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WASH Budget Brief

Investing in water, sanitation and hygiene for child welfare in Rwanda

2020/2021

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Preface

This Water, Hygiene and Sanitation (WASH) budget brief explores the extent to which the Government of Rwanda (GoR) funds WASH needs in the country. The brief analyses the size and composition of budget allocations to the WASH sector for the fiscal year 2020/21, as well as spending trends for the past few years.

The budget brief aims to synthesize complex budget information and offer recommendations to strengthen budgeting which will result in improvements in the wellbeing of children. The budget data for 2020/21 are from the original budget whilst, for previous years' budgets, the data used are referred on revised budgets.

Key Messages

While WASH budget allocations are increasing nominally and per capita, the WASH budget as a proportion of the national budget and of GDP is dropping. Furthermore, the WASH budget is consistently being revised downward during the mid-year budget revision. Current WASH allocations fall below the financing requirements to achieve the NST1 goal of universal, equitable and affordable water and sanitation services.

- *COVID-19 has increased the demand for WASH services and heightened the urgency to invest in WASH services. Increased resources can enable expansion of water supply, sanitation and hygiene services, improved quality of services (i.e., reliability, availability, water quality), and continued functionality of existing services. There is a need for a strategic dialogue among the key sector players to understand the main drivers of the consistent downward budget revision, as well as devising strategies at least to maintain – and possibly increase – the initially approved budget.*

A strategic financing plan will enable increased efficiency and effective use of public and private investment. In a shift from past budgets, the 2020/21 WASH sector budget is predominantly financed by external resources, while WASH domestic resources have declined significantly over the past three years.

- *While the primacy of domestic versus external financing has flipped, the sector lacks an articulated financing strategy to guide the overall WASH resource mobilization agenda through tariff revenue, public budget, grants, concessional and non-concessional loans (including climate financing), as well as other innovative financing mechanisms. The WASH Sector Financing Strategy will require evidence generation to be aware of the whole-of-government, partner and private expenditures, as well as data to know the cost of climate-resilient, safe, sustainable and affordable WASH services for everyone.*

Within the WASH budget, allocations are not aligned to the greatest needs across demographics (urban-rural) and sub-sectors (water, sanitation and hygiene). Most WASH sector resources are directed to urban drinking water, while rural areas are allocated a relatively small budget compared to the larger need. Sanitation, both urban and rural, is starting to record investment but is still at a low level.

- *Increased allocations to decentralized entities could enable expansion of services in rural areas - where the majority of populations lacking access to water services live. Furthermore, increased investment in recurrent costs such as maintenance of water systems can improve water system functionality. While household toilet coverage is rapidly increasing, fecal sludge management in urban areas, especially Kigali, is a critical environmental and health risk. Public investment is needed to urgently develop service delivery models, regulation, and enable and sustain private sector investment in fecal sludge management to ensure safely managed sanitation services in urban areas.*



1. Introduction and Sector Overview

The COVID-19 pandemic has made the need for increased water supply, handwashing facilities in all settings and safe sanitation more critical than ever for the benefit of Rwanda's health and economy. Access to safe water has become even more imperative due to its demonstrated contribution to contain the spread of the Coronavirus within the general population. Rwanda, as with other countries globally, is facing a public health crisis which has led to a socio-economic crisis. Different ministries and decentralized entities have joined efforts to contain the virus and affordable WASH services are essential during the fight against COVID-19.

The Ministry of Infrastructure (MININFRA) coordinates WASH services while the Ministry of Health (MINISANTE), the Ministry of Local Government (MINALOC), the Water and Sanitation Corporation (WASAC), district authorities and the Rwanda Utility Regulatory Authority (RURA) play key roles in ensuring the delivery of WASH services. The WASH budget brief focuses on the budget allocated to: (i) WASAC, (ii) MININFRA's Water and Sanitation program, (iii) MINISANTE's hygiene and environmental health program, and (iv) the Districts, under the Water and Sanitation program. Furthermore, the analysis covers four priority areas, (i) drinking water access, (ii) sanitation access, (iii) water infrastructure and sanitation for districts, and (iv) hygiene and environmental health.

Unlike 'water infrastructure and sanitation for districts' which is implemented at the decentralized level, the other three WASH programs are budgeted and implemented at central government level.

As WASH is a priority in Rwanda's strategic plans and vision, the government has set and reinforced the target of universal access to WASH services in all planning documents, including Vision 2020, the Vision 2050 blueprint, the National Strategy for Transformation (NST1, 2018-2024) and the Water and Sanitation Sector Strategic Plan (2018-2024).

The ambition of WASH levels of service needs has been increasing over the recent years

The Sustainable Development Goals (SDGs) and National Strategy for Transformation (NST1) have increased the level of ambition previously embedded in the Millennium Development Goals (MDGs) and Economic Development and Poverty Reduction Strategy (EDPRS II). Achieving the SDGs and the NST1 requires considerably more resources than were required in the past. Table 1 (Water) and Table 2 (Sanitation) present the progressive increase in ambition and level of service from the MDGs (EDPRSII) to the NST1 and SDGs by 2030.

Table 1: Greater ambition: Increasing the level of water service desired, 2013-2030

Planning documents	Indicator in SDG terms	Definition
SDG (2030)	Safely managed water supply service	Drinking water from an improved source which is located on premises, available when needed and free of faecal and priority chemical contamination.
NST1 (2024)	Basic water supply service	Drinking water from an improved source, provided collection time is not more than 30 minutes for a round trip, including queuing.
EDPRSII (2013-2018)	Limited water supply service (improved water source)	Drinking water from an improved source where the distance for water collection does not exceed 500 metres in rural areas and 200 metres in urban areas.

Source: Water and Sanitation 2017-18 Backward Looking JSR report (EDPRSII, NST1 and SDGs documents)

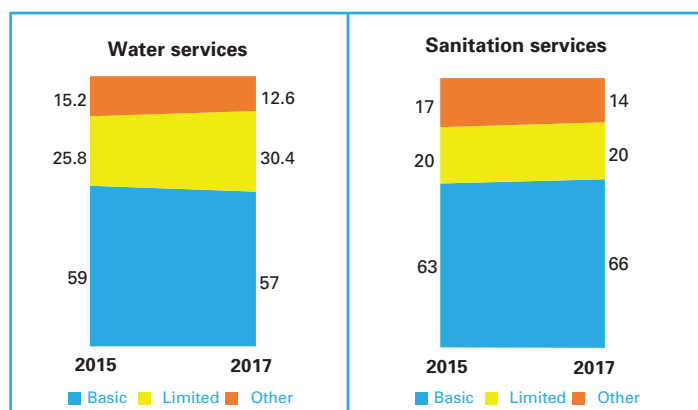
Table 2: Greater ambition: Increasing the level of sanitation service desired, 2013-2030

Planning documents	Indicator	Definition
SDG (2030)	Safely managed sanitation service	Use of improved facilities which are not shared with other households and where excreta are safely disposed in situ or transported and treated off site.
NST1 (2024)	Basic sanitation service	Use of improved facilities which are not shared with other households.
EDPRSII (2013-2018)	Limited sanitation service (Improved sanitation facility)	Use of improved facilities which may be shared between two or more households.

Source: Water and Sanitation 2017-18 Backward Looking JSR report (from EDPRSII, NST1 and SDGs documents)

While progress is being made to increase the proportion of people with WASH services in Rwanda, progress is slow. EICV 5 reports 87.4 percent with limited water services, up from 84.8 percent in EICV 4. For basic water services – improved water source within 30 minutes collection time – EICV 5 reports 57 percent, down from 59 percent in EICV 4. For sanitation, EICV 5 reports 86 percent of households have limited sanitation services (including shared toilets), up three percent from 83 percent in EICV 4. For households with hygienic toilets that are not shared (basic sanitation services), 66 percent have basic sanitation services, up from 63 percent in EICV 4 (Figure 1). Handwashing data will be updated in the next DHS, although DHS 2014/15 shows just 4.4 percent of households have a handwashing facility with soap and water.

Figure 1: Trend of WASH services



Source: National Institute of Statistics Rwanda- EICV4 & 5 reports

2. WASH Sector Allocation and Spending Trends

A. WASH budget allocations are increasing nominally while falling proportionally

WASH budget allocations have been steadily increasing over the past five years, although the WASH budget as a proportion of the national budget has dropped in recent years.

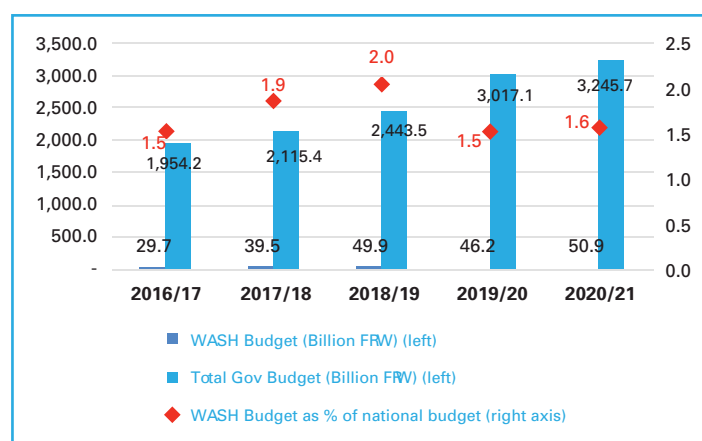
The budget allocations to WASH interventions have increased from FRW 46.2 billion in the 2019/20 revised budget to FRW 50.9 billion in 2020/21, reflecting a nominal increase of 10.1 percent.

The WASH budget accounts for 1.6 percent of the national budget in 2020/21, up from 1.5 percent in the 2019/20 revised budget. However, the analysis of allocations for the past five-year budget shows that the WASH budget as a proportion of the national budget in the last two years has dropped almost 0.5 percent from the previous two years upward trend (Figure 2). The outbreak of COVID-19 has increased the demand for WASH services as one of many preventative measures. Therefore, there is a need for further reprioritization of WASH services improvement, and a need for more public resources to ensure water supply, sanitation services provision and promotion of best hygiene practices, especially in communities, schools and health care facilities.

B. The WASH budget is consistently being revised downward

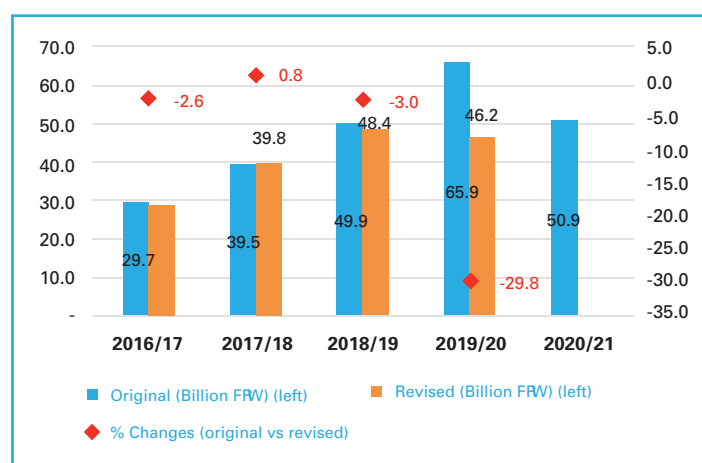
Compared to the original budget allocations, the WASH budget has been consistently revised downward during the mid-year revision for the last three years. In 2019/20, the budget was cut by 29.8 percent or almost a third of the total sector budget, from FRW 65.9 billion to FRW 46.2 billion (Figure 3). These recurrent downward revisions make the WASH budget unpredictable, and there is a need for a strategic dialogue among the key sector players including the Ministry

Figure 2: WASH budget allocation trend



Source: Calculated using budget laws

Figure 3: Initial budget against revised budget



Source: Calculated using national finance laws

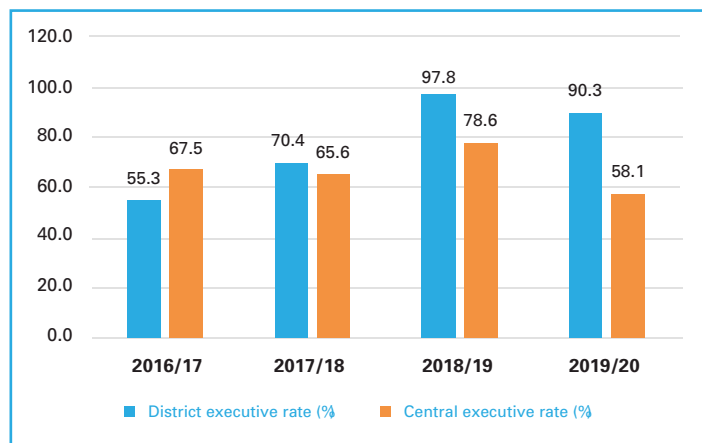
of Infrastructure, the Ministry of Finance and Economic Planning, and Development Partners to understand the main drivers of the downward budget revision, as well as devising strategies to ensure the initially-approved budget is maintained.

Article 41 of the Organic Law N° 12/2013/OL (12/09/2013) on State Finances and Property states that the Minister of Finance may submit the revised draft budgets to the chamber of deputies [...], thus, in January the national budget is revised and most of the sectors registered the budget changes. The revised budget is the final budget as it captures the emerging priorities throughout the budget year, as well as financing from new donors which gets approved through the budget execution cycle. While for the past years, the national budget revision has always been positive, with many sectors recording a budget increase, the WASH sector has often been affected negatively by budget revisions.

C. Budget execution in the WASH sector at decentralized level (districts) was high, while at central government level it was significantly lower.

During the 2019/20 fiscal year, the WASH budget allocated to central government was executed at 58.1 per cent, while at district level the execution** rate was 90.3 percent. However, in comparison with 2018/19, the WASH budget execution rate declined (Figure 4). The low level of budget execution can be explained generally by the implementation challenges encountered from the third quarter of 2019/20 due to COVID-19 preventive lockdown measures. Improving the budget execution rate for WASH is crucial. As the WASH sector is underfunded, accelerating the execution rate will be one efficiency measure to maximize gains from the already allocated resources.

Figure 4: WASH budget execution



Source: MINECOFIN- Budget execution reports and State finance laws

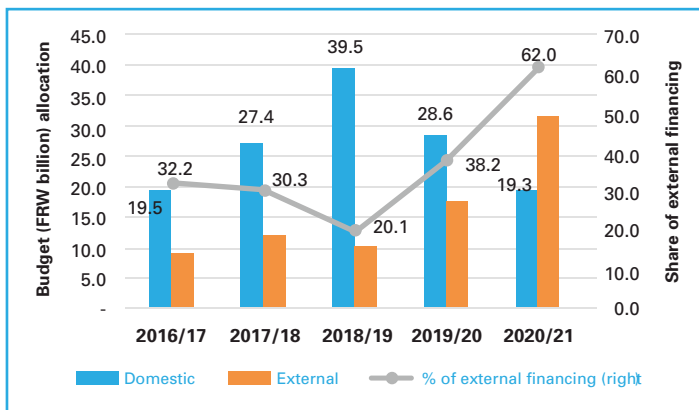


3. WASH Sector Financing

A. The WASH sector is now predominantly financed by external resources, while domestic resources for WASH have declined significantly for the past three years.

External financing for WASH outpaced the domestic resources for 2020/21 and represents 63 percent of the total WASH budget. The increase of external financing was mainly due to the recent increase in government borrowing and concessional financing (primarily AfDB) for water supply and sanitation projects in mainly urban areas. However, domestic allocations declined significantly over the past three years from FRW 39.5 billion in 2018/19 to FRW 19.3 billion in 2020/21 (Figure 5). While there is a higher government commitment to mobilize external resources for the WASH sector, there is a need to complement the external finances with more domestic resources in order to ensure sector financing sustainability and achieve the NST1 targets.

Figure 5: Source of finance for water and sanitation



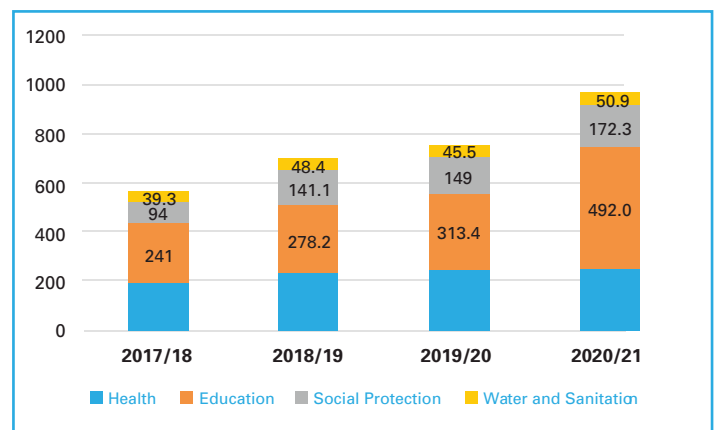
Source: State finance laws

The Water and Sanitation Strategic Plan 2018-2024 targeted the required financing for 2020/21. This amounted to FRW 180.5 billion, of which FRW 118.5 billion would be externally financed, and FRW 27.9 billion would be mobilized from domestic revenues while FRW 34.1 billion was recorded as the sector financing deficit (resources to be mobilized). However, with FRW 50.9 billion in allocations, the sector strategic plan was covered by only 28.1 percent of the total budget required to implement the 2020/21 targets.

B. In comparison with other social sectors, WASH is the least funded

While all key social sector budgets are increasing, the WASH sector remains the least funded when compared to allocations for Education, Health and Social Protection (Figure 6). The Government of Rwanda needs to explore additional fiscal space for the WASH sector to achieve the National WASH targets indicated under NST1, as well as SDG commitments, especially as WASH services also contribute to health, education, and economic development targets.

Figure 6 Social sector budget trends in FRW Billion and %



Source: Calculated using national finance laws



4. Composition of WASH Budget Allocation

A. Allocations are not necessarily channelled to the greatest needs.

Most of the WASH sector resources are directed to improvements in drinking water access, with a small amount for sanitation and hygiene. Furthermore, most resources are channeled through central funds rather than to the decentralized district level. While there has been an increase from FRW 4.5 billion in 2019/20 to FRW 9.3 billion in 2020/21 for sanitation services (mainly in urban areas), the sanitation allocation continues to be very low. Most funds (FRW 33.2 billion) were allocated to drinking water access, although this is in decline, down from FRW 35.6 billion in 2019/20. Transfers to district for water infrastructure and sanitation projects amount to FRW 7.8 billion, up from 5.1 billion in 2019/20 (Figure 7). The overall five-year budget trend shows that district transfers for water and sanitation infrastructure continue to decline. There is a need to reconsider the role of decentralized entities and increase allocations for decentralized entities to ensure functionality and maintenance of water systems in rural areas where the majority of populations lack access to WASH services. Also, while the sanitation services increase is welcome, water supply continues to require increased investment.

B. Capital investments overwhelmingly dominate the WASH budget

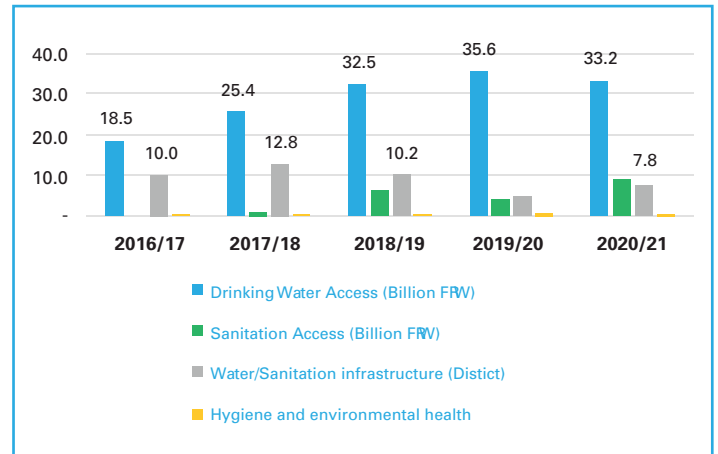
Primarily investing in capital WASH expenditure leaves minimal resources to cover recurrent costs, especially operations and maintenance of water and sanitation facilities. Over the past five years, the development budget has averaged 99 percent of the total WASH sector budget (Figure 8).

While the focus on capital development is commendable, there is also a need for the government and stakeholders to increase allocations for operations and maintenance of the existing WASH infrastructure to sustain services, with focus on rural water projects. The lack of sustainable services could be contributing to the overall slow progress towards achieving the NST goals.

C. Urban WASH budget is increasing while the rural budget is decreasing.

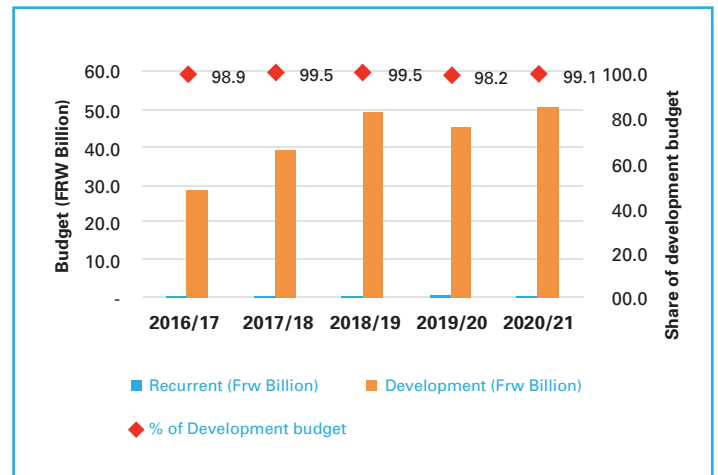
Over the past three years, allocations for WASH in urban areas have increased from FRW 29 billion in 2019/20 to FRW 34 billion in 2020/21. During the same period, the budget allocations to rural WASH declined from 19.1 billion to 16.3 billion.

Figure 7: WASH budget allocations by key priority areas



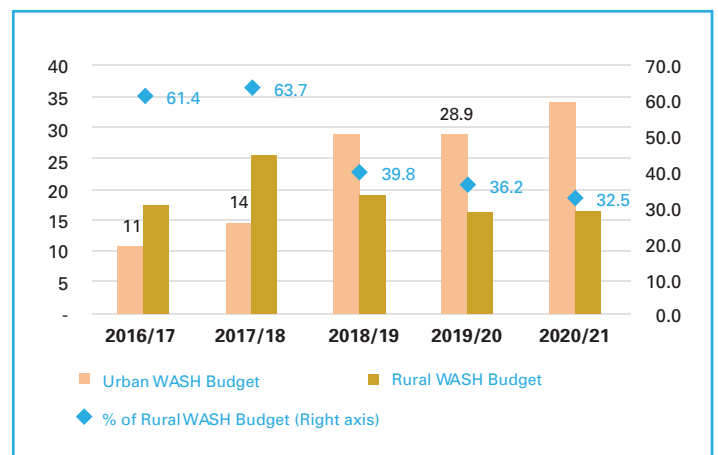
Source: State finance laws

Figure 8: WASH budget allocations by key recurrent and development budget



Source: State finance laws

Figure 9: Rural & Urban WASH budget trends (Frw billion)



Source: Calculated using state finance laws

billion (**Figure 9**) – with rural allocations now accounting for 32.5 percent of the WASH budget. Given that urban areas have significantly higher levels of basic water services than rural

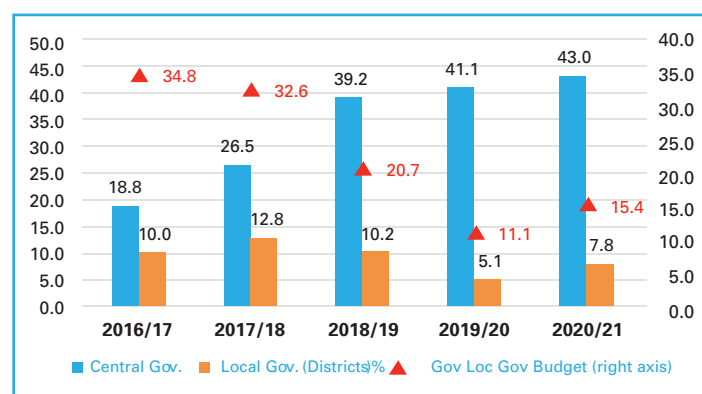
areas (70 percent versus 54 percent), there is a need to review allocations to ensure equitable distribution of resources and prioritize those most in need, especially in rural areas.

*For the purpose of this analysis, the following proxy criteria were used to distribute the budget by rural or urban allocations; (i) the WASAC budget was separated into allocations for rural and urban based on listed projects in national budget law, and (ii) the budget allocated to districts was allocated for rural areas. The budget allocated to Environmental Health under the Ministry of Health (MINISANTE) and Water and Sanitation sub-programs under the Ministry of Infrastructure (MININFRA) were excluded in the urban-rural analysis because they serve WASH policy strengthening and monitoring of both rural and urban areas.

D. Despite a slight increase, decentralized budgets continue to be small

The WASH budget allocated to districts as a percentage of the total sector budget has generally been declining since 2016/17. In 2020/21, only 15.4 percent of the total WASH budget will be transferred to districts. This is up from 11.1 percent in 2019/20, although still significantly lower than the more than 30 percent allocated from 2016-2018. Total allocations increased from FRW 5.1 billion in 2019/20 to FRW 7.8 billion in 2020/21 (**Figure 10**). As districts are responsible for rural WASH services, improved investment planning is needed. Subsequent to the development of investment plans, increased budgets will be required to expand and sustain WASH services, which will also contribute to improved health outcomes and economic growth.

Figure 10: Decentralization of WASH budget in FRW billions



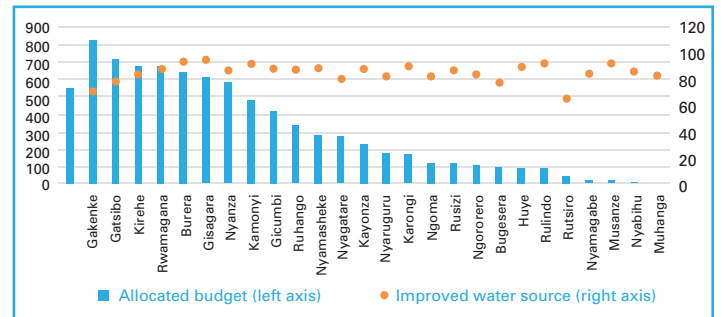
Source: Calculated using state finance laws



E. District budget allocations do not correlate with the greatest WASH needs

Some of the districts with the lowest access to limited water services recorded a relatively small budget allocation in 2020/21. These include Rutsiro with 65.5 percent of the population with access to limited water services, Muhanga with 83.2 percent and Nyamagabe with 84.5 percent. They all rank below the national average (87.4 percent) of those with access to improved (limited) water services (Figure 11). There is a need to ensure that the budget funding for decentralized entities under WASH programs is well-targeted to districts with the greatest need.

Figure 11: Water and Sanitation infrastructure by districts 2020/21 in FRW billions, listed in order of % of population with limited water services

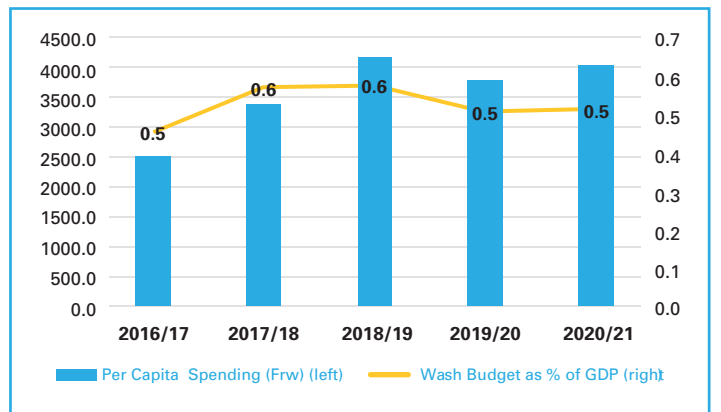


Source: State finance laws

F. The WASH budget increased in per capita terms, although remains flat as a proportion of GDP

Per capita spending in WASH rose to FRW 4,016.3 in 2020/21 from FRW 3,767.7 in 2019/20, reflecting a nominal increase of 6.5 percent. However, the WASH budget as a proportion of GDP remains constant (0.5 percent) between 2019/20 and 2020/21 (Figure 12). Furthermore, the five-year budget analysis for WASH allocations shows that the per capita allocations have increased by 59.9 percent between 2016/17 and 2020/21.

Figure 12: WASH Per capita and as % of GDP



Source: State Finance Laws, Rwanda Population projections and GDP reports



the 1990s, the number of firms in the industry has increased, and the number of employees has increased as well. The number of firms has increased from 100 in 1980 to 125 in 1990, and the number of employees has increased from 1000 in 1980 to 1200 in 1990. The number of firms has increased from 150 in 1990 to 175 in 2000, and the number of employees has increased from 1200 in 1990 to 1400 in 2000.

The number of firms has increased from 200 in 2000 to 225 in 2010, and the number of employees has increased from 1400 in 2000 to 1600 in 2010. The number of firms has increased from 250 in 2010 to 275 in 2020, and the number of employees has increased from 1600 in 2010 to 1800 in 2020. The number of firms has increased from 300 in 2020 to 325 in 2030, and the number of employees has increased from 1800 in 2020 to 2000 in 2030.

The number of firms has increased from 350 in 2030 to 375 in 2040, and the number of employees has increased from 2000 in 2030 to 2200 in 2040. The number of firms has increased from 400 in 2040 to 425 in 2050, and the number of employees has increased from 2200 in 2040 to 2400 in 2050. The number of firms has increased from 450 in 2050 to 475 in 2060, and the number of employees has increased from 2400 in 2050 to 2600 in 2060.

The number of firms has increased from 500 in 2060 to 525 in 2070, and the number of employees has increased from 2600 in 2060 to 2800 in 2070. The number of firms has increased from 550 in 2070 to 575 in 2080, and the number of employees has increased from 2800 in 2070 to 3000 in 2080. The number of firms has increased from 600 in 2080 to 625 in 2090, and the number of employees has increased from 3000 in 2080 to 3200 in 2090.

The number of firms has increased from 650 in 2090 to 675 in 2100, and the number of employees has increased from 3200 in 2090 to 3400 in 2100. The number of firms has increased from 700 in 2100 to 725 in 2110, and the number of employees has increased from 3400 in 2100 to 3600 in 2110. The number of firms has increased from 750 in 2110 to 775 in 2120, and the number of employees has increased from 3600 in 2110 to 3800 in 2120.

The number of firms has increased from 800 in 2120 to 825 in 2130, and the number of employees has increased from 3800 in 2120 to 4000 in 2130. The number of firms has increased from 850 in 2130 to 875 in 2140, and the number of employees has increased from 4000 in 2130 to 4200 in 2140. The number of firms has increased from 900 in 2140 to 925 in 2150, and the number of employees has increased from 4200 in 2140 to 4400 in 2150.

The number of firms has increased from 950 in 2150 to 975 in 2160, and the number of employees has increased from 4400 in 2150 to 4600 in 2160. The number of firms has increased from 1000 in 2160 to 1025 in 2170, and the number of employees has increased from 4600 in 2160 to 4800 in 2170. The number of firms has increased from 1050 in 2170 to 1075 in 2180, and the number of employees has increased from 4800 in 2170 to 5000 in 2180.

The number of firms has increased from 1100 in 2180 to 1125 in 2190, and the number of employees has increased from 5000 in 2180 to 5200 in 2190. The number of firms has increased from 1150 in 2190 to 1175 in 2200, and the number of employees has increased from 5200 in 2190 to 5400 in 2200. The number of firms has increased from 1200 in 2200 to 1225 in 2210, and the number of employees has increased from 5400 in 2200 to 5600 in 2210.

The number of firms has increased from 1250 in 2210 to 1275 in 2220, and the number of employees has increased from 5600 in 2210 to 5800 in 2220. The number of firms has increased from 1300 in 2220 to 1325 in 2230, and the number of employees has increased from 5800 in 2220 to 6000 in 2230. The number of firms has increased from 1350 in 2230 to 1375 in 2240, and the number of employees has increased from 6000 in 2230 to 6200 in 2240.

The number of firms has increased from 1400 in 2240 to 1425 in 2250, and the number of employees has increased from 6200 in 2240 to 6400 in 2250. The number of firms has increased from 1450 in 2250 to 1475 in 2260, and the number of employees has increased from 6400 in 2250 to 6600 in 2260. The number of firms has increased from 1500 in 2260 to 1525 in 2270, and the number of employees has increased from 6600 in 2260 to 6800 in 2270.

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