

THE UNITED REPUBLIC OF TANZANIA



MINISTRY OF WATER

WATER SECTOR DEVELOPMENT PROGRAMME (WSDP)

PROGRAMME IMPLEMENTATION MANUAL (PIM)

ANNEX 18

**OPERATIONAL GUIDELINES FOR THE URBAN WATER SUPPLY AND SEWERAGE
AUTHORITIES**

April, 2007

1. Introduction

In accordance with Section 3(1) and Regulation 4(1) of the Waterworks Ordinance the Minister responsible for Water declared 19 Regional Urban Centers to be autonomous Urban Water Supply and Sewerage Authorities herein after referred to as Authorities in categories (a), (b) and (c) with effect from 1.1.1998 and 13. 12. 2002. The categories of the Authorities are:-

- (a) those which can meet all of their direct and indirect costs of operation and maintenance;*
- (b) those which can meet costs as in (a) except part of electricity bills¹*
- (c) those which can meet costs as in (a) except personnel emoluments for government employed staff and part of electricity bills.*

The declared Authorities shall operate according to:

- (a) Waterworks Ordinance
- (b) Waterworks Rules
- (c) Waterworks Regulations,
- (d) Memorandum of Understanding and
- (e) Operation Guidelines.

The Operation Guidelines have been prepared to guide the Authorities on the framework on which to operate. These Guidelines deal with personnel, financial, commercial, technical, procurement, reporting and monitoring mechanism and other general matters.

The Operation Guidelines form part of a Memorandum of Understanding signed or to be signed occasionally between the Ministry of Water and Livestock Development and the respective Authorities.

2. Quality Service

Every Authority, guided by its mission and vision, shall offer quality services commensurate with the best world practices.

3. Organization Structure

In pursuance to Regulations 5, 23 and 24 of the Waterworks Ordinance the Urban Water Supply and Sewerage Authorities shall adopt the Organogram in **Annex I**. Some titles at the third level from the Managing Director may not be filled depending on whether the obtaining activities presently exist or not. Where it is deemed necessary for the Board to modify the presented organogram, the resulting organogram should be submitted to the Ministry for information.

¹ Pending legislation review

4.1 Manning levels

In accordance with the Organogram given in **Annex I**, each Board shall cause to be prepared optimal manning levels, as stipulated in the individual MoU for the Authority, a copy of which must be submitted to the Minister. Authorities falling under categories (b) and (c) shall have their manning levels approved by the Ministry. *(Under the legislation to be reviewed approval will be sought for category (c) only)*. The optimal manning level is a maximum of 10 employees per 1000 water and sewerage connections.

In order to achieve best possible manning levels the authorities should optimize staff productivity, outsource some of its activities to private sector and consider the possibility of automatic operations and computerization.

4.2 Employment

- (a) The Board shall, upon approval of the Minister, appoint a suitable person to become the Managing Director. The appointed Managing Director shall serve the Authority on contract term of four years and may be reappointed for such term or terms as the Board deems fit. In case of gross misconduct, the Board may suspend the Managing Director pending an enquiry to be instituted by the Minister.
- (b) Employment of the heads of departments and other senior staff shall be carried out by the Board as per Regulation 24 of the Waterworks Ordinance and may be on renewable contract of five years. Employment of the rest of the staff is also vested in the Board that has a mandate to delegate those powers to a lower level.
- (c) Para (a) withstanding, and without prejudice, the Board shall have the mandate to fire any staff.
- (d) Every government employee, intending to join the new Authority shall have the right within the period of one year to decide to join the Authority or not subject to acceptance by the new Authority.
- (e) After employment into the new Authority, the employment benefits due to employees from the previous Authority (Central or Local Government) shall be paid by the previous Authority upon retirement from the new Authority.
- (f) Outstanding promotions and benefits of government employees opting to join the new Authority is the responsibility of the former employer.
- (g) Upon termination of the services of an employee by the new Authority due to misconduct, the employment benefits due from both the previous and the new Authority shall be forfeited, save for personal contributions.

transparency in recruitment of its staff.

be terminated upon the establishment of the Authority shall be paid their terminal benefits by the respective Authority.

- (j) The Authority has to decide on which social security scheme to subscribe to. The possibilities exist with NSSF, PPF, etc.
- (k) There will be no formal transfer of employees between Authorities since each Authority is autonomous. However an employee who wishes to move from one Authority to another shall do so in his/her personal capacity and his/her acceptance will depend on whether his/her services are required.
- (l) The Board shall employ adequately qualified staff, taking into consideration statutory requirements for various professions.

4.3 Scheme of Service

Every Board shall cause to be prepared, approve and implement a scheme of service of the Authority. Authorities in categories (b) and (c) will have their schemes of service approved by the Ministry.

4.4 Salaries, Benefits and Incentives

- (a) Every Board shall cause to be prepared and approve a motivating salary structure and benefits scheme for the employees of the Authority refer Regulation 25 (2) of Waterworks Ordinance). The Board shall also ensure that, the total salaries, incentives and benefits bill is less than 30% of the total current revenue. Authorities in category (a) shall submit their incentive package to the Minister for information; while Authorities in category (b) and (c) must obtain the approval of the Minister.
- (b) Section (a) withstanding, the Board shall prepare and approve an incentive scheme which is performance oriented. In any case the total annual incentive package shall not exceed 20% of the annual payroll bill of the Authority.
- (c) The Board members shall be entitled to such remuneration, fees or allowances as the Board may decide from time to time. Such remuneration, fees or allowances shall cover only costs for travelling to and from bonafide meetings of the Board and/or its Committees, sitting allowances and facilitation expenses during such sittings. There will be no entitlement to transport and/or office accommodation on permanent or semi-permanent basis for any member of the Board.
- (d) The Board may decide on annual directors fees depending on the Authority's performance and attendance by the Board Members.
- (e) The Board members remuneration, fees and allowances shall be notified to the Minister.

The Board shall cause to be prepared and approve staff training and development programme and supervise its implementation.

5. **Tariff Setting**

Tariff setting is the responsibility of the Board. The Board shall ensure that the tariff set is affordable and adequate to meet costs of provision of water and sewerage services. Costs for category (a) shall include O&M costs, essential depreciation (eg. Pumps, vehicles, computers, tools & equipment etc.) and contribution to capital investment while for categories (b) and (c) shall include O&M costs only. The tariff set shall provide for 5,000 litres of free water per month for the extremely poor households.

6. **Financial Guidelines**

(a) The Managing Director shall prepare the annual budget (annual plan) which shall be approved by the Board. The budget so approved and signed by the Chairman and the Secretary shall be submitted to the Minister for information, within one month from the date of its passing by the Board, regard being had on the provisions of Regulation 27 of the Waterworks Ordinance. Authorities under categories (b) and (c) shall have their budgets approved by the Minister.

In preparing the budget, allocation of funds shall follow the following priorities:-

- i) Personnel Emoluments and statutories
 - ii) Utilities (electricity, telephone, water and water user fee)
 - iii) Operations
 - iv) Preventive Maintenance
 - v) Repair and Replacement
 - vi) Development and Investment
 - vii) Asset valuation, both new and old.
- (b) The O&M expenditure budget of the Authority shall not exceed 90% of the expected revenue for Authorities in category (a) and 95% for Authorities in category (b). The remaining 10% and 5% of the revenue collected shall be used for new investment or local contribution to the donor supported projects or to any other scheme, fund established by the Authority, Ministry or joint body of Authorities as it may be provided from time to time.
- (c) The Board shall exercise maximum control of the expenditure of monies of the Authority in strict adherence to the approved budget, financial Regulations of the Authority and Finance and Procurement Acts of 2001.
- (d) All Authorities shall pay taxes according to the laws of the land.
- (e) The Board may invest any part of the monies of the Authority which for the time being is not required for the purpose of the business of the Authority, in short term secure

financial year, such as buying Government Bonds. Such investment shall be approved by the Minister.

- (f) With prior approval of the Minister, the Board may obtain loans and other credit facilities, to be used for investment purposes, from any person or body of persons for the purpose of the Authority.
- (g) The Accounts of the Authority shall be audited by Controller and Auditor General (CAG) or his appointee. The appointee shall be selected from among three Auditors proposed by the Board.
- (h) In order to comply with Regulation 29, the draft annual accounts should be ready latest by 15th September every year.
- (i) The Annual Accounts shall be prepared on accrual basis in accordance with NBAA standard format appended as **Annex II**.
- (j) The Authority shall have its own financial Regulations, taking cognizance of the Finance and Procurement Acts of 2001, to include the following:
 - i) Budgetary Control
 - ii) Cash receipts and Banking procedures
 - iii) Internal Control
 - iv) Payment procedures
 - v) Audit and appointment of Auditors
 - vi) Custody of receipts
 - vii) Tendering
 - viii) Fixed Assets, register and tally
 - ix) Instructions on maintenance of books of accounts which may include accounting software, upgrades and security
 - x) Accounting procedures and formats
 - xi) Financial reporting: daily, weekly, monthly, quarterly and annually
 - xii) Procurement transparency and value for money principle.

7. Commercial Guidelines

- a) Every Authority shall have a Customer Services Section and a Public Relations Unit to enhance its image. This will improve authority's relationship with its clients and the public and improve customer willingness to pay and hence pave way for sustainability of the services provided.
- b) All projects undertaken by the Authority's own funds must be economically and commercially viable.
- c) Every Authority shall strive to encourage Private Sector Participation in its operations in order to enhance efficiency. This will also serve as additional source of external financing.
- d) Every Authority shall have to diversify its sources of funds by engaging in value added services.

services are essentially monopolistic in nature. Competition however, can be instituted within, through vertical and or horizontal desegregation.

- f) Every Authority shall increase its clientele as quick as possible to gain economies of scale. This includes expansion of services and activities to other (small) towns. Such expansions shall be in accordance with the Water Works Ordinance.
- g) The Authorities should recognize the possibilities of non-traditional financing, such as Financial Institutions and Private Sector Participation for its projects and programmes.
- h) Every Authority shall embark on measures to improve revenue collection efficiency and these include the use of current technological developments such as prepaid mechanisms or use of debt collection agencies, with prior approval of the Board.

8. Technical Guidelines

- a) All designs and constructions should conform to the design manual of the Ministry and or acceptable International design and construction practices.
- b) Environmental Impact Assessment (EIA) shall be undertaken to any water supply and sewerage interventions
- c) All Authorities shall put in place mechanisms for water sources protection and conservation, which include payment of economic charges for UFW above agreed limits.
- d) Every Authority shall ensure that, the facilities and infrastructure for water supply and sewerage delivery services are properly maintained and a comprehensive preventive maintenance system is in place.
- e) Safety of employees, facilities and infrastructure is of paramount importance to the Authority. Every Authority shall prepare safety Regulations and implement them.
- f) Accuracy of water meters varies with time and or water quality. In this regard, every Authority should develop preventive maintenance and management procedures to ensure that meters are calibrated at most every five years.
- g) Every Authority must develop its own water quality-monitoring programme, adhere to it and publish the results for the public.
- h) Every Authority must put in place and publish a workable water demand management system.

9. Purchases and Stores Guidelines

- (a) The final Authority in all purchases of the Authority shall be vested in the Board.

with the consent of the Board shall form a Tender Board, as of the Public Procurement Act of 2001 to approve purchases and tenders with ceiling as prescribed in the 2nd Schedule of the Public Procurement Regulations.

- (c) The Authority may procure its stores from any source within and without the country. The Authority shall make sure that the stores are reasonably priced and are of acceptable quality as per acceptable standards. For procurement of water pumps, large diameter pipes & fittings, meters and chemicals, priority shall be given to Maji Central Stores whenever competitive. The Authorities shall at all times procure from the manufacturers of goods or public owned companies or private registered companies.
- (d) All water treatment chemicals must be procured from reputable suppliers. The Authority shall convince itself, at all times, that the chemicals are of right quality and fit for treating water for human consumption. For this purpose, the Authority shall make use of Government approved laboratories. A sample of each batch of such chemicals must be kept under lock and key for a period of one calendar year for verification by a Regulator or any other competent Authority of Government.
- (e) The Authority shall forecast its procurement requirement as accurately as is practicable and as in the annual budget and work plan. The annual procurement plan/programme must be prepared and approved by the Board.
- (f) Without compromising the Public Procurement Act 2001, the Board shall cause to be reviewed/prepared Purchasing and Stores Regulations to include the following:
 - i) Stores functions
 - ii) Purchasing procedures, Local and Foreign
 - iii) Receipts and Inspection
 - iv) Issue and dispatch procedures
 - v) Stock Records
 - vi) Stock taking procedures
 - vii) Identification of Stores
 - viii) Stores Accounting and Valuation
 - ix) Coding of Stores
 - x) Stores buildings and Stock yards
 - xi) Insurance
 - xii) Stock Movement
 - xiii) Accounting formats

10. Procedure for Board Appointment

Further to Regulation 6, 8 and 9 of the Waterworks Ordinance the appointment of Board members except those who qualify by virtue of their positions, shall be as follows:-

- (a) For the position of the Chairperson, two nominees shall be proposed by the Regional Administration. The nominees shall possess a University degree or its equivalent.

Large scale consumers of water two nominees from the 2 biggest consumers of water, with their average water consumption per month shall be proposed by the Authority.

- (c) For the representative of the Local Commercial Sector, two nominees shall be proposed by the local business organization.
- (d) For the representative of the Local Council (local councilor), two nominees shall be proposed at a Full Council Meeting of the respective Urban or District Authority;
- (e) For the representative of the domestic consumers and women, two nominees for each group shall be proposed by the District Commissioner;

All names proposed shall be submitted to the Minister accompanied by their respective Curriculum Vitae (CVs) through the Regional Administration. Over and above qualifications for nominees mentioned in Regulation 9 of the Waterworks Ordinance, the proposed candidates for appointment to the Board should be English literate, Form IV and above with a good record of water and sewerage bills payment.

Members of the Board except those joining by virtue of their position can serve the Board for a maximum of two terms only.

For every new appointment of the Board and for continuity proposed purposes, there shall be two new members who have never served in the Board before.

11. Reporting Procedures and Mechanism

The Authority shall prepare and submit to the Ministry the following reports, preferably in English, in the formats to be provided regularly by the Ministry.

- (a) A weekly flash report to be submitted every Monday by Telefax, Telephone or E-Mail.
- (b) Monthly report to be submitted not later than 10 days after the end of the month by a fast courier service.
- (c) Quarterly report to be submitted not later than 14 days after the end of the quarter (end of every 3 months) by a fast courier service.
- (d) Annual report (operational) with draft annual accounts of the previous financial year shall be submitted not later than 15 September every year.
- (e) Annual report, as per Regulation 29 of the Waterworks Ordinance.

The above reporting procedures notwithstanding, the Authority shall report promptly to the Ministry, Regional and Local Urban Authorities any major event likely to affect continuous normal provision of water and sewerage services.

12.1 Performance Indicators

Further to second schedule, under Regulation 4(2) of the Waterworks Ordinance, the following indicators which form part of monthly reports shall be used to assess the performance of the Authorities on monthly and annual basis.

(a) General Indicators

- i. Estimated Water Demand (m^3 /month)
- ii. Quantity of water produced (m^3 /month)
- iii. Quantity of billable water (water distributed less leakages) (m^3 /month)
- iv. Actual quantity of water billed (m^3 /month)
- v. Value of billed water (Tshs/month)
- vi. Quality of water produced (turbidity, residual chlorine and Ecoli/ml)
- vii. Quantity and type of chemicals consumed and their value
- viii. KWh and KVA consumption and Electricity bills
- ix. Quality of sewerage effluent (BOD, COD)
- x. Percent of Projects implementation
- xi. No. of Board meetings/committee meetings

(b) Service Indicators

- i. Percent of population served
- ii. Water supply service aerial coverage
- iii. Average hours of service per day
- iv. Total no. of water connections
- v. Sewerage service coverage (%)
- vi. Total No. of sewerage house connections
- vii. No. of metered connections in working order
- viii. No. of new water connections
- ix. No. of new sewerage connections
- x. No. of kiosks
- xi. Cost of 20 litre jerry can of water by vendor
- xii. Total length of sewer lines
- xiii. Total length of water pipes
- xiv. Total no. of free services given to the poor

(c) Efficiency Indicators

- i. Unit cost of produced water (Tshs/ m^3)
- ii. Unaccounted for water (water produced less amount of water billed) (%)
- iii. Billing and revenue collection efficiencies (%)
- iv. Accounts Receivable (months)

and a major leak

- vii. No. of complaints received
- viii. No. of sewer blockages
- ix. No. of employees per 1000 water & sewerage connections
- x. Expenditure against budget
- xi. Personnel expenditure as a % of current revenue collected

12.2 Facilities and Infrastructure

Pursuant to Section 3(2) of the Waterworks Ordinance:

- (a) The Authority shall obtain title deeds for all land acquired or which may be acquired for the purposes of the Authority.
- (b) The Authority shall prepare an inventory of all properties which vests in the Authority or which have been acquired by the Authority including pumps, cisterns, fountains, wells, reservoirs, conduits, motor vehicles, plant, machinery and any other waterworks.
- (c) The Authority shall prepare valuation of all fixed assets, using the services of a competent Registered Valuer and maintain an up to date register of all its assets.
- (d) The Authority shall prepare and obtain a deed of transfer in respect of all properties, which are in its possession.

12.3 Logo

The Authority may adopt a distinctive logo of their choice wherein the words *Urban Water Supply and Sewerage Authority* shall appear.

12.4 Preparation of Various Regulations

- (a) All Authorities shall prepare and publish regulations as stipulated under Regulation 30(1) of the Waterworks Ordinance
- (b) Authorities that do not have in-house capacity and or resources, to prepare the regulations, may seek assistance of the Ministry

12.5 Workers Council

Every Authority shall establish Workers Council in accordance with the laws of the land.

13. Capital Works

- a) The Authorities shall ensure at all times that all works to be undertaken (whether recurrent or capital in nature) are executed according to acceptable sound engineering practice.

Authorities may consult the Ministry for advice and/or guidance on the planning and execution of all capital works whether own, donor or government funded or funded by a combination of either two or all three.

- c) Where such capital works are to be contracted out, they shall be contracted out to reputable and registered contractors and be supervised, where necessary, by registered and reputable engineers. Both contractors and engineers shall be sourced through fair and competitive bidding, in accordance with the Public Procurement Act of 2001.
- d) During the undertaking of such works the engineers and contractors shall report on the progress of the works as per contractual obligations and copies of such reports should be forwarded to the Ministry for information and commenting upon. The Authority shall also submit monthly work progress report to the Ministry.
- e) The Authorities, without any reservations, shall allow access by all designated Ministry officials whenever they visit their offices to all necessary information on the progress of the works and to the sites of the works to inspect on the progress.

14. Contribution to Sector Activities

The Authorities are required to contribute to joint sector activities such as Annual Water Experts Conference (AWEC), UWSAs Annual General Meeting, MAJI Week, etc. These contributions however shall not exceed 0.5 percent of the total annual revenue collection.

15. Annual General Meeting

There shall be an Annual General Meeting (AGM) to be chaired by the Minister, and to be attended by the representatives of the Boards, UWSA Staff, Ministry and any other invitees. In the meeting one of the agenda shall be the presentation of the annual report with audited annual accounts by every Authority.

The annual report shall have Chairman and Managing Director's statement containing their opinion and views on the trend and forecast of the overall performance of the Authority

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IMPLEMENTATION AND EVALUATION OF THE WSDP

The major key entities in performing M& E activities for the WSDP in Urban sub sector are:

- i) Ministry of Water
- ii) UWSAs/WSSAs
- iii) EWURA

16.1 Functions and Responsibilities of Key Entities

The new institutional framework for the provision of water supply, sewerage and sanitation services is set out in Figure 5.2 and the main functions and responsibilities of each organisation in the framework will be as follows:

Table: Functional Responsibilities for Water Supply, Sewerage and Sanitation

Organisation	Functions and Responsibilities
Minister responsible for Water	<ul style="list-style-type: none"> • Presents national sector policy and strategy to Government; • ensures policies and strategies are implemented; • appoints chairman and members of the WSSAs boards; and • appoints chairman and members of the EWURA board
Ministry responsible for Water	<ul style="list-style-type: none"> • policy and strategy development; • advises EWURA in formulation of technical guidelines and standards; • co-ordinates planning for projects of national importance; • secures finance for projects of national importance; • monitors technical performance of WSSAs and DAWASA; • provides technical support, guidance and monitor major capital works to WSSAs; and • coordinates and monitor WSSAs plans.
Water Supply and Sewerage Authorities	<ul style="list-style-type: none"> • own, manage and develop water supply and sewerage assets; • prepare business plans to provide water supply and sewerage services, including capital investment plans; • secure finance for capital investment, and relevant subsidies; • contract and manage Service Providers; and • provide services not contracted out.
Service Providers	<ul style="list-style-type: none"> • provide water supply and sewerage services in accordance with contractual requirements;

id Responsibilities

	<ul style="list-style-type: none"> • Construction of water sector infrastructures; • Provide Consultancy services; • Supply of goods; and • Training of communities in water related aspects.
Energy and Water Utilities Regulatory Authority	<ul style="list-style-type: none"> • approves business plans of WSSAs; • issues operating licences to WSSAs; • approves service tariffs; • publishes technical guidelines and standards; • monitors water quality and service performance of WSSAs; and • collects and publishes comparative performance data.

16.2 Guidelines on Level of Services

16.2.1 Water Supply Services

Water supply services should be available to all people living within the designated urban area of the wider service area of the authority, which is normally defined as the urban census district. The levels of service to be provided within the main urban area are as follows:

Hours of service	Continuous 24 hours per day by a designated date to be determined for each authority according to the investment needed to achieve this aim.
Water quality	Water supplied should comply with Tanzanian standards for drinking water. Derogations may be made where the standards are difficult to achieve, provided such derogations are not injurious to health and customers are notified of any precautions to be taken.
Reliability	Authorities may designate standards for reliability of the supply as part of their customer charter. These must be realistic, but should aim to provide a service to all customers for at least 99% of the time and limit interruptions to the supply to no more than 12 hours.
Metering	All customers should have a metered supply by 2010, except where water quality is likely have a serious impact on meter operation.

16.2.2. Sewerage Services

- (a) Sewerage services should be provided as part of an overall sanitation strategy for the urban area. They should be provided where on site sanitation services are unsatisfactory due to factors such as unsuitable underlying geology or high water tables.
- (b) Sewerage services should be integrated with other sanitation facilities, including the provision of public toilets and seepage collection and disposal.

central area covered by the sewer network should generally be their own wastewater in accordance with Tanzanian standards.

For industrial estates, separate wastewater collection and disposal systems may be provided that are independent of any municipal system. UWSAs may take over and operate these systems.

- (d) All UWSAs should establish standards for industrial wastewater discharges to sewers, which prohibit any toxic materials, excessive oil and grease and substances likely to adversely affect the operation of the wastewater treatment plant. There should also be a limit on the BOD and suspended solids loads of the effluent and charges should be related to the quality as well as the quantity of effluent discharged. Industries should be liable for any costs incurred by the UWSA where industrial effluents that do not comply with the standards damage the sewers or the treatment process.
- (e) Where a sewerage system is provided, wastewater collected should be treated and disposed of in accordance with Tanzanian standards. Provision should be made for the acceptance and treatment of seepage at the wastewater treatment plant.

16.3 KEY PERFORMANCE INDICATORS

The output indicators measure progress towards construction and rehabilitation of existing facilities, analyze, evaluate and appraise the performance of the sector towards meeting target of WSDP.

Outcome indicators will track progress towards project results and development objectives of the WSDP. The main objective of M&E is to monitor input resources, expenditure and outputs.

The monitoring shall focus on a few number of Key Performance Indicators (KPIs) which focus on service delivery **outcomes**. The KPIs should be challenging and need to be assessed individually for each WSSA. The following KPIs are proposed in the Programme Document and is expected to embrace the crucial financial and service outcomes:

Table: Key Performance Indicators

	KPI (unit)	calculation	measures
Financial	collection ratio (%)	collections/billing	collection efficiency
	working ratio (%)	operational expenses/income	overall financial situation
	arrears (months)	billings outstanding/monthly billing	outstanding debt
	distribution and sales cost of water (Tsh/m ³)	cost of distributing and selling water/water sold	administration and overhead costs
Service	hours of supply (hours) ¹	no of hours supply available	reliability of service
	population served (number)	count of population served	extent of service coverage
	failures to meet water quality standards (%)	number of samples failing to meet the specified standard/total nr. of samples tested for each parameter.	effectiveness of treatment processes
	unaccounted for water (%)	total sales/water produced	overall efficiency
	population served (sewerage)	Number	extent of service coverage

Reporting Mechanism in the implementation of WSDP will be in the form of Flash, Monthly, Quarterly and Annual Reports (operational) with draft annual accounts of the previous financial year from the respective UWSAs and according to the MoU and as per Regulation 29 of the Waterworks Ordinance.

Periodic Programme Evaluation

There will be a periodic programme evaluation which will determine relevance and fulfillment of program objectives comparing past and current situation, Review of progress report from MoW and UWSAs and Review of national poverty reports, economic survey data and statistics on health in terms of the following key areas:-

- Effectiveness (results) of the programme
- Efficiency of the programme
- Development of soundness

16.4.1 Monitoring Mechanism

- i) The role of the Ministry of Water is to facilitate co-ordination, technical support and capacity building, performance monitoring and quality assurance, policy and guideline formulation
- ii) Performance monitoring is aimed at effective management audit of the provision of water supply and sewerage services with the objective of analysing, evaluating, reviewing and appraising the performance of the entity concerned
- iii) Management information system is among the tools of the performance monitoring. This tool through a Modern database installed at the Commercial Water Sub-sector, EWURA and in all UWSAs will be used for storing, analysing, and dissemination of information received from respective UWSAs. Monitoring will be based on all Technical, Financial, Business and Service Indicators.

16.4.2 MIS in Monitoring and Evaluation

The tools for monitoring and evaluating the WSDP include Management Information Systems (MISs). MISs will be used to collect, store, analyse and disseminate information and data on the WSDP sub-projects. Beyond serving the purposes of M&E, the MISs will also be used for networking and information exchange, sub-project management, document retrieval and general planning, management and financial tracking activities. This powerful monitoring and management tool will be available at the district, regional and national levels. Inputs will be provided at the local level. The information will be rolled up and summaries available so that up-to-date countrywide reports on WSDP progress will be available as needed. The general objectives of the management information systems for WSDP are to:

- provide correct and timely information for supporting the implementation, monitoring and evaluation of the WSDP at the district, urban, regional and national levels;
- assist managers and decision makers about current and future programme directions; and
- contribute to policy formulation, sector dialogue, standard setting and quality control

and disseminate information and data on the WSDP óProjects maps showing infrastructure and natural features such as roads, river and water points using a Geo-referenced GIS system

- To support the urban water supply sector management in planning and decision making
- To provide correct and timely information for supporting the implementation, M&E of the WSDP
- To create Networking and information exchange system between the Ministry, UWSAs and other stakeholders in the course of tracking down the performance Indicators for Urban Water Supply and Sanitation Programme

The key output and outcome indicators for monitoring implementation of the WSDP are as summarised in the table below:

Table: Output and Outcome Indicators for Water and Sanitation

Output and Outcome Indicators for Water and Sanitation						
	Output indicator	Measured by	Baseline data	Outcome indicator	Measured by	Baseline
Urban						
Water Supply	<ul style="list-style-type: none"> • No. of new HH water connections • No. of new public water points (kiosks) • No. of projects/contract, constructed, • Total length of pipelines, • No/Volume of storage tanks • No of pumps installed 	UWSAs monthly and annual reports	UWASA annual reports	% Household using improved sources for drinking water	NBS - Periodically by survey Census, HBS, DHS	85% - 2002 Census (Dar 91%) (Other urban 84%)
Sewerage	<ul style="list-style-type: none"> • No. new HH connections to sewerage system • No. of sewerage systems implemented 	UWSAs	UWASA annual reports	% HH using improved sanitation	NBS - Periodically by survey Census, HBS, DHS	tbd (2002 Census: Dar 98%, Other urban 94%)
Sanitation	No. of new HH latrines constructed	LGAs and MoH annual health reports	Currently not reported?			



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EWURA (Energy and Water Utilities Regulatory Authority) has been established under the Energy and Water Utilities Regulatory Act, 2001, to regulate *inter alia* the provision of water services. EWURA will be responsible for issuing licences to WSSAs, based on the submission of business plans, and for monitoring and regulating performance of the WSSAs against the business plans. This will include the approval of tariffs for water and sanitation services based on the performance of the WSSAs in delivering services to consumers.

As the business plans of the WSSAs will be required to include the performance related contractual arrangements with their Service Providers, the WSSAs will have responsibility for the management of these contracts and EWURA will not be required to separately regulate the Service Providers.

The regulation of the UWSAs will be done by EWURA, based on the NAWAPO, 2002. According to Section 7 of the Act, the functions of EWURA include;

- i) Issuing, renewing and cancelling licenses,
- ii) Establishing standards for goods and services, and
- iii) Regulating rates and charges.

The extent of the regulatory functions conferred on EWURA in respect of water supply and sewerage services is to be determined by sector legislation, which has not yet been promulgated. Notwithstanding the generality of Section 46 (c) of the Energy and Water Utilities Regulatory Authority Act, 2001, regarding information to be included in the Annual Report of EWURA, the Annual Report shall, in respect of the regulation of water supply and sanitation authorities, include:

- (a) A comparative analysis of the performance of licensees against performance targets specified in the licences;
- (b) A statement of all directions or enforcements given by EWURA to licensees during a year in question; and such other information as the Minister responsible for EWURA may direct.

As a consequence, regulation of the water supply and sewerage sector effectively remains with MoW. The Energy and Water Utilities Regulatory Authority (EWURA) will remain as the regulatory body for all non community-owned organisations such as DAWASA and UWSAs. However, a new reporting mechanisms will be agreed between EWURA and MoW after the end of the current MoU in June 2008.

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ANNEX II

1. The accounts books and statements therefore will be maintained and produced as per NBAA pertaining standards.

The following are the basic financial statements that will be required to be produced monthly, quarterly and annually from each Board.

- (a) Receipts & Payments Statements (Source and use of funds).
- Purpose is to give cash receipts and cash payments for a month or year.
- (b) Bank Reconciliation (Quarterly).
- (c) Income and Expenditure Statement (Profit and loss statement on monthly and annually basis).
- (d) Balance sheet (Quarterly and annually).
- (e) Cash Flow Statement (i.e Source & Application of Funds. - end of Financial Year)
- (f) Statement of Accounting policies and Explanatory Notes (Annually).
- (g) Directors Report (Annually).
- (h) Loss of liquidity report (Interest, tax payment, loan payment and capital expenditure).
- (i) Non operating cash inflow report (New equity capital + loans + Sale of fixed assets).

2. Financial Performance Analysis:

The financial performance of the Authority must be analyzed regularly. The following ratios form the basis of such analysis on quarterly or annual basis;

- a) Quarterly Analysis
 - Short term liquidity measures
 - Current ratio; current assets/current liability
 - Quick ratio; current ratio with inventories value removed from current assets
 - Working capital/sales ó liquidity ratio of Authority
- b) Annual Analysis
 - Debt/Equity ratio
 - Return on total assets
 - Return on equity; Profit after tax/Net worth
 - Margin on sales
 - Sales to total assets ratio

3. The summary of the final Audited Accounts be presented as per attached format (**ANNEX IIA**).

TREND ANALYSIS BASED ON THREE YEARS AUDITED ACCOUNTS

ITEM	2004/05	2005/06	2006/07 (current Rep.)	REMARKS
1: COMPLIANCE: <ul style="list-style-type: none"> • Timely presentation of Accounts • Type of Audit Certificate * 				
2: PRODUCTION (m³) <ul style="list-style-type: none"> • Planned Production • Actual Production • VARIANCE 				
3: COLLECTION EFFICIENCY (Tshs) <ul style="list-style-type: none"> • Budgeted Collection (total) • Actual Collection (total) • VARIANCE 				
4: DEBT MANAGEMENT (Tshs): <ul style="list-style-type: none"> • Amount Billed • Current Collection • Arrears Collected • Outstanding Arrears (Total) <ol style="list-style-type: none"> 1. Domestic 2. Public Institution 3. Commercial 4. Industry 5. Kiosks • Accounts Receivable ratio 				
5: LIQUIDITY (Tshs) <ul style="list-style-type: none"> • Cash flow surplus • Creditors (total) • Net Current Assets/(Liabilities) 				
6: INVESTMENTS <ul style="list-style-type: none"> • Financed by own sources (Tshs) • Financed by other sources (Tshs) • Total (investments) (Tshs) • % CTI (Own Sources) ** 				
7: INTERNAL CONTROL (Tshs) <ul style="list-style-type: none"> • Cash Losses • Stores Losses • Outstanding staff Advances/ Imp rest 				
8: OPERATING RATIO <ul style="list-style-type: none"> ▪ Operating costs (Tshs) ▪ Operating revenue (Tshs) ▪ Operating ratio *** 				

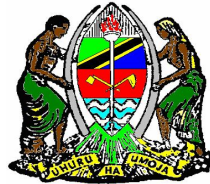
* = Clean (Unqualified) or Qualified

** = CTI = Contribution to Investment. This shows Capital expenditure financed by internal cash generated by Authority.

*** = Operating ratio = $\frac{\text{All operating expenses including depreciation}}{\text{Operating Revenue}}$

THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF WATER



WATER SECTOR DEVELOPMENT PROGRAMME (WSDP)

PROGRAMME IMPLEMENTATION MANUAL (PIM)

ADDENDUM

PROJECTS ELIGIBILITY AND APPRAISAL CRITERIA FOR WATER UTILITIES

APRIL 2007

The document sets out the procedures which Urban Water and Sewerage Authorities (UWSAs) are required to follow in order to translate Water Sector policies and priorities into capital investment programmes. The procedures outlined have been drawn up to ensure that all schemes on which expenditures is committed are fully justified. All schemes which are scheduled separately in the Capital works programme are to be subject to the procedures set out in this document; other minor schemes are to be appraised on similar principles.

- 1.2 The document should be read in conjunction with relevant Design Manual and Sewerage manual which set out the requirements of the Water sector in respect of design and give guidance on Technical matters to staff engaged in the design of works for the various services.
- 1.3 The majority of schemes to be appraised are expected to be identified during the formulation of individual UWSA plans.
- 1.4 The WSDP will fund the following project components:-
 - Capacity building
 - Studies for rehabilitation, upgrading or construction of water and sewerage systems.
 - Rehabilitation, upgrading or construction of water projects
 - Rehabilitation, upgrading or construction of water Storage tanks.
 - Rehabilitation, upgrading or construction of community pumping station.

2.0 ELIGIBILITY

To be eligible for each of the project components described above, participating water utility must comply with certain criteria. The water utilities will follow either the “reform route” or the “operational and financial efficiency route”. Under the “efficiency route” the companies must demonstrate through selected indicators that they have the sufficient financial and operational capacity to implement the investments. Under the “reform route” the UWSAs in category C will not be appraised on financial and operational eligibility criteria.

▪ **Expected benefits**

Project benefits include an expansion of water supply and sewage collection and treatment services; an elimination of intermittent provision and rationing (planned interruptions) of water service; a quality improvement of water supplied; and a reduction of water pollution levels. The improved hygienic and environmental conditions that result from increasing the coverage, quality and reliability of water and sewerage services translate into better quality of life. Better hygienic conditions read to decreased infant mortality and reduced incidence of water-borne diseases. Improved environmental conditions contribute to the recovery of beaches , enhance tourism activities and other water uses, and increase recreational activities. From an institutional point of view, project benefits focus on increasing economic efficiency in sector service operations. Project benefits expected from encouraging private sector participation and decentralized provision of water and sewerage services, in a competitive and appropriately regulated environment, are:- improved operational and financial performance of participating utilities; reduced financial transfers from the public sector to water utilities; and a temporary but significant generation of jobs for unskilled workers.



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DRY

Before they access funds and capital development grants or sub-loans for the rehabilitation and expansion of services all Urban Water Utilities in Category A and B have to obtain an operating license from EWURA. Other criteria are that they should have a signed MOU, audited account and a Business plan. In addition they will be evaluated based on indicators as stipulated in the MoU. Investments will be provided with priority to those UWSAs which have studies in place, are able to supervise the investments and have not received substantial donor support investments.

The project proposals should then be evaluated on economic and technical criteria.

Category C

Category C UWSAs need to be reformed. Under these reforms, a far-reaching transformation of the utilities is called for; all financial and operational eligibility criteria are waived. The underlying assumption is that once transformed the utilities would naturally become financially and operationally efficient. The main criteria will be that the utility has already been declared (and gazetted) as an urban water supply authority under the Urban Act of 1998. UWSAs in category C will receive management support from MoW including training, office accommodation, and equipment and retooling according to the un-served population criteria. It will be a condition that one of the outputs for that capacity building should be to qualify to get a license and therefore qualify for capital grants.

• FLOW OF DOCUMENTS:

All UWSA will submit subprojects to DCWSS for consideration. Eligibility will be evaluated by DCWSS following agreed eligibility criteria. To judge a UWSA eligibility, the DCWSS will conduct a detailed financial evaluation of the utility’s financial health, for category A and B UWSAs with emphasis on how the proposed project will benefit the UWSA in meeting the Millennium Development goals (MDG) and how it will affect its financial position. A positive answer would launch a detailed technical, environmental, economical, and financial assessment of the project. Bidding documents for eligible projects will then be submitted to PMU for securing goods and services as per regulations.

3.0 PRINCIPAL FEATURES OF THE APPRAISAL PRCESS

- 3.1 The object of the schemes appraisal is to ensure that expenditure is incurred only on those schemes which can be justified. Justification will be related to need, quantification and timing.
- 3.2 Schemes which arise as a result of operational problems. Emergencies will always have to be dealt with on an adhoc basis but generally it is the aim of WSDP that all will complete the appraisal process.
- 3.3 Outline capital works proposal
This proposal will identify the need for a scheme and give sufficient information to justify its consideration for inclusion in the programme.
- 3.4 Primary appraisal
This will cover justification of need, quantification of existing works or system usage and capacity, agreed scheme objectives and principal operational requirements.
- 3.5 Detailed appraisal
This should include consideration of design options.

4.0 IDENTIFICATION OF CRITERIA

Several criteria are identified for allocation of funds to UWAS. The following criteria identified were found suitable for adoption in the Capacity Building budget:

- *Building Offices:* Authorities without any office building will be assigned high score and for building which need rehabilitation will be grouped according to the need.

...priorities which are mainly of category C will be grouped into the amount required for operational of equipments. Then scores will be assigned accordingly

- *Training*:: Assessment of the training needs will be done to each authorities of category B and C and score will be assigned accordingly where by the most needy authority will get high score.
- *Office equipment*: The UWSAs of category B and C will be grouped into three groups according to their office requirements. Scores will then be assigned accordingly.

For the urban water investment budget the following criteria were found suitable for adoption:

- *Technology*: Priority will be given to the new investment. The infrastructure to be constructed or rehabilitated for an Authority will be assigned high score if the technology used is complex.
- *Unserved population*: Authorities with high unserved population will be assigned high score.

4.1 Award of scores

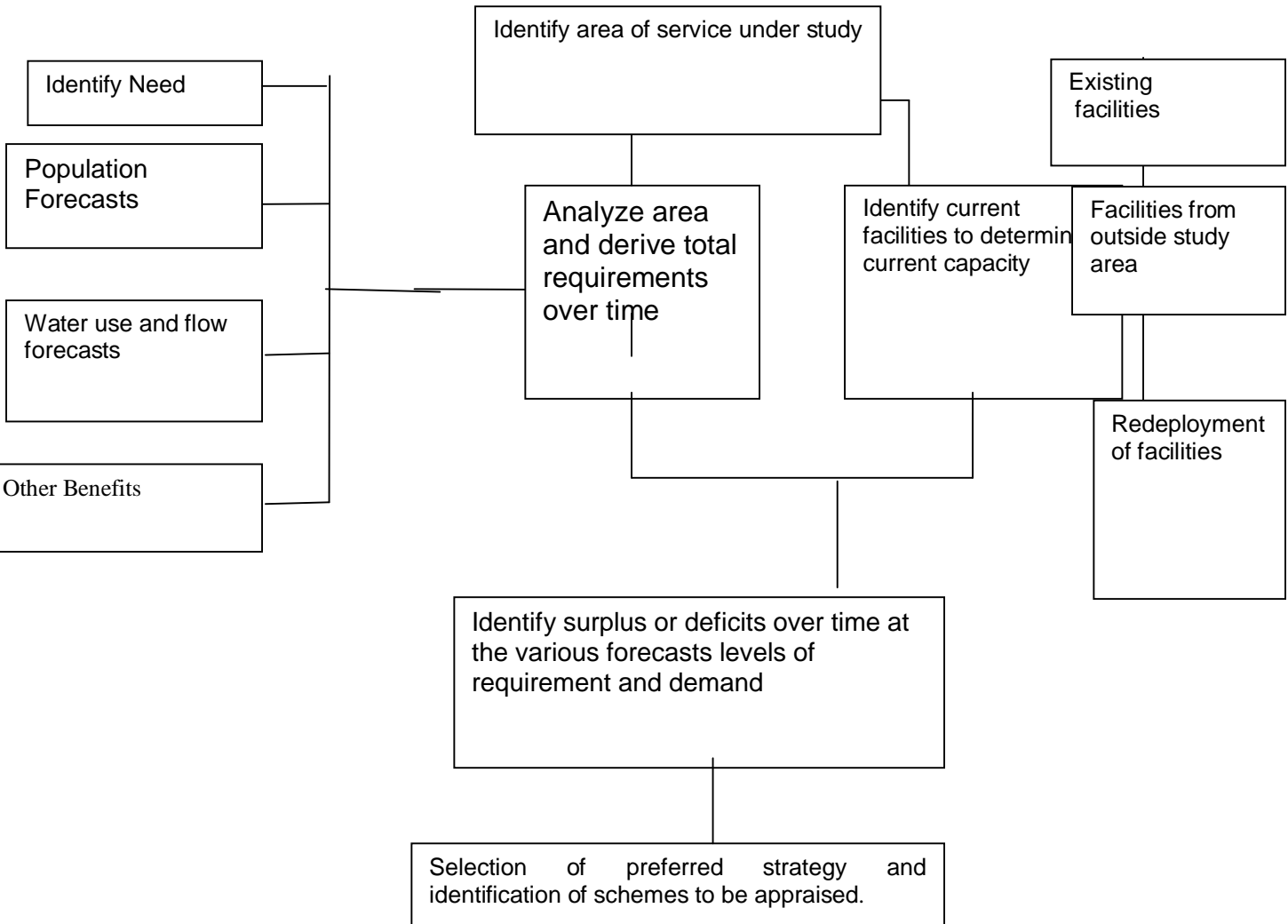
The above criteria were prioritized and assigned score as follows:

	SCORE (%)
A.Capacity building	100
• Building offices	30
• Operational equipment	40
• Training	20
• Office equipment	10
B.Urban WSS Investment	100
1. Expansion	60
• Technology	20
• Unserved population	40
2.Rehabilitation	40
• Technology	10
• Unserved population	30

4.2 Allocation of Funds.

After assigning scores to each Authority, for both Capacity Building and investment, funds will be allocated accordingly. Assessment will be done annually and assignment of scores and allocation of funds will be done accordingly.

METHOD TO IDENTIFY A PROJECT



CHECKLIST : APPLICATION PACKAGE

CONDITION		UWSA CAT.A	UWSA CAT.B	UWSA CAT.C
Official Application form		√	√	√
Legal documents:	Gazetted	√	√	√
	License from EWURA	√	√	
	MOU	√	√	√
	Business Plan	√	√	√
	Audited Accounts	√	√	
	Signed financial resource utilization agreement	√	√	√
Technical documents	Pre-Feasibility Study	√	√	√
	Feasibility Study & Technical Project	√	√	√
	Project: description justification, and specific goals	√	√	√
	b) Site location (including drawings, plans, and other references)	√	√	√
	c) Principal project design and calculation parameters	√	√	√
	d) Detailed Budget containing estimated quantities and costs	√	√	√
	e) Estimated Bill of Quantities	√	√	√
	f) General technical drawings	√	√	√
	g) Detailed technical drawings	√	√	√