

Improving Performance: *Case of National Water & Sewerage Corporation*

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Introduction

Performance/Recovery Mechanisms:

- Optimal Cost Recovery in LDCs

- O&M costs plus
- Depreciation & Operating profit

Optimal full cost Recovery

- O&M costs
- Depreciation
- Finance Costs (loans, interest payment)
- Return on Investments (profits)
- Dividends to share holders

Operational Efficiency 1998

- Monthly Deficit - \$ 300,000
 - Collection efficiency 60%-70%
 - UfW 60 – 65%
 - Kampala 60%
 - Other areas 65%
 - Staff productivity 36/1000 connections
- High operating expenses (administrative, transport, medical)
Low operating income
Profit/Loss after depreciation minus - \$400,000
3000 Connections per annum

NWSC Performance Recovery Interventions

Policy Level

- Strategic level; Change board and management, “privatize” operations.

Operational Level

- Operational framework through change management programmes (100 days, SEREP, APC, IDAMCs, CHECKERS)
- Organizational Behavior
- Customer Care – improving willingness to pay
- Cost reduction/staff reduction
- Technical and commercial performance
- Incentive Mechanisms- staff motivation

NWSC Performance Recovery Interventions

Tactical Level

- **Tariffs: Simplification/rationalization and indexation**
- Increasing the market size through increasing rate of connections (Economies of scale)- New connection policy (50m)
- **Cost containment and revenue maximization Innovations**
- **Specific Projects Grant Financing (Even if grant, Depreciation important)**
 - Detailed project financial appraisal and analysis on the basis of payback and financial sustainability.
- **Government Commitment Versus Operational Commitment pegged on structured incentives in the GoU/NWSC Contract**
 - Debt Write off
 - Social Mission/Political Projects – Govt responsibility

Operating Efficiency Gains 1998-2006

- Increase in operating income and reduction in operating expenditure
- Increase in operating profit after dep. From US \$ -400,000 to + 4,000,000.-
- UfW reduced from 60% to 27%
- Staff productivity increased from 36 to 7 staff per 1000 connections
- Service coverage increase from 48% to 70%
- Connections increased from 3000 per annum to 28,000 per annum.

Operating Efficiency Gains 1998-2006

- Sharing experiences with other African Countries through our External Services Unit ESU – Tanzania, Kenya, Zambia, Malawi, Mozambique and Rwanda

Conclusion

- Lets talk of continuous improvement in our utilities
- Lets watch our costs and operational efficiency
- Remember you cannot talk of cost recovery and performance improvement if you are surrounded with a lot of managerial inefficiencies.
- Utility Managers Must do their part.