

***Blending Public and Private Approaches:  
Using Private Sector Mentality to Turnaround Public  
Utilities. The Case of NWSC-Uganda***

**By:**

**Dr. William T. Muhairwe**

**Managing Director, NWSC-Uganda**

**May 23<sup>rd</sup> 2007**

# Introduction

- ✍ 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**

## Operational Inefficiencies; (The Old NWSC as at 1998)

- ✍ High number of unviable towns ( only 3 out of 12)
- ✍ High arrears level 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 15-21 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>)
- ✍ The high debt burden (\$100 million)

# Focusing on Internal Revenue Optimization

## Internal Revenue Optimization: Definition

- Internal Revenues synonymous with Operating Margins:
- Defined as the difference between
  - Operating Revenues
  - Operating Costs
- Need to optimize Revenues
- Contain Costs
- Thereby realize investible funds

# What was Done – Introducing PSP mentality

**The organisational culture and performance situation had to change!**

## **Strategic level**

- ✍ Changes in Board, Management

## **Operational level**

- ✍ Operational framework through change management programmes: 100 Days, Service and Revenue Enhancement Programme (SEREP), Area Performance Contracts (APC's), Internally Delegated Area Management Contracts (IDAMC's), One Minute Management Concept (OMM), CHECKERS system
  - ✍ Organizational behavior
  - ✍ Customer care
  - ✍ Cost reduction
  - ✍ Technical and commercial performance
  - ✍ Incentive mechanisms

See our Website for details: [www.nwsc.co.ug](http://www.nwsc.co.ug)

# Efficient Business Management Principles

## Approaches to Optimisation of Revenue:

- ✍ Restored Customer Confidence
  - ✍ Establishment of Customer care centres
  - ✍ Improvement in office ambience
- ✍ Training in Customer care
- ✍ Conducting of Customer surveys
- ✍ Amnesty for illegal water use
- ✍ Revenue squads/Territorial Management Concept
- ✍ Increasing market size through increasing Connections (Economies of Scale)

# Efficient Business Management Principles

## Approaches to Cost Containment

- ✍ Staff Rightsizing : from 1,850 in 1999 to 850 in 2001, (2006, 1200)
  - ✍ No Labour Unrest
- ✍ Reduction in administration and overhead costs
  - ✍ Vehicle maintenance
  - ✍ Medical
  - ✍ Travel
  - ✍ Illicit activities
- ✍ Strict Appraisal of Capital projects
- ✍ Reduction in operating inefficiencies (UFW, Staff Productivity, Working ratios etc)

# Other Interventions

## **a) Tariffs: Simplification/Rationalisation and Indexation**

Tariff last revised in 1994.(To approx US \$ 1/Cu.m)

- ✍ Indexation of the Tariff 2000 (Aver. Appr. US \$ 50cts)
- ✍ Reduction in connection fees by 50%
- ✍ Reduction in Reconnection fees by 75%
- ✍ Elimination of Minimum charge
- ✍ Introduction of a service charge (minimal)
- ✍ Free Water and Sewerage Connection Policy



# Other Interventions

## **b) Outsourcing Programmes**

✍ **All non-core activities (guard services, landscaping...)**

✍ **Kampala Revenue Improvement Project (KRIP):**

✍ 98/01: Gauff;

### **Benefits:**

**Strengthened customer care approaches; improved time management and cleanliness, allowed Head Office to concentrate on other regional operations**

✍ **Kampala Water Supply and Sewerage Area Management Contract:**

✍ 02/04: ONDEO Services (OSUL).

### **Benefits:**

**Improved procedures and management systems, strengthened time management and work culture, enabled Head Office to learn better negotiation skills**

# Reform Strengthening from Within

## Internal Performance Contracting and Monitoring

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

- ✍ NWSC's response to the need to further consolidate operations at Area Level.
- ✍ Characterised by precise contract design, increased autonomy to Area Management, increased Team accountability, and Performance based pay.
- ✍ Apportioning operating risk through Performance based pay mechanism

### **M&E through the checkers systems (Internal Regulation)**

- ✍ Looking at both processes and outputs, ensuring strong accountability
- ✍ Unannounced visits to areas – 'be prepared: the Messiah will come anytime'
- ✍ Performance audits

# Operating Efficiency Gains (The New NWSC)

(According to 2005/06 Audited Accounts)

Perf. Indicator	1998	2006
Service coverage	48%	70%
Total connections	50,826	174,661
New connections per year	3,317	28,000
Metered Connections	37,217	170,184
Staff per 1000 connections	36	7
Coll. Efficiency	60%	96%
Unaccounted water	51%	29%
Proportion metered accounts	65%	99.6%
Annual turnover	US\$12 million	US\$34 million
Profit (After. Dep)	US\$3.0million loss	US\$2.5 million surplus

# 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

# Sharing Experiences and Benchmarking

**External Services a Response for need to replicate NWSC's experiences and innovations to other utilities and institutions within and outside Africa.**

## **Services Offered:**

**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??): Zambia
- ✍ DAWASA/DAWASCO: Dar-es-salaam: Tanzania
- ✍ Ghana Water Company: Ghana??
- ✍ Karachi Water and Sewerage Co.: Pakistan
- ✍ New Delhi Water Board and Several Water Municipality Water Boards in India

### **Outside the Water Sector**

- ✍ Steel Rolling Mills Alam Group of Co.,
- ✍ Sembule Steel Mills,
- ✍ The Lands Dept in Ministry of Lands and Housing
- ✍ The Kampala City Council??

# Conclusions/Lessons

**The turnaround initiatives in NWSC clearly show that:**

- ✍ **A publicly managed utility in the developing world can become efficient, viable and provide good service to its customers.**
- ✍ **It does not matter who is 'doing it': how to do it is more paramount**
- ✍ **Strong efficiencies can be obtained if the 'public sector' adapts 'private sector' mentality, which includes among others:**
  - ✍ Change of bureaucratic mentality
  - ✍ 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
  - ✍ Incorporate incentives

*Always remember:*

*"Being an eyewitness is better than listening to tattle-tales".  
Sumbwa Proverb, Western Tanzania*