

THE STATE OF WASH FINANCING IN EASTERN AND SOUTHERN AFRICA

Uganda Country Level Assessment

Author: Peter Burr, Oxford Policy Management, in collaboration with Agua Consult and Blue Chain Consulting, Oxford, UK.

Reviewers: Samuel Godfrey and Bernard Keraita, UNICEF Regional Office for Eastern and Southern Africa, Nairobi, Kenya, and Shivanarain Singh (UNICEF Uganda Country Office).

Acknowledgements

The author wishes to thank all other contributors from the UNICEF Uganda Country Office, Government of Uganda and development partners. Special thanks go to UNICEF Uganda for facilitating the data collection process in-country.

September 2019

The State of WASH Financing in Eastern and Southern Africa

Uganda Country Level Assessment



Table of contents

List of tables, figures, and boxes	v
1 Introduction	1
1.1 Background	1
1.2 Methodology	1
1.3 Caveats	3
1.4 Report structure	3
2 Country context	4
2.1 History and Geography	4
2.2 Demography	4
2.3 Macroeconomy	5
2.4 Administrative set-up and decentralization	6
3 WASH sector context	7
3.1 Access to WASH services	7
3.2 Institutional structures	8
3.2.1 Arrangements for urban water and sanitation	8
3.2.2 Arrangements for rural water	10
3.2.3 Arrangements for sanitation and hygiene	11
3.2.4 Arrangements for emergency WASH	11
3.2.5 Summary of institutional arrangements	12
3.3 Private sector participation	12
4 Government funding of WASH services	14
4.1 Introduction	14
4.2 Recent trends	15
4.3 Financing of strategies, plans and programmes	18
5 Donor funding of WASH services	19
5.1 Recent trends	19
5.2 Coordination of donor support	25
6 Consumer financing of WASH services	26
6.1 Water and sewerage tariffs	26
6.1.1 Estimates of household expenditure on sanitation	29
6.2 Consumer access to finance	29
7 The overall financing picture	30
8 Financing options	33
8.1 Projected financial shortfall to meeting relevant SDGs	33
8.2 Options to close the financial gap	34
9 Finding and recommendations	36
Recommendations	37
Takeaway advocacy messages	38
Annex A Financial assessment scorecard	39
Annex B Definitions of key terms	41
Annex C Summary of facility types and costs	47

List of tables, figures, and boxes

Table 1:	Comparison between old and new models for Umbrella organisations	10
Table 2:	Respective ministerial roles and responsibility in respect of sanitation	11
Table 3:	Overview of channels for government funding of WASH services	14
Table 4:	Detailed breakdown of government expenditure	16
Table 5:	Summary of development partner commitments to the WASH sector (2012-2023), USD millions	22
Table 6:	On-budget contributions to the Uganda Sanitation fund – via the Ministry of health (USD millions)	22
Table 7:	Major off-budget development partner allocations to the WASH sector, 2017/18 (USD millions)	23
Table 8:	Water and sewerage tariff charged by NWSC in the 2017/2018 period – all prices = per m3 of water supplied	27
Table 9:	Estimated household expenditure on sanitation	29
Figure 1	Mapping financial flows based on consumption, production and financing types	2
Figure 2	Decomposition of conglomerations of different sizes in Uganda	5
Figure 3	Trends in water coverage, Uganda, 2000-2015 (JMP, 2017)	7
Figure 4	Trends in sanitation coverage, Uganda, 2000-2015 (JMP, 2017)	8
Figure 5	Growth of NWSC service delivery mandate 2011 to 2018	9
Figure 6	Umbrella authority - changes in operational performance against key indicators – change October 2017 to June 2018 for the first 58 schemes taken over	10
Figure 7	Summary of institutional arrangements for water and sanitation services in Uganda	12
Figure 8	Disaggregated Government expenditure on the WASH sub-sectors, 2015 to 2018 (USD constant 2017 prices)	15
Figure 9	Comparative government expenditure on water and sanitation, per capita	16
Figure 10	Proportional spend through different channels	17
Figure 11	Funding to MWE as a share of the national budget	18
Figure 12	Trends in routes of development partner support to the sector since 2007	19
Figure 13	On-budget development allocations to the WASH sector from 2015 to 2018	20
Figure 14	Summary of 2017/18 donor spending in the WASH sector	21
Figure 15	Funding arrangements for large WASH infrastructure arrangements in Uganda/	21
Figure 16	Civil society expenditure on WASH services 2017/18	24
Figure 17	Comparison of NWSC tariff's with others in the region	27
Figure 18	Financial performance of NWSC – USD millions	28
Figure 19	WASH sector spending 2017/18 disaggregated	30
Figure 20	WASH sub-sector spending 2017/18, disaggregated by source	31
Figure 21	Proportional spending, by source	31
Figure 22	Coverage scenarios 2017 and 2030 at business as usual spending	33
Figure 23	Projections of annual cost requirements for achieving sector goals under different service delivery scenarios (USD, millions)	34

Exchange rate:

• 1 Ugandan Shilling (USX) = 0.00027 US\$, April 2019

1 Introduction

1.1 Background

UNICEF's Eastern and Southern Africa Regional Office (ESARO) has engaged Oxford Policy Management (OPM) to assess the state of financing of water, sanitation and hygiene (WASH) services in Eastern and Southern Africa region (ESAR). This assignment aims to fill a critical knowledge gap in the region by providing a review and documentation of WASH financing issues both at the regional level and through four country reports. The reports are designed to influence planning and advocacy activities to support more effective allocation and use of resources by government ministries, donors and other financiers engaged in delivering, operating and maintaining WASH services.

This report on WASH financing in Uganda is one of the four country reports, which have reviewed sources of sector financing, how finance is channelled through different institutions, the quality and equity of financing, where possible, financial gap and future financing options to achieve sector goals. The other countries where similar analysis has been undertaken through this initial study are Burundi, Eswatini and Zimbabwe. The accompanying regional-level report draws on the country reports and other examples of financing to provide an overview of current WASH financing in EASR and directions for increasing the volume and impact of future WASH investments.

1.2 Methodology

The methodology is adapted from the TrackFin methodology used by WHO. As with the TrackFin approach, the analysis has sought to identify trends in WASH financing by initially identifying who are the main funders. Identifying these financing units has required the identification and documentation of the mandates of institutional and administrative set-ups in each country, including government agencies at different levels, service providers, donors and NGOs.

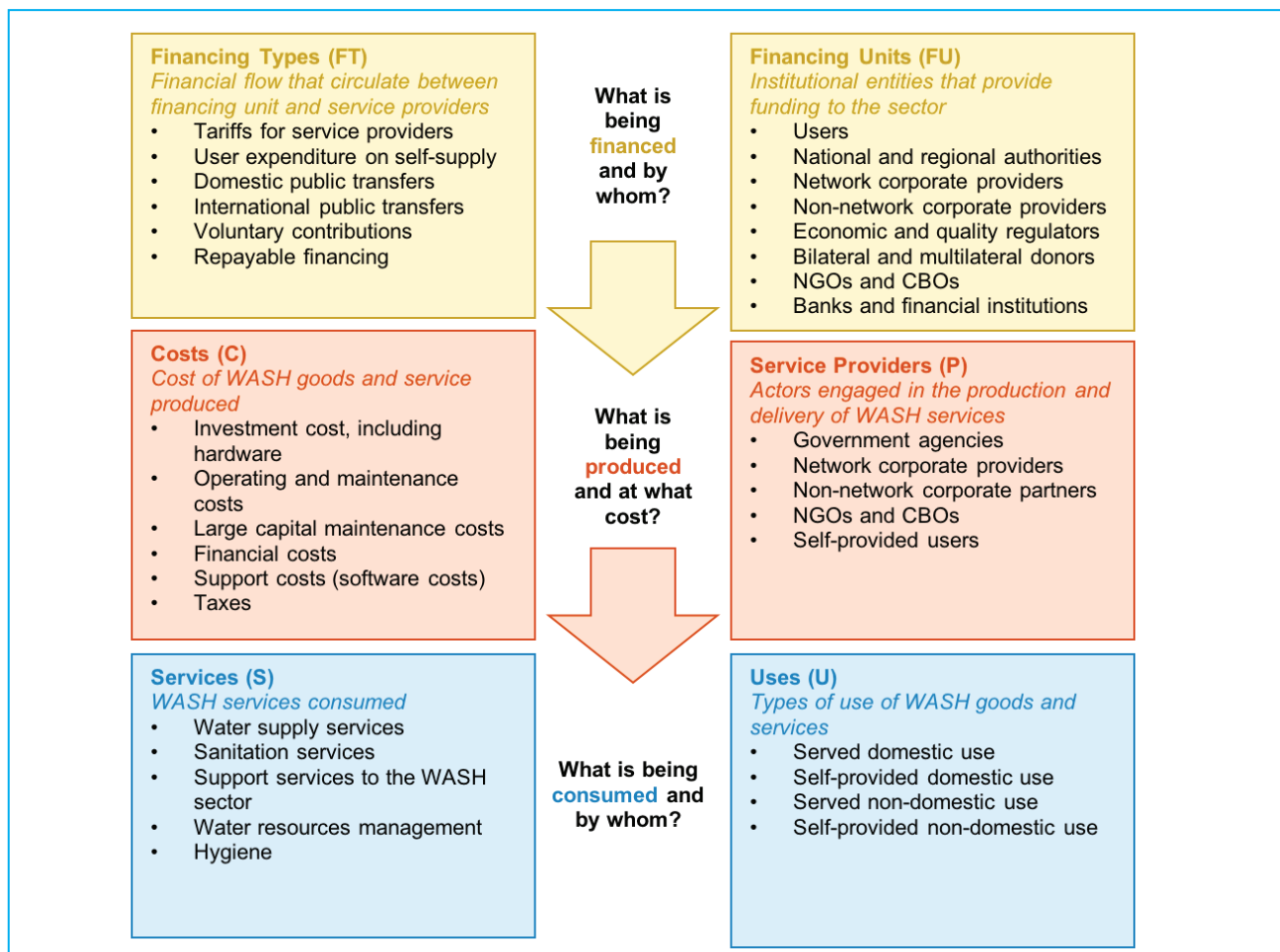
With the main actors identified the methodology seeks to identify different financing types, such as tariffs, transfer, taxes and repayable financing. This has involved reviewing the sources of finance and the main national programmes being implemented to achieve sector goals.

In line with TrackFin (Figure 1), the approach to tracking financial flows for WASH in Burundi followed the following key steps:

- Identification of "financing units" or those who finance services based on a document review and discussions with UNICEF Uganda.
- Using TrackFin categories, a financial data collection tool was developed to capture expenditure in a given year. This expenditure data was used to capture WASH expenditure according to types of services being financed ("WASH services consumed"), types of costs being financed ("costs", e.g. investment, capital maintenance and operations). This study reports on government expenditure for the prior three years (as a minimum). All the service providers were identified to assess how tariffs are being used, though data availability is patchy, particularly in rural areas.

The data collection tool was shared with all the identified institutional financing units involved in Uganda (all key ministries, donors and NGOs). Further investigation was conducted through extensive document review and direct analysis of publicly available government data. Discussions in-country with UNICEF, line ministries, key service providers and agencies, as well as donors, helped build a qualitative assessment of WASH financing in the country.

Figure 1 Mapping financial flows based on consumption, production and financing types



Source: TrackFin Guidelines

In addition to financing sources and financing types, we also aim to identify the costs that are currently covered in the sector, and who bears these costs. This exercise should be done for each sub-sector. Recognizing the limits to our resources, we aim to:

- Quantify national transfers and donor budgets for investment, as well as recurrent maintenance and replacement costs
- Assess the extent to which tariffs have been set to take into account the full costs of services; and where tariffs are not full cost-recovery, whether the institution that will cover the gap has been identified.

Although our work requires detailed assessment of WASH financing in the four countries, some elements captured in the TrackFin methodology are unlikely to be achievable given the limited time and resources allocated to our work. It is therefore expected that critical gaps will remain, and this could only be addressed by a full roll-out of the TrackFin methodology which is beyond the scope of this assignment.

Recognising this potential limitation and working from the objectives set out in the ToR, the project team developed a bespoke analysis tool for this assessment. The tool was intended to provide a comparable snapshot of the relative strengths and weaknesses of the financing environment in the WASH sector in the four case-study countries. The tool included 26 indicators across four different areas; (i) Policies and Strategies, (ii) Financial Allocation and Reporting, (iii) Service Providers and (iv) Financing Models. Each country was given a score/rating for each indicator, and these were aggregated into ratings for each area and overall ratings.

The tool is not without its own limitations. As this is a national-level assessment, the tool does not aim to identify differences between rural and urban contexts and the sub-sectors. However, where such variations exist, they are discussed in the country-level reports. It should also be noted that data availability still hampers the completion of ratings/scores for every indicator in each country.

The project team developed a series of framing questions to guide the country-level assessments, including the assessment tool. The questions are included in Annex A. It should be noted that this long-list of questions was intended to help guide desk-based analysis and in-country consultations.

1.3 Caveats

We anticipated the following key constraints and limitations, and the following mitigation strategies to address them.

Constraint/Limitation	Mitigation
Data availability and quality: Based on previous work in this area it was clear that data availability, access to available data, and the quality of the data would be key constraints in this assignment. In particular it is often very challenging to disaggregate sub-sector data from national budgets. Similarly, expenditure data is often not reported against budget lines.	<ul style="list-style-type: none"> - Development of key research questions, refined through country consultations, meant the team had a good understanding of data challenges and gaps before the fieldwork took place. This facilitated more targeted data collection in country and/or prioritization of project scope around areas where data was more likely to be accessible. - Where data was not consistent the assessment flags this and relies on the official government data wherever possible. Country-level data was used in preference to international data.
Short country visit: Only three days were scheduled for each of the country visits. This limited the number of stakeholders that could be met, and also only offered short windows to engage key stakeholders. It also meant that the primary data collection that could be conducted in-country was very limited.	<ul style="list-style-type: none"> - Worked with UNICEF country team to identify appropriate time to visit - Prepared schedule well, and briefed stakeholders prior to team's arrival - Follow up calls were arranged for stakeholders who could not be engaged during the visits.

1.4 Report structure

The remainder of this report is structured as follows:

Section 2 provides the socio-economic and demographic context;

Section 3 details the state of WASH services and institutional structures for WASH service delivery;

Section 4 provides findings on government financing for WASH services;

Section 5 reports findings on donors financing for WASH services;

Section 6 encloses findings on consumer financing for WASH services;

Section 7 presents the overall financing picture for WASH;

Section 8 assesses the financing gap and proposes options to bridge the gap;

Section 9 formulates recommendations for UNICEF about the role it can play in improve the context for WASH financing; and

Section 10 provides the bibliography.



2 Country Context

2.1 History and Geography

The Republic of Uganda is a landlocked country in East-Central Africa with a population of around 42 million (2016). It is bordered by South Sudan to the north, Kenya to the east, the United Republic of Tanzania to the south and the Democratic Republic of the Congo and Rwanda to the west and south-west respectively. Uganda was a British protectorate until 1962, and post-independence the country has seen various phases of profound political and social-economic change. This includes an extended period of political turmoil under the military rule of General Idi Amin between 1971 and 1979. Since 1986 a measure of political and economic stability has been achieved with the establishment of the Third Ugandan Democratic Republic under President Museveni.

Uganda's geography is very diverse, including hills, semi-desert, mountains and lakes. The centre of the country is dominated by grassland and savannah, while there are volcanic hills to the east. The northern region of the country is semi-desert and receives substantially less rainfall than other parts of the country. Agriculture is the single most important economic sector in Uganda and is built on the back of access to some of the largest freshwater reserves in the continent. It employs 87 per cent of women and 63 per cent of men – virtually all working on smallholder farms. However, threats of climate variability, the underdevelopment of water resources and environmental degradation hamper the country's ability to meet water demands, raising the risk of water stress. At the same time, climate change is expected to result in more intense precipitation that is likely to lead to damaging and life-threatening floods over the next 10 years.

Over the last 25 years, Uganda has achieved remarkable results in poverty reduction, although absolute poverty rates remain high. From 1992 to 2013, the percentage of Ugandan households living in poverty nearly halved (World Bank, 2017). However, this still leaves around a third of Ugandans living below the international extreme poverty line of US\$1.90 per day, and these people tend to be clustered in the northern and eastern regions of the country, where economic growth has been severely affected by the civil conflict in South Sudan, an influx of refugees, significant land degradation, and climate change (ibid).

Uganda has a very progressive refugee policy framework and is the largest refugee-hosting country in Africa and one of the top five in the world. Currently the United Nations High Commissioner for Refugees (UNHCR) estimates that Uganda hosts around 1.2 million refugees, a large proportion of whom have arrived since 2016. This has put considerable stress on host communities, as well as public services including water supply and sanitation infrastructure, and water resources to meet the country's demands. Adequate water resource management is particularly key to Uganda's economic outlook given the country's dependence on agriculture.

2.2 Demography

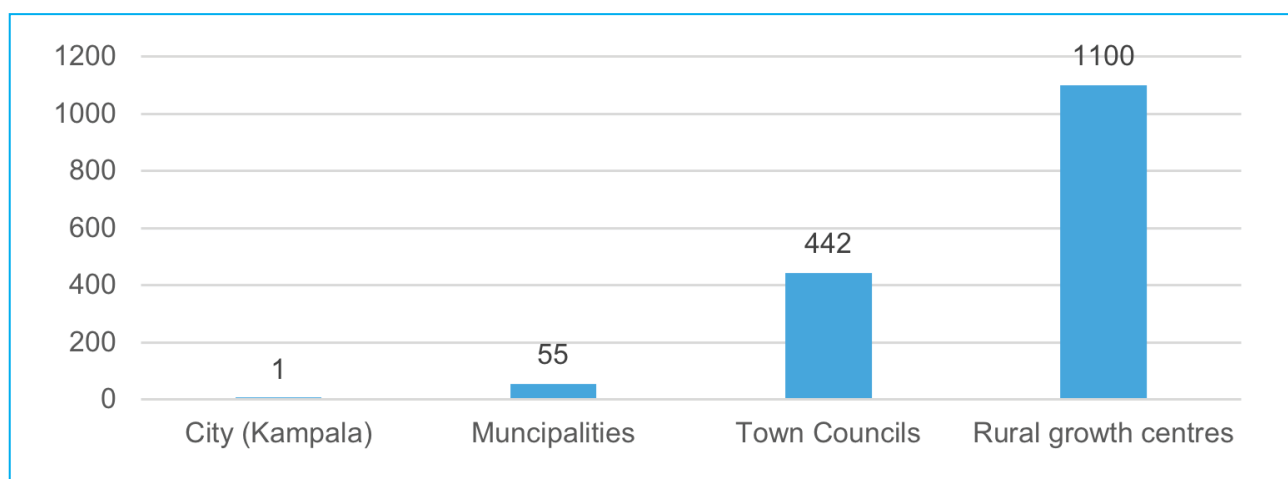
According to the Demographic and Health Survey (2016), a large proportion of Uganda's population is extremely youthful with over half under the age of 15. This is reflective of the very high Total Fertility Rate (TFR) of 5.4, though this rate has been falling in recent years. The TFR also has a geographic dimension, with women in rural areas on average having two more children than women in urban areas.

Rapid population growth and urbanization are the key demographic trends in Uganda. Currently, about 80-85 per cent of the population live in rural areas, but this is changing rapidly (World Bank 2018). Uganda's urban growth rate is 5.2 per cent – among the highest in the world – compared to a national figure of approximately 2.8

per cent per year. Overall this means that the country's population is expected to nearly double to 80 million by 2040, with most of the growth occurring in towns and Rural Growth Centres (RGC).

Kampala, the capital, is by some distance the largest city in Uganda with a population of around 1.6 million people. Other towns and cities of over 150,000 inhabitants include: Nansana, Kir, and Makendye in Wakiso district and the district capitals of Mbarara and Mukono. In addition, a growing proportion of the population are living in small towns and RGCs (Figure 2). Uganda has a total of nearly 500 urban centres and a burgeoning number of RGCs – estimated at over 1,000. Despite ongoing demographic change, most of the population still live in small rural villages.

Figure 2 Decomposition of conglomerations of different sizes in Uganda



The pace of Uganda's urbanization is putting a major strain on national and local governments' ability to meet the developmental needs of the urban population. For example, the quality of housing remains inadequate for a large proportion of the urban population, with more than 60 per cent of the residents of urban areas living in slums (World Bank, 2015¹). The rapid growth is also exacerbating difficulties with access to basic needs services – including water and sanitation.

2.3 Macroeconomy

The economy of Uganda is built on an abundance of natural resources, including oil, gas, and mineral resources, as well as huge reserves of freshwater that supports agriculture but also provides a natural habitat for diverse wildlife that drives the tourism industry.

In recent years Uganda's economic growth has been comparatively modest by regional standards – 4.5 per cent from 2011 to 2016 declining to 3.5 per cent in 2017 (World Bank, 2018). The current economic slowdown has been linked to a combination of adverse climate conditions, unrest in neighbouring South Sudan, and slow execution of public sector projects. Despite the current challenges, economic forecasts still predict that Uganda will reach middle-income status by 2020, in line with the Government's Vision 2040 objective.

Currently, Uganda is a lower-middle income country with aspirations to be a middle-income country by 2020. To achieve this, the second national development plan (NDPII) projects that the country needs to achieve an economic growth target of 6.3 per cent per year over the period 2015 to 2020. The NDPII details the Government's strategic plan to achieve lower-middle income status through investments across social and economic domains.

At present rain-fed agriculture remains the backbone of Uganda's economy and represents both opportunities and risks for future growth. The agricultural sector employs over 70 per cent of Uganda's

¹World Bank. 2015. The growth challenge: Can Ugandan cities get to work?. Washington, DC: World Bank Group.

labour. The sector is relatively unproductive given its potential, due to relatively low levels of mechanization and infrastructure development, as well as the fragmentation of production across smallholder farmers. This means there are significant opportunities for dramatically increasing economic productivity through strategic investment. The dependence on agriculture is a key vulnerability, especially in the context of a rapidly changing climate, to the extent that annual economic growth projections are subject to significant variation depending on the weather conditions in that particular year.

In line with NDPII, in recent years the Government has sought to improve the economic resilience

of the country through large-scale investments in economic productive infrastructure – mainly energy, railway and roads. The governmental focus on addressing infrastructure deficits has come at the cost of declining investment in social sectors (e.g. health, education, water and sanitation). In addition, large-scale government investment in infrastructure has led to a widening of the fiscal deficit - 4.7 per cent in 2018 – driven largely through borrowing from international and domestic sources. Nationally, in 2018, the country's debt-to-GDP ratio was estimated at 40.0 per cent, with external debt at 28 per cent of GDP. The 2017 debt sustainability assessment indicated that these levels of debt are reasonably sustainable. As of 2018, inflation stood at a manageable 3.2 per cent, mainly due to relatively low food inflation.

Looking forward, human capital development in Uganda remains a major concern,

and these issues are likely to be exacerbated by continued underinvestment in social sectors. Moreover, Uganda is particularly vulnerable to pressure resulting from regional instability. Intensifying conflicts in South Sudan and the Democratic Republic of the Congo (DRC) are having the dual effect of undermining the export markets to these counties while increasing the prospects of further inward migration of refugees, especially in northern parts of the country.

2.4 Administrative set-up and decentralization

The 1997 Local Government Act signalled the start of a rapid and ambitious process of decentralization in Uganda, including the transfer of public service delivery responsibilities to local government agencies. As of 2018, the country has been sub-divided into 121 districts, up from 33 in 1986 when the National Resistance Movement came to power.

Despite the official decentralization of service delivery responsibilities, fiscal autonomy is more challenging.

The proliferation of districts is putting extreme strain on local government capacity and resources. The process of establishing new districts comes with a number of fixed staff and administrative costs, which have to be carved out of existing administrative budget lines. This has implications for sectoral allocations, including WASH. For example, the 2018 Sector Performance Report links the decline in sub-national allocations through District Water and Sanitation Conditional Grants (DWSCF) to the rising costs of establishing District Water Offices in each newly created district.

Moreover, the de facto decentralization of fiscal autonomy and capability has also varied over time.

In recent years the Government of Uganda has centralized much public spending on large infrastructure projects in productive sectors: this has come at the cost of social sector spending, especially at local levels (UNICEF, 2018).

Sub-national government units are united under the Uganda Local Governments' Association (ULGA).

The ULGA is a non-profit organization which offers guidance and representation to local government agencies. On behalf of its members, ULGA actively participate in various forums focussed on sub-national financing, including sector negotiations on conditional grants with sectors, and the development and the decentralization management technical working group (DMTWG).

In addition to the districts, a number of de-concentrated government agencies support the delivery of water and sanitation services. These include technical support units and water supply development facilities. These sector-specific structures are discussed in more detail in subsequent sections.

3 WASH Sector Context

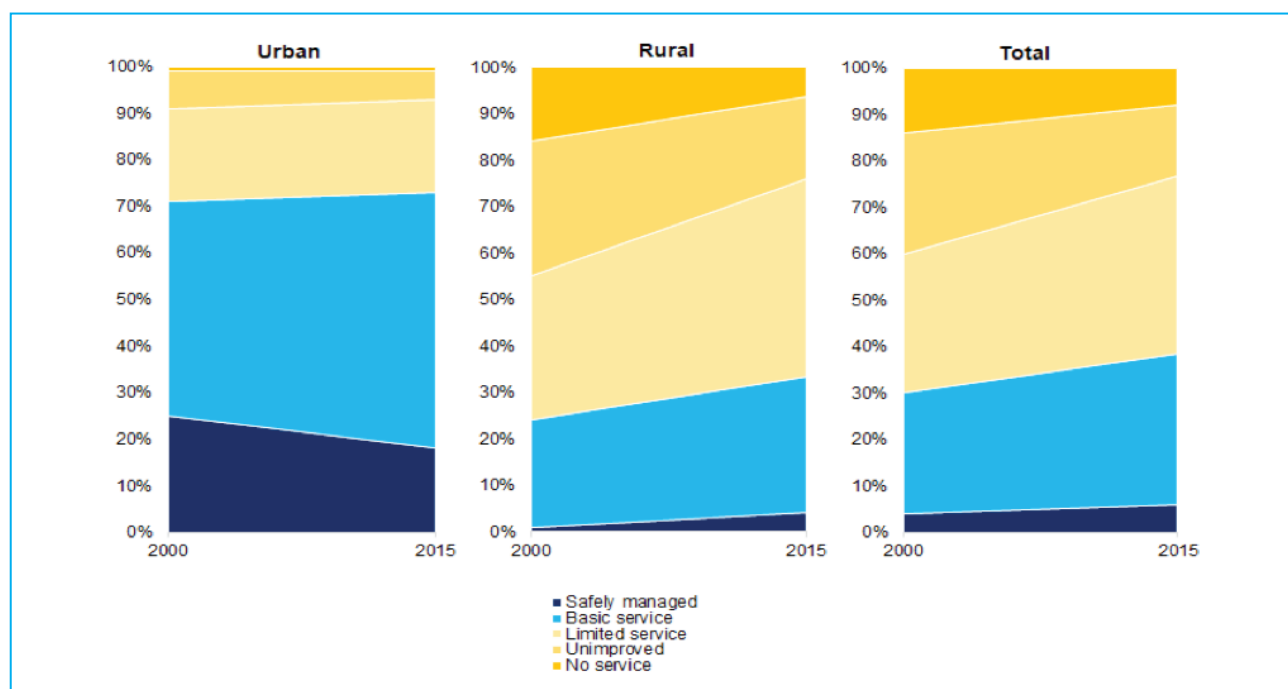
3.1 Access to WASH services

Coverage

The Government of Uganda has made considerable progress in increasing access to water and sanitation services. However, Uganda still faces considerable challenges, particularly in providing services to rapidly expanding rural growth centres, small towns and peri-urban areas of cities.

In terms of water coverage, since 2000 national coverage of at least basic services has increased from 30 to 38 per cent (JMP, 2017). However, these figures mask disparities in service quality between urban and rural areas. In urban areas, 48 per cent of households use piped water, but this number falls to 33 per cent in small towns (not shown) and 9 per cent in rural areas (MWE, 2018).

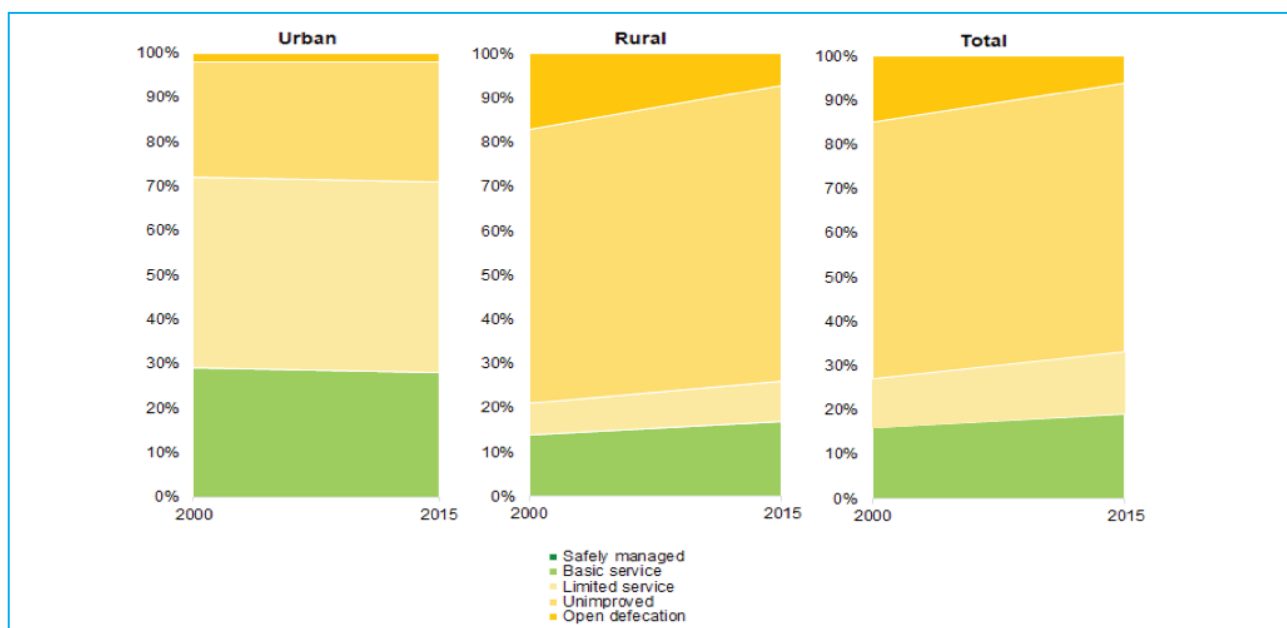
Figure 3: Trends in water coverage, Uganda, 2000-2015 (JMP, 2017)



Most of the population currently lives in rural areas and is reliant on community point sources.

Compared to those of other countries in the region the functionality of these systems is high (approximately 80 per cent), but nevertheless many people still travel long distances to fetch water (MWE, 2018). Furthermore, a sizeable, if decreasing, number of people still rely on unsafe surface water sources. Finally, in some of the northern and eastern districts with high numbers of refugees, demand for water far exceeds available water production. This challenge is exacerbated by the dispersed nature of many refugee zones and means that many people are still reliant on water trucking to meet their basic water needs.

Figure 4: Trends in sanitation coverage, Uganda, 2000-2015 (JMP, 2017)



Sanitation coverage poses a significant challenge in Uganda. The Joint Monitoring Programme reports that only 28 per cent of the urban and 17 per cent of the rural populations have access to individual basic sanitation facilities. Currently this means that 19 per cent of Uganda’s population have access to a basic sanitation services, an increase of just 3 percentage points since 2000 (JMP, 2017).

The annual Sector Performance Report finds that sewerage coverage is less than 7 per cent in large towns and negligible in small towns (MWE, 2018). The limited provision of reticulated sewerage places extra importance on ensuring safe containment on site, and on investing systems and processes for the transportation and treatment of faecal waste in urban and small-town settings. In refugee settlements, sanitation coverage is reported to be lower still due to insufficient pit latrines and communal sanitation facilities.

3.2 Institutional structures

Over the last few decades, the Government of Uganda has built a detailed and comprehensive legal and institutional framework to support improved water supply, sanitation and water resources management.

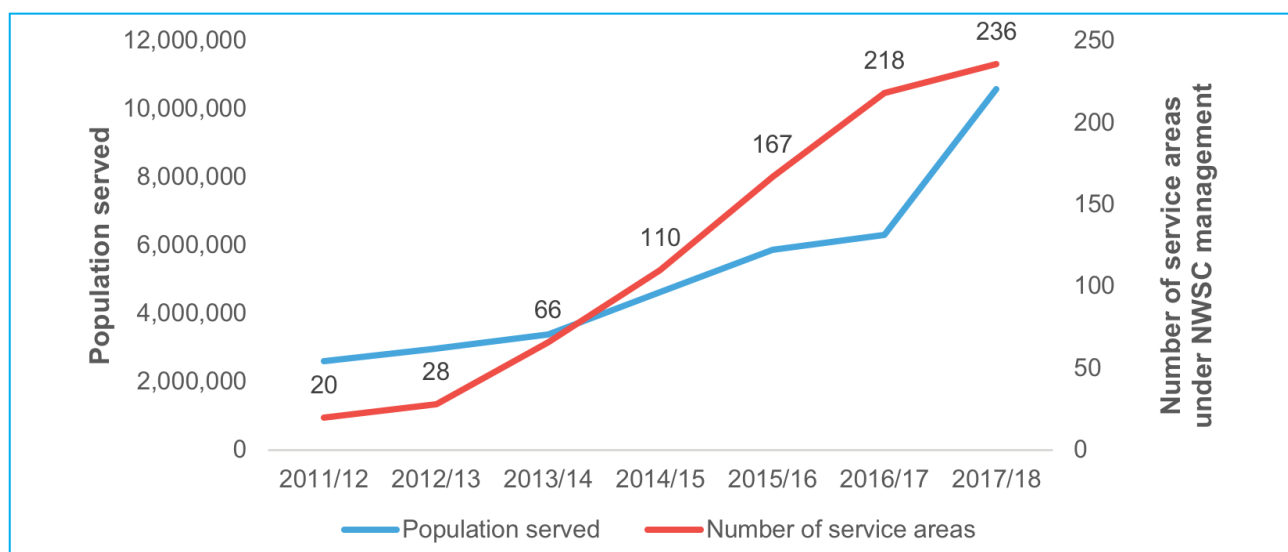
The roles and responsibilities of water and sanitation stakeholders are well defined. The Ministry of Water and Environment (MWE) is responsible for determining priorities, setting policies and standards for water development, and regulating water resource activities and water and sanitation services. Within the MWE the Directorate of Water Development (DWD) is responsible for providing overall technical oversight for planning, implementation and supervision of the delivery of urban and rural water and sanitation services across the country, including water for production.

3.2.1 Arrangements for urban water and sanitation

The National Water and Sewerage Corporation (NWSC), an autonomous public utility owned by the Government of Uganda (GoU) and positioned under the MWE, is responsible for the provision of urban water and sanitation services in all large towns and cities, and an increasing number of small towns.

In recent years, the remit of NWSC has been growing rapidly as part of an ambitious programme of Government-mandated expansion. This has meant that since 2011 there has been four-fold increase in the number of people serviced by NWSC water services, and a rapid growth in the number of service areas under NWSC control: this currently stands at 236 (Figure 5). The expansion has also been accompanied by targeted capital investment support, largely from central government and development partners, to upgrade service delivery infrastructure in these service areas.

Figure 5 Growth of NWSC service delivery mandate 2011 to 2018



The rapid expansion of water service investments has not been mirrored in urban sanitation. NWSC is responsible for the existing sewerage network and associated treatment infrastructure. However, sewerage coverage remains extremely limited at just 6.4 per cent, and the expectation is that most households will invest in on-site facilities and pay for collection: this is outside the mandate of NWSC.

In small towns and rural areas that are not served by the NWSC, local authorities (town councils) were responsible for service delivery until 2017. The town councils acted as water authorities and could choose to provide services directly, utilize community-based organizations or employ private companies. However, since July 2017 a total of 434 schemes (service areas) were gazetted for direct management by the Umbrella Authorities. Under the new arrangement the regional Umbrellas are appointed as water authorities, contract local scheme operators and are in charge of revenue collection. As of June 2019, about half of the gazetted areas (220) were effectively taken over, while the others were still under local government responsibility.

To support service delivery locally MWE operations are deconcentrated to two sets of regional bodies focussed on service delivery of piped systems in rural growth centres:

- **Water and Sanitation Development Facilities (WSDFs)** – these are MWE units which receive support from both the Government of Uganda and development partners for infrastructure development and rehabilitation of water supply and sanitation systems serving small towns and rural growth centres. Funding is partly channelled through the sector coordination mechanism for donor funding (termed the joint partnership fund).
- **Umbrella authorities** – since 2017 these have been responsible for directly managing service provision (see below). The Umbrella Authorities (UAs) have been established as legal entities (companies limited by guarantee) but are functionally considered deconcentrated units of the MWE.

Schemes constructed by the WSDFs are handed over, after completion, either to the NWSC or to the UA in charge.

The new UA management model introduced in 2017 is intended to professionalize the management of small piped schemes serving small towns and rural areas. Umbrella Authorities are also in the process of taking over the management of faecal sludge management systems.

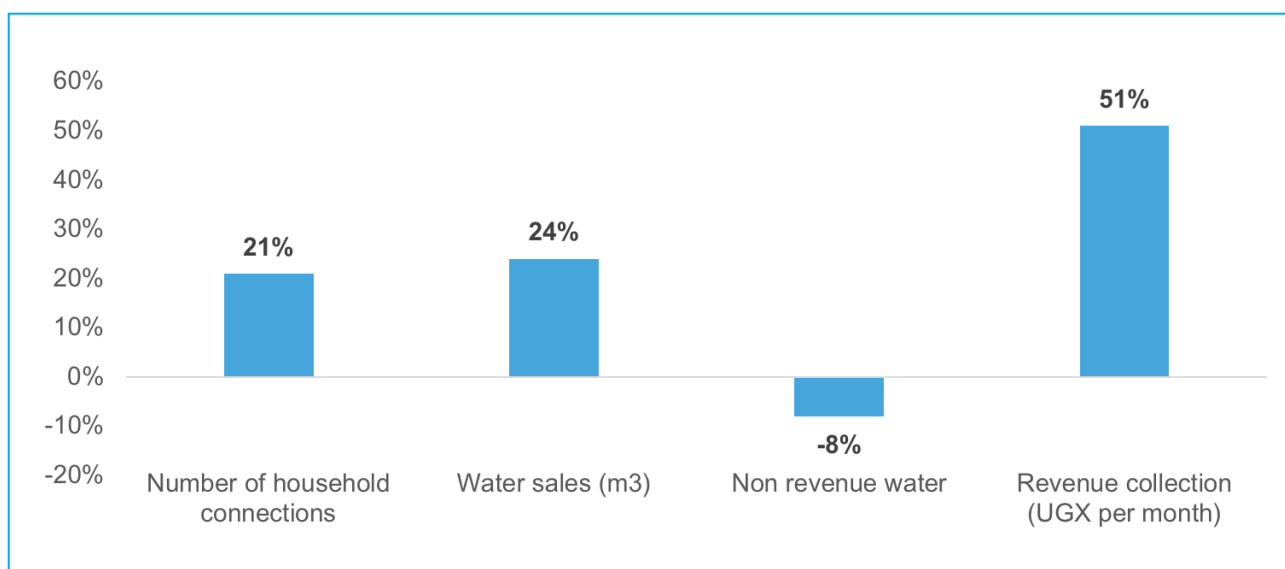
The new model foresees a prominent role for UAs as the nominated authorities to manage these systems. The UAs have evolved from the previous model of government-run “Umbrellas of water and sanitation” which provided operations and maintenance (O&M) back up to local authorities (Water Boards) and operators. UAs are now gazetted as water authorities that will supply about 2.5 million people nationally (when the takeover process is completed). The key differences between the old and new models are summarized in Table 1.

Table 1 Comparison between old and new models for Umbrella organisations

Old model – “Umbrellas of water and sanitation”	New model - “Umbrella authorities”: government expectations on initial design and roll-out
<ul style="list-style-type: none"> • Main role was to provide O&M back-up support • Limited authority and mandate to take assertive action to combat poor practices, particularly around system maintenance • Heavily dependent on development partner support • Limited revenue collection, contributing to poor operational performance • Extremely limited regulatory oversight 	<ul style="list-style-type: none"> • Assume direct management responsibilities • Increased professionalization with a specific focus on preventative maintenance • Implementation of electronic revenue collection system • Schemes to become increasingly financially viable independent of development partner support through ‘revolving fund’ investments • More formalized avenues for regulatory oversight

The initial findings suggest that under the new UA model operational performance is improving, as is financial sustainability. A comparison of changes in performance is given below:

Figure 6 Umbrella Authority, changes in operational performance against key indicators, change between October 2017 and June 2018 for the first 58 schemes taken over



The trend has since been confirmed. According to data presented at the Uganda Water and Environment Week (March 2019) the first 100 schemes taken over showed an increase of 30 per cent in the number of connections and 54 per cent in revenue collected from October 2017 to February 2019.

3.2.2 Arrangements for rural water

Traditionally, improved rural water services have been delivered through point sources: boreholes, shallow wells and protected springs. Point water sources in rural Uganda are collectively owned, used and managed. As a result of the proliferation of rural growth centres there is an increasing focus on the construction of small piped systems, either mechanized or through tap-stands.

The national O&M guidelines mandate that water user committees (WUCs) determine user fees and supervise day-to-day use of the water infrastructure. Creation of a WUC for each improved point water source is a key requirement before water infrastructure installation. District Water and Sanitation Coordination Committees (DWSCCs) are present in all districts and act as a platform for coordinating and overseeing the activities of the water and sanitation sector in the local government area and strengthens collaboration across sectors and between different players.

A new framework has been developed for O&M of rural water supply infrastructure (May 2019). This framework describes the anticipated development from community-based management systems to professional area-based management approaches.

3.2.3 Arrangements for sanitation and hygiene

There are three ministries directly involved in the delivery of sanitation and hygiene services: the MWE, the Ministry of Education and Sports, and the Ministry of Health. The MWE is responsible for service infrastructure in urban areas and supports the construction of public sanitation facilities through the **District Water and Sanitation Development Grant** and the **District Sanitation and Hygiene Conditional Grant** respectively.

The mandate of the MWE regarding sanitation and hygiene activities is stipulated in the Memorandum of Understanding with the ministries of health and local government. This limits the role of the MWE to the development of public sanitary facilities and promotion of good hygiene and sanitation practices in small towns and rural growth centres. The main roles and responsibilities of the various actors are summarized in Table 2, below.

Table 2 Respective ministerial roles and responsibility with regard to sanitation

Ministry	Responsibilities
Ministry of Health	Responsible for hygiene and sanitation promotion for households through the Environmental Health Division (EHD). As such, the WSSCC-funded Sanitation Fund is administered through the MoH
Ministry of Education and Sport	Responsible for hygiene education and provision of sanitation facilities in primary schools. It also promotes handwashing after latrine use in schools.
Ministry of Water and Environment	Development of public sanitary facilities and promotion of good hygiene and sanitation practices in small towns and rural growth centres.

For sanitation in small towns and RGCs, the MWE is responsible for implementing sanitation monitoring and behaviour change approaches, including (a) Community-Led Total Sanitation (CLTS) and sanitation marketing; (b) construction of on-site sanitation facilities in public markets and schools; and (c) construction of faecal sludge treatment facilities (FSTFs). However, it is widely recognized that more attention needs to be given to the full sanitation service chain to ensure that human waste is contained, conveyed, treated, and reused/disposed of safely and sustainably.

Further details are provided in the sections below.

3.2.4 Arrangements for emergency WASH

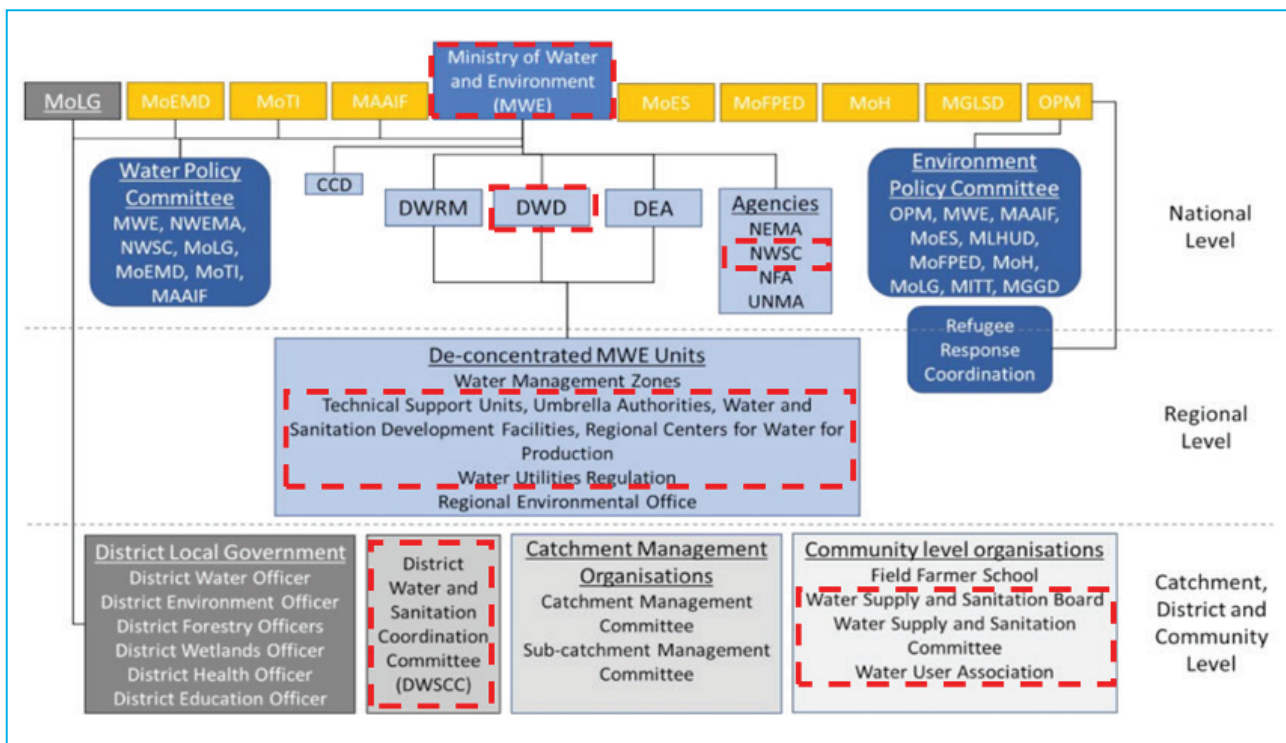
The Government of Uganda, the United Nations Refugee Agency (UNHCR), and a range of development partners coordinate the response to water and sanitation service delivery challenges in districts hosting refugees. Uganda is one of the few countries in the world that is piloting the UNHCR's Comprehensive Refugee Response Framework (CRRF). At a recent WASH stakeholder forum, consensus was reached between the UNHCR, the Office of the Prime Minister (OPM), and the MWE that humanitarian assistance should transition from emergency response toward long-term sustainable development solutions: this may herald the introduction of a new water tariff policy for refugee settlement areas.

The Comprehensive Refugee Response Framework (CRRF) for Uganda was launched in Kampala in March 2017. The CRRF is anchored on the Ugandan progressive refugee policy, indicating that refugees have access to the same public services as nationals. Further, Uganda's Second National Development Plan (NDPII) aims to assist refugees and host communities by promoting socioeconomic development in refugee-hosting areas. Under the CRRF framework, various sectors are preparing Refugee and Host Community Response Plans. Currently, a Water and Environment Refugee and Host Community Response Plan is being developed under the supervision of MWE to a framework for orderly and integrated planning and implementation of water, sanitation and environment infrastructure based on existing catchment management plans and underlying assessments of water resources and demand.

3.2.5 Summary of institutional arrangements

The responsibilities of the MWE extend beyond water and sanitation to include broader water resource management and environmental protection issues. This is reflected in the wider-sector organogram in Figure 7 below. Note that the red highlights denote the units most relevant to basic water and sanitation service provision.

Figure 7 Summary of institutional arrangements for water and sanitation services in Uganda



Source: Adapted from Annex 3 of Uganda's Sector Performance Report, 2018

3.3 Private sector participation

The Government of Uganda (GoU) is generally supportive of initiatives to increase participation in the delivery of social sector services. The Public Private Partnership (PPP) Policy (2010) and the subsequent PPP Act (2014) define the overall framework and rules for engagement of the private sector; this is then implemented through the investment private sector department of the MFPED. Within this framework local government agencies are responsible for identifying, developing and managing PPP projects but – by law – the contracting authority has to be a department of central government.

As outlined in the sections above, since the early 2000s, the GoU has supported the introduction of private operators to manage piped water systems in small towns through management contracts with local governments (town councils). In 2001, private operators were providing services in 15 urban centres; this grew to well over 100 by 2013. Since then, there has been a progressive transfer of responsibility back to the public sector as the GoU has opted to apply a clustering (regionalization) service delivery approach in which the NWSC assumes management responsibility for larger towns and the Umbrella Authorities for small towns and rural growth centres.

The private sector is used as a stop-gap solution for water service provision until the public can build its capacity. At present neither the Government nor the NWSC has the resources to expand reach to keep pace with the rapid growth in all new settlements – whether these be rural growth centres or small towns. In these cases, the private sector has historically been engaged through operators on the presumption that it would bring a higher level of proficiency to sustain a level of service reliability in contexts where public and community capacities are severely limited. The consequence of this, however, is that private sector is not engaged as a long-term partner for local government. Operator contracts are short in duration (i.e. a few years) and limited in scope both geographically and in terms of private sector responsibilities. This severely limits opportunities or incentives for private sector investment to enhance service quality or drive up performance.

In general, the Government has a clear strategic preference to carefully manage the extent of private sector involvement in water supply. In part this is driven by the relatively strong institutional capacity of the NWSC and the ambition of the Government to broaden its mandate to more and more parts of the country. The result is that prospects for more active private sector partnerships (through lease, afterimage, or concessions) are very low.

In terms of sanitation, private sector engagement is also essential for the functioning of various services in cities and towns. This includes the provision of sanitation products (including latrine/toilet construction and pre-cast concrete slabs) and services (such as pit-emptying businesses and service contracts to operate and manage public or institutional sanitation facilities). However, in Uganda, relatively little appears to have been done either through policies or programmes to actively engage or encourage private sector involvement in sanitation service delivery. What does exist is restricted to public toilet operation and faecal sludge management (FSM) services in urban areas. One key reported challenge is the operation and management of FSM facilities constructed through donor-funded projects. A recent study of faecal sludge management treatment plants (FSTPs) in Uganda found that the FSTPs visited were all very underused or not used at all. This indicates that the Government has not yet been able to ensure that the NWSC is taking responsibility for these facilities.

In the face of existing and projected constraints in urban sanitation service delivery and financing it is imperative that the Government of Uganda takes a more proactive approach to solving existing challenges, either through a greater role for the public sector or through private sector engagement.



4 Government Funding of WASH Services

4.1 Introduction

In Uganda, government allocations to the WASH sector come from the following avenues: appropriations to the MWE, GoU transfers to the NWSC, GoU support to sector administration and regulation, and GoU transfers to deconcentrated regional entities, and local government. An overview of these different mechanisms and channels is given in Table 3 below.

Table 3 Overview of channels for government funding of WASH services

Funding avenue	Mechanism / details	Description
Appropriations to MWE	Direct treasury funding of the MWE to cover policy, planning and other support associated with sustaining sector systems and management arrangements	Salaries of sector staff (at national and sub-national levels); transport and other administrative, financial and support costs; ministry planning; and operations including the directorate for water development, technical support units, and the water utility regulation department
GoU transfers to NWSC	Large capital investments – implemented through the NWSC	Capital expenditure (CapEx) grants for major urban infrastructure – government counterpart funding for large infrastructure programmes that is channelled through the NWSC
	Water services acceleration project (SCAP)	CapEx grants for service expansion in towns managed by the NWSC.
GoU (non-wage) – transfers to sub-national entities, including local government	Regional water and sanitation development facilities	CapEx grants channelled through WSDFs (regional arms of the DWD) for infrastructure development in rural growth centres
	Urban Water O&M Conditional Grant	Support to Umbrella water authorities to subsidize the indirect costs of service delivery in small towns and rural growth centres (O&M backup support, since 2017 management costs at regional level and minor investments such as repairs and replacements). The grant was also used to channel direct subsidies to selected towns/rural growth centres, but this is being phased out.
	District Water and Sanitation Development Grant	CapEx grant which finances construction of water supply and sanitation facilities as well as community sensitization and mobilization in rural areas. Partly used for repair/rehabilitation of point water sources.
	District Sanitation and Hygiene Conditional Grant	Supports districts with recurrent costs of sanitation and hygiene promotion in rural areas – covering 101 districts.
	Primary Health Care Conditional Grant (through the Ministry of Health)	Infrastructure grant to primary health care units – broad-based, including sanitation
	School Facilities Grant (through the Ministry of Education and Sport)	Grant to primary and tertiary education institutions, which will include spending on WASH infrastructure

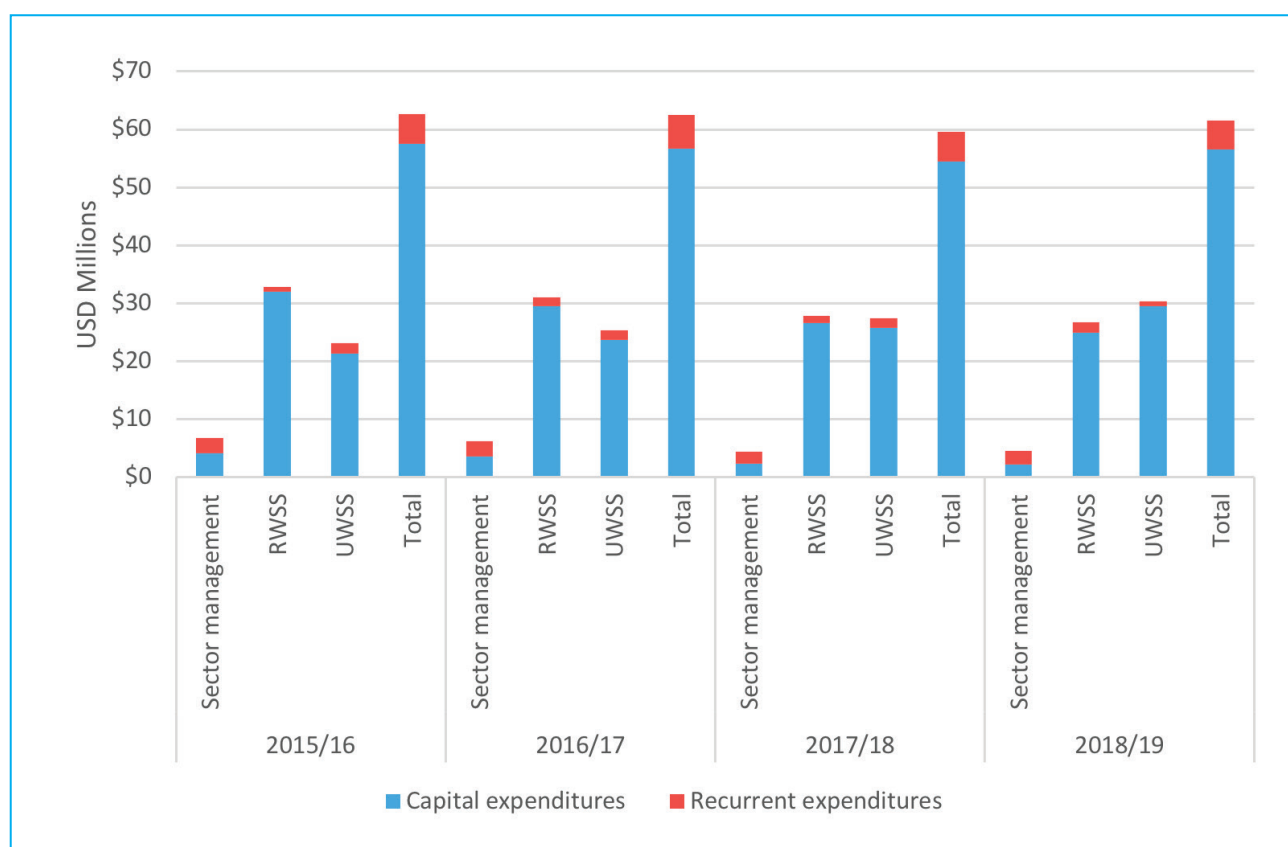
Sector reporting in annual performance reports provides some insight on disaggregated government spending through these channels. However, spending is often bundled together under other activities within the Ministry of Water and Environment – such as water for production, forest management, and water resource management – and this will be distorting the financing picture. In light of the scope of this paper, this part of the

analysis is focused on government spending to directly support the provision of water and sanitation services, and has required analysis of raw government budgetary data over the 2015 – 2018 period.

4.2 Recent trends

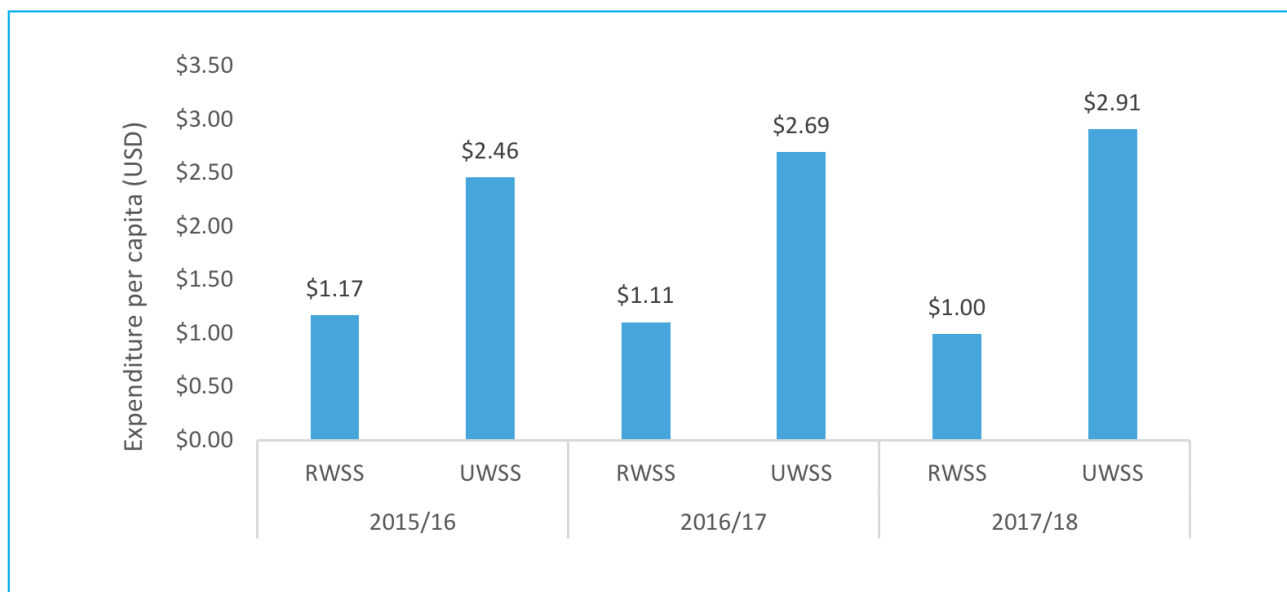
Figure 8 provides a summary overview of government spending on urban and rural WASH service delivery over the past four years. Over this period total government allocations to the sector have remained fairly constant, both in terms of overall contribution (between US\$59 million and US\$62 million per year) and targeting (toward capital investments). The figures below are calculated government expenditure. The 2018 Sector Performance Report shows that 92.2 per cent of all budgeted government expenditure is utilized and 100 per cent of all on-budget development partner budgets.

Figure 8 Disaggregated government expenditure on the WASH sub-sectors, 2015 to 2018 (US\$ constant 2017 prices)



As most Ugandans still live outside major cities and towns, **the extent to which investments are biased towards urban domains only becomes apparent through analysis of expenditure per capita** (see Figure 9 below). Here a clear pattern of investment appears over years, with the Government investing two to three times more, per capita, in urban WASH services than in rural WASH services.

Figure 9 Comparative government expenditure on water and sanitation, per capita



Source: Authors own calculation using rural/urban population data

Government budgetary data do not distinguish between spending on sanitation and on water, and this level of disaggregation could only be achieved with an in-depth assessment of the composition of large infrastructure projects, which is not within the scope of this assignment.

Detailed analysis of sector budget data provides more insight into how government allocations are disaggregated between different inter-governmental channels, agencies and sub-sectors (see Table 4).

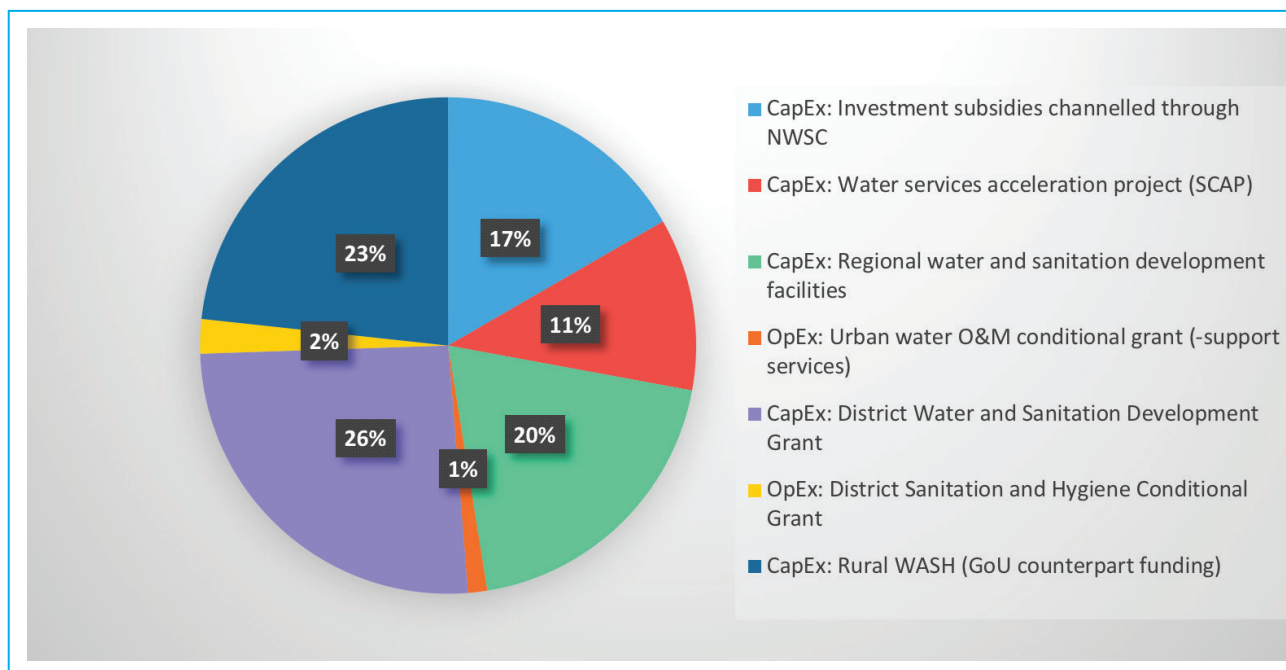
Table 4 Detailed breakdown of government expenditure

Funding avenue	Mechanism / details	2015/16	2016/17	2017/18	2018/19
GoU transfers to NWSC	Investment subsidies channelled through NWSC (counterpart of DP funding)	\$15,542,766	\$15,929,366	\$9,017,319	\$9,749,103
	Water Services Acceleration Project (SCAP)	\$0	\$0	\$6,075,000	\$9,644,400
GoU transfers to sub-national entities (Urban / Small town)	Regional water and sanitation development facilities	\$5,803,858	\$7,670,704	\$10,585,350	\$10,086,067
	Urban Water O&M Conditional Grant (support services)	\$744,626	\$717,371	\$675,000	\$641,250
GoU transfers to sub-national entities (rural / institutions)	District Water and Sanitation Development Grant	\$17,953,883	\$14,913,311	\$13,929,300	\$13,317,480
	District Sanitation and Hygiene Conditional Grant	\$594,771	\$1,291,268	\$1,215,000	\$1,154,250
	Primary Health Care Conditional Grant (MoH)				
	School facilities grant (MoES)				
Counterpart investment (rural WASH)	Rural WASH (CapEx)	\$14,099,737	\$14,576,978	\$12,593,340	\$11,572,198

Source: Authors' analysis of MOFED data

Note: historical data will contain development partner support channelled through general budget support, via the treasury, to local governments. The MoFPED database does not allow for easy tracking of this support from general governmental allocations through taxes.

Figure 10: Proportional spend through different channels



On average, just 3.3 per cent of public funding through these channels is spent on the recurrent costs of sustaining existing water and sanitation services. In most urban areas these costs are expected to be covered through user contributions, while in rural areas responsibilities for major system repair – as well as ongoing behavioural change initiatives – are covered by district local governments. This has implications for overall service functions and sustainability (see Box 1).

Box 1: Water and Sanitation Conditional Grants

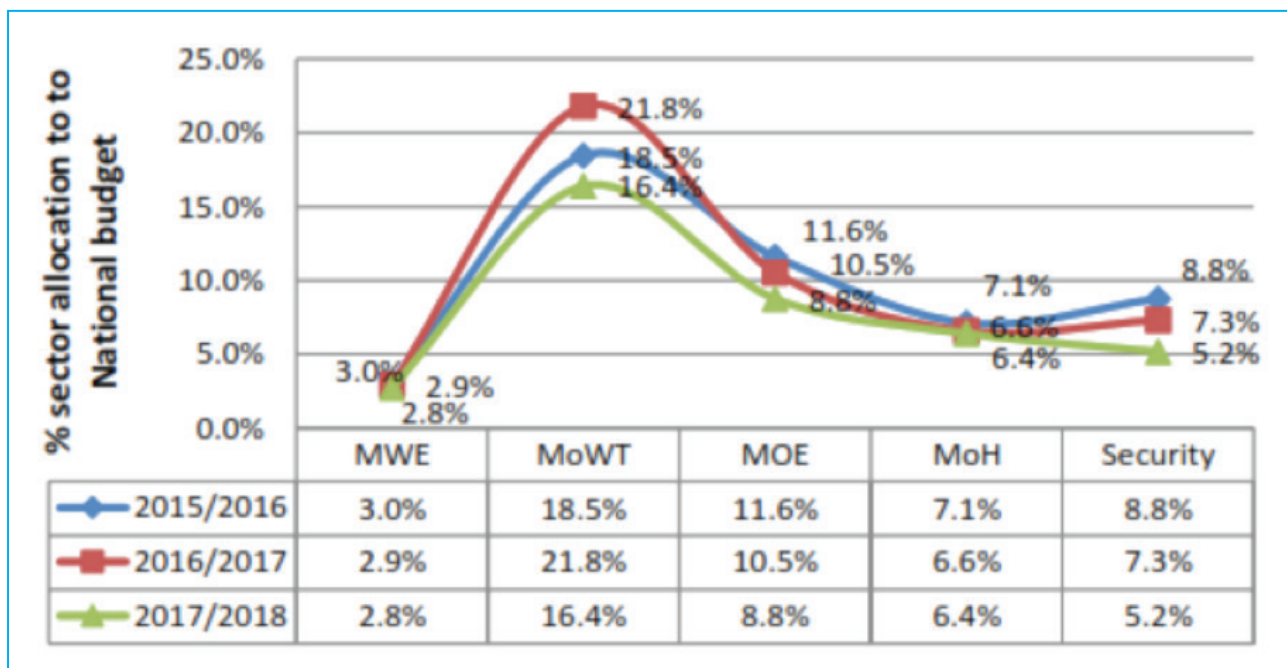
Under decentralization, districts are required to provide financial and back-up support to WASH service delivery, such as support to sub-counties, the private sector, and community user communities, as well as implement water point rehabilitation and monitoring.

Water and Sanitation Conditional Grants are transferred directly to local governments from the Treasury. Reportedly the vast majority (about 90 per cent) of district water budgets comes through these grants. Spending at district level is prescribed through an explicit formula looking at allocation of resources for different cost categories, such as capital expenditure, O&M and rehabilitation. These figures show that the majority of funds are channelled towards establishing new water point systems, with less directed towards maintenance, rehabilitation, software and monitoring.

Overall government funding of the Ministry of Water and Environment lags well behind other sectors.

In the financial year 2017/18 the sector received much less funding than other key social sectors such as health and education (Figure 11). What is particularly noteworthy in this graph is the exceptionally high level of government funding for the Ministry of Works and Transport (MoWT). Over this three-year period, this sector received between 16 and 22 per cent of the total government budget: this is an extremely high level of investment, reflective of the Government's prioritization of spending on infrastructure development, particularly roads.

Figure 11: Funding to MWE as a share of the national budget



Source: Sector Performance Report, 2018

4.3 Financing of strategies, plans and programmes

In Uganda, the development goals of water and environment sectors are detailed in the second National Development Plan (2015-2020). The WASH targets in this plan are as follows:

- **Rural water:** increase coverage to 79 per cent and ensure that each village has access to a clean and safe water source – 2018 government figures report that 70 per cent of the rural population had access to improved drinking water sources and just 66 per cent of villages had access to sources of safe water supply
- **Urban water:** increase urban coverage to 95 per cent overall and to 100 per cent in areas supplied by the NWSC – 2018 government figures report that 77 per cent of the urban population had access to improved water sources
- **Urban sanitation:** increase sewerage coverage to 30 per cent in towns with over 15,000 inhabitants – 2018 government estimates suggest that 26 per cent of the urban population had access to safely managed sanitation, however a figure is not given for access to sewerage

In addition, Uganda Vision 2040 sets the target that 100 per cent of the population should have access to safe piped water by 2040. There is no targeted financing strategy for sanitation. Funding to sanitation is spread between centralized capital-intensive projects and earmarked government funding to districts. However, there is a coherent strategy to address critical gaps, and there is a continued reliance on external support to finance rural sanitation behaviour change programmes (such as the urban sanitation fund) and to support large infrastructure development.

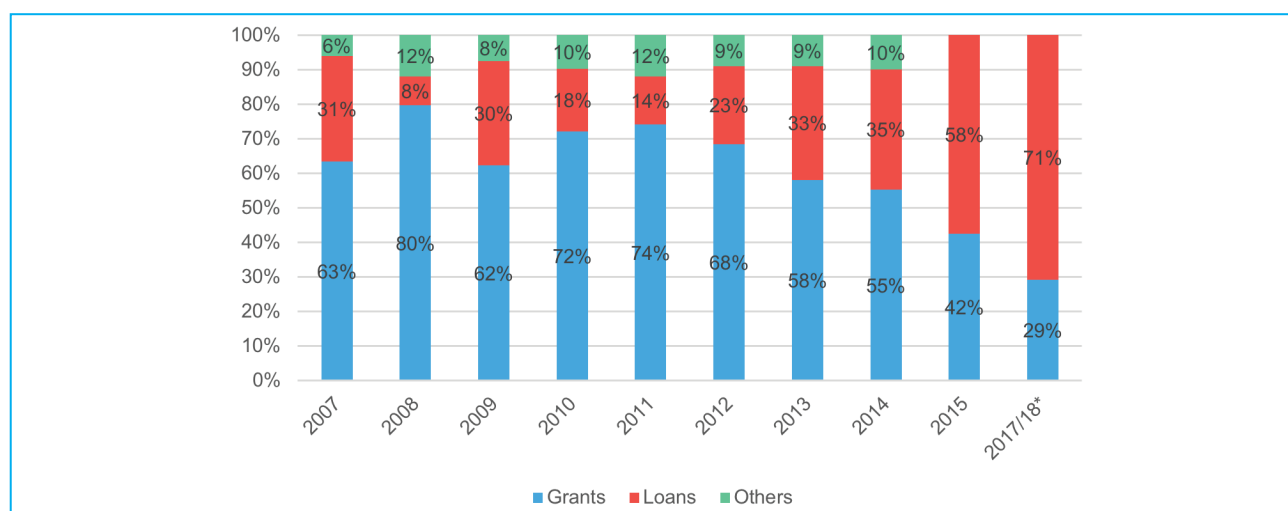
5 Donor Funding of WASH Services

5.1 Recent trends

In the past, the Ugandan WASH sector was extremely reliant on development partner support to drive forward first-time access to water and sanitation services. This largely came through a well-coordinated sector budget channelled from joint partnership funds. Recent trends have seen significant changes to the channels of development partner support, the key highlights of which are narrated below:

- 1) Levels of development partner support for non-infrastructure 'software' are decreasing. In the early 2000s development partners, particular DANIDA, made substantial investments in both soft and hard components of the WASH sector. On the software side this support included investments in a sophisticated sector coordination structure at central level, as well as investment in capacity building and technical support functions at regional levels. Latterly the focus has shifted to a large infrastructure development initiative managed centrally. This is consistent with Uganda's National Development Plan but risks crowding out development partner and government support to local initiatives.
- 2) Changing modalities of development partner support ('official development assistance') in recent years have led to a substantial real-terms and proportional decrease in development partner grants to the WASH sector. Increasingly the Government of Uganda is incurring concessional debt from development partners: for example, in 2007 80 per cent of development partner support came through grants, while in 2015 this stood at just 42 per cent. These loans to the Government are repackaged as de facto grants to the sector as the interest repayments on these loans are centralized in the treasury, not covered by line ministries. This is increasing overall levels of debt burden for the country and may not be a sustainable practice in the longer term (Figure 12).

Figure 12: Trends in routes of development partner support to the sector since 2007

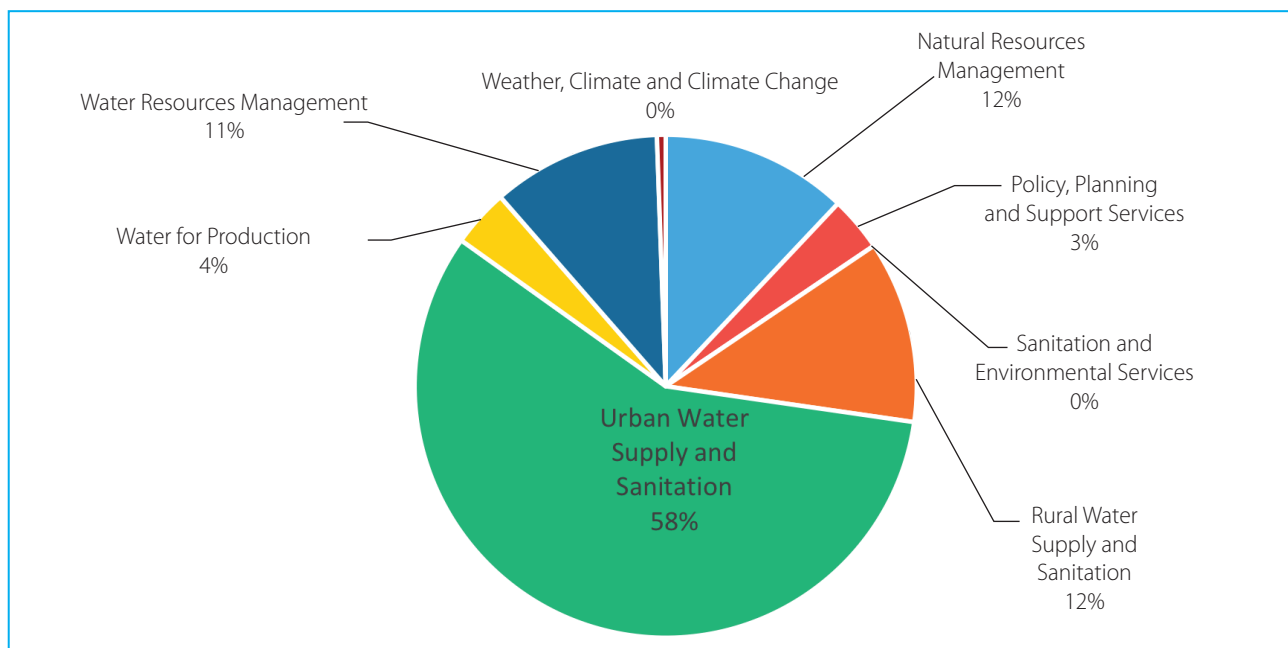


Note: Data for 2007-2015 derived from the OECD-DAC data-base. Data for 2017/8 derived from the mapping of development partners funds undertaken by the MWE.

Figure 12 maps the targeted development partner support across the whole range of MWE responsibilities (i.e. including resources allocated for activities beyond the provision of basic water and sanitation services).

This highlights the continued development partner focus of: (i) funding access to basic urban and rural WASH services (67 per cent of allocations); and (ii) investment in urban settings.

Figure 13: On-budget development allocations to the WASH sector from 2015 to 2018



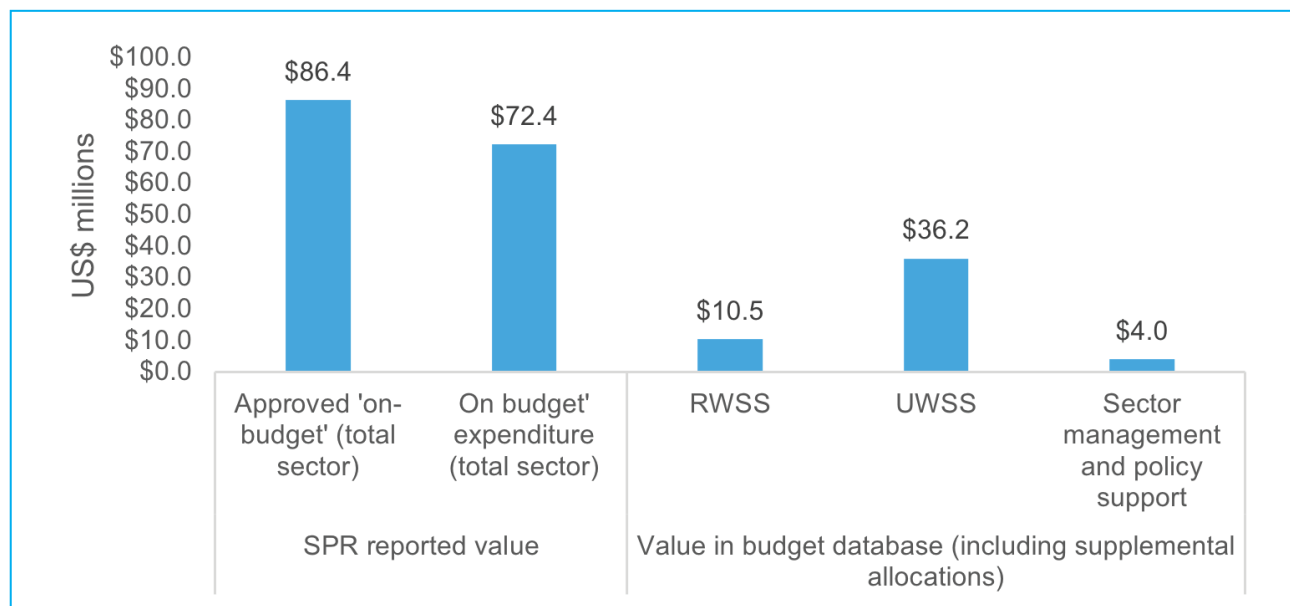
Box 2: Note on the data sources used

The absolute financial value of investments by development partners is difficult to report with precision:

- Investments by NGOs and some multilateral organizations, including UNICEF, are 'off-budget'. Efforts have been made by the Development Partners Group to capture this data centrally through reporting by the national representative body for WASH NGOs (UWASNET) and by updating an Excel database mapping key development partner allocations. These data sources provide the best available picture of off-budget spending.
- 'On-budget' development partner commitments are captured in the national budget database available through the website of the Ministry of Finance and Economic Development. This database allows for interrogations of existing and historic sector allocations, but does not necessarily capture supplementary allocations made to the sector during the financial year. At the end of the financial year, the Sector Performance Report (SPR) captures some of this supplementary spending. Nevertheless, the authors note some inconsistencies between the SPR reporting of overall on-budget spending and the budget database.

The Sector Performance Report states that in 2017/2018 overall development partner investment spending in the entire water and environment sector was just over US\$72 million dollars. Using the budget database, it is possible to isolate the other 'on-budget' sums budgeted for direct provision of rural and urban WASH services and other sector support. This totals US\$50.7 million, with the majority (US\$36.2 million) allocated to urban water and sanitation services.

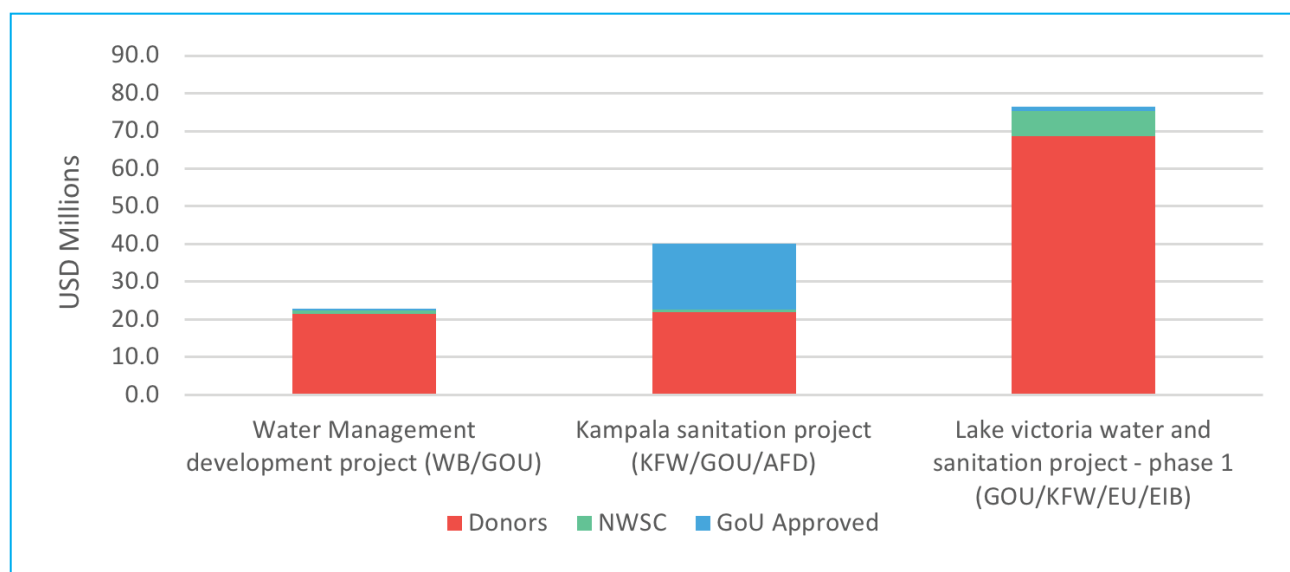
Figure 14: Summary of 2017/18 donor spending in the WASH sector



Source: Sector Performance Report (2018); and MOFED budget database

A range of development partners are providing considerable sector support via large infrastructure projects, most notably the Water Management Development Project (2013-2018), the Kampala Sanitation Project and the Lake Victoria WatSan project (Phase 1: 2012-2018). The second phase of the Lake Victoria WatSan project runs from 2018 to 2023 supported to a large part by the French Development Agency.

Figure 15: Funding arrangements for large WASH infrastructure arrangements in Uganda



Off-budget funding is considerable when including the humanitarian aid provided to the huge numbers of refugees hosted in a number of districts in Mid-Western Uganda and Northern Uganda (West Nile Region). Beside funding for humanitarian aid, there are other funding sources from CSOs / NGOs and multilateral development partners such as UNICEF and the UNHCR, as well as development partners such as the Japan International Cooperation Agency (JICA) and GIZ.

The development partner mapping database provides an overview of all project and programme commitments by different development partners over the eleven year period 2012 to 2023 (see Table 5 below). Over this period the largest commitments have come through the French, Danish and German bilateral development agencies, with significant investment finance provided by the World Bank and the African

Development Bank. Latterly, USAID has entered the sector, supporting market-based sanitation initiatives as part of its Sanitation for Health Program. The only other major development partner funding for rural sanitation comes via the Ugandan Sanitation Fund (USF). The USF is funded by the Global Sanitation Fund (part of the WSSCC secretariat in Geneva) and implements through the Environmental Health Division of the Ministry of Health. The second phase of USF runs to 2020 and has played an important role in financing the Government's local-level sanitation promotion activities.

Table 5: Summary of development partner commitments to the WASH sector (2012-2023), US\$ millions²

Development partner	Off-budget (millions)	On-budget (millions)	Total (millions)
AFD		462.7	462.7
AFDB		109.8	109.8
Austrian Development Agency	1.9	8.6	10.5
Denmark	59.7	67.2	127.0
European Union	7.6	35.7	43.3
FAO		4.7	4.7
Germany / GIZ	34.6		34.6
Germany / KfW		94.9	94.9
Japan/ JICA	4.4		4.4
UNICEF	21.6		21.6
USAID	32.5		32.5
World Bank		115.2	115.2
Total	162.4	920.0	1082.4

Since 2015, including budgeted allocations for 2018/19, the WSSCC has contributed over US\$4.5 million via the Ministry of Health to support rural sanitation promotion, implemented through local government agencies.

Table 6 On-budget contributions to the Uganda Sanitation Fund – via the Ministry of Health (US\$)

Funder	2015/16	2016/17	2017/18	2018/19	Total
WSSCC / Global Sanitation Fund	\$2,274,569	\$545,285	\$602,470	\$1,222,826	\$4,645,150
Counterpart Government funding	\$43,695	\$0	\$119,013	\$113,062	\$275,770
Total	\$2,318,264	\$545,285	\$721,483	\$1,335,888	\$4,920,920

Source: Authors' analysis of MoFED budget database

For the period 2017/18, the development partner mapping database estimates that major development partners will spend a total of US\$9.0 million on supporting WASH services in Uganda (Table 6). This covers both the rural and urban sub-sectors, as well as emergency WASH.

²Funding from the Global Sanitation Fund is not included in this list as these funds are channelled through the Ministry of Health

Table 7 Major off-budget development partner allocations to the WASH sector, 2017/18 (USD millions)

Development partner	Sector support	Rural water supply	Rural sanitation	Urban water	Urban sanitation	Emergency WASH	Total
Austrian Development Agency	0.2	0.3					0.5
Denmark	0.5	0.0		0.3	0.3		1.2
EU		0.2	0.2				0.4
Germany / GIZ		0.0		0.6	1.2		1.8
Japan / JICA		0.7					0.7
UNICEF		1.2	1.3			2.0	4.4
Total	0.7	2.4	1.4	1.0	1.6	2.0	9.0

UNICEF is the main multilateral agency working in the sector and its funding is also provided off-budget, with expected expenditure of US\$4.4 million in 2017/18. A summary of UNICEF programming is given in Box 3, below.

Box 3: UNICEF's WASH programming in Uganda – 2017/218

UNICEF WASH programming in Uganda is multifaceted and supports the delivery of WASH services to rural communities, institutions, and refugee and host communities. UNICEF mechanisms of support include: direct provision of water systems, rehabilitation of existing sources, capacity building for water user associations, sanitation and hygiene behaviour change through CLTS and direct provision of WASH facilities in schools. A summary of the scope of UNICEF's interventions in 2017/ 18 is given below:

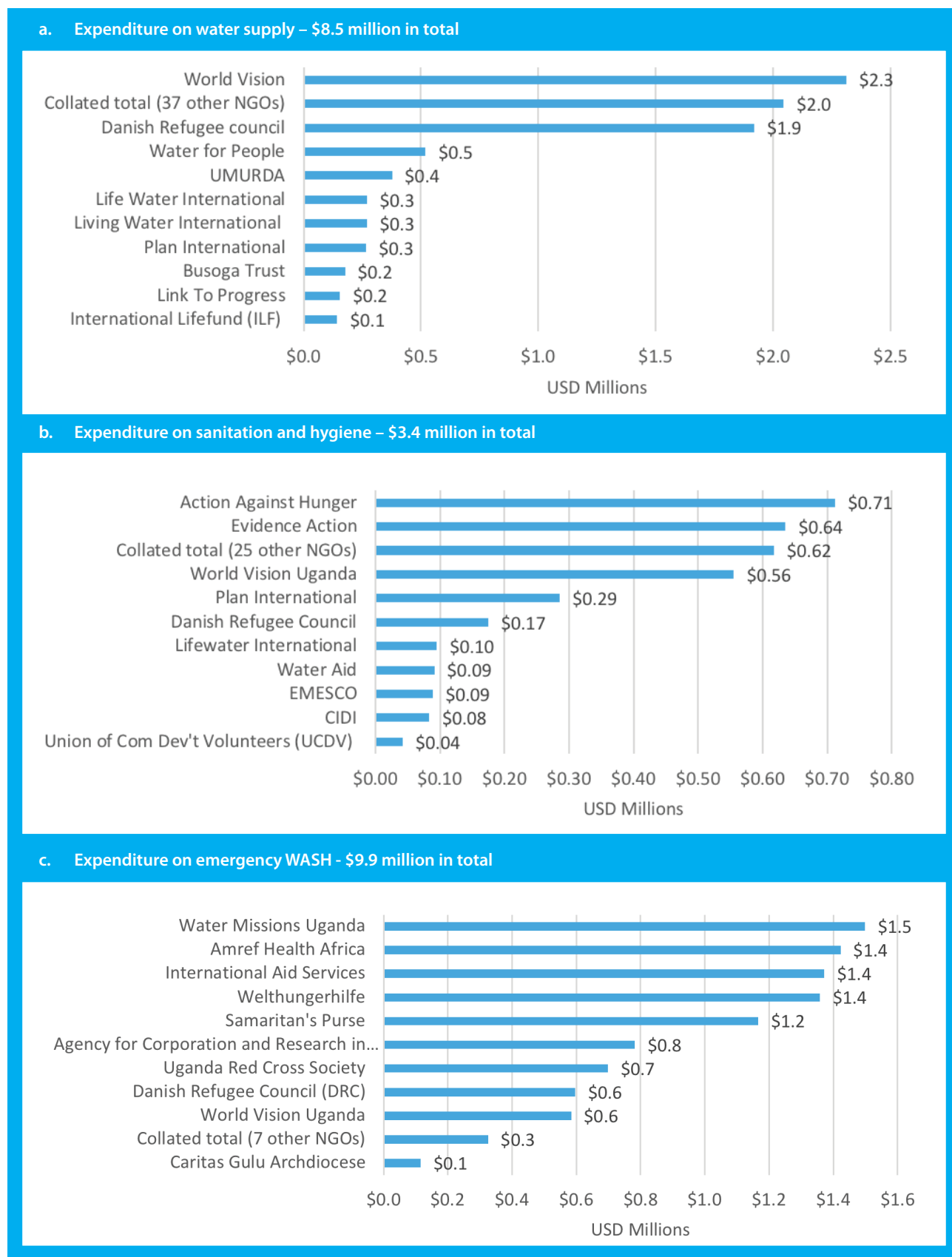
- **Water facilities:** 179 boreholes rehabilitated, 2 piped schemes rehabilitated, and 9 motorized water schemes constructed in refugee communities.
- **Capacity building:** support for broad-based WASHBat assessments, and funding for various training programmes at sub-national level.
- **Sanitation and hygiene:** 568 communities triggered in 19 districts.
- **Institutional latrines:** construction of 25 latrine blocks, of which 20 in schools and 5 in health facilities.

Additional off-budget expenditure is reported by UWASNET through its annual performance report.

To prepare this report UWASNET asks its NGO members to voluntarily disclose budgeted and annual expenditure on WASH services during the financial year; most of them do respond. For this analysis, UWASNET representatives provided the source data for the performance report to enable further analysis of how expenditure was being targeted. UWASNET estimates that in 2017/8 US\$24.6 million was spent by civil society on WASH-related implementation, and around US\$21.8 million of this was allocated to provision of basic water and sanitation services. Around 40 per cent of this spending was on emergency WASH, and just over a third (34 per cent) on water supply projects. Sanitation and hygiene spending was US\$3.4 million over the year, just 14 per cent of CSO spending. The majority of all spending (70 per cent) was on infrastructure construction ('hardware').

A **detailed breakdown** of this spending is given in Figure 15. This shows that World Vision has a large programme of work across water, sanitation and emergency WASH. Other large NGOs include the Danish Refugee Council, Water Missions Africa, International Health Services and Welthungerhilfe.

Figure 16 Civil society expenditure on WASH services 2017/18



Source: Authors' analysis of UWASNET data from 2018

5.2 Coordination of donor support

Since 2001, Uganda has taken a sector-wide approach (SWAP) to WASH sector planning, implementation, reporting and accountability. Every year the Ministry of Water and Environment produces a Sector Performance Report (SPR) which reports on investments, targets and outputs achieved in the previous years, assesses sector performance across the WASH sub-sectors, and highlights any major challenges and strategic issues which affect performance.

The Joint Water and Environment Sector Support Programme (JWESSP) is a key mechanism to coordinate and align development partner funding and activities with the MWE. The first phase of the JWESSP (2013-2018)³ provided a framework and associated funding mechanisms for the joint financing of sector activities. These included:

- **The Joint Partnership Fund (JPF)** – an instrument for coordinated sector funding of capacity building support and major infrastructure investments that are beyond the reach of local government agencies to implement.
- **Sector budget support (SBS)** – by definition this funding was not earmarked for specific activities. Rather it was used a mechanism for development partners to support sector activities implemented by district local governments, in line with Uganda’s decentralization policy.

The second JWESSP (2018-2023), has been designed to support implementation of the recently developed 2018-2030 strategic investment plan. However, it is expected that development partners will shift away from channelling funds through the JPF and SBS towards a direct project financing modality whereby they directly transfer funds to contractors constructing water supply systems. As such, JWESSP II acts less as a mechanism to channel development partner funds, but more as a mechanism to track and coordinate on-budget (and, to an extent, off-budget) funding.

³It should be noted that the JWESSP was itself a successor programme to the Joint Government of Uganda – Development Partners Water and Sanitation Sector Support Programme (2007-2013).

6 Consumer Financing of WASH Services

This section presents the current framework and practice for WASH services users' contribution to financing services. These contributions are captured in the following manner:

WASH sub-sector	Data source and calculation	Data credibility
Urban water	NWSC annual reports of tariff revenue – this covers all water supplied by the utility in urban centres. Costs incurred by households accessing informal water services are not captured.	High
Small towns	Tariff revenue collected by Umbrella Authorities is collated centrally, but does not yet cover all schemes	Medium (as not comprehensive)
Rural water	No estimates available. Existing data suggests that tariffs are rare in rural areas supplied by point sources household expenditure. Data on household expenditure through self-supply is also unavailable.	No data
Urban sanitation – sewerage connection	NWSC annual reports on revenue for sewerage connections.	High
Sanitation (rural and urban) – facility construction	Annual investment derived by estimating the number of new sanitation facilities constructed each year using JMP figures; multiplied by sanitation technology cost estimates derived from a detailed USAID study.	Low / medium
Sanitation (rural and urban) – operations and maintenance	Data derived from reported recurrent expenditure on WASH related services derived from consumption surveys.	Low

6.1 Water and sewerage tariffs

Officially, the Government of Uganda's policy is to promote tariffs which are cost reflective – i.e. they cover the costs of operations, maintenance, capital maintenance, depreciation, future investment costs and any costs of capital due on loans taken. In small towns and rural growth centres achieving a level of cost recovery through tariffs is more challenging. In such cases the focus is on meeting the ongoing costs of system operations, with payments for major system repair or expansion subsidized from other sources.

Urban and town areas served by NWSC

The NWSC tariff structure has been designed to recover all operation and maintenance costs, but they are not currently at a level to finance most system expansion and renewal. The tariff framework applied is uniform across all NWSC service areas, but there are differential tariff rates by connection type and by customer type, as laid out in Table 6.

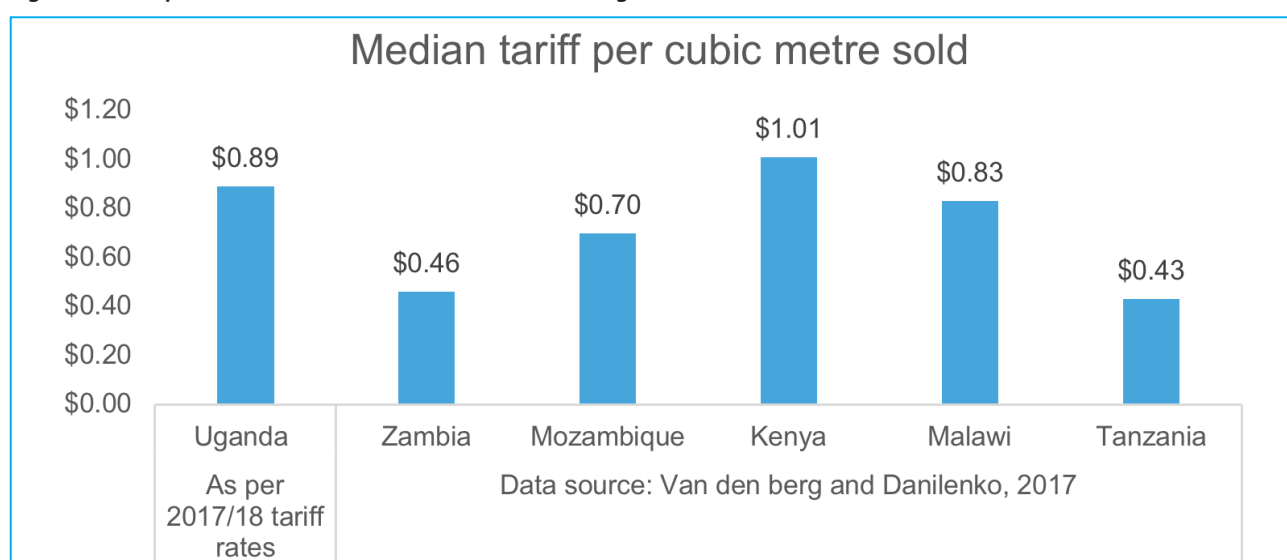
Table 8 Water and sewerage tariff charged by NWSC in 2017/2018: all prices per m3 of water supplied

Customer Category	Ugandan shillings			US\$		
	Water tariff 17/18	Tariff per 20 litre jerrycan	Sewerage tariff 17/18	Water tariff 17/18	Tariff per 20 litre jerrycan	Sewerage tariff 17/18
Public standpipe	1,060	21	n/a	\$0.29	\$0.01	n/a
Domestic	3,305	66	2,703	\$0.89	\$0.02	\$0.73
Institutions / Government	3,344	67	3,344	\$0.90	\$0.02	\$0.90
Average commercial tariff	3,827	77	3,827	\$1.03	\$0.02	\$1.03

Note – the sewerage charge is not charged independently. Households with a sewerage connection are charged in direct proportion to the amount of water they consume.

The tariff charged by NWSC is aligned with some of the highest tariffs in the region but is not considered excessive (Figure 16). From a utility management / financial viability perspective the tariffs are thought to be broadly adequate to safeguard the operational sustainability of NWSC service delivery.

Figure 17: Comparison of NWSC tariffs with others in the region



Box 4: Pro-poor tariff strategy

Since the 2016 Joint Sector Review **there** has been an increasing focus on issues of equity and cost recovery for tariffs for low-income consumers, particularly those in public institutions and rural areas, and those accessing services through kiosks. A key principle adopted by NWSC is that of cross-subsidization, under which an anticipated increase in domestic tariffs for household connections would subsidize lower, poor-inclusive tariffs for those accessing standpipe services in cities and small towns across the country. However, a recent review by the water utility regulatory department found that in many cases private operators were charging consumers well above the approved tariff – emphasizing the need for ongoing regulatory oversight of this issue.

NWSC annual reports show a clear trend of increasing revenue collections driving up the absolute value of the operational margin the corporation achieves. In 2017, the NWSC collected US\$86.7 million in household tariffs, up 16 per cent from 2016 and 45 per cent from 2015. This compares to operational expenditure of US\$67.8 million in 2017, resulting in an operational margin of US\$19.1 million.⁴

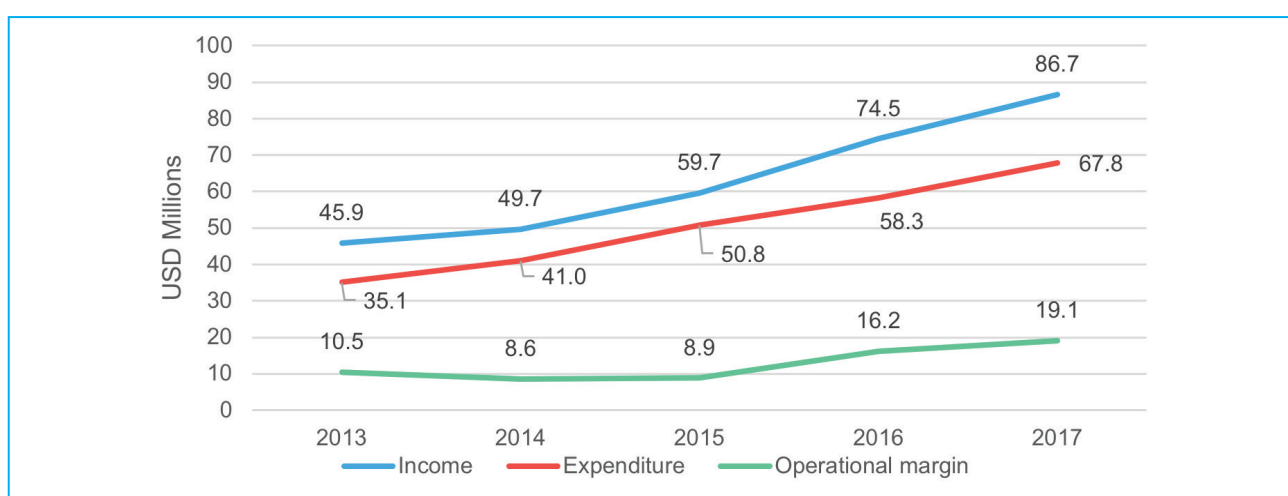
⁴This margin is accounted for as equity investments, and effectively strengthens the balance sheet of NWSC every year.

The financial position of NWSC greatly benefits from investment in new infrastructure financed by taxes and subsidized by concessional loans from development partners. In this set up, the NWSC benefits from an expanding customer base made accessible through network expansion but is not required to bear the costs of borrowing this money as it is paid for by the central government.

It should be noted that these figures represent the financial situation for the entirety of NWSC and masks differences in operational performance between regions. For example, seven out of twelve areas in the central region are not breaking even and require cross-subsidy from other parts of the business. The situation is similar for parts of the eastern and northern regions.

The rapid expansion of NWSC into smaller and more remote towns puts pressure on its ability to recover costs in all service areas, though the organization's current financial health is strong (see Box 5 below). This unevenness in financial viability, as well as reported variations in service levels, is likely to put a strain on NWSC's financial performance in future years.

Figure 18: Financial performance of NWSC, US\$ millions



Source: NWSC Annual Report, 2017

Box 5: Creditworthiness of NWSC

The financial health of the NWSC is atypical of utilities in the region. One important and consequential signal marker of this strength is the recent decision by the Global ratings agency in South Africa to upgrade NWSC credit rating from A to AA status.

This rating was achieved based on the last five years of good financial performance, increased operating margins, support from the Government, absence of debt, good management and compliance. The summary of the rating report noted that NWSC benefits from an efficient and sustainable tariff mechanism, which has allowed average tariffs to escalate at a sufficient rate to cover the rising unit production costs of water... which represents a key rating strength.

This rating upgrade is potentially significant for future financing of urban water and sanitation. In the context of diminishing donor financing, and increased strains on MoFPED borrowing capacity due to rising debt/GDP ratio, the NWSC needs to access more and different sources of financing to meet the country's goals for water and sanitation service delivery. This credit rating suggests that NWSC is in a financial and operational position to tap the Ugandan domestic capital debt market, and means that this debt could be taken on at surmountable rates. This would require willingness at the NWSC to take on increasing risk of debt repayments and to accept the need to pay the cost of capital on the investment finance provided. Although this may be financially viable for NWSC and desirable for the Treasury, it would require NWSC management to forgo the current benefits received from development partner and government grants.

Towns served by umbrella authorities

The current policy is that UA tariffs are set to cover actual O&M costs, with lower rates for gravity flow schemes which do not need pumping. The Sector Performance Report for 2018 states that cost recovery can be achieved in most towns, barring those with high pumping costs. Prospects for cost recovery have increased in these, given the external and government investment in new infrastructure.

Financial data indicate that across all six umbrella authorities, covering 144 different schemes, the average revenue collected is a little over US\$100,000 per month,⁵ or US\$1.23 dollars a year. As of March 2019, monthly revenue collection for all 224 schemes was estimated at US\$176,000 per month.

The most recent instrument for small-town financing is the donor-supported “revolving fund” established in April 2018. This fund is to be used to support major repairs, service extensions, and subsidized connections, amongst other things.

6.1.1 Estimates of household expenditure on sanitation

Estimates of household sanitation expenditure of sanitation facility construction have been derived from the JMP country file for Uganda. This document provides estimates for year-on-year increases in sanitation access across different forms of sanitation. The annual number of additional facilities constructed has been averaged over the five-year period 2011 - 2015. Assumptions about household investment in facilities have been derived from the USAID study on the supply chain of sanitation facilities across different parts of the country (see Annex C for details of the source data). A summary is provided in Table 7.

Table 9: Estimated household expenditure on sanitation

Toilet type	Area	No constructed annually	% zero cost*	Expenditure estimates, US\$ millions	
				Lower band expenditure	Upper band expenditure
Unimproved facility	Rural	135,994	33%	8.6	14.8
	Urban	16,836	0%	1.6	2.7
Improved basic facility	Rural	57,933	0%	23.0	30.9
	Urban	29,729	0%	11.6	15.3
Total				44.8	63.6

* The proportion of facilities that have been constructed at zero financial cost. For the purposes of this analysis we have assumed that a third of all rural unimproved facilities were constructed without incurring any financial cost. All other types of facility are assumed to have been constructed in line with the financial data found in Annex C.

6.2 Consumer access to finance

Access to forms of microfinance for WASH is still embryonic in Uganda and is reliant on development partner support. The challenges and risks associated with private sector loans for WASH investments, particularly for sanitation and particularly for low-income consumers, is well documented in the region. Sanitation investments potentially enhance incomes through better health and well-being, but they are not income generating and this fact significantly raises the risk of repayment default from households taking loans. Moreover, households and small-scale businesses are often apprehensive about approaching or borrowing from interest-based institutions, as they feel that will not be able to comply with standards and will end up paying more.

Lending affordability seems particularly acute in Uganda which ranks 120th out of 138 countries in the affordability of financial services index. According to the World Bank’s Uganda Economic Update (2017), in real terms Uganda’s lending rates higher than those of its neighbours. The high costs of finances and stringent collateral required are significant barriers to enterprise growth and operations. Having said that, organizations such as Water.org through its smart subsidy-based water credit programme have had some success in brokering small-scale loans to the WASH sector.

⁵The SPR 2018 reports average monthly collection at 380 million Ugandan Shillings, equivalent to US\$102,600.



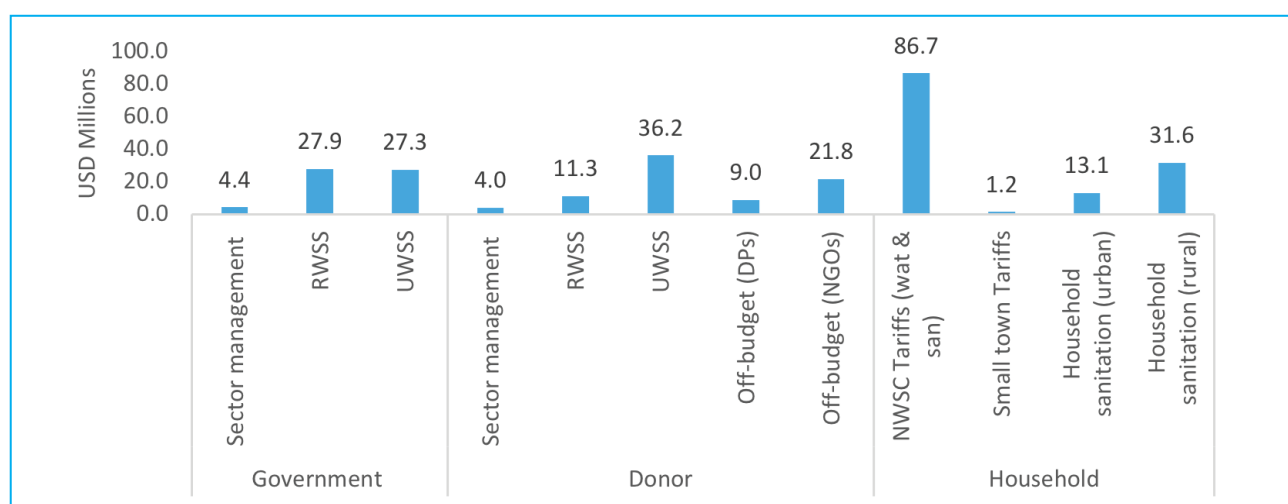
7 The Overall Financing Picture

This section seeks to consolidate the data in the prior sections to give an overall picture of WASH sector finance. This analysis focusses on the financial year 2017/18 as this is the period for which the most complete set of government, donor and consumer data is available. Where possible this data has been attributed to specific WASH sub-sectors. However, as discussed previously this aspect is limited due to constraints related to the tendency of sector agencies to report investments in water and sanitation as a single line item. Finally, it is important to appreciate that the financing picture below is likely to be an underestimate of overall sector investments, particularly because of gaps in knowledge about household investment in rural water services and self-supply.

In the year 2017/18 an estimated US\$274.6 million was spent on various aspects of the provision of water and sanitation services through government taxes, donor transfers, and household contributions. Figure 20 provides a disaggregated overview of these expenditures and gives insights into the sources of this expenditure, how it was channelled, and how it was distributed between WASH sub-sectors. This analysis shows that:

- In absolute terms government expenditure appears evenly balanced between investment in urban and rural water and sanitation
- On-budget development partner expenditure is skewed towards urban water and sanitation, but most off-budget expenditure are likely to be rural focussed. This indicates that overall absolute expenditure is likely quite well balanced between rural and urban water and sanitation
- Household expenditure on water and sanitation services is by far the largest contributor to overall sector financing. The vast majority of this comes through water and sanitation tariffs paid to NWSC for services in cities and selected towns. In addition, estimates also suggest that household spending on sanitation also makes up a considerable proportion of overall sector expenditure on basic water and sanitation.

Figure 19: WASH sector spending 2017/18 disaggregated⁶



⁶Note lower bound estimates used for household sanitation expenditure; off-budget is shown as distinct from on-budget

Figure 20 and Figure 21 provide estimates of WASH sub-sector spending disaggregated by the taxes, tariffs and transfers (3Ts) classification. To produce this summary picture, a number of assumptions have had to be made to allocate cross-cutting or lump-sum expenditure to different sub-sectors.⁷ The summary picture enables direct comparison of the scale and composition of expenditure across the different WASH sub-sectors. These dynamics are explored in the dedicated sub-sections below the graphs.

Figure 20: WASH sub-sector spending 2017/18, disaggregated by source

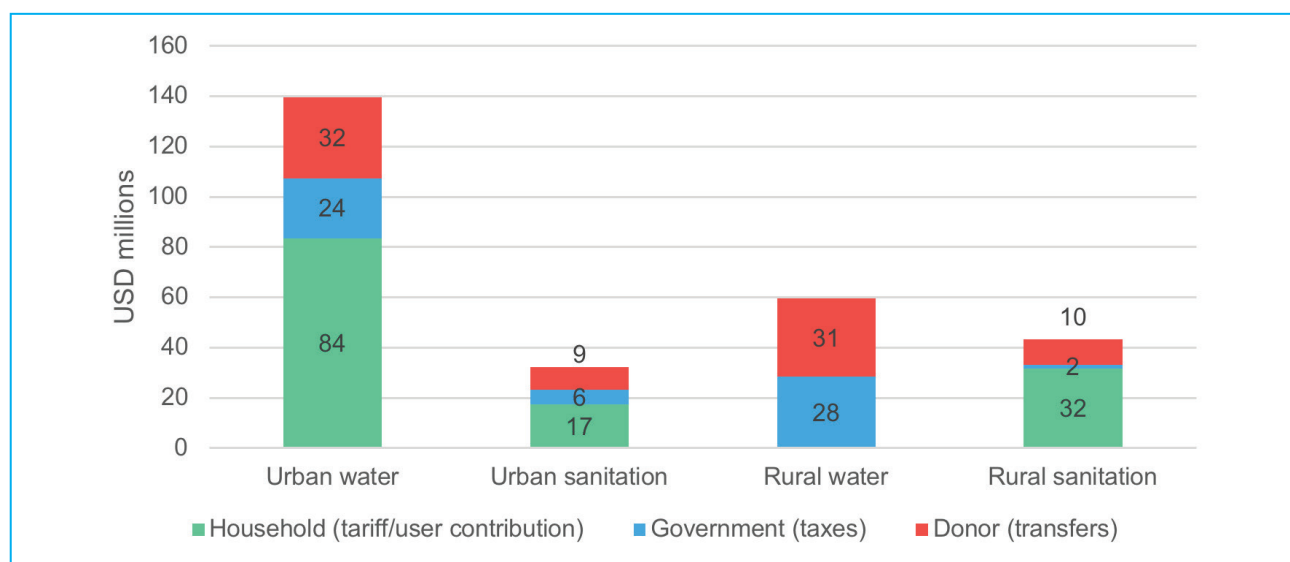
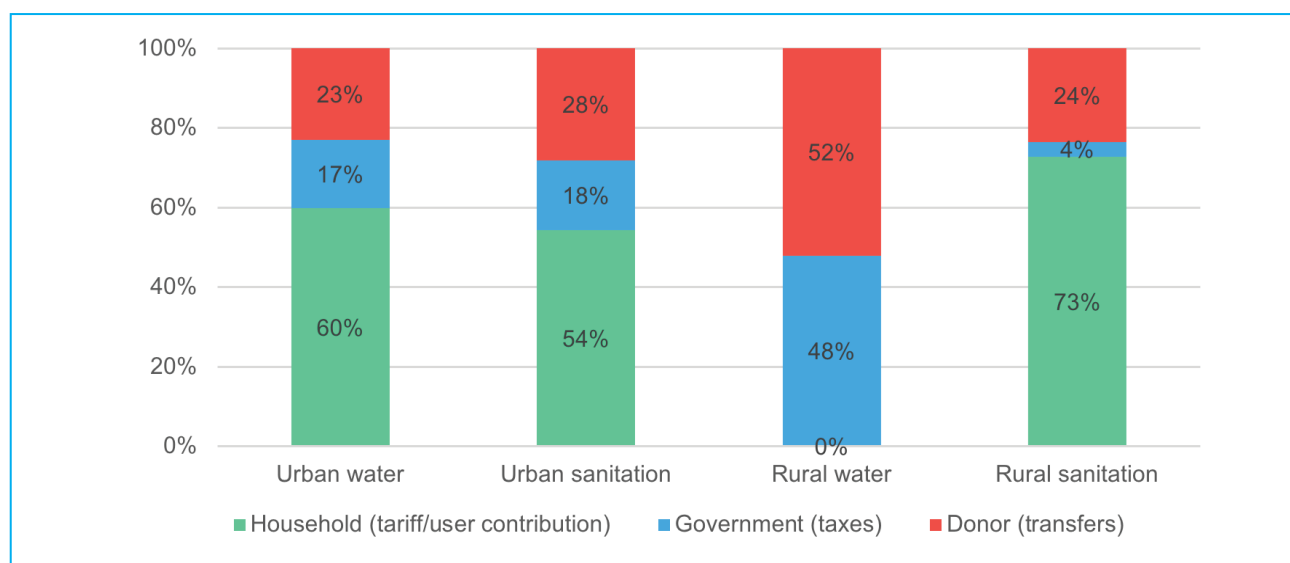


Figure 21: Proportional spending, by source



Urban water: Household expenditure on urban water tariffs is US\$84 million per year, this is more than total expenditure, from all sources, for any other WASH sub-sector. The prior analysis of NWSC accounts shows that this revenue is sufficient, with some surplus, to cover the operation and maintenance costs of the urban water network. The US\$55 million spent by the Government and development partners targets new infrastructure development. With the expanding operational mandate of the NWSC combined with urbanization pressures, this means that key strategic decisions will have to be made concerning extent to which any surplus from Kampala and other major urban centres should be used to either cross-subsidize service delivery in emerging towns or as

⁷The key calculation assumptions are: sector management expenditure is allocated 50/50 to urban and rural, and is 90 per cent to support water services; 80 per cent of on-budget UWSS and RWSS expenditure by the Government and development partners is allocated to water supply; 95 per cent of NWSC tariffs are allocated to urban water; 80 per cent of expenditure on emergency WASH is allocated to rural water, and the remaining 20 per cent is allocated to rural sanitation

to mobilize substantial additional commercial finance for system expansion. NWSC is expanding into small towns and rural service areas, many of which will require initial investment and ongoing support to achieve a level of cost recovery and sustainability. In many cases shortfalls in small town operations will require ongoing cross-subsidy from other NWSC operations.

Urban sanitation: Expenditure on urban sanitation services is lowest of all the WASH sub-sectors; and only around a quarter of what is spent on urban water. This is despite the fact that only 30 per cent of urban residents access basic sanitation services. The main source of funding from the sector is assumed to be household expenditure on on-site sanitation, with some piecemeal investment from NWSC generated through the sanitation surcharge linked to water consumption. For the 2017/18 period, development partner and government funding is relatively modest, but this is expected to increase over the next few years due to implementation of the Lake Victoria and Kampala Water and Sanitation Project: this will also see a substantial spike in urban water investment. There are other potential drivers underpinning the under-investment in urban sanitation, as outlined in Box 6 below.

Box 6: Aligning incentives for investment in urban sanitation

There is an acknowledged danger that parts of WASH service delivery which are not revenue generating or are expected to be of low commercial viability will suffer under-investment by key sector actors.

Anecdotal evidence reported during in-country fieldwork suggests that, in the case of the NWSC, organizational commitment to commercial viability in some cases trumps other commitments to expanding access. The most egregious (although unverified) example of this is a report that the NWSC refused to take over the operation of a wastewater treatment facility to avoid being burdened with the high costs of operations and maintenance, which couldn't be offset with increased revenue. This example, if verified, would suggest that sanitation services and investments will continue to be neglected by the major utility.

Rural water: In this analysis, rural water is shown to be exclusively funded through government and development partner finance. This, demonstrably, does not provide a completely accurate reflection of the rural water financing picture. Undoubtedly some households will be contributing to rural water service through a variety of means, whether through water point tariffs, self-supply, or ad hoc maintenance. However, there is no evidence on either way on this point as the contribution of rural households is not tracked in sector monitoring, so there is no basis to estimate the magnitude of this expenditure. From the data which are available, it appears that development partners and the Government provide roughly equal levels of support to rural water services.

Rural sanitation: Expenditure on rural sanitation is dominated by households through the construction of on-site facilities, with some support from development partners who primarily support software interventions and also provide some hardware support in certain contexts. The Government's contribution to supporting rural sanitation is estimated at just 2 per cent of expenditure in 2017/18, and development partner contributions make up nearly a quarter of sub-sector allocations. The main components of development partner support are the WSSCC's/ GoU Ugandan Sanitation Fund (US\$700,000) and US\$3.4 million contributed through various NGO programmes.

8 Financing Options

8.1 Projected financial shortfall to meeting relevant SDGs

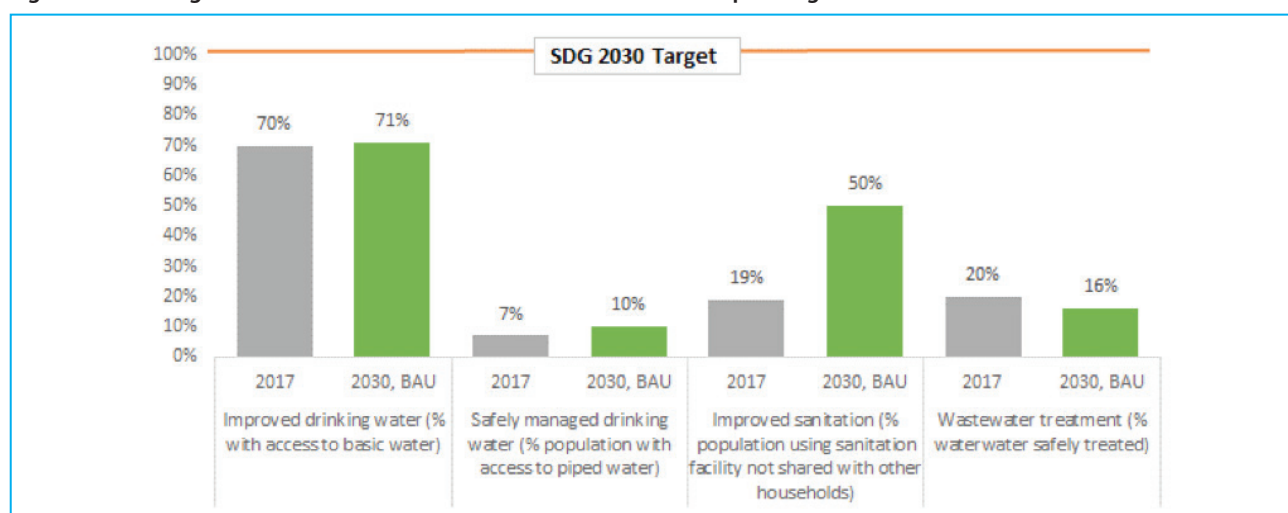
A Strategic Sector Investment Plan (SSIP) has recently been developed by the Government of Uganda to help translate the sector’s goals and targets, NDPII and the Sustainable Development Goals (SDG) into sector funding requirements for the twelve year period 2018-2030.

Funding requirements were estimated using existing data on service coverage, available unit costs for facility construction, operation and maintenance, and external trends such as population growth and urbanization.⁸ The SSIP estimates the annual funding requirement for the entire Water and Environment Sector – including forestry, water resource management, water for production and so on at well over US\$2 billion per year. Disaggregating this further would indicate that the annual cost of achieving universal access to safely managed water and sanitation is approximately US\$742 million which leads to a cumulative funding requirement of over US\$9.5 billion over the 12-year period.

The SSIP also projects the likely WASH situation if existing investment patterns continue. Under this business as usual (BAU) scenario, the SSIP estimates that, by 2030:

- Access to improved drinking water will only just keep pace with population growth
- Access to safely managed drinking water will improve slightly but will remain a long way behind targets
- Access to improved sanitation will increase markedly (from 19 per cent to 50 per cent), largely reflecting the focus in recent years on strengthening collaboration among institutions responsible for sanitation activities, and through implementation of community-led total sanitation approaches.

Figure 22: Coverage scenarios for 2017 and 2030 at business as usual spending



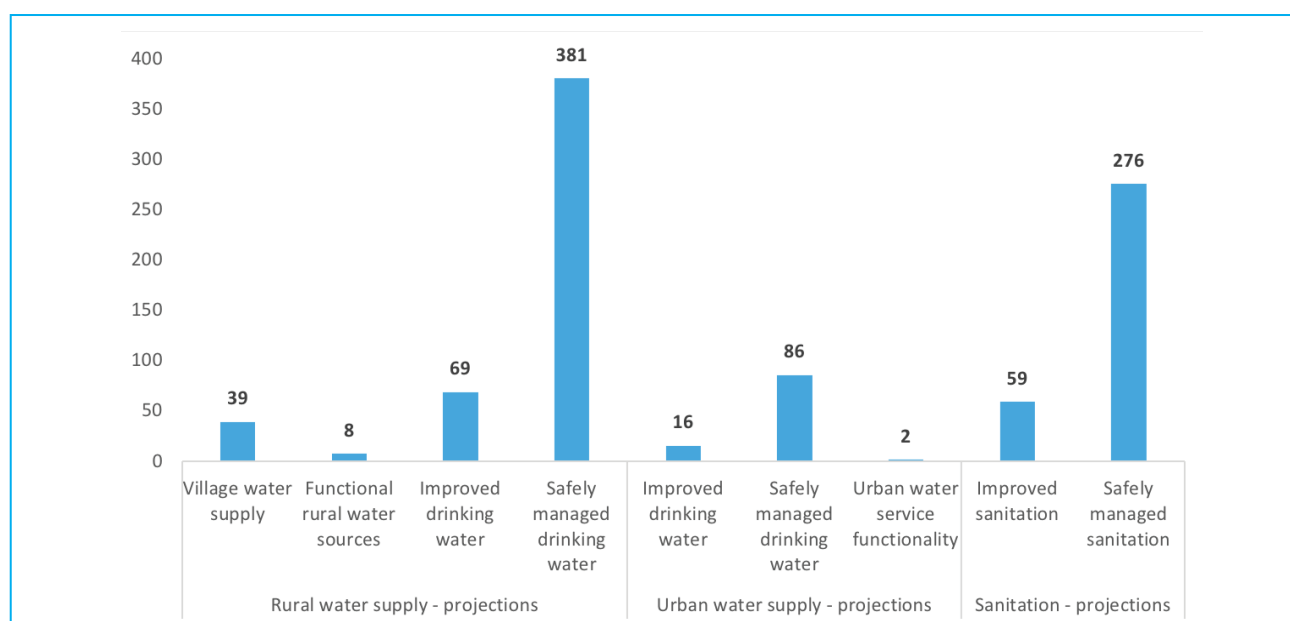
Source: Authors’ adaptation of data in the Government of Uganda’s Water and Environment Sector Strategic Investment Plan 2018-2030

⁸This SSIP methodology calculated cost requirements using coverage estimates and available unit cost data. As with most modelling estimates, the outputs provided are very sensitive to changes in the starting assumptions made. As such these figures should be treated with a degree of caution.

Further analysis of the SSIP data and assumptions allows for a more granular assessment of the sector financing gap under different service delivery scenarios – see Figure 19 and Figure 20.

This analysis highlights the stark (estimated) cost implications of achieving different levels of water and sanitation service. For example, the cost of ensuring that each rural village has a source of safe water (“village water supply”) is substantially lower than that of ensuring that all the rural population has access to improved water sources within a reasonable distance (“improved drinking water”), which is in turn far lower than the cost of providing all the rural population with on-premises services (“safely managed drinking water”). It is important to note that in this strategic plan the quoted investment requirements for a safely managed service only reflect the estimated additional costs of taking a household from an improved to a safely managed service. Therefore, the overall cost of providing a universal safely managed service is cumulative of all the costs shown per sub-sector.

Figure 23: Projections of annual cost requirements for achieving sector goals under different service delivery scenarios (US\$, millions)



Source: Authors' adaptation of data in the Government of Uganda's Water and Environment Sector Strategic Investment Plan 2018-2030

On this basis, the sector investment plan estimates that a WASH investment of **US\$935 million a year** is required to meet the sector and SDG targets of universal access to safely managed water and sanitation by 2030. This is over three times current levels of investment in WASH service provision.

If service level expectations are lowered to universal access to improved/basic⁹ services, then projected investment requirements drop substantially to **US\$278 million – very close to existing levels** – albeit most existing expenditure is focussed on urban water supply.

8.2 Options to close the financial gap

Given the scale of the financing needs, especially for sanitation, no single approach will fill the financing gap. A varied sector financing strategy is needed employing market financing to fund revenue generating/cost-saving projects and allocating donor funding and contributions to address the sector needs where cost recovery is more difficult. A number of options exist to fill the financing gap in the water and sanitation sector:

- **Increasing government funding to WASH (taxes):** evidence-based arguments for increased public funding of WASH services would need to demonstrate the economic impact of investment in WASH vis a vis other investment

⁹The sector investment plan reports the WASH targets to be access to “improved” rather than “basic” services. Our interpretation is that the sector investment plan's definition of an improved service is aligned with how the JMP now defines basic water and sanitation services.

- **Attracting more financial support from development partners (transfers):** it is unlikely that development partner funding will be sustained at prior levels, especially since major sector donors, such as Denmark, are phasing out their support. However, the relative effectiveness and efficiency of certain parts of the sector – such as the ‘utilization’ or rural and small-town schemes, may provide attractive entry points for ongoing development partner support.
- **Mobilizing resources from consumers (tariffs):** increasing household contributions is important for the long-term sustainability of services. However, because of socio-economic and political constraints this can only be done gradually and sensitively to mitigate the impact on the poor. Progress can also be made through efficiency gains in service provider operations.
- **Mobilizing commercial finance (repayable finance):** access to market finance can be channelled through a variety of different vehicles, whether through bonds, loans or indirectly through PPP concessions (notwithstanding the acknowledged difficulties therein). Taking on commercial debt is typically only a realistic option for financially resilient and viable entities which are able to cover operations and interest repayment costs.



©UNICEF/UN0310699/Bongyereirwe

9 Findings and Recommendations

Key findings

Country context

- The rapid pace of Uganda's urbanization is putting a major strain on national and local governments' ability to meet the developmental needs of the urban population.
- In recent years the Government of Uganda has invested heavily in major infrastructure – energy, railway and roads – at the cost of declining investment in social sectors (e.g. health, education, water and sanitation). As such, prospects for current and future human capital development are a growing concern.

Institutional arrangements

- The role and mandate of the NWSC is expanding at a pace. Since 2011 there has been a four-fold increase in the number of people served by the NWSC as it takes over large and medium-sized towns from local water authorities. This trend is set to continue.
- Local government resources to support WASH service delivery have been severely constrained, particularly in recent years. These limitations are exacerbated by the proliferation of new districts, which further fragments already scarce local government budgets.
- Private sector engagement in the sector is limited and carefully managed. In the case of water, private sector involvement through operator contracts is seen as a 'stop-gap' service and private sector bodies are not engaged as long-term partners for local government. Given poor historic levels of private sector performance the emphasis has shifted towards expanding the service delivery areas for NWSC. In the case of sanitation, to date little has been done to actively engage or stimulate private sector engagement in the provision of sanitation products and facilities or in providing FSM services.
- A sophisticated sector coordination structure has been built up through long-term development partner engagement with the MWE at national level. However, levels of development partner support to non-infrastructure software is being tapered out from 2018/19.

Developments in sector financing

- Changing modalities of development partner support have seen a substantial real-terms and proportionate decrease in development partner grants to the WASH sector. Increasingly the GoU is incurring concessional debt from development partners repackaged as de facto grants to the sector, and increasing overall levels of debt burden for the country. This may not be a sustainable practice in the longer term
- Development partners have moved away from channelling funds through general budget support, and are moving away from channelling (unearmarked) funds to the Joint Partnership Fund, towards a direct project financing modality.
- The recent award of an AA credit rating to NWSC is potentially significant for future financing of urban water and sanitation services through domestic commercial finance.

Overall financing picture

- Household expenditure on water and sanitation services is by far the largest contributor to overall sector financing. The vast majority of this comes through water and sanitation tariffs paid to NWSC

for services in cities and selected towns, although household spending on sanitation is estimated to outstrip donor and government contributions.

- Overall government allocations for WASH are broadly similar in rural and urban areas. However, on a per capita basis, allocations to urban areas are around three times higher.
- On-budget development partner expenditure is highly skewed towards urban water and sanitation, but most off-budget expenditure is likely to be rural focussed.
- Expenditure on urban sanitation services is lowest of all WASH sub-sectors; and only around a quarter of what is spent on urban water. This is despite the fact that only 30 per cent of urban residents access basic sanitation services.
- The Government spends over three times as much on supporting water service delivery (US\$63 million in 2017/8) than sanitation (US\$19m in 2017/8).
- Allocations to local government are not sufficient to sustain services, and government budgets to support operations and recurrent costs of rural system maintenance appear inadequate

Financing gap

- Overall sector investment from all sources was approximately US\$274 million in 2017/18: only around a third of what is required to meet sector targets of universal access to safely managed WASH services.

Recommendations

Sector monitoring, reporting and coordination

1) Collaborate with the MoFED, MoH and MoES to improve sector monitoring and reporting of sanitation investments. Activities should focus on: (i) disaggregating sanitation and water allocations and expenditure reported in the national budget system; and (ii) providing more precise estimates of the proportion of MoH and MoES allocations that are spent on constructing and maintaining water and sanitation facilities in hospitals and schools.

2) Explore options and mechanisms to ensure continuity for support sector coordination, annual reporting and system strengthening. The existing sophisticated and effective coordination structure in the sector reflects, in part, long-term investments in sector system strengthening by various development partners. With the imminent cessation of DANIDA grant support it is important that mechanisms are put in place to ensure that these systems are sustained in future years.

Sector financing

3) Use the findings of this study to push forward sector debates on strategic financial planning processes across all WASH sub-sectors. These should include:

- o Urban water and sanitation: NWSC financing infrastructure enhancement and extension through domestic commercial finance, creating additional fiscal space for much-needed government investment in other neglected WASH infrastructure – particularly related to urban sanitation.
- o Rural water: A focus on increasing sector understanding and strengthening guidelines around the management of rural water schemes, particularly related to tariffs and O&M funds. The focus should be on ensuring that any data on rural finance are captured more effectively to inform sector planning.
- o Rural sanitation: Collaboration with well-placed actors – such as USAID through its Sanitation for Health Program – to provide a comprehensive market assessment of prospects and costs for Ugandan households to progressively move up the sanitation ladder, in both urban and rural geographies. Such analysis can inform future potential innovations in sanitation service delivery and financing models. This may also be informed by lessons from elsewhere in the region: for example, the LIXIL model of container-based sanitation, or leveraging development impact bonds.

-
- o Advocacy: with the Government and the NWSC to support increased public finance investments in urban sanitation infrastructure and services given the level of underinvestment.

4) Help stimulate new opportunities for development partner support in small towns and rural growth centres. Most of Uganda's urban growth is taking place in emerging small towns and growth centres. These areas often have land available which makes them more conducive for infrastructure development planning, and presents opportunities for the development of cost-effective integrated WASH solutions that can provide appealing options for development partner support.

5) Actively engage with banks and micro-finance institutions to support the development of WASH-related financial products for households and businesses. This could include support with liquidity, de-risking strategies and initial subsidies to stimulate the market for these financial products.

Takeaway advocacy messages

- In recent years the Government of Uganda has invested heavily in major infrastructure at the cost of reducing investment in social sectors (including WASH): this seriously threatens prospects for future human capacity development.
- Urban sanitation service levels across the country are stagnating. However sector stakeholders are not prioritizing investment in sanitation infrastructure. Where facilities do exist, they are poorly maintained as service providers prioritize investing their resources in operating and maintaining water supplies, where the commercial returns are higher. From an equity, value-for-money, and public health perspective it is imperative that the public good aspects of urban sanitation infrastructure are recognized by government agencies and translate into efforts strengthen all aspects of the urban faecal sludge management chain.
- The Government of Uganda should continue its targeted support for NWSC investment in levelling up the quality and viability of rural and small-town water services. There is clear signal marker evidence that NWSC is improving service quality in these locations, in what appears to be a cost-effective and efficient model
- The Government of Uganda should taper down its grant support for NWSC investments in large urban centres, unless these are explicitly being used to leverage commercial finance.

Annex A Financial Assessment Scorecard

The table was populated by the author on the basis of country-level discussions, analysis and document review.

Country	Uganda					
	Rating	Average Score	% of Max			Scoring
1		2.6	86%			3
2		2.1	71%			2
3		2.6	87%			1
4		1.2	39%			0
Overall Rating		2.1	71%			
	Indicators			Rating	Score	
1	Policies and Strategies					
1.1	Government policies in place to guide donor investment in WASH sector	Policies in place and fully implemented				3
		Policies in place but not implemented effectively				
		Policies in draft format or other guidance structures in place				
		No policy in place				
1.2	Assessment undertaken on the costs of achieving WASH SDG or national targets	Assessment complete and value calculated for both water and sanitation				3
		Assessment complete and value calculated for either water or sanitation				
		A calculation process underway or planned for				
		No assessment completed				
1.3	Strategy in place to mobilize resources to meet sector targets, such as Strategic Financial Planning Process	Comprehensive resource mobilization strategy in place				2
		Resource mobilization strategy in place covering some financing sources				
		Draft resource mobilization strategy under development				
		No resource mobilization strategy in place				
1.4	Structure and process to coordinate sector financing between actors	Comprehensive structure in place to coordinate sector finance				3
		Structure in place, but not implemented effectively				
		Processes to coordinate finance take place				
		No structures or process in place				
1.5	Implementation of national government programme or SWAp	SWAp and national program in place and fully implemented				3
		National program in place and fully implemented				
		Some pooled funding and/or alignment between donors and government				
		No SWAp or national program in place				
1.6	Decentralisation policies in place to support financial transfer to local level	Policies in place and fully implemented				2
		Policies in place but not implemented effectively				
		Policies in draft format or other guidance structures in place				
		No policy in place				
1.7	Strategic framework for commercial investment	Comprehensive commercial finance resource mobilisation strategy in place				2
		Draft engagement strategy under development, and limited engagement				
		engagement with private sector to mobilise commercial finance				
		No resource mobilisation or engagement strategy in place				
2	Financial Allocations and Reporting					
2.1	Proportion of overall on-budget development assistance the WASH sector accounts for	More than 15%				3
		Between 10% to 15%				
		Between 5% to 10% of				
		Less than 5% or no data				
2.2	Financial monitoring systems to track commitments and expenditure WASH sector	Financial monitoring systems in place and functional				3
		Financial monitoring systems in place , but not implemented effectively				
		financial monitoring system in place				
2.3	Expenditure reports are publicly available and easily accessible, and allow comparison of committed funds to expenditures	No comprehensive financial monitoring system for the sector				3
		Government, ODA, and non-ODA expenditure reports are available				
		Government or ODA expenditure reports are available				
		Some information is available				
2.4	Sufficiency of recorded financing to reach national targets	Expenditure report are not available				0
		More than 75% of what is needed				
		Between 50% to 75% of what is needed				
		Between 25% to 50% of what is needed				
2.5	Absorption of external funds (% of official donor capital commitments utilized (three-year average))	Less than 25% of needs or no data				3
		Over 75%				
		Between 50% and 75%				
		Between 25% and 50%				
2.6	Absorption of domestic funds (% of domestic commitments utilized (three-year average))	Less than 25% or no data				3
		Over 75%				
		Between 50% and 75%				
		Between 25% and 50%				
2.7	Financial allocations to sub-sector align with need	Clear formula in place for sub-sector allocation based on coverage				1
		Sub-sector with lowest coverage received most funding				
		Ad hoc attempts in place to allocate funding based on coverage				
		No link between sub-sector coverage and funding				
2.8	System to track household contribution to construction, operation or management of WASH services	Systems in place and functional				1
		Systems in place , but not implemented effectively				
		monitoring system in place				
		No comprehensive monitoring system				

		Indicators	Rating	Score
3	WASH Service Providers			
3.1	Government policies to guide cost recovery and pricing of water infrastructure and services	Policies in place and fully implemented	3	3
		Policies in place but not implemented effectively		
		Policies in draft format or other guidance structures in place		
		No policy in place		
3.2	Main utility(s) or other significant service provider(s) resource mobilisation strategies	Comprehensive resource mobilisation strategy in place	2	2
		Resource mobilisation strategy in place covering some financing sources		
		Draft resource mobilisation strategy under development		
		No resource mobilisation strategy in place		
3.3	Operating and basic maintenance costs are covered by tariffs	Over 75%	3	3
		Between 50% and 75%		
		Between 25% and 50%		
		Less than 25% or no data		
3.4	Tariff collection from main utilities	Service providers able to collect over 75% of tariffs	3	3
		Service providers able to collect between 50% and 75% of tariffs		
		Service providers able to collect between 25% and 50% of tariffs		
		Service providers able to collect less than 25% or no data		
3.5	Main urban service provider's business models are investable	Service providers are creditworthy and have mobilize commercial funding	2	2
		Service providers are creditworthy, but have not mobilize commercial funding		
		Service providers are making progress in strengthening business models		
		Service provider are financially weak and not an investable prospect		
4	Financing Models			
4.1	Government's subsidy policy is transparent and well targeted	Clear subsidy policies in place, and fully implemented	1	1
		Clear subsidy policies in place, but not implemented effectively		
		No clear policy, but subsidies used ad hoc across the sector		
		Subsidies not transparent and targeted		
4.2	Local tax revenues allocated to fund the localized WASH sector	Policies in place to incentivize local revenues being invested in WASH sector	0	0
		Policies in place to provide incentives, but not comprehensive taken up		
		No policy, but some isolated examples of local revenues being invested		
		No evidence of local taxes being invested in WASH sector		
4.3	Micro finance service provided in WASH sector	Micro-finance common in the WASH sector programs	2	2
		Some isolated examples of micro-finance in the WASH sector programs		
		Engagement of micro-finance models being explored		
		No micro finance models being used in WASH sector		
4.4	Commercial finance (companies, banks, investment vehicles etc.) in the WASH sector	Commercial finance common in the WASH sector	2	2
		Some isolated examples of commercial finance in the WASH sector		
		Commercial finance investments being explored		
		No commercial finance in the WASH sector		
4.5	WASH projects supported through blended finance approaches	Blended finance models common in the WASH sector	1	1
		Some isolated examples of blended finance models in the WASH sector		
		Blended finance model being explored		
		No blended finance models in the WASH sector		
4.6	Output based aid financing models	OBA models common in the WASH sector	1	1
		Some isolated examples of OBA models in the WASH sector		
		OBA model being explored		
		No OBA models in the WASH sector		

Annex B Definitions of Key Terms

Term	Definition
Blended Finance	Using public funds to leverage commercial finance
Bonds	A debt instrument bought by investors. When buying a bond, an investor lends money to the borrowing entity (which can be a government, a municipality or a corporate) for a defined period of time at a variable or a fixed interest rate.
Budget	A budget is an estimation of revenue and expenses over a specified future period of time; it is compiled and re-evaluated on a periodic basis.
Capital	Financial assets and resources, such as cash.
Capital Expenditures (CAPEX)	Capital expenditure measures the value of purchases of fixed assets, i.e. those assets that are used repeatedly in production processes for more than a year. The value is at full cost price. Sales of fixed assets are not deducted.
Capital maintenance expenditure (CapManEx)	Occasional large maintenance costs for the renewal, replacement and rehabilitation of a system that goes beyond routine maintenance to repair and replace equipment, in order to keep systems running. These essential expenditures are required before failure occurs to maintain service levels and need to be planned for.
Capital Flows	Capital flows refer to the movement of money for the purpose of investment, trade or business production, including the flow of capital within corporations in the form of investment capital, capital spending on operations and research and development. On a larger scale, a government directs capital flows from tax receipts into programs and operations and through trade with other nations and currencies.
Capital Markets	The market for long-term debt and equity shares. Capital markets channel savings from suppliers of capital such as retail investors and institutional investors, to users of capital such as businesses, government, and individual borrowers.
Capital Structure	The sources of capital that a company uses to finance its operations and growth. It is the mix of the company's debt and equity.
Commercial Bank Loan	When a bank provides a loan at market-based lending terms. These differ from "concessional loans," i.e. loans provided by development banks at conditions that are more advantageous to the borrower than market conditions.
Commercial Finance	An umbrella term for commercial bank loans, commercial bond issuances, and private equity investment of all sorts.
Commercially Oriented	A company or other entity (such as an utility) is operating on principles of good governance, financial viability, and meeting demand for service in the service area at the appropriate service levels.

Commercially Viable	A project or investment that will provide a private investor with the return on their investment required for the project to have a positive net present value for that investor and, as a result, increase the value of the investor.
Concessionary loan (or 'soft loan')	A loan provided on concessionary lending terms, which may include a lower interest rate than the market rate, a longer repayment period or a grace period.
Cost of Capital	Cost of capital is the required return necessary to make a capital budgeting project worthwhile. Cost of capital includes the cost of debt and the cost of equity and is used to judge whether a capital project is worth the expenditure of resources, and by investors who use it to determine whether an investment is worth the risk compared to the return. Cost of capital depends on the mode of financing used — it refers to the cost of equity if the business is financed solely through equity, or to the cost of debt if it is financed solely through debt.
Cost of Debt	Cost of debt refers to the effective rate a company or government pays on its current debt.
Cost of Service	The total cost of providing the required service at reasonable levels of efficiency.
Creditworthiness	The current and future capacity of the utility to service debt—that is, to pay interest and repay principle on loans when due. This assessment is determined based on the utility's credit history, credit ratings (if available), assets and liabilities, and economic environment.
Debt	One of two ways in which a business (e.g. project or utility) can raise money. The essence of debt is that the borrower promises to make fixed payments in the future to the lender (interest payments and repaying principal).
Development Finance Institutions	A development finance institution (DFI) or development bank is a financial institution that provides risk capital for economic development projects.
Domestic Public Transfers	Domestic public transfers from government agencies (central or local government) to service providers (such as WASH implementation agencies). These are often subsidies from taxes or other sources of government revenue. These would include only grants and excludes concessionary loans.
Economic Viability	A project is economically viable when its overall impact on society will result in society being better off. In contrast to financial viability, economic viability assesses a more comprehensive list of project costs and benefits, including positive and negative impacts that are not traded in the market and therefore have no market price. This can include pollution, public health, and benefits to people who cannot afford to pay for service.

Equity	<p>One of two ways in which a business (e.g. project or utility) can raise money. With equity, the investor gets whatever cash flows are left over after paying debt and other commitments.</p> <p>Companies can raise equity in two ways. First, they can issue new shares of stock. The investors who buy the new shares put up cash in exchange for a fraction of the business' future cash flow and profits. Second, the company can take the cash flow generated by its existing assets and reinvest the cash in new assets.</p>
Factors of production	Factor inputs used by providers to produce the goods and services consumed or the activities conducted in the system.
Financial Viability	Whether or not a project or investment will have a positive net present value and, as a result, increase the value of the investor. This assessment evaluates the direct effects of the project or investment on the cash flow of the investor. It considers whether the projected revenues will be sufficient to cover expenditures and whether the financial return is sufficient to provide the return required by the investor.
Financially Sustainable	A situation in which the total revenue to the service provider (including reliably provided grants from governments and transfers from donors) equals or exceeds the full cost of providing and sustaining quality service, including the costs of capital maintenance and cost of capital.
Financing	Act of providing funding
Financing Gap	The amount of money needed to fund the ongoing operations or future development of a business or project that is not currently provided by cash, equity, or debt. In the case of sector or project, it can also refer to the shortfall in finance needed to achieve specific goals or objectives.
Financing sources	Where funding originates from before being channeled by financing units. The OECD 3T typology refers to financing sources as tariffs, taxes and transfers, to which must be added private repayable financing.
Fixed Assets	A fixed asset is a long-term tangible piece of property that a firm or project owns and uses in its operations to generate income. Fixed assets are not expected to be consumed or converted into cash in the short term.
Funding	Monetary value of the funds provided to support a given activity.
Grant	A form of development aid without repayment obligations. Grants might be untied or carry explicit or implied political and commercial obligations.
Gross valued added	Gross value added = output – intermediate consumption. Gross value added is a measure of the contribution to GDP made by an individual producer, industry or sector.
Instrument	A document (such as a check, draft, bond, share, bill of exchange, futures or options contract) that has a monetary value or represents a legally enforceable (binding) agreement between two or more parties regarding a right to payment of money.

Internal Rate of Return (IRR)	IRR a performance measure equal to the internal rate of return after fees and carried interest are factored in. It is used in capital budgeting and portfolio management to calculate an investment's yield or overall financial quality by calculating an expected rate of return. Practically, it is the rate at which the net present value of negative cash flow equals the net present value of positive cash flow. A net internal rate of return is expressed as a percentage.
International Public Transfers	Voluntary donations (or grants) from public donors and multilateral agencies that come from other countries. Concessionary loans are excluded from this.
Lending	A loan is the act of giving money, property, or other material goods to another party in exchange for future repayment of the principal amount along with interest or other finance charges. A loan may be for a specific, one-time amount or can be available as open-ended credit up to a specified ceiling amount.
Microfinance institutions (MFI)	Refers to schemes for extending credit, savings, insurance, money transfers and other financial products to small business, farmers and other low-income borrowers who cannot get access to normal bank loans.
Net Present Value (NPV)	The difference between the present value of cash inflows and the present value of cash outflows over a period of time. NPV is used in capital budgeting and investment planning to analyze the profitability of a projected investment or project.
Official Development Assistance (ODA)	Grants or loans to countries and territories on the DAC List of ODA Recipients (developing countries) and to multilateral agencies which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms (if a loan, having a grant element of at least 25 percent). The OECD DAC database at present only tracks ODA flows from OECD member countries but is looking to develop coverage of other non-OECD donors.
Operating Cost Recovery	A situation in which the revenues are at least equal to the operating costs of providing a service.
Operating Expenditures (OPEX)	An operating expense is an expense a business or project incurs through its normal business operations. Often abbreviated as OPEX, operating expenses include rent, equipment, inventory costs, marketing, payroll, insurance, and funds allocated for research and development.
Partial Credit Guarantees	A credit enhancement mechanism for debt instruments (bonds and loans). It is an irrevocable promise by a financial institution to pay principal and/or interest up to a pre-determined amount. Typically, the guarantee is structured to cover 100 percent of each debt service payment, subject to a maximum cumulative payout equal to the guarantee amount. The guarantee amount is usually expressed as a percentage of principal and amortizes in proportion to the bond or loan. In certain circumstances, this percentage can increase or decrease in the later years of the debt obligation, depending upon the needs of the borrower or creditors.



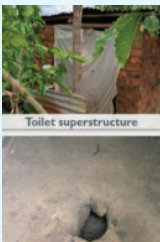
Pooled Fund	Pooled funds are funds from many individual investors that are aggregated for the purposes of investment, as in the case of a mutual or pension fund. Investors in pooled fund investments benefit from economies of scale, which allow for lower trading costs per dollar of investment, diversification and professional money management. Along with the added costs involved in the form of management fees, the main detractor of pooled fund investments is that capital gains are spread evenly among all investors, sometimes at the expense of new shareholders.
Public Finance	Loans or equity investments provided by the government (public sector)
Public-Private Partnership	A long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance.
Repayable financing	Sources of finance from private or public sources that ultimately need to be repaid, such as loans (including concessionary loans and guarantees), equity investments, or other financial instruments such as bonds. Trackfin splits this into two sub-categories: FT6.1 Concessionary repayable financing, and FT6.2 Non-concessionary repayable financing.
Return on Investment (ROI)	ROI is a performance measure used to evaluate the efficiency of an investment or compare the efficiency of a number of different investments. ROI tries to directly measure the amount of return on a particular investment, relative to the investment's cost. To calculate ROI, the benefit (or return) of an investment is divided by the cost of the investment. The result is expressed as a percentage or a ratio.
Revenue Requirement	The total amount of money that needs to be earned in order to cover its cost of service.
Self-Financing Ratio	Self-Financing Ratio is a term that indicates the enterprise's ability to finance planned investments from its own resources.
Subsidy	A benefit given by the government or project to groups or individuals usually in the form of a cash transfer or tax reduction. The subsidy is usually given to remove some type of burden and is often considered to be in the interest of the public.
Tariff	A tariff is the price charged to customers for the provision of the services (such as water users to utilities). It is also a tax imposed on imported goods and services.
Taxes	<p>Taxes are involuntary fees levied on individuals or corporations and enforced by a government entity - whether local, regional or national - in order to finance government activities. Includes taxes and fiscal contributions levied from service providers, such as:</p> <ul style="list-style-type: none"> • Taxes on production (corporate tax on profits, property tax, leasing tax for renting fixed assets, taxes for occupation of public grounds or in relation to employees). • Usage charges related to (or earmarked for) the sector such as royalties, levies or duties for the use of water or the discharge of wastewater into water bodies. • Other charges on production levied for earmarked uses, such as social contribution. <p><i>"Nothing is certain except death and taxes." Benjamin Franklin</i></p>

Transfers	Funds from international donors and international charitable foundations (including NGOs, decentralized cooperation or local civil society organizations) that typically come from other countries. These funds can be contributed either in the form of grants, concessionary loans (i.e. through the grant element included in a concessionary loan, in the form of a subsidized interest rate or a grace period) or guarantees.
Unviable Loss-Making Company	A company that does not have sufficient revenue to cover its operating expense or its capital expenses. It relies on capital and operational subsidies.
Voluntary contributions	Voluntary donations (or grants) from international and national non- governmental donors including from charitable foundations, non- governmental organizations (NGOs), civil society organizations and individuals (remittances)

Annex C Summary of Facility Types and Costs

The following table has been drawn together from documentation provided by USAID's Sanitation for Health Program:

Toilet type	Description	Location	Total cost (Ug)	Pictures
Unimproved toilet	Single stance, no bathroom and curtain wall, informal materials	Rural Karbole	600,000	 Toilet superstructure  Toilet interface
Improved toilet	Two stance, with curtain wall, no bathroom. Solid materials	Rural Karbole	2.5 million	 Toilet superstructure  Toilet interface
Improved toilet	Single stance, urburnt brick walls	Urban Gula	350,000	 Toilet superstructure  Toilet interface
Improved basic toilet	Two stance, with curtain wall. Main driver was the transfer of materials from Gula town	Rural Gula	2 million	 Toilet superstructure  Toilet interface
Improved basic toilet (IBT)	Two stance IBT with two bathrooms	Rural Ngora	1.3 million	 Toilet superstructure  Toilet interface

Improved basic toilet	Two stance IBT	Rural Buyende	583,000	
Improved basic toilet	Two stance IBT with curtain wall	Urban Buyende	2.47 million	
Unimproved toilet	Two stance toilet, no bathroom or curtain wall	Rural Bukoman-simbi	348.000	

Sector support

1) AfDB support for the “Water and Sanitation Programme Phase II (WSSP II)”.

As far as the SPS component is concerned, this project involves: (i) skills development for women and youth for economic empowerment; (ii) support for sector coordination and programme management; and (iii) an institutional strengthening programme for the private sector, local government and ministry staff in the drilling and design of solar-powered piped water systems. The project period is 2016/17 – 2020/21 and it is being carried forward from JWESSP to the second phase. Only figures for the last two project years, the first two JWESSP-II years, were considered.

AfDB support for the “Proposed Strategic Towns Water Supply & Sanitation Project (STWSSP)”. Concerning the SPS component, the STWSSP will support: (i) skills development for women and youth for economic empowerment; (ii) the development of a national strategy and an implementation framework for bulk water supply; (iii) sector co-ordination and M&E (JTR, JSR, SPR); as well as (iv) an update of the water and sanitation atlas (2018/19-2020/21). Planned, but not yet committed.

World Bank – Integrated Water Management Development Project (IWMDP). This project will include institutional strengthening and a financing study to support the MWE leadership to use the SSIP and make strategic decisions given limited resources, and explore new financing opportunities from internal and external sources will be financed. The project duration is six years (2018/19-2024/25), but only figures for five years have been considered here (apart from one-off front-loaded activity). Planned, but not committed.

Through the “Support to Water Supply and Sanitation in Refugee-hosting Communities in Northern Uganda” project, KfW will provide capacity building support to the JPF secretariat for (i) reporting; and (ii) data collection and management. This will be done through short term expert inputs, tailor made training and other related capacity building workshops to skill the secretariat staff.

Rural water supply and sanitation

Isingiro Water Supply – French Development Agency (AFD) 2019 – 2022. The planned project is intended to supply the population of Isingiro district with water. Partly, it will construct extensions of the Kagera water supply system, which will soon be constructed to convey treated water throughout the district to Mbarara town. The project will take advantage of this new infrastructure to develop “en-route” water supply and increase access to piped water services across the district. The project also includes a component to improve sanitation in the target service areas. The overall objective of the project is to improve the health, living standards and productivity of the local populace in the project areas through equitable provision of adequate, sustainable and good quality water supply and sanitation services. The water supply systems are intended to serve a total population of 923,590 people by the year 2040.

Water Supply and Sanitation Project (WSPP-II) – AfDB 2016-2020. The second phase of support by the MWE is intended for implementation of rural water supply infrastructure, focusing on 10 Large Gravity Flow Schemes (LGFS) and 70 solar-powered mini water schemes including support for sanitation implementation through the construction of 50 public sanitation facilities in schools, institutions and RGCs in the form of waterborne toilet facilities. The WSSP-II further supports sanitation and hygiene awareness, including Community Led Total Sanitation (CLTS), handwashing campaigns, promotional training workshops, production of informational, educational and communications materials, sanitation baseline surveys, setting up and training WASH structures for constructed public facilities, gender awareness and triggering and follow-up of triggered communities to ensure attainment of Open Defecation Free (ODF) status.

Integrated Water Management and Development Project – WB IWMDP 2019 - 2025

The project development objective is to improve access to water supply and sanitation services, capacity for integrated water resources management and the operational performance of service providers in project areas. (Planned) The project will comprise two sub-components: (i) support to small towns and RGCs: carrying out activities to improve water supply and sanitation in selected small towns and rural growth centres in Uganda; and (ii) support to refugee and host communities: this will involve conducting activities to improve water supply and sanitation in selected refugee-hosting districts

Urban water supply and sanitation

ADA support for JWESSP-II: Unearmarked support to the UWSS Component (2018 - 2023), (ADA contributions to JWESSP-II are indicative and subject to change on Supervisory Board approval). The planned focus areas of support include: (i) additional seed money to the revolving fund for investments in existing piped water schemes introduced under the JWESSP and continuing support in the JWESSP-II; (ii) support for the institutional transformation of umbrellas of water and sanitation, including TA (see SPS component and Annex 11 on details on Technical Assistance); (iii) water supply and faecal sludge treatment infrastructure investments in small towns and RGCs, to be implemented through WSDF-South West and WSDF-East; and (iv) funding of WSDF-SW for development of small-town water and sanitation infrastructure.

2) Water Supply and Sanitation Project (AfD-WSSP-II 2016 - 2020) The ongoing Water Supply and Sanitation Programme Phase II (WSSP II) Project, implemented by WSDFCentral, includes the construction of water supply systems in 25 towns. It also supports the construction of two faecal sludge plants, supply of two cesspool empties and four “vacutugs” (pit emptying machines), as well as the construction of 100 public water-borne toilets.

The Strategic Towns Water Supply and Sanitation Project (STWSSP) Planned 2018 - 2023

AfDB: this project will be implemented in three components: (i) Urban water supply – design and construction of urban water supply systems in 10 strategic towns; (ii) Improved urban sanitation and environmental management – construction of three regional faecal sludge treatment facilities, including procurement of six cesspool trucks, and construction of 40 public sanitation facilities; and (iii) SPS – supporting the regulatory framework, among other activities. The project has also set aside funding for the preparation of bankable climate change resilience investment projects to leverage financing from the Green Climate Fund.

Support to Water Supply and Sanitation in Refugee-hosting Districts of Northern Region (KfW - WSDFNorth 2018 - 2021)

The existing water and sanitation infrastructure of refugee-hosting districts in northern Uganda is overstretched by the high numbers of refugees migrating into the region. This project, to be implemented by WSDF-North, will therefore focus on creating water supply and sanitation systems in small towns and rural growth centres located in refugee-hosting areas. Six pre-selected schemes will be implemented to supply a current population of more than 50,000 people in areas located in the districts of Amuru, Arua, Lamwo and Moyo.

The Integrated Water Management and Development Project (IWMDP) – World Bank 2019 - 2025

The IWMDP will support WSS infrastructure investments in small towns located primarily in Uganda's northern and eastern regions. The project will also support RGCs in Uganda's central and midwestern regions where low water coverage levels, high cholera cases and the opportunity to spatially balance development can be found. The project will integrate infrastructure investment, water source and catchment protection measures, support for the development of the O&M and regulatory framework, and comprehensive sanitation planning to ensure sustainability and increased resilience to climate change and variability.

The Lake Victoria Water and Sanitation Project (LVWATSAN Phase 3 - 2019 - 2024)

will focus on water supply and sanitation systems for relatively large towns within the Lake Victoria region, as well as RGCs located near these towns. The improved sanitation component includes the construction of faecal sludge management (FSM) facilities, management training for FSM facilities and equipment such as cesspool trucks. Social and environmental safeguards, preparatory activities for operations and maintenance and water source protection will be among the implementation modalities of the project. Strengthening the capacity of selected regional UAs will be included to enhance project sustainability.

Karamoja Small Towns and Rural Growth Centre WSS Project 2016 – 2021, funded by the GoU, will be implemented through a project setup which, in due time, will revolve towards a WSDF for the region. The project will target all district headquarters, town councils, small towns, and RGCs in the seven districts of Karamoja Region. The project includes construction of piped water supply and sanitation systems, involvement of the communities and the promotion of improved sanitation and hygiene levels. The project will be implemented in close coordination with the Karamoja Umbrella Authority, which is in charge of scheme management, operations and maintenance.

Support to Small Towns Water and Successor Project: Upgrading and expansion of piped water supply and sanitation for small towns and rural growth centres. The current level of GoU funding to the project (0164) is UGX 2.14 billion (allocation 2017/18), the equivalent of UGX 10.7 billion over five years. An increase in the funding level is planned. From FY2019/20 the project will be replaced by a larger successor project, with requested funding of up to UGX 242 billion (of which UGX 109.4 billion is GoU funding) over a five-year period. However, the actual allocations are likely to be significantly lower, and expected DP contributions are yet to be identified.



UNICEF Eastern and Southern Africa Regional Office
Nairobi, Kenya