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**Consultancy Services For the
Establishment of the Zanzibar
Utilities Regulatory Authority –
Three year Strategic Plan**

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ABBREVIATIONS AND ACRONYMS

BST	Bulk Supply Tariff
CSC	Customer Service Charters
CEO	Chief Executive Officer
ERA	Electricity Regulatory Authority
ERC	Energy Regulatory Commission
EWURA	Energy and Water Utility Regulatory Authority
FY	Financial Year
IPP	Independent Power Producer
Kwh	Kilo Watt Hour
MCA-T	Millennium Challenge Account - Tanzania
MLWHE	Ministry of Lands, Water, Housing and Energy
MW	Mega Watt
NRW	Non-Revenue Water
PC	Performance Contract
PPA	Power Purchase Agreement
REFIT	Renewable Energy Feed in Tariff
ROP	Rules of Procedure
SAIFI	System Average Interruption Frequency Index
TANSECO	Tanzania Electric Supply Company
Tzshs.	Tanzania Shillings
USc	US Cents
USD	United States Dollar
WASREB	Water and Sanitation Regulatory Board
ZAWA	Zanzibar Water Authority
ZECO	Zanzibar Electricity Supply Corporation
ZRB	Zanzibar Revenue Board
ZBS	Zanzibar Bureau of Standards
ZURA	Zanzibar Utilities Regulatory Authority

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EXECUTIVE SUMMARY

The Zanzibar Utility Regulatory Authority (ZURA) will soon be established under the ZURA Act, 2013 to regulate water, electricity and downstream petroleum service provision in Zanzibar. This first ZURA three-year strategic plan (2013-2016) takes into account experiences and recent developments in the energy and water sector locally and globally and aims to improve the improve regulation of key infrastructure services hitherto regulated by line ministries responsible for policy formation, and policy and financial oversight.

Vision 2020 aims to ensure adequate, environmentally sound, alternative and sustained energy supplies for easing socio-economic development. The vision also aims to ensure adequate, affordable and economically accessible and sustained water supplies to all people and sectors using environmentally sound water resource management technologies for continued social and economic growth and development.

An important statutory mandate of ZURA is to regulate the water and energy sectors in a fair, transparent and predictable manner, which will spur sectoral growth and public and private investment thereby guaranteeing quality service standards to water and energy consumers. The ZURA strategic plan therefore charts a broad roadmap for efficient water and energy services for consumers over the next three years, promoting economic growth and development as highlighted in Vision 2020.

In the absence of ZURA senior management, this draft strategic plan was developed after a series of consultations with stakeholders.

The organization's proposed mission and core values were also developed. These are:

Mission: "To contribute to the economic development of Zanzibar by creating an environment for the efficient delivery of utility services to customers, whilst ensuring that service providers have the opportunity to make a reasonable return on their investments"

Core Values:

- Independence
- Professionalism
- Integrity, Accountability and Transparency
- Responsiveness
- Teamwork

ZURA faces a number of challenges emanating from the internal and external environments. These include: Inadequate power distribution infrastructure; Unwillingness to pay by water and electricity customers; Limited fuel supply logistics facilities; Lack of effective competition in the electricity sector; High prevalence of unbilled water; An expanded mandate (three diverse sub-sectors) resulting in a capacity challenge

However, through various strategies, ZURA will aim to address these challenges and has identified a set of activities to guide its operations during and beyond the strategic plan period.

ZURA will focus on five strategic objectives during the strategy period, broken down into detailed action plans, which include activities, resource requirements, timeframes and responsibilities for the delivery of each strategy. These are:

- To promote sustainable and efficient provision of utility services for economic development consistent with Government's policy
- To protect the interests of energy and water users by ensuring that demand is sustainably met with reliable, cost effective and high quality energy and water services.
- To protect the interests of consumers by providing an avenue for appeal in their relationship with the utility providers
- To influence, advise on and implement government policy, to meet ZURA's statutory objectives and functions.
- To strengthen the ZURA's institutional capacity to discharge its functions independently, impartially and effectively.

The cost of implementing the plan over the three-year period is approximately Tzsh.6.9 billion. The main source of revenue for ZURA during the first year is expected to be Government / Development Partner support mainly because of the expected delay in passing the rules and regulations for the levies and fees to be charged, and the need for reputable training and studies to inform future decision making. In the second and subsequent years, electricity and petroleum levies, are expected to generate 30% and 65% respectively, of the ZURA revenue while a water levy contributes only 2% of the ZURA revenue. Any revenue deficit will be covered from retained surpluses from previous accounting periods, while in the medium term ZURA will seek government assistance in securing stakeholder and partner support.

The success of the plan's implementation largely depends on how activities and outputs are effectively monitored. The corporate planning unit in ZURA will oversee the plan's implementation and will review quarterly progress reports submitted by heads of department.

Background

The increasing costs for running energy and water utilities and the demand for efficient reliable and standard services has necessitated the formation of independent regulatory agencies in many countries. In East Africa all member states have regulatory authorities in their respective countries including Tanzania Mainland. Kenya has an energy regulator, ERC, for fuel and electricity as well as WASREB, a water regulator for the water sector to regulate the urban and rural water sector. Uganda has an electricity regulator, ERA, and is in initial stages of establishing a water regulator to address the water sector to regulate the several water systems spread across the country's urban and rural areas. Rwanda has a multi-sectoral utility regulator responsible for telecoms, water, electricity and transport known as RURA. Tanzania mainland has a water, petroleum and electricity regulator known as EWURA. Regulatory agencies across the region are meant to:

- 1) protect consumers from abuse by the utilities with monopolistic (water & electricity) or market power (fuel companies, telecoms);

- 2) protect investors from arbitrary government action on pricing, tariffs, licensing etc. thereby supporting investments;
- 3) promote operational and economic efficiency of the water and electricity utility.

Overview of Zanzibar's Electricity, Petroleum and Water Sectors

Electricity: Unguja gets most of its electric power from mainland Tanzania through a 39 kilometer, 100 MW megawatt submarine cable from RasKiromoni (near Dar es Salaam) to RasFumba on Unguja. The laying of the cable was begun on 10 October 2012 by the Viscas Corporation of Japan and was funded by a US\$28 million grant from the United States through MCA-T. The cable became operational in April 2013. The previous 45 MW cable, which was seldom-maintained, was completed by Norway in 1980. TANESCO owns the overhead line from Ubungo to RasKiromoni on the mainland, including the landing gantry while ZECO owns the facility from the cable termination point including the droppers up to Mtoni substation (including the sub-sea cable)

Since May 2010, Pemba Island has had a 75 kilometer, 25 megawatt, subsea electrical link directly to mainland Tanzania. The cable project was financed through a 45 million euro grant from Norway and contributions of 8 million euros from the Zanzibar government and 4 million euros from the Tanzanian national government. The project ended years of dependence on unreliable and erratic diesel generation subject to frequent power cuts. Only about 20% of the cable's capacity was being used in January 2011, so it is anticipated that the cable will meet the island's needs for 20 to 25 years.

ZECO was established by the ZECO Act of 2006. ZECO carries out only electricity distribution since generation and transmission is undertaken by TANESCO.

Water: ZAWA is the sole clean water and sewerage supplier in Zanzibar. The Water Act of 2006 gives ZAWA responsibility for water resource management which is unique mandate for a national water and sewerage utility, a function normally undertaken by line ministries. ZAWA's main water sources are boreholes (over 230), caves (over 25) and springs (over 10) spread all over the Unguja and Pemba. Most of the existing water schemes were built before 1968 with only a few built around 2009. The current Unguja Urban Water situation is characterized by a water demand of 50,000 m³/day against a water production of only 17,000 m³/day. As a result of this shortfall, residents of Unguja get water supply only twice or thrice a week. The current infrastructure supplies about 65% of the nearly half a million urban consumers in Unguja. Since the Zanzibari economy relies on tourism, the limited supply of potable water has significant negative impact on the tourism and other related businesses. The knock on effect to the economy is significant and of real concern to the Government. The current limited production of 17 000 m³/day is due to a plethora of issues that include but are not limited to dilapidated water supply infrastructure limited human and financial resources to sustain operations and maintenance; water losses in production, transmission, storage and distribution.

Petroleum: There is no Petroleum Act in Zanzibar as yet. The downstream petroleum sector in Zanzibar is liberalized. However, the Government through the Ministry of Finance and Economic Affairs regulates wholesale and retail prices through a formula which sets a maximum price which the oil industry players can charge. There are currently four players in the industry i.e. Gapco, Zanzibar Petroleum, United Petroleum and Puma Energy who sale an average of 6.3 million liters of automotive

and aviation fuels, per month on average (2010 – 2013). There is only one aviation fuel supplier who sales about 10 million liters of Jet A-1 per year.

However, the parameters in the price buildup have been superseded by macroeconomic factors over time and the industry has been pushing for a review of the price formula so that it reflects the changing market realities.

In December 2011, the Government of the United Republic of Tanzania through EWURA revised a new pricing formula under the bulk procurement system that restricts supplies to a minimum of 500,000 mt of fuel to be purchased by one supplier for the entire country who would supply to all marketers. This has improved the economics of supply to the mainland.

The minimum ship load that can be purchased from the Arab Gulf is 30 million liters (approx. 4.5 months supplies for Zanzibar) and yet the total storage capacity of Unguja (at Mtoni) is 16.375 million liters. The oil marketers have to import their fuel through own tankers into Zanzibar. Even if the storage was expanded to 30 million liters, the Zanzibar draft at Mtoni is only 5 meters deep and thus no large vessel can berth due to shallow waters. This has necessitated additional investment by the marketers in secondary transportation to transfer their cargo into smaller tankers resulting into additional secondary freight costs, which has affected the pricing and supplies to Zanzibar.

The oil companies have been proposing price reviews for new supplies to the Government through the Zanzibar Revenue Board, in recognition of all these logistical challenges, and therefore welcome the establishment of an independent regulator.

Generally, Zanzibar's electricity, fuel and water sectors are faced with the challenges of inadequate power distribution infrastructure, unwillingness to pay for water and electricity with ZAWA as the biggest electricity debtor, insufficient fuel storage facilities because of the supply logistics bottlenecks, reliance on TANESCO for power supplies, high non-revenue water losses, non-cost recovery tariffs and an unclear tariff setting regime. These challenges adversely affect the water and electricity sector entities' cash flows and their associated ability to extend water and electricity services. It was reported that the petroleum companies in particular struggle to make profits which further affects their investments in the sector – the price setting in the petroleum sector does not fully reflect the costs incurred by the petroleum companies. The reliance on TANESCO risks seeing the electricity tariff in Zanzibar heavily impacted if TANESCO decided to increase their bulk supply tariff to ZECO. It is for the above reasons and challenges facing the three sectors that triggered the Revolutionary Government of Zanzibar to come up with the need to forming a regulatory authority.

Description of ZURA

a) ZURA establishment – legal and policy framework

The establishment of ZURA has been preceded by the approval of a bill that gives ZURA the legal mandate to issue licenses, regulate prices / tariffs, promote competition and control quality of service within the petroleum, electricity and water sectors. The bill had not yet been passed into law at the time of developing this strategic plan.

As part of the processing of establishing ZURA, MCA-T engaged an individual consultant to prepare the organization structure, working procedures, three year budget, a communications plan, a training plan, job descriptions for the CEO and support staff and advice on the regulatory tools and processes, and to guide the development of appropriate regulatory tools.

In exercising its mandate, ZURA will see to it that the sector laws are complied with. Currently, only the water sector has a law. The petroleum bill will soon be passed into law while the electricity sector does not have a law in place yet. The absence of sector laws may pose a challenge for ZURA to fully exercise its mandate as the power to collect levies and issue licenses is still the responsibility of the Commissioner, ZRB in the Petroleum Levy Act No 7 of 2001. It is hoped that the Petroleum law will be enacted within twelve months while an electricity law will be put in place within eighteen months.

There is a water and energy policy in place which describes the Government's policy objectives in each of the three sectors.

The six broad policy objectives of the energy sector are to:

- 1) increase the energy efficiency within the energy sector of Zanzibar
- 2) increase the supply of energy from indigenous renewable energy sources
- 3) increase the reliability, affordability and independence of modern energy supply in Zanzibar
- 4) implement a regulatory regime for the energy sector in Zanzibar to act as a coherent and coordinated framework for all development efforts within the sector
- 5) achieve free market principles within the energy sector, with only well founded transparent regulatory interventions
- 6) involve all main stakeholders in coordinated actions while considering related documents regarding the future social and economic development and poverty reduction in Zanzibar.

Some of the relevant water sector policy goals and objectives are to

- 1) Ensure public ownership of resources to ensure that all Zanzibaris have access to this resource all the time;
- 2) Protect water resources for quality and use in accordance with water and environmental conservation principles;
- 3) Ensure inter-sectoral linkages exist for coordinated resource development and management;
- 4) Define the institutional framework of the water sector stakeholders.
- 5) Develop and provide water supply and sanitation in a sustainable manner, with a demand responsive outlook;
- 6) Continue institutional development and local capacity building to ensure harmonious environment for the policy to act.

The above policy objectives will guide the work of ZURA but will not have the solid backing of a legal framework to support regulatory action in the energy sector until the respective laws have been enacted.

b) Organization and Staffing of ZURA

The organization structure of ZURA is based on a multi-sectoral, multi-disciplinary approach rather than a specialist sector specific functional grouping. The policy leadership of ZURA is vested with

directors, specifically: the Chairman and the Director General appointed both by the President, and five other directors appointed by the minister responsible for utility regulation as assigned by the President (presently the Minister responsible for Water and Energy). The Director General is the chief executive officer with overall responsibility for the organization.

The ZURA organisation structure is arranged according to the core outputs, with support departments and units providing ancillary services. The main departments are the Regulation and Policy department (technical and economic), Consumer Affairs (including Public Relations), Legal affairs, and Corporate Services (includes Finance, Information and Communication Technology, Human Resources and Administration). Internal Audit is outsourced and Corporate Planning and Procurement are ‘one person’ departments.

ZURA will be comprised of 18 staff in total as detailed in table 1 below.

Table 1: ZURA department staff

Department / Office	0 - 12 months	6 – 36 months
Director General’s Office	3	3
Consumer Affairs	1	2
Regulation & Policy	1	4
Legal	1	2
Corporate Services (Finance, ICT, HR, Admin.)	3	6
Procurement	1	1
TOTAL	10	18

In table 1, there appears an overlap between the period when 10 and the full 18 person staff compliment will be in place, because this depends on how fast the board and management will decide to fill the positions. The first year budget has been made on the assumption that ZURA will have only 10 staff during this period.

Summary of department roles and responsibilities

Director General

S/he will provide overall leadership of ZURA. He will be supported by a corporate planning officer to monitor the activities of ZURA through coordinating and tracking the strategic plan implementation.

Regulation and Policy Department

The Department’s primary function is to advise the Director General on Regulatory Policy, to analyze, monitor and evaluate the economic, financial and technical performance of all regulated utilities and

sectors. Additionally, it has responsibility to develop tariff models, set tariffs, technical standards, and other performance benchmarks to ensure efficient service delivery and carry out a range of technical functions e.g. setting and monitoring compliance to standards, addressing technical complaints, approving PPAs etc.

Legal Affairs

Contributes to relevant sector processes and provides legal input into national strategic plans, policies and legislation for all sectors (water, electricity and petroleum). This Department plays a critical role in discharging the regulatory obligations of ZURA. It provides legal support in the development of the regulatory framework, the establishment of rules of procedure and the drafting of decisions issued by ZURA.

Consumer Affairs

This Department incorporates consumer affairs and serves as the information focal point for ZURA. The department is the defacto customer services center and public relations unit of ZURA. The department is responsible for developing and implementing the communications plan (see Appendix 2) in liaison with other departments. The purpose of the Consumer Affairs department is to administer the consumer affairs regulatory function of ZURA and to monitor and evaluate the customer service performance of the water and electricity utility and petroleum companies.

Corporate Services (Finance, Human Resources, Administration and ICT)

This Department, in addition to providing finance, administrative and human resources support to ZURA is also responsible for office services, security services, training and development, HR management and ICT – Information and Communications Technology.

Procurement

This unit is responsible for ensuring that ZURA obtains all its requisite goods and services in a manner that maximizes value-for-Money, minimizes delays and complies with relevant laws and regulations.

Audit Unit

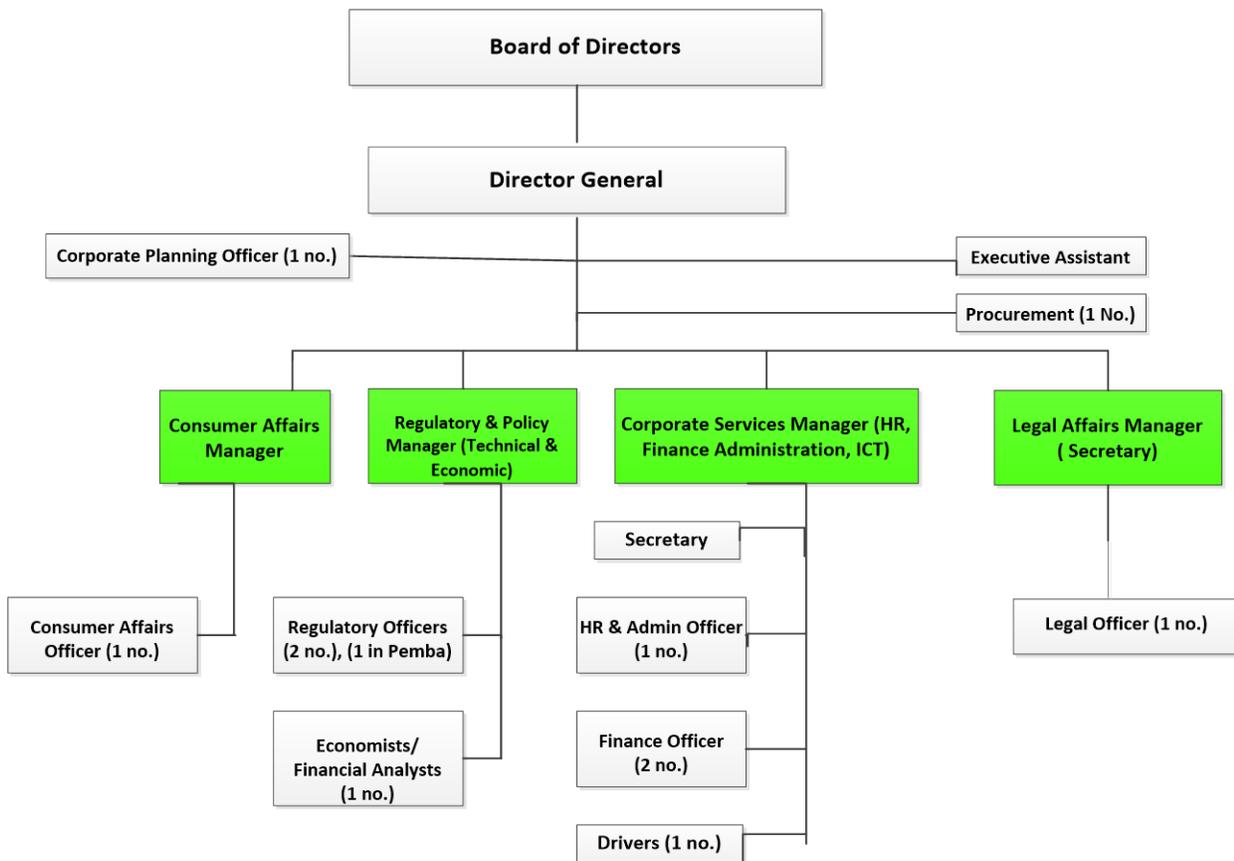
The ‘external/internal auditor’ shall carry out periodic internal audits based on an annual audit plan and risk assessment approved by the board of directors to whom the unit reports directly (through the board audit committee).

The detailed roles and responsibilities of the above ZURA departments are indicated in Appendix 4.

Organization Structure of ZURA

The diagram below illustrates the organization structure of ZURA to deliver the strategic objectives and activities. At a total staff complement of 18, it has been kept lean and multi-skilled in nature, in recognition of the small geographical area and population of Zanzibar. Any staff increases will be motivated to the board and will be based on resource availability.

Diagram 1: ZURA Organization Structure



c) Governance

ZURA shall have a Board of Directors consisting of seven members including the Director General who will be an ex officio member of the board. Five members are ministerial appointments while the Director General and Chairman are presidential appointments. The board shall elect one of its members to be Vice-Chairperson.

The board members shall conduct the business of ZURA through committees to handle technical, audit and administrative issues.

The board shall be guided by the ZURA Rules of Procedure. A draft has been proposed in Appendix 7.

The need for a strategic plan

The rationale

Strategic planning of ZURA is the systematic, formally documented process of deciding the key decisions and activities that ZURA must get right in order to effectively fulfill its mandate over the

next few years. It therefore provides a broad roadmap of the ZURA key strategic objectives, the activities to deliver these objectives, the resources required to accomplish the activities and the way the activities shall be grouped into an organization design. The strategic plan will therefore be the basis of evaluation of ZURA's performance. As such, it is expected to be a living document that all staff in ZURA will use to plan their day-to-day activities

ZURA Mandate

ZURA will be established by an Act of parliament to regulate the electricity, water and petroleum marketing sectors.

According to clause 11(1) of the ZURA bill, the mandate of ZURA is to:

- 1) establish standards for regulated goods and services; terms and conditions of supply of goods and services.
- 2) ensure that all utility suppliers provide adequate service and have means to finance their activities;
- 3) prepare codes of conduct, reporting requirements, scheme of service, staff regulations and any other actions which necessary to regulate utilities effectively;
- 4) facilitate and encourage private sector participation, fair competition, and participation in investments in public utilities;
- 5) ensure compliance by public utilities with the laws governing their activities;
- 6) prepare and issue rules and directives to public utility sector;
- 7) establish and implement adequate systems for monitoring the compliance by licensees with standards and applicable regulations, and making such information publicly available;
- 8) establish an appropriate procedure for receiving, enquiring and resolving complaints by customers in relation to any utility services within time provided under the regulations of this Act;
- 9) facilitate the resolution of complaints and disputes.;
- 10) disseminate information about matters of its functions;
- 11) have due regard to the preservation and protection of the environment, the conservation of natural resources and health and safety of users
- 12) issue orders to regulated public utility.

The powers of ZURA as specified in the bill further strengthen ZURA's ability to exercise its mandate. These are to:

- (a) receive, issue, modify, revoke licenses as prescribed under this Act;
- (b) prepare and issue rules, order and directives to public utility sector;
- (c) prescribe conditions and terms of licenses issued under this Act;
- (d) publish in the gazette all the tariffs, rates, and charges;
- (e) obtain information from any person where the Authority has reason to believe that person is capable to supplying information , producing a document or giving evidence that may assist in the performance of any of its functions;
- (f) regulate respective public utilities providing energy and water services under this Act and other utility legislation;

- (g) in consultations with the Minister set rates, tariffs and other charges imposed by a licensee in accordance with any rules specified in the Regulation and other relevant Utility legislation;
- (h) conduct an inquiry where it considers its necessary or desirable for the purpose of carrying out its functions.
- (i) make and enforce directions to ensure compliance with licenses issued under this Act;
- (j) set performance standards for energy and water utilities, including customer service standards and service quality standards;

Performance of ZURA

Performance information provided by ZURA will form the basis against which its future performance can be assessed. Based on the situation analysis of the water, petroleum and electricity environment, the key areas of performance of ZURA shall be:

Electricity and Water

ZURA ensures that licensees comply with applicable technical, environmental and safety requirements and performance measures, while at the same time facilitating the provision of quality electricity supplies. While section 10 of the ZURA bill mandates ZURA to issue licenses for electricity installations and fittings, this will be carried out by the Zanzibar Contractors Registration Board as mandated by the Zanzibar Contractors Registration Act (No. 6 of 2008) and the Zanzibar Contractors Registration Act Bye-Laws of 2011. ZURA will contribute to strengthening this aspect of the Contractor's Registration Board's work should the need arise.

ZURA will also facilitate the resolution of complaints and disputes in the electricity sub-sector as mandated by sections 11 and 38 of the ZURA bill.

Economic regulation

ZURA will protect the rights of energy and water consumers with respect to prices and tariffs charged for regulated services while ensuring the sustainability of service providers. It will set and review retail electricity and water tariffs, and oversees the downstream petroleum market with a view to fostering competition in the petroleum sub-sector.

Petroleum

ZURA will streamline licensing procedures and issue construction permits for downstream petroleum activities to ensure transparency, equity and efficiency. It will also inspect and enforce compliance with licensing conditions and expedite resolutions to disputes and complaints related to the petroleum industry. It will ensure conformity to licensing conditions through continuous field visits, inspections and testing and independently making recommendations and follow-up actions.

ZURA will undertake the monitoring and enforcing of standards for the sector through periodic audits of electricity and water utilities and petroleum facilities.

Coordination with other statutory bodies

ZURA will endeavour to coordinate with other statutory authorities and stakeholders e.g. ZBS, to enhance and streamline its operation by:

- participating in setting and reviewing standards
- enforcing compliance to standards
- granting and reviewing petroleum licenses and in future, electricity generation licenses
- developing energy and water sector data bases for sector monitoring purposes
- reviewing and approving water and electricity sector investment plans

How the strategic plan was produced

Methodology

In the absence of ZURA senior management at the time this strategic plan was developed, effort was made to consult line ministry and other stakeholders who would be directly impacted by ZURA's activities. Discussions on different aspects of ZURA's mandate and responsibilities were held with the ZRB, ZBS, Ministry of Finance, MLWHE, ZAWA, ZECO, the three main Petroleum Companies and TRA. An outline of the key strategic objectives was presented to senior MLWHE officials and later to a wider group of stakeholders.

It was recognized that in the absence of ZURA senior management, this strategic plan would be a 60% draft even after incorporation of stakeholder comments. It is important that a follow on session is held once ZURA senior management is in place to ensure ownership, commitment and leadership by ZURA staff. In developing this strategy, a structured and phased approach was adopted involving the following milestones:

- Undertaking a detailed situation analysis through face to face discussions with key stakeholders including regulated entities, seeking views and opinions of key components that define and support their business operations and to what extent regulatory activities would affect these.
- Document review of laws, bills, policy frameworks and selected studies, for the three sub-sectors
- Developing a draft set of strategic objectives from a review of ZURA's mandate and similar regulatory agencies in the region
- Presenting the draft strategic objectives in two working sessions that broadly defined the proposed strategic direction of ZURA on which this strategic plan is based.
- Presenting and refining the results of the stakeholder discussions during the aforementioned two working sessions in July 2013, with selected stakeholder senior management.
- Submitting the first draft of the strategic plan, to MCA-T for review and circulation to all relevant stakeholders for review and comments aimed at refining the strategic plan and the proposed action plans with defined timelines and responsibilities.
- A working to develop detailed work plans and budgets to support the strategic objectives is deferred until ZURA senior management is in place.
- Presenting the draft strategic plan to the board of directors of ZURA within two months of their commencement of duty, and incorporating their comments into the final strategy report. The strategic plan should be effective by 1st February 2014 when it is approved by the board.

The strategic plan was prepared by a consultant engaged by MCA-T and in coordination with senior MLWHE staff.

a) Situation assessment and analysis

The situation analysis and capability assessment was conducted using a SWOT (strengths, weaknesses, opportunities, threats) analysis in the context of the external and internal environments.

The ZURA strategic plan charts a broad roadmap through which the provision of efficient energy and water services to consumers will be ensured over the next three years with a view to promoting economic growth and development. Specific measures will be taken to regulate electricity, water and petroleum tariffs / prices and tariff / price structures; to plan for investments in the power and water sector on the basis of least cost criteria; to improve customer service in the power and water sectors; to encourage nationwide electricity and water access; and to monitor the power subsector distribution networks. In the petroleum sub-sector, ZURA will seek to improve installation and facility inspections, formulate and review rules, standards and codes on fuel quality, and enforce compliance to licensing conditions. These specific measures will be detailed in an implementation matrix to be developed by the management of ZURA.

The strategy takes into account the internal and external environment within which ZURA operates and which impacts on its performance. Getting the strategy right is critical to ZURA's success.

b) The external environment

The analysis of the external environment focuses on the political, legal, economic, social, cultural and technological factors that impact on the performance of ZURA. A review of these factors identified the opportunities and threats that ZURA needs to take into account as part of the strategy.

Political and legal

Opportunities

- ZURA enjoys political goodwill and support from the Ministry of Lands, Housing, Water and Energy due to the significance of the energy and water sector in achieving the RGOZ's economic development goals.
- The existence of some legislation to govern the sectors and ZURA's mandate through an Act of Parliament is an opportunity. However, the absence of an electricity and petroleum law could hinder ZURA's activities - ZURA's legal affairs department should support their enactment. This should provide an opportunity for ZURA to ensure that the review of the legal framework removes conflicts and is in line with good sector practices.
- Government support of performance contracts and regulations regarding budgeting processes and other codes of ethics avail the opportunity to reinforce good corporate governance within the Public Enterprises ZURA regulates.

Threats

- Perceptions of political interference may arise which could undermine ZURA's image as an independent regulator.
- Government bureaucracy: ZURA is a state corporation, and some of its performance processes may have to comply with lengthy government regulations while others will involve seeking specific government approval.
- High public expectations and limited public knowledge of regulatory functions pose the threat of pressure to act in politically correct way.

Economic

Opportunities

- At 11.2 USc/kwh with a planned increase to 13.7 USc/kwh, Zanzibar's electricity tariff remains one of the lowest in the region as illustrated in table 2 below. This table also illustrates other statistics for purposes of benchmarking ZECO against other regional electricity utilities. At the current Tzshs.181 per kwh or projected Tzshs.222 per kwh, the Zanzibar electricity tariff is still considerably lower than the East African average tariff. TANESCO's electricity tariffs are still considerably lower than they should be hence TANESCO's well publicized financial woes. The planned tariff impact study will assess the economic impact of a tariff increase.
- Zanzibar's growth as a popular tourist destination in recent years has led to an increased demand for energy and water services. In spite of the shock to the economy arising from the recent global recession, it is anticipated that, in the medium to long-term, economic activity will pick up significantly to provide a conducive environment for ZURA to realise its strategic revenue goals.
- The recent commissioning of the 100 MW undersea cable by MCA-T gives ZURA a good starting point to regulate the performance of ZECO now that the risk of blackouts has been more or less eliminated for the medium term. This will also improve ZECO's revenue significantly.

Table 2: Regional electricity utility comparative statistics

	Burundi	Kenya	Rwanda	Tanzania	Uganda
Peak Demand (MW)	49	1,194	79	895	445
Technical & Distribution Losses	22%	16%	22%	22%	26%
Retail Tariff (USc/KWh) (2012)	13.1	17.6	18.2	13.6	17.6
Customers (2012)	60,000	1,444,000	216,000	960,000	450,000
Average no. of customers per employee	80	141	178	158	267

Threats

- The current BST of USc 6.5/kwh from TANESCO is exceptionally low and therefore may not be sustainable considering the commercial relationship between TANESCO and ZECO. Dependence

on TANESCO as the sole supplier of electricity to Zanzibar, which considers ZECO another of its commercial customers, risks Zanzibar being subjected to monopolistic power by TANESCO.

Table 3 below illustrates TANESCO’s fixed and variable electricity charges and tariffs for the different customer categories, including ZECO.¹

Table 3: TANESCO electricity fixed charge and tariff structure

	Domestic Low Usage (D1)	General Usage (T1)	Low Voltage Max (T2)	High Voltage Max (T3)	Zanzibar
	Usc	Usc	Usc	Usc	Usc
Low Energy (0-50kWh) - per kWh	3.7				
High energy charge per kWh (above 50kWh)	16.8				
Service Charge per Month		237.1	878.6	878.6	878.6
Demand Charge per KVA			1,045.9	896.3	745.6
Energy Charge per kWh		13.6	8.2	7.3	6.5

- The quality of service offered by utilities still lags behind global standards. ZURA will intensify compliance & enforcement measures to safeguard quality energy & water services to consumers.
- ZURA’s income is directly dependent on the quantity of energy and water products and services consumed. This in turn depends on the performance of the economy and the sector. ZURA will therefore endeavour to build up revenue reserves during good times to cushion it against periods of economic downturn.

Socio-cultural

Opportunities

- A growing population, improving public support and improved literacy levels which have contributed to increased demand and consumption for quality and affordable energy and water.

Threats

- Lack of environmental awareness resulting into unsustainable water resource management practices and fuel contamination amidst a fast growing population.
- The general unwillingness & inability of many customers to pay for particularly water services could persist notwithstanding the work of ZURA, which could undermine ZURA’s perceived effectiveness and undermine its work. Water is still considered a social good to be provided free of charge by Government. ZAWA’s inability to supply water consistently further negatively impacts customers’ willingness to pay, which in turn affects investment in the water sector.

¹ www.TANESCO.co.tz

- Although ZURA will offer dispute resolution services to the public, poverty levels and a culture of forbearance may limit the public's ability to seek these services from ZURA.
- Delays in implementation of the approved organization structure in order for ZURA to commence regulatory activities, could affect ZURA's mandate. It is important that this is done swiftly while the public anticipation of ZURA is high.

Technological

Opportunities

- Modern technology will ensure increased efficiency and safety in energy and water consumption and ZURA can take advantage of this technology to create more efficient systems and processes.

Threats

- The cost of acquisition may negatively affect the ability of Zanzibaris to benefit from the increasing technological advancement in billing for example

Mitigant

Since ZURA's law will soon be approved, a review of the current legal framework (to make it more supportive to competition, investment and other dynamic changes in the sector) is not expected soon. However the Electricity and Petroleum Acts will need to be enacted to give effect to ZURA's regulation of these sectors. In addition, ZURA will carry out annual customer satisfaction surveys, benchmark with other regulators for improvement and put in place a customer feedback mechanism. Finally, ZURA will develop and disseminate information and undertake consumer education outreach activities, including using the media, to ensure optimal quality of service to utilities and end-users.

c) The internal environment

At this stage, ZURA is not yet established. However, once established, the review of the ZURA internal environment ought to focus on key organizational components – leadership, organizational structure, systems and processes, people and resources and culture and values - to identify the strengths and weaknesses facing ZURA. A meaningful review of this cannot be carried out because ZURA had not yet commenced at the time of writing this strategic plan. Possible strengths and weaknesses to be mindful of are posed as the following questions:

Leadership

Strengths

- Do ZURA leaders have appropriate academic and professional qualifications at all levels, as well as sector experience, and are they well equipped to provide the required leadership to propel the sector to high levels of service delivery?
- Is the leadership open minded, dynamic, flexible and innovative, alert to rapid changes in the energy and water sector and able to respond appropriately?
- Is the leadership results-focused, using performance reviews to ensure that ZURA does not deviate from set targets?

Weaknesses

- Is the leadership sufficiently independent of vested interests?
- Does the leadership lack security of tenure which could result into a real or perceived lack of independence?

Organizational structure

Strengths

- Is the approved structure aligned to the strategy and dynamic enough to allow a rapid response to emerging trends and related HR developments.
- Is the current structure suited to a results-oriented management culture where departments are held accountable for specific results?

Weaknesses

- Even though the structure is strategy-aligned, is it too narrow or too flat and wide with a narrow or wide span of control at the top?
- Are some functions under-staffed affecting their ability to deliver?

People and resources

Strengths

- Are the staff competent and qualified, able to keep up with rapid sectoral changes and to engage with the various actors?
- Considering the small size of ZURA, are the staff multi-skilled and equipped with the necessary tools to deliver?
- Does the training program provide staff with opportunities for development and exposure to best practices?

Weaknesses

- A multi-sectoral mandate means that ZURA needs to address all areas equally and yet ZURA cannot have too many staff
- Are projected finances adequate to meet ZURA's medium term budget requirement? Does ZURA need to seek the assistance of the government, MCA-T and other development partners/stakeholders to address the projected shortfall?
- Is there adequate cooperation among the staff and good internal communication?
- Is office space and management information systems adequate to meet ZURA's productivity needs.

Systems and processes

Strengths

- Are ZURA's internal systems and process efficient?
- Have the ZURA internal procedures resulted in sustained and improved performance?

Weaknesses

- Are ZURA's ICT and MIS systems fully integrated?
- Are ZURA's systems reasonably secure?
- Is there adherence to established systems and procedures?

Culture and values

Strengths

- Does ZURA management & board comply with good and ethical corporate values & governance?
- Is ZURA flexible enough to respond to rapid changes in its operating environment?

Weaknesses

- Is there resistance to learning by some new staff?
- Is there adequate team spirit?
- Is regulator / utility company communication sufficient?

Mitigant

The leadership will play a key role in sharing the strategy, clarifying and promoting the mission, vision and values, and inspiring ZURA to rally behind the strategy to deliver exceptional results. Intranet should be put in place and used. Management meetings should be conducted every two weeks. Events and meetings should become internal communication tools. The strategy (after receiving inputs from

the new management) should be published on the ZURA website and regular stakeholder forums should take place to promote the strategy among industry stakeholders

ZURA should recruit & retain a highly skilled workforce and promote capacity building in the energy and water sector by implementing needs-based training, career and succession planning and job enrichment, and collaborating with bilateral donors and other bodies in bridging the energy and water regulation know-how. Priority should be given to creating a motivated and flexible workforce by ensuring that internal communication channels are effective and carrying out staff retraining.

To address the financing shortfall, ZURA should, in the medium term, seek government assistance to secure stakeholder and development partner support for planned strategic studies and development activities. Finally, to ensure the efficiency of support systems and procedures, ZURA should ensure adherence to procedures and statutory requirements, implement those procedures and ensure continuous improvement.

d) Summary of challenges facing ZURA

- Inadequate power distribution infrastructure,
- Unwillingness to pay by water and electricity customers resulting into high utility arrears despite the relatively low electricity tariff (relative to neighboring East African countries),
- Limited fuel supply logistics facilities resulting into stock outs & sector diseconomies
- High public expectations and limited public knowledge of the functions of ZURA.
- Lack of effective competition in the electricity sector.
- Risk of unreliability of power from TANESCO
- Adulteration of motor fuels, unclear fuel pricing system & risk of dumping of export products
- Insufficient water billing technology – absence of meters resulting into a high prevalence of estimated water consumption.
- Possible perception that the ZURA leadership lacks independence.
- An expanded mandate (three diverse sub-sectors) resulting in a capacity challenge.
- Inadequate systems and process in all areas of operation.

The Strategic Plan

a) Mission Statement

For purposes of this first strategic plan, the following mission of ZURA is proposed:

“To contribute to the economic development of Zanzibar by creating an environment for the efficient delivery of utility services to customers, whilst ensuring that service providers have the opportunity to make a reasonable return on their investments”

The above suggests that the purpose of ZURA is to “balance” interests. However, unless benefits are also created under the regulatory regime (i.e. improved utility performance) the regulatory system established by ZURA is unlikely to be sustainable.

The principal role of ZURA therefore is to:

- protect consumers from abuse by the utilities with monopolistic (water & electricity) or market power (fuel companies);
- protect investors from arbitrary government action on pricing, tariffs, licensing etc. thereby supporting investments;
- promote operational and economic efficiency of the water and electricity utility.

ZURA’s role will increasingly be that of honest/ impartial broker with the goal of finding solutions and building consensus between ZAWA, ZECO and the petroleum companies on the one hand, and the Government on the other in the regulated entities financial, technical and customer affairs.

b) ZURA Values

To align the mission and vision and to equip ZURA with the means to overcome the challenges it faces in the future, there is a need to foster a set of values that will form the culture of ZURA. Every employee and stakeholder who engages with ZURA, will be expected to conform to these values.

Independence

ZURA will ensure the highest levels of independence in its work.

Professionalism

ZURA will uphold high standards of professionalism, and all members of the board of directors and professional staff are expected to adhere to their professional ethics.

Integrity, Transparency and Accountability

ZURA will ensure the highest levels of integrity, accountability and transparency in its work. ZURA will conduct its work at all times in a transparent manner, consulting widely and making information readily accessible internally and externally to stakeholders.

Responsiveness

ZURA will endeavour to be sensitive and swift in dealing with stakeholders.

Teamwork

ZURA will embrace teamwork, mutual cooperation and appreciation of diverse perspectives, in discharging its functions.

c) ZURA Strategic Objectives

The strategic objectives for the ZURA 2013-2016 are:

- 1) To promote sustainable and efficient provision of utility services for economic development consistent with Government’s policy

- 2) To protect the interests of energy and water users by ensuring that demand is sustainably met with reliable, cost effective and high quality energy and water services.
- 3) To protect the interests of consumers by providing an avenue for appeal in their relationship with the utility providers
- 4) To influence, advise on and implement government policy, to meet ZURA's statutory objectives and functions.
- 5) To strengthen the ZURA's institutional capacity to discharge its functions independently, impartially and effectively.

Short and Medium term activities and targets

The following are the short and medium term activities ZURA will undertake to meet the strategic plan objectives outlined above and to exercise the institution's mandate. This list is not exhaustive. Numerous tasks will need to be undertaken to accomplish each activity. It is recommended that the completion of this list and the associated for each activity, be carried out once the management of ZURA is in place.

Six months:

- 1) Recruit core staff to start ZURA and establish office premises. Procure office furniture, fittings and equipment.
- 2) Senior management and board to review the draft strategic plan and commence its implementation.
- 3) Finalize budget and establish regulations to operationalize the funding of ZURA so that the institution can start generating revenue to meet her operating expenditure.
- 4) Prepare rules and processes for transparent tariff and price review and implementation of new tariffs and prices that are affordable by consumers, ensure the sustainability of the utilities and do not overly impact economic growth. The procedure for reviewing tariffs should be clear to all stakeholders (Government, the utilities and consumers)
- 5) Operationalize a system of three year performance contracts in the electricity and water utilities to be signed between the utility board of directors and the MLHWE, to form the basis of evaluating the performance of the management of the utilities. These should include the obligations of both parties to the contracts (and not omit the obligation of Government ministries and departments to pay for utility services consumed). The annual targets to be revised annually and adjusted if deemed necessary. The targets should be comprised of technical, financial, operational / customer oriented and process improvement measures.
- 6) Licensing or performance contract obligations to include the electricity and water utility company obligation to publish service charters.
- 7) Undertake initial induction training of directors and training of directors and senior managers of ZURA in regulatory functions, importance of regulatory independence particularly in tariff setting.

- 8) Undertake electricity and water tariff ‘ability to pay’ and tariff impact studies to support future tariff reviews. The ‘ability to pay’ studies had not yet been incorporated in the draft ZURA consultancy budget.
- 9) Develop financial model for ZECO and ZAWA for future tariff setting. Once developed, this model should be periodically updated to ease the process of tariff reviews.
- 10) Ensure the existing service charters for ZURA and ZECO are reviewed and published. This will help increase the visibility of ZURA.

One year

- 1) Undertake second round training of ZURA senior management as per the approved training plan (see Appendix 3).
- 2) Issue an annual report of all ZURA’s activities preferably no later than 6 months after the end of the first year of ZURA’s activities.
- 3) Develop licensing requirements that include adherence to safety and quality standards. To be carried out in conjunction with Zanzibar Bureau of Standards (ZBS).
- 4) Develop licensing requirements that include minimum standards for the size and location of new fuel retail outlets and a plan for phasing out non-compliant stations
- 5) Develop specific licensing guidelines for prospective independent power producers (IPPs) interested in exploring for electricity generation opportunities in Zanzibar, including all application and license fees payable. Wind and Solar energy appear to be the most realistic medium to long term option.
- 6) Develop licensing pre-requisites for new players into the downstream petroleum sector
- 7) Develop and publish a renewable energy feed-in-tariff policy that is attractive for new electricity generation by IPPs without overly affecting the end user tariff.
- 8) Develop detailed schedule of key activities in the different sectors that are currently not carried out by the utilities or the line ministry and ensure these are carried out by the two respective sector entities. Incorporate outstanding activities into the ZURA workplan.

Three years

- 1) Review 1st and 2nd year performance of ZECO and ZAWA
- 2) Develop model power purchase agreements. It is not expected that any feasibility studies for new energy sources will have resulted into the need for signing any PPAs until this period of ZURA’s existence.
- 3) Undertake a medium term (10 – 15 year) petroleum storage and logistics development study that forecasts long term trends in growth and energy requirements of Zanzibar.
- 4) Ensure a least cost power development plan and least cost water development plan are developed for Zanzibar. The estimated duration of these plans is 15 – 20 years. This has not been included in the ZURA consultancy study budget.

d) Implementing the strategic objectives

Implementing departmental objectives and targets provides the process through which the strategies are achieved. Each department will develop the activities to underpin each strategic objective, and will translate the strategic objectives into reality by taking responsibility for implementing the economic and technical regulation of electricity, water, downstream petroleum sub-sectors, and corporate services goals. For purposes of this first strategic plan, a set of activities has been proposed and discussed with stakeholders. However, the ultimate ownership of these activities needs to be by the board and management of ZURA.

The targets of the above objective are as indicated in the results matrix in Appendix 1. These targets are not exhaustive. The departments will use these matrices to develop annual work plans, which will in turn guide the concretization of the proposed annual budget and internal performance benchmarks.

Funding the Strategic Plan

Budgetary and financial considerations

For purposes of protecting regulatory independence, it is prudent that funding be primarily obtained from a levy on regulated entities and not from the Central Government treasury. However this has to be balanced with the need to keep levies relatively low and affordable as the regulated entities in turn shall pass on the costs of the levy to their customers. The levies to be charged should be based on the revenues of the regulated entities and not their profits.

ZURA will endeavour to have a balanced budget over the medium term (3 to 5 years) for routine operating expenditure. The costs of training and consultancies particularly in the formative stages of ZURA, ought to be met by central government or other development partners. ZURA will be guided by the Revolutionary Government of Zanzibar accounting procedures.

The financial projections are based on the following levy assumptions to be gazetted by the Ministry:

- The electricity levy should be set at up to 0.55% of electricity utility revenue which translates into Tzshs.1 per kwh. It is assumed that this will constitute 30% of the ZURA revenue and it is assumed that 100% of this levy will be collected.
- The petroleum levy should be set at up to 0.5% of petroleum companies' revenue or Tzshs.12 per liter of petrol and diesel and Tzshs.9 per liter of Illuminating Kerosene (and Jet A-1). This levy is expected to contribute about 65% of the ZURA budget
- The water levy should be set at 1% of the water tariff and is expected to contribute about 2% of the ZURA budget.
- Other revenue sources (application fees, interest income and Government support) are expected to contribute less than 7% of the ZURA budget.

At these levels of levies, the petroleum sector would fund 65% of the ZURA budget, the electricity sector 30% and the water sector 2%.

The above levy proposals are based on the assumption that non-recurrent expenditure like consultancies and capacity building will be supported by development partners or Government. In the absence of development partner or Government support, ZURA would have to charge 0.7% of electricity revenue and 0.75% of petroleum revenue to cover all its costs.

Donor and government funding

The financial projections presented in this section assume that development partners and / or government will support ZURA for the training / capacity development and various consultancies spread over a three year period. A part of ZURA's activities will be mobilizing resources to execute some of the strategic plan activities.

The three-year budget

The cost of implementing the strategic plan over the three-year period is approximately Tzshs.6.9 billion. However, for purposes of sustainability, lower levies have been proposed which would result into a three year period cost of Tzshs.4.3 billion hence a financing deficit of Tzshs.2.6 billion mainly to finance consultancy studies and training over three years, and an additional Tzshs.250 million for the initial capital expenditure requirements.

The following table provides the summarized budget forecast for the three-year period 2013/14 to 2015/16 based on the above assumptions. The first year budget initially proposed was based on ZURA being able to charge levies for the last three months of the first financial year.

Table 4: Three year budget

	Description	2013/14	2014/15	2015/16
	Income for the year			
1	Electricity levy 0.55% of ZECO turnover	88,653	407,803	456,740
2	Petroleum levy 0.5% of Gross Revenue	235,200	889,485	925,064
3	Water levy 1% of ZAWA turnover	7,056	29,637	31,118
4	Transfers from government / development partners	1,780,479	548,589	288,875
5	Interest income	2,647	10,615	11,303
6	Miscellaneous (energy generation license application fees)	8,100	8,200	8,300
	Total income	2,122,136	1,894,329	1,721,401
	Expenditure			
	Capital expense for the year (vehicles, furniture & equipment)	185,490	65,600	-
	Recurrent expenditure			
1	Directors' expenses	64,105	128,210	128,210
2	Personnel emoluments (includes 10% social security)	154,609	464,550	464,550
3	Transport and travel expenses (air travel and local travel)	104,652	166,952	166,952
4	Office supplies and expenses	5,000	10,000	11,500
5	Training expenses (events, conferences, meetings)	360,373	242,398	140,994
6	Public relations/consumer services	57,611	82,000	76,355
7	Telephone	29,160	69,984	83,981
8	Information and communication technology related expenses	13,608	9,072	9,072
9	Occupancy and office services	72,900	73,800	74,700
10	Consultancy, Professional and Legal services	921,780	328,000	305,420
11	Repairs and maintenance	5,000	5,000	10,000
12	Consumer representative council costs	32,053	64,105	64,105
13	Contingency (miscellaneous expenditure) 10%	115,795	184,659	185,562
	Total expenditure for the year	1,936,646	1,828,729	1,721,401
	BUDGET SURPLUS/ (DEFICIT)	-	-	-

NB: In order to maintain the three year budget to Tzshs.4.2 billion, training & consultancy studies will have to be restricted to USD 185,000 & USD 278,000 respectively, which would constrain ZURA's activities.

Monitoring the Strategic Plan

Monitoring and evaluation

The success of the strategic plan depends on effective monitoring and evaluation of the activities & outputs. The corporate planning officer, who will report to the DG, is responsible for overseeing the implementation and reviewing the quarterly departmental implementation progress reports.

The strategic objectives will be monitored in the following ways:

- 1) The strategy will be translated by the responsible officers into work plans and performance targets for their departments and evaluated on a quarterly basis. This strategic business plan will propose activities for the work plans.
- 2) Each responsible officer will submit their respective implementation reports quarterly.
- 3) The annual targets will be documented and agreed by ZURA and the Government, represented by the MLHWE.
- 4) A senior management meeting chaired by the Director General will be held on a quarterly basis to review the progress report from the corporate planning officer.
- 5) A mid-term implementation review will be undertaken incorporating changes in the sector.
- 6) Specific issues will be identified and action plans prepared to address any challenges in the implementation of the strategic activities.

Monitoring indicators at ZURA level

- Formulated regulations for electricity, petroleum and renewable energy subsectors
- Financial audit reports for regulated utilities
- Issuance and/or renewal of licences for petroleum business operations
- Monitoring system in place for electrical contractors
- Resolution of consumer complaints
- Electricity tariff reviews
- Water tariff reviews
- Petroleum product price ceilings set
- Issuance of construction permits for petroleum installations
- Capacity building for ZURA staff and directors.

Monitoring indicators at national level

- National water master plan developed
- National electricity master plan developed
- PPAs signed
- Electricity tariff reviews

- Water tariff reviews
- Petroleum product pricing
- Incidents of petroleum adulteration
- Trends in petroleum prices
- Resolution of consumer complaints.
- Least cost power development plan initiated
- Least cost water development plan initiated

Corporate objectives

An effective performance management framework needs to convert the vision and mission of ZURA into measurable corporate objectives. It should also identify and measure key performance drivers against these objectives. Together, these will allow ZURA to identify its success against its objectives and the causes of weaknesses and threats in performance. For each regulated sub-sector (in italics below), the proposed indicators are outlined below each proposed mission statement.

Electricity

To ensure delivery of reliable and cost effective electricity supplies to all, by enhancing the effectiveness of regulation of the electricity industry

- A cost effective electricity supply measured by average tariff divided by average cost of supply - measures the extent to which tariffs recover costs;
- A reliable electricity supply indicated by average frequency and duration of interruptions to supply (the SAIFI Index)
- Improved willingness to pay indicated by improved collection efficiency.
- Improved technical and commercial efficiency measured by improved billing efficiency & reduced system losses.
- Improved service delivery measured by the increase in the number of new connections and average duration of implementing new connections.
- Overall performance improvement measured by the proportion of external & internal audit findings implemented.

Petroleum

To regulate the petroleum industry in a cost-effective manner in order to deliver a competitive, safe and environmentally friendly industry

- Competitive industry evidenced by transparent licensing procedures and timely review of the licensing applications.

- Safe industry indicated by investigation and reporting of hazardous incidents (such as fuel contamination incidents).
- Cost reflective industry as evidenced by timely adjustment of economical fuel price ceilings
- Objective and clear criteria for inspection procedures

Water

To ensure delivery of reliable and cost effective water and sewerage supplies to all by enhancing the effectiveness of regulation of the water industry.

- a) Water supply to all demonstrated by rate of coverage (i.e. proportion of households supplied with safe and adequate water).
- b) A cost effective water supply:
 - average cost of supply - measures success in reducing the non-revenue water and improved billing efficiency.
 - average tariff divided by average cost of supply - measures the extent to which tariffs recover costs
- c) A reliable water supply:
 - Average frequency and duration of interruptions to supply.
 - Increased willingness to pay for water services
 - Increased collection efficiency
 - Average duration of implementing new water connections.

Other subsidiary indicators include the number of customer complaints resolved

Corporate support (Administration, Finance, Human Resources, Procurement, Legal, Public Relations)

To provide efficient, effective and timely support to the ZURA's operations

- Speed at which ZURA offices are physically established.
- Trained and motivated personnel
- Adequate budgetary provision
- Availability of a business information system
- Timely and cost effective procurement of goods, works and services
- Promotion of a good corporate image
- Adequate provision of administrative services
- Timely and reliable legal support services.

APPENDIX 1: ACTION PLAN STRATEGIES AND ACTIVITIES

Strategic Objective 1: To promote sustainable and efficient provision of utility services for national economic development consistent with Government's policy

Activities:

- Develop three year performance contracts for ZAWA and ZECO
- Develop rules and procedure for setting cost recovery tariffs or have a plan to ensure cost recovery tariffs are in place within a definite timeframe.
- Undertake study to advise on the most optimal way of addressing the archipelago's long term liquid energy needs.

Outcome	Outcome Indicator	Output	Output Indicators	Responsibility	Target Year		
					1	2	3
Set fair tariffs that ensure investors are adequately compensated & consumers fairly charged	Clear & predictable roadmap to tariff review in place.	Tariff guidelines developed Water & Electricity impact studies undertaken	Clear tariff adjustment guidelines & mechanism agreed with RGOZ	Policy & regulatory Unit	Policy dialogue and publicity, supported by impact studies	Tariff setting guidelines approved & applicable	
Develop 3 year performance contracts (PC) with ZAWA and ZECO	Improved ZECO & ZAWA performance.	Signed PCs	2014/15 targets agreed by May 15 th 2014.	Policy & Regulatory Unit, with support from Corporate services	Draft PC & indicators discussed & agreed with Min. Fin. & MLWHE	PCs for 2014/15 signed by 31 st July 2015	PCs for 2015/16 signed by 31 st July 2016
Study advice including implementation roadmap adopted by the line ministry	Fuel logistics and supply study completed	Study report and roadmap adopted by ZURA management	Consultant contracted within 6 months of start of ZURA	Policy and Regulatory Unit	Consultant engaged and report submitted		

Strategic Objective 2: To protect the interests of energy and water users by ensuring that demand is met with reliable, cost effective and high quality energy and water services in an environmentally friendly manner.

Activities:

- Develop a renewable energy feed-in-tariff (REFIT) policy that is attractive for new electricity generation by IPPs.
- Review licensing and conditions for new players into the downstream petroleum marketing and energy generation activities.

- Gazette Rules of Procedure which include avenue for appeal by licensees
- Develop mechanism to curb petroleum products adulteration
- Develop and implement petroleum pricing formula, and electricity & water tariff setting methodologies

Outcome	Outcome Indicator	Output	Output Indicators	Responsibility	Target Year		
					1	2	3
Reduced incidents of poor installation complaints	Electrical contractors licensed	Licensing guidelines for electrical contractors approved	Licensing application guidelines developed; measures to monitor electrical contractor performance developed	Policy & Regulation		New licensing procedures in force	
One electricity generation company licensed	REFIT policy in place	REFIT policy approved	REFIT study completed	Policy & Regulation	Consultant engaged to develop REFIT	REFIT policy approved by ZURA board	At least one electricity generation project licensed
Electricity & Revised Petroleum Licensing procedures gazetted	Licensing procedures approved by board	Clear petroleum marketing and electricity generation	Electricity Licensing procedures developed Petroleum company licensing rules reviewed	Legal together with Policy & Regulation	Licensing rules approved	Licensing for auxiliary activities	
Timely regulatory decisions by ZURA	Rules of procedure approved by board	Draft rules of procedure	Draft rules reviewed and submitted for approval	Legal	ROP in force		
Transparent tariff setting guidelines enforced.	Board approves tariff setting guidelines Tariff study adopted	Tariff setting guidelines in place	Petroleum Supply bill enacted Tariff setting guideline study conducted Tariffs reviewed and recommendations made	Policy & Regulation	Tariff guidelines in force		
Effective compliance monitoring	MOU with ZBS signed by board chairman	Petroleum quality standards approved by ZBS	Input from petroleum companies provided to ZBS			Fuel adulteration compliance monitoring effective	

Strategic Objective 3: To protect the interests of consumers by providing an avenue for appeal in their relationship with the utility providers

Activities:

- Develop service charters for ZAWA and ZECO. Ensure these are improved, well publicized and adhered to.
- Issue an annual report of ZURA activities no later than 6 months after the end of the financial year.

Outcome	Outcome Indicator	Output	Output Indicators	Responsibility	Target Year		
					1	2	3
Approved Customer Service Charters displayed by utilities. Penalties levied for non-compliance	Revised service charters approved by boards of utilities and ZURA	Revised charters presented to ZURA board for approval	Consultations with consumer groups and utilities conducted	Consumer Affairs	CSC displayed	CSC displayed	CSC displayed
Annual reports by ZURA published	Annual reports published within 6 months of FY end	Annual reports presented to ZURA board within 5 months of FY end	Timely receipt of relevant data from regulated entities	Consumer Affairs	Annual reports published	Annual reports published	Annual reports published

Strategic Objective 4: To influence, advise on and implement government policy, to meet ZURA's statutory objectives and functions.

- Develop and implement ZURA's public awareness program
- Provide contributions and participate in development of electricity law and enactment of petroleum supply bill

Outcome	Outcome Indicator	Output	Output Indicators	Responsibility	Target Year		
					1	2	3
Petroleum supply Act passed	Petroleum supply law in place Q2 2013/14	Petroleum Supply bill in parliament	Consultative meetings held	With support from Policy & Regulation	Petroleum Supply Law in place		
Electricity Act passed	Electricity bill submitted by Q3 2014/15	Electricity bill submitted to parliament	Consultative meetings held	With support from Policy & Regulation		Electricity Law in place	
ZURA Act in place	ZURA law approved in Q3 2013/14	Revised ZURA Act submitted to parliament	Consultative meetings held	With support from Policy & Regulation	ZURA law approved		
ZURA communication plan under implementation	Communication plan approved by board and funded	Activities & Funding confirmed	Inputs for communication plan provided	Consumer Affairs (Public Relations)	Communication plan approved		

Strategic Objective 5: To strengthen the ZURA’s institutional capacity to discharge its functions independently and impartially

Activities:

- Gazette regulations that enable ZURA to charge levies to regulated entities.
- Obtain confirmation for funding from development partners, to undertake consultancy studies and the approved capacity building / training plan.
- Engage external internal auditor

Outcome	Outcome Indicator	Output	Output Indicators	Responsibility	Target Year		
					1	2	3
ZURA self sufficient	Levy regulations gazetted	Levy regulations developed	Levies agreed upon by Ministry of Finance	Legal	Levy collection mechanism in place		
Strengthened ZURA management	Quarterly audits conducted	Improved compliance monitoring	External Internal auditor procured	Corporate Services	Internal auditor in place		
Organization establishment completed.	ZURA fully functional with 10 staff initially	All department staffed	Premises secured Recruitment completed	Corporate Services	ZURA staffing commenced	ZURA staffing completed	
Performance management system implemented	Board approved strategic plan	Action plans signed off by ZURA mgt	Detailed action plans prepared	Director General, Corporate Services	Strategic plan approved by 28Feb13	Staff performance reviewed by 30Aug	Staff performance reviewed by 30Aug

APPENDIX 2: ZURA THREE YEAR COMMUNICATIONS PLAN

A. Background

Part of building a credible regulator is putting in place good communication avenues with all stakeholders. This means that communication should be two-way, non-discriminatory and not meant to unduly influence the regulator but provide information on stakeholder views. The key stakeholders to communicate with are consumers, the utilities and the government.²

Information about the role and activities of the regulator are often not well disseminated and this may lead to incorrect expectations and perceptions that the actions of a regulator are an attempt by the government to justify higher tariffs / prices or less utility supplies. The role of the regulator in as much as it is meant to benefit end-users needs to be made clear, particularly when tariffs increase or energy efficiency programs are launched.

B. Foreword

The Zanzibar Utility Regulatory Authority (ZURA) as the Regulator of petroleum, electricity and water and sewerage services takes vested interest in ensuring that there is quality and sustainable service delivery in these three critical areas of society.

In fulfilling its mandate, ZURA does not work in isolation but with various stakeholders in the formulation and improvement of appropriate regulatory tools and guidelines. To augment the proposed lean structure, it is recommended that part-time inspectors and Consumer groups be instituted to strengthen the ZURA's work by obtaining accurate feedback from consumers.

Several efforts shall be made at communicating various messages to the public to ensure ZURA is sufficiently known and its role is appreciated. The low collection efficiency of the utilities in Zanzibar indicates that consumers do not prioritize payment for the use of water and electricity. Consumer surveys may have to be carried out at the onset to further inform ZURA of the drivers of consumer behavior.

The proposed communication plan spans the years of the strategic plan period up to 2016. The roadmap contained herein tries to outline the strategy to reach different user groups with concise messages to highlight the role of ZURA, manage stakeholders' expectations of the institution and improve the operating environment for the utilities by influencing behavioral change.

The first year of the plan will focus on informing the public of the role of ZURA, the second year will highlight the consumer advocacy role that ZURA plays (after the relevant structures are fully operational in the organization) and the last year will focus on communicating the results of ZURA since inception.

Various mediums shall be utilized in this plan including annual reports, a ZURA flyer and periodical, press briefings, live public debates and talk shows, quizzes in educational institutions, press releases in popular local print media and participating in public displays (stalls at events, conferences etc).

It is hoped that this communications plan shall enable ZURA contribute to raising awareness and uplifting the lives of the people of Zanzibar.

² Sustainable Energy Regulation and Policy Making in Africa

C. Introduction

Communications is an integral part of any public institutions work, more so, one which is going to play a 'refereeing' role in three key economic sectors. It comprises various disciplines, many of which overlap, having related functions depending on one's perspective.

Communications, public relations, marketing and corporate affairs are overlapping terms that mean conveying a message.

Some of the main communication disciplines are public relations, internal communications, corporate communications, direct marketing, advertising, branding and public affairs. These are aimed at different audiences and use different tools and activities to convey a message. Planning communications is important and beneficial for many reasons. It ensures the most efficient use of scarce resources, prioritizes between conflicting demands and gives a clear direction for departmental day-to-day activity.

Further, it is the pulse or sense of the impact the organization is having in society, which feeds into organizational strategy action plans. A plan also enables a review of existing organizational activities and provides milestones against which to measure future success.

D. Goal of a Communication plan

The ZURA communication plan, which covers the first three years of ZURA's activities, is meant to provide a road map through which communication will be based. It defines clear principles of communication, target audiences and their key messages, information flow, tools for communication, time frames and budget estimates (refer to annex 1).

The communication plan aims at:

- 1) Creating awareness among the general public on sector developments and the role of ZURA as a regulator thereby creating "demand" or stakeholder acceptance for its services.
- 2) Educating the general public on their energy and water rights/obligations.
- 3) Inducing a change of the perceptions, behaviour and attitudes of energy and water consumers towards energy and water usage and payment of electricity and water bills.
- 4) Initiating/creating debate among decision makers on needed policy and strategic changes.

E. Key Background Issues

The following key issues are vital in the implementation of this communication plan.

1. Social environment

The social background of the country is such that there was a low willingness to pay for electricity and water services. Water in particular was considered a social good that must not be sold. Of recent, the same reluctance to pay for water services persists mainly because of the unreliability and inconsistency of water services. Electricity had a lower incidence of non-payment. However, electricity had more cases of connivance with staff to avoid payment and meter tampering. For petroleum products, the people of Zanzibar inevitably compare the prices they're paying with those of the mainland. This environment has impacted on the perceptions of people.

Projections indicate that by 2015 about 90% of urban dwellers will get clean and safe water as against the current situation of 75% and as for rural dwellers this will shoot from 51-65% but this does not augur well with the fact that water borne diseases are a permanent feature with diarrhea and cholera knocking the doors each year. With non-availability of treating centers all of Zanzibar sewage tends to end in the sea and the solid waste management cannot handle more than 70 percent of the waste for lack of landfills and collection power with Zanzibar Town alone producing 200 tonnes per day and only one third being collected.³

2. Economic environment

With more than 49% of the Zanzibaris living in poverty (2005) (40.5% in urban areas and 54% in rural areas), there is need to be mindful of peoples' willingness and ability to pay for electricity, water & sewerage, and fuel services. At USD 515, GDP per capita is about the same as that of Uganda and Tanzania mainland. In the past, there was an incident where a petroleum company increased their selling price by Tzshs.100 unilaterally citing changes in changes in global economic conditions which affected their buying price, the absence of a law that makes it mandatory to obtain authorization from Government, and the liberty other business people had in changing their prices.⁴ A planned tariff impact study for water and electricity (and possibly petroleum funds permitting) will inform stakeholders on the sensitivity of tariff changes to macro-economic influencers of economic growth e.g. inflation, purchasing power etc.

3. Political environment

Zanzibar is a semi-autonomous part of the United Republic of Tanzania with its own Government: the Executive, headed by the President of Zanzibar, its own Judicial System as well as a legislative assembly known as the House of Representatives. Zanzibar is divided into five administrative regions (three in Unguja and two in Pemba), 10 districts two in each region, 50 constituencies and 296 shehias⁵

Politics may affect or distort information transmitted if not clearly communicated. There is need to focus on communicating facts as they exist on the ground. While there is increasing political will to improve the electricity, water and sanitation sector, actual investment has been slow.

4. Service delivery problems

Apart from ZAWA's formation and taking over dilapidated infrastructure from the water department, ZAWA experiences other operational problems that may impact on its service delivery. ZAWA is still not covering operational and maintenance costs. This has been compounded by poor investment in the sector. African Development Bank is funding a four year project, from 2013 to 2016, to rehabilitate and upgrade the water production, transmission and distribution systems and to provide sanitation and hygiene facilities in schools.

Similarly ZECO has experienced a shortage of power from the mainland to Unguja. This however has been addressed following the commissioning of the 100 MW undersea cable by MCA-T in April this year. However, security of supply remains a concern for Zanzibar given the Island's dependence on TANESCO which is facing severe operational challenges of its own, a shortage of demand, a low tariff that is not cost recovery etc.

³<http://zanzibariyetu.wordpress.com/2008/11/18/zanzibar-poverty-and-the-millennium-goals-a-long-walk-to-prosperity/>

⁴ Zanzibar Petroleum Company, 2007

⁵ Growth and Mismatch Study No.2

The petroleum sector was affected by shortages due partly to supplies and logistics constraints.

5. Media coverage on water, electricity and petroleum issues

While electricity issues have been a key area of focus in Zanzibar, Water and Sanitation issues are not regarded as one of the hot topics for the media. ZURA should institute a quarterly media forum in an effort to increase coverage of water and sanitation issues and educate the media for accurate reporting.

Water however is receiving increasing coverage with new media houses. ZURA should also institute media awards to encourage coverage of WSS issues. The petroleum and electricity sectors have continually received coverage mostly during supply shortages. Electricity shortages inevitably impact water pumping creating water shortages as well. The establishment of ZURA may therefore be perceived as a solution to all the sector problems.

6. Environmental considerations

Although water is a renewable resource, its availability for household use is slowly dwindling, hence the need to conserve it. Pollution from agricultural and human activities poses the greatest challenge. Sanitation also presents a challenge in the manner of implementation. Focus is shifting to environmentally friendly sanitation. It has been said that neglect of sanitation could reverse the progress made in water supply.

F. Target message recipients

ZURA will seek to sensitize and solicit feedback from both the primary and secondary audiences. These will be divided in smaller groupings.

Primary Audience

These are groups of people who need to be exposed to the messages to be communicated. These comprise of low income, poorly educated, geographically isolated groups who do not have easy access to information. This primary group is usually very difficult to reach hence the need for mass media tools.

Secondary Audience

These are groups of people who have some knowledge of the messages to be communicated, but will however benefit from hearing the message. Examples of such groups are the various stakeholders in the three sectors, civil society, learning institutions, mosques & churches and NGOs. These groups are usually better able to influence change agents and could therefore influence the primary target group as defacto opinion leaders. It is less complicated to reach the secondary audience.

Special Audience

These include the government (parliamentarians) and the media. This group needs the information in order to propound implementation of sound policies to the sector.

Each of the three target audiences has special messages.

G. Tools of Communication

Different audiences require different tools of communication in order to be reached
Diverse tools for communication will be used depending on the type of audience and message to be transmitted.

The various groups within the three broad target audiences have special messages and tools for communicating.

The strategy in this plan shall be to educate the media houses/journalists about ZURA so that they can sale ZURA to the public/general audience. The education will involve making available the information to be communicated to the media.

Various materials will be published by ZURA for the specific target audiences. Individuals/ firms will be contracted to prepare these materials on behalf of ZURA.

The responsibility of communicating is not a one man task. Everyone within ZURA should be involved in communicating the various messages.

The Manager Consumer Affairs, who will double as the Public Relations Officer, shall provide guidance, in the production, dissemination and feedback approaches that will be employed.

As much as possible, all communication work shall be participatory.

The table below is a summary of the audience, message content and tools to deliver the preferred content to each target audience.

TYPE OF AUDIENCE	MESSAGE	TOOL
Primary Audience		
Consumer Associations	Good water and energy usage patterns Behavioural/perception change Services offered by ZURA Tariff reviews and other policy issues	Bulletin; Meetings; Annual Sector report; Promotional materials; Brochures; Visual arts
Disadvantaged groups	Good water and energy usage patterns Behavioural/perception change Services offered by ZURA	Theatre; Public meetings; Interest Group meetings; Religious gatherings; Documentary; Community radio programs-Kiswahili; Brochures; Community associations
Secondary Audience		
ZAWA, ZECO, private operators	Best practices in the sector Policy issues Sector performance	Meetings; T.V programs (talk shows); Radio Programs (Talk shows); Annual sector report; Bulletin; Newspaper articles
Civil Society & NGOs	Good water and energy usage patterns Behavioural/perception change Services offered by ZURA Tariff reviews and other policy issues	Workshops/seminars; T.V programs (talk shows); Radio Programs (talk shows); Brochures
Schools	Good water and energy usage patterns Behavioural/perception change Services offered by ZURA	Brochures; Guest lecturing; Promotional materials; Visual arts; Jingles; T.V quiz
Universities & Colleges	Policy issues Sector performance Services offered by NWASCO Good water usage pattern	Annual sector report; Bulletin; Promotional materials; Website; News papers
Development partners	Policy issues Sector performance	Website; Annual sector Report; Stakeholder meetings; T.V programs (talk shows); Radio Programs (talk shows); Documentary; News papers
Special Audience		
Media	Sector performance Policy issues e.g. tariff reviews Good energy and water usage practices	News articles; Fora; Annual sector Report; Bulletins; Seminars; Promotional materials
Members of parliament	Sector performance Policy issues e.g. tariff reviews Impact of ZURA activities	Annual sector report; High profile Meetings; T.V programs (talk shows); Radio Programs (talk shows); Documentary; Newspapers

H. Evaluation

Evaluation is critical to assess the effectiveness of the plan and ascertain whether the resources spent on communication are well directed. It also acts as a basis for future strategies to be developed.

For an evaluation to be effective there is need for this to be done by an independent consultant to conduct it.

Evaluation should not wait until the entire program is implemented. It is an ongoing process, which should be done parallel to implementation of the strategy. An annual evaluation is recommended.

Methods of Evaluation

Surveys

At the end of the three year period, a survey should be done to ascertain whether the messages were transmitted to the targeted audiences. Different questions can be formulated for different target groups. The survey must be structured in such a way that will determine the effectiveness of communication. Ideally a baseline survey on public opinion should be carried out at the start of ZURA's work for purposes of an objective impact assessment at the end of the 2nd year.

Website feedback

Website visit counts and the comments sections on the website should be analyzed and monthly reports prepared.

Feedback form

Responses on the feedback forms inserted in the Annual sector reports should be analyzed and lessons drawn.

Individual feedback

Individual feedback should be obtained during and after each activity. This should be obtained from the targeted groups' observers and other groups within and outside ZURA.

I. Communication partners and associates

In order for effective implementation of this strategy, an internal communication team is required in ZURA. In addition, external individuals or groups such as popular comedians, famous T.V and radio presenters, artists and musicians will be engaged from time to time.

Conclusion

This communication plan outlines the strategies for communicating information related to the specific issues, events, situations or audiences that will affect ZURA. It serves as the blueprint for communicating with the public, stakeholders, or even colleagues. This communication plan:

- outlines the objective/goals of the communication,
- identifies the stakeholders,
- defines the key messages,
- pinpoints potential communication methods and vehicles for communicating information
- specifies the mechanisms that will be used to obtain feedback on the plan.

It is recognized that this communication plan did not have to be a formal written document, as it could simply involve taking the time to think about a communication problem or issue and determining the best approach for communicating the message or information. Indeed this will be done from time to time, as relatively simple or low-risk issues emerge that need to be addressed and effectively communicated quickly, to avoid misinformation to key decision makers. However, for high-risk issues like tariff setting, that is expected to be controversial, a more formal written approach will be needed to ensure that all stakeholders are reached and all key messages are communicated effectively and consistently

Annex 1: Draft Three (3) year communications budget

ACTIVITY	TARGET AUDIENCE	COST (TZ.Shs)
<i>YEAR 1</i>		
Communication Team Costs		2,500,000
Preparing Documentary		17,500,000
Acquiring/distributing promotional materials	Secondary audience	20,000,000
Airing Documentary	Secondary & special audience	7,500,000
Quarterly Media Forum	Journalists	4,000,000
Printing Quarterly Bulletin/distributing	Secondary audience	12,500,000
Printing/distributing Brochures in Kiswahilli	Primary audience	7,500,000
Printing/distributing Brochures in English	Secondary audience	7,500,000
Printing/Distributing annual sector report	Secondary and special audiences	17,500,000
Community radio programs (Kiswahilli)	Primary audience	12,500,000
Monthly Newspaper articles	Secondary audience	1,000,000
Program on Radio	Special audience	2,000,000
Website updating	Secondary audience	750,000
Coordinate CWGs awareness campaigns	Primary audience	2,500,000
	Sub-total	115,250,000
<i>YEAR 2</i>		
Guest lecturing	Secondary audience	5,000,000
T.V programs	Secondary and Special audiences	5,000,000
Radio programs	Secondary and Special audiences	7,500,000
Community radio programs (Kiswahilli)	Primary audience	5,000,000
Printing/Distributing Annual sector report	Secondary/Special audience	10,000,000
Printing Quarterly Bulletin/distributing	Secondary audience	7,500,000
Printing/distributing Brochures in English	Secondary audience	3,750,000
Quarterly Media Forum	Special audience	5,000,000
Distributing brochures in Kiswahili	Primary audience	3,000,000
Distributing promotional materials	Secondary audience	750,000
Public meeting with selected civil society groups	Secondary audience	4,000,000
Program on Radio	Special audience	3,500,000
Website updating	Secondary audience	1,000,000
Designing/ distributing visual arts	Secondary audience	7,500,000
Developing a Jingle for ZURA (Kiswahili)	Secondary and primary audience	2,000,000
Evaluation		11,500,000
	Sub-total	82,000,000

ACTIVITY	TARGET AUDIENCE	COST (TZ.Shs)
<i>YEAR 3</i>		
Guest lecturing	Secondary audience	5,000,000
T.V program	Secondary and Special audiences	5,000,000
Radio program	Secondary and Special audiences	7,500,000
Community radio program (Kiswahili)	Primary audience	5,000,000
Printing/Distributing Annual sector report	Secondary/Special audience	16,000,000
Printing Quarterly Bulletin/distributing	Secondary audience	7,000,000
Printing/distributing Brochures in English	Secondary audience	3,605,000
Quarterly Media Forum	Special audience	5,000,000
Distributing brochures in Kiswahili	Primary audience	750,000
Distributing promotional materials	Secondary audience	3,000,000
Program on Radio	Special audience	3,500,000
Website updating	Secondary audience	1,000,000
Evaluation		14,000,000
	Sub-total	76,355,000
Grand total		273,605,000

APPENDIX 3: THREE YEAR TRAINING PLAN FOR BOARD MEMBERS & STAFF

A. Background

The Revolutionary Government of Zanzibar has undertaken detailed studies leading to reforms in the utility sector. A new institution has come into being following the enactment of the ZURA law of 2013. In this endeavor the formation and resourcing of the Regulator ZURA is a key ingredient to realize the sector objectives of increasing efficiency, encouraging investment and ramping up an array of services to the economy thereby facilitating accelerated economic development.

ZURA has been formed as a multi sector regulator mandated to oversee the operation in the Electricity, and Water/Sewerage services of Zanzibar and the downstream operations of the petroleum sector.

Whilst the requisite tools as such as rules of procedure, a strategic plan and a communications have been developed alongside the finalization of the design of the organizational structure and its filling with competent and high caliber staff, to ensure effective execution of its regulatory mandate these staff need to undertake specific training on short-term basis so as to form a pool of knowledge and skills that should help the ZURA to develop and enforce rules, conduct studies, communicate effectively with stakeholders and have the desired impact on the economy as quickly as possible.

In developing this training programme, consideration has been given to what is necessary in the short to medium term i.e. 1-3 years. This is to isolate the knowledge and skills development that are a pre-requisite for a credible regulatory institution. Considering that ZURA is a new institution, it is important that its first steps do not result into irreparable reputational risk which could permanently erode ZURA's credibility. Therefor it is key that the first capacity building programs are focused and of very high quality from very credible global institutions.

B. Rationale

A recent "skills audit" commissioned by the African Forum for Utility Regulators (AFUR) came to the conclusion that a shortage of skills is seriously impacting on the ability of regulators to conduct their activities.⁶

ZURA should benefit from this at the onset.

The same study identified the requirement for a structured cost effective training programme that can be undertaken over a period of time. The study recommended that:

- training may be best delivered as a set of short courses/seminars, which cover a range of regulatory knowledge areas.
- the focus should be on providing the knowledge which regulators need rather than emphasizing a requirement for formal accreditation.

The study recognized that what is currently limiting training opportunities for many staff is the cost of travel to training venues, which are often in Europe or the USA. Many staff would benefit from courses being available to them closer to home, or access to information to encourage on-the-job learning.

⁶ Sustainable energy regulation and policymaking training manual

Some of the areas where training is most likely to be required in the next two years, as identified by the AFUR skills audit were:

- Funding a regulatory body
- Understanding the nature of the utility market—natural monopolies and competition
- Ensuring that any restructuring or consolidation of companies providing a utility service was compatible with effective competition
- Financial analysis
- Regulating overall price levels
- Controlling pricing when users have no choice of supplier
- Tariff setting
- Information issues
- Making good regulatory decisions
- Reviews of and appeals against regulatory rules and decisions
- Knowing how to communicate to the public
- Negotiating techniques and strategies
- Critically reviewing company plans to provide utility services

C. Course facilitators and excerpts of the background to the training programs

Regulatory Courses are offered by

- IP3, Washington
- IP3 Online Training Courses
- Infocus International, Singapore
- Public Utility Research Center (PURC)
- University of Cape Town, Managing Infrastructure Program
- RIPA International
- Other regional training centers for management courses (e.g. ESAMI, Nairobi, EWURA training in Dar-Es-Salaam)
- The Public Utility Research Centre (PURC) at the University of Florida has had a long tradition in quality research and publications in utility regulation. Its flagship programme the Utility Regulation and strategy that runs twice annually has been well spoken for over the years, it attracts eminent researchers, practitioners and academicians in electrify, water and telecom regulation. It's the best foot forward for any aspiring regulator. Its high cost at about US\$ 9,000 has also partial provisions for meals and accommodation so on effect its real cost in fees is about US\$ 6,500. The other programmes offered there would also galvanize their knowledge in the area of bench marking and pricing.
- The Institute for public and Private Partnerships (IP3) has also been at the fore front of training regulators, utility managers, and of late project finance specialists. It has along tradition as well and global accreditation with the University of Loughborough in the UK Their programmes in Rate making, strategic communications and stakeholder consultations are popular in the formative stages of nay regulator.
- Other course providers indicated include, Infocus International, RIPA international, The Institute of International Research which all conduct some of the programmes in Nairobi, Johannesburg and to an extent Zanzibar and thus the exposure on travel costs can be mitigated if the engagements are well timed.
- The International Law Institute has formed a School of Excellence that undertakes many of their training programmes in the region including Mombasa, Zanzibar, Kampala, Lesotho and

Swaziland. These can go a long way in enabling organizational development initiatives to take root at ZURA.

- Other management training programs in the region are periodically held. Exposure to ZURA staff to other nationalities within the East African community will widen their network within the region for purposes of periodic consultation, benchmarking and arrangement of study tours.

D. Number of Training Programs

The programmes have been divided into three years starting with what is considered the more urgent training courses for a new regulator and the need to train as many of the new staff as possible so as to equip them with critical skills in advance.

The staff and six board members shall be trained a total of 112 times over the three year period, with 51% of the trainings taking place in the first full year of commencement, 32% in the second year and 17% in the third year as indicated in the table below.

	Board Members	Director General	Reg. & Policy	Consumer Affairs	Legal Board Sec	Procurement	Corp services Finance	Total No.
Year 1	14	8	14	5	5	2	12	60
Year 2	6	5	11	5	4	1	7	39
Year 3	6	3	5	2	1	0	5	22
Trainings	26	16	30	12	10	3	15	121
Trainees	6	2	4	2	2	1	4	

E. Training Budget Summary

The projected budget is now USD 457,400 over the three year period, a marked reduction from the USD 1 million initially proposed, which was reduced to USD 730,000 during the second interim report submission following the reduction in proposed staff.

The table below illustrates the breakdown of the training courses between the board members and the different departments of management.

Year	Board Members	Director General	Reg. & Policy	Consumer Affairs	Legal Board Sec	Procurement	Corp services Finance	Total (USD)
1	62,714	30,964	48,980	15,572	20,501	9,267	34,455	222,453
2	26,877	19,352	38,484	15,572	16,401	4,633	15,313	136,635
3	26,877	11,611	17,493	6,229	4,100	-	7,657	73,970
Management training contingency (9 no.)								24,300
	116,469	61,928	104,957	37,372	41,002	13,900	57,425	457,357

Annex 2 is a detailed breakdown of the proposed training courses, the course conductors and their unit costs. Annex 3 is a breakdown of the courses / programs to be conducted in each of the first three full years of ZURA's existence.

F. Other Training

Other forms of training should be explored. Experienced regulators like EWURA, ERC of Kenya or ERB of Zambia could be invited to Zanzibar to train ZURA staff on specific issues. This would save on travel costs and enable several staff members to receive pertinent training at the same time. This component, which has been budgeted for under the travel budget, would involve one or two staff from other regulators, conducting their training in ZURA's premises or anywhere else in Zanzibar.

Study Tours

In addition to formal training, it is recommended that the ZURA board and staff visit or interact with other regulatory authorities in their home countries or in conferences, probably once a year, to appreciate their challenges and determine how similar challenges can be addressed in Zanzibar. This activity is also budgeted for under the travel budget.

G. Conclusion

These regulatory training programmes are regarded as very critical and of high quality in enabling the ZURA to kick-off at a high pitch in terms of knowledge, exposure and experience sharing. Some of the courses proposed are support courses aimed at buttressing the institutional performance and to increase knowledge of the workings of the water and electricity utility.

While the cost of training seems high, when spread over three years, it translates to an average of 12% of the total projected operating expenditure. This compares reasonably with EWURA's training budget which is approximately 13-14%⁷ of their total operating expenditure (10% for Kenya's Energy Regulatory Commission)⁸

⁷ EWURA 2009/2010 audited financial statements

⁸ ERC's 2007/08 to 2011/12 approved Strategic Plan

Annex 2: Proposed Training Courses and Cost

Course	Unit Cost (\$)	Location	Numbers	Budget
1 Regulating Quality of Service: Planning, Compliance Monitoring, and Enforcement (July 2013), PURC	4,950	Florida	6	29,700
2 2013 Managing Power Sector Reform And Regulation in Africa (October 2013)	2,056	Cape Town	7	14,389
3 Advanced Practices International - Pricing Utility services (August), PURC	4,500	Florida	3	13,500
4 Power Purchase Agreements (August - Johannesburg, October - Singapore)	5,000	Infocus	4	20,000
5 Stakeholder Consultations and Strategic Communications (Time and Place Not Known)	3,000	General	4	12,000
6 Utility regulation and Strategy (June)	9,000	Florida	13	117,000
7 Balanced Scorecard and Effective Strategy / Performance Contracts	4,500	Boston / Nairobi	10	45,000
8 Procurement of Consulting & Technical Services (Int Law Institute - April)	3,950	Washington	4	15,800
9 Leadership, Management, Negotiation & International Development (ILI - September)	3,950	Washington	6	23,700
10 Fundamentals of Utility Regulation, PURC (February)	4,950	Washington	9	44,550
11 Advanced Rate Setting and Tariff policies, IP3	5,000	Washington	7	35,000
12 Structuring and Negotiating Agreements for PPP Concessions, IP3	5,000	Washington	5	25,000
13 Energy Regulators Regional Association (Introduction to Energy Regulation)	3,086	Budapest	6	18,517
14 Energy Regulators Regional Association (Energy Investment & Regulatory conference), Sept	1,701	Estonia	6	10,206
15 Advanced Rate Setting and Subsidy Design Strategies for Utilities and Regulatory Authorities (October 2 – November 22, 2013)	395	Online	8	3,160
16 Strategic Communications: Engaging Stakeholders, Conducting Outreach, and Harnessing the Power of the Media (Self-paced – Open Enrollment)	395	Online	7	2,765
17 Fundamentals of Utility Benchmarking (Self-paced – Open Enrollment)	395	Online	7	2,765
18 Contingency for relevant local and regional management courses in HR, Financial Management, Logistics, Customer Service & Regulatory Affairs by EWURA	2,700		9	24,300
TOTAL			121	457,351

Annex 3: Training Course three year schedule (Years 1, 2 and 3)

Year 1

Program	Board Members	Director General	Reg. Policy Manager	Consumer Affairs	Legal Board Sec	Finance Manager	Procurement	Corp services	Total No.
Regulating Quality of Service: Planning, Compliance Monitoring, & Enforcement (July 2013), PURC	4	1	1			1			7
2013 Managing Power Sector Reform & Regulation in Africa (October 2013)	4	1	1		1				7
Utility Regulation & Strategy (June)	2	1	1	1	1	1		2	9
Fundamentals of Utility Regulation, PURC (February)	2				1	1		2	6
Energy Regulators Regional Association (Introduction to Energy Regulation)	2	1							3
Advanced Practices International - Pricing Utility services (August), PURC			1					1	2
Stakeholder Consultations and Strategic Communications (Time & Place Not Known)		1		1					2
Strategic Communications: Engaging Stakeholders, Conducting Outreach, & Harnessing the Power of the Media (Self-paced – Open Enrollment)		1		3					4
Balanced Scorecard & Effective Strategy / Performance Contracts		1	2						3
Advanced Rate Setting & Tariff policies, IP3		1	1						2
Advanced Rate Setting & Subsidy Design Strategies for Utilities & Regulatory Authorities (October 2 – November 22, 2013)			2		1			3	6
Strategic Communications: Engaging Stakeholders, Conducting Outreach, & Harnessing the Power of the Media (Self-paced – Open Enrollment)			3						3
Procurement of Consulting & Technical Services (Int. Law Institute - April)							1	1	2
Fundamentals of Utility Benchmarking (Self-paced – Open Enrollment)			2						2
Power Purchase Agreements (August - Johannesburg, October - Singapore)					1				1
Sub-Total	14	8	14	5	5	3	1	9	59

Year 2

	Program	Board Members	Director General	Reg.Policy Manager	Consumer Affairs	Legal Board Sec	Finance Manager	Procurement	Corp services	Total No.
1	Power Purchase Agreements (August - Johannesburg, October - Singapore)		1	1					1	3
2	Utility regulation & Strategy (June)		1							1
3	Balanced Scorecard & Effective Strategy / Performance Contracts		1	2						3
4	Leadership, Management, Negotiation & International Development (ILI - Sept)	2	1	1	1	1				6
5	Fundamentals of Utility Regulation, PURC (February)	2			1					3
6	Energy Regulators Regional Association (Introduction to Energy Regulation)									0
7	Advanced Rate Setting and Tariff policies, IP3		1	3		1			2	7
8	Energy Regulators Regional Association (Introduction to Energy Regulation)	2			1					3
9	Procurement of Consulting & Technical Services (Int Law Institute - April)			1		1				2
10	Structuring and Negotiating Agreements for PPP Concessions, IP3			1		1		1	1	4
11	Advanced Rate Setting and Subsidy Design Strategies for Utilities and Regulatory Authorities (October 2 – November 22, 2013)			2						2
12	Stakeholder Consultations & Strategic Communications (Time and Place Not Known)				2					2
	Sub-Total	6	5	11	5	4	0	1	4	36

Year 3

	Programme	Board Members	Director General	Reg.Policy Manager	Consumer Affairs	Legal / Board Sec	Finance Manager	Procurement	Corp services	Total No.
1	Utility regulation and Strategy (June) / Balanced Scorecard and Effective Strategy / Performance	2	1	2						5
2	Contracts Structuring and Negotiating Agreements for PPP	2		2	1				2	7
3	Concessions, IP3 Energy Regulators Regional Association (Energy Investment & Regulatory conference), Sept		1							1
4		2	1	1	1	1				6
	Sub-total	6	3	5	2	1	0	0	2	19

APPENDIX 4: ROLES AND RESPONSIBILITIES OF ZURA DEPARTMENTS.

The general duties of each department are essentially a summary of the department heads' job description.

a) Office of Director General

This office includes the Corporate Planning function carried out by one officer and the procurement function carried out by one officer. Corporate planning is responsible for monitoring the performance of ZURA against the strategic plan, and leading the annual reporting process. Procurement will plan and execute procurement of goods and services for ZURA.

b) Regulation and Policy Department

The Department's primary function is to advise the Director General on Regulatory Policy, to analyze, monitor and evaluate the economic, financial and technical performance of all regulated utilities and sectors. Additionally, it has responsibility to develop tariff models, set tariffs, technical standards, and other performance benchmarks to ensure efficient service delivery and carry out a range of technical functions e.g. setting and monitoring compliance to standards, addressing technical complaints, approving power purchase agreements etc. to support the Office of the Director General. The Department is headed by the Manager, Regulation and Policy who has the responsibility of developing professional staff across the regulated sectors. The regulation and policy department is constituted of highly specialized professionals comprising an economist / financial analyst and engineers / policy officers. It is envisaged that given ZURA's multi-sectoral nature, the professionals in this unit will work on different issues across the sectors as the need arises. It is expected that cross-cutting interaction with the legal and consumer affairs departments will form part of the modus of operation in matters of licensing and compliance. Expert legal services shall be obtained from the Legal Affairs department as and when the need arises.

The functions of the department are to develop and maintain up-to-date database on the financial, economic and technical performance of the regulated entities; and its specific activities are guided by the following objective.

Objective: To provide the Director General with economic and technical advice so as to ensure that consumers of utility services enjoy acceptable quality of service at lowest economic cost while ensuring security of supply and service for the short, medium and long-term future.

Strategy: The Department carries out its functions through a combination of financial, economic and technical analyses of the regulated entities, benchmarking of the service providers against comparable organizations in the region and internationally, enforcing compliance with the set terms and conditions in their licenses and undertaking regulatory impact assessments of the decisions that are contemplated by the Director General's office.

General Activities:

Among other things, the Regulation and Policy Department:

- conducts analysis of tariff rate applications from service providers/utilities;

- provides policy advice to the Director General and through the Director General to the Government of the Revolutionary Republic of Zanzibar;
- provides the Director General with technical and economic advice on matters of disputes between competing regulated agencies (currently in the petroleum sector only)
- undertakes research on all aspects of utilities regulation;
- produces and publishes various reports (consultation papers, notice of proposed rule-making, position papers, working papers, research on critical issues, policy advisories, reports on industry statistics etc.) critical to the regulatory process;
- Collaborates with regional and overseas counterparts for purposes of information exchange, providing assistance and regulatory bench marking, harmonization research/development and promotion of organizational learning
- Represents the Director General at various local and international fora.
- will be responsible for monitoring, evaluation and enforcement of performance standards of services.

c) Legal Affairs

Contributes to relevant sector processes and provides legal input into national strategic plans, policies and legislation for all sectors (water, electricity and petroleum).

This Department plays a critical role in discharging the regulatory obligations of ZURA. It provides legal support in the development of the regulatory framework, the establishment of rules of procedure and the drafting of decisions issued by ZURA. It shall operate in a manner which minimizes the likelihood of legal challenges to ZURA's decisions but should be able to defend ZURA's position if need arises. It also has responsibility for legal enforcement of compliance and the effects thereof on the licensed service providers. The Department is required to respond to all legislative challenges to ZURA's decisions and where necessary be complimented by the services of external lawyers. The department will play a pivotal role in developing appropriate supportive regulations to operationalize the provisions of the apex law from time to time and as need arises. The department conducts appropriate research and reviews that lead to timely and appropriate proposals for changes in legislation. The head of department shall be signatory to all Licenses and legal contracts entered into by ZURA. Lastly, the department conducts research to ensure that ZURA is current with best practice in formulation and implementation of appropriate regulations.

Policy Objective: To develop, maintain and enforce the legal framework of ZURA and to secure an enabling environment for the efficient functioning of the utilities through a framework of rules that lends predictability to ZURA's decisions.

Strategy: To establish and maintain transparent, consistent and objective rules to regulate utility services and to engage in legal research and updates with a view minimize challenges and increasing the successful defense of challenges to decisions issued by ZURA.

General Activities:

The Legal Department undertakes the following activities:

- ensures that ZURA observes and complies with all legal requirements in discharging its functions;
- Drafts License instruments with appropriate terms and conditions
- reviews consultative documents and draft supporting regulations as need arises;
- conducts investigations into allegations of breaches of the relevant legislation;

- prepares and ensures implementation of the regulatory guidelines of ZURA (and continuous update of these guidelines)
- prepares instructions and briefs to external lawyers for cases under legislative review or matters under appeal
- prepares and issues enforcement orders and refers relevant matters to the courts;
- prepares legal opinions to ZURA and provides specialist and procedural advice to internal departments;
- prepares all correspondence of legal significance for ZURA.
- Reviews and endorses all contracts entered into by ZURA
- Develops appropriate sanctions /remedies / penalties for non-compliance of Service providers
- Ensures that all regulations, rules and procedures are at all times consistent with national legislation and policies as they change from time to time

d) Consumer Affairs

This Department incorporates consumer affairs and serves as the information focal point for ZURA. The department is the defacto customer services center and public relations unit of ZURA. The department is responsible for developing and implementing the communications plan / policy in liaison with other departments.

The purpose of the Consumer Affairs department is to administer the consumer affairs regulatory function of ZURA and to monitor and evaluate the customer service performance of the water and electricity utility and petroleum companies. This department ensures that the conduct of operations of utilities is appropriately aligned with the public interest and that high quality services are delivered by service providers. The department aims at protecting the rights of consumers who are in this case vulnerable to marginalization by the monopolistic power of utilities. In these capacities, it develops and implements all approved public education activities for ZURA, serves as the primary point of contact for the general public, develop awareness and education strategies and procedures for appeals resolution and spearheads all public consultations. The department, in addition to providing vital resources for ZURA staff is also open to the public. The department also has the critical function of managing the content of the ZURA website in as much as they relate to industry consumers seeking information or delivering information relating to service providers.

The department is also responsible for reviewing and approving the customer service charter developed by utilities/service providers to guide the delivery of services. This largely specifies the rights and obligations of consumers

Objectives: In carrying out its functions the consumer and public affairs department is guided by the following objectives to:

- Ensure that customers of the utilities receive acceptable quality of service at the approved rates/tariffs and are assured of secure supplies.
- Provide an avenue for appeal for consumers in their relationship with the utility providers
- Inform and educate consumers and the general public
- Enforce the compliance or implementation of customer service charter by utilities
- Handle residual complaints and disputes from consumer groups and to a limited extent individual consumers

General Activities:

Among other things, the Consumer and Public Affairs Department:

- Provides an avenue of appeal for consumers
- Provides advice and answers to consumer queries;
- Manages ZURA's public education programme;
- Monitors trends in consumer complaints and provides ZURA with advice on measures to be taken to improve consumers' welfare;
- Provides information to the public as and when required

The Consumer Affairs department is responsible for conducting public consultations for the various tariff reviews and public engagement of citizens and citizen representatives. The department shall guard against preoccupation with individual complaints and to focus more on high end solutions and operating as an appeals body for consumer groups such as associations, Consumer rights NGOs, community clusters, institutional consumers etc., who have exhausted the utilities' complaint handling process and remain dissatisfied. The reason for highlighting this is based on the high expectation of ZURA amongst stakeholders being the first regulator in Zanzibar, and therefore runs the risk of becoming the customer service arm of the water and electricity utilities. ZURA should remain responsible for ensuring, encouraging and / or forcing service providers to put in place appropriate measures to address the concerns of their customers. This department does not extinguish or substitute the utilities customer service arrangements and should in effect monitor them to ensure they are up to the required standard in line with the existing customer service regulations and standards

e) Corporate Services (Finance, Human Resources, Administration and ICT)

This Department, in addition to providing finance, administrative and human resources support to ZURA is also responsible for office services, security services, training and development, HR management and ICT – Information and Communications Technology (user support and system administration). Administration of the training function of ZURA is a key responsibility given the importance and priority for training and development of its human resources. A multi-sector regulatory body such as ZURA must identify training and development opportunities for its personnel who are required to perform highly complex and technical duties and therefore require superior skills and knowledge of the industry they are regulating.

In addition the regulatory mandate is predominantly a knowledge based operation therefore the continuous update of skills, knowledge, and practices form the bedrock of an efficient regulator.

This is in view of the fact that utility regulation is highly technical, specialized and uncommon hence the need to provide ZURA's professional staff with the training offered by internationally recognized training institutions. This imperative is reflected in the allocation of significant budget resources to this activity.

Ensuring that ZURA is well organized and that administrative functions are performed efficiently with minimal little disruption will be a key aspect of this department's role.

The department will ensure that ZURA has appropriate policies and procedures that form an enduring structural, logistical and human resources platform from which all other services will derive their execution.

The department shall ensure that an up to date and well maintained stock of equipment, condition of structural facilities, ICT infrastructure are adequate and appropriately accessible to all staff when required.

An efficient system of performance management shall be developed to underlay the execution of the institutions strategic and Business plans. This will ensure regular and timely performance reviews with appropriate feedback mechanisms to ensure continuous service and work delivery within the work processes of ZURA

The financial management unit under the corporate department is a critical supportive function that keeps all the ZURA's core operations alive and drives the institution to achieve its mandate. It must ensure that the required financial resources are available at the right time from the sources that have been earmarked either by law, regulations, contract or otherwise. The unit must ensure that available resources are applied efficiently to the execution and benefit of ZURA's objectives at all times. Resources should be secure, protected against fraud and other losses, through the institution of an effective system of internal control. The unit shall ensure ZURA's accountability through timely preparation and publication of budgets, budget review reports, management accounts and statutory financial reports for dissemination to the relevant stakeholders.

It is the Finance Unit's responsibility to:

- Budget forecasts to underlay the institutions on strategic and business plans
- Prepare annual budgets and quarterly budgetary reports for submission to the Board
- Propose strategies for the development of ZURA's revenue base
- Put in place an effective investment policy in line with the treasury management procedures
- prepare monthly, quarterly and annual financial statements;
- prepare, monitor and secure compliance with the approved Budget;
- manage the financial resources of ZURA;
- ensure compliance with statutory requirements e.g. the provisions of the Public Finance Act.
- ensure that all financial records pertaining to externally funded projects are carefully documented and that claims are settled in a timely manner.
- organise and prepare accounts for annual audit; and
- address any other matters likely to affect the financial well-being of ZURA.

f) Procurement

This unit should be separate from other units, in order to ensure the independence of the unit's activities in compliance with the spirit of the Public Procurement and Disposal of Assets Law in Zanzibar. This "one man" unit is responsible for ensuring that ZURA obtains all its requisite goods and services in a manner that maximizes value-for-Money, minimizes delays and complies with relevant laws and regulations. The unit shall manage all procurement operations and produce regular and appropriate reports in compliance with established laws, regulations rules and procedures. The unit is anchored under the DG's purview since s/he is the institution's accounting officer but as well to enhance segregation of duties thereby fostering an effective internal control environment. This responsibility has become critical given the need to ensure strict adherence to public sector procurement requirements.

g) Audit Unit

It is proposed that within the first 2-5 years this function be outsourced to a small audit / accounting firm which will carry out quarterly audit reviews for all the operations that can gain ZURA better value for money and ensure sustainability, as opposed to an in-house auditor, until the organization has grown to a reasonable size. This 'external/internal auditor' shall carry out periodic internal audits based on an annual audit plan and risk assessment approved by the board of directors to who the unit reports directly (through the board audit committee). The department is also responsible for coordinating external audits. The Director General shall be responsible for coordinating the technical and administrative affairs of the audit function.

APPENDIX 5: JOB DESCRIPTIONS OF THE SENIOR MANAGEMENT OF ZURA

Below are the detailed job descriptions for the five senior managers / department heads of ZURA.

Director General

Job Details	
Job Title: Director General	Contract Length: 3 years
Station/ Location: ZANZIBAR	Department: Director General
Supervisor Title: Chairperson, Board of Directors	
Job Purpose	
To provide strategic leadership through working with the Board of Directors and staff to ensure fulfillment of ZURA's mandate.	
Key Duties/Responsibilities :	
<p>1. Stewardship</p> <ul style="list-style-type: none"> • Work with the Board of Directors and staff to define and execute ZURA's mandate and mission, communicate it effectively within the organization, and ensure that it serves continuously as an inspiration and guide. • Develop and recommend short and long-term goals, strategies and objectives to the Board of Directors to ensure the maximization of ZURA's value to stakeholders, and the long-term success of the organization. • Work with, and provide accountability to the Board of Directors and ensure that the Board of Directors is fully informed about the ongoing business of ZURA. • Review and report regularly to the Board of Directors matters concerning the organization's progress towards the achievement of its goals and all material deviations from the said goals. • Work with the Board of Directors to ensure that it is properly constituted and trained to conduct effective governance. <p>2. Staff Management, Motivation and Development</p> <ul style="list-style-type: none"> • Provide leadership and motivate staff towards fulfillment of the mission of ZURA. • Initiate changes and innovations at ZURA. • Create a work environment that is conducive to attracting, retaining and motivating a diverse group of top quality employees at all levels and ensure that effective delegation is observed. • Develop and maintain a sound and effective organizational structure and ensure that personnel and systems are in place to appropriately manage the affairs of ZURA. • Ensure that there are clear roles and responsibilities and that there is an effective succession plan for all senior positions. <p>3. Ethical Standards and Accountability</p> <ul style="list-style-type: none"> • Work with the Board of Directors to ensure adherence to ethical standards and practices and encourage a transparent culture. Prevent and manage ethical breaches as they arise including conflict of interest problems. • Identify the principal risks facing the organization and ensure the implementation of appropriate systems to mitigate/manage these risks. • Work with the Board of Directors and staff to ensure adherence to accountability standards. 	

4. Partnership, Regional Cooperation and Corporate Leadership

- Work closely with TANESCO and EWURA, and other energy agencies to support the sustainable efficient and reliable supply of electricity at equitable prices and identify potential collaboration areas in the region.
- Ensure a smooth working relationship with Government Ministries and Agencies to properly coordinate, interpret and implement government policies and programs.
- Ensure that effective communication and appropriate relationships are maintained between the organization, stakeholders and the public.

5. Finance/ Assets (Financial Leadership)

- Ensure that the ZURA budget is developed in a timely manner for consideration by the Board of Directors.
- Authorize the commitment of funds to capital projects included in the budgets approved by the Board of Directors.
- Authorize commitment of corporate resources including contracts, transactions and Authority's strategies, corporate plans and objectives.
- Take reasonable steps to ensure that the organization's assets are adequately safeguarded and optimized in the best interest of all stakeholders.

Educational Requirements:**Essential**

- The applicant must hold at least a Master's degree in Business Administration, Public Administration/Policy, Economics, Finance, Law, Management or Engineering.
- Membership of a recognized professional body will be an added advantage. Candidates with engineering degrees must be registered with the Engineer's Registration Board.

Desirable:

Knowledgeable about the energy and water supply industry in the region, preferably in the United Republic of Tanzania

Related Job Experience/Additional Skills**Essential:**

- Candidates must have at least 15 years of working experience, 7 of which must be at a senior management level in a similar/equivalent organization. Knowledge of the electricity, water and petroleum sectors is required.
- Candidates must demonstrate the level of knowledge they possess as well as their contribution, if any, to the electricity, water and / or petroleum industry.

Desirable:

Proficiency in relevant computer packages.
Should have good analytical skills.
Should have good leadership skills.
Should have good people skills.

Regulatory and Policy Manager

Job Title: Regulatory and Policy Manager (Technical & Economic)	Contract Length: 3 years
Station/ Location: ZANZIBAR	Department: TECHNICAL and ECONOMIC POLICY
Supervisor Title: DIRECTOR GENERAL	
Job Purpose	
<ul style="list-style-type: none"> • Determining appropriate tariff structures and pricing levels for electricity, downstream petroleum and water sector operators and ensuring efficiency of their financial and service operations. • Developing appropriate frameworks to ensure an efficient electricity, petroleum and water supply market structure • Oversee sector planning activities for the short, medium and long term. • Establish effective review and investigative procedures for operators based on comprehensive industry data and other relevant research. • Determining and enforcing appropriate systems of economic and technical regulation based on sound industry benchmarks • Providing leadership and guidance that lead to a dynamic team of specialists in analysis, modelling and research in the department. • Mentor & coach other staff in the department about operations of the department. • Review project and compliance reports for new and existing licensees • Support Management in developing amendments to policy, legislation and regulations. • Develop an appropriate strategy for monitoring and enforcing Technical Compliance • Ensure that there is a robust set of technical standards to guide regulated entities in delivering good quality of services and supply • Create a framework for technical review of all new project/license applicants 	
Key Duties/Responsibilities :	
<ul style="list-style-type: none"> • Undertake regular tariff reviews for licensees and advise on the appropriate tariffs. • Develop and advise on the appropriate tariff structures and undertake regular assessments of the tariff implications on different user and economic groups. • Carry out the financial, technical and economic appraisal of applications for licensees. • Monitor compliance to stipulated terms and conditions of the licensees. • Create, manage and maintain a comprehensive database on all aspects of the electricity, water and petroleum supply industry. • Forecast electricity, fuel and water demand for the short, medium and long term and ensure least cost generation and treatment/distribution plans are developed. • Monitor the economic, technical and commercial performance of electricity and water suppliers. • Mentor and provide technical support to staff within the Department to ensure they meet the commitments in the agreed work plans. • Determine and enforce appropriate systems of Economic and Technical Regulation, collecting and maintaining relevant records in order to recognise and analyse trends in water and electricity utilities' performance. • Coordinate regional electricity and water regulatory benchmarking and policy formulation initiatives. • Prepare and disseminate electricity, water and petroleum Supply Industry performance reports. • Provide advice to ZURA on policies, strategies and procedures on technical standards, pricing and tariffs and overall aspects of economic/technical regulation. • Spearhead/conduct policy research on topical issues in Zanzibar in general and the electricity, water and downstream petroleum sectors in particular that would inform decision making by the Authority. • Monitor compliance of Licensees and Permit Holders with regard to the technical parameters set out with licenses, regulations and the Law; 	

<ul style="list-style-type: none"> • Provide for the procedure for investment programs by the water and electricity utility companies; • Oversight of the Installation Permits Committee, to vet applicants & enforce compliance by permit holders; • Encourage the development of uniform electricity, water and petroleum industry standards & codes of conduct; • Monitor and enforce environmental health and safety standards for the sectors under regulation and conducting attendant audits of water and electricity utilities, and downstream petroleum companies; • Monitor Licensee operations to ensure the appropriate quality of supply is being achieved in the industry; • Promote optimized network growth in the water and electricity industry through effective coordination of the planning processes with the entities in the industry; • Provide assurance to the Authority that investments made by licensees comply with the requisite technical standards and are deployed to maximize benefits for the consumers; • Initiate procurement of technical & economic studies to enhance the regulatory functions of ZURA • Represent ZURA in designated relevant industry fora at national, regional and international levels. 	
Finance/ Assets: Ensure prudent and effective utilization of resources disbursed/entrusted to the Department.	
Resource Mobilization: Spearhead the development of work plans & budgets for the Department in line with the ZURA Business Plan.	
Public Relations: Represents the Department in Management and other Sectoral meetings	
Staff Responsibility: <ul style="list-style-type: none"> • Supervises all staff in the department and is responsible for their effective performance. • Mentoring and coaching of staff within this Department. 	
Any other official duties: As may be reasonably assigned by the Director General	
Key Results Areas <ul style="list-style-type: none"> • Policies and regulations to operationalize regulation of the water, electricity and downstream petroleum sectors in place. • A comprehensive database on the downstream petroleum, electricity & water supply Industry. • Monitoring compliance reports available. • General economic information available for sector regulation. • Research publications/papers on Water and Electricity Supply least cost generation and financing plans 	
Educational Requirements:	
Essential: A minimum qualification of a Master's Degree in Engineering, Economics (Quantitative, Financial, Econometrics), Public Policy/Administration, Business Administration or equivalent from a recognized University.	
Related Job Experience/Additional Skills	
Essential: <ul style="list-style-type: none"> • Should have at least Eight (8) years working experience at a senior managerial level, at least five (5) years of which should be in a regulated Electricity, Water or Fuel Supply Industry • Strong report writing skills • Skilled in Monitoring and Evaluation of Projects • Conversant with Electricity / Water / Petroleum Industry Policy within the region, preferably within the United Republic of Tanzania. • Proficiency in Economic and financial modelling will be an added advantage. • Technical innovation skills and good interpersonal and communication skills. 	Desirable: <ul style="list-style-type: none"> • Should be result oriented with very good communication skills. • Should have good research and analytical skills • Should have leadership skills and mentoring and coaching skills • Should be able to cope well under pressure • Project management skills. • Ability to interpret engineering designs (with knowledge of computer based design techniques) will be an added advantage.

Consumer Affairs Manager

JOB DETAILS	
Job Title: Manager, Consumer Affairs	Contract Length: 3 Years
Station/ Location: ZANZIBAR	Department: Consumer Affairs
	Unit/Section: Consumer Affairs
Supervisor Title: Director General	
Job Purpose	
<ul style="list-style-type: none"> • Supervises and coordinates the Consumer Affairs function of ZURA. • Ensures that the consumers are satisfied with ZURA’s services in relation to consumer complaints handling and consumer protection. • Responsible for the development of the consumer complaints handling policy. • Enforces the Customer Service Charters between Utilities and their Consumers • Works as an overseer of the utilities’ Customer Service Departments • Provides a framework for effective engagement with institutional and other organized groups or communities of consumers 	
Key Duties/Responsibilities :	
<ul style="list-style-type: none"> • Posting consumer related information on the ZURA website from time to time • Review from time to time the Customer Service Charters of Utilities to ensure that the provisions for Consumer rights and obligations are adequate • Act as the regulators representative to consumers on all matters championing their rights whilst creating an awareness on their obligations • Coordinate the creation of a complaints database • Interpreting the organization’s regulations for consumers • Following up on Consumer representative council based initiatives to ensure effective representation • Organizing meetings with petroleum, electricity and water companies to discuss the complaints lodged in by consumer representative councils (CRCs). • Compiling Monthly reports from institutional consumer groups and presenting them to ZURA Management. • Organize Refresher trainings for leaders of Consumer organizations/Groups in customer care or and unawareness to their rights and obligations. • Analyze complaints and escalate them as required for further management • Responsible for the setting up and management of a complaints mini-call center • Serve as a consumer affairs representative on the arbitrations panel as and when required. • Participate in the creation of organization publications targeting stakeholder awareness. • Ensure that consumer complaints database is regularly updated. • Ensure a standard turnaround time for consumer complaints lodged with regulated companies. • Coordinate meetings with Water and Energy consumer committee members and ensure ZURA representations are made every quarter. • Coordinate consumer awareness/sensitization meetings. • Carryout consumer surveys periodically. • Ensure that the right literature, leaflets, booklets & flyers are available to consumers at all times. 	
Finance/ Assets:	
Ensure that resources entrusted to you are utilized in a prudent and transparent manner.	
Resource Mobilization:	
N/A	
Public Relations:	
N/A	
Staff Responsibility: Supervision of the Consumer Affairs Officers	
Any other official duties: As may be reasonably assigned by the Director General	
Key Results Areas	

- Supervising and coordinating the consumer affairs department/relations.
- Coordinate and supervise the consumer awareness campaigns
- Supervision of consumer Committees and follow up on monthly reports and onward forwarding to management.
- Act as a liaison person with upper management in creating corporate policies as they pertain to consumer affairs.
- Responsible for interpreting and simplifying the organization policies to electricity consumers.

Educational Requirements:

Essential

- Master’s Degree in Arts, Social Sciences or Mass Communication or Marketing.
- Post Graduate diploma or certificate in Journalism would be an added advantage.

Desirable:

- Knowledgeable of the electricity, water and fuel supply industry in the region, preferably in the United Republic of Tanzania.
- Skills in media development and management

Related Job Experience/Additional Skills

Essential:

- At least 5 years working in a large organization at a managerial level in a similar role.
- Should be result oriented, team player with a high degree of professionalism.

Desirable:

- Good communication skills (written and oral).
- Proficiency in relevant computer packages.
- Analytical skills.
- Should have good leadership skills.

Legal Affairs Manager

Job Title: Manager Legal Affairs	Contract Length: 3 years
Station/ Location: ZANZIBAR	Department: Legal Affairs
Supervisor Title: Director General	
Job Purpose	
<ul style="list-style-type: none"> To oversee the management and coordination of the legal services for ZURA Provide technical expertise and guidance to the department of Legal Services Review Operating environment and propose changes to the legal framework Initiate the drafting and development of supportive legal instruments to operationalize the Law Provide Corporate Secretary Services to the Board of ZURA 	
Key Duties/Responsibilities :	
<ul style="list-style-type: none"> Offer Legal advice and dispute resolution in support to the Board. Initiate the development of work plans and budgets for the department. Contribute to policy formulation and regulations and standards and review these periodically to keep abreast with the changing environment and other legal instruments. Draft legal documents in association with other technical Managers and or any other external service providers. Provide quality assurance on all Licences, reports and publications from the department. Monitor licensee operations and work in liaison with the Consumer Affairs and Policy & Regulatory staff to enforce legal compliance of all licensees. Prosecute and/or defend cases by or against ZURA as directed by the Board. Co-ordinate the work of the Licensing and Projects task team in regard to new projects/applications Review licences for appropriateness of conditions and related obligations before issuance processes. Maintenance of Registry and copies of all official ZURA Documents. Monitor and ensure ZURA's compliance with the Legal Framework of Zanzibar Identify the need for policy, legislation or amendments to existing policy and legislation Representation roles at stakeholders' fora as may be requested from time to time. Review all contracts and Agreements to which ZURA is a party. Initiate changes in policy and regulations review to cope with current legal and other changes. Facilitates negotiation and arbitration. Evaluate and advise ZURA whether litigation is warranted or not. Representation of ZURA in case of litigation and advise on the need for external counsel Mentor and supervise staff in the department to contribute to the fulfilment of the Authority's Mission. Any other duties as may be reasonably assigned by the Director General. 	
Finance/ Assets:	
Ensure prudent & transparent utilization of resources disbursed to this Department for official use only.	
Resource Mobilization:	
<ul style="list-style-type: none"> Spearhead the development of the annual work plan & budget for the Department. Initiate resource mobilization & expenditure management to ensure institutional financial sustainability. 	
Public Relations:	
<ul style="list-style-type: none"> Represents the Department in Management meetings. Work as the Secretary to the Board. 	
Staff Responsibility:	
<p>Manages the staff complement in this Department & is accountable for their effective performance.</p> <p>Is the technical head of the Legal Services department</p>	
Any other official duties: As may be reasonably assigned by the Director General	
Key Results Areas	
<ul style="list-style-type: none"> An appropriate regulatory framework in place. Effective representation of ZURA in legal issues internally and externally. 	

- Inventory of License Legal Compliance.

Educational Requirements:

Essential:

- Masters degree in Law
- Should have a Diploma in legal practice from a Law development Centre.
- Should be registered by a High Court of Zanzibar

Desirable:

- Post graduate training in commercial law
- Knowledgeable about the petroleum, water and electricity supply industry in the region, preferably in Tanzania

Related Job Experience/Additional Skills

Essential:

- At least 8 years working in a large organization at a managerial level, 3 of which should have been as board secretary
- Should be results oriented, team player with a high degree of professionalism.

Desirable:

- Good communication skills (written and oral).
- Proficiency in relevant computer packages.
- Analytical skills.
- Should have good leadership skills.

Corporate Services Manager

Job Details	
Job Title: Manager Corporate Services	Contract Length: 3 years
Station/ Location: ZANZIBAR	Department: Corporate Services
	Unit/Section:
Supervisor Title: Director General	
Job Purpose	
<ul style="list-style-type: none"> • Facilitate the development, updating and guide overall implementation of various Human Resource, ICT and Administrative policies, strategies, systems and procedures to facilitate the realization of the Authority objectives. • Ensure that appropriate staffs are recruited, selected, and placed within the Authority in tandem with the policies and procedures and in line with the terms and conditions of service. • Establish a staff development plan that matches the competence requirements of ZURA with its staff complement • Develop and manage an appropriate performance management system that prioritizes the strategic objectives of ZURA • Ensure that ZURA has adequate and well maintained facilities and equipment to support the core operations • Manage the Financial Resources of ZURA to perform its functions. • To enhance the Financial and Analytical operations of ZURA. • Establish strategies of widening ZURA’s Revenue base to fulfill its mandate • Ensure compliance with statutory provisions with regard to budgeting, and financial reporting • Institute a sound system of internal control 	
Key Duties/Responsibilities :	
<ul style="list-style-type: none"> • Preparation of monthly and quarterly progress reports. • Reviewing Human Resource, ICT & Administration policies and systems • Identifying the skills gaps and identifying potential providers & plan acquisition of needed skills. • Developing a staff development plan. • Monitoring performance of staff and mentoring them • Develop an appropriate procedure for the sourcing the right talent for ZURA through an effective recruitment system • Responsible for employee relations, welfare, safety, wellness and health • Manager relationships with outsourced service providers like, cleaning, medical, catering, equipment and vehicle maintenance, conferencing/workshop service etc. providers. • Advise management of pertinent policy developments and reviews. • Develop training programmes in light of identified skill gaps of staff. • Co-ordinate the Staff performance appraisal process on a regular basis as required by the policy. • Develop an appropriate motor vehicle policy that optimizes the use of these resources to further the mandate of ZURA whilst meeting the safety and compliance requirements • Authorization of procurement requests and claims for support services. • Initiate, develop and implement policies, strategies and procedures for ZURA’s internal financial management. • Preparing statutory financial reports & management accounts and budgets for ZURA. • Monitor the performance of both budgets and training programmes and develop appropriate reports on a quarterly basis. • Establishing the format in which licensees shall make financial and commercial reports to ZURA and monitoring compliance by licensees. • Initiate, develop and implement internal financial control procedures and manuals. • Control the implementation of financial policies, procedures and practices • Manage ZURA finances (cash flow, verification of expenditure, bank reconciliation etc) 	

<ul style="list-style-type: none"> • Lead ZURA Budget formulation, implementation, monitoring & its performance review • Liaise with the Internal Auditor to institute internal control systems. • Facilitate statutory audits by the Auditor General. • Undertake reconciliation of Donor Accounts. • Compile ZURA financial management reports and advise on issues related to them. • Review reports from the Expenditure Accountant about ZURA's financial accounting operations. • Ensure good treasury management for ZURA by advising on appropriate treasury decisions. • Facilitate ZURA staff performance review and management activities by supporting other departments to comply. • Supervise all staff within this Department to ensure effective implementation of their duties. • Mentor staff within this Department. 	
<p>Finance/ Assets: Ensure that resources (financial + physical assets) entrusted to him/her are utilized in a prudent and transparent manner.</p>	
<p>Public Relations: Represents the Finance, HR, ICT and Administration sections in Management meetings</p>	
<p>Key Results Areas</p> <ul style="list-style-type: none"> • Develop, update and guide overall implementation of various Human Resource and Administrative policies, strategies, systems and procedures to facilitate the realization of Authority objectives. • Manage and coordinate Organizational Development and Change Management in line with the corporate strategy. • Develop, manage and coordinate the performance management process and instill a performance culture. • Initiate design and effect appropriate recruitment, selection, and placement policies and procedures in line with the Terms and conditions of service. • Develop and implement cost effective fleet management, asset management, procurement management systems and procedures that support the realization of strategic objectives. • Develop and monitor the implementation of the Business Plans and Budgets. • Develop need based management and leadership development programs in line with the Authority strategy and objectives • Monitor and enforce standards of service delivery for outsourced/contracted providers. • Financial Monitoring reports in place. • Books of accounts / Accounting records well maintained • Financial policies, procedures and guidelines in place and well distributed amongst the relevant stakeholders. 	
<p>Educational Requirements:</p>	
<p>Essential</p> <ul style="list-style-type: none"> • Post-Graduate qualification Management. Essential where first degree is not in management studies. • Degree in Business or Public Administration and Management, Public Policy & Administration, Human Resource Management, Psychology, Social Administration or other Humanities or Natural Science qualification. • Accounting training 	<p>Desirable:</p> <ul style="list-style-type: none"> • Knowledgeable about the electricity and water supply industry in the region
<p>Related Job Experience/Additional Skills</p>	
<p>Essential:</p> <ul style="list-style-type: none"> • Should have demonstrable experience of at least five (5) years at Senior Management level in Finance and Administration including Human Resources Management. • Should have strategic thinking skills, be able to understand and interpret technical reports and have the 	<p>Desirable:</p> <ul style="list-style-type: none"> • Proficiency in relevant computer packages. • Good analytical skills. • Good leadership skills. • Good people skills. • Knowledge of Administration / Logistics in

<p>confidence to communicate and explain the Authority's activities and decisions.</p> <ul style="list-style-type: none">• The job holder should be a team player and system oriented.	<p>a reputable organization.</p>
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Appendix 6: THREE YEAR OPERATING BUDGET NOTES

Budgetary and financial considerations

The financial projections are based on the following assumptions on future levies gazette by the Ministry:

- It will take 6 months to have the rules on levies gazette and fully operational. During this time, the Government and / or Development Partners will meet the ZURA capital and operating expenditure requirements.
- The Government and / or Development Partners shall meet the budgetary shortfalls. This will be primarily utilized for consultancy studies, training and capital expenditure.
- The electricity levy will be up to 0.55% of electricity utility revenue which translates into Tzshs.1 per kwh. ZURA will be able to collect 100% of this revenue.
- The petroleum levy will be up to 0.5% of petroleum companies' revenue or Tzshs.12 per liter of petrol and diesel and Tzshs.9 per liter of Illuminating Kerosene (and Jet A-1). Similarly, 100% of this levy will be collected.
- The water levy will be 1% of the water tariff and 100% of this levy will be collected.

Overview

It is anticipated that ZURA shall commence on 1st January 2014 and therefore only run for half a fiscal year. The budget has accordingly been prepared bearing in mind that the first fiscal year will cover only 6 months assuming a four month recruitment period if the ZURA bill is signed into law at the beginning of September 2013.

The projected budget for ZURA for the first fiscal year is Tz.shs.2.1 billion about 84% of which is expected to be funded by Development Partners / Government largely because of the anticipated delay in getting approval for the levy rules (68% if approval for the levy rules is obtained before 31st December 2013). 9% of this budget is for capital expenditure. The total three year budget is Tz.shs.5.7 billion.

The operating budget is based on 10 staff initially (the senior managers and 4 support staff) which is expected to grow to a maximum of 18 staff in the 3rd year of ZURA's establishment. The 18 staff are comprised of the DG and managers of the four departments, eight senior officers, two officers, two secretaries and one driver.

It is assumed that 250 square meters of space will be sufficient for ZURA. This may be slightly under estimated but any shortfall should be made up by the budget contingency.

The budget recognizes the importance of training of ZURA staff in regulatory studies & consultancy services initiated by ZURA to undertake various industry efficiency & performance enhancement studies. Indeed 48% of the training costs are expected to be incurred in the first year of ZURA's activities.

Similarly, it is expected that 60% of the planned consultancy studies will be undertaken in ZURA's first year. This will be a challenge hence the need for possible short term consultancy study counterpart support for ZURA.

A summary of the budget is indicated in table below (table 4 of this document):

Three year budget

	Description	2013/14	2014/15	2015/16
Income for the year				
1	Electricity levy 0.55% of ZECO turnover	88,653	407,803	456,740
2	Petroleum levy 0.5% of Gross Revenue	235,200	889,485	925,064
3	Water levy 1% of ZAWA turnover	7,056	29,637	31,118
4	Transfers from government / development partners	1,780,479	548,589	288,875
5	Interest income	2,647	10,615	11,303
6	Miscellaneous (energy generation license application fees)	8,100	8,200	8,300
Total income		2,122,136	1,894,329	1,721,401
Expenditure				
	Capital expense for the year (vehicles, furniture & equipment)	185,490	65,600	-
Recurrent expenditure				
1	Directors' expenses	64,105	128,210	128,210
2	Personnel emoluments (includes 10% social security)	154,609	464,550	464,550
3	Transport and travel expenses (air travel and local travel)	104,652	166,952	166,952
4	Office supplies and expenses	5,000	10,000	11,500
5	Training expenses (events, conferences, meetings)	360,373	242,398	140,994
6	Public relations/consumer services	57,611	82,000	76,355
7	Telephone	29,160	69,984	83,981
8	Information and communication technology related expenses	13,608	9,072	9,072
9	Occupancy and office services	72,900	73,800	74,700
10	Consultancy, Professional and Legal services	921,780	328,000	305,420
11	Repairs and maintenance	5,000	5,000	10,000
12	Consumer representative council costs	32,053	64,105	64,105
13	Contingency (miscellaneous expenditure) 10%	115,795	184,659	185,562
Total expenditure for the year		1,936,646	1,828,729	1,721,401
BUDGET SURPLUS/ (DEFICIT)		-	-	-

The accompanying notes represent explanations of the budget items presented in this final report including the strategic plan. Table 5 below indicates the capital expenditure planned for the first fiscal year.

Table 5

Capital Expenditure (USD)				
Item	Unit price	2013/14	2014/15	TOTAL
Motor vehicles	40,000	40,000	40,000	80,000
Computers & connections/wiring	1,000	33,000	-	33,000
Office furniture	750	13,500	-	13,500
Board room furniture		8,000		8,000
Printer, Copiers and Scanner, Appliances		20,000		20,000
		114,500	40,000	154,500

Revenue

The revenue sources will be comprised of a levy of up to 1% of the revenue of ZAWA (and any other future water provider), up to 0.55% of the revenue of ZECO (and any other future electricity provider) and up to 0.5% of the revenue of the petroleum companies. This is guided by the EWURA 2010 levy structure and the EWURA Act Chapter 414, and will be chargeable in the last three months of the year, since it is estimated that the first three months will be used to develop and get the levy regulations approved and gazetted. For purposes of the initial budget, no significant provision has been made for license application fees from new players in the water, electricity and petroleum sectors.

While this levy may appear an additional cost burden to already cash strapped and loss making utilities, this is justified by the expectation that ZURA will work with the water and electricity utility to improve their operating profit and cash flow. This will be charged quarterly in arrears and should be paid no later than 30 days after receipt of invoice (it is one of the bye-laws that the ZURA legal department will have to make to operationalize the law). As earlier recommended, ZURA should utilize the services of ZRB (Zanzibar Revenue Board) to collect these fees (particularly that of the petroleum companies which ZRB has been doing already) in order to avoid the administrative cost and burden of having to enforce collection. Any budget short fall will have to be met by the Government directly or through Development Partners. In the absence of audited financial statements of the petroleum companies, their budget has been based on their annualized volume sales in 2013 multiplied by a weighted average price of Tz.shs.2,105 per liter and projected to grow by a conservative 4% per annum. Electricity revenue is based on revenue projections by ZECO which factor in the additional revenue generated by the additional 100 MW of installed capacity on Unguja by MCA-T. The Petroleum sub-sector is expected to be the largest revenue contributor to ZURA and the water sub-sector, the least. The water revenue is based on the 2012/13 projected revenue in the 2013/14 budget of ZAWA.

License Processing Fee: It is projected that ZURA will earn processing fees regarding the issuance of licenses in relation to three applications in the electricity sector and one applications in the water sector. The applications in the electricity sector relate to the planned provisioning 5-15 MW of Renewable energy generation projects. For purposes of this budget, 3 applications have been assumed which will earn ZURA USD 5,000 per application.

Interest Earned: Interest earned is planned because ZURA may receive income and grants that are not immediately utilized as a result of procurement processes hence the need to earn interest as part of liquidity management. It is assumed that ZURA will earn 8% on 10% of the revenue generated in a year.

Expenditure

The total annual operating budget of ZURA is estimated at Tz.Shs.1.94 billion in the first year decreasing to an annual average of Tz.shs.1.72 billion in the third year. A total of Tz.shs.250 million is required for the initial capital expenditure of 2 vehicles, office equipment (furniture and personal computers for all staff) and central equipment like scanners, printers, photocopiers, faxes, fridges, initial network set up, over the three year budget period. The routine / underlying or fixed costs of ZURA are expected to be approximately Tz.shs.1.1 billion per annum comprised of mostly salaries and wages, ICT costs, office supplies, board and consumer committee remuneration costs. This amount can be raised if the levy for electricity, petroleum and water is set at 0.3%, 0.5% and 1% of annual revenue respectively. Another Tz.shs.0.8 billion per annum (50% of budget) is expected to be utilized for training courses and conferences, and consultancy studies, which can broadly be described as technical assistance to ZURA, the type of costs that could be supported by development partners and the government.

Payroll and Payroll Related Costs

In order to attract and retain the best staff, ZURA should remunerate its staff competitively without overly increasing the cost of regulation. The salaries proposed have been based on comparable salaries of similar institutions in Zanzibar after a quick benchmarking exercise of the institutions which responded to the request sent out a couple of months before the end of the ZURA establishment assignment. In large part, ZURA has to compete with industry players (including service providers and other regulators, national and regional).

Accordingly, payroll costs and directors remuneration, which include ZURA's statutory 10% contribution towards social security costs, account for 40% of the Tz.shs. 1.1 billion per annum estimated total recurrent or underlying operating costs of ZURA. The DG, department managers, senior officers and officers are expected to earn Tz.shs.5m, 3.5m, 2m and 1.25m respectively. Information on prevailing market rates in Zanzibar was not readily available at the time of submitting this report.

Training and Development

The programme of training identified in this budget is geared towards addressing the needs of the authority and the skills gap of its new staff. Initially it is recommended that the directors and senior line managers of ZURA get exposed to the best training available, and accordingly courses offered by the PURC (public utilities research center) within the region or at their center in Florida, is recommended. It is also expected that there will be greater cross training within ZURA as staff obtain more experience in regulatory affairs, which over time should lower regulatory costs. Short term training can also be delivered by EWURA. A comprehensive budget of approximately Tz.shs.744 million for three years is envisaged as outlined in the training plan in the strategic plan.

Foreign Travel

ZURA is required to participate in various regional and international conferences/meetings regarding electricity, water, renewable energy from a regulatory perspective, which can be a substantial cost depending on destination. It is expected that the directors and senior managers will each attend one training session for a twenty one day duration (or two for shorter durations) in the second year. During the second year, it is expected that each manager and the Director General will attend two training courses or conferences while the Directors will attend one, each no more than six days.

Repairs and Maintenance

This expenditure is not expected to be high because ZURA will have a small fleet of vehicles and equipment which will be new. A provisional sum of Tzshs.5 million is estimated for minor repairs increasing to Tzshs.11 million in the 3rd year.

Information Technology

This expenditure is associated with the internet connectivity and accounting and other database software.

Office supplies and expenses

This is mostly for stationary and scholastic materials and excludes printed materials such as flyers, brochures and pamphlets which will be under the public relations budget. ZURA should continually make a deliberate and concerted effort to configure its operations to reduce the use of paper.

Telephones

This is estimated to cost US\$200 for 15 fixed and mobile phone lines a month and is expected to increase by 20% annually as a result of the gradual increase of staff. A switchboard/PBX system installed within ZURA should help improved management of telephone expenditure.

General Expenses

This includes provision for general office expenses, management retreat, entertainment, journal subscriptions and preparation of ZURA's annual report.

Public Relations

The budgeted expenditure for this item reflects ZURA's planned consumer outreach activities (radio, newspaper) and printing of the annual report.

Consultancy Services

This item is expected to be a significant budget item. A list of the some of the major consultancy projects that ZURA could consider is:

- Water & Electricity tariff review study including development of a financial model for ZAWA & ZECO
- Least cost petroleum storage and logistics development study
- Development of performance contracts for ZECO and ZAWA
- Tariff impact and "ability to pay" study for electricity and water customers
- Board Induction trainings to include the roles and responsibilities of the Board of Directors
- Loss reduction study for electricity and water
- Development of service charters and detailed licensing regulations
- Development of a feed-in-tariff policy
- Development of model power purchase agreements.
- Development and regular update of the ZURA website
- Least cost power development plan
- Least cost water development plan

The provisional budget for these studies is estimated at USD 910,000 for three years, which may be under-estimated depending on the bids received and the detailed scope of work in the terms of reference.

Professional and Legal Fees

Professional and legal fees is a provision for external counsel relating to potential litigations. The energy and water sector and not expected to be as high in litigation as compared to other regulated sectors the particularly telecommunications. This is part of the consultancy study budget provision.

Office Rental

This item is based on an estimated 250 square meters of space at a rate of US\$15 per square meter inclusive of service costs.

Depreciation

For the purposes of this budget depreciation on its assets using the appropriate rates of the relevant asset has not been taken care of because depreciation is not a cash item it is not included in the determination of ZURA's funding needs.

Capital Expenditure

This is comprised of the costs of 2 vehicles for the Director General and Consumer & Public Affairs (which could be a pool car) as well as new computer hardware, board furniture, scanners, printers, photocopiers and other appliances.

Budgetary challenges: It is unlikely that that the regulator shall be able to collect 1% of the revenue of all the three regulated sectors immediately. The promoters of the formation of ZURA are therefore requested to support the 'technical assistance and capacity building' components of ZURA's initial activities.

Appendix 7: Zanzibar Utilities Regulatory Authority (Rules of Procedure)

Zanzibar Utilities Regulatory Authority (Rules of Procedure) Rules 2013

PART 1

PRELIMINARY PROVISIONS

1- Preamble

- (1) These rules may be cited as the Zanzibar Utilities Regulatory Authority (Rules of Procedure), Rules 2013 as per articles 11 and 13 of the Act.
- (2) These rules shall govern the actions, rights and obligations of the Zanzibar Utilities Regulatory Authority (ZURA) and the public and private participants in the regulated sectors.
- (3) These rules shall come into force on the date on which it is approved by a Resolution of the board.
- (4) These rules shall be signed by the Chairman who shall cause the seal of the board to be affixed thereon.

2- (1) In these Rules, unless the context otherwise requires-

“Act” means Zanzibar Utilities Regulatory Authority act;

“Authority” means Zanzibar Utilities Regulatory Authority established under section 3 of the Act or as known by its Acronym “ZURA”

“Board” means the Board of Directors of the Authority;

“Chairman” means the Chairman Board of Directors of the Authority;

“Director General” means Director General of the Authority;

“Interested person” means any person with financial or social interest in a proceeding before the authority;

“Licence” means a valid and legally binding authorization issued by the Authority to provide a regulated service;

“Licencee” means a holder of a licence to provide a regulated service;

“Member” means a member of the Board;

“Party” means a party to a proceeding before the Authority and parties shall be construed accordingly;

“Person” means a natural or a public body, company or association or body of persons, corporate or unincorporate;

“Petition” means an application, a complaint, an appeal, a reply, a rejoinder, supplemental pleadings and any document required by law to be submitted to the authority in relation to proceedings before the authority;

“Petitioner” means a person who has submitted a petition;

“Proceedings” means a complaint, an inquiry, rule making process or other proceedings of any nature that the authority that the authority may hold in the discharge of its functions under the law;

“Secretary” means the secretary of the Board;

“Regulated sector” include electricity, petroleum, or water and sewerage;

“Regulated service” means any service supplied or offered for supply in a regulated sector;

“Tariff” means any rate supplied to customer for the sale or provision of regulated goods or services.

(2) Words or expressions occurring in these rules which are not defined shall bear the same meaning as in the Act or the regulated sector legislation.

(3) Where procedures are not provided for in these rules, the authority may do whatever is necessary and permitted by law to enable it to effectively adjudicate on a matter before it.

3- Legal Status

The Authority is a body corporate with perpetual succession and a corporate seal with power to acquire and hold property, movable and immovable, to contract, and shall by its name be entitled to sue and be sued.

4- Authority’s Offices, Office Hours and Sittings

(1) The Authority shall be in Stone Town, Unguja. Other places for offices of the Authority may from time to time be specified by the Authority.

(2) Unless otherwise directed by the Authority, the offices of the Authority shall be open from Monday to Friday, except on public holidays, which are so declared by the United Republic of Tanzania. The offices of the Authority shall be open from 7:30 am to 4:30 pm and at such other hours as the Authority may direct.

(3) Where the last day of doing any act falls on a day on which the office of the Authority is not open, and because of this, the act cannot be done on that day, it may be done on the next day on which the office is open without any penalty.

(4) The Authority may hold sittings for hearing matters at their offices or any other place in Zanzibar on days and times to be specified by the Authority.

5- Seal of the Authority

(1) The Authority shall have a corporate seal.

(2) Every Contract Agreement entered into, Order made, notice issued or certified copy granted by the Authority and documents requiring the seal of the Authority shall be stamped with the seal of the Authority and shall be certified by the Director General.

(3) The Secretary shall have the custody of the seal.

6- Meetings of the Authority

(1) Meetings of the Authority shall be held whenever necessary for the expeditious conduct of its business at such times at its offices or at any other place in Tanzania as may be determined by the Authority.

(2) The Chairman shall direct the Secretary in writing to issue notices for the meetings and such notices shall be dispatched by hand, except in the case of an emergency meeting, at least 3 (three) working days before the date of the meeting.

(3) Meetings of the Authority may also be convened upon a written request for a meeting signed by at least three (3) Directors. Such a request shall contain the Agenda to be discussed at the meeting and shall be issued at least three (3) working days before the date of the meeting, except in the case of an emergency meeting.

(4) The Secretary, in consultation with the Chairman, shall prepare the Agenda for the meeting and the Agenda shall be dispatched along with the Notice of Meeting.

(5) Items to be discussed at the meeting shall be circulated to all Directors by the Secretary together with the Notice of Meeting, save that an Agenda may be amended at a meeting.

(6) The Chairman or in his absence, the Vice-Chairman, shall preside at all meetings of the Authority. In the absence of both the Chairman and the Vice-Chairman, a Director shall act as the Chairman for that meeting and this shall be on a rotational basis among the Directors.

(7) The Secretary shall keep written minutes of all the Authority's meetings and copies of the minutes shall, after approval by the Chairman, be circulated to all Directors together with the notice for the next meeting.

(8) The quorum for the meeting of the Authority shall be four (4).

(9) Decisions of the Authority shall be on the basis of simple majority of the Directors present and voting; provided however that in the event of an equality of votes, the Chairman shall have a casting vote.

(10) If any previous Decision or Order taken by the Authority is to be reviewed at a meeting, the quorum at that meeting shall be no less than the Directors present when the Decision was taken or Order was made.

(11) The Authority may conduct its business by means of written resolutions signed by all the Directors; provided that if any Director requires that a matter be placed before all Directors for discussion, a meeting shall be convened in that event.

PART II

INVESTIGATION AND COLLECTION DATA

7-

(1) The Authority may, at any time, investigate or require information with respect to any matter within the purview of the Authority

(2) The Authority may issue directions to any persons to provide the Authority with books, accounts, records and such other information as may be necessary in the execution of its functions.

(3) If any information obtained in these rules appears to be insufficient or inadequate, the Authority may give directions for furnishings of additional information.

(4) In connection with the discharge of its responsibilities, the Authority may direct of inquiry to be issued and proceed with matter in accordance with these rules.

(5) The Authority may take the assistance of any person, as it may consider necessary in the collection or authentication of data and shall determine the terms and conditions for engagement of such person.

8- If a report or information obtained by the Authority is relied upon by the Authority to form its opinion in any Proceeding, the Authority shall give the Parties to the Proceeding a reasonable notice to review the findings and make comments and opportunity for making comments on the report or information.

PART III

PROCEEDINGS BEFORE THE AUTHORITY

9- The Authority may from time to time hold such proceedings as it deems appropriate in the execution of its functions.

10-

(1) All Petitions shall be filed in Hard copy, typewritten or written legibly or in such other manner as the Authority may determine.

(2) Notwithstanding the provision of subrule (1), petitions may be submitted electronically or in such other manner as the Authority may determine.

11- The Authority may develop such procedures as it deems appropriate for electronic filing of petitions and submission of information with the Authority and for access to public information through a website maintained by the Authority for this purpose.

12-

(1) The Authority may initiate any proceedings on its own motion or on any petition filed by any affected person.

(2) Where the Authority initiates proceedings under sub-rule (1), it shall do so by way of a notice pursuant to the procedures established by the Authority.

13-

(1) The Authority may reject any petition which does not conform to the provisions of the Rules giving reasons for its decision.

(2) The Authority shall not reject a petition for defect without giving an opportunity to the petitioner to correct the defect within a specified time. The Authority shall advise the petitioner in writing of the defects in the petition filed.

(3) As soon as the petition and all necessary documents are lodged and the defects and objections, if any, are cured or withdrawn and the petition has been scrutinized, numbered and registered, the petition shall be admitted by the Authority.

(4) The Authority may admit a petition for hearing without requiring the attendance of a party.

(5) The Authority shall not reject any petition without giving an opportunity to the Petitioner to be heard.

(6) If the Authority admits a petition, it may give such orders and directions as it deems necessary for service of notices to the respondent and other interested persons and for the filing of comments on the Petition in such form as the Authority may direct.

14-

(1) A notice of petition accompanying the petition and all supporting documents shall be served on the respondent at his or its last known address or through publication in a newspaper of wide circulation.

(2) Where a Petition is required to be made public, it shall be published as the Authority may determine.

15-

(1) A respondent may file a reply within twenty one (21) days from the date the notice is served on the respondent.

(2) The respondent shall serve a copy of the reply together with supporting documents on the petitioner or his authorized representative and file proof of such service with the Authority at the time of filing the reply.

(3) Any person to whom a notice of inquiry on a petition is issued and who intends to oppose or support the petition shall file such comments within such period and in such a manner as may be determined by the Authority.

(4) Where the respondent states additional facts that the Authority determines to be necessary to resolve the matter, the Authority shall allow the petitioner to file a rejoinder.

16-

(1) The Authority shall determine the manner, place and time of any hearing.

(2) The Authority may decide on a matter on the petition or may require parties to produce evidence in the matter.

(3) The Authority may direct parties to file written submissions in the matter.

(4) The Authority may decide on a matter without a hearing.

(5) If the Authority does not hold a hearing, the Authority shall provide interested parties the opportunity to file written comments for consideration by the Authority.

(6) The Authority shall on its own motion or at the request of a party direct a pre-hearing settlement of the matter.

(7) The pre-hearing settlement of any matter shall be carried out pursuant to the procedures prescribed by the Authority.

17-

(1) The Authority may require the parties to produce such other evidence as it considers necessary.

(2) The Authority may direct the summoning of witnesses and the production of any document, requisition of any public record from any office, examination by the Authority of the books, account or other documents or information in the custody or control of any person which the Authority considers relevant to the matter.

18-

(1) At any stage of a proceeding the Authority may refer any question to any person whom the Authority considers qualified to provide expert advice.

(2) Notwithstanding the provision of subrule (1), the Authority shall not be bound by any such advice.

(3) At any stage of any proceeding the authority may consult any person with regard to any information or document before it.

19-

(1) The Authority shall issue an order announcing its decision on every Proceeding that comes before it.

(2) The reasons given by the Authority in support of an order shall form a part of the order and shall be available for inspection.

(3) All orders of the Authority shall be communicated to the parties in the proceedings under the signature of the Chairman, the Director General or the Secretary.

20- The Authority may review its decision on any petition upon receipt of new or additional fact that is vital or was withheld by a Party that had it been known when considering the petition, the Authority would have arrived at a different decision.

21-

(1) Records of every proceeding, except those parts determined by the Authority to be confidential materials, shall be open to inspection by any person.

(2) Any interested person shall be entitled to obtain electronic and or certified copies of Pleadings, an order, a decision, directions and reasons in support of the decision given by the Authority subject to payment of a fee and complying with other terms which the Authority may direct.

22-

(1) The fees payable under these rules shall be published and may be revised from time to time.

(2) Fees and remittances to the Authority shall be paid by money order, bank draft or cash.

(3) All cash shall be paid at the counter of a bank designated by the Authority.

23-

(1) The Authority shall establish the methodologies and procedures for determining Tariffs and calculating the licensee's revenue requirement.

(2) The Authority, may at any time and upon issuance of not less than 30 days' notice to all interested persons, add, amend, alter, revise, substitute or otherwise change the methodologies and procedures as it considers appropriate in respect of the establishment of Tariffs in any regulated sector.

(3) The Authority may at any time determine the terms and conditions determining the licensee's revenue, prices and Tariffs.

24-

(1) No revision to any Tariff shall be effective unless notice of a proposed change is given to the Authority and unless the proposed change is approved by the Authority.

(2) As soon as practical, but no later than twenty-one (21) calendar days from the date of application to change any Tariff, the Authority shall issue a notice of application to all interested persons.

(3) The Authority may determine the procedures to be followed in a Tariff change case.

(4) There shall be three change procedures namely-

(a) Tariff changes pursuant to an Order of the Authority.

(b) a simple Tariff change: or

(c) a general rate case.

25-

(1) The Authority may require a licensee to file any information as it deems necessary, whether or not a change in Tariff is expected.

(2) The Licensee shall, every year, provide to the Authority the details of its calculation for the ensuing financial year of the expected aggregate revenue from charges which the Licensee believes to have been permitted to recover in accordance with the terms of the licence, including the latest approved tariffs attached thereto, the expected aggregate demand and the cost of service to meet such demand and the revenue requirement to meet such demand. The Authority may further order the annual filing of asset valuations and any other information deemed appropriate.

(3) In the event the licensee provides all the requisite information in the manner prescribed by the Authority and furnishes all other or further information as the Authority may direct, the Authority shall notify the licensee of its decision to consider the application.

(4) The Authority may order the licensee to file a petition to revise its Tariffs.

26-

(1) In filing a petition for Tariff review, a petitioner shall submit all such information required for Tariff determination under paragraph 25.

(2) A petition for tariff review shall include all additional and further information applicable to such Tariff review and shall state reasons for such Tariff reviews.

(3) A petition for Tariff review shall be submitted to the authority in five copies.

(4) Notwithstanding the provisions of sub paragraphs (1), (2) and (3), the Authority may direct such number of copies of the application for Tariff review to be filed in the manner and form that the Authority deems necessary, including electronic filing of the petition, information or data relevant to the petition.

(5) The Authority may request further information from a licensee at any time during a Tariff revision procedure.

(6) The Authority shall have access to complete information before approving or rejecting a petition to revise a Tariff.

(7) The Tariff allowed and the licensee's revenue requirement permitted in any financial year may at any time be adjusted by the Authority on its motion or on application by the licensee.

(8) In any Tariff to be fixed for the subsequent period, the Authority must be satisfied that such adjustments for the excess amount or shortfall in the amount actually realized is necessary and is in the public interest.

(9) If a licensee desires any deviation from previously approved Tariffs, the licensee shall give the justification for such request.

(10) The Authority may on its own motion revise an approved Tariff if public interest requires.

(11) The Authority may prescribe procedures for filing of a petition to revise Tariffs.

27-

(1) A licensee may file a petition for a simple Tariff change with The Authority.

(2) A simple tariff change is limited to one subject or several closely related subjects and has an impact on the petitioner's current tariff of not more than three percent change.

(3) Where The Authority determines that a petition warrants consideration as a simple tariff change, The Authority shall inform the licensee of its decision.

(4) The Authority shall make a decision within thirty (30) days from the date of receipt of a complete petition for tariff review.

28-

(1) When a petition to change tariffs is filed by a petitioner and The Authority designates a proceeding as a general rate case, The Authority shall issue notice to all interested persons that a matter relating to tariff and prices charged is at issue.

(2) In a general rate case, every component of a licensee's revenue requirement may be placed at issue.

(3) The Authority may grant, deny or modify the revenue requirement requested and may find that a revenue requirement different from one proposed by a licensee is just, fair and reasonable.

(4) The Authority may approve, reject or modify the charges proposed by a licensee and may find that charges different from those proposed by a licensee are just fair and reasonable.

(5) The Authority may make such decisions regarding rate design as it deems appropriate, including abolishing, reducing or creating;

- (a) categories charges;
- (b) components of charges;
- (c) customer classes or rate groupings and
- (d) absolute or relative differences among and between existing classes or rate groupings of customers.

(6) In a general rate case, the Tariffs, prices, practices, rules, regulations, services, equipment, facilities, classifications and customer relations of the licensee are at issue, and The Authority may address any of them in its decision.

29- The licensee shall publish duly approved changes in tariffs in such a form as The Authority may direct from time to time.

PART IV

MISCELLANEOUS PROVISIONS

30- Penalties

(1)The Authority may impose such penalties as it deems fit to ensure the effective discharge of its duties and compliance under the Act and these Regulations.

(2)The Authority shall have the authority to impose penalties:

(a) for violations of licence terms and conditions in accordance with the provision of the Act.

(b) for failure to comply with the provisions of a licence, the Authority’s Regulations, Codes and other instruments issued by the Authority.

31- Nothing in these rules shall prevent The Authority from seeking expert opinion on any tariff or regulatory issue as necessary outside formal proceedings.

Stone Town

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Director General

Appendix 8: Temporary Licensing Conditions and Structure

ZANZIBAR UTILITY REGULATORY AUTHORITY TEMPORARY LICENSING CONDITIONS AND STRUCTURE

Background

As per terms of reference, the consultant is required to develop a temporary license structure and conditions

It is advisable that all license “structure and conditions,” which are effectively the terms and conditions licensees are backed by the relevant sector law. Currently, Zanzibar has a Water Act only. The Petroleum Supply Bill was developed in December 2012 but has not yet been passed into law. This Bill aims to update the Petroleum Levy Act of 2001 under which licensing is carried out. Work to develop an Electricity Act has not yet commenced.

In the absence of an Electricity Law in Zanzibar and the Petroleum Supply Law, any reference to “this Act” in this report will infer the Zanzibar Utility Regulatory Authority Law. “Authority” refers to the Zanzibar Utility Regulatory Authority.

Current Status

The functions of ZECO and ZAWA are specified in the respective Acts of the two utilities. ZECO is responsible for⁹:

- the establishment, acquisition maintenance and operation of works and undertakings for the generation, transmission, transformation, distribution and supply of electricity to consumers in Zanzibar
- to enter into agreements for purchase of electricity in bulk from independent powerproducers within or outside Zanzibar for resale to consumers;

This legally gives ZECO the role of generating, transmitting and distributing electricity; and to get into power purchase agreements with independent power producers to purchase power for resale.

Similarly, section 5 of the Water Act no.4 2006 gives ZAWA the responsibility of water supply and development of water resources¹⁰.

The Petroleum companies are currently licensed by the Commissioner of the Zanzibar Revenue Board, a situation expected to change once ZURA commences its activities.

⁹ Section 4: ZECO Act no.3 2006

¹⁰ Section 5: ZAWA Act no.4 2006

License Structure and Conditions

While license conditions are more effectively backed by a sector law, the regulatory legal framework should give ZURA sufficient statutory authority to enforce license conditions. The likelihood of litigation by licensees (particularly those in the Petroleum Sector which are not monopolies or state owned) in the event that penalties or more severe regulatory action is taken (non-renewal or cancellation) as a result of non-compliance to license conditions, cannot be predicted. It is therefore prudent for laws to be put in place as soon as possible to back up any regulatory action in the event of non-compliance within the petroleum sector and in advance of private sector participation in the electricity generation sector.

The sectoral laws specify the license conditions which licensees should comply with and adhere to in general terms. S. 22 – 25 of the Water Act 2006 does not specify requirements licensees in the water sector should adhere to although S.25 alludes to specific conditions. On the other hand Part III of the Petroleum Supply Bill is very descriptive in terms of obligations, application process, conditions, duration, transfer, alteration, suspension, notifications and termination. S.27 of the ZECO Act (repealed by S. 52 of the ZURA Bill) mentions the Minister’s obligation to grant generation licenses, in general terms.

The proposed temporary license structure and conditions will therefore be an outline of the terms and conditions that a Petroleum Marketing, Water Supplies and Electricity Generation license holder should adhere to. Electricity transmission and electricity distribution are considered natural monopolies that are not likely to attract private sector participation in Zanzibar in the medium to long term.

As per feedback received from the task 1 interim report submission, it was emphasized that the critical work for ZURA is tariffs and that “given that the existing companies are already operating, an exhaustive licensing process is probably not in the best interest of any party concerned. The licensing function is therefore, less urgent than the tariff and customer service functions. So as not to impose an undue burden on scarce resources, the existing licenses should serve as the starting point for development of any new licenses. If service quality standards are to be imposed as part of the licensing requirements, it will take time to develop accurate performance data. There is no point in developing an elaborate performance monitoring system based on inaccurate data”

It is against this background that the consultant has prepared a temporary licensing structure and conditions

Section 12 of the ZURA Bill gives the Authority the right to license electricity generation, electricity supply, electricity sale, electricity transmission, water supply, development of water resources, petroleum distribution, petroleum importation, petroleum products whole sale and retailer and any other related activity. The licensing extends to “new market entrants, public or private delivering utility services or goods”

Indeed, one of the roles of a regulator¹¹ is to:

- constrain the exercise of monopoly power by incumbent suppliers;
- stop subsidies to the (electricity and water) sectors and thereby reduce drain on the Treasury;
- provide incentives for operating efficiency and quality of service;
- optimize the structure of the regulated sectors;
- promote least-cost system expansion (with private capital invested in independent power producers—IPPs and private sector participation in the water sector);

It is therefore the role of ZURA to specify the conditions the two utilities should fulfill in order to be issued with licenses to carry out their statutory roles. Admittedly, while this appears more symbolic, non-fulfillment of the specific licensing conditions by the two monopolies gives ZURA additional reasons to disallow requests / proposals for tariff increases in the future.

Licenses in the water sector would be more applicable if there were private water operators in Zanzibar appointed by local authorities to operate an area water system on behalf of the local authorities.

Similarly, licenses would be applicable in the electricity sector if there were independent power producers vying to generate and supply power to the sub-national utility. Expressions of Interest have been made to generate solar and wind power in Zanzibar. While the feed-in-tariffs of these sources of power are high relative to current supply tariffs from TANESCO, the private sector interest should not be ignored considering the over-dependence on a single power supplier (TANESCO) but more importantly, in view of the commercial relationship between TANESCO and ZECO which could mean TANESCO could potentially increase their tariffs to ZECO to a level where alternative sources of power start to become an important strategic consideration.

It therefore raises the question on whether regulation will be done by contract or by licensing. Considering that the effectiveness of a license is dependent on the issuers' ability to terminate the license and / or appoint a successor, it is more prudent to regulate the water and electricity sectors by contract, hence the proposal to introduce performance contracts between the Government and the utility companies.

It is proposed that the licensing structure for the electricity and water utility will be the performance contract (PC).

Performance Contract

Performance contracts with utilities typically include the following elements:

- Parties - between utility and government or ministry responsible for utility;
- Enforceability - generally not legally binding on the parties - therefore incentive mechanism has to be built in to ensure that the parties respect the terms.
- Objectives of contract - what are the objectives that the parties are trying to achieve - important to specify as the contract is likely to be monitored (see below) and management incentives will depend on performance, these are likely to include:
 - clarify utilities mission, objectives and services
 - financial objectives (making utility financially viable);

¹¹Designing an Independent Regulatory Commission, S. V. Berg, A. N. Memon, R. Skelton, Public Research Utility Center, University of Florida.

- extending service area or connections;
- developing customer awareness on usage;
- improving billing and customer service;
- improving operations - reducing informal connections, leakage, improving maintenance and rehabilitation;
- develop capital expenditure program for new investment and major renewals;
- human resources management - improving productivity and/or reduction in overall staff, recruitment, retention and training of staff, rationalizing reward system;
- management effectiveness - appraisal scheme, incentive scheme and training;
- transparency in accounting and in operations - ensuring performance standards and objectives are reached;
- Performance criteria - against which performance of utility in achieving objectives will be measured - these may be further developed over time by review committee;
- Government support -
 - Existing debt - if it is unfeasible for utility to service existing debt, rescheduling or assumption of debt by government;
 - subsidies (general or specific to new connections etc) and conditions attached to them;
- Tariff policy - review of existing policy and proposal of amendments;
- Provision of information to Government - ensure transparency - accounts, investment plans, performance records, etc.;
- Duration of contract
- Performance contract management - review committee established with representatives from Government and from utility (and other stakeholders) to review performance of utility and to set performance levels as review processes are completed and more information is established
- Rewards and Sanctions on utility for failure to meet performance standards
- Procedure for agreeing to amendments

The performance contracts will be for a period of three years. The key performance indicator targets of the performance contract will be derived from the three year business plans of the utilities and may be revised every year.

The role of the regulator will be to ensure these are signed and adhered to as part of the conditions for considering future tariff reviews in view of the impact of the indicators have on:

- 1) Planning & implementation of least cost water & electricity development plans for Zanzibar
- 2) the operational efficiency, transparency and accountability of the utilities and
- 3) the revenue requirements of the utilities, which translate into the optimum tariff levels

The signing of performance contracts could be the only condition that ZAWA and ZECO would need to fulfill in order to qualify for a license by ZURA.

ZURA could also participate as one of the members of the performance contract evaluation committee.

The performance contracts shall be comprised of financial, customer oriented / operational, capital expenditure, and qualitative improvement measures designed to drive internal process improvements.

- (i) The financial measures shall include rate of return on assets, electricity and water sales (quantities in kwh and cubic meters respectively), working ratios (operating expenditure as a function of

revenue) and debtor days (to reduce the dire accounts receivables of both utilities). Government will have to make commitments to settle overdue debts of Government departments and ministries owed to ZURA although these do not form a significant proportion of the total debts owed to ZAWA.

- (ii) The customer oriented / operational measures will include water and electricity loss reduction; billing efficiency; collection efficiency; increase in new electricity, water and sewerage customer connections; additional water network length constructed.
- (iii) The qualitative improvement measures will mostly be time based on when internal processes like submission of the annual budget for approval; submission of financial accounts for audit; reduction in internal and external audit queries; introduction and tracking trends in customer satisfaction through a customer satisfaction survey; and timelines within which performance appraisal must be completed. Sustainable performance improvements will best be secured by the existence of well-functioning, integrated MIS systems for billing, corporate services and monitoring service levels.

Management together with the board of directors of ZAWA and ZECO can agree the weightings placed against each of the above three categories and the specific performance indicators to use after asking the following questions:

- a) whether the targets are right,
- b) whether the targets are realistic,
- c) whether the weights attached to each of the targets are right,
- d) what obstacles may prevent realization of the targets.

A draft template for the ZECO performance contract is appended as annex 4. This template will also be applicable for ZAWA with the exception of the responsible parties, the legal & policy framework referred to, and the key performance indicators.

Licensing Conditions for new electricity generation and petroleum marketing

A number of conditions will have to be fulfilled by private companies seeking to generate electricity in Zanzibar or market petroleum products. A person shall not engage in a business or commercial activity in the electricity generation or downstream industry unless that person has been granted a licence for that purpose by ZURA. Specific licensing regulations will be developed and gazetted once ZURA is established. Therefore, when applying for a new license, an applicant will go through the following generic steps which include the licensing conditions:

1) Qualification for licence

A licence under the ZURA Law may only be granted to (a) a citizen of Tanzania; (b) a body corporate registered under the Companies Decree Cap 153; or (c) a foreign individual or company in a joint venture relationship with a citizen of Tanzania or a Tanzanian company.

2) Notice of intended application:

An applicant will submit notice to ZURA, supported by:

- (a) information on the financial and legal status and the technical and industrial competence and experience of the intended applicant;

- (b) a description of the project and the time plan for the execution of the project;
- (c) a review of the use of land for the project and the relation of the project to local authorities;
- (d) a review of public and private measures necessary to carry out the project;
- (e) information relating to permissions required from public authorities;
- (f) a description of the impact of the project on electricity supply, petroleum supply, socioeconomics, cultural heritage, the environment, natural resources; and
- (g) any other relevant information requested by ZURA.

The business or commercial activities of the downstream industry in respect of gasoline, diesel, liquefied petroleum gas, kerosene and other designated petroleum products are importation; exportation; re-exportation; shipment; transportation; storage; distribution; marketing; and sale. ZURA may by legislative instrument limit or expand the above scope of activities

3) Publication of notice:

ZURA shall, within a specified number of days of receipt of the application (thirty days recommended) publish in at least one national newspaper of wide circulation in Zanzibar, a summary of the application and invite any member of the public to inspect the application at the ZURA office.

4) Issue of Permits

In the case of electricity generation, ZURA may, within 30 days of receipt of the comments under section 2 above, issue a permit to the intended applicant, to allow the applicant to carry out studies and any other activities that may be necessary to enable the intended applicant to prepare an application for a license. This step will not be necessary in case of petroleum marketing.

5) Authority may invite applications.

At this stage, notwithstanding sections 1, 2 and 3, ZURA may, through a competitive process in accordance with procedures prescribed by ZURA, by regulations or any other law, invite applications for a license in the same electricity sub-sector.

6) Detailed license applications

The ZURA Board shall, within a reasonable time (thirty days recommended) of the receipt of the application, acknowledge receipt and inform the applicant in writing of the decision of the Board. Where more information is required (usually for electricity generation), a detailed application for a license shall be submitted to the authority and shall contain:

- (a) the legal and financial status of the applicant;
- (b) a technical and economic description of the project;
- (c) a description of how the project fits in with the existing and planned power supply system;
- (d) the planned time of commencement and completion of the construction of the project;
- (e) a view of the project's adaption to the landscape, including necessary maps and drawings;
- (f) the impact of the project on public interests and possible mitigation;
- (g) the results of assessments, including environmental impact assessments, and studies carried out and reports of those assessments and studies;
- (h) impacts of the project on private interests, including the interests of affected landowners and holders of other rights; and
- (i) consents and permits required under any other law.

ZURA shall within a specified period (thirty days recommended) after receipt of the application, confirm in writing to the applicant, that the application is complete in all aspects.

ZURA may require an applicant to make such arrangements as may be satisfactory to the authority for the execution of security for the performance and observance of the conditions to which the licence may be subject, including necessary insurance cover;

7) Processing of applications.

ZURA shall undertake to process all applications for a licence expeditiously (a maximum of 180 days from receipt of application recommended)

8) Factors to be considered for application

ZURA shall, in granting or rejecting an application for a licence, take into consideration, as far as is adequate for the project applied for:

- (a) the electricity or petroleum needs of the sub-nation;
- (b) the impact of the operations of the undertaking on the social, cultural and recreational life of the community;
- (c) the need to protect the environment and to conserve the natural resources;
- (d) land use and siting or route of the project;
- (e) the costs of the project;
- (f) the ability of the applicant to operate in a manner designed to protect the health and safety of users of the service for which the licence is required and other members of the public who would be affected by the operations of the applicant;
- (g) the technical, economic and financial capacity of the applicant to render the service for which the licence is required;
- (h) energy efficiency;
- (i) other public & private interests affected by the operation for which the licence is required; and
- (j) the price or tariff offered.
- (k) the qualifications and experience of the persons to manage the planned investment
- (l) the storage and logistics facilities to be utilized in the case of petroleum marketing license applications

Notwithstanding the above ZURA shall, in granting a licence, take into consideration the policies of the Government and any other matter that the authority may consider likely to have a bearing on the operations of the applicant.

Where an applicant meets the conditions required by the ZURA Law for a licence to engage in a commercial activity in the petroleum downstream industry, the Board shall approve the application and issue the applicant with the licence.

9) Refusal to grant licence.

ZURA shall, where it refuses to grant a licence, give the applicant a statement of its reasons for the refusal within thirty days after the refusal. The Board may for reasons in the public interest, public safety or public security decide not to issue an applicant with a licence and shall inform the applicant of its decision in accordance with the law. A person aggrieved by the refusal of the authority to grant a licence may appeal the refusal.

10) Order to comply

Where ZURA is of the opinion that a licensee is contravening a condition of a licence or a requirement under the ZURA or ZECO Act (in the absence of an electricity law), or regulations, codes or standards made under the abovementioned laws, it shall direct the licensee to comply with that condition or requirement, requesting for a response within a specific time.

If continued non-compliance persists, ZURA may enforce penalties, take remedial action to correct a license anomaly at the licensees' expense or withdraw the license.

11) Revocation of licence

ZURA may revoke a licence where it is satisfied that the licensee is not operating in accordance with the terms and conditions of the licence or any regulations, codes or standards made under the electricity law (or ZECO law in its absence) or Petroleum Supply Law (for petroleum marketing), particularly if:

- (a) the provisions of the ZURA Law or the Regulations are not being satisfactorily complied with,
- (b) the continued operation of a commercial activity poses a risk to public health, safety and security,
- (c) the services provided by the licensee have deteriorated below the required standard,
- (d) the licensee has not complied with any of the conditions of the licence,
- (e) an offence under the ZURA Law in relation to the licensee is being investigated,
- (f) the breach inflicts significant damage on public or private interests affected by the breach; lasts for a considerable period of time; takes place repeatedly; or causes the authority to have strong reasons to believe that the licensee may not be able to fulfill his or her obligations under the licence or the applicable law.

The authority shall give a licensee a reasonable period (forty-five days recommended) to show cause why the licence should not be revoked and the notice shall be published in one or more newspapers circulating in Zanzibar. The details of the notice will be specified.

Where a licence is revoked, ZURA shall take such action as is necessary to ensure that the supply of service to consumers is not unduly interrupted as a result of the revocation.

12) Licensee modification

- (1) Where, in the opinion of a licensee, a condition of its licence has become unduly onerous and is impacting on its ability to fulfill its obligations under the licence, it may apply in writing to ZURA requesting that the licence be modified, setting out:
- (2) ZURA may modify a licence under this section only if a condition of the licence has become unduly onerous and is significantly impacting on the licensee's ability to fulfill the obligations under the licence.

13) Duration of licence.

- (1) A licence issued is valid for the period specified on it and may be renewed upon satisfying all the conditions for renewal as specified in the licence. Subject to any other provision of the ZECO Act (or electricity law when this is enacted), or the Petroleum Supply Law, a licence shall remain in force for the period specified in it, but that period shall not in any case exceed forty years from the date of issue.
- (2) A licensee may, within three years before the expiry of a licence, apply to ZURA for the renewal of the licence.
- (3) The authority may renew a licence on such terms and conditions determined by ZURA.
- (4) An application for the renewal of a licence shall be made to the Board not later than sixty days prior to its expiry.

14) Transfer of licence.

- (1) A licence shall not be transferred without the written consent of ZURA
- (2) The authority shall satisfy itself of the legal, technical and financial competence of the transferee.
- (3) The authority shall not unreasonably withhold consent to any application to transfer unless it has reason to believe that the public interest is likely to be prejudiced by the transfer.

15) Records and reports

- (1) A licensee shall keep records and prepare reports relating to the licensee's operations.
- (2) ZURA shall, by statutory instrument, make regulations prescribing the contents of records and reports required under subsection (1).
- (3) A licensee shall, at the request of ZURA and at the cost of the licensee, provide all available information about the technical, financial, hydrological or environmental issues and any other relevant information relating to the operations of the licensee.
- (4) A licensee shall keep financial records of his or her operations in accordance with requirements specified by ZURA

16) Publication of licences

The Board of ZURA shall publish in at least one widely circulated newspaper a notice of each licence, suspension or revocation of a licence made under the ZURA Law.

License Structure

The license issued by the regulatory authority could be a one sheet of paper confirming that the licensee has satisfactorily fulfilled all the conditions specified by the regulator and qualifies for the license applied for, and displayed prominently as such.

The license could also be detailed in which case it would specify the following:

- 1) Purpose of the license
- 2) Terms of the license
- 3) Duration of the license
- 4) Compliance with regulatory and other statutory guidelines and requirements
- 5) Information provision requirements
- 6) Management plans
- 7) Key events that must be communicated to the regulator
- 8) Honesty and Integrity principles
- 9) Technical, Organizational and financial capacity requirements
- 10) Public and Environmental Health Risk Management
- 11) Mode of Communications
- 12) Management and Operating Contracts to be maintained

The management plans in 6) above will be the basis for the key performance indicators of the performance contracts referred to in section d) of this report.

Conclusion

The above represents the temporary licensing structure and conditions that will guide the initial activities of ZURA. Many of the conditions are drawn from a desk top review of selected regional and international licensing regimes.

Annex 4: Draft Performance Contract

FIRST PERFORMANCE CONTRACT

FOR THE PERIOD 1st JULY 2014/15 – 30th JUNE 2016/17

between

THE REVOLUTIONARY GOVERNMENT OF THE REPUBLIC OF ZANZIBAR

and

ZANZIBAR ELECTRICITY CORPORATION

THIS AGREEMENT is made theday of July 2014;

BETWEEN:

- (1) The Revolutionary Revolutionary Government of the Republic of Zanzibar the Republic of Zanzibar (herein referred to as RGOZ) represented by the Ministry of Lands, Water, Housing and Energy (herein referred to as MLWHE) on the one hand;

and
- (2) The Zanzibar Electricity Corporation (herein referred to as ZECO).

WHEREAS:

The MLWHE is responsible for electricity supply throughout Zanzibar efficiently and economically,

The ZECO is a Statutory Corporation empowered to undertake the functions listed in section 4 of the ZECO Act no.3 of 2006.

The Parties further agreed to monitor ZECO's performance through 'performance contracts';

AND

The underlying principles of the Performance Contract (PC) is that management will be given sufficient autonomy to manage the operations of the ZECO in a rigorous and enterprising manner, exercise and balance this autonomy within the agreed mandate and a framework of effective accountability,

AND

The PC shall in no way amend, supersede or modify the provisions of the Energy Policy, the ZECO Act, and the regulations promulgated in terms thereof;

NOW:

PURSUANT to section 4 of the ZECO Act which expresses the functions of the Corporation in accordance with the ZECO Act.

IT IS HEREBY AGREED AS FOLLOWS:

PART A: PRELIMINARY

1.0 PURPOSE OF THE CONTRACT

The purpose of this contract (PC I) is:

- 1.1 To further set out the role, scope and performance targets of ZECO as an Electricity Supply Company.
- 1.2 To ensure that there is an agreed framework within which the overall National Electricity Sector goals are achieved within the anticipated time frames.

2.0 COMMENCEMENT DATE

This Contract takes effect on and from theday of July 20xx and shall continue for a period of three (3) years or until it is terminated in accordance with the provisions of this Agreement or any other governing law in Zanzibar.

3.0 PARTIES TO THE CONTRACT

- 3.1 The parties to this Performance Contract are the Revolutionary Government of the Republic of Zanzibar (RGOZ) and the ZECO.
- 3.2 For the purposes of administering the contract, RGOZ will be represented by the following:
 - 3.2.1 The Minister, Ministry of Lands, Water, Housing and Energy
 - 3.2.2 Principal Secretary, Ministry of Lands, Water, Housing & Energy
- 3.3 ZECO will be represented by:
 - 3.3.1 Board Chairman, Zanzibar Electricity Corporation
 - 3.3.2 Director General, Zanzibar Electricity Corporation

4.0 ZECO GOVERNANCE PROVISIONS

- 4.1 RGOZ undertakes to permit full commercial freedom to ZECO in all areas of its operations (including capital expenditure, commercial borrowing to fund investment programs, staffing and salary levels, and tariffs), subject to the provisions of:
 - 4.1.1 Legislation
 - 4.1.2 The National Electricity Policy Document 2009.
 - 4.1.3 The terms of this Performance Contract.
 - 4.1.4 The ZECO Act No.3 of 2006

5.0 THE CONTRACT DELIVERABLES

- 5.1 It is agreed that the contract deliverables shall be the achievement of set targets by the ZECO and as agreed with all relevant parties at the onset of the Contract. These will take the form of the key Performance Indicators summarized in a score card as detailed in **Schedule II**.
- 5.2 Without prejudice to Clause 4.1, the ZECO shall be solely responsible for ensuring that the Contract Deliverables are at all times performed in accordance with:
- 5.2.1 the ZECO statutory mandate and all relevant Laws of Zanzibar at the time being in force;
 - 5.2.2 the Sector Strategy Investment Plan;
 - 5.2.3 ZECO's obligations in terms of this Agreement; and
 - 5.2.4 Good Industry Practice.

6.0 ASSISTANCE AND CO-OPERATION

6.1 Obligations

Each Party undertakes to co-operate with the other in order to facilitate the performance of this Agreement and in particular will:

- 6.1.1 use reasonable endeavors to avoid unnecessary complaints, disputes and claims against the other Party;
- 6.1.2 not interfere with the rights of the ZECO in performing her obligations under this Agreement nor in any other way hinder or prevent the ZECO from performing those obligations or from enjoying the benefits of its rights;
- 6.1.3 assist ZECO in performing those obligations, so far as is reasonably practicable.

PART B: GENERAL PROVISIONS

7.0 GENERAL OBLIGATIONS AND RESPONSIBILITIES OF THE ZECO

- 7.1 The ZECO's Board will carry out its mandate in accordance with the ZECO Act best practice and principles of Corporate Governance.
- 7.2 The ZECO shall carry out its statutory functions with the aim of achieving the agreed upon performance targets which are listed in Schedule II to this Agreement during the contract period.

- 7.3 ZECO is responsible for collecting, organizing and presenting ALL data and information required to compute the performance indicators.
- 7.4 The ZECO will carry out an investment programme primarily aimed at achieving the key performance indicators included in this Contract. The schedule is hereby attached as Schedule IV.

8.0 FINANCIAL MATTERS, ACCOUNTS AND RECORDS

The ZECO shall keep proper books of account of the revenue, operational costs and expenditures of the Corporation and shall keep those books and all correspondence and documents belonging or relating to the subject matter as required by the ZECO Act and any other applicable laws that may be in force from time to time.

8.1 FINANCING OF INVESTMENTS

It is understood in this Agreement that the ZECO investment programme is to be financed with a combination of funding as per attached schedule IV. This is from;

- a) The ZECO internally generated resources
- b) The Revolutionary Government of the Republic of Zanzibar
- c) The Donors/Development Partners.
- d) Other Funding Agencies

- 8.1.1 If investments are considered commercially viable, then funds may be on-lent to ZECO on commercial terms.
- 8.1.2 If investments are a social mission imposed by RGOZ on ZECO, then the internal rate of return of the investment must be determined in order to calculate the necessary RGOZ subsidy to prevent the investments being a financial burden to ZECO.
- 8.1.3 Funding for major investments in electricity generation, transmission and distribution works shall be sourced from the Government and Development Partners, with some contribution from ZECO where feasible.
- 8.1.4 For all the new towns to be taken on by the ZECO, in order to avoid disrupting the services within these towns and burdening the Corporation, the ZECO will make an investment needs assessment so as to come up with a realistic investment and financing plan to improve services within these towns. The financing plan should clearly show the contribution from the central Government and the use of internally generated funds.

9.0 ZECO SUBCONTRACTORS

ZECO shall not be relieved or excused of any responsibility, liability or obligation under this Agreement by the appointment of any Subcontractor to carry out any part of the

contract deliverables. ZECO shall be responsible for the payment, performance, acts, defaults, omissions, breaches and negligence of all Subcontractors.

10.0. PERFORMANCE CONTRACT MANAGEMENT

The review of ZECO's performance under this contract will be carried out once every six months by a Performance Contract Review Committee (PCRC) comprised of three (3) members whose membership shall be agreed by the parties to this Contract within sixty (60) days of the signing of the contract.

It is however understood that the committee will comprise of;

- a) The Director, Department of Energy Development, Ministry of Lands, Water, Housing and Energy
- b) The Director, Planning, Ministry of Finance and Economic Planning
- c) The Director General, ZURA or his delegated representative.

10.1 The Committee will specifically address the following:

- (a) ZECO's performance against specific indicators, which will be reviewed annually.
- (b) Provide for the resetting of targets/projections, should it prove necessary.
- (c) The parties may, by agreement, meet at any time to review/update targets if there is a significant change in the environment or significant new factors; and
- (d) Any other issues that may from time to time be agreed upon the parties.

10.2 The PCRC may decide to use Consultants to assist in the review process. The costs of the consultants shall be met by ZURA.

10.3 The report and recommendations of the PCRC following the six-monthly and annual reviews will be submitted to both RGOZ and the ZECO Board within a period of 14 days after the review.

10.4 The review methodology used by the PCRC or its assigns will be agreed upon by the parties prior to its application to the review process for purposes of minimizing disputes.

10.5 The PCRC will determine the rewards and / or penalties to be applied to the ZECO Senior Management Team based on the incentive payment criteria in this Contract.

11. REWARD/PENALTY STRUCTURE

11.1 The ZECO Director General and Senior Management Team¹² is accountable for the achievement of the performance objectives and expectations of the Performance Contract

¹² Senior Management team, are the six (6) no. Heads of Department or Functional Heads

- 11.2 The ZECO Management Team shall be responsible for putting in place innovative measures and mechanisms to ensure that the Performance Contract targets and expectations are achieved
- 11.3 The reward/penalty structure for the respective members of the ZECO Management Team is illustrated in the table 8 below:

Table 6: Performance contract reward / penalty structure

Performance	Aggregate score	Measure	Bonus
Outstanding	4	8% above budget	25%
Beyond Expectations	3	4% above budget	12.5%
In-line / Budget	2	On budget	0%
Below Expectations	1	6% below budget	(6.25%)
Poor(Extreme underperformance)	0	12% below budget	(12.5%)

The reward shall:

- a) be computed based on the relative weighting of each of the key performance indicators presented in Appendix 9
- b) include a maximum performance incentive of 25% of annual gross salary on the achievement of a composite aggregate score of 4.
- c) be a prorated performance incentive for any measure between a aggregate score of 4 and 2.

There shall be no incentive and / or a penalty on achievement of an aggregated score of less than 2 (equivalent to achievement of the base performance) whose severity

- 11.4 The PCRC, in deciding the appropriate bonus rate to apply in any year, will give due weight to the achievement of targets set out in this contract. The detailed incentive/penalty formula is indicated in table 8 above.
- 11.5 In the event that ZECO fails to perform its obligations to meet the agreed performance targets for reasons that do not amount to 'force majeure', the RGOZ will be entitled to enforce any penalties it deems fit against the ZECO which may include dissolution of the Board and / or key members of the Senior Management Team;

12. ZECOSTRATEGIC BUSINESS PLANNING PROCESS.

- 12.1 Both parties recognize that the Strategic Business Plan goals and objectives form the basis for the Performance Contract targets.
- 12.2 It is envisaged that the Strategic Business Planning Process will be the primary vehicle for updating the Reference Financial Projections contained in this Performance Contract.

PART C: GENERAL PROVISIONS

13. DISPUTE RESOLUTION PROCEDURE

Any dispute arising out of or in connection with this Agreement shall be resolved in accordance with the procedure set out below:

- (i) Initially any dispute will be communicated to the Director, Department of Energy for resolution by the Minister who shall forward the matter to a sub-committee of no more than three members of an Energy Policy Committee to be constituted by the Minister, for technical advice;
- (ii) Where the Minister guided by the EPC sub-committee is unable to resolve such dispute, within 14 days of being advised by the EPC sub-committee, he/she shall notify the ZECO whereupon the procedures set out for mediation, conciliation and arbitration under the Arbitration Decree Cap 25, shall be applied.

14. AMENDMENTS

No provision of this Agreement may be amended, substituted or otherwise varied, and no provision may be added to or incorporated in this Agreement, except (in any such case) by an agreement in writing signed by the duly authorized representatives of the Parties.

15. GOVERNING LAW AND JURISDICTION

This Agreement shall be considered as a contract made in the Revolutionary Republic of Zanzibar and shall be subject to the laws of Zanzibar.

IN WITNESS HEREOF the parties have executed this Agreement by their duly authorized representatives on the date mentioned herein above.

FOR AND ON BEHALF OF THE REVOLUTIONARY GOVERNMENT OF THE REPUBLIC OF ZANZIBAR:

Minister

Principal Secretary

MINISTRY OF LANDS, HOUSING, WATER & ENERGY

MINISTRY OF LANDS, WATER, HOUSING & ENERGY

FOR AND ON BEHALF OF ZANZIBAR ELECTRICITY SUPPLY CORPORATION:

Board Chairman

Director General

ZANZIBAR ELECTRICITY CORPORATION

ZANZIBAR ELECTRICITY CORPORATION

Appendix 9: ZANZIBAR ELECTRICITY CORPORATION (ZECO) PERFORMANCE SCORECARD 2014-16

Draft ZECO Performance Targets for PC 1

Key Performance Targets	Baseline	Year 1 In Line Targets	Year 2 In Line Targets	Year 3 In Line Targets	Relative weighting	Definition of key terms	Means of Verification
		2014/15	2015/16	2016/17			
FINANCIAL							
Return Capital Employed (%)						Defined as EBITDA/Total assets-current liabilities	Annual Audited Accounts
Electricity Sales						Quantity of Electricity sold growing by 2.5% in yr1, 3.5% in yr2 and 6.5% in yr3	Annualized Electricity Sales
Average receivables collection days						Average Receivables/sales x 365	Arrears Lists + Audit Accounts
Capital Works Implemented as a %age of budget						Capital expenditure incurred Vs planned capital expenditure (from internally generated cash only)	Management Accounts
TECHNICAL EFFICIENCY							
Electricity Losses (%)						100 basis point annual improvement	Annualised Electricity Production Vs Sales
COMMERCIAL EFFICIENCY							
Increase In New Electricity Connections						Growth in new electricity connections key in measuring access to services.	ZECO Reports
CUSTOMER ORIENTATION							
Customer Satisfaction Index						100%	Independent Survey
QUALITY OF SERVICE							
SAIFI							ZECO system reports
Customer complaints addressed							ZECO reports
TRANSPARENCY/GOVERNANCE							
Percentage Of Internal and External Audit Recommendations Implemented during the yr.						(# of Audit queries resolved/Total number of Audit Queries)X100%	Internal & External Audit Reports to the Board (incl. management letter)

