

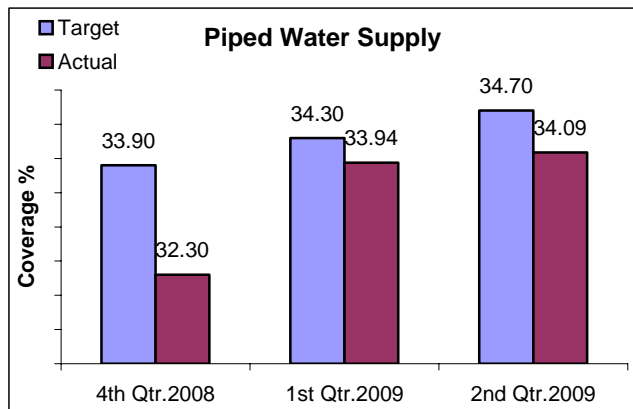
Summary of 2nd Quarter Progress of the Corporate Action Plan 2009

1. Goal 1 - Increase water supply and sanitation coverage

All the on-going water supply and sewerage projects (new/augmentation/rehabilitation) were preparatory activities contributing towards the increase of water supply and sewerage coverage. Pottuvil water supply scheme under USAID Tsunami project was completed during the first half of 2009 enabled the increase of water supply coverage by providing new connections.

Coverage and connection details as at the end of 2nd quarter 2009 for piped water supply and sewerage are shown below:

- Total number of Water Supply Connections were 1,227,059 providing 20,765 new connections island-wide during the 2nd quarter 2009
- Total number of sewerage connections were about 82,350
- Piped sewerage coverage was 2.3 % while the target was 2.5%.



Highlights of progress details of water supply projects carried out during this quarter are as follows:

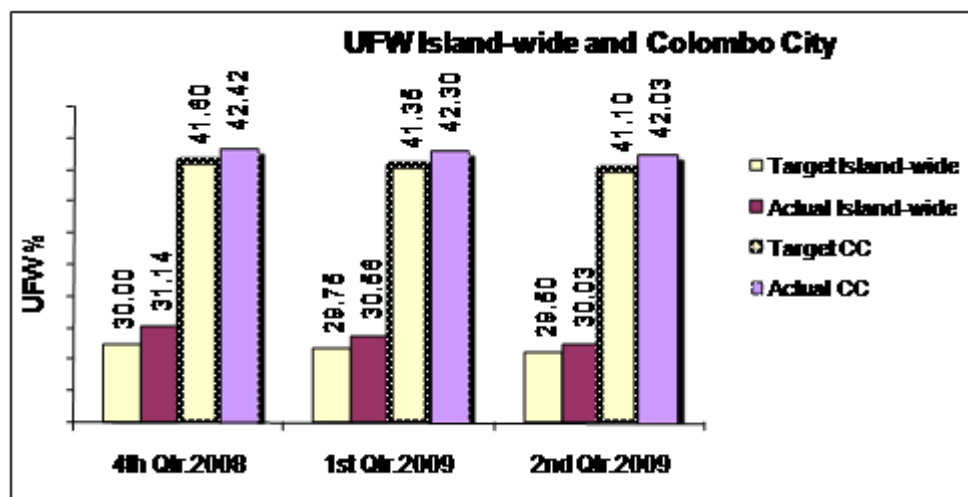
- 36 small & medium water supply projects, 24 major water supply projects and 06 sewerage projects were being implemented and by end of the 2nd Quarter 2009, 45.7%, 38.8% and 36.6% of the capital budget were disbursed.
- The Austrian funded Ambalantota, Weligama and Kataragama WSS projects have been completed while Hambantota WS Project is nearing completion. The KfW funded Nawalapitiya and Koggala WS Projects have been completed while the Ampara WS Project is nearing completion. The Spanish funded Negombo WTP has been completed while the Ambatale WTP is nearing completion.
- The procurement process of the Korean funded Ruhunupura WS Project is going on and an award will be possible by March 2010. The proposal of the Indian funded Dambulla WS Project is being evaluated. A proposal of the Hungarian funded improvements for the Labugama and Kalatuwawa WTP is awaited. An Appraisal Mission of the JICA funded Eastern Province WS Development Project was reviewing the institutional arrangements for project implementation, this Quarter.
- Preparations to commence the implementation of Mannar & Vavuniya water supply augmentation under ADB-5th project.
- NPD clearance was received for Kalutara WS project Stage III. Matugama-Agalawatta Integrated WS was also included under the Kalutara Stage III proposal.

Highlights of progress details of sewerage projects are as follows:

- Havelock City Development: Pump supply and pipe laying contracts were completed. Pump installation was in progress.
- Ratmalana Tsunami Resettlement Housing: Construction work in Stages 1 & 2 and preparation of O&M Manual were completed. Rectification of defects in M&E installation was in progress. Assistance to set up a CBO for O&M was being discussed.
- Hambantota Sewerage Infrastructure Facilities: Feasibility Report was completed and PAC approval was obtained. UDA consent for the 20 ha land for the proposed treatment plant was obtained and land acquiring procedure was commenced.

2. Goal 2 - Improve operational efficiency

UFW / NRW Reduction is a very important strategy to improve operational efficiency, and details of UFW % island-wide and Colombo City area are shown in the graph below.



NRW island-wide has reduced by 0.5 % during the quarter concerned while in Colombo City it has reduced by about 0.3%. Activities leading to the decrease of UFW, such as reducing the need to estimate consumption, quick replacement of defective meters, defective valves and old pipe lines, regularizing illegal connections and installation of bulk meters in recommended locations, etc had been included in the plan for 2009. 25,653 defective meters have been replaced island-wide in the first half of 2009. Major investment is required to bring down UFW. This has been included in the investment programme of the NWSDB. In addition NWSDB funds have been provided for NRW reduction activities in the 3 Zones for the 3rd Quarter 2009.

Energy Saving is another important strategy for which 22 schemes have been selected for energy audits. The Sustainable Energy Authority has been requested to carry out energy audits. All Provincial DGMs have been requested to submit proposals for selecting the next set of schemes for energy audits. Energy audits have been completed with audit reports providing recommendations for six water supply schemes with assistance from the Sri Lanka Sustainable Energy Authority. Change of CEB tariff categories from commercial to industrial was in progress at several locations and about 60% of the locations have been changed. Corrective actions to reduce power consumption at the Head Office as per the advice given by the Sustainable Energy Authority have been initiated. Energy

Management Equipment for monitoring of power saving was purchased. Tendering is in progress for Wakwella, Ratnapura and Balangoda WSSs for the implementation of energy saving proposals. Energy audits were carried out in Udu/Yatinuwara, Meewatura and Matale. Discussions with electricity service providers by Western-Central officers took place for the introduction of a new tariff for secondary pumping in Government flats. Energy saving method introduced to Western-Central office using florescent bulbs after conducting energy audit. Fixed central capacitor bank at Konduwattuwan treatment plant and the KVA demand was reduced by 8.5

Highlights of progress details for work carried out on **Water Quality Improvement** and **Optimizing operations** during this quarter are as follows:

- Locally produced package treatment plants were introduced at Kannantota and Ehaliyagoda WSSs.
- Gas chlorinators were fixed at Dehiowita, Ruwanwella, Aranayaka, Yatiyantota, Kotagala, Thalawakele, Pundaluoya, and Gampolawatta WSSs.
- Discussion to embark on the Water Quality Surveillance programme took place with the UNICEF. The laboratory equipment received from the UNICEF have been taken into the inventory. Board Decision to test water quality of samples brought in by PHIs was conveyed to Provincial staff.
- Awareness programme among Provincial staff continued for the preparation of Water Safety Plans (WSPs). All the relevant staff of the North Western Province met at Kurunegala during this quarter to decide on the structure of the WSP. A total of 20 WSPs will be prepared by the end of 2009. Arrangements were made to present the Gampola WSP during the next quarter.

Highlights of progress details for work carried out on Potential **Research Areas** during this quarter are as follows:

- Evaluation of the performance of the use of Poly Aluminium Chloride (PAC) in place of alum as a coagulant: A committee report has been submitted and data monitoring format is being reviewed by DGM (P&D)
- A research is in progress to identify the problem of colour / odour in Konduwattuwan Treatment Plant and to propose a solution for it.
- Study on assessment of Trihalomethane formation in chlorinated water in the Colombo Distribution system: Trihalomethane has been included in the Impact of water pollution on water supply from Kelani River.
- Completed the development of sand sieving machine
- Faecal contamination was found in rain water collected at Thelawala. As a solution a domestic bio sand filter was coupled to the system and the results are being monitored.
- Pebble Matrix filter: An additional test using 1mx1m model was conducted with turbidity 200-700 NTU range and outcome was 90% removal which is the expected removal.

3. Goal 3 - Improved services to customers and promptly attending to public complaints

Toll free **Call Center** established at Maligankada office is being continued where the 4 digit telephone number 1939 is in operation, catering to the whole island. Staff training and the supply of equipment and furniture to this call centre were completed. On an average about 80 complaints are received every day and 60 of them are resolved within the day. Equipment necessary for issuing messages to AEs and DEs using SMS have to be purchased. Feedback to customer is built in to the IT Solution. In addition, feedback is obtained through telephone. Feedback on action taken on complaints is being given for all possible complaints.

Computers were supplied for Area Engineer's Offices and District Engineer's Offices to accommodate Management Information System (MIS) on **Customer Care**. Customer Grievance System (CGS) Module was installed at pilot locations: Dehiwala and Kotte offices. The software was installed at other given locations: Bandarawela, Hambantota, Matara and Galle in 2009. CGS module has the facility to acknowledge customer complaints and the facility to inform unattended complaints, reported to Call Center to the relevant DGM for further action. Requirements for Cashier Points, identified so far have been fulfilled and a survey is being done to identify further requirements. Commercial Division has made necessary arrangements to open Cashier points during lunch hour. Negotiations are in progress with service providers for bill payments using SMS for which proposals have been obtained and are to be finalized. 90% of water bills are issued in 30 days.

Five refresher courses were conducted for meter readers by the MD&T division. Conducted nine school programmes in Western Province (Kelaniya, Kadawatha, Kiribathgoda & Wattala) and four in Eastern Province (Trincomalee). New Connection procedure was finalized and circulated among all regions and now it is being implemented. In order to standardize all name boards in the same type / colour and wordings the existing name boards are being reviewed. Published the 4th edition of "Jalaya" news paper in June 2009.

4. Goal 4 - Increase commercial viability

The basis of **water tariff adjustment** has been approved by the Cabinet of Ministers. The formula to revise the tariff taking specific influences that would affect the cost of drinking water was under study by a special committee. The prevailing tariff was reviewed with the expenses to prepare the O&M budget forecast of 2010. Set of forms were issued to assess O&M budget requirements of 2010. Decentralization of billing and recovery will be completed in all regions with the decentralization of billing and recovery of Colombo City to eight OIC managed zones in July 2009. Proposal for **revision of sewerage tariff** has been formulated, followed by the continuous review with expenses. A Business Plan has been prepared to assess the financial situation in the ensuing four years, the ability to finance rehabilitation and urgent and important development activities.

Some important activities carried out to **improve Billing by Minimizing issue of 'estimated bills'** were: 1) 1,589 unmetered connections and 39,608 defective meters have been identified as at end June 2009 and necessary actions were being taken to minimize estimated bills. 25,653 defective meters were replaced island-wide during the first half of 2009. All island estimated bills to total bills was maintained at 6.6% this quarter whereas it was 7.8% last quarter while zero bills at 7.8%, indicating an increase from 5.3%. 2) Three awareness programs by the Training Center and one by RSC Central were conducted for Meter Readers, 3) Implemented priority consumer monitoring system and fixed responsibilities to EAs and higher officers in RSC Central, and 4) Arrangements have been made for the customer to inform meter readings by display, telephone or in person, if the premises is closed at the time Meter Reader visits the premises.

Some important activities carried out to **improve collection efficiency** through reduction of bill payment period and reduction of bad debts were: 1) Supply and installation of Slip Printers for Cashier points in Western Central area has been completed, 2) Took steps to implement improved, faster collection facility with the NDB and Peoples' Bank. Negotiated with the banks; further information sought from the NDB. Payment of bills at any Cargills Food City outlets was made possible, 3) Guidelines for collecting agents were corrected and reviewed, 4) A special committee appointed by the Cabinet of Ministers was reviewing the arrears due to water supplied through Public Stand Posts and 5) Disconnection programmes were scheduled and red notices were issued accordingly.

Collection Efficiency is 87% including stand posts and 88% excluding stand post billing as at June 2009 while **Debt Age** is 2.23 months for total arrears, 1.9 months excluding stand posts and 1.5 months excluding stand posts & disconnected arrears.

5. Goal 5 - Ensure greater accountability and transparency

In order to ensure **Compliance with Rules and Regulations**: 1) Continuous reviewing of the accounting system and issue of circulars as per the recommendations of the Financial Consultants to stream line procedures, 2) Compliance with accounting practices is being checked by the Chief Accountants / AGMs (F) / DGM (F) and the Internal Audit Division, implementing the revised delegation of financial authority, from 2008.05.01, 3) Continuous training programmes to the relevant staff up to Manager level on budgetary control and financial regulations were conducted.

Introducing adequate checks and controls: Audit activities were monitored as per monthly advance program of audits prepared by every internal auditor categorized into commercial activities, financial and administration, stores, contract supply activities and others. Carried out regular audits as per the approved Audit Plan, by following the new guideline for Audits, implemented in 2008. The Audit Plan covers matters raised by the Auditor General. The Commitment register has been computerized and was being implemented in the Finance Division. The scheme of recruitment was being reviewed by a special team, under the leadership of Addl. GM (CS).

Audits on Commercial Operations carried out were: 1) Fraud by Commercial Officer – Ratnapura with respect of Fiscal charges was detected, 2) Sample checking of premises where water had been consumed which were shown as disconnected in the computer system at Galle, Matara, Hambantota, Bandarawela and Kurunegala, 3) Sample checking of incorrect meter readings at Ranna WSS, 4) Sample checking of preparation of water bills after replacement of water meters due to defective meters at the priority section, 5) Checking of the bills that have been “estimated” for a long periods issued to high consumption consumers at Hambantota, 6) Delay in replacement of defective meters at Kegalle and Ratnapura, 7) Checking of new connections which were given without following correct procedures at Bandaragama, Bibila and Weeraketiya, 8) Checking of delays in cash deposits on bills collected by agency collection centres at Galle and Anuradhapura, 9) Checking of Bank reconciliation at Kandy Managers' office and 10) Checking of cashier point at Horana/Panadura Manager office.

Audits on stores and supplies carried out were: 1) Misplaced of water meters at Peoples Park office, 2) Inspection of stores at Kalutara and Kethhena and 3) Participated in the committee on verification of unserviceable water meters at the Main Stores-Polwatta. **Audit on Purchases (foreign)** carried out was: Contract documents were studied and revised as appropriate by the Standard Bidding Document Review Committee. **Audit on cash / cheque payments** carried out was: Vouching in Manager office - Colombo City for incorrect Bonus payments, overtime payments, etc. **Audits on construction contracts / special projects** carried out were: 1) Technical Audit at Dehiowita, 2) Extension of water pipes from Matale WSS, 3) Construction of Kahawatta and Pelmadulla water treatment plants and 4) Deficiencies of Agreement with Sun Power Construction (Pvt.) Ltd.

Disciplinary code revised, obtained Board approval and it is being implemented, **strengthening accountability**. Progress on **Strengthening of the Internal Audit Department** were: 1) Reorganized the Commercial audit unit with increased facilities to work as a strong Internal Audit team, 2) Staff shortages were pointed out to the General Manager, 3) Initiated request for the office for the Chief Engineer (Audit) which needs to be equipped, 4) Forwarded the request to training center to recruit ten audit trainees and 5) Approved Cadre by the Board for the Internal Audit unit was followed up to be approved by the Management Services Department. Rewarding programme available for information of illegal water usage continued. Trade Unions continued to provide information on matters that have to be looked into.

With the objective of **decentralizing financial and administrative authority in line with responsibility**: 1) The ADB TA Team mobilized to identify activities and levels for decentralization, 2) Staff cadre was reviewed with the Salaries and Cadre Commission and Management Services Department and 3) Key performance indicators were identified and circulated among Sectional Heads. Activities carried out for updating the fixed assets register, with the objective of **preparing a comprehensive assets management plan** were: 1) Valuation report submitted by the Department of Valuation was distributed among DGMs (Provincial) for their comments. Reports prepared based on comments of Provincial DGMs on the list of assets. Those reports have been handed over to the Department of Valuation to rectify errors and omissions and awaiting the final report from the Valuation Department and 2) Assets revaluation process is coordinated by the Asset Management Officers in RSC offices.

Improvement of the MIS and Coordination among Divisions: The implementation of the IT Solution at Head Office, Central Stores, Western Central, Kandy, Ratnapura, Bandarawela, Hambantota, Galle, Matara, Gampaha, Kalutara Anuradhapura, Kurunegala and Trincomalee Manager Offices is being actively pursued. A series of field discussions and Steering Committee meetings were held to expedite the commissioning of the IT System. Activities to input data electronically from every Division were completed and the implementation phase is in progress. The implementation phase of the enterprise-wide IT solution has to be completed to extract the operational information required by the senior management to observe results. Integration between Main Divisions in the Head Office is in progress. Integration between Head Office and Main Stores is in operation. The integration between RSCs and Head Office will be completed once implementation of the IT Solution is completed.

Activities on the objective to meet the **debt service obligation** of "Subsidiary Loan Agreements" with the Government were: 1) Loan repayment could not be made in the second half of 2008. Small installments of debt service payments were made to the Treasury during the first half of 2009 and 2) Comprehensive loan repayment schedule is available and regular review and updating is done.

6. Goal 6 - Institutional development

With the objective of achieving **performance excellence** through change of attitude of employees in mind: 1) A presentation was being prepared to show how to maintain an office well in Western-Central, 2) A Successful awareness programme was held in the Area Engineer's office and OIC office at Maligawatte, 3) 5S concept was implemented in Ambatale Water Treatment Plant followed by a lecture on 5S concept and Values, 4) Monthly provincial productivity meetings were conducted continuously in the RSC Central while the productivity circle of Kandy North O&M section visited the Panvila Ayurvedic Hospital, 5) Water filters and Chairs were purchased for WSSs in RSC Sabaragamuwa and 6) 6S (including 5S and safety) concept was implemented for the Matara RSC Office and Malimboda WTP while it is to be implemented at Mirissa, Weligama, Halalla, Deniyaya, Karagoda-Uyangoda, Urubokka and Makandura WSSs.

Some actions taken to **work with dedication** and to **create a sense of ownership** were: 1) National Anthem being played at the beginning of every day, 2) Display of Vision, Mission, CP goals and customer charter at most offices and 3) Introduction of common dress to be worn on the public day.

Work Improvement Teams (WIT) have been encouraged to enhance employee contribution through participatory decision making and highlights of activities carried out by WITs were: 1) Shramadana Campaigns arranged to remove damaged items in the Central Laboratory, 2) In Ambatale Water Treatment Plant: A field trip was organized to study the productivity of Polgolla WSS and Kelani Cable (Pvt) Ltd. A painting contest and awareness programmes for 5 schools were held about the usage of water economically, 3) Conducted two awareness programmes about WITs for all the staff in Western South office, 4) In RSC Central: Distributed a disaster prevention plan to OICs and respective managers for managing risks in WSS. Also distributed a disaster operation center plan for respective managers and OICs to obtain their comments. Conducted an O&M training programme for fitters, pump operators and OICs and 5) Shramadana Campaigns were arranged to clean office environments of Kottagoda, Dikwella, Nadugala, Devundara and Mirissa WSSs with the additional objective of preventing Dengue.

Highlights in participating for **quality and performance awards** from independent institutions were: 1) Ambatale TP, Matara RSC Office, Malimbada TP and Central RSC office applied for the National Productivity Awards and the National Productivity Secretariat has supervised the first 3 sites, 2) Narammala WSS and Kakkapalliya TP have been selected for the competition of productivity awards.

Progress on the objective to prepare and implement a **Human Resource Development** (HRD) Plan: 1) 2nd draft of HRD policy was drafted by NIBM and it was submitted to all Addl. GMs for their comments. A request has been made to the ADB to field a Human Resources Development Expert through the ADB TA 7078, 2) Transferring of employee information to the database was 98% completed, 3) Special committees appointed to prepare Job description and SR Review and 4) Job rotations were done among DGMS, Chief Accountants and Accountants. Progress on In-house

Training, In- Country External Training and Overseas Training were 29%, 56% and 53% of the programme, respectively. Initial steps were taken to prepare a constitution for **common welfare society**. Financial allocations were introduced under IDP activities for Provincial Offices, Head Office, Sites and Sections.

The DANIDA assisted Institutional Development Programme has improved the Training Centre facilities in the RSC Central with modern equipment.

7. Goal 7 - Provide facilities and service support to rural and marginalized communities

Rural water supply and sanitation proposals from Kurunegala, Matale and Polonnaruwa districts prepared with the objective of increasing safe water supply and sanitation **coverage** to rural and marginalized communities have been approved by the PAC. The Board of Directors approval has to be obtained. They were not confirmed for implementation due to funding constraints.

Establishment of 12 **RWS Units** to support CBOs was completed in 2008. These units were functioning satisfactorily and arrangement of further improvements such as computer facilities was in progress. A proposal has been sent on the required resources for RWS units to be provided with UNICEF assistance. TOR for RWS units was completed during the first half of 2009. Polonnaruwa, Ampara, Badulla and Vavuniya Districts have been selected for the establishment of RWS units, in 2009: 1) Polonnaruwa: Initiatives taken to obtain facilities from ADB 4th project. 2) Ampara and Badulla: Most of the requirements have been arranged and an EA should be appointed for Badulla. 3) Vavunia: Already established Hand Pump Repairing Unit (HPRU) will be assigned to support CBOs also since still there are not many RWSSs in this area. As requirements increases HPRU will be converted to a RWS unit. Assistance was provided for preparation of project proposals on demand by the RWS units.

It has been planned to provide 300 individual water supply connections by disconnecting 30 public outlets in 2009, through the Colombo CWSs unit and so far, 95 individual connections have been given disconnecting 48 public outlets.

Providing **Advisory Services** on best options, preparing important guidelines and training manuals were completed as NWSDB standards with a sequential numbering system. Guidelines & Training modules have been already circulated to RWS units and sent to IT division for publishing in the NWSDB's Web site. The By-laws and development fund documents have already been translated into Sinhala and Tamil and distributed to Districts units. A List of available documents also has been published in the Web site, mainly for necessary references by stakeholders (NGOs, CBOs, LAs) and communities. Instructions were given to relevant RSCs to liaise with Provincial Councils for the implementation of rural water supply and sanitation/ health education programmes.

Establishing a mechanism for coordination with other stakeholders including Provincial Councils has been planned through Provincial Coordination Committee (PCC) meetings and strengthening of PCC meetings for the establishment of By Laws and development funds. PCC meeting for North Central Province was held during the first half of 2009. Concept paper for Collaborative Council Meetings scheduled for the year was prepared to initiate the programme. Awareness programmes were Provided on demand through RWS units to explain affordable water supply and sanitation options to the community. Leaflets & hand outs printed with UNICEF assistance to educate rural and marginalized communities were distributed.