CIDI is a not-for-profit organization founded in 1996 and registered with the Non-Governmental Organisation (NGO) Board under the Ministry of Internal Affairs of Uganda in 1999 (Registration Certificate No. 2715 and Reference No. S-5914/2868). CIDI currently implements programmes that cover 25 districts in Uganda.

In February 2019, CIDI secured funding from Democratic Governance Facility-DGF for an 18 month project named; "Kampala Advocacy Project for Improved Water, Sanitation And Hygiene [WASH] Resource Allocation and Reduced Water Tariffs".

Through this project, CIDI wishes to improve participatory decision-making in planning, budgeting, monitoring and evaluation processes, particularly those relating to water tariffs setting and water and sanitation resource allocation in the KCCA and national budgets.

Information generated through this mapping will inform the advocacy by CIDI. CIDI will promote dialogue between the citizens and WASH duty bearers such as National Water and Sewerage Corporation (NWSC) so as to improve water service delivery for the most most marginalised communities in the city. This was the evry reason for the mapping exercise.

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KAMPALA ADVOCACY PROJECT FOR IMPROVED *WATER, SANITATION AND HYGIENE [WASH]* RESOURCE ALLOCATION AND REDUCED WATER TARIFFS.

Mapping of Water Tariff Issues in Kampala City

STUDY REPORT

November 2019

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Foreword

It is my pleasure to present to you this report on the Mapping of Water Tariff Issues in Kampala from the Good Governance and Research department under the project: Kampala Advocacy Project for Improved Water, Sanitation and Hygiene [WASH] Resource Allocation and Reduced Water Tariffs.

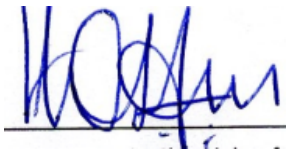
Community Integrated Development Initiatives (CIDI) in partnership with Democratic Governance Facility (DGF), believe that citizens have a right to participate in governance issues especially service delivery planning and implementation.

This study provides insights about water tariff issues in Kampala City as regulated by Ministry Water and Environment, National Water and Sewage Cooperation(NWSC), Parliament of Uganda to mention but a few. The study has defined Water Tariffs by NWSC, why they are charged, the process of setting water tariffs, implication of set water tariffs to citizens and recommendations for improving affordability of water services and citizen participation in water tariff issues. This study will provide an indepth understanding of water tariff issues in Kampala and Uganda atlarge. The study will also be utilised as evidence to advocate for reduced water tariffs but also help duty bearers to respond to issues of concern from communities about the set water tariffs and how they affect safe water affordability, access and utilization.

One of the key aspects to note from this intervention is that when citizens' and duty bearers are provided with relevant information about water services and tariff issues, their capacity to engage with each other and relevant government entities is enhanced. This will ultimately increase level of responsiveness about issues of concern in the WASH sector. As a result, duty bearers are able to work more efficiently while referring to; citizen concerns, available policy and legal frameworks to improve the wellbeing of the citizens through the WASH service sector. The recommendations made in this study report can be leveraged for project scale up and extension given the fact that water tariff issues and water issues are still a major concern in informal settlements of Kampala City.

This publication will give you a better understanding about water tariff setting, tariff setting processes, roles of different stakeholders, water sector and tariff regulation and how the study results affect WASH service delivery in addressing issues of accessibility, availability and affordability of WASH services in Nakawa, Lubaga, Kawempe divisions and Kampala District at large.

Dr. Jjuuko Fulgensio



Executive Director CIDI

Acknowledgements

The Consultant would like to extend her appreciation to Community Integrated Development Initiatives (CIDI) for the opportunity to undertake the assignment. Special thanks are extended to the Management of CIDI specifically Ms Hellen Kasujja, Mr. Semakula Daniel and Mr. Kawanguzi Willy the Project Manager of the Kampala Advocacy Project for Improved Water, Sanitation and Hygiene [WASH] Resource Allocation and Reduced Water Tariffs for the support they provided during execution of the assignment.

Special recognition goes to the late Ms Maria Nagirinya, former staff of CIDI, who initiated the first Terms of Reference (ToR) for this assignment but who, unfortunately, was brutally murdered by unknown assailants in the second half of 2019 during implementation of this assignment. May the Almighty God rest her soul in Eternal Peace.

The Consultant would also like to recognise the valuable information and sector documents (including study reports and policies) that were provided by the key informants that were interviewed both at the Ministry of Water and Environment (MWE), particularly in the Water Regulation Department (UWRD) and at National Water and Sewerage Corporation (NWSC). Their input and views provided useful insights on the tariff setting process and the stakeholders involved.

The Consultant is also indebted to the local leaders and representatives of communities that were interviewed (e.g. in Lubaga Division) for their candid insights and experiences with water services provided by NWSC in the poor neighbourhoods of Kampala city. The Consultant is very hopeful that the results of the study will contribute to further engagements on water tariffs and strengthened collaboration between CIDI, the communities, and NWSC and MWE as duty bearers.

Finally, the Consultant would like to acknowledge the financial support from the Democratic Governance Facility-DGF, without which it would have not been possible to conduct this study.

List of Acronyms

AfDB	-	African Development Bank
ATP	-	Ability to Pay
CAFES	-	Concerving, Affordable, Fiar, Enforceable and Serviceable
CIDI	-	Community Integrated Development Initiative
COSASE	-	Committee on Commissions, Statutory Authorities and State Enterprises
DGF	-	Democratic Governance Facility
DWD	-	Directorate of Water Development
FGDs	-	Focus Group Discussions
GIZ	-	Deutsche Gesellschaft für Internationale Zusammenarbeit
GLAAS	-	Global Analysis & Assessment of Sanitation and Drinking Water
GoU	-	Government of Uganda
GPOBA	-	Global Partnership for Output-Based Aid.
GWP	-	Global Water Partnership
HRWS	-	Human Right to Water and Sanitation
IEC	-	Information, Education and Communication
KCCA	-	Kampala Capital City Authority
KIIs	-	Key Informant Interviews
LC I	-	Local Council I
LCCA	-	Life Cycle Costing Approach
MD	-	Managing Director
MoFPED	-	Ministry of Fiancec, Planning & Economic Development
MPs	-	Member of Parliament
MWE	-	Ministry of Water & Environment
NGOs	-	Non-Governmental Organisations
NWSC	-	National Water and Sewerage Corporation
OECD	-	Organisation for Economic Co-operation and Development
O&M	-	Operation & Maintenance
OPEX	-	Operating Expenditure
PPM	-	Pre-Paid Meters
PSP	-	Public Stand Post
SPR	-	Sector Perfromance Report
ToR	-	Terms of Reference
UNGA	-	United Nations
UWSD	-	Urban Water Supply and Sanitation Department
VHT	-	Village Health Team
VAT	-	Value Added Tax
WDM	-	Water Demand Management
WASH	-	Water, Sanitation and Hygiene
WatSan	-	Water and Sanitation
WURD	-	Water Utility Regulation Department

Executive Summary

This study was commissioned by Community Integrated Development Initiatives (CIDI) and undertaken mainly at national and community levels, particularly in the 3 Divisions of Kawempe, Nakawa, and Lubaga in Kampala City. This was after CIDI secured funding from Democratic Governance Facility-DGF for an 18 month project named; "Kampala Advocacy Project for Improved WASH Resource Allocation and Reduced Water Tariffs". This study report is intended to improve the advocacy and engagement between Communities, CIDI and other Development agencies with WASH duty bearers such as NWSC, KCCA and MWE.

The study was mainly a qualitative study, and used interview and discussion guides as data collection tools to generate qualitative data to ensure that multiple perspectives regarding water tariffs in Uganda and specifically in Kampala city is gathered. Triangulation of the data was conducted (e.g. through document reviews) to provide an additional lens through which key study objectives were achieved.

The study population comprised of a mix of persons at the policy/national (Parliament, Ministry, & NWSC level) and community level in the three divisions of Nakawa, Kawempe and Lubaga. Key informants from MWE and NWSC were interviewed in order to understand the policies and regulations governing water tariff setting; the process MWE and NWSC take to set water tariffs; the stakeholders involved at the different levels and their roles; and most importantly if the community has any role to play. A total of 105 respondents were planned and interviewed (69 key imformants; and 36 from 3 Focus Group Discussions-FGDs in each fo the 3 Divisions).

The Consultant also reviewed sector documents related to water tariff setting in Uganda including policy documents (such as The Water Act, Cap 152 (1997); and; the Water and Environment Sector Performance Reports (FYs 2015/16, 2016/17, 2017/18, 2018/2019); the tariff review and affordability studies undertaken by MWE and/or NWSC; as well as performance contracts between MWE and NWSC.

To help put water tariffs in context, the study endeavours to provide an overview of what water tariff are and why they are charged by utilities, and the different types of tariffs. The study established that water tariffs are funds paid / contributed by users of water, sanitation and hygiene services for obtaining the service. Laws, policies and regulations exist in Uganda to guide water tariff setting, including the Constitution of the Republic of Uganda (1995, amended to 2005), and Acts of Parliament (e.g. The NWSC Act, Cap 317 (1995), among others. These may need popularising and dissemination to comunities, so they know their rights.

An analysis was conducted of the process of setting tariffs in Uganda, and the critical stakeholders involved (e.g. the MWE, the NWSC, and the Parliament of Uganda). An analysis was also conducted of the NWSC tariff structure over the last four years (FY 2015/16-FY 2018/19). The study established that NWSC employs a uniform tariff structure across all its towns and service areas to ensure equity in pricing, but is differentiated by customer groups (Public Stand Posts-PSPs; Domestic; Instituional; etc.). The NWSC tariff structure is skewed with the PSP/Public Tap paying less than the domestic and commercial customers. According to NWSC, the quest for a review of PSP tariff downwards should be looked at in the wider context of the NWSC financial sustainability. Any downward change in the tariff for any consumer category, would need to be compensated by either a subsidy from Government or by a rise in the tariff for other consumer categories.

GoU and NWSC have put in place mechanisms to serve the poor with safe water in Kampala city, in line with the Pro-Poor Policy (2006). For example, NWSC subsidizes water supply to the standpipes and PPMs. However, poor people still pay high prices for water, attributed to water vendors. This calls for renewed strategies to regulate water venders by the MWE, and improvements in engagement and communication of the final consumer prices of water to households and communities. To ensure this happens, CIDI will need to engage more with the Water Utility Regulation Department (WURD) of the MWE that is mandated to regulate the water and sanitation sector in Uganda.

1 Introduction and Background to the Study

1.1 About Community Integrated Development Initiatives (CIDI)

CIDI is a not-for-profit organization founded in 1996 and registered with the Non-Governmental Organisation (NGO) Board under the Ministry of Internal Affairs of Uganda in 1999. CIDI operates under registration certificate No. 2715 and Reference No. S-5914/2868. CIDI currently implements programmes that cover 25 districts in Uganda. The head office is located in Muyenga, Kampala. CIDI's Vision is to have "*Communities enjoying a decent life free of hunger, poverty and disease".* The Mission is "*promotion of sustainable community livelihoods through; Water and Environmental sanitation, Income and Food security, Good health and promotion of Good Governance*". CIDI's has a strategic goal to contribute to "improved access to clean and safe water, hygiene and sanitation services for poor communities in Uganda" as well as to have "increased capacity of the disempowered local communities to be their own advocates in bringing about positive change in their lives".

1.2 About the project

In February 2019, CIDI secured funding from DGF for an 18 month project named; "Kampala Advocacy Project for Improved WASH Resource Allocation and Reduced Water Tariffs". The project is being implemented in the three Kampala Urban Divisions of Kawempe, Nakawa and Lubaga in Kampala. Through this project, CIDI plans to improve participatory decision-making in planning, budgeting, monitoring and evaluation processes, particularly those relating to water tariffs setting and water and sanitation resource allocation in the Kampala Capital City Authority (KCCA) and national budgets (*please see Annex 1: Terms of Reference-ToR*)

1.3 Expected Impact of the Project

Improved access to quality and affordable water, sanitation and health (WASH) services for the poor and marginalized communities living in informal settlements of Kawempe, Lubaga and Nakawa City Divisions of Kampala.

1.4 Expected Outcome of the Project

Improved responsiveness by the WASH duty bearers particularly NWSC to the advocacy for reduced water tariffs, quality and affordable WASH services in selected divisions in Kampala hence this mapping exercise. This mapping report will be instrumental in development of issue papers, guide in project implementation and focusing of advocacy initiatives under the project. It will also guide dialogue engagement with various stakeholders such as NWSC and MWE, as well as guide radio discussions and development of Information, Education, Communication (IEC) materials.

1.5 Goal and objectives of the study

1.5.1 Aim of the study

To carry out a mapping exercise on water tariff issues in Kampala so as to develop an issue paper and to guide the CIDI project advocacy initiatives.

1.5.2 Specific objectives

1. To examine the water tariff setting systems, processes and policies so as to understand key water tariff issues and suggest/ present possible actions to inform project activities.
2. To examine the implications of water tariffs on the WASH services so as to understand the real issues affecting the communities so to guide the CIDI evidence-based advocacy.
3. To map out the key players in the water tariff setting systems, processes and policy setting so as to work with them and advocate for the reduction in the water tariff.

1.6 Study approach and methodology

This sub-section provides a summary of the four-staged approach and the methodology used to conduct the study. The study was largely qualitative in nature, with a consultative approach used as much as possible to ensure that stakeholders provide essential inputs to inform future engagements and uptake of the outputs by CIDI and the duty bearers such as NWSC & MWE.

The first stage was the inception phase and basically involved planning and consultation with CIDI; development and approval of the study; study work plan and methodology and tools. The second step involved gathering of documents (hardcopies/soft-copies and online resources) for secondary data and was able to access various legal instruments such as the Water Act, Cap 152 (1997), and the NWSC Act, Cap 317 (1995). A detailed review of literature was conducted of the relevant documents shared by NWSC and MWE that guide the setting of water tariffs including Papers written and Studies conducted by the MWE and NWSC on water tariffs.

The third stage was collection of primary data through conducting of Key Informant Interviews (KIIs) with national-level stakeholders such as Senior Staffs of NWSC (Department of Corporate Affairs) and MWE, particularly from the WURD, to understand and triangulate information. Focus Group Discussions (FDGs) were conducted at community level basically to understand the key issues on water tariffs at community level and how communities are affected by high water tariffs. Interview and discussion guides were used as primary data collection tools for both KIIs & FGDs to ensure that multiple perspectives regarding tariffs in Uganda and specifically in Kampala city is gathered (*please see Annex 2: Data Collection Tools*). The fourth and final stage basically involved data analysis and reporting.

1.7 Study Area and Study Population

1.7.1 Study Area

The study focused on the 3 Divisions of Kawempe, Rubaga and Nakawa in Kampala city out of a total of 5 Divisions, purposely selected because these 3 are the Divisions where the project named: "Kampala Advocacy Project for Improved Water, Sanitation and Hygiene [WASH] Resource Allocation and Reduced Water Tariffs" is being implemented by CIDI.

1.7.2 Study Population

The study population comprised of a multi-disciplinary team of participants at the policy/national level (Parliament, Ministry, & NWSC) that are responsible for policy formulation, technical support, as well as water service provision to communities. These national-level participants included key Government of Uganda-GoU staff at the Regulation Department of MWE, Development partner staff from GIZ, key staff from NWSC and Parliamentarians e.g. on the Natural Resources Committee; as well as CIDI staff (Field staff & Managers). Key informants also included field-level staff of NWSC, particularly from the field offices of Kampala Urban Pro-Poor Unit.

The community level participants included selected local leaders and KCCA staff. The local leaders included Division level councillors, LC Is, Village Health Teams (VHTs), People managing Public Stand Posts (PSPs) and Pre-paid Metres (PPMs) as well as water consumers (*please see Annex 3: List of People Met*).

1.8 Sampling plan for the study

1.8.1 Sampling Frame

The total number of categories of stakeholders interviewed were five:

- One category comprised national level respondents that included 3 sub categories as follows: 1) MWE and NWSC; 2) Development Partners (e.g. GIZ); and 3) Parliamentarians.
- One category comprised of staff at CIDI.
- The last category comprised of community level respondents including: Water Users, NWSC Vendors of water tokens, Kiosk Attendants, and Attendants of Pre-Paid Meters.

In qualitative research, 5-8 individuals per subgroup/category has been recommended as a guideline for sample size using stratified purposeful sampling (Crabtree & Miller, 1999), to help achieve saturation of themes for the domain of interest. Informed by this sampling guide, for the national level, the Consultant conducted a total of 30 Key Informant Interviews (KIIs), with 6 respondents selected from each of the 5 groups of categorisation above.

1.8.2 Sampling for FGDs

For FGDs, the Consultant planned to conduct 3 FGDs, one per Division. However, only one group discussion was held at Rubaga Division level, with a mix of the categories of respondents identified at the community level including select leaders at the village/zone level (e.g. LC Is), Councilors, NWSC staff, Rubaga Division staff, people managing Pre-paid meters and PSPs, and water consumers. A total of 10-12 participants were initially considered for each of the groups, totaling to a minimum sample size of 36 respondents for the FGDs. Altogether, a total of 69 people participated in the final FGD.

1.8.3 Analysis of data and reporting

Data analysis was based on three themes aligned to the three main objectives of the study: (i) laws, policies, legal framework and regulations goevrning water tariffs; (ii) key stakeholders in the tariff setting processes; and (iii) key issues affecting citizens regarding water tariifs. Data was categorized into sub-themes and analysed for meaning based on discussions with the different stakeholders. It was then summarised according to the key assessment questions into this report. Conclusions and recommendations were drawn for consideration by CIDI.

1.9 Organization of the Report

The report is organised in three parts. The first section of the report captures the background to the assignment, the purpose and objectives, the expected impact and outcomes, as well as the methodology and approach used to undertake the mapping on water tariffs. Section 2 provides in detail the findings of the study and aligned to the 3 study objectives: the first sub-section puts in context water tariffs, explains what they are and why they are charged; and the laws, policies, legal framework and regulations governing water tariff setting in Uganda. The second sub-section provides an analysis of the water tariff setting process, the key stakeholders involved; while third sub-section analyses the mechanisms put in place by Government of Uganda (GoU) and NWSC to provide water services to the poor, and the experiences and issues raised at community level regarding prices of water. Finally, Section 3 highlights the conclusions and recommendations of the water tariff mapping study to be used by CIDI for further engagement with the duty-bearers such as the MWE and NWSC.

1.10 Gaps in fulfilling the ToR

There were no major challenges faced during execution of the assignment, except some respondents e.g. from development partners such as GIZ declined to be interviewed (perhaps due to lack of time) and referred the consultant to the MWE to get all the information required about tariffs. Due to limited funds, some of the planned community-level engagements in the Divisions such as Nakawa were missed out. However, the Consultant was able to fill this gap by getting and making reference to notes of the key issues captured from the communities during community dialogue meetings held by CIDI staff to substantiate on the information gathered from elsewhere.

2 Findings of the Water Tariff Mapping Study

This section of the report starts by appreciaitng that access to water and sanitation services is a human right, and examines very briefly whether the Human Right to Water and Sanitation (HRWS) is upheld in Uganda. In order to put water tariffs in context, an overview is provided about what water tariffs are, why they are charged to water consumers, and the different types of water tariffs. An analysis is made of the laws, policies and regulations that govern the setting of tariffs; the water tariff setting process is highlighted, the key players involved; as well as the current water tariff structure of NWSC. Specific sector strategies and mechanisms put in place by the MWE and NWSC to reach the poor are also presented, and the current experiences of low-income households and communities with regard to pricing of water. The section ends by examining the issues affecting households and communities living in informal settlements in relation to water tariffs, and the consequences of such high prices charged by the water venders on the poor.

2.1 The Human Right to Water and Sanitation (HRWS)

The provision of Water, Sanitation and Hygiene (WASH) services in Uganda, whether in urban or rural areas, should be seen from the context of human rights. Access to WASH is a human right, as recognised in 2010 by the United Nations General Assembly (UNGA). The HRWS is inextricably linked with other human rights and therefore lack of access equally has profound negative impact on many of the related human rights[1]. Therefore, the delivery of Pro-Poor water services in informal settlements in a city such as Kampala city is a human rights concern. A human right refers to and entitles everyone to having services **available** (immediate vicinity, in sufficient quantity and on a continuous basis, for personal and domestic use[2]), **physically accessible** (time and distance, physical security, design of facilities), **acceptable** (colour, odour, and taste of water; sanitation facilitates acceptable to users), **affordable** (according to income) and with **quality** (safety like water quality), for personal and domestic use.

A study by Alabaster. R. A. and Kruckova (2015) confirms that the GoU recognises the HRWS, and that Uganda adheres to a number of international legal instruments and has made various political declarations that call for the realisation of the HRWS. However, the study notes that there is need to better frame the right in the legal instruments in order to provide not only for the adequate *accessibility, availability, quality, affordability and acceptability* of water and sanitation, but also to secure the related procedural guarantees of *non-discrimination, access to information, public participation, accountability,* and *sustainability*.

2.2 Laws, Policies and Regulations Governing the Setting of Water Tariffs in Uganda

This sub-section puts water tariffs in context, by providing an understanding and appreciation of what water tariffs are and why water tariffs are charged water utilities such as NWSC before looking into the legal and regulatory framework that guides the setting of water tariffs in Uganda. An analysis is also provided of the NWSC water tariff structure over the past four financial years (FY 2015/16 – FY 2018/19) and the basis for setting it up.

[1] Alabaster, R.A. and Kruckova L., Uganda Country Mapping: The Status of Implementation and Monitoring of the HRWS (2015), 240p.
[2] Personal and domestic uses include drinking, personal sanitation, food preparation, and personal and household hygiene.

2.2.1 What water tariffs are

Martina Ricato in his article "Water Pricing – Fixed Water Charge" describes water and wastewater tariffs as determinants of the level of revenues that service providers receive from users in centralised or semi-centralised systems for the appropriate treatment, purification and distribution of freshwater, and the subsequent collection, treatment and discharge of wastewater.
MWE defines a Water Tariff as the price for a service to deliver water to a consumer at a specific point (household, yard, public place, institutions, commercial enterprise and government) and charged per unit of quantity for water supplied by metered or computed quantity[3].

Akvopedia defines tariffs as funds paid / contributed by users of water, sanitation and hygiene services for obtaining access to and using the service (GLAAS, 2012).

Finally, Van der Zaag and Savenije (2006), as quoted by Ramogodi (2007), define a tariff as a set of rules that determine the amount that a consumer should pay for using a certain service. In water services, the process of designing water tariffs should be governed by economic principles with the intention to conserve water, promote fairness among the consumers and to generate enough revenue to sustain the service.

Overall, water pricing is seen as an important economic instrument for improving water use efficiency, enhancing social equity and securing financial sustainability of water utilities and operators. Tariff setting practices vary widely around the world.

2.2.2 Why Utilities set tariffs

Utilities such as NWSC recognize that water is a finite good and hence has to be used efficiently following economic principles. The fourth Dublin Principle, as set out by the International Conference on Water and the Environment in Dublin, seeks to do just that (GWP n.d., as quoted by Ramogodi I. P. Motoma: 2007). This Principle asserts that: "Water has an economic value in all its competing uses and should be recognized as an economic good". This implies that water should be recognized as a scarce resource for which economic principles should be applied. Consumers have to recognize water as a good with an economic value. As a result, water tariffs can and must be used to ensure that water is used efficiently.

Utilities such as NWSC, therefore, use of water tariffs as a tool for Water Demand[4] Management (WDM). Pricing promotes efficient use of water, is used for allocating water among competing uses and for generating finance to invest in water-related infrastructure and services. When consumers do not pay the full cost of water, they tend to use it inefficiently. However, pricing should be carried out with care as water is essential for human life and high water prices can have a negative impact on the lives of the poor. A balance should, therefore, be struck between ensuring that the price is affordable and it encourages people to conserve water.

Eng. Silver Mugisha (Now MD-NWSC), in his article "*Water tariffs and service for all*"[5] also rightly observes that the traditional thinking alludes water as being a basic social good, God-given and a lifeline of mankind that should, if possible, be supplied free of charge to citizens. However, water is a socio-economic good that needs some configuration of inputs in order to be delivered as a potable product to citizens, at a convenient location. In other words, water is a social good that is basic to human life but also requires some level of funding to treat it (using chemicals, pumped systems and unit operations), transmit it (through pumping and transmission pipes) and distribute it to customers. Therefore, bringing potable water close to a homestead

[3] Issue Paper on Water Tariff Regimes for Small Towns, Rural Areas and Water Vending with focus on Pro-Poor Aspects, Ministry of Water and Environment (2017)

[4] In everyday use, the term water demand refers to the amount of water that consumers are expected to use. A more economic definition refers to water demand as an expression of the desire for a particular water service level, measured by the consumer's willingness and ability to pay for it (Ramogodi, 2007). This is usually referred to as the consumers' willingness to pay for water. WDM has been described as the development and implementation of strategies aimed at influencing demand patterns as to achieve efficient and sustainable use of water.

[5] The Independent (February, 15th 2015).

requires a combination of operating expenditure (OPEX) and capital, hence the need to use different sources of financing for water and sanitation services.

In terms of costs of operations NWSC, just like any other business entity, has high costs of production. These range from electricity, chemicals, and O&M costs. These costs are not static and change with the changing macro-economic environment. Currently the NWSC input price of electricity is about Shs. 4.5 billion per month, compared to about Shs. 300 million per month ten years ago[6]. This notwithstanding, NWSC has to continue pumping water to ensure services are delivered. Chemical costs are currently about Shs. 20 billion per annum, as the Corporation has to contend with the deteriorating raw water quality attributed to the increased pollution and degradation of the environment that affect the quality of water sources. Staff numbers and costs continue to increase as NWSC takes on more services areas. The ageing infrastructure, particularly the water distribution network and the electro-mechanical equipment, implies that NWSC's maintenance costs continue increasing. All these imply that the Corporation needs to sustain and implement a well-balanced Tariff Policy.

Pricing policies, therefore, for water and sanitation services normally have three key objectives[7], namely:

1. Cost recovery – tariff levels should be sufficient to cover Operation & Maintenance (O&M) costs, to meet the cost of system expansion to serve new customers and to cover the debt service or depreciation;
2. the water tariff should contribute to economic efficiency within the national economy;
3. the tariff structure should support social equity (promote widespread access to water, affordability to all income groups, and billing and collection from all users)

According to the Life-cycle Costing Approach (LCCA)8, WASH services are financially sustainable if the mix of financing flows is sufficient to cover all the different costs related to the service delivery, not only capital expenditure and basic operating costs - the two which are most commonly considered. Such a mix of financial flows means that: 1) infrastructure can be renewed and replaced at the end of its useful life; 2) timely repairs in cases of breakdowns take place; and 3) capacity to extend delivery systems is available. LCCA identified six (6) different type of cost categories of providing WASH services[9]. The typical financing mechanisms for water and sanitation services includes the three Ts: i) Tariffs (the contribution made by users); ii) Taxes (investments by governments, coming from nationally or locally levied taxes), and iii) Transfers (funding from international donors). Put simply, sustainable financing requires that the three Ts are matched with the six cost categories identified under the LCCA.

2.2.3 Types of water tariffs

According to Cardone and Fonseca (2004), next to a connection charge to provide access to a service, some of the main tariffs which are used in water and sanitation service delivery include: (1) Fixed Charge Tariff (also known as Single Tariff or Flat rate tariff) – where consumers pay a certain amount independent of the volume used; (2) Constant Volumetric Tariff (also known as uniform volumetric tariff) – where all users pay the same per unit of water used, independently of use (e.g. industry, commerce or household etc.); (3) Increasing Block Tariff; users pay different amounts for different consumption levels; the rate per unit of water increases as the volume of consumption increases; and (4) Two Part Increasing Block Tariff – a fixed minimum monthly charge for all consumers, in addition to either a flat or variable tariff based on usage. NWSC mainly uses the increasing block tariff system, which is aimed at ensuring equity between the various water consumers.

2.2.4 Laws and Regulations governing water tariffs in Uganda

[6] Godfrey Katongole (2018): Brief NWSC Tariff and its Sustainability; National Water and Sewerage Corporation

[7] Tariff and Affordability study, Final Report (2012), Republic of Uganda, Ministry of Water and Environment.

[8] This is an approach that was introduced and developed by the WASHCost project of IRC with funding from the Bill and Melinda Gates Foundation (BMGF).

[9] These cost categories include: Capital Expenditure (CapEx); Operational & Minor Maintenance Expenditure (OpEx); Expenditure on Direct Support (ExpDS); Expenditure on Indirect Support (ExpIDS); Cost of Capital (CoC); and Capital Maintenance Expenditure (CapManEx).

The GoU has put in place a comprehensive legal framework for the management of the water sector. The framework comprises laws and regulations as understood in their hierarchy:

1. **The Constitution of the Republic of Uganda, 1995 (as amended)** – is the supreme law of the land, meaning that all other laws of the land constantly have to measure their legality against it.
2. **Acts of Parliament** – Article 79 of the Constitution empowers Parliament "to make laws on any matter for the peace, order, development and good governance of Uganda". The Constitution, therefore, is followed by the different Acts of Parliament published in the national Gazette after the President's assent. Some of the essential ones for the Water Sector include: The Water Act Cap 152, the NWSC Act Cap 150, the Local Government Act Cap 243, and the Public Health Act Cap 281.
3. **Regulations** – are statutory instruments that give a detailed description for key aspects in the law. These are made by the Ministers as Statutory Instruments in respect to the different sectors and as mandated under the respective laws. The key one for the water sector that relates to water tariffs is the **Statutory Instruments (Regulations)** of 2002, 2004 and 2006 – Rates and Annual Indexation of NWSC Tariff.

Other important instruments include Ordinances i.e. laws which are made and passed by District and City Councils; Bye-laws – which are made and passed by Lower Local Governments such as Urban Councils and Divisions; and Guidelines – which are made by different sectors, which in a way are not prescriptive or binding.

2.2.5 Legal Framework

The policy and legal framework for the tariff regime is anchored on the following pillars:

1. **The Water Act, Cap 152 (1997), Section 94 on 'Rates, Charges and Fees'** – provides for fixing of tariff rates, charges, or fees with the approval of the Minister or by regulations and by involvement of the stakeholders. The Act also provides for fixing of penalties for failure to pay any amount due to the authority when it falls due.
2. **The NWSC Act, Cap 317 (1995),** Section 5, para 2 (b) on Powers of the Corporation '*to set tariffs and charges, make and levy rates and fix terms and conditions for work done or services, goods or information supplied by it'.*
3. **The National Water Policy (1999)** – promoting financial viability and sustainability of water supply systems – full cost coverage of Operation and Maintenance (O&M) by consumers and in addition for large urban schemes coverage of depreciation of technical installations i.e. replacement costs and repayment of construction loans. Cross-subsidies should be promoted, thereby ensuring a basic minimum consumption at reduced rates, and discouraging wastage and excessive consumption. Currently, the Water Policy is under review.
4. **The Statutory Instruments (Regulations) of 2002, 2004 and 2006** – Rates and Annual Indexation of NWSC Tariff, the indexation formula as well as the first water tariff schedules for the different consumer categories (Public Stand Pipes-PSPs, Institutions & Government; Industrial & Commercial, etc.). Indexation helps to protect the company's financial equilibrium and maintain real value for the tariff.

2.2.6 The Regulatory framework for Water tariffs

The regulatory framework for the tariff structure by NWSC is anchored on the following pillars:

1. **Pro-Poor Strategy for the Water and Sanitation Sector (2006):**
   In order to guide planning, development and implementation of services targeting the poor and marginalised groups of people in urban and rural areas, the MWE finalised the 2006 Pro-Poor Strategy for the Water and Sanitation Sector in Uganda, to be implemented by the MWE, NWSC, NGOs, private sector and development partners. The Pro-poor strategy has 36 action points for implementation, out of which 11 were specifically targeted to the urban poor in large and small towns[10]. Six of the 11 action points include urban strategies such as: enhancing access by densifying the network and expanding to unserved areas; by establishing Public Water Points; by continuously updating a Pro-Poor tariff; by subsidizing yard connections serving as authorized public water points; by providing smart subsidy to O&M; and by continuously monitoring water quality. This strategy was

[10] Dr. Innocent K. Tumwebaze (2016): Lessons ans Experiences from implementation of Pro-Poor Safe Water Interventions in Urban Areas, Ministry of Water and Environment.

planned to be reviewed and where necessary be updated every after a period of 2 years; however, this has not happened.

2. **National Performance Monitoring Framework (Status 2016)** – one dedicated sector indicator is on pro-poor tariff being "*% of piped water users having access to public water points and paying less than or equal to the in-house connection tariff of the service area'.*[11] Unfortunately, data for NWSC on this indicator is not available for the last four consecutive years (2015/16-2018/19) except in FY 2017/18 when it was determined to be at 83% (SPR 2019).
3. **Performance Contract with NWSC (2015-2018)** – one pro-poor performance indicator on 'pro-poor connection growth – 980 per annun[12]' . The 6th Performance Contract (PC6, 2018-2021) has a target of 10% growth of Pro-Poor connections.

2.3 Water Tariff Setting Process and Key Stakeholders involved

2.3.1 Brief outline of the water tariff setting process

The setting of Water Tariffs by NWSC is governed by the Water Act Cap 152 section 94 and involves the following 3 steps[13]:

1. the Corporation prepares a submission to the Minister of Water and Environment (MWE) indicating and justifying the suggested tariff revision. The submission is based on an analysis of the costs of NWSC related to the domestic price index, exchange rate, foreign price index, and electricty tariffs.
2. the Minister evaluates the NWSC proposal and amends or approves the proposal
3. a Statutory Instrument effecting revision of the tariff is then issued.

Water Act (General Rates) Instrument, 2006 provides for Indexation of the NWSC Tariff against the domestic price index, exchange rate, foreign price index and the electricity tariff. The indexation is carried out on a financial year basis and applies on the 1st July of each year. The indexation will be based upon the following formular: To (a?I + b?FI?FX+ c?K) = T
Whereby:
To = Tariff level at end of year zero.
a = Proportion of tariff associated with local salaries, and locally sourced goods based on the previous years audited financial Accounts.
? = change.
I = Domestic retail price index as published by the Bureau of Statistics and based on the underlying inflation rate.
b = the proportion of the tariff associated with foreign costs, i.e. foreign inputs in the production process based on the previous years audited financial accounts.
FI = Foreign retail price index based on the US Bureau of Labour Statistics.
Fx = US Dollar to shilling exchange rate based on the Bank of Uganda mid exchange rate as at the 30th June of each financial year.
c = Proportion of tariff associated with electrical power based on % of electricity cost to total cost as a proxy. (Audited financial Accounts).
K = Price of electrical power per unit.
T = Indexed Tariff at beginning of year one.

The statutory instrument is proposed by the MWE and approved by Parliament. It offers a framework within which the tariff can be indexed by the NWSC Board. It is designed through a multi-stakeholder engagement process with input from NWSC and the Ministry of Finance, Planning and Economic Development (MoFPED) At the level of parliamentary approval, the Committee on Commissions, Statutory Authorities and State Enterprises and the Committee on Natural Resources are also involved. The framework is reviewed annually and takes into account the exchange rate, the rate of inflation and the power tariffs.

[11] Water and Environment Sector Performence Report (SPR, 2019)
[12] Sixth Performance Contract between GoU and NWSC (July 2018 – June 2021).
[13] Godfrey Katongole (2018): Brief National Water Tariff and its Sustainability; National Water and Sewerage Corporation

2.3.2 Stakeholders involved in setting water tariffs

The following stakeholders play a key primary role and have influence on the setting of water tariffs in Uganda, as identified during the study:

Table 1: Key Stakeholders and their reponsibilities in the water tariff setting process

	Key Actor	Role in the tariff setting process
1.	The Ministry of Water & Environment (MWE)	• Sets national policies and standards • Manages and regulates water resources • Detaermines priorities for water developed and management • Supports the Minister of Water and Environment, through the Water Utility Regulation Department (WURD), to review the water tariff proposasl submitted by NWSC, for amendment and/or approval.
1a.	Urban Water Supply & Sewerage Department (UWSD)	• Overall coordination, policy formulation, setting standards, inspection, monitoring, technical back-up and initiating legislation
1b.	The Water Utility Regulation Department (WURD)	• Regulates water and sanitation services to balance the commercial objective of efficient and sustainable service provision with the social objective of accessible and affordable water supply and sewerage services in both rural and urban areas • Provides a more transparent and predictable regime for the setting of tariffs. • Protects customers by receiving and resolving consumer complaints, and disputes between consumers and service providers • Disseminates information to customers regarding tariff increases and other relevant information about water and sewerage services
2.	National Water and Sewerage Corporation	• NWSC was established in 1972 as a Public Utility by decree No. 34; it is a Public Corporation wholly owned by GoU. • Is responsible for water supply and sewerage services in the large towns, including Kampala City. • The NWSC Statute No. 7 of 1995 and the NWSC Act of 2000 (Cap 317) mandates NWSC to operate on a sound commercial and financially viable basis. • NWSC prepares and submits to the Minister of Water and Environment indicating and justifying any water and sewerage tariff revisions.
3.	Ministry of Faince, Planning and Economic Development (MoFPED)	• Mobilises funds, allocated them to sectors and coordinates the development partners' inputs. • Reviews sector plans as a basis for allocation and release of funds • Participates in meetings and provides guidance during water tariff discussions • Reports on compliance with sector and national objectives (including compliance to paying taxes such as VAT on water consumption).
4.	Parliament of Uganda	• Has the mandate to make laws on any matter for the peace, order, development and good governance of Uganda". • Has Standing Committees mandated to look into the matters of concern and interest to the public such as water tariffs e.g. the Standing Committee on Public Accounts (Commissions, Statutory Authorities and State Enterprises-COSASE), and the Committee on Natural Resources. The two Committees are responsible for discussion of any proposals to change water tariffs by NWSC, through the Minister, and presentation to Parliament for approval.
5.	The Comunity / Poor households	• Poor households generally rely on water from yard taps and PSPs and/or PPM, as well as unsafe sources. • They do not have access to house connections and hence their views on prevailing residential tarifffs may not be relevant. • As such, the poor are hardly consulted about water tariff. However, NWSC has endeavoured to ensure extension of PPM water services in the informal settlemnts at reduced price of Shs. 25 per 20 litre jerry can, which is fair enough.

2.3.3 Regulation of water tariffs

Following extensive stakeholder consultations by the MWE consensus emerged that in the short-term, the regulation functions remain the responsibility of the Ministry, and that a dedicated Regulation Unit is

established under the Director's Office to carry out regulatory functions[14]. The medium-term is to strengthen the new WURD and long-term institutional arrangement is to establish an Independent Regulatory Authority. In essence, therefore, the water tariff is regulated by the MWE (through the WURD) acting as the Economic Regular. However, there is no drawn roadmap by MWE detailing by when the independent Regulatory Authority will be formed.

The type of regulation being exercised by the WURD for agencies such as NWSC is "Regulation by Contract"; the WURD signs & monitors Performance Contracts with Water Authorities. At the time of this study, the newly formed WURD had only 28 staff (including regional staff), only 3 of which are on permanent and pensionable terms. The WURD is responsible for regulating the NWSC (that is responsible for over 200 large and small towns, including the Capital City of Kampala) and 119 Water Authorities providing WASH services in the small towns (including more than 1,000 non-gazetted towns under the umbrella organisations). This is an enormous task for a newly created Department with only 28 staff majority of whom are employed on short-term contract basis. This study identified a need for the WURD to regulate the prices charged by water venders.

2.3.4 Mandate of NWSC

Initially the mandate of the utility was to manage water and sewerage services in large urban areas under its jurisdiction. However, in recent years, numerous small towns and rural growth centres have been gazetted for management by NWSC, with further increase from 11 towns in 1998 to 23 at the end of 2009 to 165 as of May 2016 to 170 towns/supply areas during FY 2015/16 and 237 as at June 2018. This expansionist policy implies that NWSC may have taken over several small towns that cannot easily break-even and therefore revenue generated from sell of water in a city such as Kampala are used to subsidize non-performing towns located up-country. This leaves the NWSC with hardly any resources to contribute to meeting the needs of poor people in Kampala city and hence heavily relies on donor-funded projects.

2.4 The NWSC Tariff Structure

John J. Boland & Dale Whittington (n.d.) describe a tariff structure as a set of procedural rules used to determine the conditions of service and the monthly bills for water users in various categories or classes. A water user's monthly bill may include two distinct components: a part based on the volume of water used, and another part based on factors other than water use. Uganda uses the former in major towns and cities, because NWSC uses metering system.

MWE defines Water Tariff Regime or Structure as the Rules, Standards and Mechanisms to plan, develop, set and monitor tariffs that aim to achieve policy objectives set out by policy, law and regulations[15].

The study established that NWSC employs a uniform tariff structure across all its towns and service areas (large urban centres, small towns, rural growth centres and urban areas with gravity schemes) to ensure equity in pricing, but is differentiated by customer groups (*please see Fig. 1 below*). The NWSC tariff structure is skewed with the Public Stand Post (PSP)/Public Tap and Domestic consumers paying less than the commercial customers. The tariff, therefore, has an implicit cross-subsidy across towns and within consumer categories. The sewerage tariff is based on the volume of water consumed (i.e. 75% for the domestic and 100% for commercial).

In the year 2000, the NWSC adopted an indexation policy which is aimed at protecting the tariff from further erosion and thus enabling the NWSC cover its operational costs, thereby ensuring sustainability of servce provision. Practically, NWSC Water and Sewerage rates are subject to annaul indexation effective 1st July of

[14] Strategy for Regulation of Water Services in Uganda (2018), Ministry of Water & Environment

[15] Issue Paper on Water Tariff Regimes for Small Towns, rural areas and Water Vending with focus on Pro-Poor Aspects, Ministry of Water and Environment (2017)

every year, to protect it against the domestic Price Index, Exchange Rate, Foreign Price Index and Electricity tariff (Energy charges). The latest tariff approval was done in 2006 by issuance of the Statutory Instrument 2006 No. 30 (Regulations) of the "*The Water Act (General Rates) Instrument, 2006"*[16] .

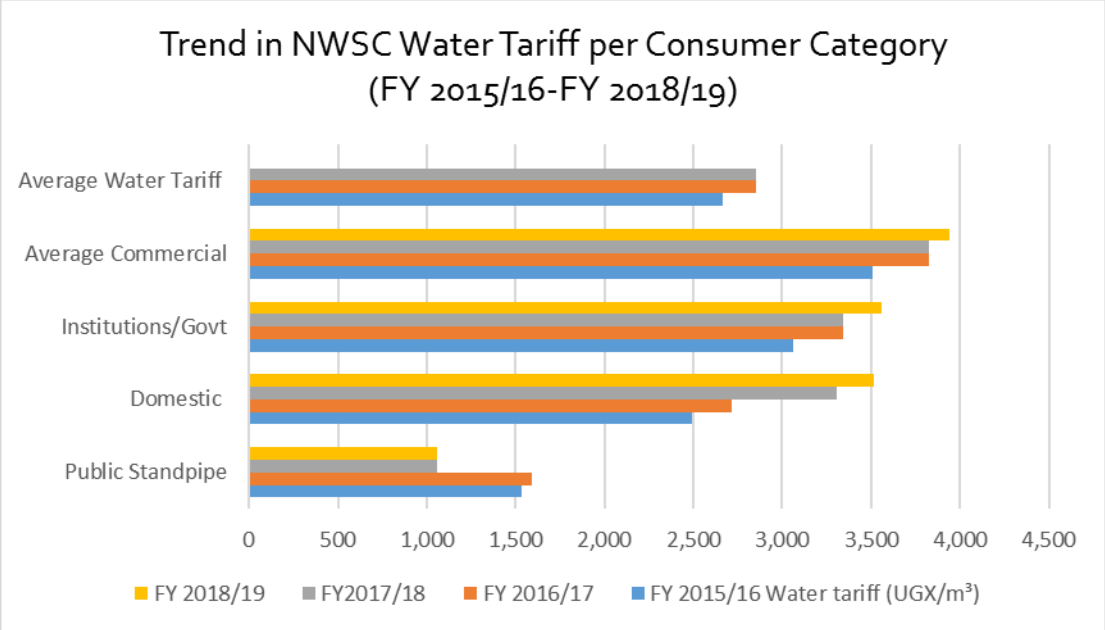
Table 2 and Figure 1 below show a trend analysis of the NWSC water tariff for the past four financial years (FY 2015/16-FY 2018/19). Note that only the tariff of FY 2016/17 is VAT inclusive. The trend shows that, over the last 4 years, the water tariff for the PSP has reduced from UGX 1,533/m³, which is equivalent to UGX 30.7/20L in FY 2015/16 to UGX 1,060/m³ which is equivalent to UGX 25/20L in FY 2018/19 (VAT exclusive). When VAT is factored in, this may perhaps still come to UGX 1,251/m³, which would be equivalent to approximately UGX 30/20L.

Table 2: Trend in NWSC Water Tariff per category over a period of 4 Financial Years.

	FY 2015/16		FY 2016/17		FY 2017/18		FY 2018/19	
Customer category	Water tariff (UGX/m³)	Tariff (UGX/20L)	Water tariff (UGX/m³)	Tariff (UGX/20L)	Water tariff (UGX/m³)	Tariff (UGX/20L)	Water tariff (UGX/m³)	Tariff (UGX/20L)
Public Standpipe	1,533	30.7	1,593	31.86	1,060	21	1,060	25
Domestic	2,490	49.8	2,716	54.32	3,305	66	3,516	83
Institutions/Govt	3,065	61.3	3,344	66.88	3,344	67	3,558	84
Average Commercial	3,508	70.2	3,827	76.54	3,827	77	3,938	92
Average Water Tariff	2,668	53.4	2,855	57.1	2,855	57		

Source: Water & Environment Sector Performance Reports (SPR) for FY 2015/16; FY 2016/17; FY 2017/18 & FY 2018/19.

Fig. 1: Trend Analysis of NWSC Water Tariff, per consumer category, over a period of 4 Financial Years.



Source of data: Water & Environment Sector Performance Reports (SPR) for FY 2015/16; FY 2016/17; FY 2017/18 & FY 2018/19.

2.4.1 Basis for the current tariff structure by NWSC

According to NWSC, the current tariff structure came into force in April 1994. Eng. Silver Mugisha in his Article "*Water tariffs and services for all*" confirms that, save for annual indexation to cater for inflation and other exogenous economic factors, NWSC tariffs have never been increased since 1994. In setting the tariffs, the Corporation is guided by five (5) principles[17]:

1. given that not all the NWSC towns are able to break even, i.e. cover O&M costs, the Corporation operates a uniform tariff structure across all its towns;

[16] Statutory Instrument 2006, No. 30
[17] Brief NWSC Tariff and its Sustainability, June 2018

2. Equity consideration – the Equity criterion is premised on the need to provide all sections of the population with at least the basic supply of water services. The poor are a key consideration in this respect. Water is essential to life (basic right) and hence consideration must be taken to allow subsidization of minimal water needs to poorer customers. This objective is attained through differentiated tariffs for the different customers. Currently, the NWSC tariff caters for the equity principle through its symmetric tariff with the price at the standpipes and domestic consumers paying less than the other categories of consumers.
3. tariffs take into account the customers' ability to pay
4. financial pricing – the tariffs are set such that revenues generated cover the financing Pricing Criteria i.e. the tariff should generate sufficient revenues to cover O&M, depreciation, and yield an acceptable return on assets (including debt servicing and expansion).
5. the Corporation's responsibility to provide free water for humanitarian purposes to society in exceptional instances e.g. for fire hydrants.

2.4.2 Revenue from each customer category

Table 3 below shows the various market segments served by the NWSC. Statistics as at June 2017 show that domestic connections accounted for the highest percentage of the customer base of 81% and commensurately the highest volume of water billed 50% (40% of the revenue). The Institutions/Government account for 3% of the connections and 18% of the water billed (23% of the revenue), while the commercial/industrial account for the 14% of the connections and 35% of the revenue. The table alludes to the fact that all customer categories and their current pricing are critical to the financial viability and sustainability of the Corporation.

Table 3: Water Market Segments June 2017

Consumer Category	No. of Connections	As % of Total Conn.	Volume of Water billed (cubic meters)	As % of Total billed	Revenue Billings (VAT-Inclusive) Shs .m	As % of Total Revenue
Public standpipes	10,424	2%	3,803,554	5%	7,175,036,000	**2%**
Domestic	427,258	81%	40,102,727	50%	138,445,344,000	**40%**
Institution/Govt.	15,714	3%	14,719,647	18%	78,751,316,382	**23%**
Industrial/Comm	71,261	14%	21,509,071	27%	122,435,108,000	**35%**
Total	**524,657**	**100%**	**80,134,999**	**100%**	**346,806,804,382**	**100%**

Source: Brief on NWSC Tariff and its Sustainabililty (June 2018).

2.4.3 Water tariffs and Full-Cost Recovery by NWSC

According to NWSC, currently, the NWSC water tariff is not a full-cost recovery tariff as the domestic and institutional tariffs are only able to cover O&M and depreciation, while the commercial tariff pays O&M plus depreciation and minor capital Expenditure/Investment costs. This is due to a number of factors including the increasing costs of production due to macro-economic factors, and majorly due to the fact that the NWSC has to cross subsidize many of the smaller towns which currently do not break even. The current stand post price is totally subsidized, implying that PSP customers are receiving an implicit subsidy from other users. This is premised on the precept of ensuring equity and balancing the needs of the customers. If the PSP were to pay a full-cost recovery tariff, they would have to pay a 195% increase in their tariff.

In a bid to extend water to more Ugandans, the NWSC geographical coverage is rapidly expanding, currently at 256 towns compared to 23 towns in 2013. According to the audited financial statements for the financial year 2016/17, out of the 218 towns, only 10 of the NWSC towns were able to break even (i.e. cover operational costs + depreciation), while the rest had to be subsidized[18]. This is compounded by the fact that there is relatively low coverage in all the new towns taken over due to limited network infrastructure and as well as aged water and sanitation systems in some old towns which are in need for urgent rehabilitation.

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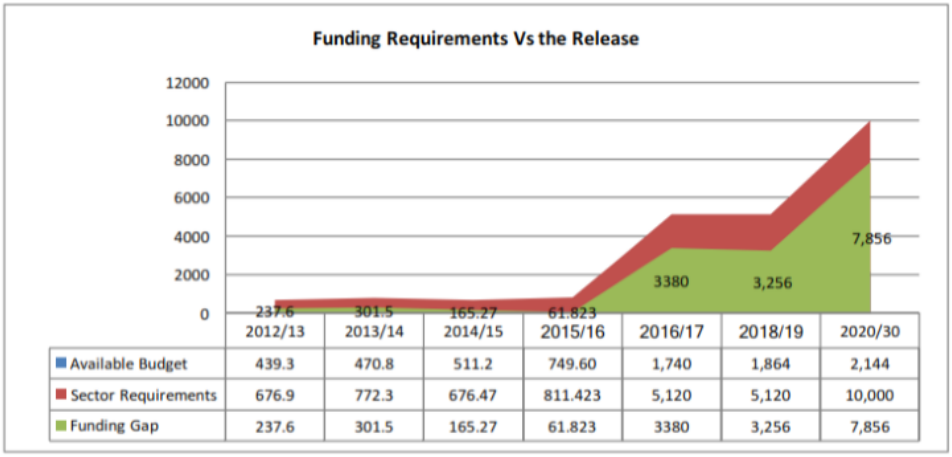
Currently, with the rapid take-over of more towns, the NWSC subsidy obligations have greatly increased, which puts pressure on the water tariff.

Therefore, according to NWSC, the quest for a review of PSP tariff downwards should be looked at in the wider context of the NWSC financial sustainability. Any downward change in the tariff for any consumer category, would need to be compensated by either a subsidy from Government or by a rise in the tariff for other consumer categories. It should be noted that the NWSC does not receive any operational subsidies from GoU. The Corporation therefore has to fully depend on internally generated resources for its operations. The need to maintain this delicate balance is therefore cardinal to ensure sustainability concerns of NWSC.

2.4.4 Brief analysis of the Water and Environment Sector budget

The MWE estimated that UGX 5.10 trillion is required annually and increasing to 10 trillion by 2030 if the sector is to realize its set targets. Yet as reflected in Figure 2 below, the sector still has a huge funding requirement to meet her set goals amidst ever growing population and huge service delivery demands. With an operating budget of UGX 1,939.12bn in FY 2018/19, NWSC was allocated UGX 1000.9bn which is 52% of the total sector budget but still is not adequate to meet all the needs of the national utility. Therefore, there is need for concerted effort by NGOs such as CIDI and other partners to lobby and advocate to GoU for an increase in the sector budget as it has a huge bearing on the ability of NWSC to extend services, hence impacting the water tariffs charged and the affordability of the service by poor citizens.

Fig. 2: Sector Funding Requirements



	2012/13	2013/14	2014/15	2015/16	2016/17	2018/19	2020/30
Available Budget	439.3	470.8	511.2	749.60	1,740	1,864	2,144
Sector Requirements	676.9	772.3	676.47	811.423	5,120	5,120	10,000
Funding Gap	237.6	301.5	165.27	61.823	3380	3,256	7,856

Source: SPR 2019, Ministry of Water and Environment .

2.5 Analysis of Mechanisms by NWSC to serve the Poor

2.5.1 Who are the "Poor"?

According to MWE, poverty in Uganda is measured in absolute terms by the level of income against the expenditure needed to secure basic food and nonfood items. This is determined through a national household survey[19]. To appreciate the extent of poverty in its supply areas and to develop concrete plans to provide these households with sustainable services, the NWSC has developed its own definition of poverty. This is based on four parameters:

[19] Issue Paper on Water Tariff Regimes for Small Towns (2017), Ministry of Water and Environment

1. in Uganda poor households have monthly incomes of less than UGX 80,000 ($48)[20] in a month, which translates into less than US$2/UGX 5000 per day. This is about one-third of the individual house connection fee (at $125) and 14 percent of the average cost of connection ($350).
2. poor households live in clustered settlements with a high crowding index of up to 14 persons per household (although the average household size is reported by Uganda Bureau of Statistics as six).
3. poor households have very low water consumption of 0–20 liters per capita per day which equates to 3.6 m3/month for a household of six), as they use this water mainly for drinking and cooking.
4. poor households do not have their own house connection and mainly use PWPs (including kiosks).

Other socio-economic characteristics used to decribe the poor are:

5. Survive on less than 1.3 USD/day and don't own land
6. Live in informal settlements characterized by poor housing structures (temporary roof, wall, floor)
7. Earn irregular and non-formal income
8. Population density of 400/hectare compared to average 73 persons/hectare in rest of Kampala.

2.5.2 Analysis of Pro-Poor Reforms by NWSC

In 2004, the MWE unveiled a policy to expand water supply services to the poor in urban as well as rural areas, which was updated in 2006 and become the Pro-Poor Strategy. The Pro-Poor Strategy stipulates that the poor should not pay more than the better-off consumers with yard and house connections. Therefore, the existing pro-poor provision in the water sector with regard to tariffs is the subsidized NWSC tariff for PSPs. There is need to constantly survey how well the tariff is serving the needs of the poor and update accordingly.

In response to the policy, in 2004 the NWSC undertook a series of measures to implement the pro-poor policy in urban areas as follows[21]:

1. **An affordable connection policy** – to increase coverage in all NWSC areas (in particular, the poor settlements) by lowering the cost of the connection fee for any customer (domestic and non-domestic) living within 50 meters of the water mains, and would share the cost of connection beyond 50 meters. NWSC later on broadened coverage of this policy to non-poor domestic, government and industrial customers as well. As a result, NWSC increased connections from 59,000 in 2004 to 146,000 in 2009 leading to increase in safe water coverage from 64% to 72%. A total of 6,000 yard taps and 1,000 PSPs were constructed in poor settlements from 2004 to 2010[22] due to the policy.

2. **A Pro-Poor Tariff policy** – which shifted the uniform tariff structure for all consumers to a differentiated structure for (i) domestic (ii) non-domestic customers, and (iii) Public Water Points (PWPs). This means that there is a specific tariff for each of NWSC's customer categories across all water supply areas: industrial and commercial, government and institutional, and domestic. An additional tariff was developed specifically for PWPs. The differentiated tariff structure per customer category ensures equity in the supply and pricing.
3. **Pro-Poor Targeting Projects** – which NWSC is implementing since 2008, initially with support from the Global Partnership for Output-based Aid (GPOBA) to subsidize water supply connections (including yard taps and pre-paid meters/kiosks) in specific poor settlements in Kampala.

To deliver these policies, NWSC adopted two main delivery mechanisms:

4. **It established the Pro-Poor Unit/Branch** – and staffed with highly skilled social scientists to promote, plan, and support water supply and sanitation service expansion in poor, unserved settlements of Kampala. The Pro-Poor Unit was set up to respond to challenges and gaps in serving informal settlements despite NWSC's growing global recognition as a well-performing utility.

[20] Lessons and experiences from implementation of pro-poor safe water interventions in urban areas. (2016), Dr. Innocent Kamara, MWE/GIZ
[21] Do Pro-Poor Policies increase water coverage? An analysis of service delivery in Kampala Informal Settlements (The Water and Sanitation Program-WSP of the World Bank).
[22] Ibid

5. **It provided multiple levels of service** – to new domestic customers, allowing them a choice of individual house connections, public water points, and shared yard taps. The initial response of NWSC was to use PSPs and kiosks, and now pre-paid meters, to provide water in informal settlements at subsidized cost. However, with no clear policy by NWSC regulating reselling of water by the domestic consumers, NWSC cannot guarantee the final price for water from the stand pipes.

The above reforms undertaken by GoU and NWSC are an indication that when expanding water services in urban areas, policies that are both poor-inclusive and pro-poor matter. The Pro-Poor policy has made NWSC pay attention to getting non-poor consumers to subsidize the poor. NWSC has also been able to explore a menu of affordable options in order to provide multiple levels of service. NWSC, from experience, has also mastered the issues and perspectives of citizens in informal settlements, and adopted innovative technical solutions, as well as dedicating the financial and human resources necessary to ensure that poor people as a segment, have services that work for them.

2.6 Impact of High Water Tariffs charged by Venders on the Poor in Kampala

There are concerns by many stakeholders (e.g. government, NGOs and development partners) as to whether drinking water services provided by utilities such as NWSC reach the poor. This sub-section appreciates the efforts put in place by government and NWSC (e.g. through installation of Pre-Paid Meters-PPM) to provide water services at subsidised rates to the poor and marginalised. However, despite these efforts, quite many poor people living in the informal settlements in Kampala City are not yet served for various reasons including the high water tariffs charged by water venders. This sub-section provides an analysis of why the poor still pay high prices for water and the impacts of such high water tariffs on their access to water services and health and livelihoods in general.

2.6.1 Analysis of prices currently paid by the poor for water in Kampala City

This study established that although NWSC subsidizes water supply to the standpipes, in many cases it has no effect on the costs of the standpipe customer. The issue arises from the 'middlemen' or 'water vendors' who sell the water to the customers[23]. Quite often these water points are managed by an individual who offered their land for the connection and hence tend to run it as a livelihood source. They sell water at an unregulated market price (not the NWSC rate) which fluctuates with the availability of water, competition and seasonal variations.

According to a study by Water Aid on Low-Income Customer Support Units (LICSU, 2016), the price charged by water venders would range from five to 20 times of the actual cost of the water. On the other hand, the water sellers also accumulate unpaid bills. During FY 2018/19, MWE reports that NWSC supplied water to PSP Operators at a tariff of UGX 1,060 per m^3 equivalent to UGX 25/= per 20 litre jerry can[24]. However, the PSP Operators charge the final consumers between UGX 50 and 200/= per 20 litre jerry can. This is due to the fact that water vending is highly unregulated at the point of water sale. The water vendor/PSP operators determine the price of water according to market demand, which leads to the exploitation of poor customers by 'middlemen'.

Denis, a water vendor interviewed by The Independent[25] on Nasser Road in Kampala, had been selling water at a commercial communal tap for 5 years. On average, the vender would sell 200 jerry cans of water a day but that could be more or less depending on the demand. Each jerry can cost between Shs. 200–Shs. 300 with the price varying depending on the number of jerry cans one was buying. Each day, he would make a profit of Shs 15,000 – Shs. 20,000.

On the other hand Fred, a car washer on the same Nasser road (also interviewed by The Independent), said that he would use on average 10 jerry cans of water a day and the cost of each was Shs. 300= meaning that he would pay Shs

[23] WaterAid Uganda Case Study on Low-Income Customer Support Units (LICSU, 2016)
[24] Water & Environment Sector Performance Report (SPR 2019)
[25] The Independent (15th February, 2015).

3,000= a day which was 20% of his total daily income of Shs. 15, 000. Fred wished a 20 litre jerry can could cost Shs. 100 in a busy area like Nasser Road, and Shs. 50 in the area where Fred lived.

In Kawempe Division, The Independent found out that people had different stories to tell on what they pay for water. For example, a 20 litre jerry can in the area costs between Shs. 200-Shs. 500 but the price would go up to Shs. 1,000 in periods of water scarcity. In view of the amount of money water sellers pay per unit to the NWSC, they are making supernormal profits.

Alex Gisagara, the acting MD for NSWC then, when interviewed by The Independent argued that their hands were tied when it comes to reducing the price of water to the end user. He said Uganda was liberal markets where anybody can sell water at the price that they want. He, however, said that the only way to tackle the problem was probably by employing the prepaid water meter technology where the water vendor is eliminated.

2.6.2 Analysis of Pre-Paid Meter (PPM) option for Pro-Poor Water Service Provision by NWSC

2.6.2.1 What a Pre-Paid Meter entails:

A prepayment system comprises the prepaid dispensing devices, the technology required to load and transfer credit, a database recording customer purchases and metered consumption, and ongoing engagement with customers[26]. A network of credit venders is needed to sell prepaid credit to customers. Revenue management is supported by a database of meters and customers with records of consumption, credit purchases, and performance. Regular monitoring is required to track faults, exceptions, and real-time consumption against pre-paid sales. Finally, making meters work and ensuring their acceptability requires on-going interaction with customers.

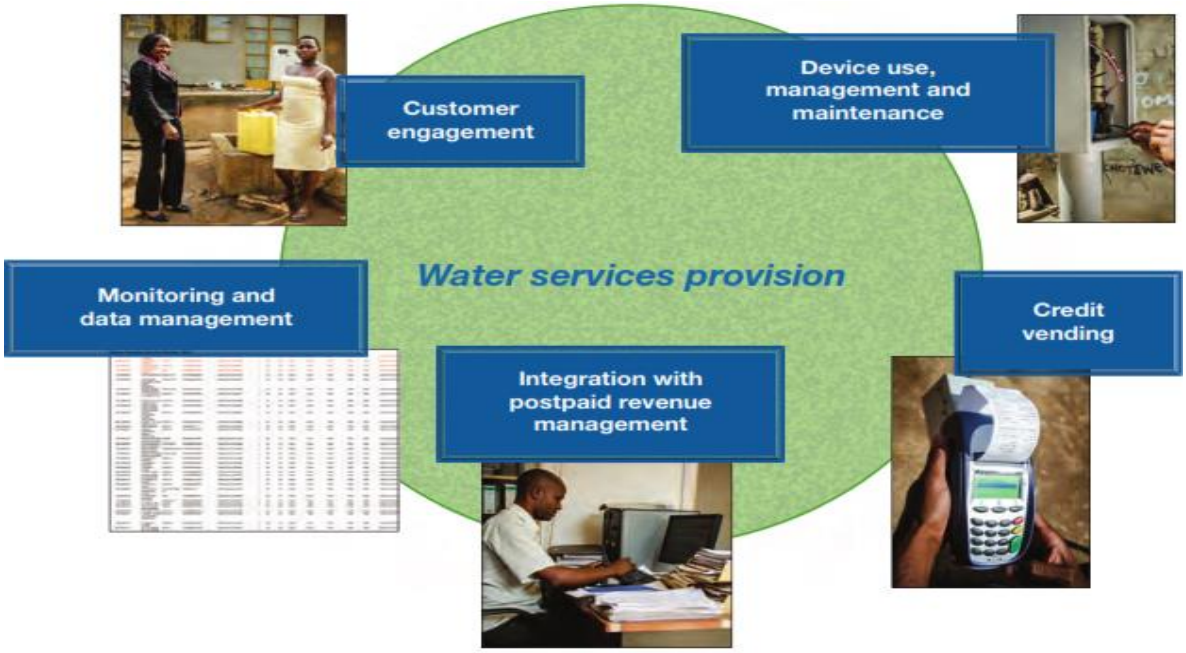
Typically, 20-50 households share a standpipe and they all have their own credit tag, key or smartcard that they press against a sensor on the dispenser each time they draw water. PPM are attracting widespread interest as service providers seek ways to improve revenue collection to meet the costs of service provision and to minimise water loss and/or water demand. It is important to understand that PPM are not just about meters; it is about a prepayment system.

On average, many cities and towns in Africa (Kampala inclusive) are growing between 3-5% per annum – faster than anywhere else in the world. Water service providers face considerable challenges to meet this growing demand, and most lack the resources to do so. The current revenue flows fall far short of requirements to fund investments and run services effectively for these rapidly growing populations. Meeting the demand, especially in the rapidly expanding unserved poor settlements, requires new thinking and innovation. This is one of the reasons why there has been a surge in interest among Sub-Saharan African water service providers in pre-paid water systems.

The Pro-Poor Unit of NWSC is of the view that effective engagement and coordination and mobilization of communities is key to promote ownership, transparency, accountability and sustainability of PPM. Sensitization of the political leadership and strategic partnerships with stakeholders (e.g. local authorities, NGOs such as CIDI, and private sector such as venders) are very vital for the success of PPM projects.

Fig. 3: Components of a Prepaid System

[26] Chris Heymans, Kathy Eales and Richard Franceys (2014): Report: The Limits and Possibilities of Prepaid Water in Urban Africa: Lessons from the Field; Water and sanitation Program (WSP); The World Bank Group.



Adapted from: Chris Heymans, Kathy Eales and Richard Franceys (2014): Report: The Limits and Possibilities of Prepaid Water in Urban Africa: Lessons from the Field; Water and sanitation Program (WSP); The World Bank Group.

2.6.2.2 Reasons for establishing PPM Systems by NWSC in Kampala city

Faced with some difficulty in collecting revenue from the PSPs and the poor paying more for water than they should, a pilot was run by NWSC in partnership with agencies such as WaterAid and CIDI, to test the use of prepaid metered water point service in Kawempe Division. Based on a successful pilot, the Pro-Poor Unit of NWSC rolled out public water points with PPM in 2008-to-date, with support from development partners (such as German Government, African Development Bank-AfDB, and the World Bank).

Through such donor-funded projects, NWSC was able to supply water to locations such as Ndeeba, Kisenyi I and Kisenyi II where over 150,000 residents could access cheap water following the installation of 400 prepaid water meters. An estimated 6,000 households were enabled to access clean water in Kagugube Parish (Central Division) and other locations through yard tap connections. Despite high upfront costs[27], PPM meters have the benefits of providing water at a constant price without mark-ups by intermediaries, 24-hour water access for poor communities, and resolving the problem of non-payment and some aspects on non-revenue water.

This study established that the on-going Lake Victoria WatSan project implemented by NWSC is targeting to install about 2,400 pre-paid public water points in the informal settlements in Kampala to benefit about 500,000 people. NWSC reports that some sites were already identified, and PSPs previously planned by NSWC are to be changed into pre-paid meters. The NWSC Pro-Poor Unit boasts of having installed about 3,000 yard taps and over 1,500 PPM in Nakawa and Kawempe Divisions where water is supposed to be sold as cheap as Shs. 25. However, even with PPM, NWSC still faces the challenge of middlemen who still sell water between Shs 50 - Shs. 500 per 20 litre jerry can.

The basis of the PPM service is that customers have to obtain an electronic token and ensure that they are credited. Although each household is given the first token at no cost, a Shs. 5,000 (approx. USD 1.4) is required, though this amount is credited to the token and can be used to access the water supply as soon as the token is issued. Each token is registered in the name of the family with details of the bio-data, location and contact number. If the token is lost, a new one can be issued at a cost of Shs. 15,000 (approx. USD 4.3). The tokens store customer information on consumption and the quantity and time of use.

[27] According to The Independent (18th October, 2019), installing one prepaid meter costs approximately UGX 3 million compared to the ordinary meters priced at about UGX 250,000= including installation.

Tokens can be recharged at the Pro-Poor Unit office of NWSC or from venders within the informal settlements. The vending points or sale machines are located at accessible places within the community where users can re-charge their tokens. Usually, the vender has a contract with NWSC under which they are paid 11% commission on every cubic meter (m^3) of water credit loaded or sold. When interviewing users during the WaterAid study on LICSU, the cost for consumers using the PPM water points was Shs. 36.2 (VAT included) per 20-litre jerry can. On the other hand, a 20-litre jerry cost Shs. 200 if bought from public water points/kiosks without pre-paid meters.

However, some of the respondents interviewed don't like PPM because sometimes they pay for tokens but are unable to access water; meters break down, and consumers have to walk distances to get water; sometimes consumers may not have the money to buy water; some face challenges of buying credit when the vender is absent, has no credit left to sell, or there is a power outage. NWSC Pro-poor Unit also acknowledges that some of the challenges they face is how to ensure constant functionality of the installed units, the need for continuous supply of spare-parts (which are currently imported); and limited in-house capacity to repair broken down PPM.

2.6.3 Customers' experiences and issues about Pre-Paid Meters

Interviews and Focus Group Discussions (FGDs) held with selected water users during this study revealed the following issues raised and/or experienced by communities about pre-paid meters:

a) **Pre-paid meters "zikuba empewo"** – these are two Luganda[28] words which loosely translated mean that pre-paid meters "supply air". Some of the users report that when a pre-paid meter is opened for the customers, only air comes out for approximately the first 5-10 minutes, without water. Yet the token would, essentially, be counting. Hence the consumers end up paying for water which is not supplied.
b) **Over pricing of PPM water services** – just like PSPs, just like PSPs, people manning pre-paid water meters also tend to over-price their services hence exploitation of unsuspecting customers and making water unaffordable. Prices range from Shs. 300 – Shs.500 per 20 litre jerry (e.g. in Mutundwe in Lubaga Division) depending on the season and scarcity of water; majority of token sellers tend to sell water at Shs. 200 per 20 litre jerry can. Sometimes a 20 litre jerry can cost between Shs. 1,000–Shs 5,000= (e.g. in Najjanankumbi in Lubaga Division), depending on the scarcity of water. High prices are partly blamed on the limited accessibility of water services in these specific locations, the weakness of NWSC as an institution on issues of enforcement of water prices, and lack of awareness on the part of the community about the right prices of water charged by NWSC. This assertion by the community is confirmed by The Independent[29] that reported that NWSC laid off 31 out of 51 pre-paid water meter token venders for selling water tokens to consumers at Shs. 5,000 instead of the recommended rate of Shs. 2,000 recommended by NWSC for water kiosk operators and Shs. 25 for a 20 litre jerry can for ordinary consumers. Some of the agents operated in pro-poor urban settlements of Kampala including Kawempe, Banda, Kinawataka, Kanyanya, Kalerwe, Luzira, Kabalagala, Mpererwe, Lugoba, Kisenyi I, II, III and Kagugube, Bwaise and Naguru, amongst others.
c) **Life-span of batteries** – the water users interviewed also reported that people (e.g. in Ndeeba in Lubaga Division) no-longer use pre-paid water meters because of batteries. This is also confirmed by The Independent that reported that the meters are blamed for short battery lifespan, complications in fixing them domestically in case of malfunctions, digital display errors on their screens, jam in their valves as well as faulty seals and leakage, among others.
d) **Poor hygiene amongst the poor**- in 2013, the Independent established that in the various suburbs of Kampala, the high cost of water is indeed responsible for poor hygiene especially among people who run restaurants and other food and beverage businesses. When washing dishes for example, water is recycled numerous times in order to save it consequently putting the people who buy food in such places at risk of acquiring diseases.
e) **Use of unsafe and polluted water sources** – in locations such as Makerere Kikoni in Kawempe Division and Mutundwe in Lubaga (both Kampala suburbs for example), community leaders reported during a

[28] Luganda is one of the local languages commonly spoken in Central Uganda and in Kampala City.
[29] The Independent (18th October, 2019),

dialogue at Lubaga Division headquaters that people who cannot afford to buy a jerry can of water, which costs between Shs 150-Shs 300, are forced to get unsafe water from highly polluted sources such as the numerous swamps and wells – the same places where people wash clothes, vehicles, motorcycles and bathe. These wells are next to the open sewer lines that are a common sight in the areas and their maintenance was at best forgotten. One Community leader interviewed in Lubaga Division said: "if a person has no money for food, how can they afford to pay for water"? Use of unsafe water puts the lives of poor people at high risk of acquiring water related diseases such as cholera and typhoid.

f) **Hiking of rent charges by Landlords** – it was also reported that when some community members take a decision to take care of a pre-paid meter, the Landlords tend to increase rent for the tenants/persons taking care of a pre-paid meter hence making accommodation unaffordable.

g) **Stringent requirements by NWSC for people to acquire domestic/household or yard connections** – some of the water users interviewed raised concerns about the stringent requirements and procedures by NWSC for one to acquire a household connection or yard tap. In many instances NWSC requires one to possess a land title as security of ownership of land before NWSC extends water to the premises. However, land ownership patterns in Kampala city (and elsewhere in Uganda) present challenges to access by the poor to domestic water connections due to the "mailo" land tenure system, affecting 52% of the land in Kampala. Many of the landowners are absentee landlords, and the tenants or squatters living on Mailo land often have no ownership documents or means of making decisions although they have lived there for many years. To overcome the challenge of installing public water points on these plots, the NWSC staff has had to engage in tactful negotiations with tenants, land owners and the municipalities of Nakawa, Kawempe and Lubaga.

h) **Willingness and ability to pay** – in 2012, a Tariff Review and Affordability study[30] was conducted by NWSC. The majority of households interviewed said water was expensive. Affordability was a big issue, with average households having to allocate 10% of their total expenditure to water and sanitation, which was just within an acceptable band but much higher than the preferred norms of 3-5%. Low income households were found to devote up to 35% of total expenditure on water (22% in the wet season). A major reason for this was that the benefits of the Public Standpipe tariff were not reaching the intended beneficiaries. There was some willingness among respondents to pay 5-10% more than what they were currently paying, only if the supply duration and water quality improved. Over the past years, NWSC is implementing recommendations of the study to address some of the tariff issues raised, for example, through installation of Pre-paid meters.

3.0 Conclusions and Recommendations

3.1 Conclusions

Access to WASH is a human right, as recognised in 2010 by the UNGA; therefore, provision of water to the poor should be seen from this perspective. On one hand, because water is both a social and economic good, prices are charged in the form of water tariffs are inevitable to ensure that water is used efficiently, and that funds are raised for provision and extension of water and sanitation services. On the other hand, however, pricing should be carried out with care as water is essential for human life and high water prices can have a negative impact on the lives of the poor.

The laws, policies and legal framework that guide the setting of tariffs by NWSC is very clear, including the Water Act, Cap 151(1997); and the NWSC Act. However, these laws and regulations need to be packaged for dissemination for the benefit of communities. NWSC is implementing a Pro-Poor Policy (2006), to expand water supply services to the poor, and employs a uniform tariff structure across all its towns and service areas to ensure equity in pricing. The Pro-poor policy needs review to reflect the current realites on the ground.

The setting of water tariffs by NWSC is a multi-stakeholder process and involves participation of agencies such as the MWE, NWSC, MoFPED, and Parliament. Usually the statutory instrument is proposed by the

[30] Tariff Review & Affordability Study (2012): Final Report, Repulic of Uganda, Ministry of Water and Environment.

MWE and approved by Parliament. However, considering the current budget allocations to MWE as compared to other sectors such as Works and Transport, Vs the needs on the ground, there will be need for CIDI and other partners to lobby and advocate to GoU to incerase funding to the sector.

Although NWSC subsidizes water supply to the standpipes, in many cases it has no effect on the costs of the standpipe customer because of the "middlemen" that buy water from NWSC at a PSP rate of Shs. 25 per jerry can and sell it at Shs.200-500 or more per jerry can. The prices charged by water venders need regulation at the point of sale, because they are exploitative in nature.

To counter errant water venders, NWSC introduced prepaid water meters, to provide water at a constant price without mark-ups by intermediaries. However, some of the respondents interviewed reported that the sale of water at high prices has persisted. High prices affect water demand by the poor, and lead to poor hygiene and use of polluted water sources as alternatives. Poor people make up only 2% of NWSC connections, yet the poor are the majority in Kampala city. Therefore, there is need for NWSC to increase the service coverage and fast track the installation of the 2,400 PPM in order to have an impact on the prices charged by venders.

From a comparative analysis, one cannot say that NWSC tariffs are not affordable. The tariff structure recognises different income levels of citizens and is designed to promote national industrial development. The NWSC Tariff policy aims at ensuring that services to the poor are affordable; effective the 1st July 2017 NWSC further reduced the PSP tariff from Shs. 38 to Shs 25= per 20 litre jerry can. The effective price paid by the customer is Shs 50= per 20 litre jerry can and includes the venders' margin of Shs. 25 per jerry can. The tariff is also uniform across all towns implying that it has an implicit cross subsidy across towns and within customer categories.

Overall, it is important to note that there are certain costs such as Capital Expenditure costs (CAPEX) and Operational Expenditure costs (OPEX), among other costs, that cannot possibly be met by the consumers in countries like Uganda where the citizenry are of significantly low income status. Therefore, some costs have to be met by Government (assisted by development partners, sometimes). This is because, tariffing benchmarks suggest that water prices must be conserving, affordable, fair, enforceable and serviceable (CAFES). In order to comply with this criterion, water tariff must fit within the Willingness to Pay (WTP) and Ability to Pay (ATP) limits of the citizens.

3.2 Recommendations of the mapping study

The study presents the following recommendations, based on the analysis in Section 2.0 above as well as the conclusion in Section 3.1 of this report. These recommendations focus on what CIDI can do within her means, while engaging closely with the Divisions level leadership as well as the Ministry of Water and Environment (MWE), National Water and Sewerage Corporation (NWSC) and communities in the three Divisions of Nakawa, Kawempe and Lubaga.

3.2.1 Improve community's access to information, particularly about water tariffs

NWSC recognises that the customer is the reason they exist and has put in place mechanisms to infuse and connect with the customers such as toll-free hotlines and Barazas. NWSC also has in place a Customer Service Charter (e.g. of 2016) which sets out the commitments that NWSC are making to their customers and stakeholders with regard to the quality of service that they expect from the utility. One of NWSC's commitments is listening and responding to customers appropriately, and providing customers with all the necessary possible information to solve their complaints. Such commitments should be implemented in order to respond to customers concerns and complaints in the poor neighbourhoods too. There is need also for CIDI to partner with NWSC to popularise this Charter and package and share information on the NWSC water tariff structure with communities in the 3 target Divisions of the DGF-funded project.

There has also been a suggestion that NWSC puts explicit price tags on PSP/Kiosks, so PSP operators charge a uniform tariff of Shs. 50 for a 20 litre jerry can, and also communities are aware of how much they are supposed to pay per 20 litre jerry can of water. CIDI may also advise NWSC to: i) have formal operational contracts with the PSP attendants that clearly stipulates the tariff to be charged to the final consumers; and iii) conduct regular surveys to know how well the water tariff is serving the needs of the poor and update accordingly.

3.2.2 Improve community's awareness

CIDI can make a contribution by working closely with NWSC to improve customers' awareness of all matters related to water and sewerage services, including raising customers' understanding of the relationship between the tariffs they pay and the service levels they are receiving. Communities also need to know their roles, responsibilities and obligations in terms of WASH. For example, some of the obligations of the customers highlighted in the NWSC service charter include: to report to NWSC all matters that they deem to have negative impact on service provision and especially any illegal practices observed in their areas (which could also include reporting of the high prices charged by venders); and secondly, customers are encouraged to bring forth new ideas to help the corporation understand and serve their needs in a better way.

3.2.3 Lobby and Advocate for the increase in the sector budget

Although the saying goes that "Water if Life" and that "Sanitation is Health", it is very evident from the budget allocations by GoU that the MWE is not among the top priority ministries of government in terms of funding. Therefore, it will be imperative for CIDI to partner with other agencies to lobby and advocate for increased allocation of resources to the sector by GoU in order for NWSC to extend services to poor neighbourhhos and in the long term impact prices of water not only for the poor but also the citizens with household connections.

3.2.4 Lobby NWSC to extend services to more needy areas/locations

Under the on-going Lake Victoria WatSan project, NWSC is targeting to install about 2,400 pre-paid public water points in the informal settlements in Kampala to benefit about 500,000 people. Extension of more water services will ensure market forces bring down the end price. CIDI could work closely with the Division-level leadership (both political and technical) to conduct mapping of sites and help identify the needy and poorer areas without adequate WASH services in the 3 divisions of Nakawa, Lubaga, and Kawempe and share information with NWSC on where the needs are for their WatSan project. CIDI may also equip local leaders from such locations with the necessary skills to demand for improvement of services, so they can benefit from these on-going projects by NWSC.

3.2.5 Support popularisation of laws, policies and NWSC's Pro-Poor Strategy

The laws, policies and legal framework governing the setting of water tariffs as well as NWSC's strategies and mechanisms put in place to implement GoU's Pro-Poor Strategy 2006 are very clear. However, there is an overall general observation that there is a communication gap between policy markers, service providers and local communities or water consumers with regard to WASH service delivery to the urban poor. CIDI could support popularisation and dissemination of the laws, regulations and strategies that relate to the setting of water tariffs so that consumers know their rights. CIDI may also consider engaging with the MWE to review the Pro-Poor Policy to reflect the current realities.

3.2.6 Facilitate community-level dialogues between NWSC and poor communities

It appears community-level dialogues and Barazas between NWSC and the communities are not adequately happening in the poor urban neighbourhoods in Kampala, as they should. Yet one of the assumptions under the Customer Satisfaction Index (CSI) is effective utilisation of the Local Water Committees, Water Barazas and other stakeholder engagements to enhance collaborations with communities and other stakeholders. Therefore, it is recommended that CIDI advocates to NWSC to increase community-level engagements in the informal settlements to provide an opportunity for the utility to listen to and respond to the pertinent questions or contraints faced by communities regarding water tariffs and other concerns around water service provision (such as non-functional PPM).

3.2.7 Customer satisfaction surveys as a performance score card for NWSC

Customer satisfaction is one of the areas rated under the Performance Scorecard. Customer satisfaction Surveys help to measure customers' satisfaction with NWSC services. The indicator helps in promoting an increased focus on customer requirements and stimulates improvements in NWSC services. A Customer Satisfaction Index of at least 70% is considered as the best practice and hence the annual CSI target for the next three years. It is recommended that CIDI lobbies NWSC to conduct periodic Customer Satisfaction Surveys (perhaps after every 2 years) specifically targeting the informal settlements in order for NWSC to get feedback on how well the utility is serving the poor but also ensure the utility acts on the feedback.

3.2.8 Regulation of water tariffs by the Water Utility Regulation Department

The WURD was formed by the MWE with the responsibility to perform key regulation functions including tariff regulation (e.g. through receiving and reviewing tariff proposals from water supply and sewerage authorities). WURD also has the responsibility for customer protection (e.g. through receiving and resolving customer disputes). The WURD has developed a strategy for the regulation of water services in Uganda (2018)[31]. One of the objectives in the strategy is to develop an approach to regulate other market segments, such as informal water service providers, other town water supply systems or sanitation service providers. The WURD has also developed guidelines on customer management that the water service providers must follow. It is recommended that CIDI collaborates closely with the WURD to fast-track the implementation of the regulation guidelines since informal water venders are a headache as far as water tariffs are concerned. This will also include partnering with the WURD to popularise and disseminate the customer protection guidelines.

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ANNEXES

Annex 1 Focus Group Discussions (FDG) With Community Groups

STUDY ON WATER TARIFFS

FOCUS GROUP DISCUSSIONS (FDG) WITH COMMUNITY GROUPS

FOCUS GROUP DISCUSSION GUIDE

Introduction

My name is ..... I am working as a Consultant for Community Integrated Development Initiative (CIDI). CIDI wishes to conduct this study on water tariffs as input into designing an advocacy programme towards improved access to quality and affordable WASH services for the poor and marginalized communities living in informal settlements of Nakawa, Kawempe & Lubaga Divisions of Kampala city. The objective of the study, therefore, is to examine the guiding policy framework for tariff-setting in Uganda, the process and stakeholders involved; what inform determination of tariffs; the identification of gaps (if any). The findings of the study will be used by CIDI in planning advocacy interventions to engage with duty bearers such as NWSC to improve water supply provision in the city.

I would therefore like to ask you some questions regarding water tariffs and tariff setting process, in Kampala city. The interview will take about 30-40 minutes. We shall ensure confidentiality of your responses and in the report, names of respondents will not be mentioned. If I ask a question that you do not understand, feel free to ask for clarification. Do you have any question before we start?

Physical Location of the meeting venue

Name of the Division	
Name of the Community	
Name of LC 1 Chairperson	
Name of Interviewer	
No. of Community members present at meeting (Males)	
No. of Community members present at meeting (Females)	

Discussion areas

1. Where do you fetch water from?

Pre-Paid meter; .....

Water Kiosk; .....

Pushcart; .....

Bicycle: .....

Other: Specify: .....

2. How much do households pay for water, per 20 ltr Jerry Can?

Pre-Paid meter; Amount (UGX) .....

Water Kiosk; Amount (UGX).....

Pushcart; Amount (UGX): .....

Bicycle: Amount (UGX) .....

3. Are you satisfied with the water charges in No. 2 above for water?

   Yes: ..... No: .....

Explain your answer: .....

.....

4. If the answer to No. 3 above is No, how much are you willing to pay?

.....

5. Do you know the process of setting tariffs and who is involved at the different levels?

.....

6. Are you consulted by NWSC prior to setting tariffs? Does NWSC consult you on other issues other than tariffs? If yes, how and how often?

.....

7. What is the roles of NWSC and the local politicians (e.g. LC 1s and area Councilors) in the setting the price of water at community level?

NWSC: .....

Local community.....

Other: Please specify: .....

8. What are the major challenges you face because of the current price(s) of water?

.....

.....

9. What are your suggestions as a community and local leaders to improve on the process of setting tariffs?

.....

.....

THANK YOU

Annex 2: Key informants Interview Guide (Ministry of Water & Environment and NWSC)

STUDY ON WATER TARIFFS

Key informants Interview Guide (Ministry of Water & Environment and NWSC)

Introduction

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Name of Officer	
Title of Officer	
Name of Interviewer	
Date	
Contact of Interviewee	

SECTION A: POLICY FRAMEWORK FOR WATER TARIFF SETTING IN UGANDA

1. What are water tariffs?

.....

2. What is the policy framework in place to guide NWSC/Ministry of Water and Environment to set water tariffs?

.....

Can you please, share, soft-copies of these policies? **.....**

3. How does MWE/NWSC determine water tariffs? Are there any studies that have been conducted by MWE/NWSC to inform the setting of tariffs? If yes, can you please share soft copies?

.....

4. How often are water tariffs changed? **.....**

5. Why are tariffs set? **.....**

.....

SECTION B: WATER TARIFF SETTING PROCESS

6. What is the process of setting water tariff like? Who is involved? Who approves water tariffs?

.....

7. Do communities have an input into the setting of water tariffs?

Yes: **.....;** No: **.....**

If No, why not? **.....**

.....

8. What are the Mechanisms that have been put in place by NWSC to receive complaints and/or feedback from consumers of water (e.g. on the price of water), especially at household level?

.....

9. What are the different categorization of tariffs charged by MWE/NWSC?

.....

10. Does NWSC charge a uniform tariff in Kampala city and across all other large towns in Uganda? Yes: ..... No: .....

Add any additional notes:.....

.....

SECTION C: GAPS IN THE WATER TARIFF-SETTING IN UGANDA

11. In your view, what are some of the gaps in the process of setting of water tariffs?

.....

.....

12. How can the gaps identified in No. 11 above be addressed?

.....

13. Any other comment on the water tariffs and tariff-setting process by MWE/NWSC?

.....

Thank you.

Annex 3: Key Informant Interview Guide – Community Level

STUDY ON WATER TARIFFS

KEY INFORMANT INTERVIEW GUIDE – COMMUNITY LEVEL

(WITH WATER SELLERS)

Introduction

My name is ..... I am working as a Consultant for Community Integrated Development Initiative (CIDI). CIDI wishes to conduct this study on water tariffs as input into designing an advocacy programme towards improved access to quality and affordable WASH services for the poor and marginalized communities living in informal settlements of Nakawa, Kawempe & Lubaga Divisions of Kampala city. The objective of the study, therefore, is to examine the guiding policy framework for tariff-setting in Uganda, the process and stakeholders involved; what inform determination of tariffs; the identification of gaps (if any). The findings of the study will be used by CIDI in planning advocacy interventions to engage with duty bearers such as NWSC to improve water supply provision in the city.

I would therefore like to ask you some questions regarding water tariffs and tariff setting process, in Kampala city. The interview will take about 30 minutes. We shall ensure confidentiality of your responses and in the report, names of respondents will not be mentioned. If I ask a question that you do not understand, feel free to ask for clarification. Do you have any question before we start?

Physical Location of the interview venue

Name of the Division	
Name of the Community	
Name of LC 1 Chairperson	
Name of Interviewer	
Name of Respondent	
Sex of Respondent	
Type/category of Respondent	

Discussion areas

10. Where do you fetch water from for sell?

Pre-Paid meter; .....

Water Kiosk; .....

Spring; .....

Other (Specify): .....

11. How much do you charge households for water, per 20 litre Jerry Can?

.....

12. How do you determine how much people should pay for water?

Explain your answer: .....

13. How many 20 litre Jerry cans of water do you sell in one day?

.....

14. Are your customers able to pay for water?

.....

15. What are the major challenges you face when selling water?

.....

.....

16. What are your suggestions for addressing the challenges in No. 6 above?

.....

THANK YOU