



# INVESTING IN WATER, SANITATION AND HYGIENE

UGANDA BUDGET BRIEF | FINANCIAL YEAR 2023/24

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**INVESTING IN WATER, SANITATION AND HYGIENE | FINANCIAL YEAR 2023/24**

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# INVESTING IN WATER, SANITATION AND HYGIENE

Financial Year 2023/24

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STATEMENTS

# KEY MESSAGES AND RECOMMENDATIONS

- 1 Current WASH investments significantly fall short of the sector financing needs. There is still a challenge of inadequate funding for the WASH sector, with the budget declining from UGX1,342 billion in 2022/23 to UGX1,045 billion in 2023/24. This poses questions as to whether government's commitments through the National Budget Strategy for the 2023/2024 financial year of increasing access to clean water, sanitation, and good hygiene practices will be achieved.

**RECOMMENDATION:** More resources are needed to ensure that the country meets its national commitments, including the National Budget Strategy, Budget speech among others to put the country on a trajectory to meet SDG targets for WASH.
- 2 A bulk of WASH resources remain heavily centralized under the Ministry of Water and Environment (MWE). For the years under review, on average, about three quarters of the resources are with the Ministry, with less than 20% with districts and the remainder with Departments and Agencies.

**RECOMMENDATION:** as WASH service delivery is more concentrated at districts and other lower levels of government, it is critical to rebalance spending to ensure it is as close to the communities as possible. More resources should thus be devolved to district levels for more effective, efficient and equitable spending.
- 3 WASH budgets remain largely development oriented with limited resources for operations and maintenance requirements. The largest share (at least 58.1% and 38.1%) of WASH budget for 2023/24 is directed towards capital spending while wages take up about 0.6%. This leaves less than 1% for operations and maintenance.

**RECOMMENDATION** The government should maintain balance between development and current expenditure to ensure continued functionality of WASH activities through monitoring and maintenance.
- 4 Budget credibility rates (releases against approved) have performed poorly than approved budgets over the years. Since 2017/18, Government has released less resources than approved. This impacts on planning for the sector, and expenditures there-of.

**RECOMMENDATION:** Planning and budget outturns need to be improved to ensure that resources outlays are predictable, and planning is effective for better results.
- 5 Rural WASH receives a lower share of the budget compared to Urban WASH. As a proportion of the total budget, urban WASH accounts for more than half of the total budget. However, the proportion of rural WASH is projected to slightly increase, with 41.6% of total WASH spending for 2023/24, up from 32.1% in 2022/23.

**RECOMMENDATION:** In order to ensure equity in spending, especially considering that most of the population in Uganda resides in rural areas and most endemic outbreaks are at local governments, it is also important to ensure more, and predictable resources for rural WASH.
- 6 External Financing remains the biggest funder for WASH Sector through the budget system. This situation is unsustainable.

**RECOMMENDATION:** There is need to rebalance to ensure government expenditure for the sector is substantial in insulating the sector against any external shocks, especially in the face of anticipated shifts in international aid flow in the short to medium term.

## 01 INTRODUCTION

This budget brief analyzes the extent to which the 2023/24 National Budget responds to the needs of the Water, Sanitation, and Hygiene (WASH) sector. The brief delves deeper into the size and composition of government spending on WASH. The analysis is based on an in-depth review of National Budget Documents, specifically the Annual Budget Performance Reports and the Approved Budgets<sup>1</sup>. The government switched to Programme Based Budgeting starting 2021/22, with WASH budget spread across various programmes including Human Capital Development and Agro-industrialization. However, most WASH votes fall under Natural Resources, Environment, Climate Change, Land and Water.

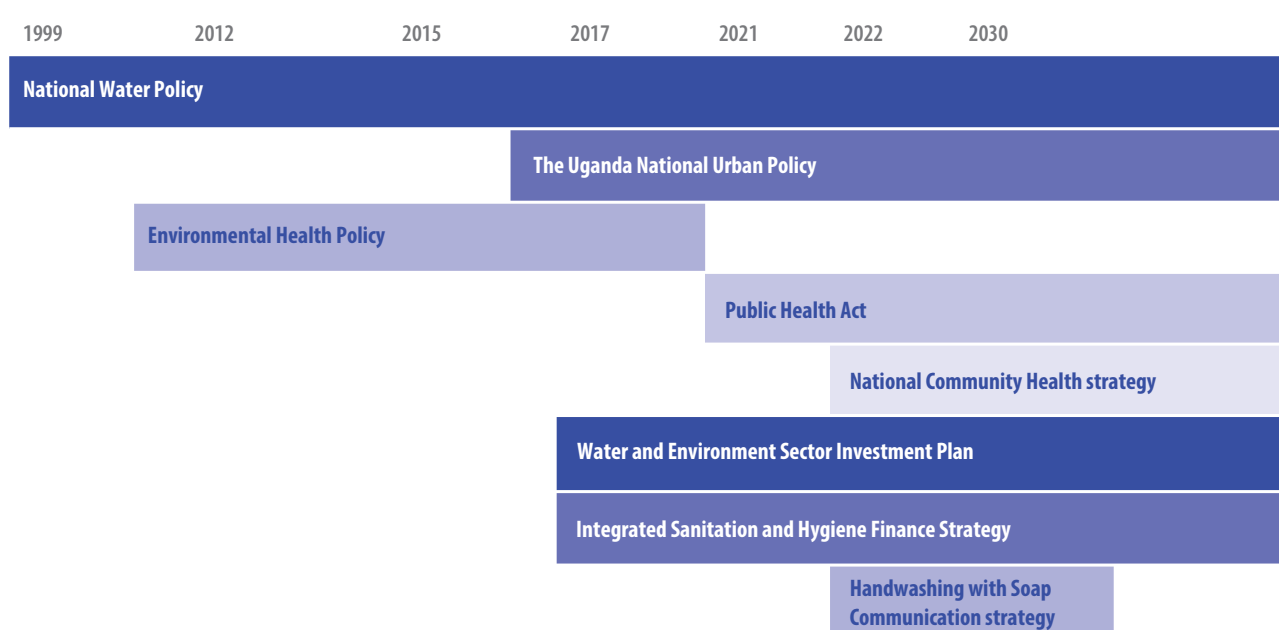
However, this analysis does not focus on Natural Resources, Environment and Climate Change, and **only focuses on Water for production or agriculture purposes, and on Water for human consumption, and any expenditures associated with management, distribution, and disposal.**

## 02 OVERVIEW OF THE WATER, SANITATION AND HYGIENE (WASH) SECTOR

The National Budget Strategy for the 2023/2024 financial year<sup>2</sup>, and the Budget Speech 2023/2024<sup>3</sup> among other documents, stated that the Government of Uganda is committed to increasing access to clean water, sanitation, and good hygiene practices to give the population (including children) a healthier life. This requires consistent investments in the water, sanitation and hygiene sector, to help families and children access clean and portable water.

The WASH sector is housed under the Natural Resources, Environment, Climate Change, Land and Water Management (NRECCLWM) Programme of NDP3. The programme is responsible for sound management and sustainable utilization of natural resources, environment, land and water resources and mitigation of the impact of climate change for socioeconomic development of Uganda. The outcome for WASH under this programme is to “Increase access to quality safe water and sanitation facilities for rural, urban and water for production uses.” During the 2020/21 financial year, the Ministry submitted to Cabinet the revised Water Policy and the Water Act Amendment meant to align the two with emerging issues in the sector. Table 1 Below shows a list of some of the key policies guiding the WASH sector.

**TABLE 1** STRATEGIC FRAMEWORKS FOR WASH: KEY POLICIES, STRATEGIES AND PLANS THAT GUIDE THE SECTOR



Source: Various WASH Documents

1 2017/18 to 2021/22 Figures are based on Actual expenditures, while 2022/23 and 2023/2024 is based on approved figures.

2 National Budget Conference, Financial Year 2023/24 Budget Strategy, [BUDGET STRATEGY FY 23-24.pdf \(finance.go.ug\)](#), Page 22.

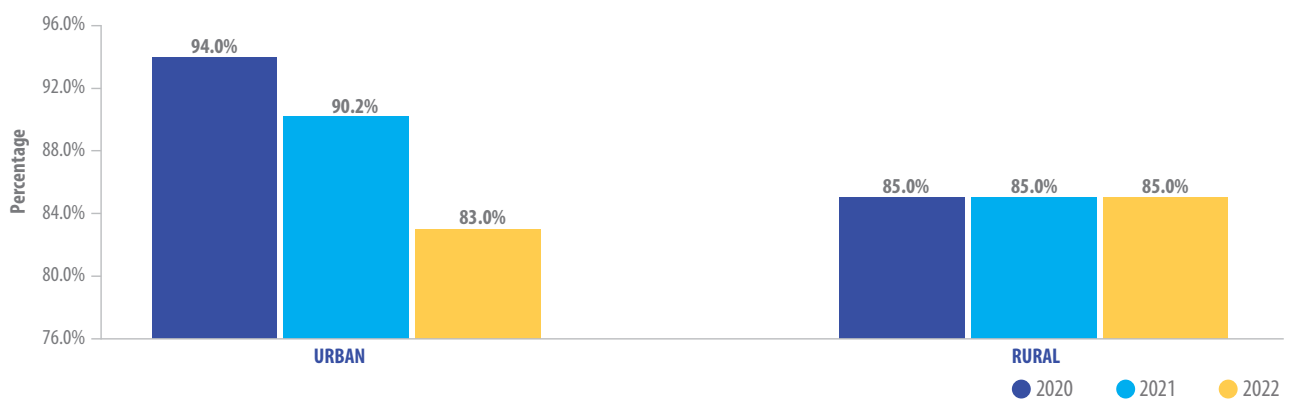
3 Budget Speech Financial Year 2023/2024, [Min of Finance Budget.indd](#), Bulletin 58, Page 18.

## 2.1 KEY DEVELOPMENTS IN THE WASH SECTOR

The WASH sector registered slight improvements in terms of coverage for safe and clean water for human consumption. The National water coverage for safe and clean water for human consumption (WASH services) amounted to 70 per cent (67 per cent in rural areas and 72 per cent in urban areas) in 2022/23<sup>4</sup>, an improvement of 0.3 per cent increase from the 2021/22 level of 69.8 per cent<sup>5</sup>. This is against an NDPII target of 85% coverage in rural areas and 100% coverage in urban areas by the year 2025.

Despite the small improvements in coverage for safe and clean water for human consumption, the functionality rate of the water systems has been on a declining/ stagnation trend. Over years under review, the functionality rate of the Urban Water systems has been declining. This was mainly due to the impact of the COVID-19 Pandemic, which led to some major budget cuts across all sectors of the economy. As shown on Figure 1, urban water functionality declined from 94% in 2020, to 80.2% in 2021 and 83% in 2022, attributable to the slow rate of repair that could not match the rate of breakdown. However, the functionality rate of the rural water systems stagnated over years.

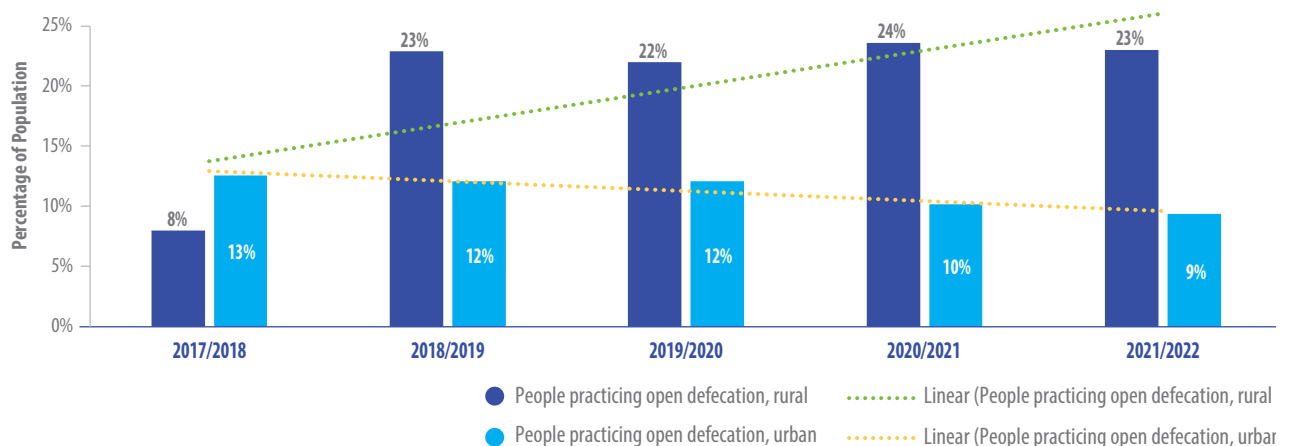
**FIGURE 1** FUNCTIONALITY RATES OF THE WATER SYSTEMS, YEARS 2020-2022.



Source: Natural Resources, Environment, Climate Change, Land and Water Management, Programme Performance Report 2022.

Open Defecation has been declining in urban, while remaining stagnant in rural areas. The proportion of rural population practicing open defecation slightly reduced from 24% in 2020/21 to 23% in 2021/22. On the other hand, only 9% in urban areas did not have access to any form of sanitation facility in 2021/22, and were practicing open defecation (see Figure 2). This was a slight reduction from 10% reported in FY 2020/2021. SDG Goal 6.2 seeks to ensure universal access to safely managed sanitation and hygiene services by 2030, which is under threat at the current level of access.

**FIGURE 2** OPEN DEFECTION TRENDS, 2017/2018-2021/2022 (AS % OF POPULATION PRACTICING)



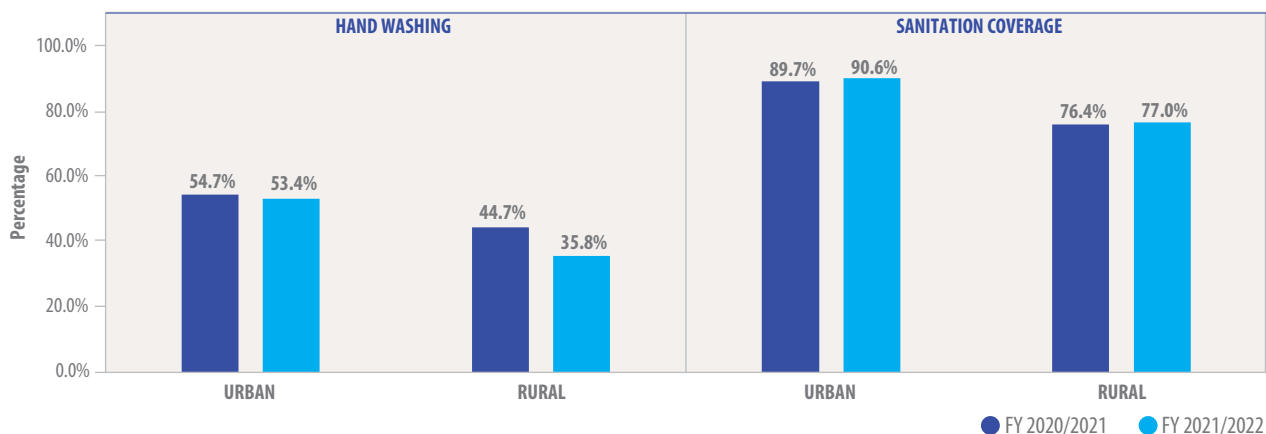
Source: Natural Resources, Environment, Climate Change, Land and Water Management, Programme Performance Report 2022.

4 Budget Speech Financial Year 2023/2024, NATIONAL BUDGET SPEECH FOR FY 2023-24.pdf, Bulletin 55, Page 17.

5 Budget Speech Financial Year 2022/2023, Microsoft Word - FY 2022-23 Budget Speech FINAL\_14062022 (finance.go.ug), Bulletin 75, Page 24.

Sanitation Coverage in both Urban and Rural areas increased while Hand washing in both the Rural and Urban areas declined (see figure 3). Sanitation Coverage in rural areas increased by 0.6% to 77% in FY2021/2022 from 76.4% in FY 2020/21. In Urban areas, the coverage increased to 90.6% from 89.7% in the FY 2020/21. The increase in coverage was attributed to the increased investment in household sanitation and Hygiene as a result of intensive campaigns by the different actors across the country.

**FIGURE 3** TRENDS OF SANITATION COVERAGE AND HAND WASHING COVERAGE FOR FY 2020/21 AND 2021/22.



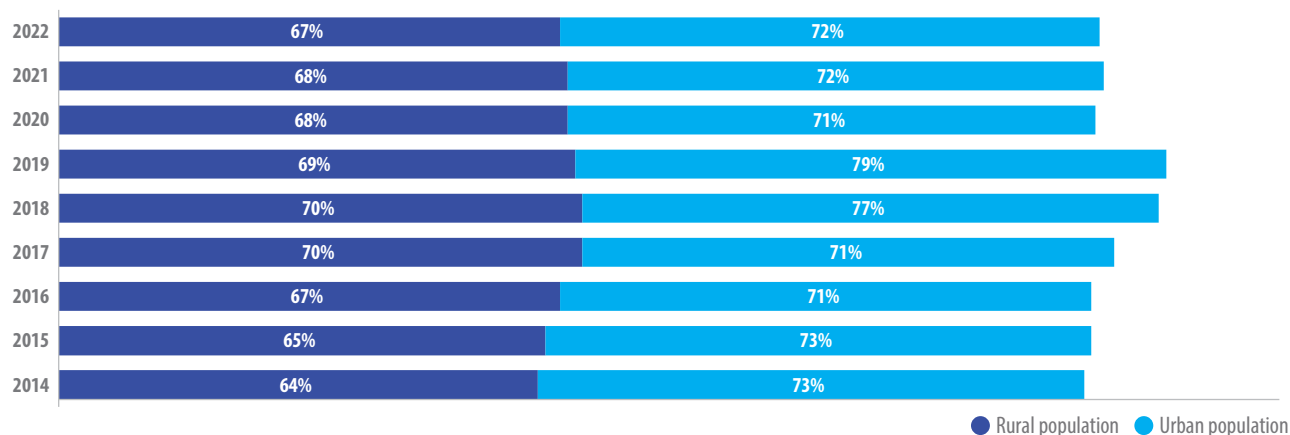
Source: Natural Resources, Environment, Climate Change, Land and Water Management, Programme Performance Report 2022.

In rural areas hand washing with soap declined by 8.9% from 44.7% in FY 2020/21 to 35.8% in FY 2021/22. This was attributed to perceived reduction in the threat of COVID-19 transmission due to the dwindling number of cases. The same situation was experienced in Urban areas where access to hand washing with soap slightly dropped from 54.7% in FY2020/21 to 53.4% in FY 2021/2022.

It is worth noting that Hand washing coverage was less than half of the sanitation coverage meaning that over half of the toilets in use across the country lacked hand washing facilities<sup>6</sup>.

72 per cent and 67 of the population used at least basic drinking water services in the Urban and Rural areas respectively in 2022, indicating a decline since 2017 for both the Urban and Rural populations (Figure 4). this decline in access to improved basic drinking water sources is presenting challenges with regards to Uganda’s ability to meet SDG Goal 6 that “seeks to ensure safe drinking water and sanitation for all” and SDG 6.1 on “universal and equitable access to safe and affordable drinking water for all by 2030”<sup>7</sup>.

**FIGURE 4** PERCENTAGE OF POPULATION USING AN IMPROVED BASIC DRINKING WATER SOURCE.



Source: Water and Environment Sector Performance Report

6 Natural Resources, Environment, Climate Change, Land and Water Management, Programme Performance Report 2022.NRECCCLWM Programme Management Report 2022.pdf (mwe.go.ug), Page 147

7 UN- Water SDG 6 Data Portal, Home | SDG 6 Data



## KEY TAKEAWAYS

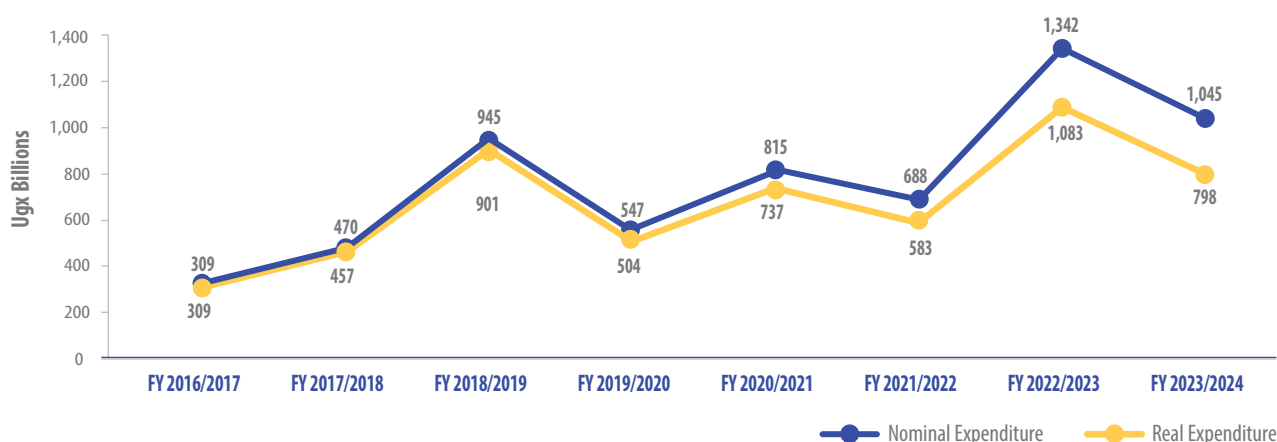
- The decline in the functionality rate of the Urban Water systems and stagnating for the Rural water systems poses a huge threat with regards to access to clean and portable water. Remote monitoring on functionality parameters irrespective of presence or absence of shocks is a necessary part of WASH interventions.
- The stagnation of the practice of open defecation in rural areas requires more concerted efforts in line with the Goal towards creation of open defecation free villages by 2030 (SDG 6.2)<sup>8</sup>.
- The decline in hand washing with soap in both Urban and Rural areas, post COVID-19 will regress progress towards managing other infections caused by poor hand hygiene. More efforts aimed at behavioral changes to sustain positive hand hygiene are required, beyond the short-lived campaigns based on disease outbreaks and epidemics.
- Access to hand washing facilities remains way lower than sanitation coverage, requiring more handwashing facilities at sanitation facilities. The situation undermines the benefits of improved sanitation and exposes the population most especially children to increased incidences of Diarrheal and respiratory tract infections.

## 03 WASH SPENDING TRENDS

### 3.1 NOMINAL AND REAL WASH SECTOR SPENDING TRENDS EVOLUTION

Spending on the WASH sector has been erratic over the years, with episodes of increase and decrease for the period under review. Between 2016/17 and 2018/2019, WASH spending increased from Ugx309 billion to Ugx945 billion, mainly on account of increase in external funding for, before declining to Ugx547 billion in 2019/20. In 2020, the spending increased to Ugx815 billion, before again declining to UGX688 billion in 2021/22. Despite again having an approved budget of Ugx1,342 billion, the WASH Budget approved for 2023/24 has again declined to Ugx1,045, in nominal terms. Real expenditure is also following the same trend. The projected decline might impact on the Government of Uganda's commitment to achieve the NDP III Goal to "increase access to safe and clean water to achieve **85% coverage in rural areas** and **100% coverage in urban areas** by the year 2025" (see figure 5).<sup>8</sup>

**FIGURE 5** NOMINAL AND REAL WASH SECTOR SPENDING TRENDS, FY2016/17-23/24 (IN BILLIONS OF LOCAL CURRENCY)



Source: Ministry of Finance, Planning and Economic Development<sup>9</sup>

<sup>8</sup> SDG Target 6.2 | Sanitation and hygiene: By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations (who.int)

<sup>9</sup> Budget allocations in nominal terms are those that are reported relative to a given period. Budget allocations in real terms are those that are adjusted for price increases that are relative to a baseline or reference.

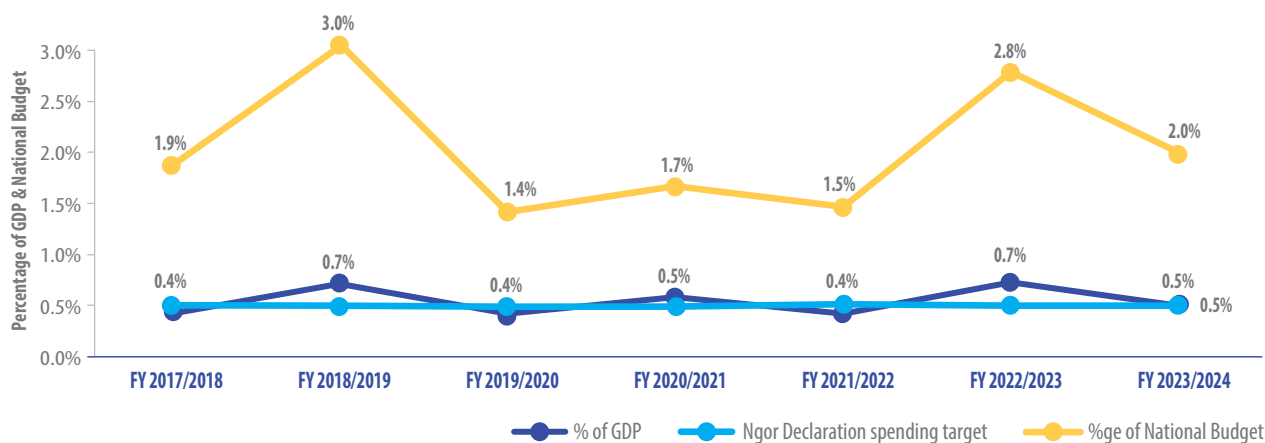


### 3.2 WASH SPENDING TRENDS AND INTERNATIONAL TARGETS

Uganda has been able to meet the Ngor Declaration target of allocating 0.5% of GDP to WASH. Over the review period, Uganda has been able to spend an average of 0.5% of GDP on WASH, aligned to the international Ngor target set at the African Ministers at the 4<sup>th</sup> African Conference on Sanitation and Hygiene (AfricanSan) agreed on in 2015.

As a proportion of the total National Budget, Uganda recorded between 1.4% and 3% over the review period. As shown on Figure 6 below, Approved WASH spending stood at 1.5% in 2021/22, and increased to 2.8% in the 2022/23 Approved Budget, and is projected to ease to 2% in the 2023/24 Approved National Budget. This is mainly on account of spending on water for production, which is normally high in volume, and tied to project completion.

**FIGURE 6** SANITATION AND HYGIENE SPENDING TRENDS AND THE NGOR DECLARATION TARGET, 2017/18-2023/24 (% OF GDP)



Source: Ministry of Finance, Planning and Economic Development

#### KEY TAKEAWAYS

- The increase in both nominal and real spending on WASH is a positive development, though consistency of such spending is required to sustain impact.
- Uganda has been able to spend on average 0.5% of GDP on WASH, in line with the Ngor declaration. A sustainability of such level of spending can help drive results for WASH, especially if equitably spent across key result areas of water for consumption and sanitation.



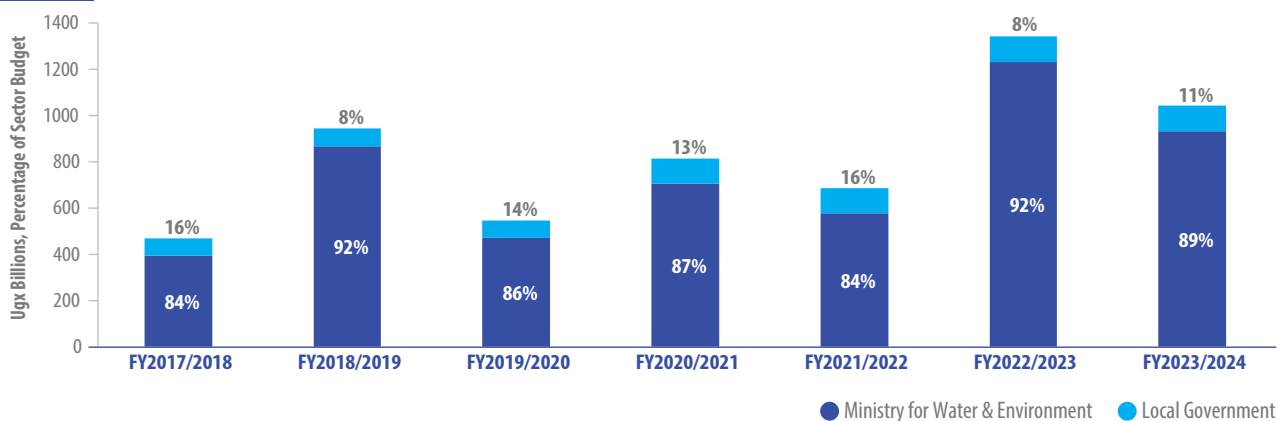
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## 04 COMPOSITION OF WASH SPENDING

### 4.1 WASH SPENDING BY INSTITUTION

The Ministry of Water and Environment<sup>10</sup> dominates much of the spending for the WASH sector in Uganda. This is mainly due to the Ministry of Water and Environment being the principal recipient of external WASH sector financing. Figure 7 shows that about 89% of the WASH sector budget is projected to be channeled through Ministry of Water and Environment, a decline from 92% in the 2022/23 Approved Budget. This leaves only 11% of the budget for 2023/24 being channeled through districts in 2023/24, from 8% in 2022/23 (See Figure 7).

**FIGURE 7** WASH SECTOR SPENDING BY INSTITUTION, FY2017/18-2023/24 (IN BILLIONS OF UGX BILLION AND AS % OF SECTOR BUDGET)



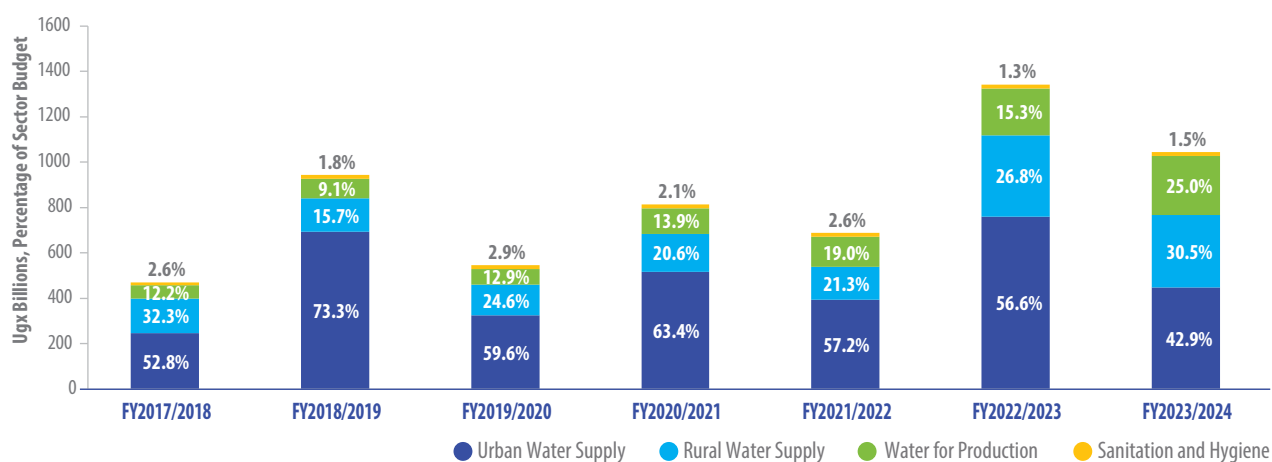
Source: Ministry of Finance, Planning and Economic Development

Though the Ministry of Water and Environment is the primary recipient of external financing, which is a substantial part of the WASH sector budget and spent across all levels, Local government spending needs a critical re-look. This level of prioritization poses a huge risk to the lower level, which is the anchor of the entire water and sanitation service delivery.

### 4.2 WASH SECTOR SPENDING BY SERVICE

Urban Water Supply receives the highest prioritisation for the WASH sector. Till 2022/23, urban water supply accounted for more than half the total WASH budget. In 2021/22, Urban water supply accounted for 57%, which remained largely constant at 56.6% in 2022/23. The trend is however projected to be reversed, with a projection of 42.9% in 2023/24. This is followed by Rural Water Supply and Water for Production (30.5% and 25% respectively), with Sanitation and Hygiene receiving the least at 1.5% in 2023/24. Figure 8 summarizes the prioritization of the WASH sector by services under the WASH sector.

**FIGURE 8** WASH SECTOR SPENDING BY SERVICES, FY2017/18-2023/24 (IN BILLIONS OF LOCAL CURRENCY AND AS % OF SECTOR BUDGET)



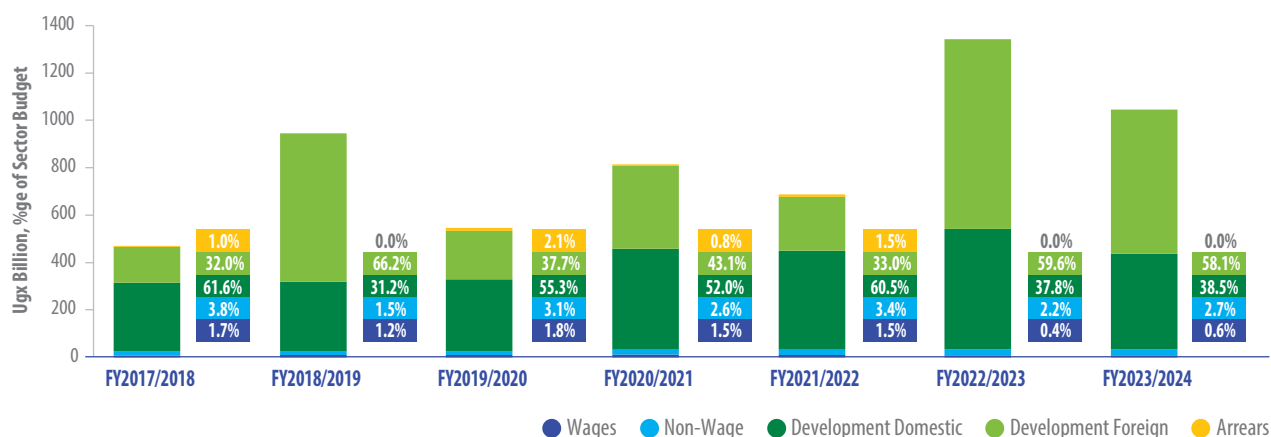
Source: Ministry of Finance, Planning and Economic Development

<sup>10</sup> Under the Ministry of water and Environment, focus is on Rural Water Supply, Urban Water Supply and Water for Production only.

### 4.3 WASH SECTOR SPENDING BY ECONOMIC CLASSIFICATION

The WASH Sector is Capital intensive with the bulk of the budget earmarked for development expenditure. The WASH sector budget remains dedicated primarily on capital expenditure (Domestic Development and Foreign Development) (see figure 9). For all the years under review, the majority of the WASH sector investments were directed towards capital-intensive water infrastructure development projects, such as the Kampala Water Lake Victoria Water and Sanitation Project, Integrated Water Resource management and Development Project, Drought Resilience in Karamoja sub-Region Project among others.

**FIGURE 9** WASH SECTOR SPENDING BY ECONOMIC CLASSIFICATION, FY2017/18-2023/24 (IN BILLIONS OF LOCAL CURRENCY AND AS % OF SECTOR BUDGET)



Source: Ministry of Finance, Planning and Economic Development

Spending for Wages and Salaries is very negligible, implying that the major burden on wages lies on the districts and local governments, with less than 2% of total central government transfers earmarked for wages and salaries for the years under review.

Non-wage recurrent spending has also remained very low. Over years, the non-wage expenditure budget has been too low (less than 4%). Only 2.7 per cent of the FY2023/24 budget is projected to be earmarked for operations and maintenance, a slight increase from 2.2% in FY2022/23. This means minimal resources are available as recurrent to cover operations and maintenance, monitoring, behavior change campaigns, and increased awareness on WASH services.

#### KEY TAKEAWAYS

- The domination of expenditure on urban water supply is crowding out expenditure on rural water supply, sanitation and hygiene and water for production. In order to improve sanitation outcomes, it is critical to ensure rebalancing of expenditure to target rural areas.
- Sanitation and Hygiene is often overlooked in the budget, with less than 2% of WASH spending, resulting in missing of key interventions to promote hygiene.
- A large part of the WASH budget is allocated for Development projects, leaving little funding available for the recurrent budgets that cover maintenance of WASH infrastructure and increasing awareness and behavioral change campaigns. This results in frequent breakdown that lead to lengthy down time for water supply.

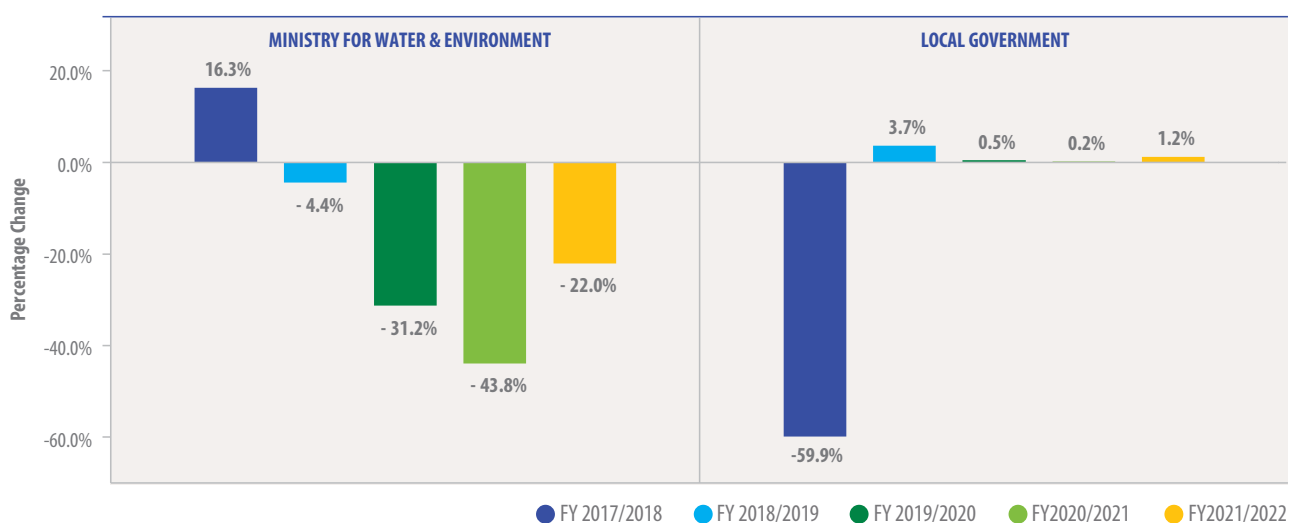
## 05 BUDGET CREDIBILITY AND EXECUTION

This section assesses the credibility of the WASH budgets. It delves into the spending patterns against the approved budget to better understand where government spending deviates from the approved budget and by how much.

### 5.1 BUDGET CREDIBILITY RATES IN SELECT INSTITUTIONS

Budget credibility for the WASH sector has remained low over the years, varying across different institutions. Over the past five financial years, Ministry of Water and Environment has been the most impacted institution in terms of releases. In 2018/19, 2019/20 and 2020/21, the Ministry received fewer resources than the approved budget of -4.4%, -31.2% and -43.8%, respectively (see Figure 10). Though the situation improved slightly in 2021/22 to -22% (implying a release of only 78%), this was not in the range of the PEFA International standards<sup>11</sup> that consider countries to have better performance if the aggregate expenditure outturns are within 5 percent (between 95% and 105%) of the approved budgeted expenditures.

**FIGURE 10** BUDGET CREDIBILITY RATES IN SELECT INSTITUTIONS, FY2017/18-2021/22 (DEVIATION FROM AMOUNT APPROVED AS %)



Source: Ministry of Finance, Planning and Economic Development

Local government releases against approved budgets have improved significantly since the lowest level registered in 2017/18. In 2017/18, the Local governments had an under release of -59.9%, implying that only 40.1% of the annual WASH sector budget was released. The poor budget releases mostly impacted KCCA due to the Failed Electronic Funds Transfer (EFT) in June 2018. Some of the planned facilities were not completed due to inadequate funding especially from the donor component, land challenges, lack of approved designs, and late insurance of no objection by the Development Partners case for the Water and Sanitation Projects. However, from 2018/19 to 2021/22, Local governments' (KCCA inclusive) releases against the approved budgets have remained high, within allowable PEFA levels of variation of  $\pm 5\%$

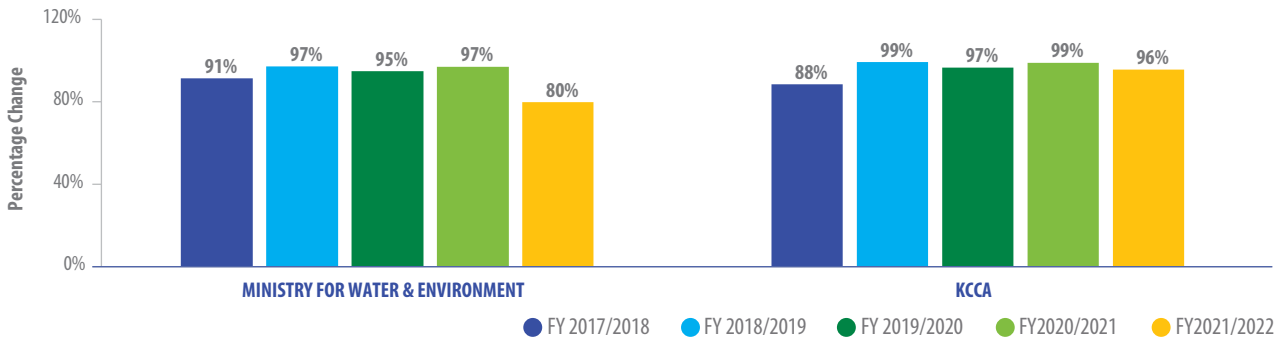
### 5.2 BUDGET EXECUTION RATES IN SELECT INSTITUTIONS

Execution of the WASH Sector Budget against released resources remains very high<sup>12</sup> due to the nature of the WASH spending with most being Capital Investments (Development Projects). However this varies across the key institutions. Figure 11 below shows the execution rates against releases for the sector.

11 Public Expenditure and Financial Accountability (PEFA) Framework for the Assessment Of Public Financial Management, 2016, Link: PEFA 2016\_latest version with links (2).pdf, Page 14-15

12 The budget execution rates excluded other Local government rates apart from KCCA because the Actual expenditure data for local governments was not readily available in the annual Budget Performance reports.

**FIGURE 11** BUDGET EXECUTION RATES IN SELECT INSTITUTIONS, FY2017/18-2021/22 (DEVIATION FROM AMOUNT APPROVED AS %)



Source: Ministry of Finance, Planning and Economic Development

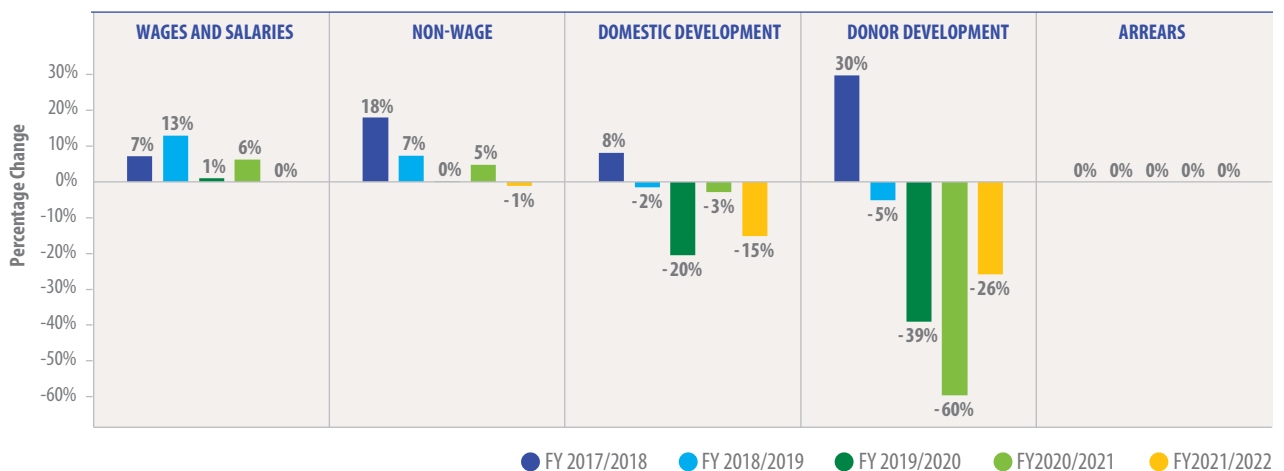
As shown on Figure 11 above, in 2020/21, all institutions’ budget execution rates were at least 97%, which is a positive development in the post-COVID-19 recovery efforts. However, the situation changed a bit in FY 2021/2022, when only 80% in the Ministry of Water and Environment released resources were spent. This was due to so many factors, and among them are high failure rates of boreholes previously earmarked under Nexus Green and the low yields slowing down construction as new sites had to be identified. There was also delayed land compensation due to disagreements between landowners and the Chief Government Land Valuer verification report which slowed down the implementation of projects.

### 5.3 BUDGET CREDIBILITY RATES BY ECONOMIC CLASSIFICATION

**Releases on the Recurrent Budgets in the WASH sector perform better than other expenditure categories.** For all the years under review, there was no under-release in wages and non-wages except for 2021/22 where there was an under spending of -1% for the non-wage recurrent expenditure, mainly due to absorption capacity issues, delays in initiating projects during the inception phases with procurement procedures, and cash flow problems<sup>13</sup> (see Figure 12).

**However, development budgets have been most impacted, with less than budgeted resources released.** In 2020/21, the Donor Development budget had an under-release of -60%. However, slight progress has been registered with an under-release of -26% in 2021/22. The Domestic Development budget is also impacted the same way, though to a lesser extent compared to Donor Development. The only exception for donor Development Funding in 2017/18, where an over release on 30% was registered, arising from over releases to specific Rural water supply and Urban Water supply development projects<sup>14</sup>.

**FIGURE 12** BUDGET CREDIBILITY RATES BY ECONOMIC CLASSIFICATION, FY2017/18-2021/22 (DEVIATION FROM AMOUNT APPROVED AS %)



Source: Ministry of Finance, Planning and Economic Development

<sup>13</sup> The budget credibility is measured by the deviation between approved budgets at the start of the fiscal year and the released amount throughout the financial year.

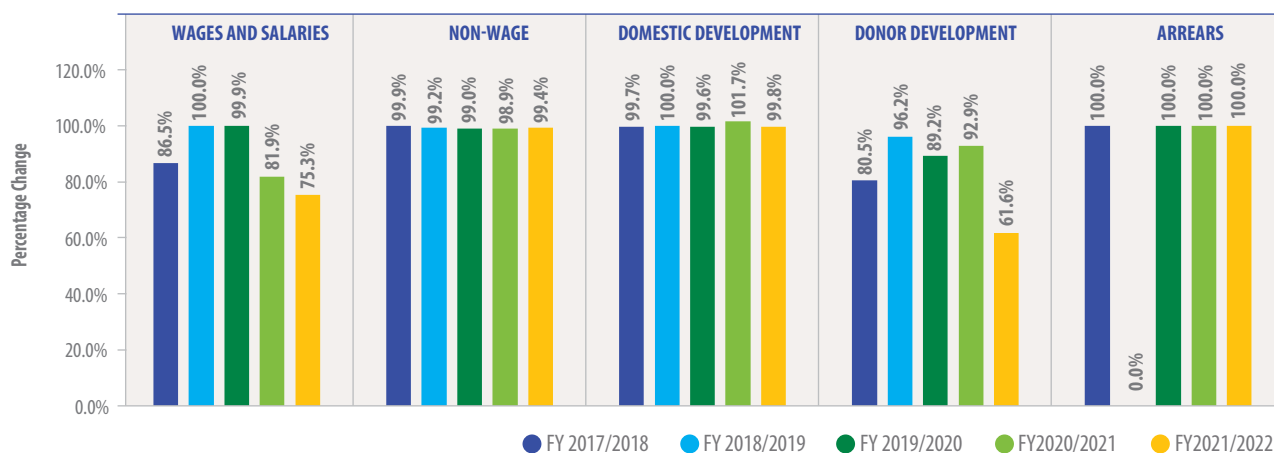
<sup>14</sup> Annual Budget Performance Report, Financial Year 2017/2018, Page 497



## 5.4 BUDGET EXECUTION RATES BY ECONOMIC CLASSIFICATION

On average, the budget execution rate for the WASH sector by economic classification remains high, with the highest level recorded at 100 per cent, and the lowest at 80.5 per cent. With the exception of Donor Development which registered 61.6% in 2021/22, all categories of expenditures against releases were relatively high over the review period (see figure 13). The noted under-expenditure under Donor Development is attributable to the insufficient release of funds that slowed down implementation and halted new projects that had been planned for that Financial Year.

**FIGURE 13** BUDGET EXECUTION RATES BY ECONOMIC CLASSIFICATION, FY2017/18-2021/22 (DEVIATION FROM AMOUNT APPROVED AS %)



Source: Ministry of Finance, Planning and Economic Development

Spending against Wages and Salaries releases, which had slightly improved to 100% in 2019/20, further deteriorated to 75.3% in 2021/22. This was mainly due to delays in recruitment of contract staff to replace those who resigned and the National Social Security Fund (NSSF) staff contributions that were subsequently transferred after verification exercise was completed in that Financial Year.

### KEY TAKEAWAYS

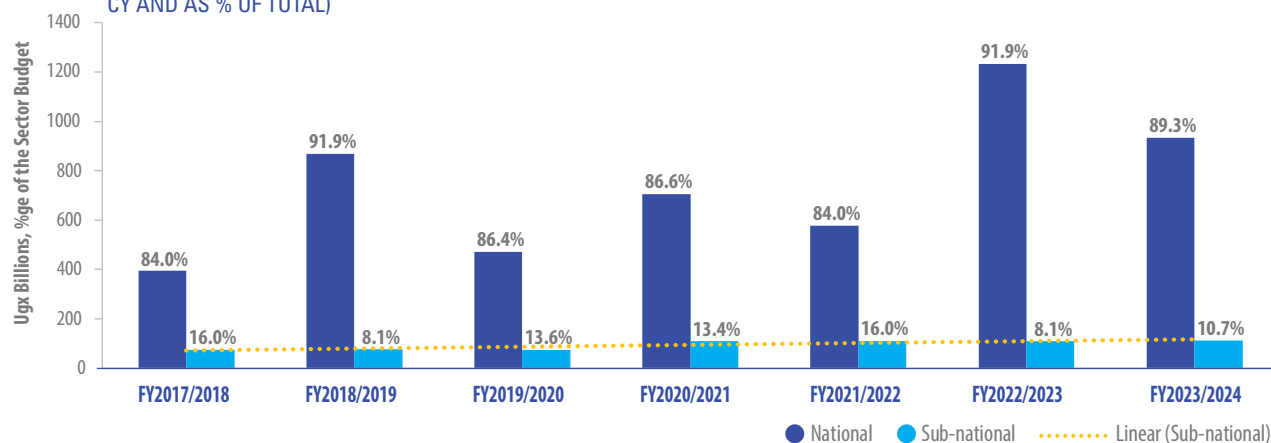
- The low release of WASH Budget against approved budgets has major implications on budget spending, especially for the development budgets that require more time for planning and procurement.
- To improve execution rates, procurement processes need to be initiated early enough and procurement contracts signed when funds are available to avoid procurement delays.
- Disputes arising from land issues have impacted on project implementation, calling on the need for Ministries, Departments and Agencies (MDA's) under the sector to plan to implement projects where all land related issues have been cleared and costs for land acquisition to be budgeted for accordingly.

## 06 DECENTRALISATION AND WASH SPENDING

### 6.1 NATIONAL AND SUB-NATIONAL WASH SPENDING TRENDS

Spending for WASH through Local governments (including KCCA) has remained consistently low. For the years under review, WASH spending at a sub-national level has been very low, with about a 10<sup>th</sup> of the total sector spending going through local authorities. The bulk of the resources are spent through the national level, though it is anticipated that the trend may decline to 89.3% in 2023/24 from 91.9% in 2022/23.

**FIGURE 14** NATIONAL AND SUB-NATIONAL SPENDING TRENDS ON THE WASH SECTOR FY2017/18-2023/24 (IN BILLIONS OF LOCAL CURRENCY AND AS % OF TOTAL)



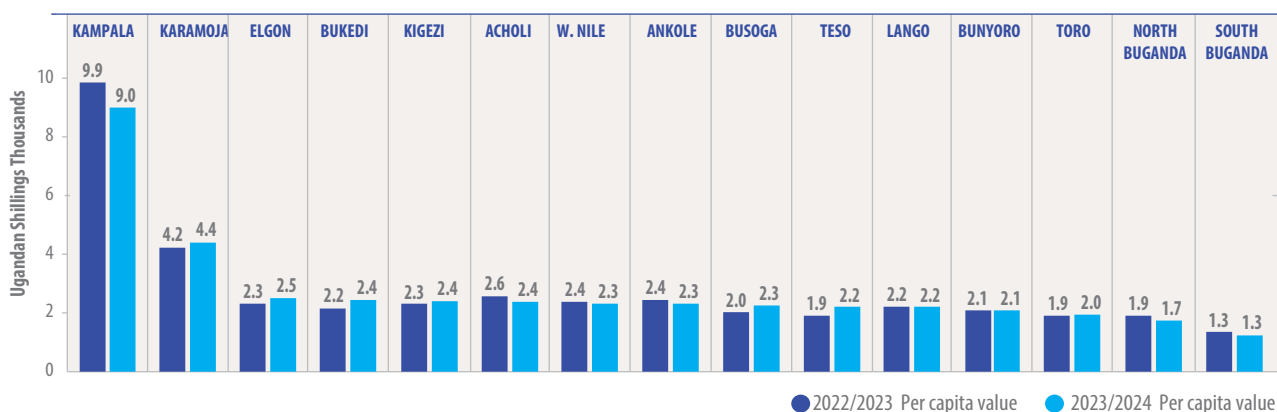
Source: Ministry of Finance, Planning and Economic Development

Considering the importance of local governments in WASH delivery, both for the Urban and Rural water supply services, a careful rebalance in WASH spending is necessary to ensure effective service delivery to improve spending effectiveness.

## 6.2 WASH SPENDING BY SUB REGION

On per capita terms, Kampala received the highest per capita allocations, amounting to Ugx9,000 shillings per person in FY 2023/2024, a slight decline from Ugx9,900 shillings in FY 2022/2023 allocations. On the other hand, South Buganda got the lowest capita allocation of Ugx1,300 shillings per child in FY 2023/2024, mainly linked to the fact that the Intergovernmental Fiscal Transfer Formula (IFTRF) for the WASH sector<sup>15</sup> is fairly being applied.<sup>16</sup>

**FIGURE 15** PER CAPITA WASH SPENDING AND ACCESS TO IMPROVED SANITATION BY SUB REGION, FY2022/23 VS 2023/24



Source: Ministry of Finance, Planning and Economic Development and Uganda Bureau of Statistics

### KEY TAKEAWAYS

- The current high spending in favour of national level spending needs to be carefully rebalanced to safeguard WASH gains, especially through support for nonwage recurrent spending to support repair and maintenance.
- The weak application of the intergovernmental fiscal transfer formula (IFTRF) is weakening the relationship between budgeting and the population numbers of each sub-region.

<sup>15</sup> Intergovernmental Fiscal Transfers Reform Program, MFPED, June 2021, Page 9

<sup>16</sup> The Per capita spending on WASH was computed by dividing respective Sub-region Total WASH Budget allocations by their Population projections.

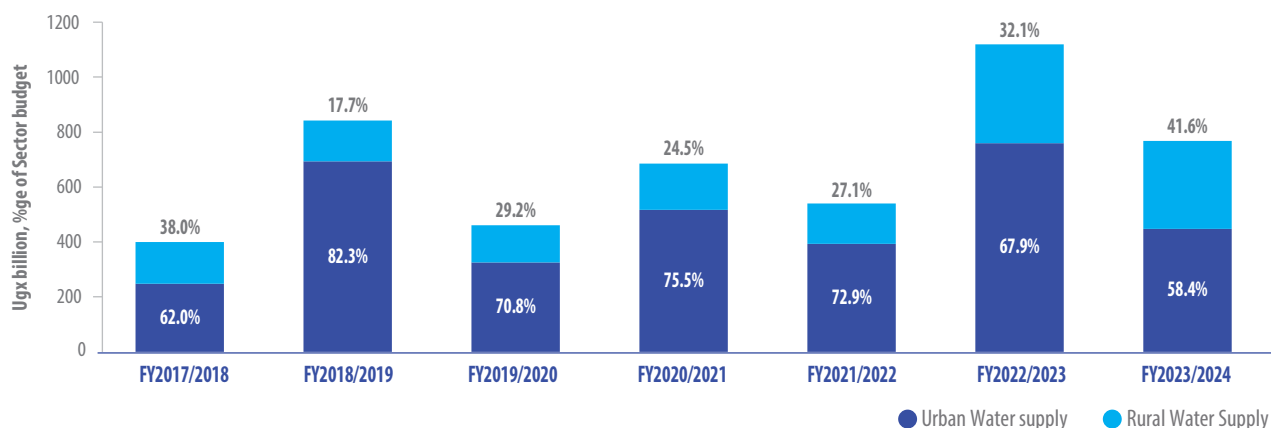


## 07 EQUITY OF WASH SPENDING

### 7.1 RURAL AND URBAN WASH SPENDING TRENDS

There are notable inequalities in the WASH sector, especially between rural and urban wash spending. National WASH spending tends to favor Urban areas than Rural areas. As shown on Figure 16, spending on Urban WASH has been consistently higher than rural WASH, though the gap is expected to shrink in 2023/2024 financial year (see Figure 16).

**FIGURE 16** RURAL AND URBAN WASH SPENDING TRENDS, FY2017/18-2023/24 (IN BILLIONS OF UGX SHILLINGS AND AS % OF TOTAL WASH BUDGET)



Source: Ministry of Finance, Planning and Economic Development

The budget for rural areas has been on a slow increasing trend since 2020/2021 with an expenditure of 24.5% to a projected increase of 41.6% in 2023/2024. This is a positive development in trying to address the WASH sector shortfalls in rural areas, to improve WASH services.

#### KEY TAKEAWAYS

- The rebalancing of expenditures in favour of rural areas is a step in the right direction as it will help foster improvement in WASH services in areas of deficit, compared to urban areas.



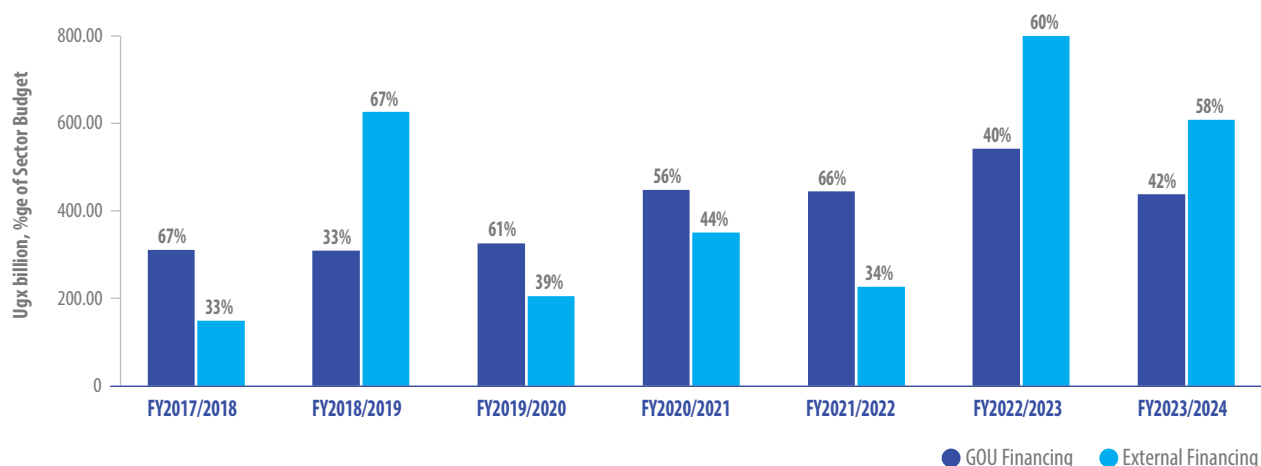
## 08 FINANCING THE WASH SECTOR

### 8.1 MAIN SOURCE OF FINANCING THE WASH SECTOR

On budget External Financing is a huge component of WASH spending in Uganda. In 2018/2019, 2022/23 and 2023/24 financial years, external financing consisted of at least 58% of the total budget for WASH (see figure 17).

On the other hand, government spending was lowest in 2018/19, when total government spending only constituted 33% of the total WASH spending. However, this is projected to slightly increase to 42% in 2023/24 from 40% in 2022/23 (see Figure 17).

**FIGURE 17** MAIN SOURCES OF FINANCING THE WASH SECTOR, FY2015-19 (IN BILLIONS OF LOCAL CURRENCY AND AS % OF TOTAL)



Source: Ministry of Finance, Planning and Economic Development

### 8.2 DONOR FUNDING OF THE WASH SECTOR BY DAC AND NON-DAC MEMBERS

Over the years, On Budget support has been declining for the WASH sector. Over years, On Budget support declined by Ugx 398.37 billion from Ugx 625.6 billion in 2018/19 to Ugx 227.23 billion in 2021/2022. (See Table 2). This is mainly because donor development financing is project dependent, and linked to projects life cycles.

**TABLE 2** DONOR FUNDING BY DAC AND NON-DAC MEMBERS, 2017/18-2021/22, UGX BILLIONS

PROGRAMME	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	FUNDER
Rural Water Supply and Sanitation	44.77	45.52	31.34	18.41	4.06	Africa Development Bank World Bank
<b>Urban Water Supply and Sanitation</b>	<b>103.88</b>	<b>574.7</b>	<b>174.87</b>	<b>332.47</b>	<b>186.80</b>	
Protection of Lake Victoria-Kampala Sanitation Program		137.78	17.3	20.05		Africa Development Bank France
Kampala Water Lake Victoria Water and Sanitation Project		128.92	64.69	247.77	109.66	Africa Development Bank France Germany Federation India
Strategic Towns Water Supply and Sanitation Project (STWSSP)			11.22	18.2	49.33	Africa Development bank
Integrated Water Resources Management and Development Project (IWMDP)			34.12	7.96	12.98	World Bank Germany Federation
Southwestern Cluster (SWC) Project			6.44	15.19	10.63	World bank France
Water and Sanitation Development Facility North	2.85		4.54	7.84	4.2	Africa Development Bank Germany Federation European Union

PROGRAMME	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	FUNDER
Water and Sanitation Development Facility Central	37.97	48.03	36.56	15.46		Africa Development Bank Germany Federation
Water and Sanitation Development Facility East	2.97					Multi-Lateral Development Partners
Water and Sanitation Development Facility-Southwestern	2.4					European Union
Support to small town WSP	3.23	0.6				Africa Development Bank
Water Management and Development Project II	53.53	259.38				Africa Development Bank World Bank
Urban Water Reform	0.94					Africa Development Bank
<b>Water for Production</b>	<b>1.62</b>	<b>5.33</b>			<b>36.37</b>	<b>Food Agriculture Organisation Germany Federation India</b>
<b>TOTAL</b>	<b>150.27</b>	<b>625.55</b>	<b>206.21</b>	<b>350.88</b>	<b>227.23</b>	

Source: Ministry of Finance, Planning and Economic Development

Amongst the donors, Africa Development Bank has been the major on-budget financier of the WASH sector, which contributed nearly most of the Rural and Urban Water supply development projects. However, the majority of Development Partners are channeling their resources off-budget to the sector, and it remains a huge challenge to quantify the resources through off-budget.

## KEY TAKEAWAYS

- External Financing remains the biggest funder for WASH Sector through the budget system. This situation is unsustainable and requires rebalancing to ensure government expenditure for the sector is substantial in insulating the sector against any external shocks, especially in the face of anticipated shifts in international aid flow in the short to medium term.
- External support to the WASH Sector shows that there has been a decline in the on-budget support over the years, with Africa Development Bank being the major funder of the WASH sector. Thus, the need for the sector to shift focus to funding of only those projects that are self-sustaining with a large impact especially by development partners.





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