Improving sustainable access to safe drinking water

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AT THE MILLENNIUM summit in 2000, World Leaders agreed to reduce by half, by the year 2015, the proportion of people without sustainable access to safe drinking water. The attainment of this target is a major challenge for developing countries as Utilities Service Providers in these countries face characteristic challenges that may hinder them from making any meaningful progress towards achievement of the above target. The challenges include among others: Inadequate water infrastructure, inadequate managerial capacity, dilapidated and inefficient systems, lack of financial resources, high population growth rates mainly due to rural to urban migration, high poverty levels and low ability to pay for services and above all, Donor support is dwindling day by day. While the International Community may require doubling its water infrastructure development expenditure to achieve the above target, it is worth noting that sound management by both Private and Public Utilities is paramount. This therefore calls for the need for the Utilities especially in the developing world to make pragmatic steps towards improving their performances. This will enable the Utilities to develop internal capacity to finance development of water infrastructure and make services affordable to the public. This paper focuses on urban water and sanitation sub-sector objectives.

Urban water and sanitation sub-sector objectives

The Water and sanitation sub-sector in Uganda is undergoing reform whose objectives stated below provide key guiding framework to ensure realization of MDG’s:

- To expand service coverage to give 100% of the population access to safe water and appropriate sanitation by 2010-In line with the maxim “Some for all, rather than all for some”
- To achieve sustainability of service delivery and reduce burden on Government
- To ensure that a basic adequate level of service is affordable through low-cost service delivery and the implementation of a subsidy and tariff framework which is equitable and beneficial to the poor
- To ensure that water being both a social and economic good is managed in the best way in order to bring consequent benefits in terms of infrastructure, economic development and good public health.

Background of NWSC

National Water and Sewerage Corporation-NWSC is a Government owned Utility Company established in 1972 by decree No. 34 mandated to provide water and sewerage services in urban centers of Uganda. Its legal position was strengthened through the enactment of the NWSC Statue No. 7 of 1995. Its operations have grown from three towns in 1972 to fifteen towns to date accounting for over 80% of the Ugandan urban population. The annual turnover of NWSC is US$18 Million and the Corporation owns assets worth US$100 Million. The Corporation is headed by a Managing Director as the Chief Executive Officer and the Board of Directors gives policy guidelines and oversees their implementation.

The Vision: The vision of the Corporation is “To be the Pride of the water sector in Africa”
The Mission: “NWSC to be a Customer Oriented Organization Providing Excellent Water and Sewerage services in a cost effective manner.

Performance of NWSC prior to 1999

Although the corporation has sound infrastructure, abundant water sources and enabling legislative framework among others, it was faced by serious weaknesses such as; large and inefficient labour force, high UfW, (51%), Poor customer care initiatives, low collection efficiency of 71%, huge arrears and high debt age of over 13 months, low water service coverage of 48% serving an estimated population of 728,400 urban dwellers etc. In order to meet the Millennium Development target, the service coverage needed to be increased to at least 74%. Despite these weaknesses, the corporation has continued to enjoy good support from the Government of Uganda and the relatively stable national economy offers favourable business environment. The Debt servicing obligations, the unfavourable VAT law and high-energy costs among others posed serious threats to NWSC. The situation in NWSC prior to 1999 is best described by the following quotation from the World Bank Aide Memoir.

Quote: World Bank Aide Memoir:
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.”
The weaknesses and threats highlighted called for the need to cause turn around initiatives aimed at revamping the technical, commercial and financial performance of NWSC.

Reforms undertaken by NWSC

In view of the above, NWSC undertook a number of both internal and external reforms. This included implementation of Performance Enhancement Programmes, Restructuring, Outsourcing of non-core functions and engagement of PSP in Kampala City which accounts for over 70% of NWSC operations.

Performance Enhancement Programmes

The in house performance enhancement programmes implemented included the following:

- **100-Days Programme (Feb 1999-May 1999)**: Aimed at reversing the operational & financial inefficiencies at that time.
- **Service and Revenue Enhancement Programme-SEREP I (August 1999-January 2000)**: Aimed at consolidation achievements made in 100 Days Programme and restoring customer confidence.
- **SEREP II (March-August 2000)**: A continuation of SEREP I in order to consolidate achievements, address constraints and develop a way-forward from the lessons learned.
- **Area Performance Contracts I (Sept 2000-Sept 2001)**: Aimed at putting to operations at Area level a three-year Performance Contract which NWSC signed with Uganda Government. The APC’s emphasised on attaining break-even of Areas through empowerment of Area Managers and decision making autonomy and fostering accountability by Managers.
- **Area Performance Contracts II (Dec 2001- Nov 2002)**: Renewal of Area Performance Contracts I.
- **Support Services Contracts I (Dec 2000-Sept 2001)**: Were introduced to enable all support services that render service to the Operational Areas efficiently.
- **Support Services Contracts II (Jan 2001- Nov 2002)**: Renewal of Support Service Contracts I.
- **STRETCH OUT Programme**: Aimed at improving operating margins and promoting performance through reduced bureaucracy, increasing speed, simplicity, worker involvement in all aspects of operations and instilling self confidence among staff. It focuses on group performance and accountability for attainment of targets.
- **One Minute Management**: Emphasizes individual performance in achieving team goals through one minute goal setting, one minute praise and one minute reprimand. It has been introduced as a key ingredient for attainment of Stretch-out objectives.

Other Commercialization Drives

- **Out-sourcing of non core activities**: As part of the overall performance improvement process, NWSC management introduced outsourcing of non-core activities such as guard services, grass cutting, vehicle maintenance, office cleaning and premises maintenance.

Management Contracts in Kampala

In February 2002, the Corporation entered into a management contract with ONDEO services Ltd through competitive bidding process for management of Kampala Water and sewerage system which accounts for over 70% of NWSC operations. This followed the expiry of a similar contract with Gauff J.B.G in 2001. This is a two year contract running up to 2004 and is an interim arrangement for a proposed lease for larger towns in line with the proposals of the urban water sub-sector reform. This contract covers water distribution management, sewage collections services, commercial and financial services. The Contractor is fully responsible for the Staff.

Restructuring:

The Corporation carried out staff reductions through lucrative voluntary staff retirement scheme to rid itself of aged and inefficient staff. The Commercial Department was elevated into a Division in line with the Corporation’s orientation towards the customers. Quality personnel were recruited to fill relevant job positions that fell vacant as a result of restructuring and multi-skilling has been encouraged among staff in order to measure up to demands of work. This has greatly improved staff productivity.

Tariff Review:

The Corporation reduced new water connection fees in order to encourage more people to get access to NWSC services. Uganda Government approved an indexation policy for the Water tariff to prevent erosion due to inflation.

Key Outputs of the Programmes

Service Coverage

The performance enhancement programmes under taken by NWSC management have brought about tremendous technical, operational and financial improvements in the Corporation. The total number of consumer connections in NWSC has increased from 54,860 in 1999 to 84,761 by July 2003. The active connections grew from 37,053 connections in 1999 to 66,400 connections by July 2003. The percentage of inactive connections has reduced from 33% in 1999 to 22% to date. The Corporation has registered remarkable performance in new water connections where annual new connections have more than doubled from 4,100 new connections in 1999 to 9,430 to date. The number of active Public stand posts has also increased from 1,363 in 1999 to 1803 by July 2003. Water supply service coverage has as a result increased from 48% in 1999 to 63% date serving an estimated population of 728,400 and 1,314,115 people respectively. Table 1 shows the general performance trends relating to improved service coverage since 1999.
Unaccounted for Water - UFW

Through vigilant surveillance of leaks and bursts and introduction of rewards for reporter of illegal connections, continuous metering programme towards achieving Universal metering, increased accuracy of billing using the CUSTIMA Software, replacement of critical network sections etc the overall UFW has reduced from 48% in 1999 to 39% to date as shown in Figure 1. The UFW in other towns except Kampala reduced from over 40% to 28% currently.

Staff Productivity
The Population reduced its staffing level from 1,737 prior to the commencement of the performance enhance and commercialization programmes to 950 Staff and the staff productivity increased from Staff/1000 Water Connections to 11Staff /1000 water connections currently. Staff costs have as result dropped from over 50% of Operating costs to 30%.

Days Receivable Ratio
Arrears growth has been arrested and the Arrears portfolio has been maintained at a figure of US$12Million. The debt age has a result reduced from 12 Months to an average of 9 Months to date.

Financial Performance
The financial performance of NWSC has improved over the period 1999-2003, with annual revenues increasing from US$12Million to US$18.5Million to date reflecting 37% growth.

Annual Revenue Collections including arrears, increased by 31% from US$15Million in 1999 to US$ 20Million to date.

On other hand, operating costs increased by 19% from US$11.5 Million to US$13.3Million. The Operating efficiency has reduced from a figure of 93% in 1999 to 75% to date. The return on fixed assets increased from a negative of 3% by end of FY 1998/1999 to positive 1% at end of FY2002/2003. The Corporation is now able to fully finance its depreciation costs and is beginning to be able to finance a portion its loan obligations. Figure 2 shows the general trend on financial efficiency ratios.

Conclusion
The performance enhancement and commercialization programmes have led to improved financial sustainability of NWSC, increased service coverage and improvement in operations management. The Corporation can now fully finance its depreciation costs and internal financial capacity had been created enabling the Corporation to finance some Capital Investments.

References
NWSC Corporate Plan and Budget Documents, 1999-2003
NWSC Annual Reports 1999-2003

Table 1. Performance trends relating to increased service coverage

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<th>Description</th>
<th>Financial Years</th>
<th>% Increase/ Annum</th>
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<tr>
<td></td>
<td>54,926</td>
<td>58,860</td>
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<tr>
<td>No. Active A/Cs</td>
<td>37,053</td>
<td>43,378</td>
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<tr>
<td>No. of New Connections</td>
<td>4,100</td>
<td>4,976</td>
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<tr>
<td>No. of Active Water Kiosks</td>
<td>1,363</td>
<td>1,498</td>
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<tr>
<td>Estimated Population served</td>
<td>728,400</td>
<td>1,034,164</td>
</tr>
<tr>
<td>Service Coverage</td>
<td>48%</td>
<td>54%</td>
</tr>
</tbody>
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Figure 1. UFW Trend

Figure 2. Financial Efficiency Ratios
NWSC Performance Enhancement Programme Documents 1999-2003

Footnotes
1Market share by Connection Category: Domestic-83%; Institutional-4%; Industrial/Commercial-10%; Public Standposts-3%; Market share by Volume consumed: Domestic-47%; Institutional-28%; Industrial/Commercial-20%; Public Standposts-5%.
2Of the inactive accounts, 1005 to date are public stand posts mainly attributed to management problems.
3Domestic Consumers: 8 persons/household; Standposts: 200-300 persons/standpost; Institutions: 500-1000 persons/institution.

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