Uganda: Turn-around of the National Water & Sewerage Corporation

National Water & Sewerage Company (NWSC), the Ugandan utility responsible for urban water delivery, was operating at a loss of Sh 348MM a month with performance indicators below African utility standards. In 1999, the Bank recommended that NWSC close down for good, after five years of intensive investments aimed at turning-around the utility.

Dr. William Muhairwe, the newly hired Managing Director, was not going to take this sitting down. Upon meeting his staff he declared, “I am calling for a 100-days program in which we must see a lot of positive change. If we don’t, I’ll resign!” In order to focus efforts around targeted outputs, he set up committees for water production and sewerage, water distribution, customer service, revenue improvement and expense reduction.

Each committee was chaired by a company officer and comprised of senior management. Aware that the committees would have a greater impact if they involved individuals from across the organization, they solicited the input of Area Managers and union members. Using this feedback, the committee devised an operation plan for the 100-day program, set performance targets and outlined actions pursuant to these goals. To ensure that each team remained on track, the chair monitored progress through a series of scheduled meetings and updates. At the end of the 100-day program, all participants gathered for a final review to assess performance and results.

- Monthly water production increased from an average of 38MM to 66.6MM liters; Sewerage overflows were reduced and response time to blockages declined.
- Water meter coverage increased 12 percent and unaccounted for water fell from 49 percent of total water produced to 33 percent.
- Monthly collections were increased by 13 percent and arrears reduced by 3 percent.
- Monthly expenses decreased 18.8 percent.
- Response time to customer complaints fell to within 48 hours.

These achievements were realized without extensive investments in training or capacity building. A sharp focus on results and stretch goals brought out the hidden reserve of capacity that already existed in the utility. The continued attention paid to these projects by senior management signaled a determination to see results achieved.
Galvanized by these early successes, Dr. Muhairwe and his team at NWSC grew convinced that they could improve performance even more. As soon as the first 100-day program drew to a close, they followed it up with a series of Service and Revenue Enhancement Programs. Although results were good, they were just a taste of what was to come after the government signed a comprehensive Performance Based Contract with the utility in 2001.

Convinced that this would provide the framework for a system of accountability and reward, Dr. Muhairwe gathered the Area Managers together and challenged them to set their own Area Goals and put their names next to these targets—he launched a system of Area Performance Contracts, which mirrored his own contract with the government. In short, he was pushing responsibility for action and results down the corporate hierarchy, and asking the managers to follow his example and commit publicly to the achievement of challenging objectives. Some managers were leery at first, but eventually joined the fray after the first wave of managers successfully set, reached, and were rewarded for achievements. Due to these efforts, NWSC broke even for the first time in 2001.

Dr. Muhairwe wanted to go even further. He continued to incorporate innovative managerial techniques aligning management and corporate performance goals. He frequently gathered the group together to share management “best practices”; he worked with his team to adapt established methodologies. These initial and subsequent meetings lay the foundation for what was to become NWSC’s “Stretch-Out Program,” which came to fruition in August 2002, after Dr. Muhairwe’s exposure to the GE “Work-Out” approach to performance improvement.

The Jinja Area piloted the “Stretch-Out,” with a series of 100-day targets, such as:
- Increase billings by 29 percent
- Increase collections by 51 percent
- Decrease total arrears status by 19 percent
- Add 20 new water connections
- Increase water production by 15 percent.

The culmination of these goals was supposed to improve operating margins by 71 percent, but Jinja surpassed this target with a 200 percent improvement—all between September and November 2002. Equally important, each project provided an opportunity to teach managers how to tackle tough improvement goals, mobilize employees, and use project management disciplines to ensure success. In effect, Dr. Muhairwe successfully integrated capacity enhancement with results achievement in a virtuous cycle of improvement.

Since Jinja’s launch, each area initiated its own Stretch-Out.” Eight districts have successfully completed the program, and the remaining seven are in the final stages. As a result, NWSC generated a profit of Sh 9B for the first time in 2002. More importantly, NWSC was able to reach this mark while simultaneously making 12,000 new water connections, of which 3,000 service the poor. Under Dr. Muhairwe’s leadership, setting and achieving performance improvement goals has become an ongoing feature of managing the water utility.

NWSC is now hailed as a model by other African nations, corporations and municipalities. Dr. Muhairwe travels extensively to discuss the “Stretch-Out” technique and encourage others to use it to advance their own improvement efforts. Even local governments are taking notice. Dr. Muhairwe met in December, 2002 with the mayor and council members of the Entebbe municipality, which subsequently launched its own “Stretch-Out” to improve revenue collection.

This Findings is reproduced from a report prepared by RHS&A consultants Nadim Matta, Harvey Thomson & Deborah Cronen