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Rwanda

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WASH Budget Brief

Investing in water and sanitation for child welfare in Rwanda
2018/2019

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Preface

This water, hygiene and sanitation (WASH) budget brief explores the extent to which the Government of Rwanda (GoR) addresses WASH needs in the country. The brief analyses the size and composition of budget allocations to the WASH sector for the fiscal year (FY) 2018/19, as well as past spending trends.

The budget brief aims to synthesize complex budget information and offer recommendations to strengthen budgeting which results in improvements for children. The budget data for 2018/19 are from the original budget, while for previous years' budgets the data were based on revised budgets.

Key messages

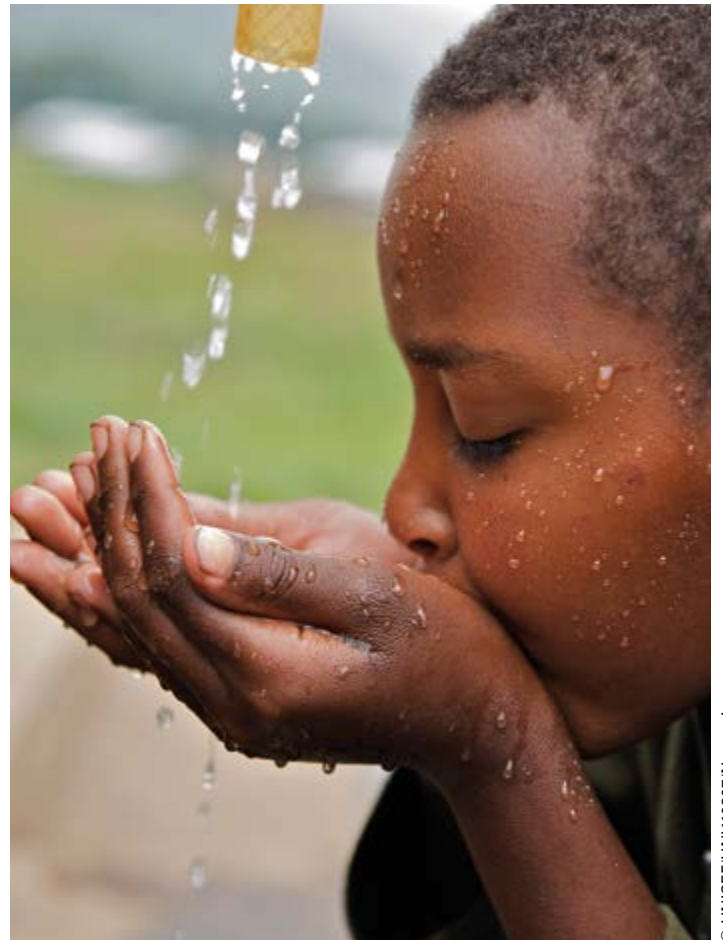
- Increased investment will be needed to attain the Government of Rwanda's goal for water and sanitation. Budget allocation to the WASH sector has realized a nominal increase over the past five years.** The budget allocated to WASH interventions (drinking water access and sanitation services, and hygiene and environmental health) has nominally increased from FRW 46.7 billion in 2014/15 to FRW 49.9 billion in 2018/19. However, the WASH budget as a share of total government budget decreased from 2.7 per cent to 2.0 per cent during the same period. Further, the budgeting was developed to achieve the Millennium Development Goal (MDG) level of ambition. However, the Sustainable Development Goal (SDG) ambition is for a higher level of WASH services, which will require exponentially more resources to achieve than the MDG level. The government and stakeholders need to design an appropriate, affordable and inclusive WASH financing strategy, which clarifies investment needs and leverages new sources of finance and efficient use of a WASH financing framework that utilizes taxes, transfers and tariffs.
- Investment in sanitation remains very low. While budget allocation to key WASH programmes has increased, the sanitation budget remains small.** The budget allocated to drinking water access realized an increasing trend over the past five years from FRW 13.9 billion in 2014/15 to FRW 32.5 billion in 2018/19, while the budget for sanitation and hygiene remained small. However, for 2018/19, the budget for sanitation shows an upsurge from FRW 0.9 billion to FRW 6.5 billion. Given the sanitation targets spelled out under the SDGs and in the 2018–2024 Water and Sanitation Sector Strategic Plan, the government will need to significantly increase the budget allocated to sanitation and hygiene services, particularly at local level (districts).
- Continued functionality of water and sanitation services requires recurrent investment. The WASH budget is allocated to capital development activities with little budgeted for recurrent costs.** The Government of Rwanda has prioritized water infrastructure development in both urban and rural areas with 99.5 per cent of the WASH budget being allocated for capital/development activities, while limited funds are allocated to the recurrent budget, which largely comprises operations and maintenance. The government has a policy of full cost recovery for capital and operations and maintenance costs in urban areas, and operations and maintenance costs in rural areas, to be collected through user fees. However, those tariffs are likely not covering all recurrent costs. Until implementation of the cost recovery policy is economically viable for all Rwandan households, there is a need for the government to ensure adequate funding for recurrent water costs, including for monitoring the tariff collection system in order to track private expenditure on provision of water supply services.
- Rural water supply services lag behind urban services and require dedicated investment.** The WASH budget allocated to decentralized entities has increased nominally in recent years. The budget allocated to districts increased from FRW 7.5 billion in 2014/15 to FRW 10.2 billion in 2018/19. However, the WASH budget allocated to districts as a percentage of the total water and sanitation budget fluctuated from 19.5 per cent in 2014/15 to 34.6 per cent in 2016/17 and declined to 20.5 per cent in 2018/19. Since the largest gap in access to water, sanitation and hygiene services remains in rural areas, there is a need to consider performance indicators on WASH across districts to ensure that areas with the greatest need are prioritized in budget allocation.
- Increasing the budget will require confidence in budget execution. WASH budget execution is declining.** Available budget execution data indicate declining budget execution rates in recent years, from 89.1 per cent in 2014/15 to 65.6 per cent in 2017/18. There is a need for the government, through the Ministry of Finance and Economic Planning (MINECOFIN), to strengthen timely budget execution by water and sanitation agencies and districts, as higher budget execution will contribute to increased investor confidence and optimized public finance gains in water and sanitation services.
- Achieving WASH goals will require leveraging new sources of funding. The domestic budget is the primary source of sector financing.** Nominally, external financing for WASH has increased from FRW 8.9 billion in 2014/15 to FRW 9.9 billion in 2018/17. However, external financing as a share of the WASH sector budget declined from 32.2 per cent in 2016/17 to 19.9 per cent in 2018/19.

1. Introduction and sector overview

The Government of Rwanda has an ambition to improve the quality of life of its population by provision of safe drinking water, adequate sanitation services and hygiene resulting from water supply and sanitation services – i.e. WASH. This is in line with the fact that lack of basic services such as water supply and sanitation contribute to poverty and negatively impact development.

The water and sanitation sector in Rwanda is guided by national water and sanitation policies which set the goal of universal access while following the principle of ‘some for all’ before ‘all for some’, indicating that every Rwandan should have at least a minimum level of service to ensure universal access is achieved with equity, and due attention will be given to water and sanitation, and affordability of sanitation 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 playing key roles in ensuring delivery of WASH services.

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 National Strategy for Transformation (NST1) and the 2018–2024 Water and Sanitation Sector Strategic Plan. Therefore, this 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.



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1.1. Increasing ambition for WASH to achieve the modern Rwandan Household

The WASH sector is currently transitioning from one defined level of service in the Economic Development and Poverty Reduction Strategy (EDPRSII) and the MDGs to a higher level of service in the NST1/Water and Sanitation Sector Strategic Plan and the SDGs. This means that prior to 2018 progress was measured against one indicator (access to improved facilities) while the future will be

measured against a different indicator (use of basic services and safely managed services). Table 1 (water) and Table 2 (sanitation) present the progressive increase in ambition and level of service from EDPRSII to NST1 to the ultimate full achievement of the SDGs by 2030.

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

Planning documents	Goal	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)	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 2017–2018 Backward-Looking Joint Sector Review report (from EDPRSII, NST1 and SDG documents)

Basic drinking water services are those provided by an improved drinking water source, within 30 minutes collection time. Using Integrated Household and Living Conditions Survey data,

'within 30 minutes' is defined using the indicator of being within 200 metres of the household for urban areas and within 500 metres of the household for rural areas.

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

Planning documents	Goal	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)	Improved sanitation facility	Use of improved facilities which may be shared between two or more households

Source: Water and Sanitation 2017–2018 Backward-Looking Joint Sector Review report (from EDPRSII, NST1 and SDG documents)

Basic sanitation services are provided when households have an improved sanitation facility that is not shared with other households. The Integrated Household and Living Conditions Survey directly provides this data.

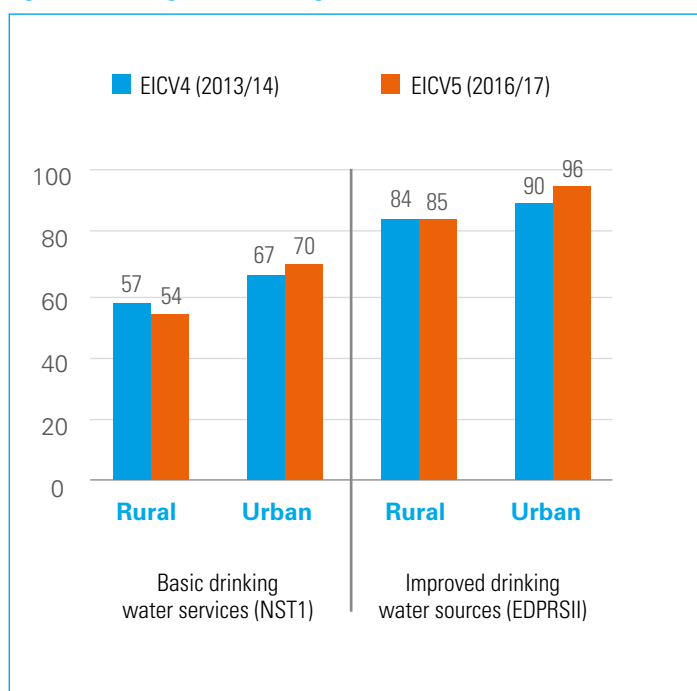
1.2. Progress towards universal access to water and sanitation in Rwanda

While progress towards EDPRSII targets (accessing improved water and sanitation) has increased nominally between 2013/14 and 2017/18, current levels of progress to NST1 targets (basic water and sanitation services) present a greater challenge. Rural drinking water services lag significantly behind urban services

and further progress in basic sanitation in both rural and urban areas is still needed. Between 2013/14 and 2016/17, while there was progress on people accessing the MDG-level of improved water sources, households using basic drinking water services actually decreased, from 57 per cent to 54 per cent, in rural areas; they increased in urban areas, from 67 per cent to 70 per cent, (Figure 1).

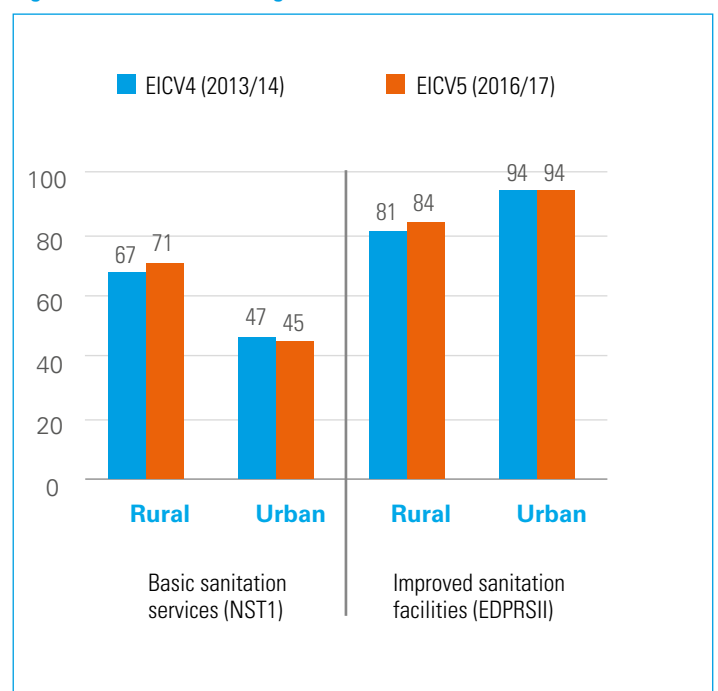
Between 2013/14 and 2016/17 households using basic sanitation services increased from 67 per cent to 71 per cent in rural areas, while the percentage of households in urban areas using basic sanitation services decreased to 45 per cent from 47 per cent between 2013/14 and 2016/17 (Figure 2).

Figure 1: Drinking water coverage: 2013/14 and 2016/17



Source: National Institute of Statistics Rwanda – Integrated Household and Living Conditions Survey 4 & 5 reports

Figure 2: Sanitation coverage 2013/14 and 2017/18:

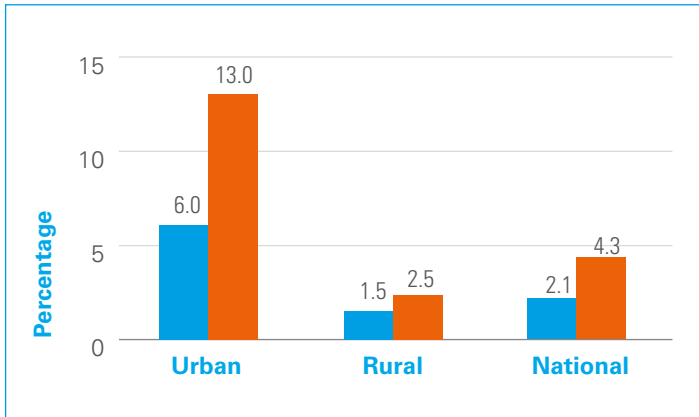


Source: National Institute of Statistics Rwanda, Integrated Household and Living Conditions Survey 4 and 5 reports

1.3. Handwashing with soap in Rwanda

Handwashing with soap is measured at just 4 per cent nationally. While the percentage of households practising handwashing with soap and water doubled nationally from 2.1 per cent in 2010 to 4.3 per cent in 2014/2015 the incidence of this critical practice remains extremely low (**Figure 3**).

Figure 3: Households handwashing with water and soap



Source: Rwanda Demographic and Health Survey, 2014



2. Trends in government expenditure

2.1. WASH budget trends

After an interim decrease, the budget allocated to WASH interventions (drinking water access and sanitation services, and hygiene and environmental health) has increased nominally, from FRW 46.7 billion in 2014/15 to FRW 49.9 billion in 2018/19. However, the WASH budget as a share of the total government budget decreased from 2.7 per cent to 2.0 per cent during the same period (**Figure 4**).

Increased investment will be needed to attain the Government of Rwanda's goal for at least 'basic' drinking water and sanitation services for all.

2.2. WASH budget trends: Original against revised budget

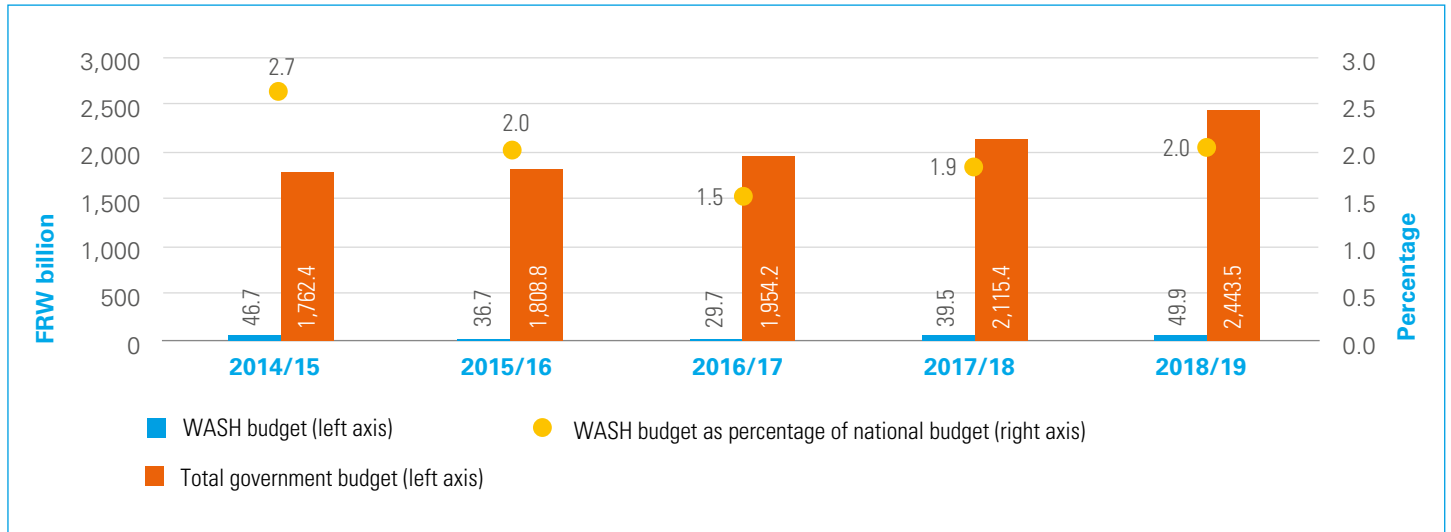
The national budget is revised during mid financial year (January–December) to allow the government to cater for emerging priorities. A comparison of the original approved and revised budgets indicates that while the budget was revised downwards from 2014/15 to 2016/17, the revision was upwards in 2017/18 (**Figure 5**).

2.3. WASH against budget trends of other social sectors

Social sector budgets realized a nominal increase over the past five years, but the increase in the WASH budget was considerably lower than the other sectors. Further, there is a declining budget trend for the social sectors collectively as a share of total government budget, from 29.5 per cent in 2014/15 to 26.8 per cent in 2018/19 (**Figure 6**).

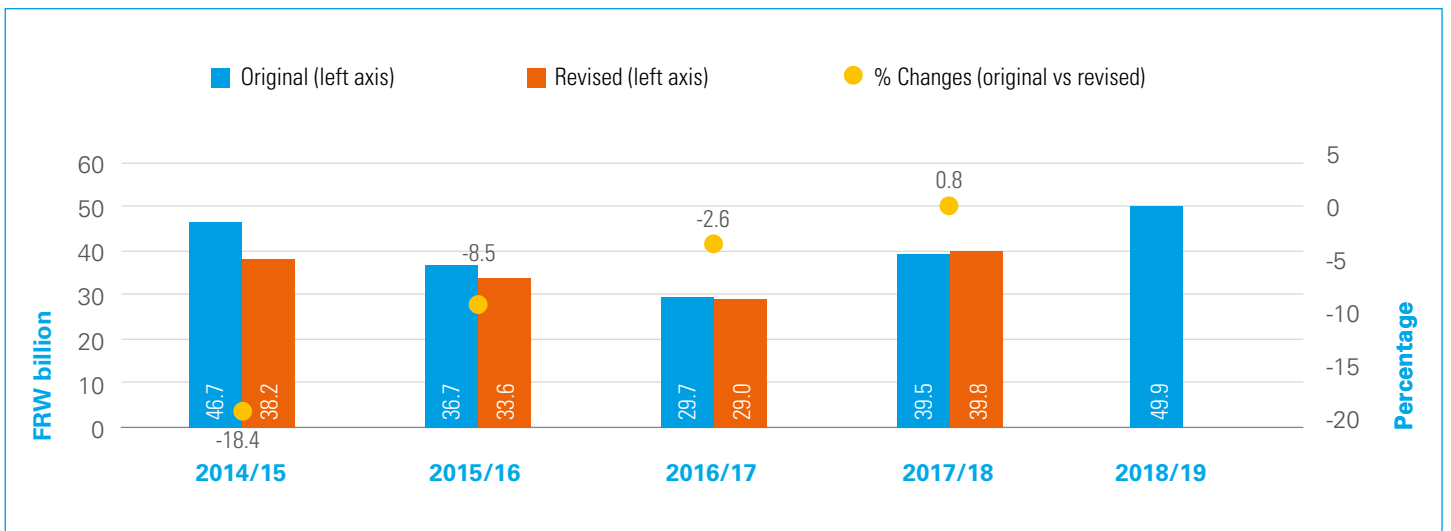
Growth in investments in WASH is not keeping pace with other social sectors such as health, education and social protection.

Figure 4: WASH budget trends



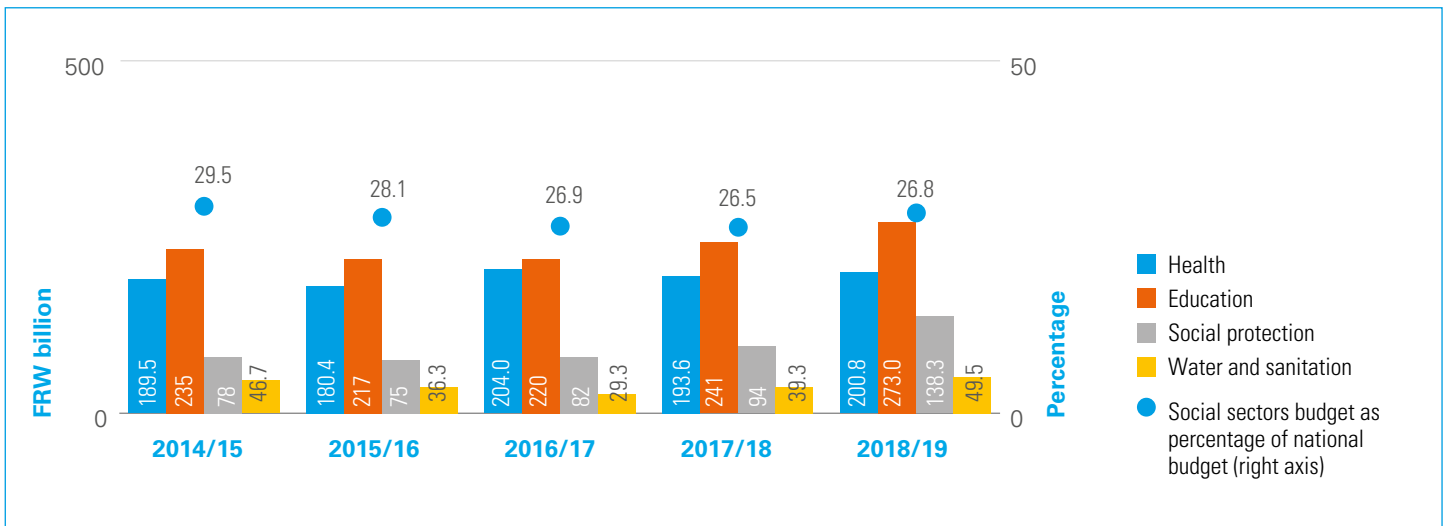
Source: Calculated using state finance laws

Figure 5: Initial budget against revised budget



Source: Calculated using state budget laws

Figure 6: Social sectors budget trends



Source: Calculated using state budget laws

2.4. WASH budget trend: Real against nominal budget changes

When inflation is considered, budget increases for WASH reduced significantly over the past two years. For example, in 2017/18 the nominal increase amounted to 37.3 per cent while the real increase was 29.5 per cent, and in 2018/19 the nominal increase was 24.4 per cent and the real increase was 18.3 per cent (Figure 7).

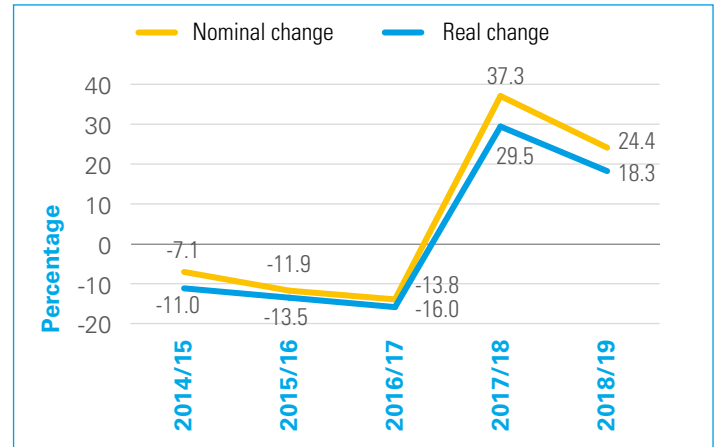
Indexing sector budget increases with inflation could be considered to ensure budget is increased both nominal and in real terms.

2.5. Trend of WASH budget per capita

Over the past two years per capita WASH spending increased, from FRW 3,366.80 (2017/18) to FRW 4,155.50 (2018/19). This could indicate the renewed focus by the government to strengthen WASH services at different levels in line with NST1 and SDG targets. The WASH budget as share of total government GDP shows an increasing trend over the past three years from 1.5 per cent in 2016/17 to 2 per cent in 2018/19, while the WASH budget as a share of gross domestic product (GDP) increased by 0.1 per cent and stands at 0.6 per cent in 2019/19 (Figure 8).

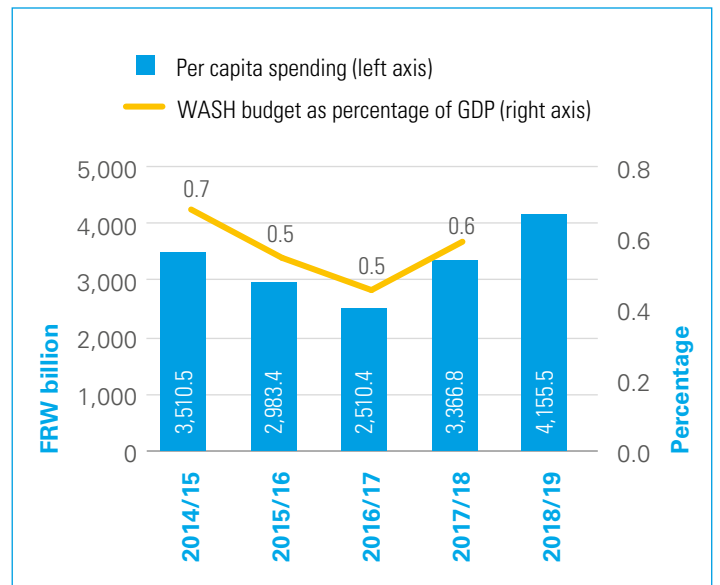
The recent trend in increasing per capita budget should be at least maintained or increased in future budget deliberations.

Figure 7: Real against nominal budget changes



Source: Calculated using state budget laws

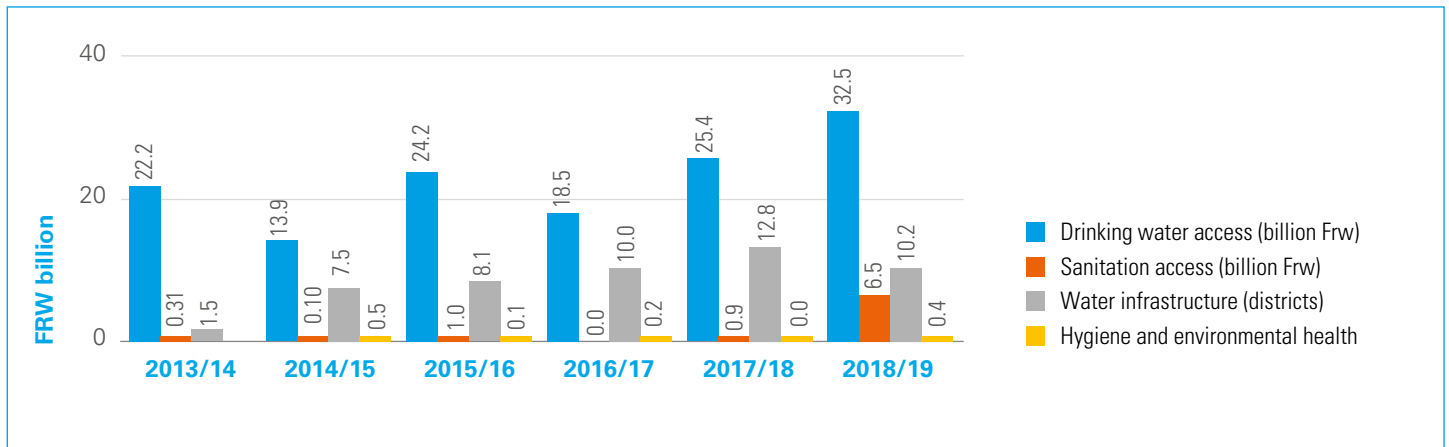
Figure 8: WASH per capita and as a percentage of GDP



Source: State finance laws, NISR Rwanda population projections and MINECOFIN national GDP reports



Figure 9: WASH budget allocation by key priority area



Source: State finance laws

2.6. Budget allocation in selected WASH priority areas

Four priority areas are listed in the national budget: (i) drinking water access; (ii) sanitation access; (iii) water and sanitation infrastructure at district level; and (iv) hygiene and environmental health. The budget allocated to drinking water access realized an increasing trend over the past five years, from FRW 13.9 billion in 2014/15 to FRW 32.5 billion in 2018/19. However, given the discrepancy between urban and rural access, it is important to have more information on where the water supply investments are going. While the sanitation budget shows an upsurge from FRW 0.9 billion in 2017/18 to FRW 6.5 billion in 2018/19, the budget for sanitation and hygiene remained small (**Figure 9**). While investments in sanitation and hygiene are increasing, allocations are inadequate to achieve targets.



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3. WASH budget allocation by economic activity

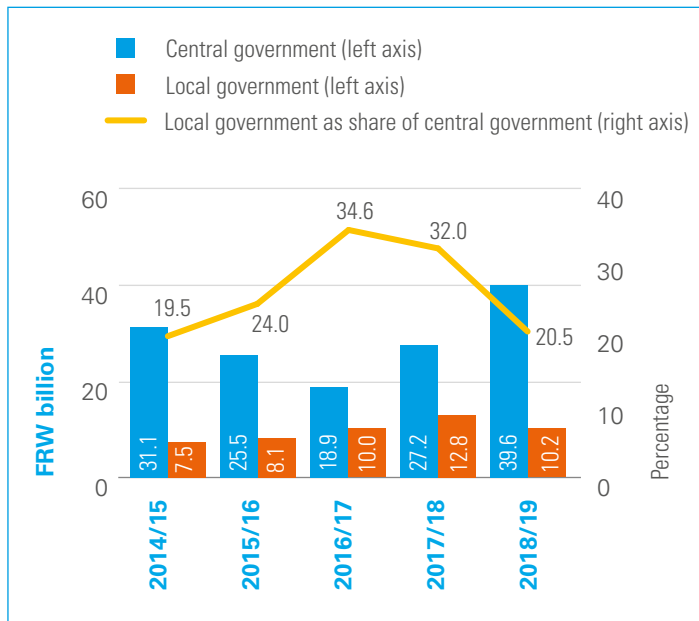
A trend analysis of budget by type of activity indicates that the government has prioritized development activities over recurrent activities. From 2014/15 to 2018/19, the development activities budget accounted for 99.5 per cent of total spending. The Government of Rwanda's policy for water supply states that 100 per cent of urban water services should be paid for by user

fees, while in rural areas user fees should cover operations and maintenance. While this is a strong policy goal, at this point it may not be feasible, especially for the poorest households. While operations and maintenance is a sizeable portion of recurrent budget, there are other costs associated with service provision as well.

There is a need for the government to ensure adequate funding for recurrent water and sanitation costs, including monitoring of the tariff collection system to track private expenditure on water supply. If the current tariffs collected are inadequate to sustain water services equitably, the government could consider additional funding until the tariffs adequately resource the recurrent budget needs.

4. Decentralization of WASH budget

Figure 10: Decentralization of WASH budget



Source: Calculated using state finance laws

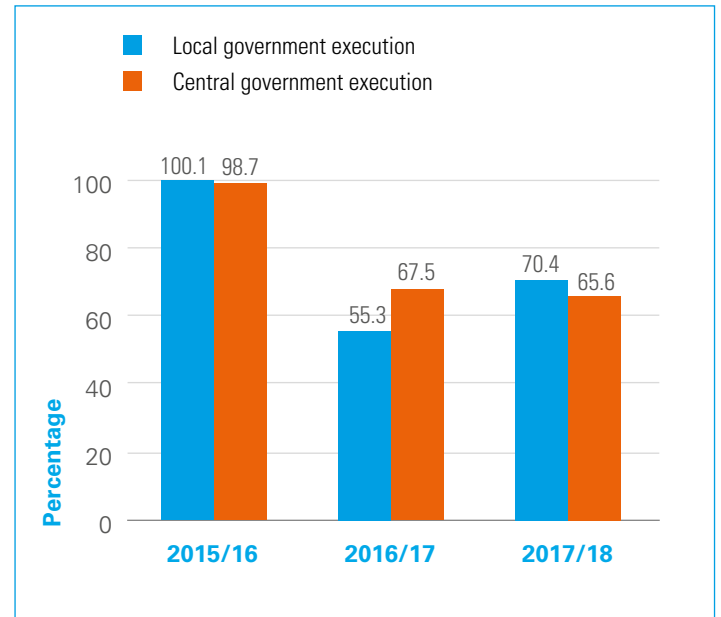
The budget for water and sanitation allocated to districts as a percentage of the total water and sanitation budget rose from 19.5 per cent in 2014/15 to 34.6 per cent in 2016/17, and then declined to 20.5 per cent in 2018/19. While nominally the budget allocated to districts increased from FRW 7.5 billion in 2014/15 to FRW 10.2 billion in 2018/19 (Figure 10), the budget allocated to districts was meant for rural water infrastructure only. An increase in local government budget would be an increased targeted investment in rural areas where the number of people lacking basic services is highest.

There is a need to increase the share of budget allocated to districts to target investment in sustainable basic water and sanitation services in rural areas.



5. WASH budget execution

Figure 11: WASH budget execution



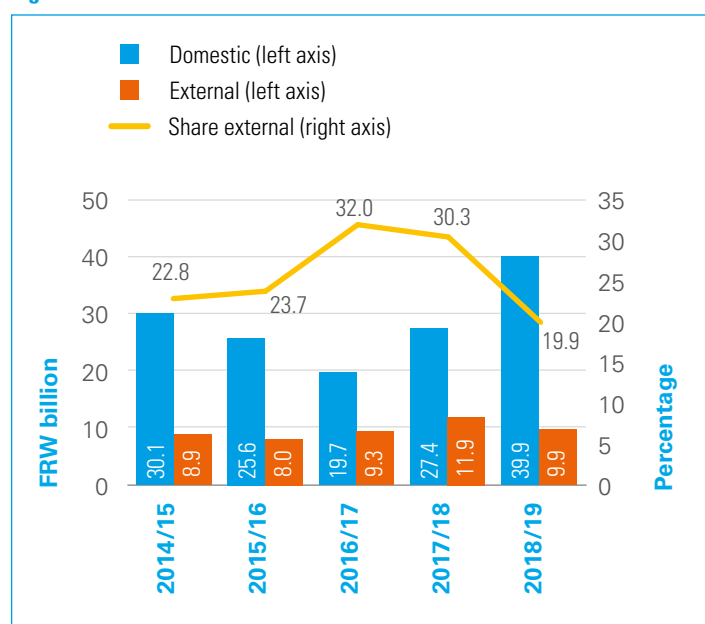
Source: MINECOFIN budget execution reports

Available budget execution data show a decreasing trend of WASH budget execution at both local government and central government level. The budget execution rate was 101 per cent and 98.7 per cent in 2015/16 for local and central government, respectively, and in the following year the execution rate dropped to 67.5 per cent and 55.3 per cent respectively. However, there was an up-tick in 2017/18 as the execution rate was 70.4 per cent at district and 65.6 per cent at central government level (Figure 11). Additional disaggregation of budget execution by source of financing and sub-sector – i.e. urban or rural, water or sanitation – would help to identify bottlenecks.



6. Financing the WASH budget

Figure 12: Source of finance for water and sanitation



Source: State finance laws

Nominally, external financing for WASH increased from FRW 8.9 billion in 2014/15 to FRW 9.9 billion in 2018/17. However, external finance as a share of the WASH sector budget has fallen, from 32.2 per cent in 2016/17 to 19.9 per cent in 2018/19 (**Figure 12**).

An appropriate, affordable and inclusive WASH financing strategy, which clarifies investment needs and leverages new sources of finance, could be designed by the government and stakeholders to increase fiscal space for water and sanitation activities.



7. Policy issues

The government is currently focused on domesticating the SDGs by revising the level of ambition, strengthening monitoring and increasing investment. The following challenges need to be addressed in order to achieve these goals:

- Lack of external funds leveraged:** Achieving the ambitious targets of the SDGs and the NST1 on water and sanitation services will require significantly larger investment. There is a need to define and utilize additional strategic financing mechanisms to ensure water and sanitation service access by all Rwandans by 2030.
- Limited attention to sanitation:** The sanitation value chain begins with containment, continues through emptying and transport and ends with treatment and disposal or reuse. There are very limited investments in sanitation services beyond containment. New loans have been taken out at the other end of the value chain – for treatment in Kigali and six secondary cities. However, urgent strategy development and investment is needed to address the gap in the emptying and transport links on the chain, in addition to further investment in treatment, disposal and reuse.
- Lack of sustainability of rural water supply services:** Despite a strong policy and regulatory framework that is in place to contract private operators to manage rural water supply systems, capacity and investment remain low. This has resulted in a significant number of non-functional water systems. Increased investment in sustaining services is needed, in rehabilitating infrastructure but also to ensure adequate management so services do not fail in the first place.
- Lack of monitoring to ensure equitable progress:** The current absence of systematic monitoring in the WASH sector hinders strategic targeting of resources. Disaggregating budget expenditures will inform decision-making to ensure investments are targeted to those most in need and to ensure progress is being achieved equitably – leaving no one behind.

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