

Uganda

Where delays by the Government and donors result in only 53% of the water budget being spent



WaterAid – calls to action

- The Government should close the remaining water sector finance gaps by raising budget ceilings and improving equity in budget allocations between different social service sectors
- The Government's Ministry of Finance, Planning and Economic Development and donors should jointly address delays in the disbursement of funds to enhance quality of work, provide adequate supervision and improve value for money
- The Government should provide a separate budget line for sanitation as well as allocation and disbursement mechanisms

Introduction

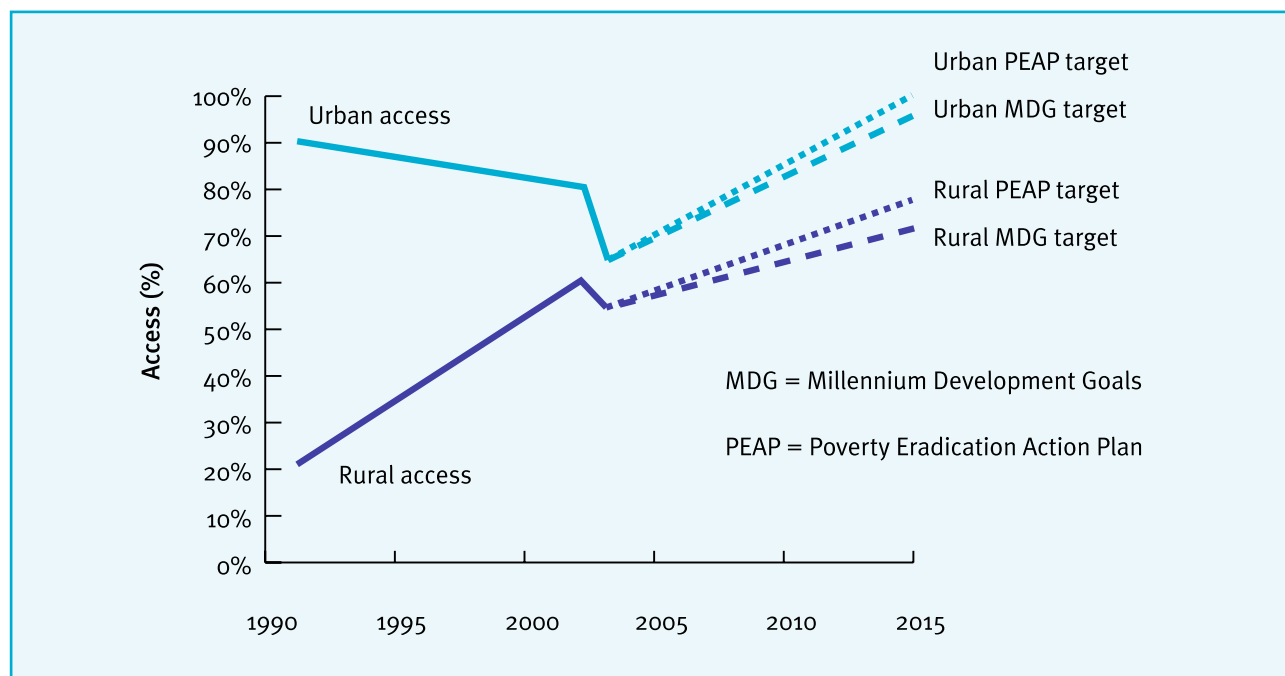
Uganda is a landlocked country of 236,580 km² with a population of 26.2 million people, 85% of whom live in rural areas. The overall population growth rate is 3.4% per annum.

Uganda lies predominantly within the Lake Victoria basin, between the East African and Central African rift valleys. One sixth of the country consists of lakes, rivers and wetlands. Most regions have plenty of rainfall, although there are considerable variations. The highest levels of rainfall are along the northern shore of Lake Victoria

(averaging over 2000mm a year) while the lowest are in the north-east, which receives approximately 500mm annually.

In 1998, Uganda became the first country to qualify for debt relief under the HIPC (Highly Indebted Poor Countries) initiative, and this contributes \$80m annually to the national Poverty Action Fund (PAF). PAF funds comprise a proportion of the development budget channelled directly to districts' grants.

Figure 1: Progress towards urban and rural water supply MDG and PEAP targets in Uganda



Fact box

| | |
|--|----------------------|
| Population today – total (rural/urban) | 26 million (85%/15%) |
| Population projection for 2015 – total (rural/urban) | 39 million (83%/17%) |
| Population growth rate | 3.4% |
| Percentage of population below poverty line | 35% |
| Present access to safe water – national (rural/urban) | 68% (57%/65%) |
| Present access to basic sanitation – national (rural/urban) | 55% (69%/94%) |
| Productive days which would be gained with 100% access to water and sanitation | 1.5m |
| School days lost to diarrhoea by five to 14 year-olds | 31.7m |
| Monthly number of households requiring access to reach water MDG | 29,500 |
| – increase required (on performance since 1990) | 550% |
| Monthly number of households requiring access to reach sanitation MDG | 36,400 |
| – increase required (on performance since 1990) | 250% |
| Current annual water spend ¹ | \$47m |
| Water/sanitation sector annual finance need for MDGs | \$110m |
| Water sector annual MDG spending gap | \$63m |
| Annual national debt service payment ² | \$155m |

Key events

- | | |
|---|---|
| <p>1995 Human right to water enshrined in the constitution of the Republic of Uganda. Water sector statute enacted in line with principles of the water action plan</p> <p>1997 Local Government Act introduced to decentralise responsibilities for water and sanitation to District Administrations</p> <p>1999 The National Policy established for user management of rural water supplies</p> <p>2000 Water sector reforms introduced to ensure that services are provided with increased performance and cost effectiveness. These include sector-wide approaches, decentralised service delivery models and the sector's full integration in the PEAP³</p> | <p>2001 Introduction of annual joint technical review and annual performance reviews</p> <p>2002 Adoption of donor financing through national budget support rather than the funding of individual projects</p> <p>2003 Development of the water and sanitation sector gender strategy</p> <p>2004 Fiscal decentralisation is introduced and implemented in several districts. Revision of sector investment plan</p> |
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Water sector characteristics

Objectives

The Government of Uganda's goal for the water sector includes promoting coordinated, integrated and sustainable water resources management, providing sustainable safe water supplies and sanitation, and promoting the development of the water supply for modernising agricultural production.

Roles in water

Responsibility for the sector is shared between different ministries and is coordinated nationally by the Water and Sanitation Sector Working Group. The Ministry of Water, Lands and Environment (MWLE) is responsible for formulating policy, setting standards, monitoring, research and capacity building. It includes the Directorate of Water Development (DWD), the lead agency responsible for rural areas and 46 small towns, as well as the National Water and Sewerage Corporation (NWSC) which is responsible for water and sewerage services in 15 small and 19 large towns.

Roles in sanitation

MWLE plans investment in sewerage and public facilities in urban areas. Meanwhile the Environmental Health Division (EHD) of the Ministry of Health is leading the development of an integrated sanitation strategy for Uganda. EHD promotes household hygiene and sanitation, while the Ministry of Education and Sports plans health programmes, sanitation facilities and hygiene in schools. Communities

retain full responsibility for household sanitation and for the operation and maintenance of water facilities, particularly in rural areas.

Finance

WaterAid has estimated the annual financing requirement for the water and sanitation Millennium Development Goals at \$110m, slightly less than Ush 200 billion.

By contrast Ush 160 billion were budgeted for 2003/04 for the whole of the MWLE – including some Ush 31 billion for water for production, water resource management and institutional development.

Performance

Alongside input increases, the sector needs to deliver huge improvements in its own performance (Table 1). The monthly numbers of households which must get access to water and sanitation for the first time are between two and seven times greater than what has been achieved before.

Planning by the Government and donors

Following consultation, the Government set the Poverty Eradication Action Plan (PEAP) – Uganda's equivalent of the Poverty Reduction Strategy Paper – objectives and targets which are monitored by donors, government, civil society and the communities. In line with these objectives, the MWLE draws up an investment plan and the Ministry of Finance sets up a medium-term framework budget within which the budgets are developed. Donors base their funding decisions on PEAP objectives and use funding

Table 1: Sector performance increases required to meet the water and sanitation MDGs

| Sector | Location | Performance (Households per month) | | Increases required for MDGs (additional performance required) |
|------------|----------|------------------------------------|-----------|---|
| | | 1990-2003 | 2004-2015 | |
| Water | Rural | 3862 | 25,342 | 556% |
| | Urban | 661 | 4140 | 526% |
| Sanitation | Rural | 8111 | 29,988 | 270% |
| | Urban | 2512 | 6458 | 157% |

mechanisms preferred and set by government. These mechanisms are prioritised as general budget support, budget support earmarked for the Poverty Action Fund, sector budget support, basket funding and project aid.

Share of total public spending

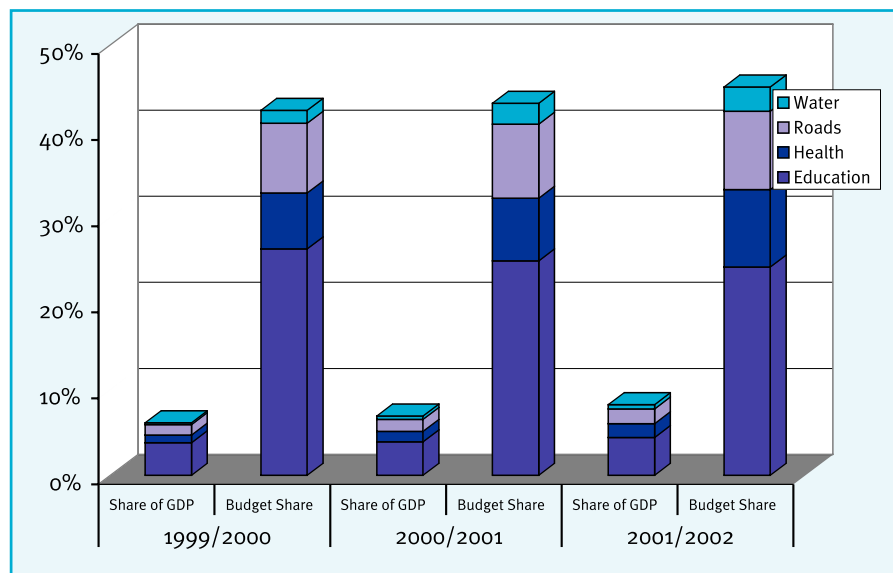
This poverty reduction planning process has significantly increased resources for the water and sanitation sector, but the sector still receives by far the lowest share of national resources. Figure 2 shows social sector spending between 1999 and 2002. Water and sanitation take the smallest percentage – less than 5% – of the total social sector budget.

The Government, through its Medium Term Expenditure Framework, sets ceilings for funding to sectors of the economy. **The Government should close the remaining water sector finance gaps by raising budget ceilings and improving equity in budget allocations between different social service sectors.**

“The introduction of hard ceilings means donors are wary of putting in more money, even though further funding is probably available. The delayed releases – possibly 86% this year – to districts raise the question of whether there should be a return to project funding or whether donors should fund districts directly.”

Donor representative

Figure 2: Social sector spending between 1999 and 2002



According to the Ministry of Finance, Planning and Economic Development (MoFPED), the total flow of resources to the sector approximately doubled from Ush 47bn in 1996/97 to Ush 94bn in 2001/02. These funds include the MWLE programmes as well as conditional grants and operating and maintenance grants for local governments. There is, however, additional funding through the Ministry of Education for school sanitation, and the Ministry of Health for hygiene and sanitation, as well as local government development programme funds used for water and sanitation. These have not been included in Figure 2 because it only depicts funds to the sector from the MoFPED.

Donors

Further resources are invested directly in the sector by some bilateral agencies, the private sector and NGOs without going through central government. The NGO/CBO sector contributed approximately Ush 1.2 billion to the sector in 2003/04, but information on how these funds were spent could not be obtained - MoFPED, MWLE and the districts do not have a tracking system for them.

The known contributions from government sources were Ush 60 billion in financial year 2001/02. This reflected an increase in the water sector's share of the government budget from 0.5% in 1997/98 to 2.8% in 2003/04. Donor budgets were Ush 95/145/78/98 billion for the years 2001/02 to 04/05 with donor contributions now estimated to be worth 55% of the total budget in 2003/04⁴. Thus, while the Government has maintained a small but steady increase in its budget, donor funds have been fluctuating more across the years. Figure 3 shows the overall trends in sector funding.

There are variations in amounts budgeted, released and spent (Figure 4). For example in 2003/04, the total funds made available to the water and sanitation sector in the MTEF were Ush 160 billion. However, of this total only Ush 109 billion (68%) were released⁵ – respectively 83% of government funds and 54% of donor budgeted funds. Of the funds released, 78% were actually spent. Thus overall just 53% of the budgeted funds were utilised (\$47 million).

The funds are released late because of delays by either government or donors to meet their budget commitments, or delays by the districts in providing accountability. The lower levels of bureaucracy – particularly of donor procedures

– which apply to local government levels are reflected in higher utilisation rates. Over 80% of the original Local Government water budgets were utilized in 2003/4, representing 95% of the funds actually released.⁶

Districts receive grants in October for the first quarter, with a second release in late April, May or even June⁷. Such delays lead to poor quality work. **MoFPED and donors should jointly address delays in the disbursement of funds to enhance quality of work, provide adequate supervision and improve value for money.**

The MoFPED provides no specific budget line for sanitation. However, the three ministries responsible for sanitation and local governments

form budgets and allocate resources for sanitation. Despite the low national sanitation coverage of 55%, the resources allocated for sanitation remain very low. For example, the total sanitation and hygiene funding in the 2002/03 financial year from different sources was Ush 17.16bn. A study by the Ministry of Health and the Water and Sanitation Programme gives an estimated trend of investment (Table 2).

To improve the performance of the sanitation sub sector and to achieve MDG targets, the Government should provide a separate budget line for sanitation as well as allocation and disbursement mechanisms.

Figure 3: Trends in sector funding⁸ 2001-2005

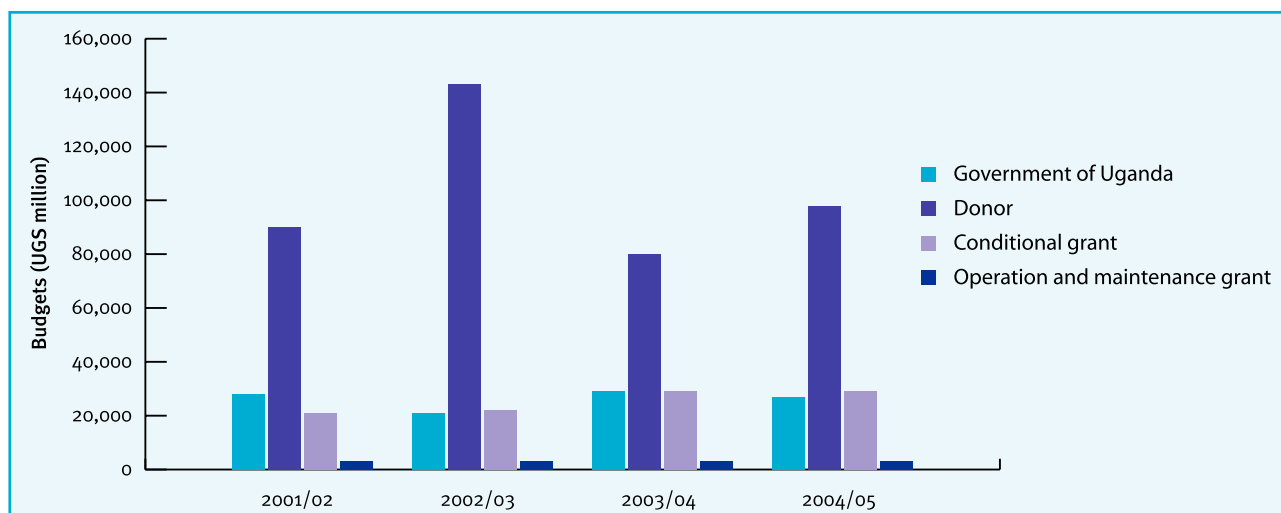


Figure 4: Sector financial performance⁹

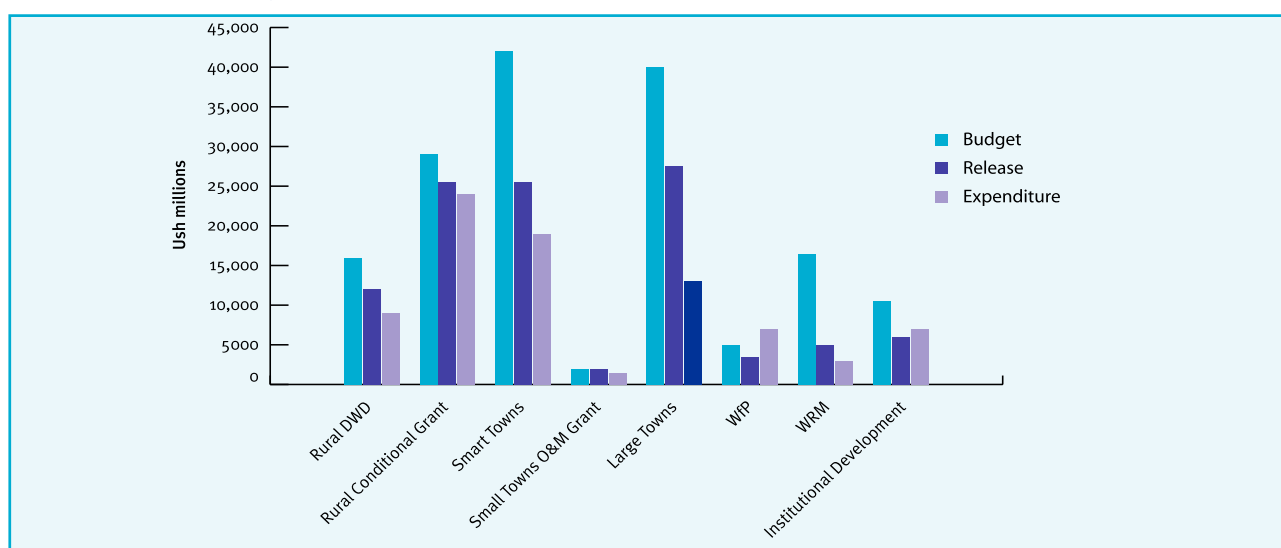


Table 2: Estimates of sanitation investments

| Institution | 98/99 | 99/00 | 00/01 | 01/02 | 02/03 |
|--------------|---------------|---------------|---------------|---------------|---------------|
| DWD | 7464 | 6808 | 11,091 | 5585 | 5818 |
| NWSC | 2268 | 2151 | 2252 | 2186 | 2252 |
| MOH | 1727 | 1717 | 2141 | 1914 | 2341 |
| MOES | 1462 | 3237 | 4368 | 6277 | 6367 |
| LGDP | 0 | 0 | 20 | 40 | 40 |
| LGD | 250 | 250 | 250 | 250 | 250 |
| TOTAL | 13,171 | 14,163 | 20,122 | 16,252 | 17,068 |

Sector coordination

The MWLE coordinates all sector activities through the various departments within DWD, which include: water resources management, rural water and sanitation, urban water and sanitation and water for production. Coordination is done with guidance from the MoFPED on financial matters and MLG on local government issues.

The Sector Working Group, whose membership includes line ministries, donors and NGOs plays an advisory role to the MWLE. There are also monthly donor coordination meetings to update one another about ongoing activities.

Every September there is a joint sector review. The members of the Sector Working Group participate in the assessment of performance according to eight golden indicators¹⁰, prepare sector performance reports, conduct field visits and hold a workshop during which the reports are presented and discussed. An annual sector review report is compiled and published to all stakeholders. The Government should institutionalise this process by assigning roles, responsibilities and resources so that the exercise is consistently done so that the work continues throughout the year rather than just once in September.

A technical review is conducted in April each year and is attended by some of the members of the Sector Working Group, the district water officers and DWD. This forum mainly considers the technical issues and other aspects pertinent to implementation.

Coordination of the flow of resources into the water and sanitation sector still needs attention. There is a variety of channels through which funds from various sources flow.

- Money from NGOs mainly goes directly to communities, although some funds may be channelled through the district – for example, funds from WaterAid and Lutheran World Federation

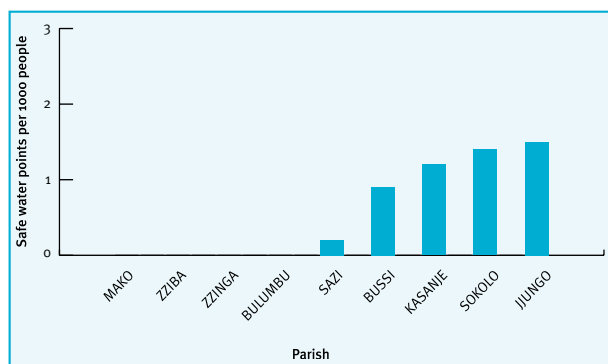
Table 3: Operational status of rural water points, by type, 2004¹³

| Type | Boreholes | Shallow wells | Springs | Gravity supplies/ Taps | Collection tanks | Overall |
|-----------------|-----------|---------------|---------|------------------------|------------------|---------|
| Functioning | 74% | 81% | 84% | 81% | 81% | 80% |
| Non-functioning | 26% | 19% | 15% | 18% | 18% | 20% |

Inequalities also result from the geographical distribution of water points and population densities. Based on the calculation of the mean parish deviation in different districts for 2003/04, the national average is 547 people using one water point. The Kaberamaido district performed best in 2003/04, with a district average of 160 people per water point while Mbale was the worst with 1844 people using each water point.

The inequitable distribution of water points is due to political interference leading to more resources continually going to the same locations while others are denied access to water. Figure 8 shows an example of this in Kasanje where the first four parishes have no clean water sources. Investment is necessary to improve data collection and management systems, especially at the local government level.

Figure 8: Water point density by parish in Kasanje, a poorly served subcounty in Wakiso district



Sustainability

The National Policy (1999) sets out a policy of user ownership and management of rural water facilities. Operation and maintenance guidelines stipulate responsibilities for all stakeholders in the provision of rural water and sanitation services. The responsibility to maintain water sources lies with the community. The Government has been providing a small budget for operation and maintenance, while some local governments have been supporting major repairs where this requires large resources beyond the capacity of the community.

But ownership by users is still low in practice. Users are not willing or able to contribute funds for operation and maintenance. Multiple technology types and a variety of brands further complicate the supply of spares.

“One concern is the failure to change people’s attitude to water. They still consider that it should be free. By contrast, the MTN mobile phone company has, in a very short space of time, sold people the idea that a mobile phone is a must-have lifestyle accessory that they will pay for. No one believes that about safe water.”

District Water Officer

Functionality

All water sources have a management committee with responsibility to ensure that it is functioning well and that the users meet their obligations for its maintenance. Table 3 summarises operational status of rural water points by type in 2004.

“Districts used to have a free hand in their spending and many took on all responsibility for water points, encouraging communities to absolve themselves of any responsibility. Now districts are restricted to using just 10% of their budget for major repairs to existing schemes which are beyond the capacity of the community.”

Water Directorate Official

This current national rural water overall functionality rate of 80% compares with urban piped water functionality of about 83%. Both rates could be increased, but only with the promotion of appropriate technologies.

Gender

In 2003, the Gender Strategy was launched. The goal of this strategy is to enhance gender equity, participation, access and control of resources in the water sector. At national level, the sector is highly technical and male dominated. The use of gender indicators, which will be measured in the annual sector performance assessment, will help to bring gender considerations down into the lower district administration levels.

Growth of private sector

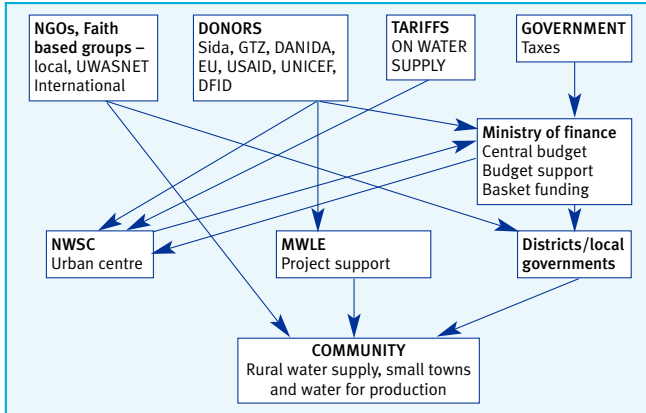
In 1998, with the introduction of the privatisation policy, the roles of state bodies were reduced while private sector involvement increased. This commitment to privatisation is integral to a water reform policy which is meant to increase performance and cost effectiveness and decrease the Government’s burden while maintaining commitment to sustainability and equitable development. An additional 913 people were connected to water supplies every day between 1998 and 2001 and the total rural water coverage increased from 39% in 1997/98 to 52% in 2000/01.

In rural areas, many village-level water supply and sanitation projects are awarded by district governments to private contractors through hundreds of tenders throughout the country. However, a limited emphasis on community participation along with a lack of transparency in contracting procedures undermines sustainability.

In small towns, the private sector is playing a big role. Before 1998 there was gross inefficiency in the 15 large towns under NWSC management. Thanks to a number of change management programmes and the participation of the private sector there has been a tremendous turnaround. Unaccounted for water fell to 37.6% from 51% in 1998.

- Some of the PAF funds go directly to the districts for implementation, while a portion goes through MWLE for projects managed directly at central government level
- Some donors prefer to give their money directly to the MWLE for specific projects. However, donors are increasingly contributing to basket funding through the Ministry of Finance

Figure 6: Sources of water and sanitation funding in Uganda



In the 2003/04 financial year 72% of the sub-sector expenditure was managed by local governments through the conditional grant. An estimated 72% of the total sector funds and 80% of the conditional grant was spent on constructing and monitoring new water points. Capacity building is estimated at 22% of spending in 2003/04.

A retrospective study of the district water and sanitation conditional grants (the main source of funding for district water and sanitation activities) revealed that the value of grant transfers per capita of rural population varied from Ush 422 in Mbale District to Ush 15,937 in Nakosongola with a mean of Ush 4403 over all districts (shaded area in Figure 7)¹². The pattern of these variations might be thought to reflect different proportions of unserved people in the population but in fact similar – though not identical – variations are observed when the breakdown is per capita of the unserved population (columns in Figure 7).

At the regional level, districts in the west received close to twice that of those in the east. On the basis of DWD's 2003 figures, there does not seem to have been any logical link between per capita transfers and the number of people without access to safe water.

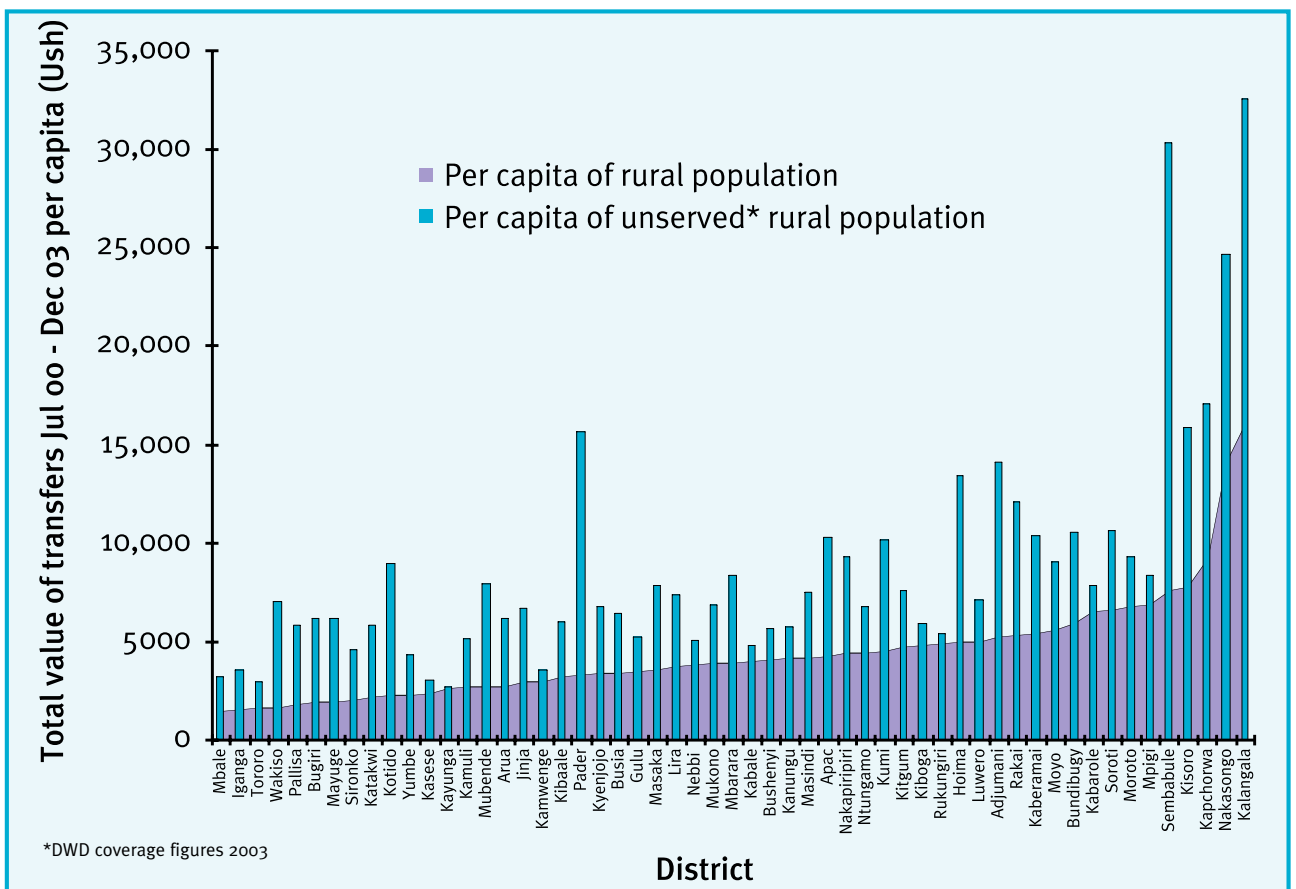
Decentralisation

In line with the Constitution of Uganda 1995 and the Local Government Act 1997, governance and service delivery functions have been decentralised to local governments, city divisions or municipal authorities.

Equity

Allocation in the water and sanitation sector is not equitable, with intra-sectoral distribution of resources still disproportionately favouring urban areas. For example, in the 2003/04 budget, 29% was allocated to the rural sub-sector, 51% to the urban sub-sector (small and large towns) and 20% to water resource management, water for production and institutional development.

Figure 7: Total district water and sanitation conditional grants transfers per capita¹¹



Billing and collection went up from 71% in 1998 to 92% in 2003, with a staff connection ratio of 10 per 1000 connections 14,045 new water connections were made.

Transparency and civil society

The sector has invested in a management information system which is still being improved to provide reliable data.

There is a public accounts committee both in parliament and at the district level to ensure that funds are used according to guidelines. Sectoral committees of parliament vet and approve investment plans, budgets and accountabilities. Donors carry out independent monitoring and offer advice on pertinent issues. The IMF and World Bank also monitor the sector and how budgets are developed and managed.

Most of the information relating to budget allocations and disbursement, especially for poverty alleviation funds, is published in the media. It is also available on request from the MoFPED. This information is also supposed to be publicly displayed at district and sub-county levels. However, it is never easy to access all finance-related information whether at the centre, the MWLE or the lower local government levels.

Other approaches used to promote transparency and accountability include annual public expenditure reviews, tracking and value for money studies. Since 2004 there has been a commitment for districts to carry out annual value for money and technical audits, and this has been done in all the districts.

There are over 80 NGOs and CBOs working in the water sector which are members of the Uganda Water and Sanitation NGO Network (UWASNET). UWASNET is represented on the sector working group and therefore the NGOs can access and influence policies at the national level. Some international NGOs, such as WaterAid and SNV, are represented on several working groups in the sector at national and regional or district levels.

However, the involvement and coordination of NGOs in the sector is still inadequate. Many NGOs have not been very keen to provide information, especially on finances and the operational plans. In some cases, this has resulted in friction, duplication of services and uncoordinated service delivery.

Conclusion

Uganda has an impressive track record of delivery in recent years on water supply. The foundations have also been laid for further progress with the establishment of joint planning and monitoring arrangements. However the operation of these systems needs to be embedded with deeper participation from civil society. Better monitoring of performance should

enable greater utilisation of available funds, more equity in their allocation and increased sustainability of the systems which are installed, not least by local contractors.

Further information

This document is one in a series from WaterAid Country Programmes assessing national water sector issues in support of both national and international advocacy work in 2005. This document was written by Yunia Musaaazi and Baker Yiga, respectively Head of Advocacy and Communication and Programme Research and Documentation Officer, WaterAid Uganda and discussed with other Stakeholders. The full set of documents is available at www.wateraid.org/boilingpoint. Further information on this document can be obtained from Yunia Musaaazi at yuniamusaaazi@wateraid.or.ug or from Baker Yiga at bakeryiga@wateraid.or.ug and on the international advocacy work from Belinda Calaguas at belindacalaguas@wateraid.org

References

- ¹ Personal communication, Directorate of Water Development. This included a spreadsheet updating the budget and expenditure information used in the 2004 sector performance report
- ² Public expenditure review (Government of Uganda)
- ³ In a major benchmarking review of progress towards incorporation of water supply and sanitation in PRSPs in 12 African countries, carried out by WSP-Africa, Uganda showed the best performance in "poverty diagnostics, sector reform, monitoring and evaluation and sector financing"
- ⁴ Contradictions in the figures for donor budgets exemplify the weaknesses in the information available to the public. The latest data available from private communications with DWD showed donor budgets totalling US\$ 87bn in 2003/04
- ⁵ *Water and Sanitation Sector Performance Report, 2004* (The Republic of Uganda, September 2004)
- ⁶ Private communication, DWD spreadsheet. This finding that less bureaucracy correlates with higher utilisation of funds accords with a conclusion from the World Bank Ethiopia Public Expenditure Review which noted that capital budgets from the Treasury were generally utilised better than aid monies and that project aid was severely under-utilised
- ⁷ In June 2004 it was reported that up to 50% of water budgets had still to be received even though the end of the financial year was only three weeks away
- ⁸ From op cit. The Republic of Uganda, September 2004
- ⁹ From op cit. The Republic of Uganda, September 2004
- ¹⁰ The eight golden indicators are (i) access/use of water (ii) functionality (iii) investment cost (iv) access/use sanitation (v) quantity of water (vi) quality of water (vii) equity, and (viii) access/use hygiene
- ¹¹ From op cit. The Republic of Uganda, September 2004
- ¹² From op cit. The Republic of Uganda, September 2004
- ¹³ From op cit. The Republic of Uganda, September 2004. Columns do not always sum to 100% due to the status of some waterpoints being unknown.



WaterAid – water for life
The international NGO dedicated exclusively to the provision of safe domestic water, sanitation and hygiene education to the world's poorest people