DOMESTIC RESOURCE MOBILISATION IN UGANDA

Uganda should be in a strong position to improve access to safe water and basic sanitation in both rural and urban areas: it has strong central government institutions and strong WASH policy and regulatory frameworks. However, progress towards its national WASH goals has plateaued, with the proportion of Uganda's annual budget dedicated to water and sanitation falling short of the level needed to reach the country's WASH targets. Efforts to increase domestic resource mobilisation are underway, potentially unlocking new sources of revenue that could be channeled into improving WASH services.

BACKGROUND

Since the late 1980s, Uganda has had a good track record in water and sanitation, increasing access and building a strong policy and legislative framework for the WASH sector. However, progress towards improving water and sanitation has slowed: the Millennium Development Goal (MDG) of basic sanitation access for 70% of the population by 2015 was not achieved, and poor sanitation is estimated to cause almost 1.1% of Gross Domestic Product (GDP) to be lost annually (US $177 million).[1] Uganda's second five-year plan, the National Development Plan II (NDPII), set targets of increasing access to safe water in rural and urban areas to 79% and 95% respectively, and improving sanitation coverage to 90% in rural areas and 100% in urban areas by 2020. Table 1 gives an overview of the current WASH situation and shows how much sanitation coverage in particular must improve in order to meet those targets.

The Ugandan Ministry of Water and Environment's (MWE) statistics differ from those collected by the Joint Monitoring Programme (JMP). The MWE estimates access to an improved water source to be 65% in rural areas and 73% in urban areas, and access to improved sanitation to be 77% in rural areas and 84% in urban areas.[2]

Table 1: Estimated trends of drinking water and sanitation coverage in Uganda, 1990-2015 (JMP data; see MWE data above)

		Urban %		Rural %		Total %	
		1990	2015	1990	2015	1990	2015
Drinking water coverage	Piped onto premises	7	23	0	1	1	5
	Other improved source	71	73	36	75	39	74
	Unimproved	18	3	38	14	36	13
	Unimproved: surface water	4	1	26	10	24	8
Sanitation coverage	Improved facilities	28	29	11	17	13	19
	Shared facilities	43	44	6	9	10	14
	Other unimproved	27	25	61	66	57	60
	Open defecation	2	2	22	8	20	7

Source: WHO/UNICEF (2015) JMP

BODIES RESPONSIBLE FOR WASH SERVICE DELIVERY

At the national level, sanitation provision is managed by three ministries: the Ministry of Health (MOH) oversees household hygiene and sanitation; the Ministry of Education, Science, Technology and Sports (MOESTS) focuses on school latrine construction and hygiene education; and the MWE sets national policies and standards, manages and regulates water resources and sets water development priorities. MWE's sanitation role is limited to constructing public toilets and promoting good practice in small towns. Following decentralisation in the 1990s, local governments are responsible for sanitation service delivery.[3] The finance ministry (MOFPED) provides grants to local councils, and conditional grants in particular are the major source of funding for water and sanitation (see Table 2 overleaf). Water and sewerage services in all large and some small towns are supplied by the National Water and Sewerage Corporation (NWSC), a semi-autonomous body.

FORTHCOMING BUDGET ALLOCATIONS

Uganda's water and environment sector will receive only 2.3% of the total budget in 2016/17, or UX488 billion.[4] That is projected to decrease in the next financial year to UX374 billion (1.6%).[5] At the 2014 Sanitation and Water for All (SWA) High Level Meeting, MOFPED pledged to allocate 0.5% of GDP to sanitation by 2016. According to the Parliament Committee on Budget, the water and environment sector's 2016/17 allocation is only 0.6% of GDP.[6] As WASH only represents part of the overall water and environment budget, it is very unlikely that the 0.5% GDP sanitation goal will be met.

MOBILISING RESOURCES FOR WASH

Increasing the budget allocation to WASH could be achieved if more revenue were available to the Ugandan government. The government is developing its tax-collecting capabilities and reforming its VAT policies, hoping tax revenues will rise from 13.3% of GDP in 2015/16 to 16.3% by 2020/21.[7] Uganda only collects about 60% of VAT due to companies' tax planning and avoidance, the diversion of declared exports to domestic markets (avoiding output tax), tax evasion, fraud or non-registration of smaller taxpayers, smuggling and an extensive informal cash economy.[8] The new budget outlines plans to raise corporate revenue, widen VAT and improve tax collection efficacy through sensitisation, audits, the National Identification Project and collaboration with Kampala Capital City Authority, local governments and the Uganda Registration Services Bureau. This will build on recent initiatives to expand and deepen Uganda's taxpayer base, like the amended Income Tax Act and the 2014 Taxpayer Registration Expansion Project.[9]

More specifically in the water sector, the MWE's Directorate of Water Development has made a number of proposals for improving small towns' water revenue generation and financial sustainability, including reviewing water tariff policies, bolstering regulation to ensure tariff compliance, promoting improved billing software and fast-tracking water metering in rural areas.[10]

CONCLUSION

Uganda has been a model of African WASH sector reform and is making impressive efforts to build an efficient and equitable tax system. However, an increase in revenue generation does not necessarily mean that WASH expenditure will rise: we would argue that the Ugandan government should allocate a significant proportion of the new revenue to water and especially sanitation in order to achieve their WASH targets.

1 WSP (2012) Uganda: Economic impacts of poor sanitation in Africa. World Bank
2 MWE (2015) Water and Environment Sector Performance Report
3 World Bank (2015) Water and Sanitation for the Poor and Bottom 40% in Uganda: A review of strategy and practice since 2006
4 MWE (2015) Joint Sector Review Financial Performance for FY 2014/15 presentation
5 *ibid*
6 Parliament Committee on Budget (2015) Report of the Budget Committee on the National Budget Framework for the FY 2016/17-FY 2020/21
7 MOFPED (2015) National Budget Framework Paper FY 2016/17-FY 2020/21
8 Committee on Budget (2015)
9 ICTD Working Paper 45 (2016) Boosting revenue collection through taxing high net-worth individuals: the case of Uganda
10 MWE Directorate of Water Development (2015) Improving revenue generation and financial sustainability of small towns and rural piped water schemes: Joint sector review presentation

Table 2: Principal sources of national government funding for key local government entities.

Local government entity	Grants for water, sanitation and hygiene
District local government	
District Water Office	District Water and Sanitation Conditional Grant (DWSCG) District Sanitation Grant (in the 81 districts that do not benefit from the Uganda Sanitation Fund)
District Directorate of Health Services	Primary Health Care Conditional Grant Uganda Sanitation Fund (in 30 districts)
District Education and Sports Office	School Facility Conditional Grant
Urban local government	
Town/Municipal Public Works Office	Operation and Maintenance Grant

Source: World Bank (2015) Water and Sanitation for the Poor and Bottom 40% in Uganda: A review of strategy and practice since 2006.

PUBLIC FINANCE for WASH

The Public Finance for WASH initiative is grounded on two principles: i) that sustainable universal provision of high-quality water and sanitation services is fundamentally dependent on progressive domestic taxation systems, and that consequently ii) WASH-sector donors, donor-funded NGOs and in-country actors need to pay greater attention to ensuring that ODA is delivered in ways which support the development of effective and equitable domestic public finance systems.

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