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WASH Budget Brief

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

2019/2020

WASH Budget Brief: investing in water, sanitation and hygiene for child welfare in Rwanda
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Preface

This Water, Hygiene and Sanitation (WASH) budget brief explores the extent to which the Government of Rwanda (GoR) funds WASH needs in the country. The brief analyses the size and composition of budget allocations to the WASH sector for the fiscal year (FY) 2019/20, as well as spending trends for the past few years. The

budget brief aims to synthesize complex budget information and offer recommendations to strengthen budgeting which results in improvements for children wellbeing. The budget data for 2019/20 are from the original budget, while for previous years' budgets the data used are drawn from revised budgets.

Key messages

Budget allocations to the WASH sector have been increasing steadily in nominal terms and as a share of the national budget over the past four years. In 2019/20 the WASH sector budget increased by 32.1 per cent from FRW 49.9 billion in 2018/19 to FRW 65.9 billion in 2019/20. However, the WASH sector remains the least funded of the social sectors and additional investment will be needed to support the attainment of the Government of Rwanda's goals for water and sanitation.

Urban areas are disproportionately benefitting from available WASH resources compared to rural areas. As a share of the total budget, the WASH budget for rural areas declined from 61.4 per cent in 2016/17 to 28.7 per cent in 2019/20. Given the budget imbalance, that the Rwandan population is 78.7 per cent rural, and that access to WASH services is lower in rural areas, there is a need to rebalance the WASH sector budget to improve WASH outcomes in rural areas.

The majority (99 per cent) of the WASH sector budget for the past four years was allocated to capital investments. As a result, very minimal resources have been left for recurrent transactions including maintenance of water and sanitation facilities. To ensure sustainability of water and sanitation infrastructure, recurrent cost needs should be understood and fully funded— either by the tariffs as intended, in line with the National Water Supply Policy, or supplemented by the national budget. This is particularly salient in rural areas.

Although the external share of WASH financing has increased in 2019/20, the domestic budget remains the primary source of sector financing. Given the very limited number of donors in the WASH sector in Rwanda, there is a need to further develop and strengthen WASH sector financing mechanisms (blended finance, revolving funds, guarantees etc.) to enhance efficiency and effectiveness.



1. Introduction and sector overview

Several institutions play a key role in the delivery of WASH services. The WASH sector in Rwanda is nationally coordinated by the Ministry of Infrastructure (MININFRA) with the Ministry of Health (MINISANTE), the Ministry of Local Government (MINALOC), the Water and Sanitation Corporation (WASAC), district authorities and the Rwanda Utility Regulatory Authority (RURA) playing key roles in ensuring delivery of WASH services. This budget brief has focused on the budget allocated to: (i) WASAC; (ii) MININFRA's Water and Sanitation programme; (iii) MINISANTE's hygiene and environmental health programme; and (iv) the districts, under the Water and Sanitation programme. The WASH budget covers four priority areas (sub-programmes); (i) drinking water access, (ii) sanitation access; (iii) water infrastructure and sanitation for districts; and (iv) hygiene and environmental health. Unlike 'water infrastructure and sanitation for districts' which is implemented at the decentralized level, the other three WASH programmes are budgeted and implemented at central government level.

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

Understanding different WASH levels of service

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

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

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

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

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

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

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

Coverage of basic drinking water services in rural areas is significantly lower than urban areas

While access to **limited** water services (improved water sources) marginally increased from 85 per cent to 87 per cent between 2013/14 and 2016/17, **basic** water services (improved water source within 30 minutes collection time) declined marginally from 59 per cent to 57 per cent. This trend demonstrates that, despite significant investment (FRW 35.4 billion annual), progress in coverage is barely keeping up with population growth. Coverage of **basic** drinking water services in rural areas reduced from 57 per cent in 2013/14 to 54 per cent in 2016/17, while coverage in urban areas increased from 67 per cent to 70 per cent during the same period. Coverage of **limited** water services in rural areas (85 per cent) is 11 percentage points lower than in urban areas (96 per cent) (Figure 1).

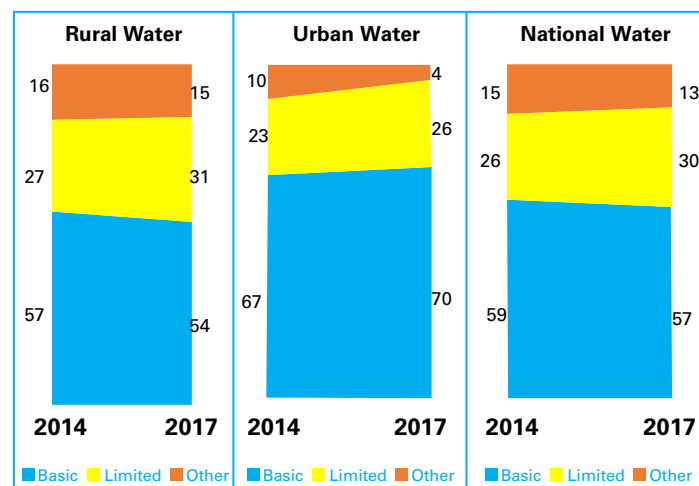
Overall, sanitation is improving slowly

Households using **limited** sanitation services (improved sanitation facilities which are shared between two or more households) marginally increased nationally by 3 per cent, from 83 per cent to 86 per cent. **Basic** sanitation services (improved facilities, not shared) – also increased by 3 per cent from 63 per cent to 66 per cent nationally. Between 2013/14 and 2016/17, there was an increase in coverage of both **limited** and **basic** sanitation in rural areas, from 81 per cent to 84 per cent, and from 67 per cent to 71 per cent respectively. However, the coverage of **basic** sanitation services in urban areas declined from 47 per cent to 45 per cent, while the coverage of **limited** sanitation services remained constant at 94 per cent (Figure 2).

Handwashing with soap in Rwanda is still low

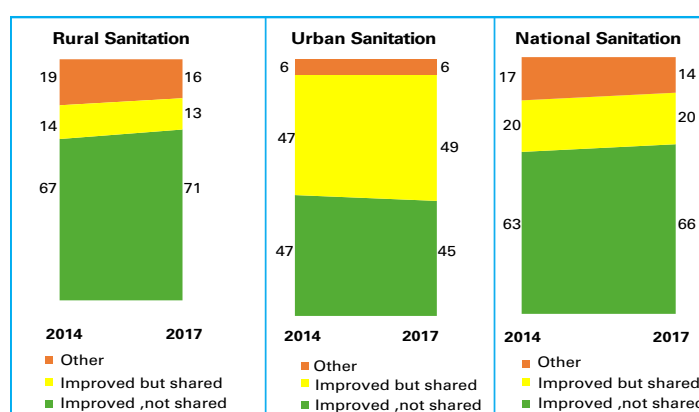
The latest data (2014/15) shows that only 4.3 per cent of households have an observed handwashing facility with soap and water. While urban coverage (13 per cent) is higher, the coverage remains low (Figure 3). Handwashing with soap in Rwanda remains a challenge for both the government and communities and will require further investment in the coming years. In November 2019, the Ministry of Health launched the National Handwashing Sub-Strategy, aiming to foster a culture in which 100% of all people in Rwanda practice handwashing at critical moments by 2024, which is costed at FRW 12 billion.

Figure 1: Trend of drinking water services



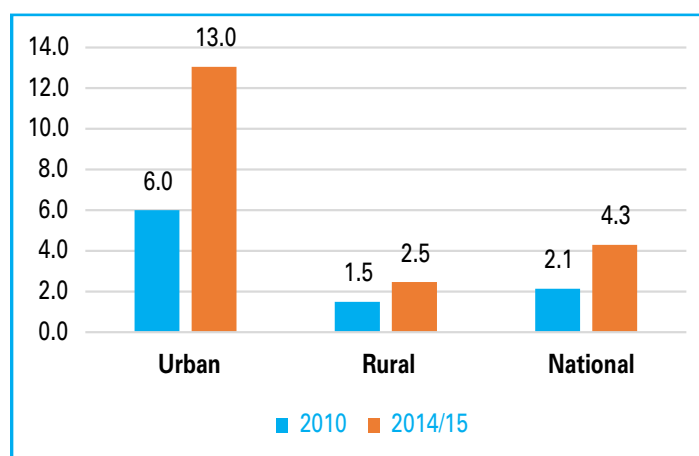
Source: National Institute of Statistics Rwanda- EICV4 & 5 reports

Figure 2: Trend of sanitation services



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

Figure 3: Households with a handwashing facility, with water and soap



Source: Calculated using state finance laws

2. WASH sector budget trends

WASH budget allocations are increasing

The budget allocated to WASH interventions has increased in nominal terms over the past four years and also as a share of the total national budget.

WASH budget allocations increased from FRW 49.9 billion in 2018/19 to FRW 65.9 billion in 2019/20, reflecting a leap of 30.4 per cent in just one year. Additionally, the WASH budget as a share of the national budget has also been increasing over time, from 1.5 per cent in 2016/17 to 2.3 per cent in 2019/20 (Figure 4).

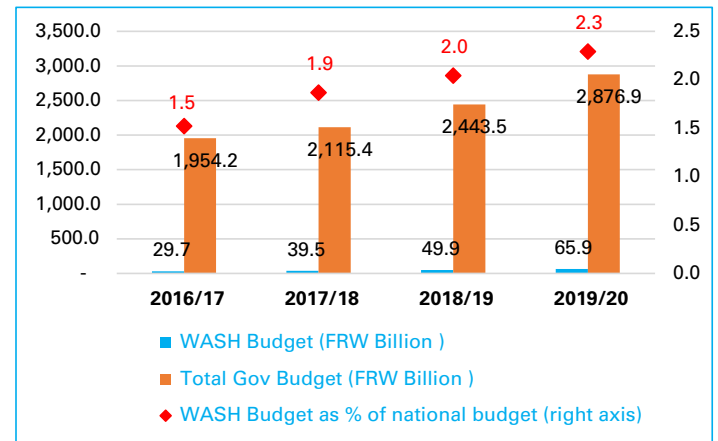
The WASH budget increased in per capita terms

Per capita spending in WASH rose to FRW 5,369.6 in 2019/20 from FRW 4,155.5 in 2018/19, reflecting an increase of 29 per cent in nominal terms. The WASH budget as a proportion of GDP has also been increasing from 0.5 per cent in 2016/17 to 0.7 per cent in 2019/20 (Figure 5). Overall, the per capita WASH budget increased steadily over the past four years reflecting a strong commitment from the government to improve WASH services.

WASH is the least funded social sector

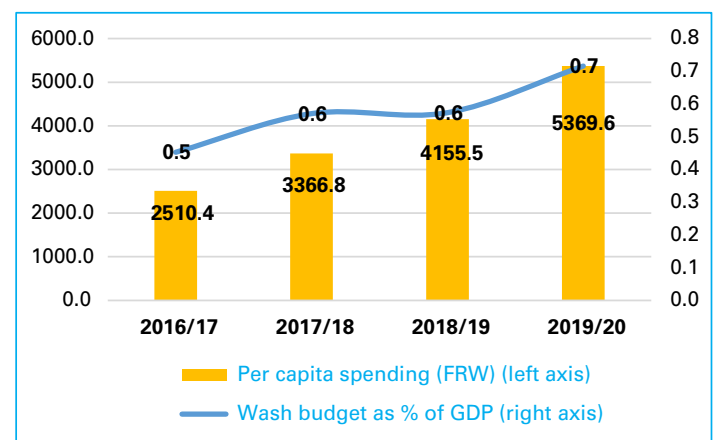
While all key social sector budgets are increasing, the WASH sector remains the least funded when compared to education, health and social protection (Figure 6).

Figure 4: WASH budget allocation trend



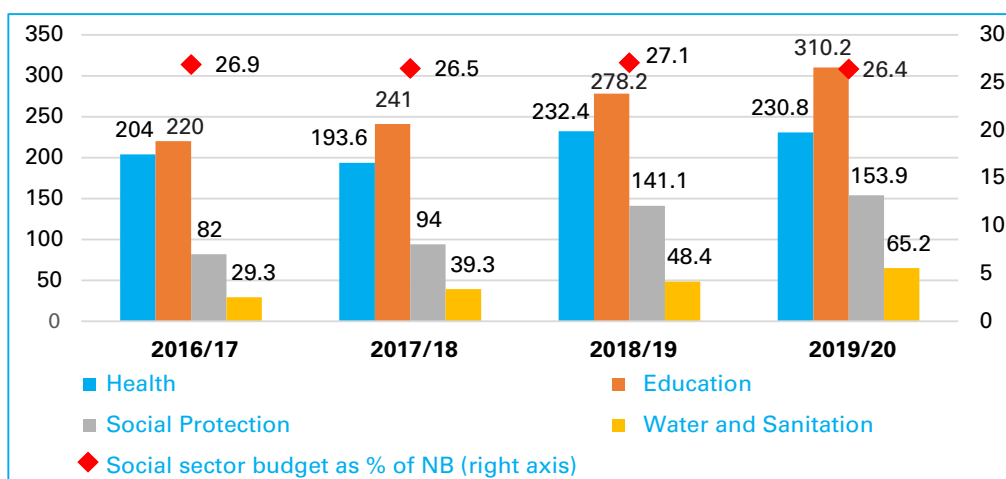
Source: Rwanda demographic and health Survey, 2014/15

Figure 5: WASH per capita and as % of GDP



Source: Calculated using state finance laws, Rwanda Population projections and GDP reports

Figure 6: Social sector budget trends in FRW Billion and %



Source: Calculated using state finance laws

3. WASH budget changes

The WASH budget is consistently revised downward

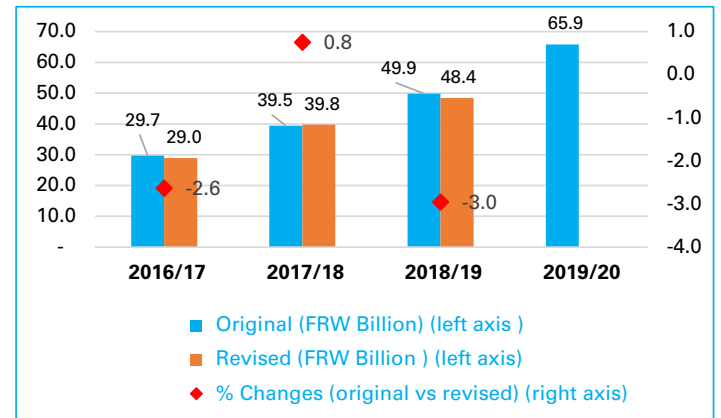
Compared to the originally-allocated budget, the WASH budget has been consistently revised downward during the mid-year revision of the last three years. In 2018/19, the budget was revised downward by 3 per cent from FRW 49.9 billion to FRW 48.4 billion (Figure 7).

Article 41 of the Organic Law N° 12/2013/OL of 12/09/2013 on state finances and property states that “the Minister of Finance may submit the revised draft budgets to the chamber of deputies [...]”; thus, in January the national budget is revised and most of the sectors registered the budget changes. The revised budget is the final budget as it captures the emerging priorities throughout the budget year, as well as financing from new donors which comes in during the budget execution cycle.

Real and nominal budget changes are similar

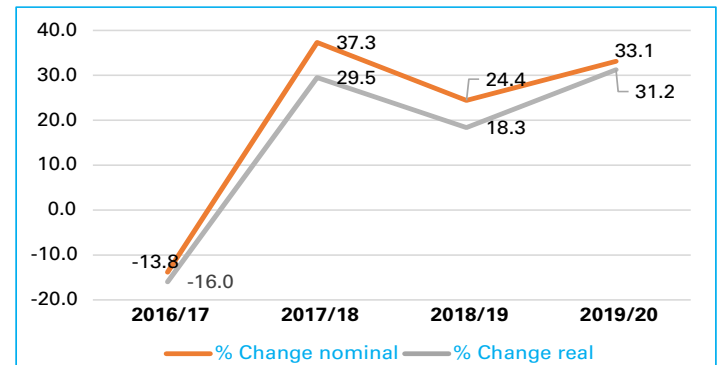
Due to low inflation in Rwanda over the past two years and the significant nominal budget increase, the WASH sector allocations have not been significantly affected by inflation rates. WASH budget increase has been significant both in nominal and in real terms. For 2018/19 there was a 24.4 per cent nominal increase against 18.3 per cent real budget increase, for the fiscal year 2019/20 the nominal increase was 31.2 per cent against 33.1 per cent increase in real terms. (Figure 8).

Figure 7: Initial budget against revised budget



Source: Calculated using state finance laws

Figure 8: Real against nominal budget changes



Source: Calculated using state finance laws



4. Composition of WASH budget allocation

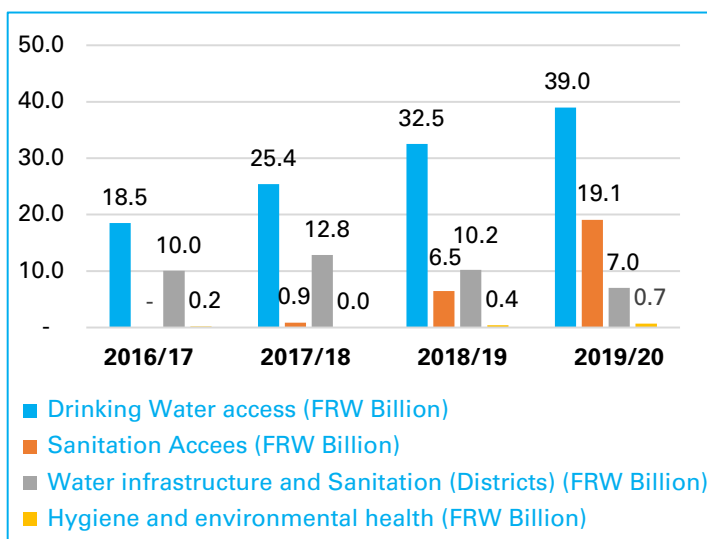
More than half of sector resources go towards drinking water

The majority of the WASH sector resources are directed to improvements in drinking water access through funds allocated at the central level. In 2019/20, 59.2 per cent of the WASH budget was allocated to financing the provision of drinking water, followed by sanitation which was allocated 29 per cent. Transfers to district for water infrastructure and sanitation project account for 10.6 per cent (Figure 9).

The budget allocated to districts (water infrastructure and sanitation services) declined from FRW 10.2 billion in 2018/19 to FRW 7 billion in 2019/20. However, the three budgets allocated to the central level increased. Budget allocated to 'drinking water access' increased from FRW 32.5 billion in 2018/19 to FRW 39 billion in 2019/20, while the 'sanitation access' budget increased three-fold from FRW 6.5 billion in 2018/19 to FRW 19.1 billion in 2019/20. The budget increase is partly attributed to the construction of the Kigali centralized sewerage system (Figure 9).

WASH budget allocations are increasing at central level while decreasing at district level

Figure 9: WASH budget allocations by key priority areas

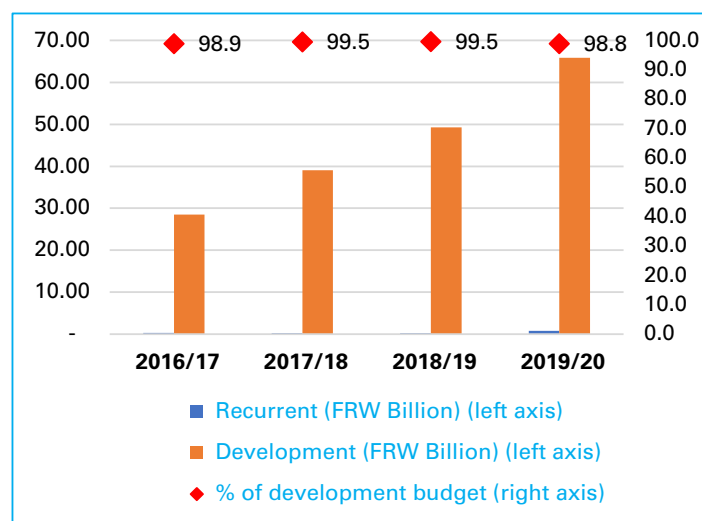


Source: Calculated using state finance laws

Ninety-nine per cent of WASH sector budget allocations are for capital investments

As a result, there are minimal resources left to cover recurrent costs especially operations and maintenance of water and sanitation facilities. A trend analysis of the WASH budget by type of activity indicates that the government has prioritized development activities over recurrent activities. Over the past four years, the development budget averaged 99 per cent of the total WASH sector budget (Figure 10). While the focus on capital development is commendable, there is also a need for the government to ensure adequate funding for operations and maintenance of the already-developed WASH infrastructure to sustain services.

Figure 10: WASH budget allocations by key recurrent and development



Source: Calculated using state finance laws

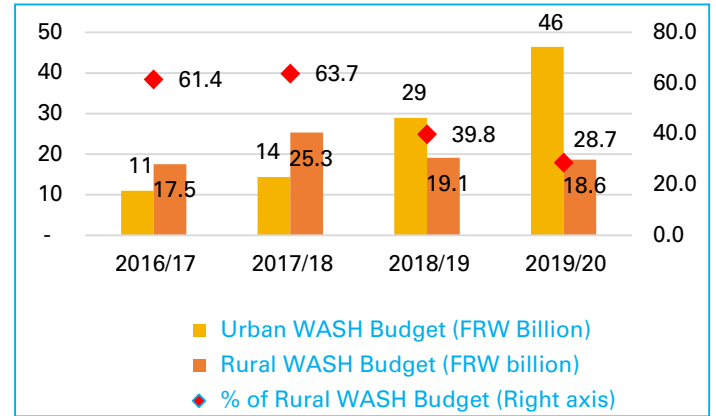


Urban WASH budget is increasing while rural WASH budget is decreasing

Urban WASH budget allocations have significantly increased over the past four years while rural WASH budget allocations have decreased since 2017/18*.

Over the past four years, the WASH budget allocated to support urban areas has increased from FRW 11 billion to FRW 46 billion while the budget for rural areas has fluctuated with a declining trend in recent years. After peaking in 2017/18 at FRW 25.3 billion, the rural WASH budget has declined to FRW 18.6 billion in 2019/20 (Figure 11). Given that the urban areas have higher levels of water services than rural areas, there is a need to review allocations to ensure equitable distribution of resources and prioritize those most in need.

Figure 11: Rural & Urban WASH budget trends (FRW billion)



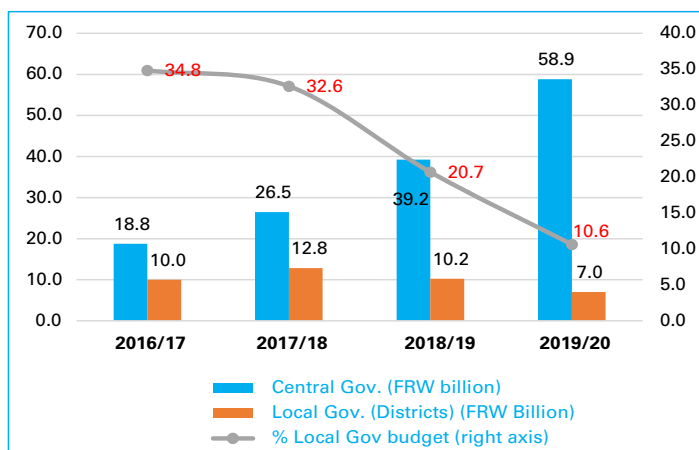
Source: Calculated using state finance laws

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

Budget allocations to districts have dramatically decreased as a share of the total WASH budget over the past few years

The WASH budget allocated to districts as a percentage of the total sector budget has been declining since 2016/17. In 2019/20, only 10.6 per cent of the total WASH budget will be transferred to districts. Total allocations decreased from FRW 10.2 billion in 2018/19 to FRW 7 billion in 2019/20 (Figure 12).

Figure 12: Decentralization of WASH budget in FRW billions



Source: Calculated using state finance laws

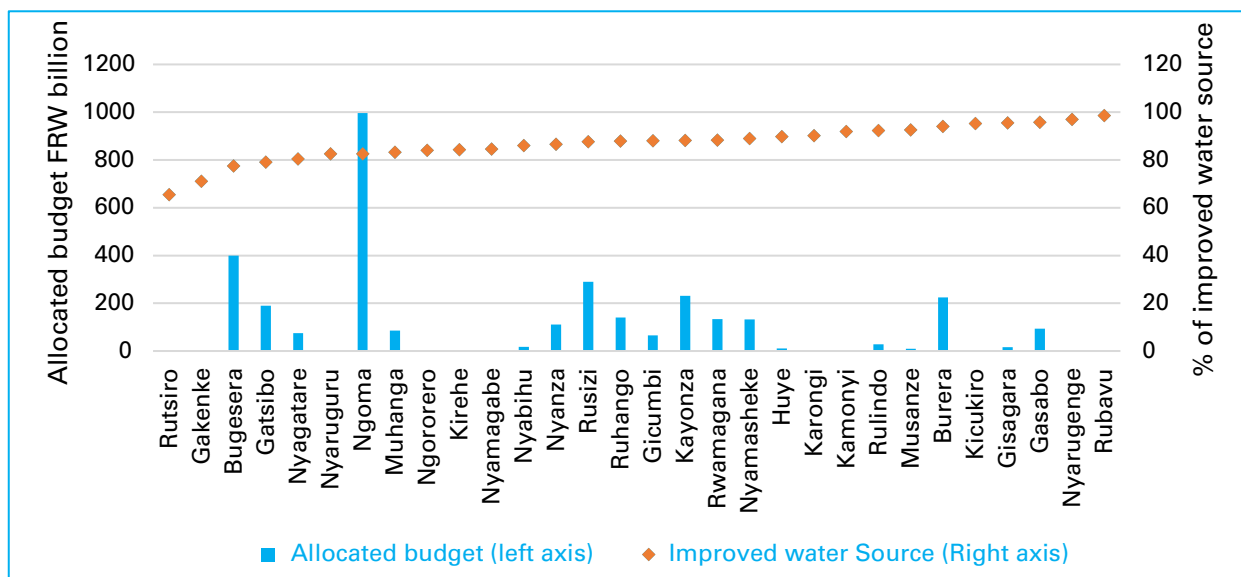


Eight districts receive 64.1 per cent of the district WASH budget

About one-third of all districts in Rwanda were not allocated a budget for WASH in 2019/20. Some of the districts with the lowest access to limited water services received no allocation, such as Rutsiro (77.5 per cent), Gakenke (65.5 per cent), and

Nyaruguru (73.8 per cent) (Figure 13). There is a need to ensure that the national budget and off-budget funding is being well-targeted to districts with the greatest need.

Figure 13: Water infrastructure and sanitation by districts 2019/20 in FRW billions, listed in order of % of population with limited water services



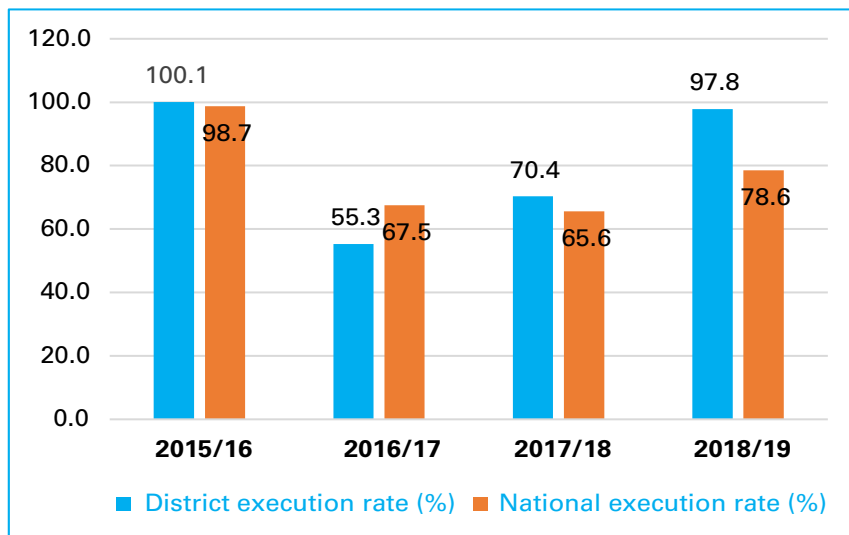
Source: Calculated using state finance laws

5. WASH budget execution

Budget execution in the WASH sector is improving

The WASH sector achieved stronger budget execution in 2018/19, reversing the trend of the previous two fiscal years. At district level, budget execution significantly improved to 97.8 per cent up from 70.4 per cent in 2017/18. At national level, while there was an improvement, the gains were less; the budget execution was 78.6 per cent in 2018/19 up from 65.6 per cent in 2017/18 (Figure 14). Even with improvements, a significant portion of the WASH budget remains unexecuted. Therefore, focussing on the central level (WASAC and MININFRA), additional efforts to further improve budget execution are still needed to maximize the gains of public investments in Water, Sanitation and Hygiene services.

Figure 14: WASH budget execution



Source: MINECOFIN- Budget execution reports

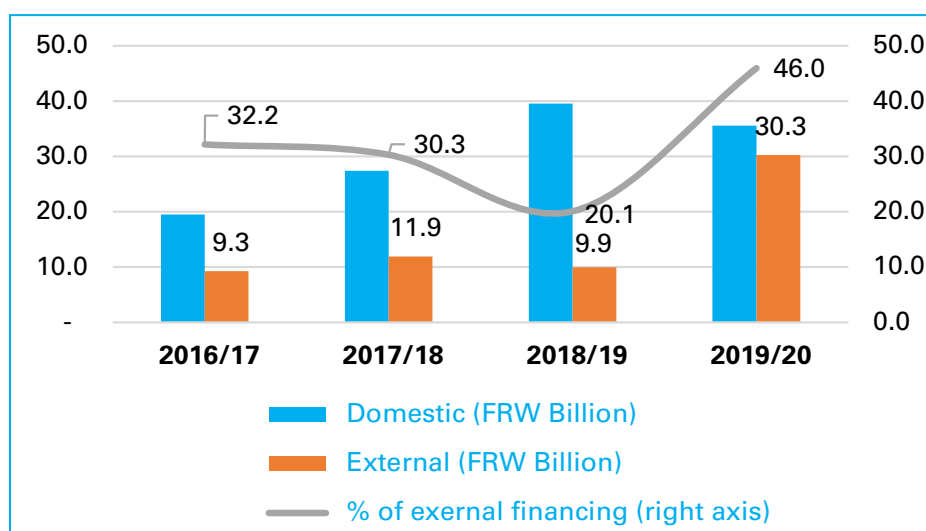
6. WASH sector financing

The WASH sector is primarily funded with domestic resources

While external financing dramatically increased in 2019/20, domestic resources remain the largest contributor of sector financing. External financing reached 46 per cent of the share of the sector budget, increasing from FRW 9.9 billion in

2018/19 to FRW 30.3 billion in 2019/20 (Figure 15). That increase is attributed to the loan from the African Development Bank (AfDB) for the project; *“Rwanda Sustainable Water Supply and Sanitation Program”*¹

Figure 15: Source of finance for water and sanitation



Source: Calculated using state finance laws



Endnotes

¹The program supports infrastructure investments as well as institutional capacity development. It involves multiple water supply and sanitation sub-projects or interventions to be implemented in the City of Kigali and in the satellite cities of Rubavu, Rusizi, Nyagatare, Muhanga, Huye, Musanze and Karongi.

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