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

- Let’s talk of continuous improvement in our utilities
- Let’s 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.