

# ***Fostering and Enhancing Application of the New Paradigm in Practice, the Reform of Urban Water Utilities: Case of Africa.***

**Presented at the UNESCO –IHP International Symposium  
on “New Directions in Urban Water Management”**

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**September 13<sup>th</sup> 2007**

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# Old Paradigm: The thinking of the 90's

## **Public Enterprises**

- Public Enterprises non performers
- Plagued by inefficiencies
- Failure to expand services
- Strapped for resources

## **Solution**

- Privatize utilities
- Sell off to foreign international companies
- International companies have the required resources and expertise to turn around performance of utilities

# What was happening in NWSC in 1998?

## SWOT Analysis

- Strengths:** Sound infrastructure, abundant water sources, enabling legislative framework etc
- Weaknesses:** Large and inefficient labour force, high UfW, (60%), Poor customer care initiatives, low collection Efficiency - 60%, huge arrears of about 14 months of debt age, monthly financial deficit ~ Shs 380m (US\$ 300,000) per month, Poor organizational behavior e.g. late coming, corruption, lack of performance incentives for staff, rampant water leakages and sewage spillages etc
- Opportunities:** Government support, relatively stable economy
- Threats:** Debt Servicing obligations, VAT law.

There was therefore urgent need to improve operational and financial performance of the NWSC

# Typical Situation in Other African Countries

## Kenya, Tanzania, Zambia

- High UfW range of 50% and above
- Commercial challenges including poor meter management, inaccurate billings.
- Low willingness to pay
- Low revenues
- Inadequate water supply
- High inefficient labour force,
  - DAWASCO 40% staff had no professional qualifications

# NWSC: Context of Old Paradigm: 1998

- **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”.

# Privatization Panacea

As a result there was a rush for Private Sector involvement over the whole world.

- Europe: England, Germany
- South America: Argentina, Puerto Rico, Columbia, Mexico
- Asia: Philippines, Indonesia, India, Pakistan, Jordan, Turkey, Palestine
- Africa: Mozambique, Egypt, Tanzania, Ghana, Senegal, Tunisia, Mali, Cameroon, Cote d'Ivoire, Uganda, Zambia, South Africa

# NWSC: Solutions in Old Paradigm

- Need to privatize operations
- With support from Donors
- Old Board and Top management replaced
- Embarked on Privatization of operations:  
Engaged Foreign Companies
  - **Kampala Revenue Improvement Project (KRIP):**  
98/01: Gauff
  - **Kampala Water Supply and Sewerage Area  
Management Contract:** 02/04: ONDEO Services.



# Benefits/Shortcomings of PSP

## Benefits:

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

## Shortcomings

- No capital injected by private operators:
  - Lack of knowledge of local setting
  - Personal seconded of low skill/expertise
  - High costs of operation (**costs of arms length management**)
- ⇒ Culminated in refusal to renew Management Contract in 2004.
- ⇒ International subdued investor interest as PO's became risk averse

# New Paradigm: Enhancing Public Management

- Focused on enhancing Public Management
- Use of local existing domestic resources
- Use of existing local manpower: with better knowledge and understanding of problems at hand.
- Use of Internal reforms
- Adoption of Private sector tenets of management
- Aimed at achieving the PEAP and MDG targets

# Medium Term Strategies

**The NWSC Team worked out medium and short-term strategies**

## **Medium-Term**

- 3-year Corporate Plan
- 3 sets of Performance Contracts with Government (2000-2003, 2003-2006, and now 2006-2009)
- The Corporate Plan emphasized:
  - Introducing incentives as performance drivers
  - Adapting private sector-like management principles of commercialisation
  - Increased managerial autonomy
  - Increased benchmarking (learning from others)
  - Increased research and development (R&D)

# Short Term Strategies

(NWSC website [www.nwsc.co.ug](http://www.nwsc.co.ug))

## Short-term

**A series of high-performance oriented programmes were introduced**

- **100 Days (02/99 to 05/99)**
  - **Tackling financial and operational inefficiencies**
- **Service and Revenue Enhancement Program (SEREP I and II (08/99 to 08/00))**
  - **Restoring customer confidence**
- **Area Performance Contracts (APCs) & Support Services Contracts (SSCs), after 1<sup>st</sup> GoU Contract (2000-2003)**
  - **Covering cash operation of each regional operation by giving managers autonomy to take decisions**
- **Internally Delegated Area Management Contracts (IDAMCs), after 2<sup>nd</sup> GoU Contract**
  - **Increasing Regional Operations performance accountability and commitment by**

# Short Term Strategies

- Stretch Out Program (2002/03)
  - Support to APCs and was aimed at improving cash operating margins in Regional Operations
- One Minute Management (2003/04)

Also support to APCs and 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
- Monitoring programme success through a 'CHECKERS SYSTEM' that looks at both the processes and outputs

# Other Strategies in context of New Paradigm

- Tariff Review
  - Reduced connection/reconnection fees
  - Tariff Indexation against Inflation
- New Water and Sewerage Connection Policy: Increasing access especially to poor.
- Strengthened Management Information System (computerised everything)
- Customer Surveys/Periodic Workshops
- Image building through modernisation of office premises to increase on ambiance
- Emotional Incentives/competition through use of trophies and cash awards

# NWSC Achievements from New Paradigm

Performance Indicator	1998	2007
Service coverage	48%	71%
Total connections	50,826	181,898
New connections per year	3,317	25,000
Staff per 1000 connections	36	7
Coll. Efficiency	60%	93%
Unaccounted water	51%	32%
Proportion metered accounts	65%	99.6%
Annual turnover	UShs 21.9 billion (US\$12 million)	UShs 68.4 billion (US\$ 39 million)
Profit (After. Depreciation)	UShs -2.0 billion loss (US\$-3.0 million)	UShs 12 billion (US \$ 6.9 million)

# Vision and Mission adopted 2006-2009

## Vision

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

## Mission

**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 Ingredients of the New Paradigm?

- Strong leadership that focuses on both the people and the organisation
- Empowerment of staff
- Devolution of power from the centre (headquarters) to regional operations
- Increased Customer Focus
- Good planning and continuously challenging management teams with new performance targets
- Outsourcing non-core activities
- Use of incentive contracts has increased a sense of business ownership among staff
- Clear oversight and monitoring through checkers system
- Information sharing through benchmarking

# Can NWSC's Approach to New Paradigm be Replicated Elsewhere?

## **Services Offered by NWSC:**

**Advisory Services**, e.g. Organizational behavior change, Contract design and incentive systems

**Core Utility Services** e.g. Commercial & Customer Care/IT Services, Static Plant Maintenance

## **Who have benefited from our Services?**

### **The Water Sector**

- Nairobi Water and Sewerage Company, Lake Victoria Water services Board, Athi River Water Services Board, NZOWASCO Ltd: Kenya,
- Nkana Water; (Lusaka Water and Sewerage Co Ltd: Zambia
- DAWASA/DAWASCO: Dar-es-salaam: Tanzania
- Karachi Water and Sewerage Co.: Pakistan
- New Delhi Water Board and Several Water Municipality Water Boards in India
- Capacity Building programmes for water operators and town engineers for Uganda's Non-NWSC Towns.

### **Outside the Water Sector**

- Steel Rolling Mills Alam Group of Co.,
- The Lands Dept in Ministry of Lands and Housing

# Conclusions/Lessons

The New Paradigm shift adopted in NWSC clearly shows that:

- A publicly managed utility/organization in the developing world can become efficient, viable and provide good service to its customers.
- Efficiencies are possible if the 'public sector' adapts strong commercialisation (private sector-like) practices, namely
  - Systematic use of incentive-based contracts
  - Change of bureaucratic mentality
  - Emphasis is put on customer focus!
- **Organizational reforms can be successful if**
  - Benchmarking of efficient organizations is carried out
  - Key stakeholders and staff are involved at all levels
  - Performance programmes are continuously monitored & evaluated

*Remember:*

***“If you are familiar with the beginning, the end will not give you trouble”***

*(Wolof: Senegal)*