

**FINANCIAL IMPLICATIONS OF THE TAKEOVER OF
SUB - URBAN SEWERAGE SYSTEMS BY
NATIONAL WATER AND SEWERAGE CORPORATION
THE CASE OF NAALYA AND NTINDA WASTE STABILIZATION PONDS**

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ABSTRACT

At the unfold of the 20th Century, UNICEF estimated that only 60% of households accessed some form of water supply and 43% were covered by sanitation services in Uganda. In Kampala, only 6% of the exponentially ever growing population is served by the archaic sewerage system which is restricted to the central business district. There are a number of much smaller privately owned and mismanaged sewerage systems serving housing estates on the outskirts of the city e.g. Naalya and Ntinda NHCC estates.

National Water and Sewerage Corporation was established in 1972 and mandated to operate and provide water and sewerage services in areas entrusted to it on a commercial and viable basis. NWSC therefore has a business opportunity to take over management of the sewerage systems. The aim of this study was to therefore explore the financial implications of the takeover of the sewerage systems by NWSC to facilitate the investment decisions to be made by the Board of Directors of NWSC and ensure efficient, reliable, sustainable and commercially viable service provision to the residents in the area.

An exploratory research design utilizing cross sectional surveys to obtain both qualitative and quantitative insights of two heterogeneous populations of thirty NWSC experts and 277 homesteads/customers in Naalya and Ntinda was used in the study. Data was collected using questionnaires, NWSC billing and management systems and was analyzed with help of Microsoft Excel 2010 to obtain the expected returns on investment for three investment scenarios in terms of NPV, IRR, BCR and the risk of the project in terms of ATP, WTP and payback period.

The mean monthly income earned was Ushs 1,559,000 and 43% of the population earn above this monthly average. Expenditures on water and sewerage services were generally low while 69% spend less than 70% of their income on food. 86% of the respondents declared that they had enough money to pay for their water and sewerage bills while 70% admitted to real value for money from NWSC and 71% preferred NWSC to manage the sewerage systems compared to other operators. These were good indicators of ATP and WTP. NWSC staff also expressed their strategic willingness to take over the systems

Scenario 1 which involved acquisition of the assets from NHCC through buying at a fair market price was rejected. While a more realistic Scenario 2 involving the lease of the systems from NHCC and/or Uganda Lands Commission was preferred over Scenario 3 which involved an ideal takeover of the systems without any compensation to NHCC. Scenario 2 yielded an NPV of Ushs 312,134,000/=, IRR of 21.48%, payback period of 5years and a BCR of 1.17, a profit before tax of Ushs 154,390,000/= expected at the end of 2014 and a working capital of 0.5, a sign of strong financial sustainability.

The study therefore determined that the area is lucrative and commercially viable while the sewerage service can be financially sustainable. It was therefore highly recommended that NWSC management takes over the sewerage systems through Scenario 2 – lease from the NHCC.