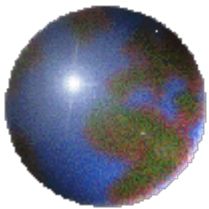


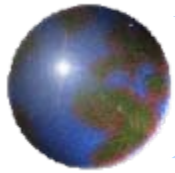
# **India Water Supply and Sanitation**



## **Changing Organizational Culture through Targeted Internal Reforms Experiences from NWSC-Uganda**

**Dr. William T. Muhairwe, Managing Director**

**February 2007**



# NWSC at a Glance



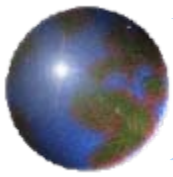
- Parastatal set up in 1972
- Currently responsible for WSS services in 22 towns of Uganda (pop. 2.1million, 160,000 customers, 70% pipe water coverage + 25% safe water coverage from bore holes and protected springs in peri-urban areas)

## Vision Statement

**To be one of the leading water utilities in the world**

## Mission Statement

**The Mission of the Corporation to provide efficient and effective water and sewerage services, applying innovative managerial solutions to the satisfaction of our customers and other stakeholders in an environmentally friendly manner**

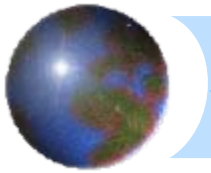


# What were the key institutional reform drivers as at 1998?



## Extremely appalling performance situation

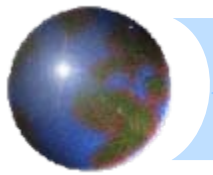
- **Poor financial sustainability – close to bankruptcy requiring huge government subsidies for routine operating costs, despite high tariffs (~ 1.00US\$/m<sup>3</sup>)**
- **Government, customers and other stakeholders were getting impatient because of poor operating efficiencies and intermittent supply reliability (12-21 hours/day)**
- **Worrying Environmental Sustainability issues especially poor quality effluent to receiving water bodies and rampant sewage spillages**



# Some Weak Performance Areas



- ❖ High number of unviable towns ( only 3 out of 12)
- ❖ High arrears of 14 months old
- ❖ Very expensive labour force (1800No => 36 staff/1000c)
- ❖ Low operational efficiency with high NRW of 50-60%
- ❖ Irrational and costly welfare scheme
- ❖ Poor organizational public sector behavior e.g. late coming, corruption etc
- ❖ Lack of performance incentives for Area Managers and Staff
- ❖ Rampant water leakages and sewage spillages
- ❖ Low collection efficiency of 60%
- ❖ Intermittent service in several towns ranging from 12-21 hrs
- ❖ A running monthly deficit of about Ushs 348M (~US\$ 300,000) despite a high average tariff of Ush 1100/m<sup>3</sup> (US\$ 1.00/m<sup>3</sup>)

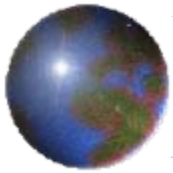


# Performance Situation as at 1998 in Summary:



## *Quote World Bank at that time:*

Over the last 10 years, the GOU in partnership with the World Bank and Other Donors have made significant investments (over US \$ 100 million) in the Urban Water and Sewerage sector. These investments have contributed immensely in rehabilitating the existing infrastructure under the NWSC management. Unfortunately, these investments have not been matched with the necessary efficient commercial and financial management capacity that can ensure the delivery of sustainable services in the medium to long-term”.



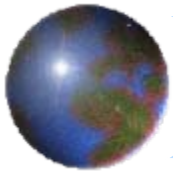
# What was Done?



The organisational culture and performance situation had to change!

## At a Strategic Level

- **New Board and Management installed in 1998**
- **Medium-term strategies adopted**
  - ❏ **3 year Corporate Plan**
  - ❏ **Two Series of Performance Contracts entered into with Government for 2000-2003 and 2003-2006**
  - ❏ **Target financial sustainability of all NWSC Towns**
  - ❏ **Introduction of incentives as performance drivers**
  - ❏ **Adapted private sector-like management principles of commercialisation**
  - ❏ **Increased managerial autonomy to Areas**



# What was done? Cont'd



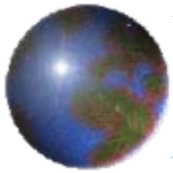
## At Operational Level

### 100 Days (02/99 to 05/99)

- ❑ Reversing operational & financial inefficiencies
- ❑ Areas of emphasis:
  - Water production and sewerage, water distribution (NRW), revenue generation, customer care and cost reduction
- ❑ Main achievements: monthly deficit of Ushs 348M changed to surplus of Ushs 331; Coll. Eff. Increased from 74% to 96%; NRW from 60% to 49%

### SEREP I and II (08/99 to 08/00)

- ❑ Restoring customer confidence in NWSC operations
- ❑ Areas of emphasis:
  - Water production and sewerage, water distribution (NRW), revenue generation, customer care and cost reduction
- ❑ Main achievements: capacity utilisation 59% to 65%; Conn. Eff. Increased from 68% to 74%; NRW from 49% to 43%; towns breaking even 5-7



# What was done? Cont'd



## At Operational Level

### **Area Performance Contracts & Support Services Contracts, after 1<sup>st</sup> GoU Contract (2000-2003)**

- ❖ Covering cash operation of each regional operation by giving managers autonomy to take decisions
- ❖ Main achievements: NRW reduced from 43% to 37%; towns breaking even 7-10; metering coverage 82-90%; Staff morale improved due to payment of incentives

### **Stretch Out Program (2002/03)**

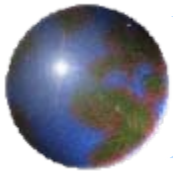
- Improving cash operating margins in Regional Operations

### **One Minute Management (2003/04)**

#### **Emphasized**

- ❑ Individual accountability within the group by requiring each staff to have individual visions, missions and one minute goals
- ❑ Regular group and individual performance appraisals



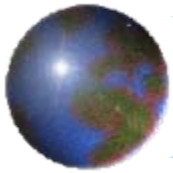


# Internal Organizational Change Programs



## Internally Delegated Area Management Contracts, after 2<sup>nd</sup> GoU Contract

- **Increasing Regional Operations performance accountability and commitment by**
  - ❑ apportioning operating risk through Performance based pay mechanism
  - ❑ Main achievements: NRW 37-29%; Metering eff. 90-100%; annual turnover US\$20M to US\$ 34M
- **M&E through the checkers systems**
  - ❑ Looking at both processes and outputs, ensuring strong accountability



# Other Outsourcing Programmes



- **Non-core activities (guard services, landscaping...)**
- **Kampala Revenue Improvement Project (KRIP):**
  - 98/01: Gauff;
- **Kampala Water Supply and Sewerage Area Management Contract:**
  - 02/04: ONDEO Services.

## **Benefits:**

- Enhances performance accountability through increased decision making autonomy and initiative taking
- Reduces bureaucracy e.g in procurement
- Allows for rational allocation of operating and commercial risks through well structured performance incentives
- Allows the Head Office to carry out focussed monitoring



# Other Key Elements of Internal Reforms



## ● **Tariff Review**

- ❑ Reduced connection/reconnection fees
- ❑ Regular Tariff Indexation against Inflation

## ● **Strengthened Management Information System**

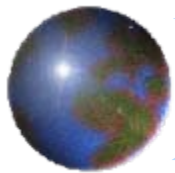
## ● **Decentralisation within a decentralised operation in regions (Kampala, Jinja, Entebbe)**

## ● **Strategic water supply augmentation in affected Areas (Kampala, Entebbe, Gulu, Kabale)**

- ❑ Improving supply reliability through hardware solutions

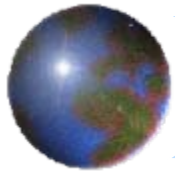
## ● **New water and sewerage connection policy**

- ❑ Reducing 'vendor effect' and also making sewerage services more accessible

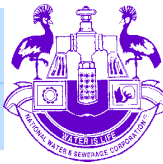


# Key Achievements

Perf. Indicator	1998	2006
Service coverage	48%	70%
Network coverage		Increased by 52%
Staff per 1000 connections	36	7
New connections per year	3,317	23,312
Total connections	50,826	148,312
Coll. Efficiency	60%	96%
Unaccounted water	51%	29%
Proportion metered accounts	65%	99.6%
Annual turnover	US\$11 million	US\$34 million
Profit (After. Dep)	US\$3.0million loss	US\$2.0 million surplus

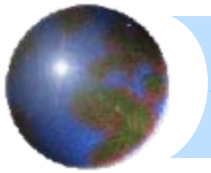


# Achievements/Outcomes



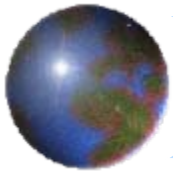
## Other performance Indicators

- **Most areas now have 24 hour supply and a few others especially Kampala has 18-24 hours supply simply because of power outages (outside NWSC control), that overstretch the storage capacity.**
- **Response time to written customer complaints improved from >One week to < 24 Hours**
- **Customers satisfaction and public image have also improved significantly**
- **No more operational subsidies from government**
- **Developed strong staff capacities**
- **Affordability of services improved as demonstrated by increased connections and coll. efficiency and conserving tariff**

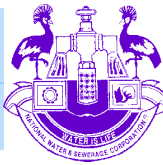


# Key Challenges

- **Low sewerage coverage (< 10%)**
- **Service to the urban poor where infrastructure planning is inadequate and returns on investments are low**
- **Relatively high NRW in Kampala (~ 30-35%)**
- **Huge investment requirements, when tariff cannot be increased beyond certain limits and keep affordability of services**



# Key Success Factors of the Programs



- Empowerment of staff
- Devolution of power from the centre (headquarters) to regional operations
- Increased Customer Focus
- Incorporation of “private management style” efficiency (less bureaucracy, performance-based pay, “customer-pays-for-a good service” principle etc).
- Good planning and continuously challenging management teams with new performance targets
- Outsourcing non-core activities
- Systematic use of external contracts versus short-term internal performance programmes/contracts
- Clear oversight and monitoring through checkers system
- Information sharing through benchmarking



# Have these Approaches Worked Elsewhere?



## Through NWSC External Services Unit (ESU):

### ■ Tanzania

- DAWASCO: Carried out short-term performance programmes (operational rescue plan, win-win programme and turning-point programme) -> coll Tshs 950M to Tshs 2000M; supply reliability greatly improved

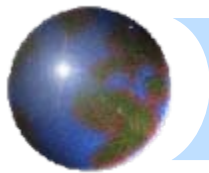
### ■ Kenya

- Nairobi City Water: Carried out billing & customer systems improvement; advisory services on incentive mechanisms -> Coll Kshs 111M to Kshs 231M (within 2 years); NRW 50-38%
- Nzoia Cluster: Carried out 100-days programme and 1-year PIP -> Collections Kshs 1.0M to Kshs 2.0M (within 6 months); NRW 58-45%

### ■ Zambia

- NKana Water: Carried out short-term performance programmes (100 and 200 days stretch-out programmes and currently 200-days customer enhancement programme) -> collections ZMK 3Bn to ZMK 5Bn; supply reliability greatly improved





# Conclusions/Lessons

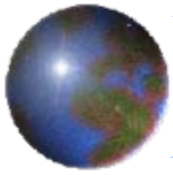


- **NWSC has clearly turned around its performance through combination of:**
  - ❑ Corporatisation (since 1972 by Decree)
  - ❑ Systematic use of external and internal contracts to increase performance accountability
  - ❑ Change of bureaucratic mentality
- **Reforms can be successful if**
  - ❑ Well planned
  - ❑ Emphasis is put on customer focus!
- **Enhancement programmes can be successful if**
  - ❑ Benchmarking of efficient utilities is carried out
  - ❑ Key stakeholders and staff are involved at all levels
  - ❑ They are continuously monitored & evaluated
  - ❑ If all stakeholders are fully committed

## **Always remember:**

***“If you refuse the elder’s advice, you will walk the whole day.”***

**(Ngoreme, Tanzania)**



**Thank you for your Attention**