is a natural source of water. An occupier of, or resident on, such land is granted a right to use water for domestic use, firefighting purposes and irrigating a subsistence garden.

Regulation of construction of water supply facilities

The Water Act regulates the construction of water supply facilities and installations (sections 18-21). Construction of any water supply facilities and installations requires a permit issued by the director of The Department of Water Development (DWD).

The director of DWD is given wide powers under section 18(5) to impose conditions on any permits issued for the construction of water facilities and installations. The conditions include:

- ❑ payment of prescribed fees and charges;
- ❑ the manner in which water covered by the permit can be drained; and
- ❑ payment of compensation.

Section 19 of the Act empowers the director of DWD to grant exemptions to a “public authority” or a class of persons or works from the requirement to apply for a permit. Such exemptions are required to be in accordance with guidelines established by the Minister of Water and

Charges and Fees

Power to charge fees under the Water Act is vested in the minister of MWE. The Water Act gives the minister of MWE powers by notice in the government gazette, to fix fees and charges applicable to any permits issued under the Act as well as for any services provided by the MWE, the director of DWD, a public authority or any authorised person under the Act (section 32).

Water and Sewerage Areas and Water and Sewerage Authorities

Section 45 of the Water Act empowers the Minister of MWE by notice in the government gazette to declare any area to be either “a water supply area” or “a sewerage area”. Such notice must declare the boundaries of an area by any means that is most descriptive of the area or by reference to either or both of survey coordinates; or distances from one or more prominent physical features. In addition, the Water Act gives the minister of MWE powers to appoint water authorities and sewerage authorities to manage the “water supply areas” and “sewerage areas” declared under section 45 of the Act (section 46 of the Act).

The functions of these authorities are set out in section 47 of the Act and include:

- provision of water supply services;
- management of water resources entrusted to them;
- provision and management of sewerage services as per the terms of the minister’s declaration or a performance contract; and
- to give effect to any directions given by the minister relating to water or sewerage.

General and Commercial Powers of Authorities

The Water Act (section 72- 95) gives water and sewerage authorities a number of statutory powers. These include the power:-

- to execute works upon requests;
- to require owners and occupiers of land, by giving them notices to repair any water or sewerage works located on their land;
- to enter land for purposes of reading meters or the repair or removal of meters including power to inspect any other works and appliances;
- to enter any land to undertake work on water supply or sewerage works;
- to stop traffic;
- to declare protected zones around water sources, water supply and sewerage facilities;
- to restrict or discontinue water supply;
- to enter land to collect samples, make investigations, construct or remove works, surveys etc;

- ❑ to pay compensation for damage to land;
- ❑ to fix and vary rates, charges and fees with the consent of the Minister of MWE;
- ❑ to recover outstanding rates.

Performance Contracts

The Water Act generally provides for contract as a form of regulation of urban water and sanitation sector in Uganda. The Water Act states that the director of DWD and the minister of MWE may enter into performance contracts with water and sewerage authorities. Performance contracts between the minister, MWE and water and sewerage authorities are entered into under Section 48 of the Water Act. The terms of each performance contract must include terms of reference of the water or sewerage authority; extent of the authority's interest in any land or works constructed or financed by the government or the authority; period of the contract; and any other relevant information.

The Water Act recognises Water User Groups (WUGs) and Water User Associations (WUAs) as essential players in the supply of water services. Accordingly, the Water Act (Sections 50 – 52) provides for the formation and operation of WUGs and WUAs. These groups and associations are intended to promote community participation in the planning and management of local “point source water supply systems”. WUGs operate through a water and sanitation committee (WSC). Where a water supply system serves more than one WUG, the WSCs for the WUGs are required to form a WUA consisting of agreed representatives of each WSC.

Currently, WUGs and WUAs are permitted to collect water revenue from users of their water supply systems and can levy water tariffs approved by the director of DWD (sections 50 and 51). WUGs, WUAs and WSCs generally work under the direction of the director of DWD (section 52).

Construction and Operation of Water Supply and Sewerage Facilities

The Water Act (section 53-61) regulates construction and operation of water supply facilities for public and private purposes by the water authorities. In this respect, a water authority is given the powers to:

- ❑ acquire, construct or operate water supply facilities;
- ❑ recover capital costs from the land owner;
- ❑ declare completed water supplies;
- ❑ require an owner of land within the water supply area to connect to the authority's water supply facilities;
- ❑ remove or repair existing water connections and works;
- ❑ supply water by measurement;
- ❑ install and test water meters;
- ❑ to impose water restrictions.

The construction and operation of sewerage facilities by sewerage authorities are governed by section 62-67. Sewerage authorities are given powers to acquire, construct and operate sewerage works involving the disposal and treatment of sewerage or waste.

The National Water and Sewerage Corporation Act, Cap 317

The National Water and Sewerage Corporation Act, Cap. 317 (“the NWSC Act”) was enacted in 1995 and repealed the National Water and Sewerage Corporation Decree of 1972, which established the National Water and Sewerage Corporation (NWSC) as a water authority. The repeal of the National Water and Sewerage Corporation Decree did not affect the continued existence of NWSC as a statutory corporation (section 2(1) of the NWSC Act)

The objectives of NWSC are set out in section 4(1) of the NWSC Act. These are “to operate and provide water and sewerage services in areas entrusted to it under the Water Act”. At the commencement of the Water Act, NWSC was deemed to have been appointed a water and sewerage authority in respect of the areas in which it had been empowered to supply water and sewerage services under the repealed NWSC Decree (section 36 (1) (a)). Any water and sewerage areas covered by NWSC prior to the enactment of the NWSC Act were also deemed to have been declared as such for purposes of the Water Act (section 36(1) (b) of the NWSC Act).

The NWSC Act provides that NWSC can be appointed as a water and sewerage authority in respect of other water supply and sewerage areas declared by the minister under section 47(3) of the Water Act (section 36(2) of the NWSC Act). To date, NWSC remains a central government water and sewerage authority.

The functions of NWSC are set out in section 4(2) of the NWSC Act. They include:

- ❑ to manage the water resources in ways which are most beneficial to the people of Uganda;
- ❑ to provide water supply services for domestic, stock, horticultural, industrial, commercial, recreational, environmental and other beneficial uses;
- ❑ to provide sewerage services, in any area in which it may be appointed to do so under NWSC Act or the Water Act, to the extent and standards that may be determined by its corporate plan, any performance contract, and regulations made under the NWSC Act or the Water Act;
- ❑ to develop the water and sewerage systems in urban centres and big national institutions throughout the country.

The powers of NWSC are set out in section 5 of the NWSC and include the powers to:

- ❑ set tariffs and charges, make and levy rates and fix terms and conditions

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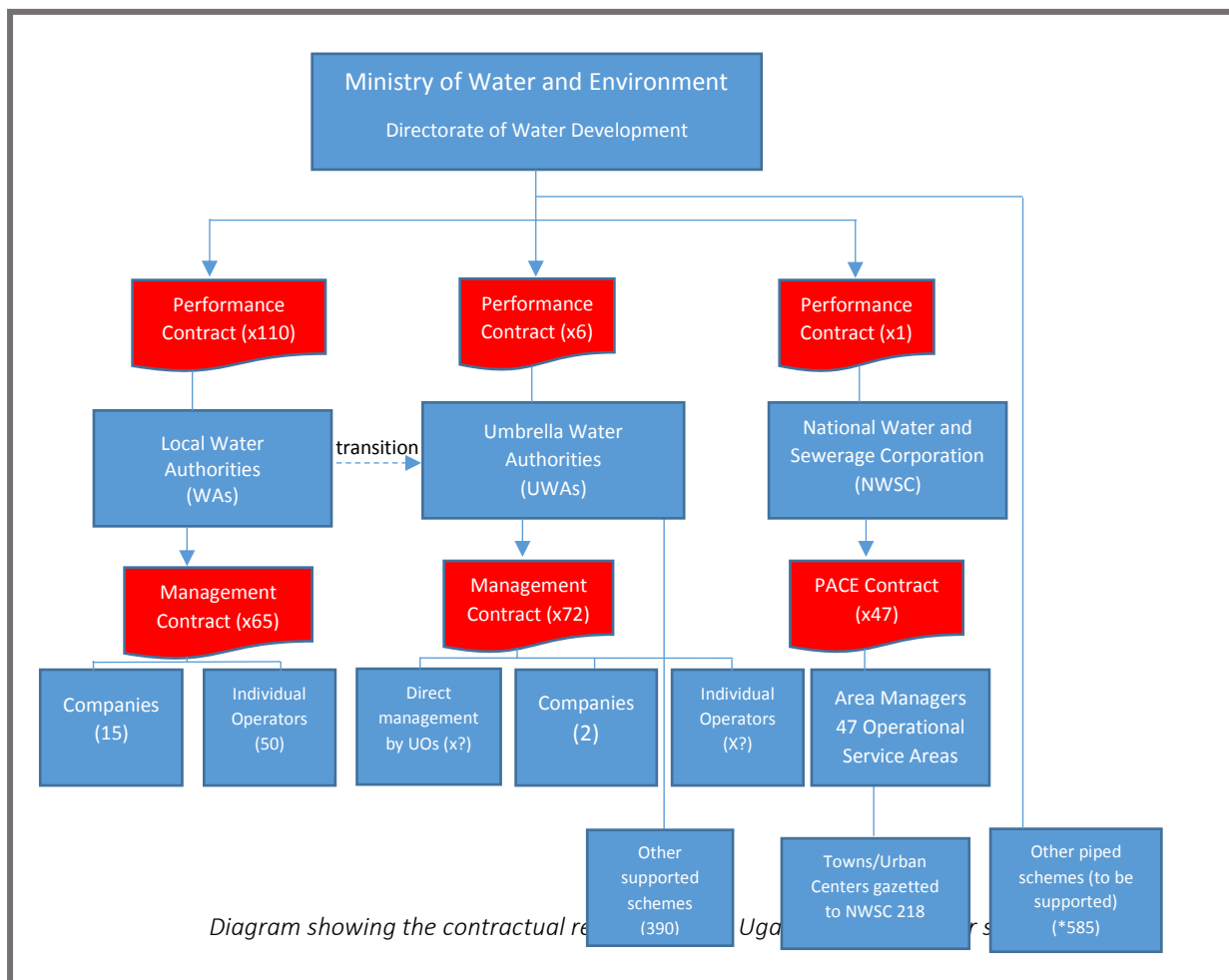
for work done or services, goods or information supplied by it;

- ❑ organise and conduct training programmes in connection with the provision of water and sewerage services;

- ❑ provide specialist assistance relating to water supply or sewerage services to any public authority on such terms as may be agreed upon by the corporation and the public authority.

Although NWSC is empowered to provide urban water supplies, in practice, it appears that NWSC operations have only been extended to urban areas where it is easy to break even. It operates in large towns where it provides metered piped water systems to individual urban consumers and institutions.

Administration of the NWSC PACE contracts is the responsibility of the Water Authority NWSC while administration of the Small Towns Management Contracts is the responsibility of the ministry.



Definition of small towns in Mozambique

A Small Town is a gazetted town council or town board. In the 90s, towns within National Water and Sewerage Corporation (NWSC) jurisdiction were referred to as Large Towns and those outside NWSC jurisdiction were referred to as Small Towns. The reform study categorised small towns as those with a population between 5000 – 15,000 and large towns as those with a population above 15,000. This categorisation was not formalised as towns have been transferred to NWSC irrespective of their population. Population is therefore not a determinant of the town category hence the current definition that refers to any gazetted town council or town board as a Small Town irrespective of its population and management model.

According to the Administrative Boundaries in Uganda in general, small towns are distinguished by the level of development, settlement patterns and available levels of service. More based on Uganda Bureau of Statistics (UBOS).

Category (No.)	Total Population 2017 (UBOS)	Pop. Served by piped water 2017	Access (Golden Indicator) 2017	Towns managed by NWSC	Towns without piped water	% using a protected water source (NPHC 2014)	% having piped water on premise (NSDS 2015)
Large Towns (42) – CC, MCs	5.7m	4.56m	80%	41	0	90%	
Small Towns (256) – TCs, TBs	3.73m	2.09m	56%	107	56	78%	26%
Total Urban Centres (298)	9.43m	6.65m	71%	148 ⁴	56	86%	

CC- Capital City MC- Municipal Council TC -Town Council TB – Town Board

NDS – National Service Delivery Survey 2015 Report, UBOS 2016

NPHC – National Population and Housing Census 2014

Source: SPR 2017

Models for water provision in small towns in Mozambique

There two different arrangements for small towns in Uganda. Since 2013 NWSC has been mandated to rapidly absorb small towns within their performance contract. Due to this change, the existing organizations that were responsible for small towns up until that point were temporarily dismantled. The Ministry of Water and Environment is currently looking at revitalizing this initiative.

Ministry of Water Environment and Small towns

Within a small town, there is the core area and the fringes. During system implementation the focus of the piped system was usually the core and the fringe would be supplied by point sources. Urban areas in the small towns were those served by the piped water supply network while rural areas would be supplied by boreholes (even if they fall under the same administrative boundary). Often, within the same administrative boundary you have the core area served by piped water and the fringes by point water sources. So, rural is the area outside the core of the water supply area i.e. the fringes and these areas are served by point water sources. However, increasingly the water sector

⁴ Gazetted urban areas (TCs and TBs) only. NWSC also supplies a number of rural growth centres (RGCs)/sub-counties.

is looking at the issue differently. The view is that the reference to urban and rural should go away. In the next 20 years, point water sources / boreholes should be completely phased out as these are prone to contamination, have a high cost of maintenance and pose many operational challenges. The focus should be on the need for services irrespective of urban versus rural areas.

The Ministry of Water and Environment through the Directorate of Water Development established Umbrella Organisations (UOs) as deconcentrated agencies to support the water and sanitation facilities in small towns and rural growth centres. The UOs provide operation and maintenance support services geared towards improving the functionality and the sustainability of the water and sanitation facilities. The UOs are deconcentrated in six regions covering the entire country. The UOs are regional branches of the Ministry and are funded by both Government of Uganda and Development Partners.

Responsibilities in detail

The responsibilities of the various units responsible for small towns are outlined below:

Roles and responsibilities matrix (Directorate of Water Development – Urban Water and Sewerage Department)

FUNCTION/ PROCESS	Headquarters (DWD)	Regional / Deconcentrated Units			Local Governments	Service Level
		WSDFs	Umbrellas	Regulation Units		
Policy Formulation	<ul style="list-style-type: none"> Setting national policies and standards and determining priorities for water development and management 	<ul style="list-style-type: none"> Informing new policy development or review of existing policy 	<ul style="list-style-type: none"> Informing new policy development or review of existing policy 	<ul style="list-style-type: none"> Informing new policy development or review of existing policy Popularization of new sector policy 	<ul style="list-style-type: none"> Local policy Formulation (By-laws) Initiation of policy formulation for the sector 	<ul style="list-style-type: none"> Informing the sector policy formulation process based on experiences on ground
Strategic Planning	<ul style="list-style-type: none"> Providing overall technical oversight for planning, implementation and supervision of service delivery 	<ul style="list-style-type: none"> Planning for future investments to ensure adequate demand management 	<ul style="list-style-type: none"> Develop medium term strategies for supporting system operations 	<ul style="list-style-type: none"> Contributing to sector Strategic planning process 	<ul style="list-style-type: none"> Development of local Govt strategic plans that feed into wider sector plans 	<ul style="list-style-type: none"> Initiation of bottom-up planning in the overall sector strategic planning process
Regulation	<ul style="list-style-type: none"> Providing the necessary regulatory framework to ensure regulation of water supply operations in water supply areas. 		<ul style="list-style-type: none"> Collaborating with WURD to ensure effective regulation 	<ul style="list-style-type: none"> Compliance monitoring and enforcing standards of service in the respective regions 	<ul style="list-style-type: none"> Enter Performance Contract with Minister and report back Supervision of Management Contracts Development of by-laws on WATSAN 	<ul style="list-style-type: none"> Adhere to set standards of service

FUNCTION/ PROCESS	Headquarters (DWD)	Regional / Deconcentrated Units			Local Governments	Service Level
		WSDFs	Umbrellas	Regulation Units		
Monitoring and Performance Evaluation	<ul style="list-style-type: none"> Monitors and evaluates sector development programmes to keep track of their performance, efficiency and effectiveness. Inspection, monitoring, technical back-up support and initiating legislation (Urban Water and Sewerage Department) 		<ul style="list-style-type: none"> Monitor system operations and provide where necessary 	<ul style="list-style-type: none"> Compliance monitoring of water supply service provision in respective regions Synthesis of data, validation and provision of feedback 	<ul style="list-style-type: none"> Have mandate to Monitor all government projects at local level 	<ul style="list-style-type: none"> Availing performance data for assessment Implementing corrective actions from recommendations of assessments
Operations Management			<ul style="list-style-type: none"> Umbrella Organisations Support the operation and maintenance of the piped water infrastructure. 	<ul style="list-style-type: none"> Ensure compliance to set service standards (Including Professionalism) 	<ul style="list-style-type: none"> Appointed as water authorities, receive performance contracts which require them to appoint a Water Board and contract a private operator (Company) for day to day management of the water system. 	<ul style="list-style-type: none"> Ensure day-to-day running of water supply operations

FUNCTION/ PROCESS	Headquarters (DWD)	Regional / Deconcentrated Units			Local Governments	Service Level
		WSDFs	Umbrellas	Regulation Units		
Asset ownership	<ul style="list-style-type: none"> The Ministry owns all assets on behalf of government 		<ul style="list-style-type: none"> Ownership of Assets in Trust through the Performance Contract (W/As) 		<ul style="list-style-type: none"> Ownership of Assets in Trust through the Performance Contract (W/As) 	
Asset Management	<ul style="list-style-type: none"> Develop and update Asset Management Policy Source funding for Asset renewals 	<ul style="list-style-type: none"> Development of As-built drawings Rehabilitation of facilities 	<ul style="list-style-type: none"> Maintaining and updating Asset registers Asset Maintenance and Renewal 	<ul style="list-style-type: none"> Ensure sustainability of assets through enforcing standards 	<ul style="list-style-type: none"> Monitor service providers to ensure appropriate AM of facilities 	<ul style="list-style-type: none"> Asset maintenance Maintaining and updating Asset registers
Rehabilitation and capital works	<ul style="list-style-type: none"> Availability of funding to carry out major rehabilitation and capital development Vet drawing of works to be carried out (Design Review Committee) 	<ul style="list-style-type: none"> Water and Sanitation Development Facilities (WSDFs) implement new water supply and sanitation schemes and do major rehabilitation of the schemes 	<ul style="list-style-type: none"> Carryout minor rehabilitation 	<ul style="list-style-type: none"> Monitor compliance to sector standards 	<ul style="list-style-type: none"> Lobby for funds for investment in asset development or renewals Budget and fund investments 	<ul style="list-style-type: none"> Recommend required rehabilitation and Capital works
Human Resource Management		<ul style="list-style-type: none"> Training of technicians during implementation phase 	<ul style="list-style-type: none"> Recruit and maintain scheme operators Vet the Human Resource carrying out operations Capacity building of 	<ul style="list-style-type: none"> Ensure appropriate competences of staff carrying out operations 		<ul style="list-style-type: none"> Avail competent staff to carry out operations

FUNCTION/ PROCESS	Headquarters (DWD)	Regional / Deconcentrated Units			Local Governments	Service Level
		WSDFs	Umbrellas	Regulation Units		
			staff			
Transport Management	<ul style="list-style-type: none"> Support the region/ towns with vehicles 	<ul style="list-style-type: none"> Availability of project vehicles for system operations on completion of project implementation 	<ul style="list-style-type: none"> Overall vehicle management and maintenance in the region 	<ul style="list-style-type: none"> Ensure non-mis-use of the transport facilities 		<ul style="list-style-type: none"> Use transport facilities for system operations
Procurement and Inventory	<ul style="list-style-type: none"> Carryout major procurements as provided for in the procurement guidelines (Threshold) 	<ul style="list-style-type: none"> Contracts committee available for procurement of goods and services based on delegated authority 	<ul style="list-style-type: none"> Ensure proper inventory of assets 	<ul style="list-style-type: none"> Monitor inventory of assets/ stores 	<ul style="list-style-type: none"> Contracts committee available for procurement of goods and services 	<ul style="list-style-type: none"> Plan and Initiate procurements Keep and update stores inventory
Financial planning and management	<ul style="list-style-type: none"> Manage budget processes Manage release of support budgets (JPF and GoU) Allocation of Conditional grants. (Also audit utilization of these funds) 	<ul style="list-style-type: none"> Identify areas that require intervention and develop requisite budgets to fund investments Develop project proposals to source for funding for investment Implementation of new water and sanitation projects. 	<ul style="list-style-type: none"> Develop project proposals to source for funding for investment Offer financial and technical support for major repairs and scheme extensions 	<ul style="list-style-type: none"> Carryout management audits Tariff reviews 	<ul style="list-style-type: none"> Budget and finance system operations as part of the mandate provided in the Local Government Act, 1997 	<ul style="list-style-type: none"> Develop business plans Manage finances relating to system operation

3.1.2 Initiatives taken in the past

Creation of Umbrella Organisations

Umbrella Organisations are Private Companies Limited by Guarantee. They are associations of Water and Sewerage Boards (WSSBs) and Water and Sanitation Committees (WSCs) that bring these under one Umbrella different bring together

Appointment of Umbrellas as Water Authorities

In July 2017, the Umbrellas were appointed Water Authorities for specific water supply areas. This was by notice published in the government gazette. The Umbrellas were thus gazetted the Water Authorities for those specific areas (*Gazetting refers to the official publication of the mandate or delegated authority in the government gazette*).

NWSC and small towns

NWSC for the areas under their jurisdiction do not use the term 'small town' and have no definition for it. They simply refer to operational areas. Areas that were considered small towns by MWE once transferred to NWSC the term no longer holds. Small towns that were near Kampala which have been transferred to NWSC have simply been annexed to the Kampala Service area. For NWSC the term used is 'operational areas' of Jinja or Kampala. These operational areas have branches and every 6000 accounts in Kampala is a sub-branch. In towns like Bushenyi, areas formerly considered rural are now part of Bushenyi e.g. Mitooma. So, where the ministry refers to small towns NWSC refers to these as branches. Branches have block mapped accounts with territorial leaders (3-4 people). A branch can have 10 territories each with a plumber. Branches have sub-branches and territories. There are targets at territorial level.

For NWSC the terms rural or small towns don't matter and these do not apply in their operations. 'If you define places as rural, urban or small you predefine the level of service, you define and decide the service to offer and yet areas have a natural progression towards the demand for service. What is most important is connecting people to the water supply system and it becomes part of the cluster. What NWSC varies is the relationship with customers and how they handle them depending on where they are located otherwise the required service level is the same.

Town Categories

However, areas have been categorised into category A, B and C. Categories are for purposes of evaluation, defining the level of autonomy, the area management structure and required competencies/ capacity needed. For each area category, the required competence levels are different. Nevertheless, the expected level of service to the people in all areas is the same. Areas can progress from one category to the next and progression and upgrading a town from a lower category to a higher one can be measured by the level of infrastructure development.

Current Governance Structure in NWSC (Small) Towns

The regional level

Uganda has no regional Government however management of water services is being regionalized for purposes of bringing service supervision closer to where it is needed. The NWSC regional offices are in Kampala but some functions are progressively being established in the regions themselves. e.g. Mbarara is foreseen as the center to serve the Western & South-Western Region. HR officers are normally in the large size Areas and not in the newly taken over towns. They serve a cluster of Areas. The Finance & Accounts Officer doubles as the HR in the absence of an HR Officer. There is a Human Resource Officer in Mbarara who oversees a cluster of areas. Another HR officer in the same region is based in Masindi who also serves another cluster of areas. Key functions such as static plant maintenance, water quality analysis, block mapping are already established in three regions: Western – in Mbarara,

Eastern – in Mbale and Northern - in Gulu. In the long run, it is envisioned that all regional functions will move to the regional level. It is a work in progress.

Function decentralization is relative and there is no one answer on which functions can be effectively decentralised. Areas advance over time. The level of autonomy granted to each area is assessed during the contract review and adjustments are made so there is no one answer but flexibility is exercised and keen monitoring of development in the areas.

There are essentially two models adopted;

Creating an Area⁵

Creating an Area involves creation of a separate business unit under the existing delegated management contract framework i.e. Performance Autonomy & Creativity Enhancement (PACE) Contracts. To create an area, certain criteria are considered. The stronger the considerations, the more likely to go for the option of creating an area otherwise a branch is created. These include:

- Current and potential business volume i.e. number of connections & revenue
- Complexity of system and proximity from existing Area
- Sensitivity of stakeholders to be served

Meaning of Area

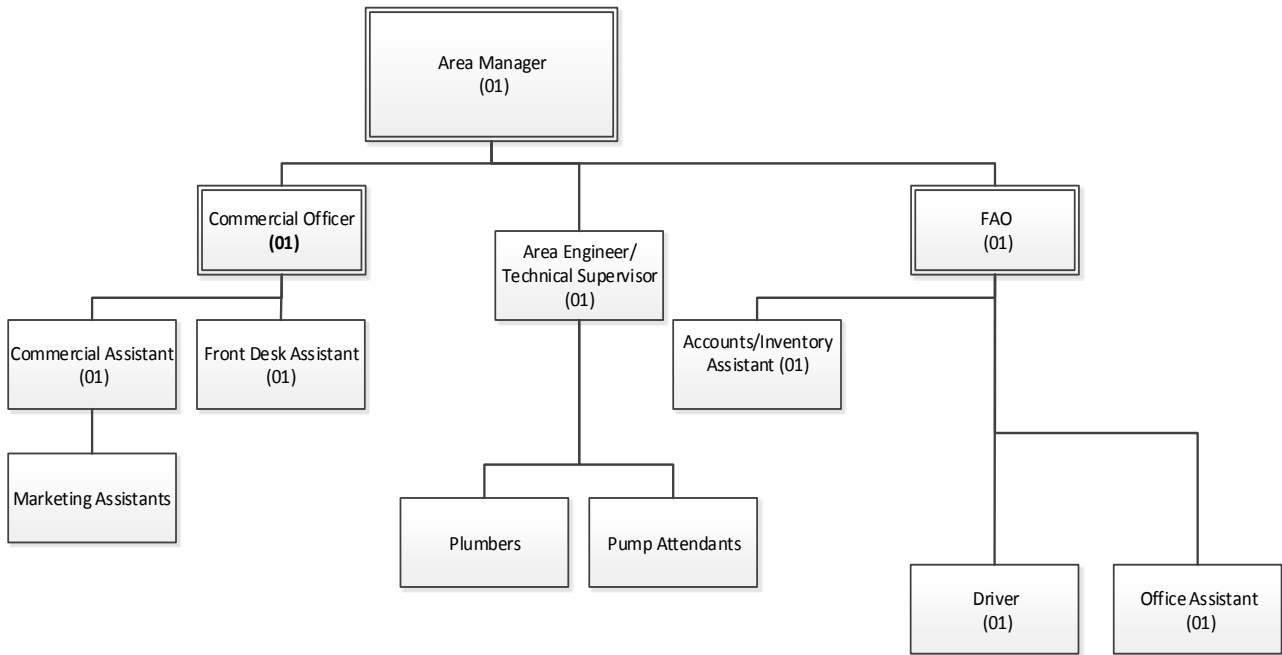
There is a standard for defining an area. To create an area, NWSC considers current and potential business volume i.e. the number of connections and revenue, the complexity of the systems, the proximity from an existing area as well as the sensitivity of the stakeholders to be served. Minimum requirements have been agreed but even with these minimum requirements there are sometimes exceptions which arise due to unique circumstances so that areas may be created which may not meet the minimum requirements. Some of these unique issues are ethnical where one community will not accept to operate together with another for historical reasons. Where such unique challenges fail to be addressed, flexibility is invoked. So, everything is contextualised and decided with a lot of sensitivity. Most important is to be flexible.

In the end, it is not only a matter of size for a pass or fail but also sensitivity. The regional manager presents a justification for the creation of an area to the Corporation's executive management and once this is agreed upon, an area is created. The structure for management of a town is also dependent on each town's technical, commercial, finance and human resource requirements. Also, the remuneration of the staff i.e. scale depends on the size of the area for example the Kamwenge area manager is not at the same scale level as the area manager of Jinja.

The Area will have all the core and some support functions present including: commercial, technical, billing & IT, finance & accounts, administration. Other support functions may remain at regional level. e.g. water quality, procurement, human resource, audit, static plant maintenance, etc.

Typical management structure of an Area

⁵ Area refers to a semi-autonomous NWSC business unit at the operations level. It may be composed of one or more towns.



The structure consists of more than ten staff but less than twenty depending on the number of accounts, geographical coverage and number of pump stations.

1. Integration into an existing Area

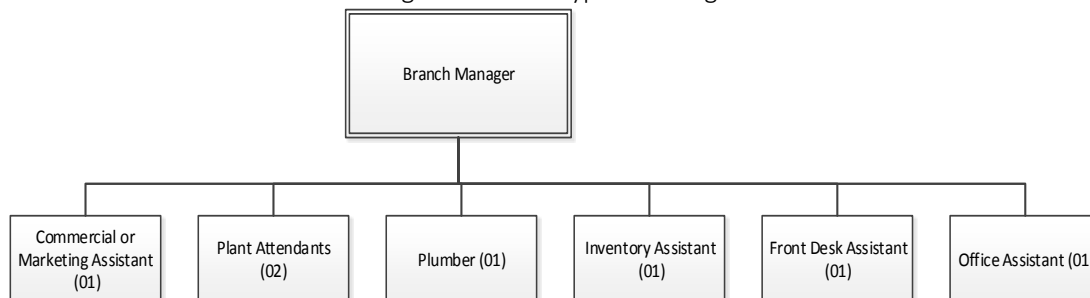
This involves integrating the new town into the delegated management contract framework of an existing Area as a branch. Usually a new town is headed by a Branch Manager. The branch maintains a very lean staff of less than ten. They are mainly commercial and light technical nature. Most of the non-day to day functions are maintained at parent Area level i.e. Billing & IT, Finance and Accounts, Human Resource Management, Water quality, etc.

Key considerations for this arrangement include:

- If the town has low business potential both currently and in the future
- If the town is in proximity with an existing Area and its system is not complex
- If the stakeholders to be served are less sensitive

Places with higher potential are made area offices while those with lower potential are given the category of a branch. The branch would then be connected in terms of management to the closest Area office.

The lean structure of a new town under this model encourages multi-tasking among staff. For example; one staff may be responsible for reading meters, distributing bills and following up revenue. Equally a plumber will undertake both technical and commercial assignments. The typical management structure is as follows:



Whichever town is taken over, NWSC looks at the volume of business. When the level of business is small, the specific town is clustered under a nearby town for management thus given the category of a branch. In this case, only as few additional staff as possible are added. Staff in the neighbouring town stop gap the activities in those towns. Where the town is big and can break even within a short time, then it is made an independent area.

Note: Branch managers report to area managers and the Area managers report to regional managers.

Criteria/Threshold for determining an Area and Categorising

A two level multi criteria assessment is used in determining an Area or a Branch indicated below.

- **Criteria A** is based on the size of the business and this will be assessed by; total number of connections, average Billing, average collections and cost. This also dictates the organization structure and staffing of the Areas

#	Categories	Type I	Type II	Type III	Type IV	Type V	Type VI
A	Criteria A: Business Size						
A.1	Total Number of Water Connections	>15,000	10,000 - 15,000	5,000 - 10,000	2,000 - 5,000	1,000 - 2,000	<1,000
A.2	Average Monthly Billing (UGX '000)	>1,000,000	700,000 - 1,000,000	300,000 - 700,000	150,000 - 300,000	100,000 - 150,000	<100,000
A.3	Average Monthly Collections (UGX '000)	>1,000,000	700,000 - 1,000,000	300,000 - 700,000	150,000 - 300,000	100,000 - 150,000	<100,000

- **Criteria B** is based on the complexity (technical and commercial) of the business, sensitivity of the town, business size and proximity to existing NWSC Areas.

3.2.1 Responsibilities in detail

Regional Manager

The regional manager responsibility is coordination. He coordinates the areas with the head office. Regional managers assist the areas with designing systems where they lack capacity for this. Regional managers are the link between the areas and head office. Their role is to supervise and monitor performance of the areas. The title 'regional' manager is more about the role than the location and for now all regional managers are based in Kampala. Kampala although an operational area is also a region. Regional offices offer technical and logistical support to the operational areas.

Area Manager

Area managers do the day to day work; operations, maintenance of the systems, actual work and billing. Some functions however are better done centrally e.g. major procurements of bulk inputs like pipes for economies of scale, procurement of foreign inputs like chemicals, pumps, even recruitment. The Corporation earlier tried decentralising recruitment below a certain level to the areas but the process was abused then later recalled. As much autonomy, as can be effectively handled without abuse will be considered. NWSC Head office was initially out to give as much autonomy as possible but abuse made them rethink this.

The table below highlights functions against level in the organisation.

Roles and responsibilities matrix (NWSC)

FUNCTION/PROCESS	HEAD OFFICE	REGION	AREAS	BRANCHES	TERRITORIES
Strategic and Business Planning	<ul style="list-style-type: none"> • Strategic planning and guidance to Areas • Development and implementation of the corporate business plan • Strategic support and guidance in matters of human resource management policies, procurement, finance and accounts, commercialization, public relations, customer care and security of assets 	<ul style="list-style-type: none"> • Oversee the Planning and implementation of the Area Plans • Ensure that the Area Action Plans are adequately harmonized with the Corporate plans and budget • Ensure compliance with the corporate strategic plans and policies 	<ul style="list-style-type: none"> • Development and implementation of the Area Business/Action Plan/PIP 	<ul style="list-style-type: none"> • Development and implementation of the Branch Action Plan 	<ul style="list-style-type: none"> • Development and implementation of the Territory Action Plan
Monitoring and Performance Evaluation	<ul style="list-style-type: none"> • Monitoring and Evaluation of Corporate and Region/Area performance • Effective monitoring of water and sewage effluent quality in the Region/Area to ensure compliance with National Standards; • Provision of quarterly comparative benchmarking data from other Areas with the overall objective of encouraging contestability among 	<ul style="list-style-type: none"> • Monitoring and Evaluation of Area performance • Effective monitoring of water and sewage effluent quality in the Area to ensure compliance with National Standards; • Organize quarterly regional evaluation workshops 	<ul style="list-style-type: none"> • Monitoring and Evaluation of Branch performance • Keep proper and adequate accounts and records related to the provision of the Services consistent with the financial regulations and the reporting requirements of the Corporation • Prepare and submit regular reports to the Head Office • Keep and maintain updated operational 	<ul style="list-style-type: none"> • Monitoring and Evaluation of Territory performance • Keep proper and adequate accounts and records related to the provision of the Services within the Branch • Prepare and submit regular Branch reports to the Area • Keep and maintain updated operational database 	<ul style="list-style-type: none"> • Prepare and submit regular territory reports to the Branch

FUNCTION/PROCESS	HEAD OFFICE	REGION	AREAS	BRANCHES	TERRITORIES
	Regions/Areas; <ul style="list-style-type: none"> regular customer surveys with the overall objective of protecting customers' rights and promoting customer care in the Areas, in line with the service level expectations stipulated in the customer charter inspect, audit or conduct a survey, for purposes of ascertaining compliance with set standards 		database <ul style="list-style-type: none"> Ensure Area data safety on the applicable billing system and customer database 		
Operations Management Services	<ul style="list-style-type: none"> Financial, Logistical and Technical Support Provision of Schedules of Tariffs, Fees, Rates and Charges 	<ul style="list-style-type: none"> Continuously and/or regularly provide technical support and guidance to the Area Coordination of logistical support to Areas 	Perform operations management services including; <ul style="list-style-type: none"> water production; water distribution; water quality management; maintenance of assets; sewage collection, treatment and disposal; customer care and marketing; billing and revenue collections; customer connections growth; and financial management 	Perform operations management services including; <ul style="list-style-type: none"> water distribution; maintenance of assets; customer care and marketing; billing and revenue collections; customer connections growth; and financial management 	Perform operations management services including; <ul style="list-style-type: none"> water distribution; maintenance of assets; customer care and marketing; billing and revenue collections; customer connections growth; and financial management
Asset ownership and management	<ul style="list-style-type: none"> Maintains all rights of ownership in the Assets related to the provision of the Services in the 	<ul style="list-style-type: none"> Coordination and ensuring all assets are adequately maintained 	<ul style="list-style-type: none"> Have access to, the right to use, and the duty to safeguard, maintain and control the Assets 	<ul style="list-style-type: none"> Have access to, the right to use, and the duty to safeguard, maintain and control the Assets 	<ul style="list-style-type: none"> Have access to, the right to use, and the duty to safeguard, maintain and control the Assets

FUNCTION/PROCESS	HEAD OFFICE	REGION	AREAS	BRANCHES	TERRITORIES
	Area <ul style="list-style-type: none"> Maintenance of the asset register 				
Rehabilitation and capital works	<ul style="list-style-type: none"> Plan, Fund and implement any agreed rehabilitation and Major Capital Works in the Area 	<ul style="list-style-type: none"> Coordination and providing technical support to planning and implementation of delegated capital works in Areas 	<ul style="list-style-type: none"> Implementation of the Area Specific delegated rehabilitation and capital works 	<ul style="list-style-type: none"> Preparation of Branch rehabilitation and capital works requirements 	
Human Resource Management	<ul style="list-style-type: none"> Strategic support and guidance in matters of human resource management and policies Development of organization structure and staffing plan Staff recruitment management and termination, in liaison with the Region and Area management teams 	<ul style="list-style-type: none"> Strategic support and guidance in matters of human resource management policies 	<ul style="list-style-type: none"> Day-to-day management of personnel in accordance with the Corporation's HR Manual Discipline and recommend staff promotion in accordance with the HR Manual Not terminate the services of any staff but refer such staff to the Head Office Maintain updated staff record 	<ul style="list-style-type: none"> Day-to-day management of personnel in accordance with the Corporation's HR Manual Maintain updated staff record 	
Transport Management	<ul style="list-style-type: none"> Strategic support and guidance in matters of Transport management and policies Transport Planning and optimization Monitoring and enforcement of the transport policy 	<ul style="list-style-type: none"> Strategic support and guidance in matters of Transport management and policies Coordination of transport requirement in the Region 	<ul style="list-style-type: none"> Day-to-day fleet management Fleet & fuel optimization 	<ul style="list-style-type: none"> Day-to-day fleet management 	

FUNCTION/PROCESS	HEAD OFFICE	REGION	AREAS	BRANCHES	TERRITORIES
Procurement and Inventory	<ul style="list-style-type: none"> • Strategic support and guidance in matters of procurement and inventory and policies • Procurement Planning • Bulk procurement and stock of common inputs • Central store management 	<ul style="list-style-type: none"> • Strategic support and guidance in matters of procurement and inventory and policies • Approval of/No objection to planned Area procurements & store requisitions • Region stores and inventory management 	<ul style="list-style-type: none"> • Procurement Planning • Delegated procurement of Area inputs • Area store management 	<ul style="list-style-type: none"> • Procurement Planning • Delegated micro procurement of branch inputs • Branch store management 	<ul style="list-style-type: none"> • Procurement Planning
Financial planning and management	<ul style="list-style-type: none"> • Strategic support and guidance in matters of financial management and policies • Computation and Payment of management fees and incentives • Payment of expenses, on behalf of the Area: VAT on billings, property insurance, ground rates, plant insurance and treatment chemicals • Provision of funds for development activities as set out in the approved Action Plan 	<ul style="list-style-type: none"> • Strategic support and guidance in matters of financial management and policies • Coordination of logistical support to Areas 	<ul style="list-style-type: none"> • Area Budget preparation & control • Disbursement of Area management fees as per the agreed expenditures codes and thresholds • Maintenance of Area financial records and regular report 	<ul style="list-style-type: none"> • Branch Budget preparation & control • Disbursement of branch operational fees as per the agree expenditures codes and thresholds • Maintenance of Branch financial records and regular report 	<ul style="list-style-type: none"> • Territory Budget preparation & control • Maintenance of Area financial records and regular report

Process of absorption of small towns

Role of ministry/regulator in facilitating or limiting the role of NWSC and the potential of small towns?

The ministry supports NWSC in taking over small towns. A typical example is 'the service coverage project concept prepared by NWSC and the Ministry which was jointly presented to the Ministry of Finance. The ministry enhances the potential of small towns, designs the projects, implement them and then hands them over to NWSC. NWSC does due diligence in the towns that have been handed over to them. The due diligence is aimed at determining what investments they will need to make in the town for it to meet their expected level of service delivery. The Government had promised to provide the required funds for this improvement in infrastructure but it has not been forthcoming and the level of funds disbursement has not met their expectations. For this reason, they are now more cautious and try to negotiate for what can be transferred.

The ideal model for NWSC

NWSC's mandate is water and sewerage services provision in urban and peri-urban areas. Villages in urban areas are referred to as CELLS or Cells are villages located in towns. The Water Act mandates NWSC to operate in urban areas. Lately NWSC is seen to be taking on towns that are typically rural. NWSC is tasked by its Board to stick within their mandate. NWSC however takes on the areas gazetted to them by the Ministry of Water and Environment. It cannot be ascertained the level of influence of NWSC in determining which towns are transferred to them. NWSC aims to ensure water supply to all 'Cells' in the towns where they operate. It will ensure that there is water in each Cell.

How were small towns selected (roll-out plan)?

Selection has mostly been arbitrary. This has had consequences with NWSC being tasked to compensate for contracts of local operators terminated prematurely and in other cases being rejected by the locals in the towns. This has mostly been in areas where the tariff was lower before NWSC took over management. The approach is changing now; NWSC will go into an area where the request for NWSC takeover is requested by the local leadership to avoid the resistance. The approach now is; the local leadership writes to the minister requesting for NWSC to take over management of their water supply system. If there is no local request the minister does not gazette the town to NWSC.

Due diligence only happens after the town is gazetted for NWSC takeover. A complete survey of the water supply and sewerage network is undertaken along with picking of GPS points for each of the water and sewer connections on the ground. As an outcome of the due diligence, management options/staffing requirements, short, medium and long-term interventions are proposed to improve the system. These must be approved by management. Financing of the interventions and support through investment subsidies to improve the systems should be supported by government. Usually not the full amount is realised but about 50% or 20% and the Corporation must find the balance within their own means. This slows down take over and the rate at which the system is improved.

Evaluation of initiatives

Lookout (take over how many more towns)

NWSC plans to take on more towns and adapt the regional management concept although it is work in progress. The idea is to establish fully fledged regions with the core functions of Static plant, HR and Commercial at the regional level. Currently, some core functions are still controlled in Kampala at the head office. With fully fledged regional offices, NWSC regional managers will be based in the regions e.g. the regional manager of western will be based in Mbarara and the North manager in Gulu. The regional managers will remain staff of NWSC.

The process of takeover

When NWSC is taking over a town, the following process is followed:

- Step 1: Local Council minutes documenting the interest in NWSC take over.
- Step 2: Request communicated to the Minister
- Step 3: An assessment of the request is done
- Step 4: Approval of request
- Step 5: Statutory instrument gazetting area to NWSC is published
- Step 6: Instrument is issued to NWSC
- Step 7: A team of NWSC and MWE is formed to perform due-diligence of the town (assess assets and liabilities to determine investment subsidy that the ministry will have to offer NWSC)
- Step 8: Agreement on takeover date
- Step 9: NWSC takeover of the town.

This has proven to be challenging as the support of the Ministry to NWSC has been documented to be erratic.

Input for subsequent work of SMALL

The project will focus on three different aspects:

1. Clustering: The advance stage of clustering endeavoured by NWSC may be of interest for other countries in the region. An exhaustive documentation and cost evaluation of these processes will be conducted under SMALL
2. Revision of contracts: NWSC has indicated that the current language and conditions set out in the contract does not facilitate the collaboration between Head Office and Branches. This will be developed further for NWSC under SMALL
3. Infrastructure development and financial sustainability: some of the challenges identified in the expansion of services in small towns through centralized infrastructure (high level of service) and maintaining financial sustainability will be looked at during the project.

Glossary

Ownership. Government through the Ministry of Water and Environment has ownership of both the Large and Small Town water supply systems. Authority for ownership is delegated to NWSC through a three-year Performance Contract, and NWSC sets the rules for controlling its managers in the PACE contracts. Authority for ownership is delegated to local Water Authorities through performance contracts and local Water Authorities control the private operators (scheme operators and private water operators) through the management contracts. As representatives of the owners, NWSC and other Water Authorities (Umbrellas and Local Governments) are responsible for controlling the behavior of the managers/operators.

Regulation. Uganda's Water Authorities are appointed to represent owners interests and are therefore meant to fulfill many of the functions of economic regulation through governance.

Policy making. The Ministry of Water and Environment is chiefly responsible for policymaking in the sector. MoFPED also has an influence on policy because it is responsible for disbursing significant amounts of funding to the sector.

Service delivery. NWSC is responsible for service delivery in municipalities and Small Towns gazetted to them. The Corporation functions through its Area managers and the PACE contracts. Umbrella Water Authorities are responsible for service delivery in Small Towns and RGCs gazetted to them. Local Water Authorities are responsible for service delivery in the other Small Towns and RGCs outside NWSC jurisdiction and the Umbrellas but delegate much of the responsibility to private operators.

Technical assistance. NWSC Head Office is responsible for technical assistance to its operating areas. Small Towns outside NWSC jurisdiction receive technical support from Umbrellas and development partners. Some technical assistance is delivered through the Technical Support Units (TSUs). Technical Support units are composed of independent consultants recruited on contract terms to provide capacity building at the district level under the Rural Water Supply and Sanitation Department.

Fiscal support. The Ministry of Finance provides fiscal support to Small Towns under the Umbrella Water Authorities through conditional grants and to Small Towns under NWSC through loans and grants.

Infrastructure Development. Urbanisation puts a huge demand on water and sanitation infrastructure in Small Towns. Access to piped water supply stagnated at 71% in 2017 same as the 2016 result. Stagnation was reported in the Sector Performance Report 2017 as being the result of gazetting 37 new Town Councils in the year 2016/17. The gazetting meant that these areas were now considered 'urban'. While these are considered urban, infrastructure is not yet in place or only covers a fraction of the population. Thus, despite the construction of new water supply schemes or the expansion of existing schemes, no increase (in terms of numbers) in piped water coverage was realized.

Water Authority: The Water Authority is a body or person appointed as such by the minister. A water authority is responsible for water and sewerage services in an area. "The minister shall by notice published in the gazette or other publication most appropriate for the area appoint any person or public body to be a water authority for any water supply area.⁶"

⁶ Water Act section 46