



**TANA WATER AND SANITATION COMPANY LIMITED
(TAWASCO)**

DEBT MANAGEMENT POLICY

NOVEMBER -2025

1.0 INTRODUCTION

Tana Water and Sanitation Company Limited (TAWASCO) evolved from a water department under the defunct Tana River Municipal Council. The company was incorporated in September 2006 as a Water Service Provider (WSP).

The major source of water for the company is River Tana (Hola, Bura and Ngao Water Supplies) and Borehole water (Madogo and Garsen Water Supplies). The company abstracts raw water, pumps to our treatment plants, treats to required standards, distributes for sale to customers in Tana River County.

The company provides water and sanitation services to residents of the designated areas as mandated by WASREB through the operating license. Water charges provided are invoiced using a tariff set by Water Services Regulatory Board.

Customers are invoiced on a monthly basis for water services offered and are given seven (7) days within which to pay the invoiced amounts.

2.0 PURPOSE

TAWASCO has adopted a liberal policy which seeks to ensure that the Company has in place a debt management structure that is effective, appropriate and supportive of all the other Company's overall goals and strategic objectives.

This policy sets out a general framework that shall govern debt collection and control activities. It sets out general guide lines as to how the Company shall effectively handle all matters relating to debt recovery.

3.0 AUTHORITY

This policy document draws its authority from the following;

I. Constitution of Kenya (COK 2010)

The promulgation of the Constitution of Kenya in 2010 marked a significant milestone in the policy reforms for the water sector.

II. Public Finance Management (PFM) Act 2012

This policy will aim to achieve the objectives of the PFM Act and financial Regulations of

ensuring accountability of public resources, oversight, effectiveness and lawfulness in the collection and application of public funds.

iii. TAWASCO Performance Improved Action Plan 2024-2029

This policy has relied heavily on the company's key governance pillar for growth and long-term sustainability. The Debt Management Policy will enable the company to remain focused on realizing its key Strategic Objectives of enhanced financial and commercial growth through increased revenue collection.

iv. TAWASCO Strategic Plan 2025-2030

4.0 DEBT MANAGEMENT PROCEDURES

4.1 Invoicing

All regular customers shall be invoiced on a monthly basis by applying the tariff rates approved by WASREB. Further on random customers shall be invoiced on demand for services such as water bowser, meter testing and any other services. TAWASCO shall ensure timely delivery of bills and invoices via SMS or through email address at the end of every month or promptly on demand.

4.2 Service Disconnection.

The exact bill delivery date shall be indicated on the bill and the customer shall be given ten (10) days to settle the bill and which the timeline will also act as a disconnection notice. Upon expiry of the 10-days the customer will be liable for disconnection of services without further notice. The above shall be clearly communicated to the customer through the billing statement/invoice.

4.3 Reconnection

Services to disconnected connections will be re-instated within 24 hours upon payment of the outstanding bill and the reconnection fees payable.

In the event that services remain disconnected for a period exceeding 90 days, the company may terminate the contract of service with the customer whose services have been disconnected. Thereafter, the company will recommend terminating the affected customers' account(s) and apply the deposit against the outstanding debt. If the debt is not cleared through the deposit offset, the unpaid balance shall be forwarded to the legal section for recovery.

4.4 Disconnection from the main lines

This shall apply in the following instances:

- I. Where customers deny access to meters for disconnection or inspection.
- II. Where sealed accounts remain so for a period exceeding 90 days.

- III. Where customers after normal disconnection by the company, self-reconnect services without payment of the overdue amount.
- IV. Where customers have illegal connections and by passes.
- V. Any other situation that the Company may deem necessary for disconnection from the main.

These disconnections shall attract a fee/penalty as per the gazetted tariff, in addition to a demand that the customer settles the account. The company shall also have a right to take out prosecution proceedings against the customer.

4.5 Contract Clauses Enforcement on premises with outstanding debts

These shall apply in the following instances:

- I. Where tenant/s vacates the premises without clearing bills, the landlord shall be required to provide all the available details useful in tracing the tenant/s failure to which he/she will be obligated to settle the outstanding bill.
- II. That, the landlord shall be notified where the tenant/s bills have been outstanding for a period exceeding 60 days.
- III. The Company shall be entitled to enforce payment of any outstanding debts that are more than 90 days through disconnection from the main and/or transfer of the debt to the customer's active account(s) held with the company.
- IV. Where ownership properties change, the outstanding bills must be cleared before the transfer of the water accounts. New owners acquiring properties without ensuring that all bills have been cleared shall assume liability for any outstanding debt.

4.6 Debt Recovery Process

- 1. Issuance of a Demand Letter:** The process begins with sending a formal demand letter to the debtor, requesting payment of the outstanding amount within a specified timeframe.
- 2. Negotiation and Mediation:** If the debtor responds, negotiations may occur to discuss suitable repayment options.

3. **Payment by installments:** This shall apply where a customer(s) come forward requesting for a flexible payment option. This shall be considered and allowed subject to a maximum of three (3) months subject to review of customer payment history. If the customer defaults to pay the installments as per the signed commitment, the payment agreement shall be nullified and the customer required to pay the outstanding bill in full.

4.7 Administrative action

When procedures in 4.5 above have been followed and the debt is still outstanding after 90 days, the following structured debt recovery procedure shall be followed before recommending any debt write off after a reasonable period:

1. Initial Demand and Validation:

- a) **Validate the debt:** Ensure the debt is accurate and legitimate.
- b) **Issue a demand notice:** Send a formal notice to the debtor outlining the debt, including principal, penalties, and interest, with a clear breakdown.
- c) **Set a payment deadline:** Provide a reasonable timeframe (14 days) for the debtor to settle the debt.

2. Follow-Up and Reminders:

- a. **Send reminder notices:** If the debtor fails to respond or pay within the initial deadline, send a reminder notice (within 7 days).
- b. **Escalate to immediate demand:** If the debtor still fails to respond or make payment, send an immediate demand requiring immediate payment. and follow up with physical visits and/or calls.

3. Debt Enforcement (If Necessary):

- a) **Commence legal proceedings:** If payment is not forthcoming, consider initiating legal action to recover the debt.
- b) **Apply for insolvency (if applicable):** In cases of insolvency, apply to have the customer declared insolvent, which could involve closing the business.
- c) The company may also opt to refer the customer to **Credit Reference Bureau** for negative listing if the debt remains unpaid.

4. Debt Collection Agency and Auctioneers:

The company may enlist the services of a professional debt collector(s) and/or seek authority from the Board to use company staff to **recover funds** that are past due usually over 120 days or from accounts that are in default at a fee. This fee shall be a percentage of the total debt recovered and **NOT** a percentage of the original debt value. Whenever necessary, the company may enlist services of Auctioneers to enforce payment of overdue debts.

5.0 **Debt Write-Off Recommendation:**

- I. **Assess recovery potential:** After following the above procedures and a reasonable period (e.g., 3 years), assess the possibility of recovering the debt.
- II. **Document the efforts:** maintain a detailed record of all debt recovery efforts, including correspondence, follow-up actions, and any legal proceedings.
- III. **Forward to the Board:** If the debt remains unrecovered and is aged above five (5) years, forward the case to the Board through the office of the Head of Commercial/Financial Services with a recommendation for write-off.

5.1.1 **Debts eligible for write off**

Trade receivables shall be recognized at amortized cost less allowances for any uncollectible amounts. These receivables will be assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts will be written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

Eligible debts will be written off in accordance with Section 150(2) of the PFM Act 2012, approved Regulations and any other relevant legislation.

Debts will be eligible for write off after all available administrative actions aimed at recovering the debts have been taken and TAWASCO is satisfied that:

- a) All available legal and other administrative measures have been exhausted, but there is still a balance of the debt remaining and
- b) The debtor cannot be traced or is insolvent
- c) Recovery of the debt would be uneconomical on its part.

- d) It would be to the advantage of TAWASCO to waive the claim.

5.1.2 Procedure for writing off eligible debts

Eligible debts for write off shall be presented to the Board of Directors for approval. This will be followed by an approval from the County Executive Committee member for Finance to write off the eligible debts.

Applications for approval of eligible debts write-off shall be accompanied by an investigation report indicating whether remedial accounting or any other action is necessary.

As guided by the Income Tax Act Cap 470 sec 15(2), records of the written off debts shall be retained for a period of six (6) years.

5.2 Legal Action

Legal action begins three months (90 days) after sending the first notice of outstanding bills and all administrative action has failed. Here, the debtor is taken to court and:

A. If legal action succeeds;

- The debt owed is paid.
- The cost of litigation is met by the defaulting customer.

B. If Legal action fails due to;

- The landlord's insolvency /bankruptcy, or
- Loss of legal suit by the Company; then
 - a) The debt should be recommended for write off and;
 - b) The Company shall meet the costs of the litigation.

C. Appeal

The issue of appeal for lost cases shall be determined by the Board of Directors.

6.0 SURVEILLANCE AND INSPECTION

Surveillance and inspection of connections will be applicable where a customer is suspected to be using water illegally.

7.0 BAD DEBTS PROVISION

A provision for bad debts is necessary whenever there is objective evidence that the company will not be able to collect the entire amount due.

Provision for bad debts in the annual financial statements will be computed as under:

Debt Age	% of provision of Doubtful debt
Less than 30 days	1%
Between 30 and 60 days	5%
Between 61 and 90 days	10%
Between 91 and 120 days	15%
Over 120 days	20%

7.0 AMENDMENTS

This policy may be amended need arises to accommodate changes within the as any other emerging issues. company and

All amendments to this policy document shall be initiated by the Commercial/Finance Manager in consultation with other CMT members and presented to the Board of Directors for approval before they become effective.

8.0 ABBREVIATIONS AND TERMS DEFINED

- a) TAWASCO - Tana Water and Sanitation Company
- b) WASREB- Water Services Regulatory Board
- c) EFT- Electronic Funds Transfer
- d) RTGS- Real Time Gross Settlement

9.0 APPROVAL

TITLE: DEBT MANAGEMENT POLICY

Approval Authority TAWASCO Board of Directors

Vide Board Meeting held on this day 23rd April 2026 Minute Number:

Signed by:

1. William Jillo.

Sign:



Date: 23.04.2026

Managing Director

2. Said Waldea.

Sign:



Date: 23.04.2026

Chairman Board of Director