

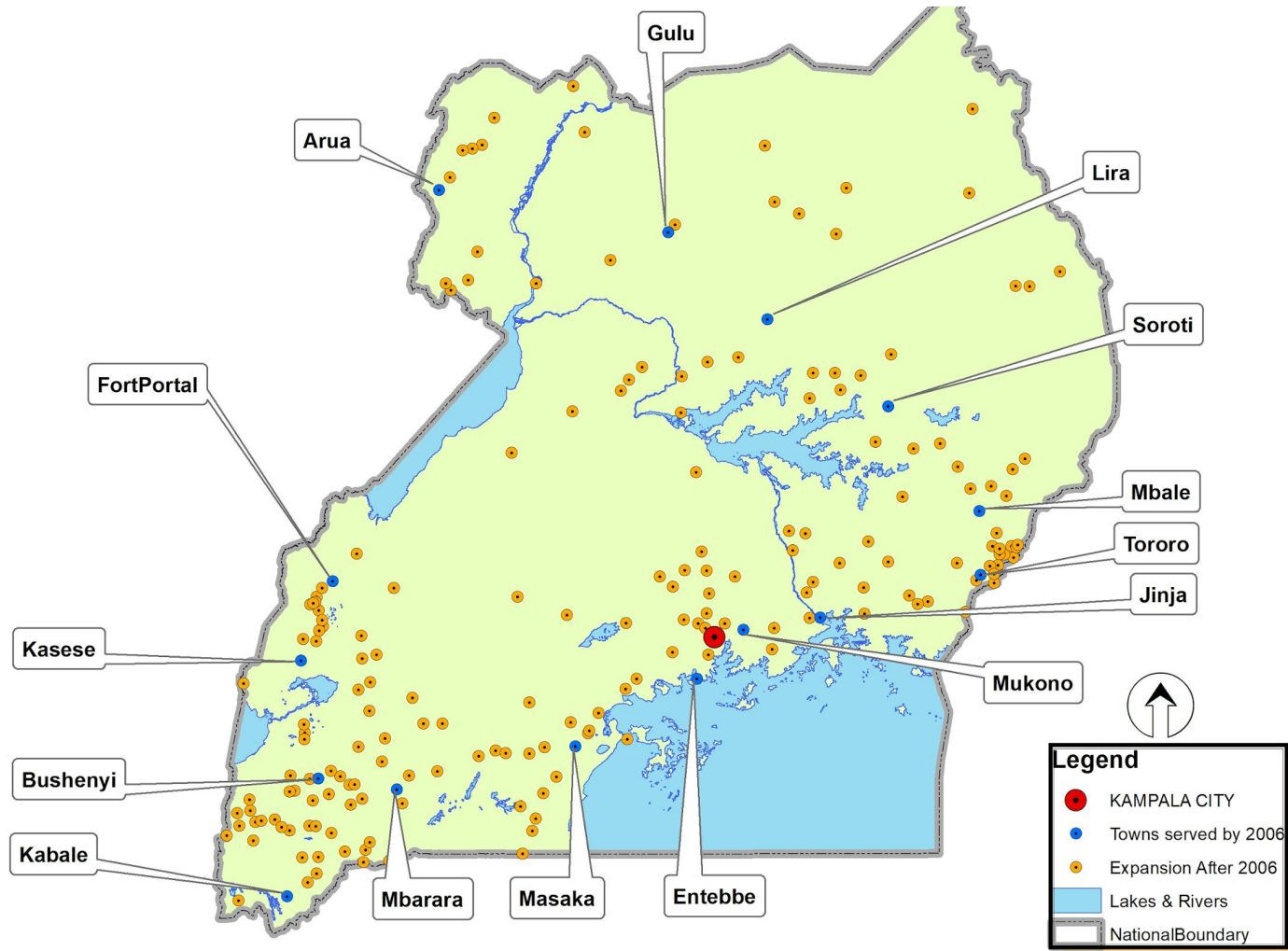


Political Economy of Tariff Changes: NWSC Case

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1st June 2021

NWSC, a Public Utility with a vision to be the Leading Utility in the World...



Its a Public Corporation wholly owned by the Government of Uganda, established in 1972



Mandate: provide water and sewerage services in Urban Areas on commercial and financially viable basis



NWSC operates in 258 towns/urban centers in Uganda



Vision: The Leading Customer Service Oriented Utility in the World



Mission: To Sustainably and Equitably provide Cost Effective, Quality Water and Sewerage Services to the Delight of All Stakeholders, while Conserving the Environment

FIVE YEAR STRATEGIC DIRECTION

2016 - 2021

Where do
I pay my water
bills from?

Ease your Transactions with **E-Services**



E-payments and paterning Banks



WATER FOR ALL

#WaterForAll



WATER FOR ALL

**OUR
COMMITMENTS**

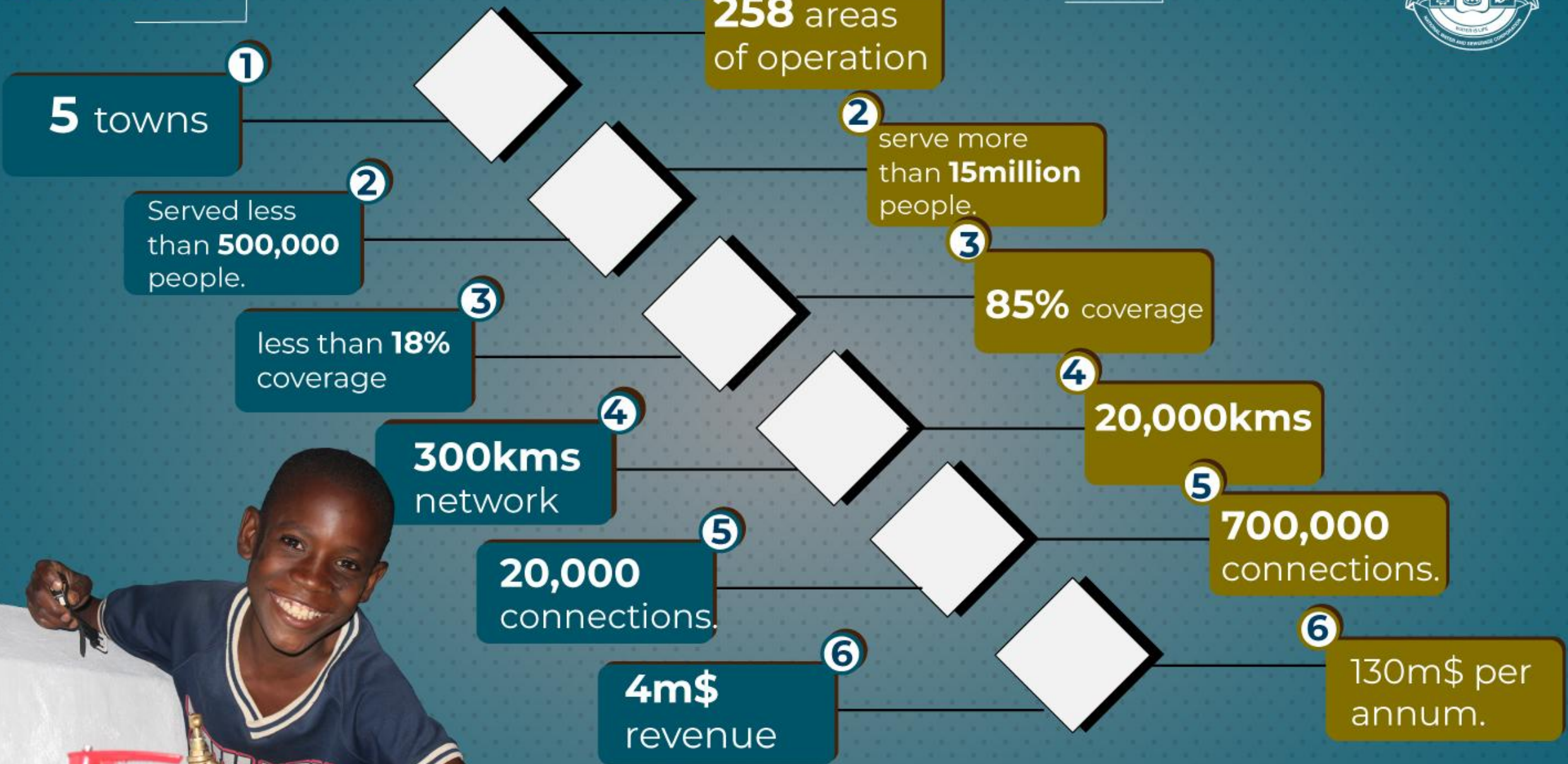
NWSC Key Strategies

- Well articulated **vision & long-term Strategy**
- Short-term **high impact tactical** programmes to ensure operational & financial sustainability
- Focus on **infrastructure growth & service to the poor**
- Performance accountability** at all levels- increased management **autonomy & performance-based incentives**
- Leveraging IT** to drive operation efficiency and service delivery
- Strong Focus on Stakeholder engagement and water source protection
- Staff Engagement and Investment in **staff capacity and skills** development
- Strong **collaboration** with development partners



1990

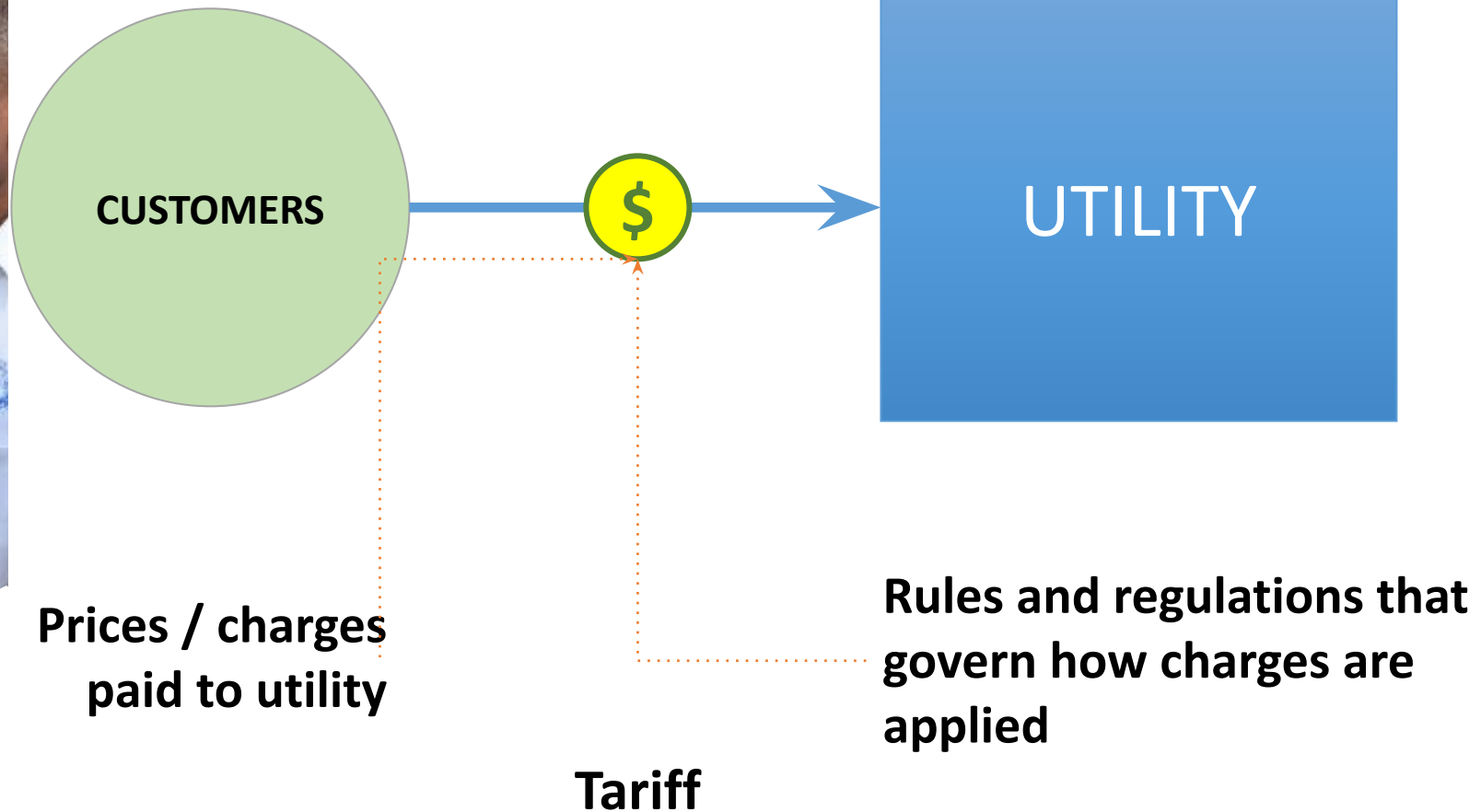
2021



Highlights of NWSC Performance History

Performance Indicator	1998	2011	2016	2018	2020	2021 (P*)
Number of NWSC towns	12	24	174	236	258	258
Service Coverage	48%	75%	76 %	74	70	70
Total Connections	50,826	272,406	472,193	587,863	724,006	787,722
New Connections per year	3,317	25,633	38,836	50,341	61,521	63,716
Proportion Metered Accounts	65%	99.8%	99.8 %	99.8%	100%	100%
Staff per 1000 Connections	36	6	6	6	6	6
Collection Efficiency	60%	98%	105%	100%	92	95
NRW	60%	33%	28 %	31%	34	36
Turnover (Billion UGX/Year)	21	132	276	388	463	457
Operating surplus/deficit (Before. Dep) (Billions UGX)	8.0 (-)	30 (+)	62 (+)	92(+)	103 (+)	101 (+)

What do we mean by “tariffs”?.. A political decision to recover part or all cost to deliver the service





Political Economy of Tariff

Many utilities in most developing countries are struggling

- Low coverage
- High growth and investment needs
- Financially unsustainable
- Rely heavily on external financing
- Scarce owners' equity financing



NWSC-CURRENT TARIFF STRUCTURE

Category	(Ushs.)/Cubic meter	US \$/cubic meter)
Public standpipes	1,060/=	0.29
Domestic	3,516/=	0.96
Institutional/Government	3,558/=	0.97
Commercial;		
• First 500m ³ per month	4,220/=	1.15
• 501 – 1500m ³ per month	4,220/=	1.15
• Over 1500m ³ per month	3,373/=	
Industrial		
• Under 1,000m ³ per month	4,220/=	0.92
• Above 1,000m ³ per month	2,500/=	0.68
• Average Commercial	2,855/=	0.78
• Average Weighted Tariff	3,827/=	1.05
SEWERAGE TARIFF		
For Domestic Category	75% of water Charge	
For Other Categories	100% of water Charge	

Our clean water is very Affordable

Consumer category UGX/m ³ VAT Inclusive	Cost per 20ltr jerrycan VAT Inclusive UGX
Public standpipe at UGX 1060 per m ³	25
Domestic customer at UGX 3305 per m ³	78
Institution/Gov't at UGX 3344 per m ³	79
Commercial <500M ³ /month at UGX 4102 Per m ³	97
Commercial 500-1500m ³ /month at UGX 4102 per m ³	
Commercial >1500m ³ /month UGX 3278 per m ³	

A comparison between the cost of one 20 ltr jerrycan of water, and other basic goods

UGX 25
Cost of 20 litres of fresh water

Public Tap

Mineral water UGX 1000	40 Jerrycans of NWSC water
1Kg of beef UGX 10,000	400 Jerrycans of NWSC water
Bottle of beer UGX 3000	120 Jerrycans of NWSC water
Bunch of Matooke UGX 20,000	800 Jerrycans of NWSC water

a 20 litre jerrycan cost
The NWSC tariff is pro-poor access. It enables the poor

- ❑ **Stepped progressive tariff with the higher users subsidizing the lower users, at stand post rate (social equity)**
- ❑ **Uniform tariff across all towns, cross subsidy between areas/towns (social equity).**
- ❑ **Covers O & M,+ depreciation, plus minor investments.**



Political Economy Factors Encountered

- Tariff Indexation Sensitivities
- Need to Cater for Industrial development – Industrial Tariff
- Haigh Tariff rhetoric
- Conflict of interest issues among key stakeholders: those who are affected hesitate to approve adjustments



Influence of these factors

- Delayed tariff adjustment
- Slow revenue growth
- Delayed infrastructure investment



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A comparison between the cost of one 20 ltr jerrycan of water, and other basic goods



Addressing Political Economy issues

- Tariff indexation is carried out annually in “small” bits to avoid shock adjustments
- Industrial Tariff is subsidized by domestic and commercial tariff
- Continuous sensitization and education of customers through simplified visual of tariff bands
- Using corporate planning to harmonize with conflicted stakeholders

Public Tap

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	1kg of beef UGX 10,000	400 Jerrycans of NWSC water
	Bottle of beer UGX 3000	120 Jerrycans of NWSC water
	Bunch of Matoke UGX 20,000	800 Jerrycans of NWSC water

Young boy in Iganga district smiles with excitement after water was brought closer to his home.

SafeWaterbringsSMILES!



Nat
Sewer



@nwscug



www.nwsc.co.ug

Photo by Allan Mwe...

