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Rwanda

WASH Budget Brief

Investing in Water, Sanitation and Hygiene for Child Welfare in Rwanda

2021/2022

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 2021/22, as well as spending trends over the past few years. The brief aims to synthesize complex budget

information and offers recommendations to strengthen budgeting to drive improvements in child wellbeing. The 2021/22 budget data derive from the original budget Law N° 031/2021 of 30/06/2021 *Determining the State Finances for the 2021/2022 Fiscal Year*, while for previous years' budgets, the figures correlate with the revised budget laws.

Key Messages

WASH budget allocations have been gradually increasing over the past five years. In 2021/22, the WASH sector was allocated FRW 49.3 billion, up from FRW 42.6 billion in the 2020/2021 revised budget. However, the outbreak of COVID-19 in 2020 increased the demand for WASH services as a significant prevention measure, while at the same time the sector has been experiencing persistent financing gaps. There is therefore a need for further re-prioritization of WASH services in public budgeting to ensure water supply, sanitation services provision, and promotion of best practices for hygiene in communities, schools, and health care facilities.

The WASH sector is predominantly financed by external resources, while domestic resources for WASH have declined significantly for the past three years. Since 2020/21, external financing for WASH has outpaced domestic resources, representing 54 per cent of the total WASH budget. While there is an increased government commitment to mobilize external resources for the WASH sector, there is a need to complement the external finances with more domestic resources to ensure sector financing sustainability and achieve National Strategy for Transformation (NST1) targets.

Over the past three years, the WASH budget has been consistently revised downward during the mid-year revisions. In 2020/21, the revised budget was reduced by 16.3 per cent when compared with the original budget. There is need for a strategic dialogue among key sector players including the Ministry of Infrastructure, the Ministry of Finance and Economic Planning, alongside Development Partners to collaboratively understand the main drivers of the downward budget revisions, and devise strategies to ensure the initially-approved budget allocations under the WASH sector are maintained.

Government gives high priority to development projects under the WASH budget. For the past five years, the development budget has averaged 99 per cent of the total WASH sector budget, with 100 per cent of resources in 2021/22 allocated to development projects. While the focus on capital development is commendable, government and stakeholders need to ensure adequate allocations for operations and maintenance of the existing WASH infrastructure to sustain access to services, with a focus on rural water projects.



1. Introduction and Sector Overview

The COVID-19 pandemic has accentuated the critical need for increased water supply, handwashing facilities in all settings, and safe sanitation to support both the people of Rwanda and socio-economic recovery efforts. Access to safe water has become even more imperative due to its proven contribution to curbing COVID-19 transmission throughout the general population. As other countries globally, Rwanda has experienced a public health crisis, leading to a socio-economic crisis. Since early 2020, various ministries and decentralized entities have joined efforts to contain the virus, and WASH services have been essential in both combatting COVID-19, and accelerating recovery. The Ministry of Infrastructure (MININFRA) coordinates WASH services while the Ministry of Health (MINISANTE), the Ministry of Local Government (MINALOC), the Water and Sanitation Corporation (WASAC), district authorities and the Rwanda Utility Regulatory Authority (RURA) play key roles in ensuring their delivery. This WASH budget brief focuses 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. Furthermore, the analysis covers four priority areas: (i) drinking water access; (ii) sanitation access; (iii) water infrastructure and sanitation for Districts; and (iv) hygiene and environmental health.

Unlike the decentralized implementation of 'water infrastructure and sanitation for Districts, the other three WASH programmes are budgeted and implemented at central government level.

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

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

The Sustainable Development Goals (SDGs) and 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 NST1 requires considerably more resources than previously required. Table 1 (Water) and Table 2 (Sanitation) present this progressive increase in ambition and level of service from the MDGs (EDPRSII) to the NST1 and SDGs by 2030.

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

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

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

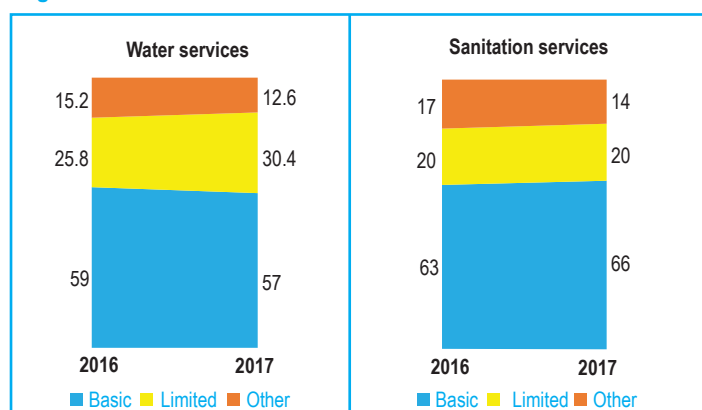
Table 2: Greater ambition: Increasing the level of sanitation service desired, 2013-2030

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

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

While there are ongoing efforts to increase the proportion of people with WASH services in Rwanda, progress is slow. The EICV5 (2016/17) reports show that 87.4 per cent of the population live with limited water services, up from 84.8 per cent in EICV4. For basic water services, the EICV5 reports that 57 per cent of households have access to an improved water source within 30 minutes collection time, down from 59 per cent in EICV4. For sanitation, EICV5 reports that 86 per cent of households have limited sanitation services (including shared toilets), up three per cent from 83 per cent in EICV4. For households with hygienic toilets that are not shared (basic sanitation services), 66 per cent had basic sanitation services in 2016/17, up from 63 per cent in EICV4 (Figure 1).

Figure 1: WASH Service trends



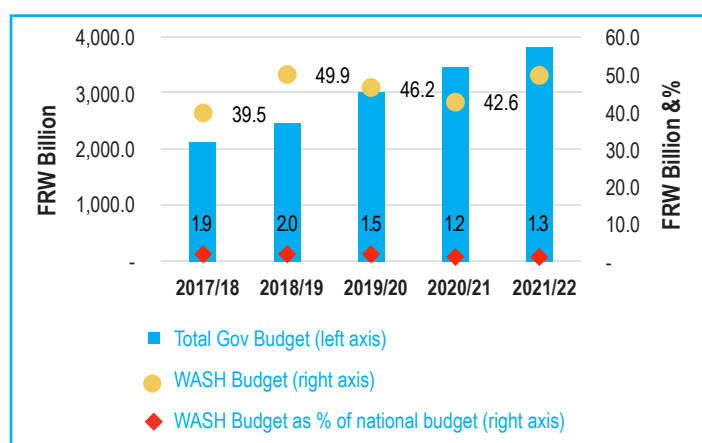
Source: EICV Data

2. WASH Sector Spending Trends

WASH Budget allocations are increasing

WASH budget allocations have been gradually increasing over the past five years, although the WASH budget as a proportion of the national budget has dropped in recent years. In 2021/22, the WASH sector was allocated FRW 49.3 billion, up from the revised budget of FRW 42.6 billion in 2020/21. The WASH budget as a share of the total national budget has slightly increased from 1.2 per cent in 2020/21 to 1.3 per cent in 2021/22. Analysis of budget trends in previous years shows the WASH budget to have nominally fluctuated, hovering around 2 per cent between 2017 and 2020, before declining to 1.2 per cent in 2020/21 and stagnating at 1.3 per cent in 2021/22 (Figure 2). The COVID-19 outbreak has increased the demand for WASH services, there is therefore a need to re-prioritize investments in WASH services, and more public resources to ensure water supply, sanitation services provision and promotion hygiene practices in communities, schools, and health care facilities.

Figure 2: WASH budget allocation trends



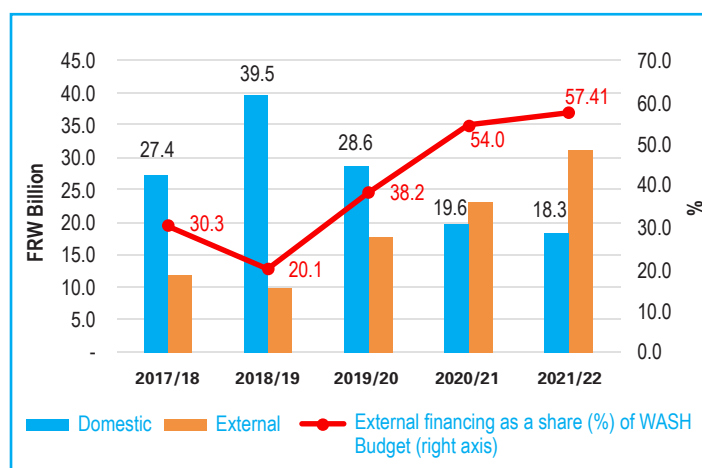
Source: Calculated using budget laws

3. WASH Sector Financing

Since 2020/21, the WASH sector has been predominantly financed by external resources, while domestic resources for WASH have declined significantly for the past three years.

Since 2020/21, external financing for WASH has outpaced domestic resources, representing 54 per cent of the total WASH budget. The increase in external financing was mainly due to the recent rise in government borrowing and concessional financing – primarily the African Development Bank (AfDB) – for water supply and sanitation projects in urban areas. However, allocations from domestic sources have declined significantly over the past three years, from FRW 39.5 billion in 2018/19 to FRW 18.3 billion in 2021/21 (Figure 3). While there is an increased commitment by the government to mobilize external resources for the WASH sector,

Figure 3: Source of finance for water and sanitation



Source: State finance laws

there is a need to (i) complement the external finances with more domestic resources to ensure sector financing sustainability and achieve NST1 targets, and to (ii) develop a sustainable WASH financing strategy to guide the country's investment priorities in the short and medium term.

The 2018-2024 Water and Sanitation Strategic Plan targeted the required 2021/22 financing, amounting to FRW 104.2 billion of which FRW 82.1 billion was externally financed, FRW 27.9 billion financed by domestic revenues, and FRW 5.7 billion recorded as the sector financing deficit (resources to be mobilized). However, with FRW 49.3 billion allocated in 2021/22, the sector strategic plan is covered by only 47.3 per cent of the total budget required to implement the 2020/21 targets. The continued financing gap limits Rwanda's capacity to achieve both sector targets and international commitments, as outlined under NST1 and SDGs respectively.

There are four critical intervention areas which have the potential to mobilize more resources for WASH: (i) Maximize the value from the existing public funding; (ii) Mobilize more (external) funding; (iii) Increase repayable domestic finance, and; (iv) Innovating and exploring the least tapped into areas such as climate finance.

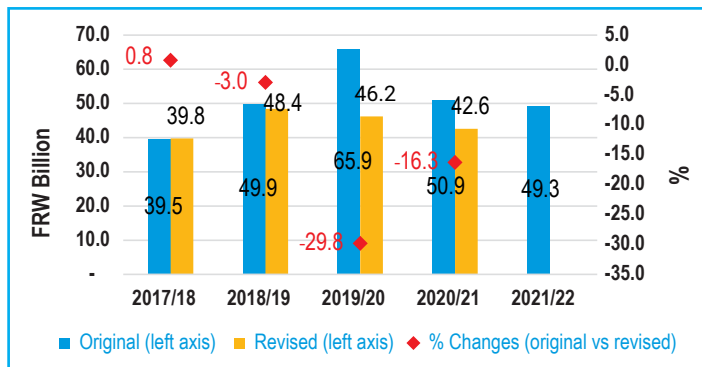


4. WASH Budget Changes

The WASH Budget is consistently being revised downward.

The WASH budget has been consistently revised downward during the mid-year revision exercise over the past three years. In 2021/22, the budget was reduced by 16.3 per cent from FRW 50.9 billion in the original budget allocations to FRW 42.6 billion in the revised allocations (**Figure 4**). These recurrent downward revisions make the WASH budget unpredictable, calling for a strategic dialogue among key sector players including the Ministry of Infrastructure, the Ministry of Finance and Economic Planning, and Development Partners to understand the main drivers of these downward budget revisions, and devise strategies to ensure the original budget allocations are safeguarded in line with sector priorities.

Figure 4: Initial budget against revised budget

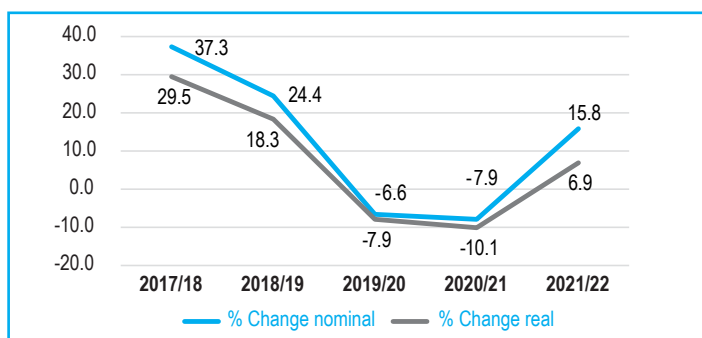


Source: State finance laws

Increased inflation rate in 2020 has negatively affected WASH budget increase in real terms, while in previous years, there was no significant difference between the real and nominal budget due to low rate of inflation.

The WASH budget has increased by 15.8 per cent in nominal terms between 2020/21 and 2021/22. However, considering Rwanda's 7.7 per cent inflation rate in 2020, this decreases to 6.9 per cent (**Figure 5**). While the government finalizes its budget allocations annually, there is a need to factor in the inflation level, among other factors, to meet financing needs and achieve expected sectoral targets.

Figure 5: Real against nominal WASH budget changes



Source: State finance laws



5. Composition of WASH Budget Allocations

Allocations to drinking water makes the majority of WASH Budget Allocations.

Most of the WASH sector resources are directed towards improvements in access to drinking water, with a small amount allocated for sanitation and hygiene. Furthermore, most resources are channeled through central funds rather than to the district level. In 2021/22, most funds – FRW 31.7 billion – were allocated to drinking water access which is centrally managed by the Water Sanitation Corporation (WASAC). Transfers to Districts for water infrastructure and sanitation projects amount to FRW 13.9 billion which, up from FRW 8.0 billion in 2020/21, which reflects an increase of 73.7 per cent of the Districts' budget. Additionally, the budget for access to sanitation has increased from FRW 2.7 billion in 2020/21 to FRW 3.5 billion in 2021/22 (Figure 6). Public investment for the Hygiene and Environment programme has declined substantively in recent years with no allocation granted in 2021/22. Due to increasing needs for better hygiene promotion among the population to strengthen public health measures, greater investment is needed for hygiene-related interventions.

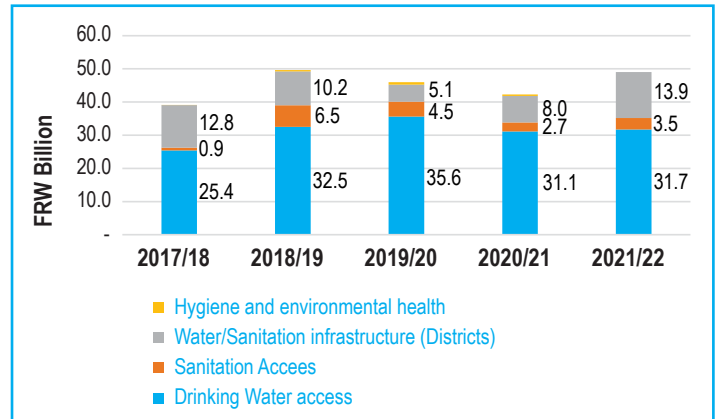
Capital investments overwhelmingly dominate the WASH Budget

Primarily investing in capital WASH expenditure leaves minimal resources to cover recurrent costs, especially operations and the maintenance of water and sanitation facilities. Over the past five years, the development budget has averaged 99 per cent of the total WASH sector budget and, in 2021/22 all resources (100 per cent) are allocated to development programmes (Figure 7). Whilst capital development should continue to be a key government focus, financially supporting the operations and maintenance of existing WASH infrastructure through increased allocations is critical for sustaining access to services. The lack of sustainable services could be contributing to the overall slow progress towards achieving the NST1 goals.

More WASH Budget is allocated to urban areas than to rural areas.

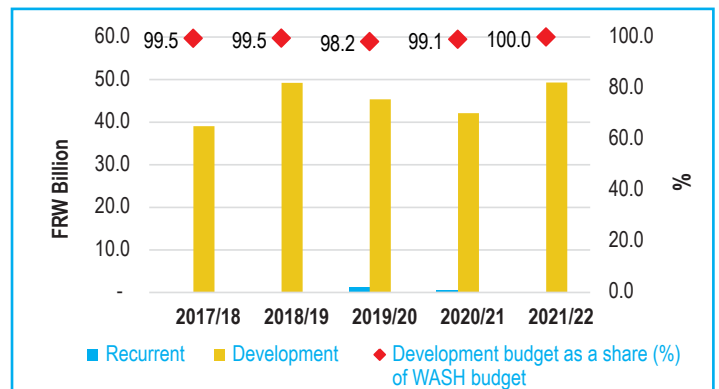
Over the past three years, budget allocations for WASH in urban areas have increased from FRW 28.9 billion in 2019/20 to FRW 31.3 billion in 2021/22. During the same period, budget allocations in rural areas have fluctuated between FRW 16.4 billion in 2019/20 and FRW 17.7 billion in 2021/22, and even declined to FRW 14.3 billion in 2020/21. The share of rural budget allocations accounts for 36.1 per cent of the WASH budget in 2021/22 (Figure 8). Given that urban areas have significantly higher levels of basic water services than rural areas (70 per cent in urban areas versus 54 per cent in rural areas), the budget allocation by rural-urban needs to be reviewed to ensure equitable distribution of resources and prioritize the populations most in need, especially in rural areas.

Figure 6: WASH budget allocations by key priority areas



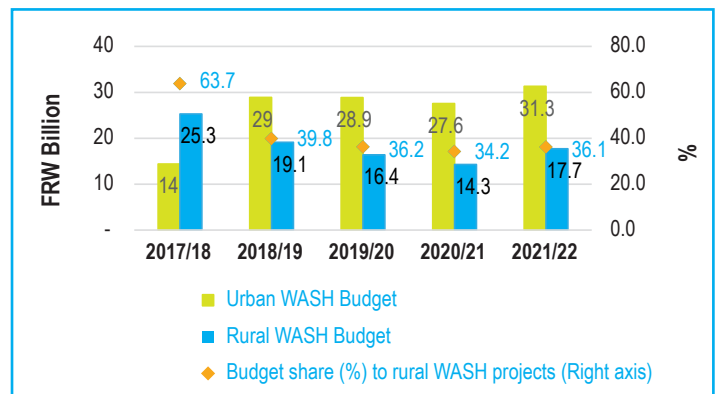
Source: State finance laws

Figure 7: WASH budget by recurrent and development categories



Source: State finance laws

Figure 8: Rural & Urban WASH budget trends (FRW billion)



Source: Calculated using state finance laws

**For the purpose of this analysis, the distribution of the budget by rural or urban allocations followed this methodology: (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 budgets allocated to Environmental Health under the Ministry of Health (MINISANTE) and Water and Sanitation sub-programmes under the Ministry of Infrastructure (MININFRA) were excluded from the urban-rural analysis because they serve WASH policy strengthening and monitoring of both rural and urban areas.*

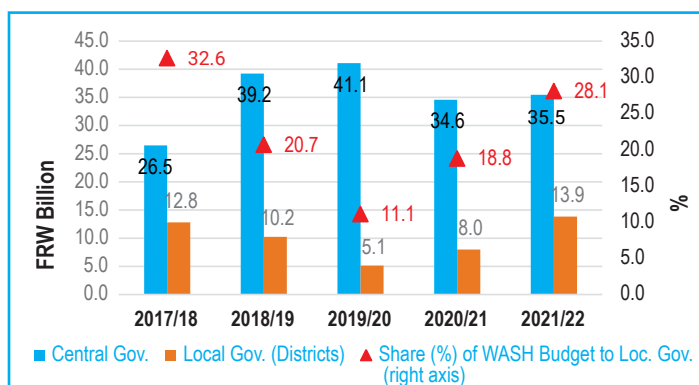
The WASH Budget for decentralized entities continues to rise.

For the past three years, the share of allocations for WASH services at decentralized level have shown an upward trend from 11.1 per cent of total WASH budget in 2019/20 to 28.1 per cent in 2021/22. However, the current budget level allocated to local governments is low compared to the budget allocated in 2017/18 which stood at 32.6 per cent (**Figure 9**). As Districts are responsible for rural WASH services and investment plans, more budget will be required to expand and sustain WASH services, contributing to improved health outcomes and economic growth.

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

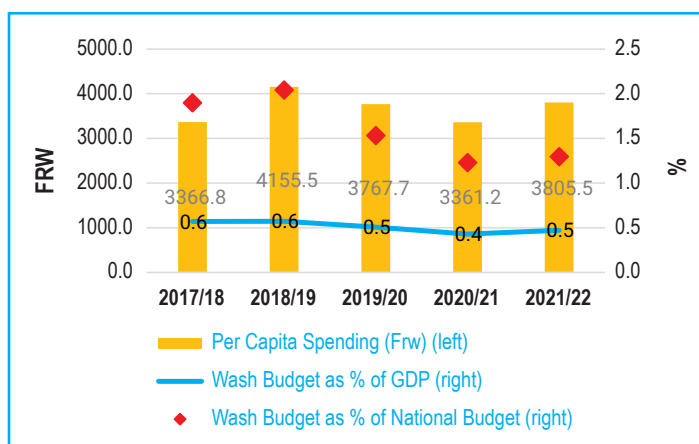
Per capita spending in WASH rose to FRW 3,805.5 in 2021/22 from FRW 3,361.2 in 2020/21, reflecting a nominal increase of 13.2 per cent. However, the WASH budget as a proportion of GDP remains constant at around 0.5 per cent (**Figure 10**). Given the marginal increase in water and sanitation coverage as reported in the EICV5, further consideration could be given to increased investments in WASH to achieve NST1 goals.

Figure 9: Decentralization of WASH budget in FRW billions



Source: Calculated using state finance laws

Figure 10: WASH Per capita and as % of GDP



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

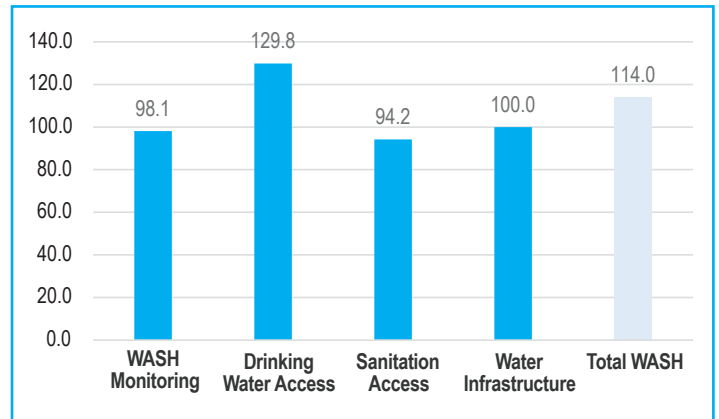


6. WASH Budget Execution

Budget execution in the WASH Sector at decentralized level (Districts) was high in 2020/21, while at central government level it was significantly lower.

The data on budget execution shows that the WASH sector recorded overspending up to 114 per cent of the allocated budget. Across different programmes under WASH, the drinking water access programme recorded budget execution at 129.8 per cent, the water infrastructure programme implemented at District level at 100 per cent, WASH budget monitoring was spent at 98.1 per cent, while sanitation access including wastewater management was executed at 94.2 per cent (Figure 11). High budget execution under WASH could be explained by completion of water access projects in urban and rural areas, as well as the rehabilitation of non-functional rural water supply projects.

Figure 11: WASH budget execution rate (%) in 2020/21



Source: MINECOFIN- Budget execution reports and State finance laws



the 1990s, the number of people who are employed in the service sector has increased in all countries. The increase is most pronounced in the United States, where the service sector has become the dominant sector of the economy. In the Netherlands, the service sector has also become the dominant sector, but the increase is less pronounced than in the United States.

The increase in the service sector is due to a number of factors. One of the main factors is the increase in the number of people who are employed in the service sector. This is due to a number of factors, including the increase in the number of people who are employed in the service sector. This is due to a number of factors, including the increase in the number of people who are employed in the service sector.

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