

Leadership Development Case Series

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Water Utilities of the Future to Withstand Shocks and Stresses Due to Disruptions Like COVID19 Pandemic



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Recently, the World Bank organized a Water online Week 2021. One of the key sessions was on water in cities, focusing on building resilience for stresses and shocks like COVID-19 pandemic. I was invited as one of the panelists for this plenary session. The session programme was tightly packed and necessitated quick and short presentation of case studies from water utilities in different parts of the World. Consequently, panelists did not get a chance to exhaust this important topic, albeit the extended discourses on the question and answer (Q&A) portal. The aim of this Note is, therefore, to provide more insights deriving from the Uganda's National Water and Sewerage Corporation (NWSC) experience.

WHAT IS NWSC?

The NWSC is a publicly owned state enterprise that was created by a Decree in 1972. Its legislative framework was strengthened by an Act of Parliament in 1995. The law requires NWSC to operate in a commercially and financially viable manner. It started operating in three (3) towns in 1972, growing to five (5) towns in 1990 and 258 towns of Uganda in 2021. The water coverage has increased from 18% in 1990 to 84% in 2021. The number of subscribers (water connections) have increased from 20,000 in 1990 to 780,000 in 2021.

There is no better safeguard to stresses and shocks of disruptions like COVID-19 pandemic than a utility creating a strong financial and operating performance record.

Correspondingly, the income base and network length have increased from USD4million and 300Kms to USD130million and 20,500Kms respectively. The NWSC has a corporate governance structure that incorporates a Board of Directors who perform the role of policy formulation and oversight over the management team. The Board is appointed by the Minister of Water and Environment with approval from the Cabinet of Uganda.

The NWSC operating framework consists of a raft of performance contracts between the NWSC Head Office and operating areas (business units) headed by General/Area Managers. The performance contracts incorporate negotiated performance targets, obligations of parties, incentive plans, financing mechanisms and monitoring and evaluation arrangements. Periodic performance evaluations provide a strong incentive for continuous improvements towards achieving set targets.

The Top Management and the Board have a performance contract with the Government of Uganda (GoU) through the Ministry of Water and Environment.

The contract with GoU provides a framework for performance regulation. At the end of every financial year, the regulation unit in the Ministry of Water and Environment evaluates achievement of performance targets and determines the level of financial incentive award to Top Management of NWSC.

Performance Implications: as a result of a long history of implementation of successful change management programmes at NWSC, the Corporation has built a strong performance track record. Around 2018, NWSC was appraised and ranked AA+ financial creditworthiness by a South African credit ranking company, courtesy of World Bank financed study. Consequently, NWSC's corporate financial strength, coupled with a transparent and strong financial management culture, has made it adorable to national and international financial markets. The Corporation is now studying different financing instruments that can be used, singly or in combination, to yield win-win investment solutions.

INITIATIVES UNDERTAKEN TO COUNTER COVID-19 PANDEMIC:

COVID-19, in all water utilities in the World, caused significant disruption to the smooth running of both financial and technical operations. As a result of a series of lock-downs of the economy, the Government of Uganda took a decision that water supply was central to the prevention of COVID-19 and, therefore, disconnections for non-payment of water bills had to be halted. Payment for water bills, however, was allowed to continue but with non-enforcement revenue collection measures. The NWSC management decided to use television, radio, social media and other forms of customer engagement to appeal to customers to continue paying for water services.



This was to enable the Corporation to ensure steady provision of key operational inputs like chemicals, electricity, staff salaries and pipe repair materials. However, revenue collections drastically went down as a result of low collection efficiencies. Customer invoices also went down due to constrained field activities by staff and closure or scaling down of activities of key large customer businesses like hotels, alcohol and soft-drink companies, schools and other hospitality centers.

The Board and management of NWSC implemented short and long-term measures to counter the stresses and shocks of COVID-19 pandemic. Management came up with a high impact business continuity plan (BCP). The salient features of this BCP verged on continuous flow of key operational inputs that was enabled by securing sufficient working capital from the local banks; aggressive customer engagement through radios, televisions, social media and other stakeholder scientific meetings; capital cost containment through reprioritization of CAPEX programs; rotational/shift deployment of staff to observe standard operating procedures (SOPs).

The pandemic also inculcated a strong sense of operating cost containment, by only focusing on elements of operating expenses that were critical to business continuity. Administrative costs like staff allowances, travels, premises maintenance, publicity, donations and gifts had to be put to a halt.

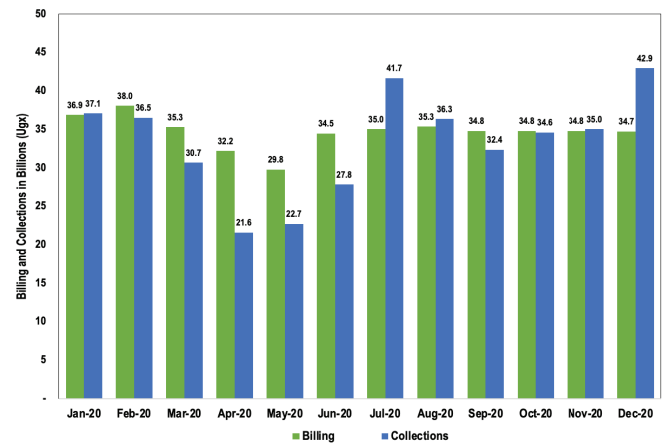


This was done to build sufficient working capital to support continuous flow of key operational inputs. Flagship investments to supply water in population-congested areas like markets, town centers and other areas with perennial water supply unreliability were implemented, with support from local partners like MTN Uganda Ltd and Roofings Uganda Ltd.

In addition, management carried out continuous staff engagement through dissemination of recorded messages, assuring staff of guaranteed employment as long as they worked hard. Observance of strict SOPs was at the center of the communication. The effects of COVID-19 pandemic on corporate performance were continuously highlighted. Any adjustments and the timing of staff payment entitlements like gratuity, loan repayments and social security deductions were timely communicated with underlying rationale properly explained. The Managing Director took the lead in these internal communications. Continuous information dissemination, engagement and communication was a key success factor in enhancing employee motivation and productivity at the height of the pandemic.

In the long-term, the Corporation is implementing priority water supply stabilization investments to ensure 24/7 service in all its areas of jurisdiction. All this is being driven by a "water for all" agenda that has strong support from the Government of Uganda. The water for all agenda, is heavily financed and is aimed at achieving 100 percent water coverage by 2026. Buttressing all this, is continuous learning and performance improvement through design and implementation of resilient change management programmes. For example, in March 2021, the NWSC designed and launched a change management programme, code-named IMPACT (Innovative Management, Performance, Accelerated Customer Trust) Programme. The IMPACT programme, specifically, focused on stepped achievement of financial sustainability (break-even status of business units) measured by working ratio (WR) indicator and operating efficiency measured by non-revenue water (NRW) indicator.

NWSC Billing and Collections Analysis 2020



LESSONS AND CONCLUSION:

There is no better safeguard to stresses and shocks of disruptions like COVID-19 pandemic than a utility creating a strong financial and operating performance record. Extreme events like COVID-19 pandemic create business unusual scenarios that warrant mindset change and innovation to live within emerging financial and operational constraints. Resilient-oriented leadership and prioritization, applying available resources where it is absolutely necessary to ensure business continuity are key success factors.

The NWSC's water for all agenda that is currently driving infrastructure policy is building a strong foundation for resilience to future stresses and shocks like COVID-19 pandemic. Maintaining strong and meaningful linkages with key external stakeholders guarantees quick buy-in of decision makers when disruptive events emerge. Employee engagement and continuously communicating effects of COVID-19 and mitigation measures being taken to ensure business continuity are other success factors.



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