

Case
study

Uganda



Low-income Customer Support Units

Country context

Uganda is a landlocked country in East Africa, bordered by Rwanda, the Democratic Republic of Congo, South Sudan, Kenya, and by Lake Victoria and Lake Tanzania. It is one of the poorest countries in Africa with 35 million inhabitantsⁱ – 18% of whom live in urban areas where population growth rates are estimated at 10% per year,ⁱ compared to a total population growth of around 3%. In 2014, Uganda had 202 urban centres (one

city, 22 municipalities and 174 town councils) with a total urban population of 6.4 million people.ⁱⁱ

The capital city, Kampala, has 1.5 million inhabitants – half of whom are estimated to live in informal settlements and poor-quality housing.³ These informal settlements cover a quarter of the total area of the city, and have inadequate access to improved drinking water and sanitation services.⁴

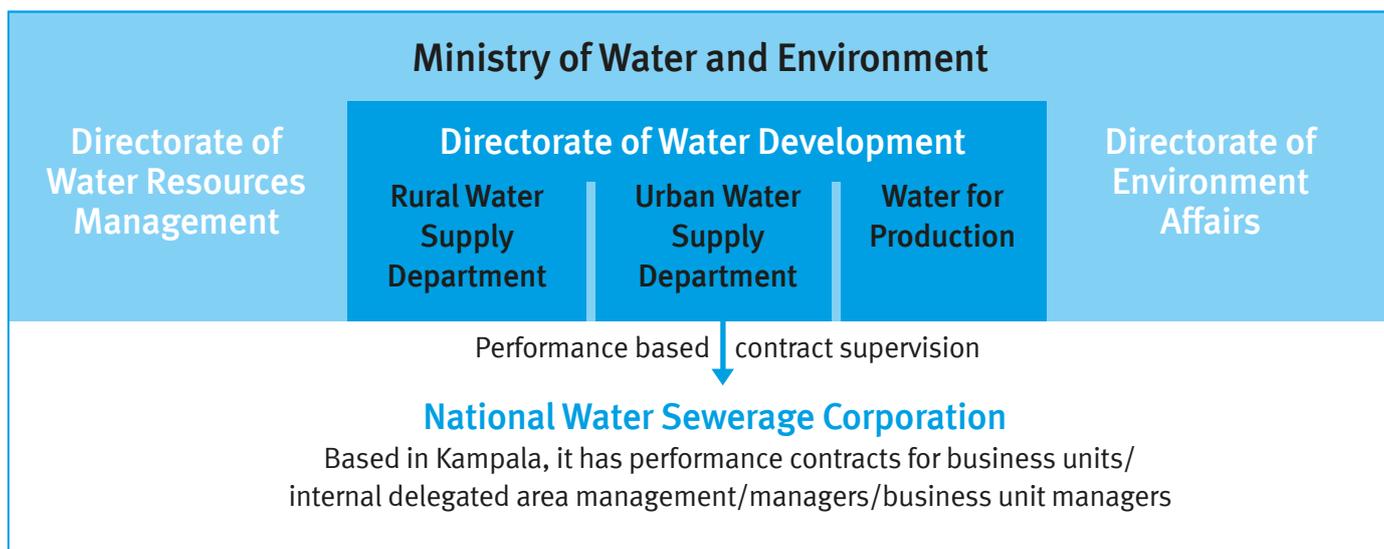
Urban water policy context

The Ministry of Water and Environment (MoWE) oversees the urban water supply sector, and is responsible for sector policy and overall direction. The National Water and Sewerage Corporation (NWSC) is responsible for service provision in all urban areas. NWSC is a state-owned corporation that manages the Kampala utility and services in 107 towns, while private sector service providers operate in small towns.

Reforms were carried out in the water and sanitation sector between 1998 and 2005 with the overall objective of equitable and sustainable service provision, managed effectively and efficiently.⁵ The underlying policy reform agenda promoted a shift towards empowering communities to demand better and improved services; decentralised implementation and management of services; efficiency in

government-facilitated processes; regulation and quality assurance; and the delivery of goods and services by the private sector.⁶

The National Water Policy of Uganda (1999)⁷ and the NWSC Act (2000)⁸ set the legal framework for the water sector. While the NWSC Act sets out the roles and responsibilities of NWSC, the National Water Policy – under the banner ‘some for all, rather than all for some’ – sets objectives related to managing and developing Uganda’s water resources in an integrated and sustainable manner providing safe water and sanitation facilities within reach of communities based on community responsibility and management, and to ensure facilities are effectively used and remain functional.⁹



ⁱ If assigned equal weight to each year between 2002 and 2014.

ⁱⁱ The size of the urban centres varies from small town councils with fewer than 5,000 people to 1.5 million people living in Kampala.

Sector regulation

In the absence of an independent regulatory body, water services regulation is carried out by the Urban Water Supply Regulation Unit within the Directorate of Water Development. The functions of the regulation unit include:¹⁰

- **Setting standards for services** provided to consumers, including targets in relation to asset management, technical inputs and operational performance, and promotion of pro-poor service delivery.
- **Monitoring operational performance of service providers** (including NWSC) against set targets, and ensuring contractual obligations are met.
- **Reviewing requests and proposals** for new tariffs, adjustment of existing tariffs for approval, and ensuring that only approved tariffs are applied.
- **Keeping stakeholders informed** about service performance and activities of service providers through information dissemination.

Historical context of the NWSC ‘turnaround’

As part of the NWSC reform processes, supported by donor debt write-offs that helped the utility to rehabilitate its water supply network and treatment infrastructure, financial resources were allocated to extend coverage to low-income, peri-urban populations. The NWSC Statute and Act supported the reforms by providing substantial operational autonomy, enabling NWSC to operate services on a financially and commercially viable basis. Six key elements of the reforms that led to the turnaround of the NWSC were:

- **Clear goals** set by the government, including more autonomy and support provided to the NWSC including in relation to budget, tariffs, internal policies and strategies.
- **Strong leadership** by NWSC management with the long-term vision of being one of the leading water utilities in the world.
- Focus on **strengthening the financial credentials** of the corporation, including cutting costs, reducing operational inefficiencies, improving billing and revenue collection through improving customer metering and reduction of illegal connections, and increasing the number of registered connections/customers.

- Creation of a **professional incentive-based structure** (at organisational, business and staff levels), and associated internal monitoring and evaluation systems. This is built on two performance-tracking practices:
 - **A performance contract system**, under which NWSC is contracted to the government of Uganda, and service units are contracted to NWSC.
 - Increased **accountability and effective performance management** with a monitoring and evaluation system and the development of Management Information Systems (MIS) for operations and feedback systems.
- Creation of a **customer-orientated culture**, dovetailing with NWSC’s motto: “The customer is the reason we exist”.
- **Improved donor coordination** through sector-wide approaches to planning and working with donors for expanding the corporation’s knowledge base.

Historic context of pro-poor reform

In 2006, the MoWE developed a pro-poor strategy,¹¹ giving the political mandate to implement pro-poor reforms. The NWSC’s urban Pro-poor Unit was set up in 2006 to promote, plan, coordinate and manage service provision to unserved informal settlements. It was set up as an internal advisory business unit and had internal targets, both at business and staff levels, to respond to challenges and gaps in serving informal settlements despite NWSC’s growing global recognition as a well-performing utility.

The initial response of NWSC was to use public water points (PWP) and kiosks to provide water in informal, peri-urban areas. Often these water points were managed by an individual who offered their land for the connection and ran it as a livelihood source. They sold water at an unregulated market price (not the NWSC rate) which fluctuated with the availability of water, competition and seasonal variations. The price could range from five to 20 times of the actual cost of the water. On the other hand the water sellers also accumulated unpaid bills.

NWSC also set about coordinating and collaborating with others in the WASH sector. WaterAid conducted a mapping exercise in the informal settlements to deepen knowledge about the lack of services and inequity in service provision. They engaged with

communities to understand the gaps and presented the data to NWSC. In partnership with local NGO Community Integrated Development Initiatives (CIDI), WaterAid supported advocacy groups comprised of community leaders and had regular meetings to influence the agenda of NWSC's Pro-poor Unit.

With some difficulty in collecting revenue from the PWP's and the poor paying more for water than they should, a pilot was run to test the use of a pre-paid, metered water point service in Kawampe division in Kampala. NWSC collaborated with institutional donors for the funding of hardware activities while CIDI, with the support of WaterAid, influenced activities such as generating a strong citizens' voice, and contributed to improving planning and coordination mechanisms and access to pro-poor WASH services for informal settlement dwellers.

On the back of the successful pilot, the Pro-poor Unit rolled out public water points with pre-paid meters in 2008. Despite high upfront costs, pre-paid meters have the benefit 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 of non-revenue water.

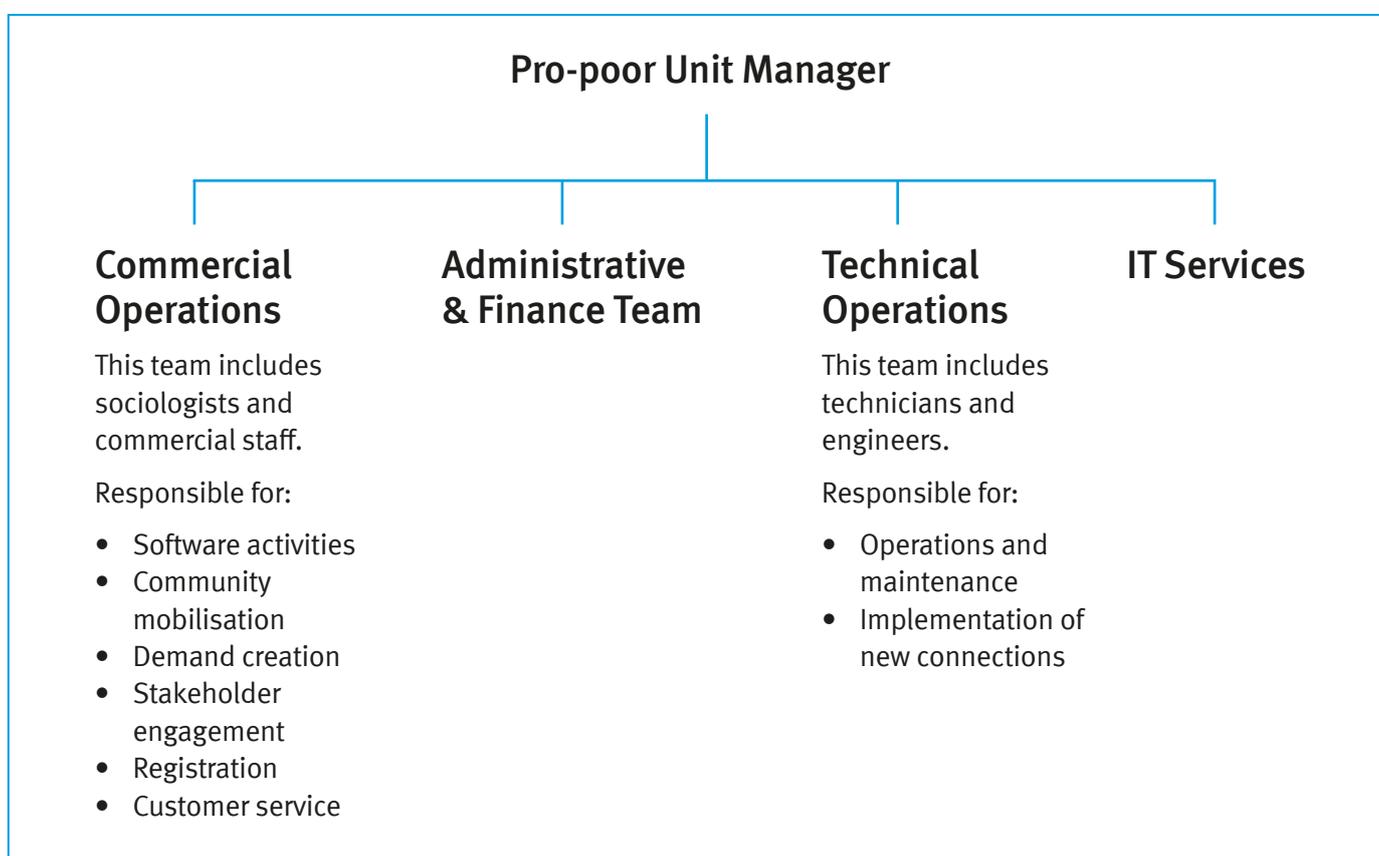
The Pro-poor Unit

Currently the Pro-poor Unit comprises 20 staff and a variety of skills, including commercial operations, IT services, technical O&M engineers and administrative and finance staff. The team is managed by a socio-economist.

The Pro-poor Unit **reports to Kampala Water, which in turn reports to NWSC**. The Unit coordinates and oversees pro-poor mechanisms deployed by the NWSC.

In summary, NWSC developed and implemented a **pro-poor model** with five key components:¹²

1. Establishing a **Pro-poor Unit** in informal settlements in Kampala to ensure responsiveness; employing different business approaches that take into account society's well-being along with consumer satisfaction; and which recognise the right of low-income people to access water at an affordable price relative to their income, moving away from the 'business as usual' engineering solution approach.



2. A **pro-poor targeting project** where water supply connections – including shared yard taps and pre-paid public water points (PPWP) – were subsidised.
3. Establishing a **pro-poor tariff policy**, setting a specific tariff for each of the customer categories across all water supply areas. An additional tariff was developed for public water points.
4. An **affordable connections policy** to increase coverage in all NWSC urban areas by lowering the connection fee for any customer living within 50 metres of the water mains.
5. Introducing **pre-paid meter technology** on public water points to avoid disconnections resulting from unpaid bills and corruption, and ensure poorer citizens pay the real tariff by preventing abuse or marked-up prices by middlemen.

“Serving the poor is not about putting in infrastructure, but about the mechanisms you use to keep systems working.”

Pro-poor Unit manager

The Pro-poor Unit takes the view that a utility must engage with low-income customers differently to other customers. Hence, before pre-paid meters are installed, the Pro-poor Unit conducts geographical targeting exercises along with social mapping to ensure the Unit understands its customer base. This is followed by activities on demand creation, stakeholder engagement and household sensitisation. The Pro-poor Unit partners with NGOs and community organisations to organise these activities.

Customers in peri-urban areas now have two avenues through which they can access utility water service: a public water point with a pre-paid meter, or a public water point without a meter. Prices differ between the access points (see Table 1). The public water point without a meter works like a yard tap, where an individual obtains a connection to share the water point, but may well end up using it as a livelihood option and profiting unfairly from their role.

The basis of a pre-paid water meter 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 5000 UGX (US\$1.4) deposit is required, though this amount is credited to the token and can be used to access



Credit-selling machine with customer tokens

WaterAid/Aditi Chandak

the water supply as soon as the token is issued. Each token is registered in the name of the family with details of their bio-data, location and contact number. If the token is lost, a new one can be issued at a cost of 15,000 UGX (US\$4.3). The tokens store customer information on consumption and the quantity and time of use.

Tokens can be recharged at the Pro-poor Unit or from vendors within the informal settlement. The vending points or sale machines are located at accessible places within the community where users can recharge their tokens. The vendor has a contract with NWSC under which they are paid 11% commission on every cubic metre (m³) of water credit loaded or sold.

Table 1: Differential prices between access points

20 litres of water		
From pre-paid meter water points	UGX 36.2	\$0.01
From public water points	UGX 200.0	\$0.05

Tariff

A Statutory Instrument (proposed by the MoWE and approved by parliament) 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. 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 power tariffs. Table 2 sets out approved tariff rates for 2015/2016.

When interviewing users, the current cost for consumers using the pre-paid meter water points is 36.2 UGX (VAT included)^{iv} per 20-litre jerry can. On the other hand, a 20-litre jerry can costs 200 UGX if bought from public water points/kiosks without the pre-paid meter.

NWSC tariffs are designed using a cross-subsidy policy whereby domestic and commercial rate customers subsidise the cost of water for the poor. Revenue generated from each source is pooled so that the utility is able to generate and recover most of its running costs, which includes salaries, operation and maintenance and depreciation costs, as well as small-scale investments in new initiatives. Finance for major sector investments, largely funded by external development partners, is held in central government accounts.

Table 2: Approved water supply tariff rates 2015/2016

Customer Category	Price per m ³ (VAT inclusive)	Price per 20 litre jerry can (UGX)
Public standpipe	UGX 1,377/ \$0.40	UGX 27.54/ \$0.008
Domestic	UGX 2,236/ \$0.65	UGX 44.72/ \$0.013
Institutional/Government	UGX 2,752/ \$0.80	UGX 55.04/ \$0.016
Commercial ⁱⁱⁱ <500m ³	UGX 3,376/ \$0.98	UGX 67.52/ \$0.019
Commercial 500 – 1500m ³	UGX 3,376/ \$0.98	UGX 67.52/ \$0.019
Commercial >1500m ³	UGX 2,698/ \$0.78	UGX 53.96/ \$0.015

ⁱⁱⁱ It was noted that government-aided schools and hospitals are covered under commercial rates. In the case of schools, Kampala City Council Authority is also promoting water-flush toilets without any subsidy provided to the schools. There is an overarching question, who is to pay for the water used for sanitation by the students?

^{iv} The poor are paying VAT on water consumed. This raises the question of whether adding VAT is an appropriate move by government and NWSC. Does this make the service pro-poor?

Customer service

Mechanisms are in place as part of NWSC's customer-oriented practice, including a toll-free helpline to ensure customers can discuss water access problems. The pre-paid meter vendors also have contact numbers for the utility area engineers in case of the need for immediate repairs.

For the payment of bills by PWP kiosk owners (as opposed to pre-paid meters) the water seller has a variety of options through which to pay their water bills, including over-the-counter at partnering banks, mobile money services and mobile banking options. They also have the option to pay at Pro-poor Unit outlets based in the informal settlements to ensure people have easy access to services.

The Pro-poor Unit also participates in **radio programmes** organised by CIDI where questions are taken from customers in the informal settlements and the utility representative discusses these on air. WaterAid partner staff also conduct **consumer perception surveys** in informal settlements, and the findings are used to inform utility planning and prioritisation by the Pro-poor Unit. Community advocates are also using social media to engage some customers – the Kampala District WASH Advocacy forum on Facebook is one such initiative.

Challenges

Pre-paid meters carry high investment and maintenance costs, as the technology is delicate. In addition, NWSC has faced challenges with land acquisition when it comes to situating pre-paid water kiosks. Vandalism was a problem when pre-paid meters were first introduced as they impacted considerably on the livelihoods of PWP kiosk owners.

An important reason why NWSC introduced pre-paid metering in Kampala's slums was to allow customers to buy their water directly from the utility, without intermediaries and their mark-ups. But unless every resident household that wants a token can have their own, the problem of intermediaries persists. Despite the agreements they sign with NWSC, some water sellers continue to sell water at inflated prices to people who have lost the token or don't have one (image below, 20-litre jerry cans are being sold at 100 UGX compared to 36.2 UGX from a pre-paid meter).

“The Pro-poor Unit is like a virtual unit coordinating with various stakeholders. If we want to provide services to the poor, we have to move away from the conventional methods of service delivery.”

Pro-poor Unit manager



Price of water advertised in an informal settlement in Kampala

WaterAid/James Kyimba

Future and conclusion

Good practices evolve through a learning process that evaluates changes in the environment, identifies success and failures and institutionalises lessons.¹³

The Pro-poor Unit is an example of good practice by having outlets in informal settlements. It has been able to reach the unserved population with an easily accessible water supply. It has also been able to increase revenue collection since its creation.

The utility is moving beyond the traditional way of providing access for poor people. The German Development Cooperation is supporting the development of the concept of 'authorised water vending'. This is a new frontier for the Pro-poor Unit. The introduction of such a system can give livelihood opportunities to people within the community. As of December 2015, the Pro-poor Unit has set up 1,613 pre-paid meters, and 31,600 tokens have been distributed (distribution of the meters around Kampala city is given in Table 3).

Setting up the Pro-poor Unit is not an end itself, but rather a tool to achieve the sustainable development agenda. There are gaps in the system that could be improved.

Removing the middlemen selling water with mark-ups

- When the application for the installation of a pre-paid meter is made, the facility's caretaker must be made aware of their duties, with a contract preventing them from selling on at inflated prices.
- Incentives need to be in place to prevent caretakers of pre-paid meters from selling water to those without tokens at marked-up prices.

Community engagement

- NWSC has a Water Community Communication Club (WACOCO) in a bid to enhance participation, information and accountability at divisional level. The members of the WACOCO are the divisional Mayor and members representing each of the cells in the division. Although this committee only meets once a year, it may be an opportunity to include a community representative in order to balance the political representation and generate discussions around broader community water issues.

Table 3: Pre-paid meters per division of Kampala City¹⁴

Division	Served wards in the division	Number of pre-paid meters
Kawempe	Bwaise1, 2 and 3, Kyebando, Tula, Kagoma, Kanyanya, Nameere, Mulago, Kalerwe	466
Central	Kisenyi, Kagugube, Kibuli, Kamwokya, Namuwongo, Katwe	252
Nakawa	Biina, Luzira, Mutungo, Kireka, Kirinya, Banda, kitintale	261
Lubaga	Nyanama, Namungoona, Kawaala, Ndeeba, Nateete, Nabalagala, Kasubi	246
Makindye	Kibuye, Ndeeba, Nsambya, Bukasa, Namuwongo	314
Wakiso (Nansana-Nabweru)	Katooke, Nansana, Maganjo	74
Total		1,613

- Information dissemination and communities' sensitisation of their rights and responsibilities in community engagement processes, including with the migratory population, should also be factored into annual planning processes.

Tariffs

- Including VAT in the price of water supplied to poor citizens in informal settlements could be reconsidered.
- Government-aided schools and hospitals should be provided with water at the subsidised rate rather the commercial rate.

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- ¹² National Water Policy (1999), *op. cit.*
- ¹³ Townsend P, Gebhardt J (2007) *How organisations learn: investigate, identify, institutionalise*. Milwaukee WI:ASQ.
- ¹⁴ Pro-poor Unit, December 2015.

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In Uganda, the National Water and Sewerage Corporation has been instrumental in providing water services to the urban poor across informal settlements in Kampala. This case study follows the story of this globally acclaimed highly performing utility, and how it came to establish a successful pro-poor service unit. The case study also discusses the national water policy context, utility reforms and the tariff and subsidy regimes that have enabled the Pro-poor Unit to deliver effective services to urban poor communities.

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Cover image: Child filling water from the Pre-paid Unit installed in Kwampe zone of Kampala city.
WaterAid/James Kiyimba



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