IFC REGIONAL CONFERENCE ON PUBLIC-PRIVATE PARTNERSHIPS IN WATER AND SANITATION

Private Sector Participation in the Uganda Water Sector: Past, Present Future of Small-Town Water Supply

(Based on Study by the Water and Sanitation Program ,May 2012)

June 2012,

Dakar, Senegal

Presentation Outline

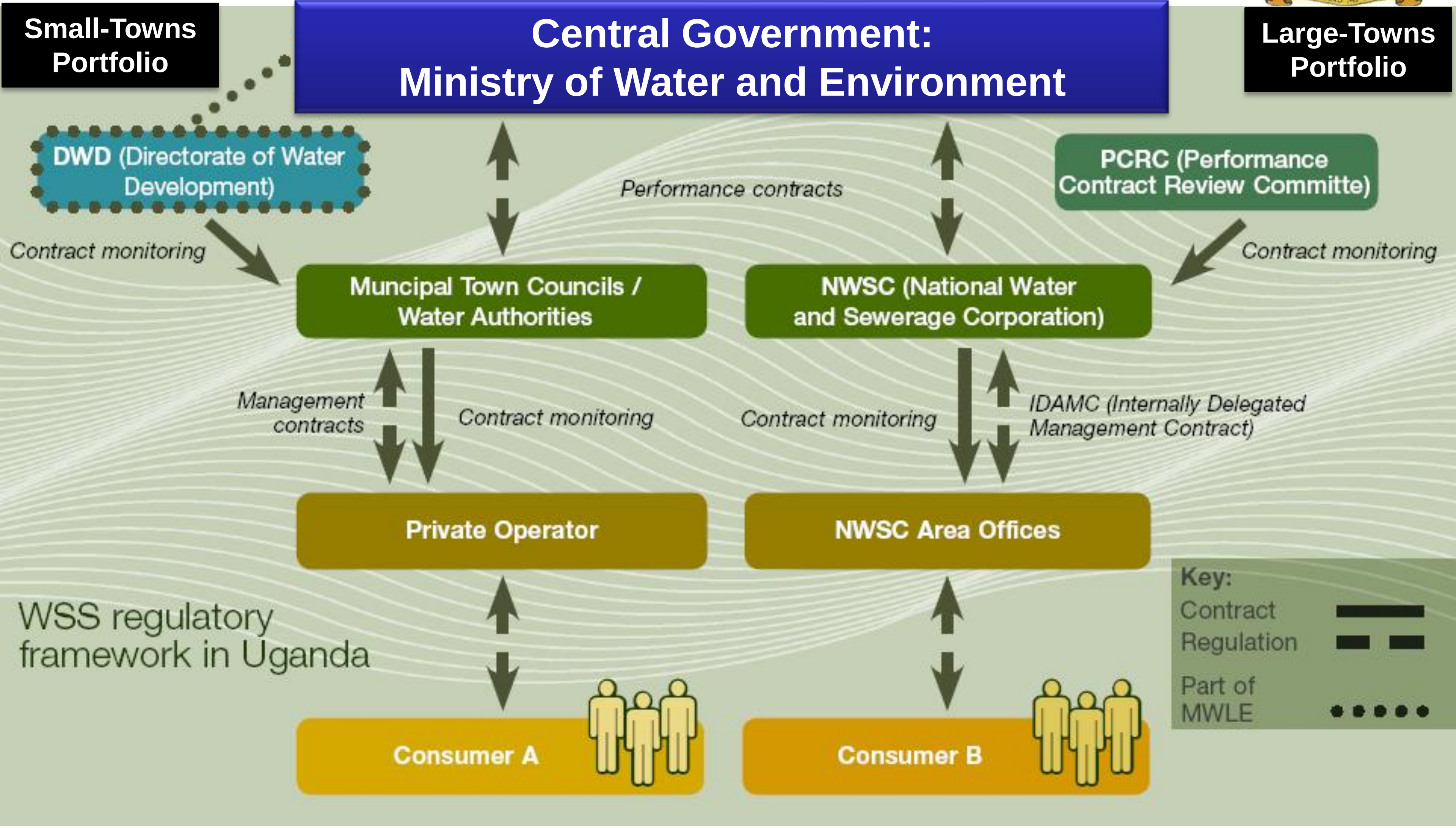
- Overview of the Uganda Urban Water Sub-Sector
- Reform of the Urban Water and Sanitation Sub-Sector
- The Private Operators Model in Small-town Water Supply

  (Status and Achievements)
- Challenges and Future Reforms

The Country - Uganda

Location:	*East Africa, Great Lakes Region*
Population:	*35 millions (85% Rural and 15% Urban)*
Area:	*236,040 sq. km (16% Surface Water)*
Safe Water Coverage	***– Rural:*** *65%* ***–Urban:*** *67%*
Sanitation Coverage	***– Rural:*** *70%* ***– Urban:*** *81%*

The Ugandan Urban Water Sub-Sector - Overview



Small-Towns Portfolio

Large-Towns Portfolio

Central Government:
Ministry of Water and Environment

DWD (Directorate of Water Development)

Performance contracts

PCRC (Performance Contract Review Committe)

Contract monitoring

Contract monitoring

Muncipal Town Councils / Water Authorities

NWSC (National Water and Sewerage Corporation)

Management contracts

Contract monitoring

Contract monitoring

IDAMC (Internally Delegated Management Contract)

Private Operator

NWSC Area Offices

Consumer A

Consumer B

WSS regulatory framework in Uganda

Key:
Contract ▬▬
Regulation ▬ ▬
Part of MWLE ● ● ● ● ●

Reform of the Urban Water and Sanitation Sub-Sector

- In 1986, only 37 town water systems,18% coverage and less than 30,000connections (incl. NWSC areas)
- In 1991, Government of Uganda adopted the Public Enterprise Reform and Divestiture Policy.
- In 2003 the Urban Water Supply and Sanitation Sub-Sector Reform Strategy 2003 adopted:
    - Enhanced Private Sector Participation
    - Separation of core institutional functions of asset holding and investment management from operations

The Private Operators Model in Small-town Water Supply

- Total of 18No. Independent Private Operators managing 95 town water supply systems (out of total of 105 gazetted water authority areas), through management contracts.
- There are an additional 170 piped water supply systems in small towns and rural growth centers managed by individual private operators and local governments

The Private Operators Model in Small-town Water Supply

- Typical/Average town characteristics:
  - 20,000 inhabitants
  - 390 connections per town on average
  - 5 staff, 4000m^3/month
  - Tariff = UGX1,980/m3 (US$ 0.8/m^3)
  - Average monthly profit = US $ 5,000/month

The Private Operators Model in Small-towns – Achievements

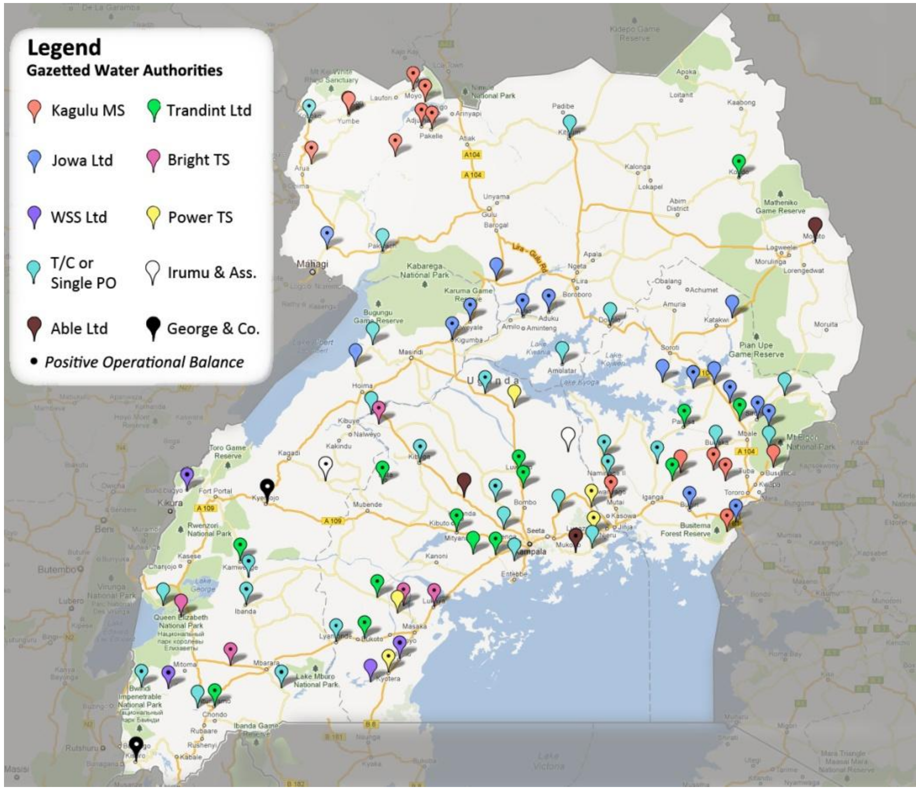
	Status 2001/2*	Status 2010/11
No. of gazetted water supply systems under IPOs	15	95
No. of IPOs	5	18
Total No. of connections	3,130	34,698
Safe Water Coverage (%)	~18	54
Estimated Collections (US$)	n/a	2,000,000
Average Collection Efficiency (%)	71	90
Non Revenue Water (%)	22	27
Operating Cost Recovery (%)	n/a	103

**Limited data available*

Challenges and Future Reforms

Inefficient Institutional Structures/Contracting Arrangements:

- Inefficient tendering of single towns – high overhead costs, no cross-subsidy
- MWE capacity to effectively monitor 95 Management contracts ?
- Limited management contract periods (3yrs)

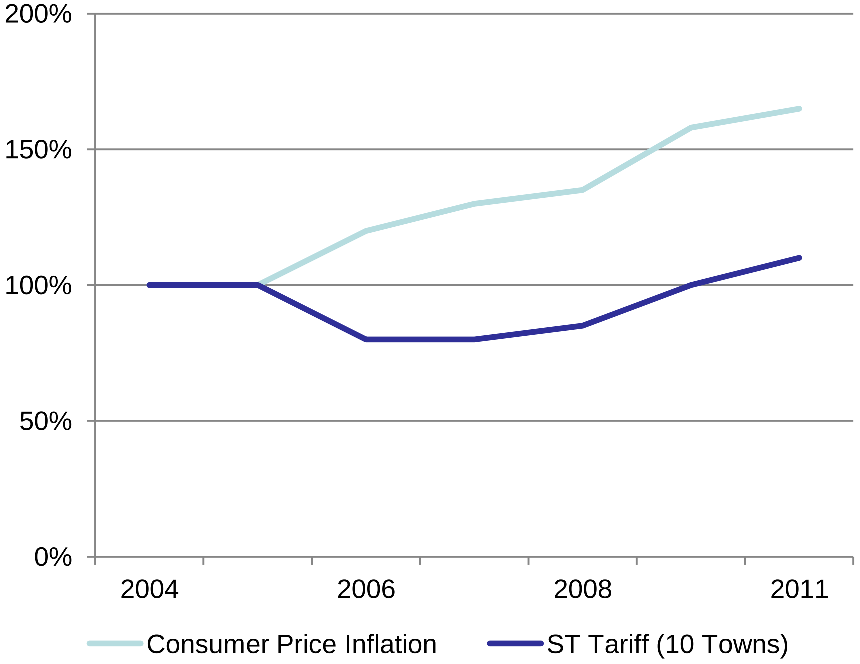


The Ministry of Water and Environment needs to review clustering of management contracts in order to improve on economies of scale contracting and also review contract durations

Challenges and Future Reforms

Regulation Challenges:

- Lack of tariff indexation erodes the tariffs
- Insufficient Auditing: Irregular and poor quality audits
- Inadequate management fees structure: High %age of revenue goes to IPOs



A Regulation Unit has been established within the MWE. Efforts underway for its strengthening to review tariff indexation, enforce performance rewards and sanctions, among others, and create an independent Regulation Authority.

Challenges and Future Reforms

Inadequate Infrastructure Financing:

- Insufficient public funding (GoU & Donor). Urban Water Sub-sector annual funding gap of US$ 37 Million.
- Limited Private Capital Investments
- Limited access to loan financing by POs – Attempts under GPOBA brought little opportunities

Challenges and Future Reforms

Financing mechanisms review in addition to the traditional sources: E.g Specialised financing products for POs from commercial banks/microfinance institutions ? Involve the Local /Central Government in loan acquisition ?

First BOT Contract has been signed for one town (Kalangala) for US $ 1.1Million with Kalangala Infraco. Services Ltd , a company owned by DfID, ADC, Swiss and Danish Governments.

- **Infraco Services Ltd** is an investment vehicle for the DfID, ADC, Swiss and Danish Governments.
- Potential for such investment modalities in the region ?

Uganda

THANK YOU FOR YOUR ATTENTION!!