



**GOVERNMENT OF UGANDA  
MINISTRY OF WATER AND ENVIRONMENT**

**PREPERATION OF THE**

**JOINT WATER AND ENVIRONMENT SECTOR SUPPORT  
PROGRAMME (JWESSP, 2013 - 2018)**

**FINAL CONCEPT PAPER**

**FEBRUARY 2012**

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## ABBREVIATIONS

ADC	Austrian Development Cooperation
AfDB	African Development Bank
BFP	Budget Framework Paper
CBO	Community-Based Organisation
CC	Climate Change
CCU	Climate Change Unit
CD	Capacity Development
CSO	Civil Society Organisation
DANIDA	Danish International Development Agency (Ministry of Foreign Affairs)
DEA	Directorate of Environmental Affairs
DEO	District Environment Office(r)
DESS	Department of Environment Support Services
DFS	District Forestry Services
DPs	Development Partners
DWD	Directorate of Water Development
DWO	District Water Office(r)
DWRM	Directorate of Water Resources Management
DWSCG	District Water and Sanitation Conditional Grant
ENR	Environment and Natural Resources
ECMS	Enforcement and Compliance Monitoring Strategy
ENR	Environment and Natural Resources
EPF	Environmental Protection Force
FIEFOC	Farm Income Enhancement and Forest Conservation (Project)
FRA	Fiduciary Risk Assessment
FSSD	Forest Sector Support Department
FY	Financial Year
GEF	Global Environment Facility
GGAP	Good Governance Action Plan
GGWG	Good Governance Working Group
GIZ	Gesellschaft für Internationale Zusammenarbeit (Germany)
GoU	Government of Uganda
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immunodeficiency Syndrome
ICEIDA	Icelandic International Development Agency
ISH	Improved Sanitation and Hygiene
IWRM	Integrated Water Resource Management
JAF	Joint Assessment Framework
JBSF	Joint Budget Support Framework
JFA	Joint Financing Agreement
JPF	Joint Partnership Fund
JSR	Joint Sector Review
JWESSP	Joint Water and Environment Sector Support Programme
JWSSPS	Joint Water and Sanitation Sector Programme Support
KfW	Kreditanstalt für Wiederaufbau (Development Bank, Germany)
LG	Local Government
M&E	Monitoring and Evaluation
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MDGs	Millennium Development Goals
MIS	Management Information System
MoFPED	Ministry of Finance, Planning and Economic Development

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MoU	Memorandum of Understanding
MPS	Ministerial Policy Statement
MTEF	Medium-term Expenditure Framework
MtR	Mid-term Review
MWE	Ministry of Water and Environment
NAPA	National Adaptation Programme of Action
NDP	National Development Plan
NEMA	National Environment Management Authority
NFA	National Forestry Authority
NGO	Non-Governmental Organisation
NWSC	National Water and Sewerage Corporation
O&M	Operation & Maintenance
OBA	Output-Based Approach
OPM	Office of the Prime Minister
PAP	Process Action Plan
PC	Process Consultant
PFM	Public Financial Management
PM	Project Modality
PPC	Programme Preparation Committee
PPP	Public-Private Partnership
PS	Permanent Secretary
RGC	Rural Growth Centre
RTSU	Regional Technical Support Unit
RWSS	Rural Water Supply and Sanitation
SBS	Sector Budget Support
SIP	Sector Investment Plan
SPGS	Sawlog Production Grant Scheme
SPMF	Sector Performance Measurement Framework
SPR	Sector Performance Report
SPS	Sector Programme Support
SWAp	Sector-Wide Approach
TA	Technical Assistance
ToR	Terms of Reference
TSU	Technical Support Unit
UGX	Uganda Shillings
UO	Umbrella Organisation
UWASNET	Uganda Water and Sanitation NGO Network
UWSS	Urban Water Supply and Sanitation
VT	Valley Tank
WATSUP	Water Atlas Up-date Project
WESWG	Water and Environment Sector Working Group
WfP	Water for Production
WMD	Wetlands Management Department
WMZ	Water Management Zone
WRM	Water Resources Management
WSDF	Water and Sanitation Development Facility
WSLD	Water Sector Liaison Division
WSP	Water and Sanitation Program (World Bank)
WSS	Water Supply and Sanitation; or Water and Sanitation Sub-Sector

## EXECUTIVE SUMMARY

This Concept Paper outlines a 5-year **Joint Water and Environment Sector Support Programme (JWESSP)** the Government of Uganda and Development Partners plan to implement from July 2013 to June 2018. Launched in April 2011, the JWESSP preparation process is being spearheaded by a joint Programme Preparation Committee (PPC) that reports to the Water and Environment Sector Working Group (WESWG). As a next step the concept will be discussed at a stakeholder workshop planned for the end of January 2012. The preliminary results of three supporting studies – regarding the capacity development strategy, the ENR sub-sector, and Water for Production – are already taken into account in this Concept Paper.

The **objective** of the planned JWESSP is to support the water and environment sector to achieve its targets and improve its efficiency through a consistent, harmonised support programme that is aligned to government objectives, policies and delivery modalities. JWESSP support will be fully aligned to the goals and targets of the National Development Plan (NDP, 2010/11 to 2014/15), Uganda's overarching national planning framework. The JWESSP also intends to help Uganda to achieve the water and sanitation MDGs<sup>1</sup> and to develop an enabling framework for the sustainable management of water resources and the environment in a context of climate change and high population growth.

The **design** of the JWESSP is essentially based on the considerable experience of harmonised support to the water and sanitation sub-sector and is a direct successor of the current Joint Water and Sanitation Sector Programme Support (JWSSPS, 2008 to 2013), which is considered as successful by the involved stakeholders and according to the Mid-term Review conducted in 2009/10. The existing support arrangements have generally demonstrated their effectiveness. However, **the future JWESSP will be extended to the Environment and Natural Resources (ENR) sub-sector**, in line with the mandate of the Ministry of Water and Environment. The ENR sub-sector, seriously underfunded and much less supported in the past, is considerably lagging behind in terms of institutional capacity development. Extending JWESSP support to the ENR sub-sector in an effective and efficient manner is therefore the single most important challenge of the new programme. Integration will have to be stepwise, starting with capacity building. The extent to which funds can be channelled to the sub-sector will also depend on the interest of DPs to support the ENR sub-sector. Water sector donors agree to support ENR capacity building but may not be able to approve the allocation of a major part of their support to the ENR sub-sector.

JWESSP support will be provided through a combination of capacity development at all levels and support to physical implementation. The programme will be designed in line with Uganda's new Partnership Policy for implementing the NDP. It will **support national sector priorities and strategies** as described in the relevant budget planning documents, work plans and (sub-)sector investment plans. All support will be managed through national decision making structures, planning, budgeting, accounting and reporting systems. These systems are to be strengthened from within rather than creating parallel structures. Where the JWESSP will have specific arrangements – for pooled financing, performance monitoring and delivery of capacity development support – these will be **harmonised among DPs and aligned to government systems** to the extent possible.

The added value of the JWESSP thus mainly consists in providing a framework for harmonised support and strong accountability. It will also contribute to further sector development and institutional reform through **sector policy dialogue and joint analytical work**, focusing on policy issues such as governance, the progress of institutional reforms, the sustainability of investments, the progress of capacity development, and strategy

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<sup>1</sup> The water supply MDG can still be reached if adequate funding is provided.

development for sub-sectors that tend to be neglected (sanitation, water resources management, ENR).

The JWESSP will encompass most significant DP support to the sector<sup>2</sup>. In principle the JWESSP will be **open to all Development Partners** willing to support the sector through joint modalities. Within a joint coordination, monitoring and funding framework the programme will allow DPs to focus on certain components, in line with their respective policies and strategic areas of support. At present the DPs interested in supporting the proposed JWESSP include: African Development Bank, Austria, Denmark, European Commission (EU), Germany, Iceland, and Norway. Other DP's support (using project modalities) will be coordinated through the existing sector governance and review mechanisms (WESWG and sub-groups, DP coordination group, Joint Sector Reviews, etc.).

According to preliminary estimates the **total volume of DP support** to the JWESSP (all funding modalities) is expected to be of the order of UGX 90 billion (US\$ 40 million, EUR 30 million) per year, the equivalent of a five-year total of UGX 450 billion (US\$ 200 million, EUR 150 million). At this stage these estimates are only meant to give an indication of the scope of the planned programme. It is important to note that the bulk of this expected funding targets the water and sanitation sub-sector as so far only Norway has indicated interest to support specifically the ENR sub-sector. **Government budget allocations** to the JWESSP activities will be based on standard budget procedures. According to the MTEF projections the annual GoU budget allocation, including Sector Budget Support but excluding other types of DP support, will be of the order of UGX 163 bn (US\$ 69 mn / EUR 53 mn) during the JWESSP period<sup>3</sup>. This means that the total funds available either through the budget or through pooled funding (JPF)<sup>4</sup> will cover about half of the sector's investment requirements that would be needed if the sector targets are to be met, as determined in the Sector Investment Plans (SIPs). Contributions from other DPs are therefore strongly encouraged.

**DP Funding** for the JWESSP will be provided through **five different channels**, two main modalities (on-budget) – Sector Budget Support (SBS) and the Joint Partnership Fund (JPF) – and three complementary modalities (off-budget). **SBS** is in particular used to channel funds to the local governments but it would also be the preferred channel to support the regular costs (core funding) of regulatory, water resources management and environment management activities, provided that the required GoU funds are allocated. SBS will be provided in the context of the Joint Budget Support Framework (JBSF) and the related Joint Assessment Framework (JAF). The **JPF** is a pooled, ringfenced fund managed by the water and environment sector (MWE and DPs). JPF operations are based on government procedures in terms of financial management, auditing, reporting and procurement but funds are kept separate from the treasury funds. Preparatory stakeholder consultations for the formulation of this concept paper found that there is a clear sector preference and high demand for JPF funding; see section **Error! Reference source not found.** for a detailed description and justification of the JPF modality. Earmarking within the JPF will be discouraged but not be ruled out, so that DPs can ensure adequate funding of their priority sub-sectors. The complementary, **off-budget funding** modalities are technical assistance provided in kind; DP managed programme management support for sector studies and monitoring; and probably a dedicated funding channel to support NGO activities in both the water and environment sub-sectors.

**Management and steering** of the JWESSP will build on the well-established arrangements of the existing JWSSPS. Overall steering, coordination and planning will be ensured by the Water and Environment Sector Working Group (WESWG, chaired by the PS) and its sub-groups. The annual Joint Sector Reviews (JSR) will be the main forum for performance

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<sup>2</sup> The World Bank is preparing a major water sector programme that will not be part of joint financing modalities due to the specific WB requirements but the programme will be coordinated closely with the JWESSP.

<sup>3</sup> Nominally this is 17% more than today.

<sup>4</sup> Excluding the World Bank project and other projects that might be funded outside of the JPF.

review and the formulation of strategic undertakings. These steering structures will be further refined and optimised based on a critical assessment of the current setup.

Each JWESSP component will have a **Component Manager** who will be responsible for planning, budgeting, procurement and reporting for their specific components. This responsibility will be aligned to the MWE's organisational structures (Directorates and Departments, Climate Change Unit). A **Programme Coordination Unit** within the MWE, under the guidance of the WESWG, will have the responsibility for the overall consolidation of workplans, physical and financial reports, monitoring and evaluation of the entire JWESSP. The same unit will also have the responsibility for sector programme support (SPS) activities, for the coordination of capacity development activities, and for the operational follow up on cross-cutting reform and governance agendas.

The JWESSP is based on government systems but supports a **multi-stakeholder approach** where NGOs and the private sector participate in sector planning and review processes and are included in the overall capacity development concept. Dedicated activities addressing non-government stakeholders are a specific JWESSP component for NGO support and the promotion of regulation to strengthen the private sector and PPP arrangements.

**JWESSP operations** will be based on standard sector planning, reporting, procurement, contract management and financial management procedures. MWE with its three Directorates will be the **implementing agency** for all JWESSP components, except the NGO component if it is decided to incorporate NGO support in the JWESSP. A part of the implementation responsibilities will be delegated to the four regional **Water and Sanitation Development Facilities (WSDFs)**, each managed by a branch manager. **District local governments**, with support and guidance from MWE (through TSUs), will be responsible for decentralised implementation activities funded through conditional grants. The sector's semi-autonomous agencies – NWSC, NEMA and NFA – will not directly be implementing agencies but will be closely involved in sector dialogue, strategy formulation and institutional reforms (clarification of roles and responsibilities). Coordination with other Line Ministries will be critical in particular for the sanitation, WfP and Climate Change components.

**Fiduciary risks and governance issues** are being addressed systematically by the existing Good Governance Work Group, which reports to the WESWG. The JPF – the most important financing channel of JWESSP – is being managed based on an Operations Manual that includes appropriate procedures and mitigation measures to minimise fiduciary risks, including external and internal auditing. The fiduciary risks related to Sector Budget Support (SBS) are being addressed through Uganda's Joint Budget Support Framework (JBSF) with the related Joint Assessment Framework (JAF). In addition, the JWESSP will initiate and follow up on specific studies such as value for money studies and fiduciary risks assessments.

The JWESSP will be structured by **components**, which are units in terms of planning, reporting, budgeting and accounting. In general components will be aligned to budget Vote Functions<sup>5</sup>. The following 9 components are envisaged: 1. Sector Programme Support and Capacity Development; 2. Rural Water Supply and Sanitation; 3. Urban Water Supply and Sanitation; 4. Water for Production; 5. Water Resources Monitoring, Planning and Regulation<sup>6</sup>; 6. Water Management Zones; 7. Natural Resources Management<sup>7</sup>; 8. Weather, Climate & Climate Change; and 9. NGO support<sup>8</sup>. The Rural and Urban Water Supply and Sanitation components will have sanitation sub-components.

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<sup>5</sup> as defined by the Budget Framework Paper and Output Budgeting Tool.

<sup>6</sup> Alternatively, the Directorate of Water Resources Management (DWRM) proposes to split this component into 3 components; these would be named: Water Monitoring and Assessment; Water Quality Management; and Water Resources Planning and Regulation

<sup>7</sup> Including all activities of the Department of Environmental Affairs except Meteorology

<sup>8</sup> NGO support will be implemented by non-government entities under the overall oversight of WESWG (details to be decided). The advantage of including it as a JWESSP component would be to create a channel for joint

One of the priorities of institutional development during the JWESSP period will be the consolidation of the **framework of de-concentrated entities** that have been created at the regional level to provide support to local governments (TSUs), implement infrastructure investments (WSDFs), provide backup support for O&M (Umbrella Organisations) and for catchment-based water resources management (WMZs). The latter are a key step towards developing an operational framework for Integrated Water Resources Management (IWRM). In order to minimise transaction costs it will be critical to make optimal use of synergies between these various entities. The viability of comparable de-concentrated entities for the ENR sub-sector will be assessed based on the available funding, with due consideration of possible synergies with water sector de-concentrated entities such as TSUs and WMZs.

The JWESSP approach to **capacity development** will be based on new capacity development strategy that is currently being developed. The approach will be results oriented (rather than input/delivery oriented) and will be broad in the sense of taking all sub-sectors and all key stakeholders (including those outside government) as well as all dimensions of institutional and organisational development into account. The JWESSP will therefore consider a wide range of capacity development delivery options, from professional training to high-level dialogue on institutional requirements. **Technical Assistance** will be partner owned and well coordinated within the sector, in order to ensure consistent approaches. TAs will work within the institutions to be supported, i.e. anchored in MWE and its de-concentrated structures, but without assuming primarily gap filling or controlling roles.

The **sector performance measurement framework** (SPMF) is well developed. Key instruments such as annual Sector Performance Reports and Joint Sector Reviews have already been extended to the ENR sub-sector and a dedicated SPMF for this sub-sector has been developed recently (2011). Further strengthening of the system and refinement of the indicators and reporting systems will be part of the JWESSP. In addition to the general sector indicators (“Golden” and “Platinum” indicators) the JWESSP will monitor a small number of indicators to capture the efficiency of the programme itself as well as progress of capacity development, milestones for sector reforms, and the agreed commitments (e.g. in terms of staffing and budget allocations); see section 3.9 for details and justification. The linkage between the performance monitoring framework and annual budgets / work plans will be strengthened.

**During the formulation phase** of JWESSP, the capacity development strategy and the list of complementary JWESSP indicators need to be developed, the performance measurement systems for the WfP, ENR and WRM sub-sectors should be refined and a few further short-term assessments should be conducted to inform the detailed formulation process (see section 0 and Annex 4 for details). At the institutional level, the management structures for the overall programme and for the “new” components (ENR, sanitation, NGO support) need to be agreed and the necessary capacities have to be built. In this context it is recommended to provide temporary **TA support for the ENR sub-sector during the preparation phase** in order to support the development of implementation capacities and strategies. The implementation modalities for the WfP, Climate Change and NGO components will also need further clarification prior to the start of the programme. Finally, it is recommended to reach formal agreements on a number of critical issues through **high-level dialogue**. These issues include the institutional setup for JWESSP management (liaison unit), GoU budget allocations (budget ceilings, allocations for recurrent cost), minimum staffing requirements, policy issues (cost recovery and subsidy policies) and dialogue with other Ministries; see section 0 for a detailed listing).

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funding of NGO activities (in particular coordination, monitoring and capacity development activities), in a way that is well coordinated with the overall sector development.

## 1. INTRODUCTION AND SECTOR CONTEXT

### 1.1 Overview: Scope and preparation process of the proposed JWESSP

The Government of Uganda (GoU), represented by the Ministry of Water and Environment (MWE), and the Development Partners (DPs) are preparing a Joint Water and Environment Sector Support Programme (JWESSP) to be implemented from July 2013 to June 2018. The programme will help the water and environment sector to achieve its targets and improve its fiscal and physical efficiency through a consistent, harmonised support programme that is aligned to government objectives, policies and delivery modalities.

As a successor to the current Joint Water and Sanitation Sector Programme Support (JWSSPS, 2008 to 2013) the proposed programme can build on considerable, generally encouraging implementation experience. The existing support arrangements – essentially based on government systems combined with joint financing, monitoring/review and decision making mechanisms – have generally demonstrated their effectiveness. The programme is embedded in a larger Sector-Wide Approach (SWAp) framework that has been developed since 2002, including the establishment of the Joint Partnership Fund (JPF), a basket funding arrangement that is operational since 2003.

In contrast to the current sector support programme the future JWESSP will be extended to the Environment and Natural Resources (ENR) sub-sector, in line with the mandate of the Ministry of Water and Environment.

The proposed JWESSP is being developed in close collaboration between Government and the Development Partners and in consultation with other sector stakeholders. Launched in April 2011, the JWESSP preparation process is being spearheaded by a joint Programme Preparation Committee that reports to the Water and Environment Sector Working Group (WESWG).

The **purpose of this Concept Paper** is to provide a concise, indicative outline of the intended programme, its strategic considerations, components and support modalities, as a basis for further sector dialogue, for the first steps of the partners' approval processes, and for the programme formulation phase that is scheduled for April to August 2012. The Concept Paper is the second deliverable of the JWESSP preparation process after the Inception Report (Final Version: November 2011) which included a brief diagnostic review of the sector framework, summarised the findings of relevant reviews and assessment, and identified issues to be addressed. The further steps of the programme preparation process can be seen from the Process Action Plan (see Annex 5)

This Concept Paper already incorporates the preliminary findings and recommendations of **three supporting studies** that are being carried out: A strategic assessment of capacity development requirements; an assessment of the options and requirements for integrating the ENR sub-sector into the planned JWESSP; and a review of recent implementation experience and strategic options to support the WfP sub-sector.

### 1.2 Context: The JWESSP within the National Sector Framework

The proposed JWESSP will be an integral part of the national sector framework, as the core instrument for joint support in the context of a Sector-Wide Approach (SWAp) for the Water and Environment Sector. Already today, most significant donor support to the water and sanitation sub-sector – with the exception of water supply and sanitation in large towns – is being channelled through the current joint sector programme, the JWSSPS (2008-2013).

During the last decade substantial DP support to the **Water and Sanitation (WSS) sub-sector** contributed to the development of a sound policy, strategic planning/budgeting, implementation and monitoring framework including the implementation of a series of sector

reforms. The necessary harmonised mechanisms for coordination, financial management, performance review, joint decision making and technical support are essentially in place and have been refined continuously, with gradual alignment to government systems to the extent possible. **DP funds for JWSSPS** are currently being channelled through two main funding mechanisms, both of which are on-budget: The Joint Partnership Fund (JPF), a basket funding arrangement established in 2003 that is largely aligned to government systems, and Sector Budget Support, most of which is allocated to the district local governments through District Water and Sanitation Conditional Grants (DWSCGs) and to Water for Production (WfP). DWSCGs, the main funding mechanism for rural water supply, are disbursed directly from the consolidated fund / Ministry of Finance (MoFPED) to local governments, not through the MWE. These main channels of sector funding will remain the same in the future JWESSP.

The **Environment and Natural Resources (ENR) sub-sector** has had much less development partner support but will benefit from many of the abovementioned achievements, or at least from the experience of developing the necessary capacities and instruments. Since 2008 the WSS and ENR sectors have been formally merged. This is reflected in the formation of a joint Water and Environment Sector Working Group (WESWG) and the integration of the ENR sub-sector into the sector performance measurement framework (including the Joint Sector Review and the annual Sector Performance Report covering both sub-sectors).

JWESSP support will be aligned to the goals and targets of the **National Development Plan** (NDP, 2010/11 to 2014/15), Uganda's overarching national planning framework. With its theme: "Growth, Employment and Socio-Economic Transformation for Prosperity" the NDP emphasizes the objective of promoting economic growth..

The main mechanism for coordination and joint decision making is the **Water and Environment Sector Working Group** (WESWG) which includes representatives from the relevant Government institutions, DPs and the Uganda Water and Sanitation NGO Network (UWASNET). **Sector performance** is being monitored through annual Joint Sector Reviews and Joint Technical Reviews, based on a set of key indicators (referred to as the 'Golden Indicators' for the WSS sub-sector) and informed by a comprehensive Sector Performance Report.

The **institutional sector framework** consists essentially of

- Ministry of Water and Environment with its three Directorates for Water Development (DWD), Water Resources Management (DWRM) and Environmental Affairs (DEA);
- Local Governments (Districts, Town Councils), which are legally in charge of service delivery under the Decentralisation Act;
- A number of de-concentrated support structures related to the MWE, at different stages of institutional establishment (TSUs, WSDFs, Umbrella Organisations, WMZs);
- Three semi-autonomous agencies: NWSC (large towns water supply and sewerage), NEMA (environment management) and NFA (forestry);
- NGOs / CBOs (coordinated through the national UWASNET secretariat) and Water User Committees / Associations;
- The private sector (infrastructure operators, contractors, consultants).

Activities in Sanitation and Water for Production (mainly focusing on agricultural and animal production) require close coordination with other Line Ministries (Ministries of Health and Education and Ministry of Agriculture, respectively). These institutional challenges are among the reasons why these sub-sectors have received less support in the past.

## **2. CONCLUSIONS FROM PREPARATORY ANALYSES JUSTIFYING THE ENVISAGED SUPPORT**

### **2.1 Key experiences of previous support**

The proposed design of the new JWESSP is essentially based on the considerable experience of joint programme support to the Water and Sanitation sub-sector (WSS), where consistent, harmonised support to an increasingly well developed, Government-led sector programme over more than a decade has helped to develop robust structures and capacities. Major milestones were the launch of the Joint Partnership Fund (JPF) in 2003 and the joint formulation of the ongoing JWSSPS 2006/07, which involved a full national sector framework assessment and various supporting studies.

The JWSSPS Mid-term Review was generally positive, stating that *“overall, the JWSSPS seems to be working effectively.” “It has made use of and has strengthened existing government systems, has followed government policies and strategies and respected divisions of responsibility, and has avoided the unilateral introduction of innovations.” “The implementation modalities are fully aligned with government procedures, and the Programme has harmonised the contributions of the Development Partners according to the requirements of the Paris Declaration.”* When asked to provide their views on the JWSSPS experience and lessons learned in August 2011, both Government and DP representatives stated that generally JWSSPS has worked well and has achieved its objectives to improve DP harmonisation and alignment to government procedures as well as in terms of capacity development. Dialogue between the key sector stakeholders is well developed and has promoted a culture of accountability and learning from experience. The Sector Performance Measurement Framework is generally seen as appropriate.

Against this generally positive background the Mid-term Review also provided a number of critical remarks, suggestions and recommendations<sup>9</sup>. At the level of service delivery, e.g. in terms of improved water supply coverage, progress has been good but is now stagnant<sup>10</sup>. This is demonstrably due to inadequate funding as significant numbers of people are being served every year, but this progress is outstripped by population growth.

The proposed JWESSP will systematically learn from the JWSSPS experience as well as from the experience of earlier support to the ENR sub-sector - in particular wetlands, forestry and NEMA. The latter will be analysed in detail during the formulation of the support strategy for the ENR sub-sector, which is part of the JWESSP preparation process.

The sector has shown to be innovative and dynamic in terms of developing approaches and solutions for the challenges encountered. The best example is probably the sector's response to the fact that capacity development at the local government level turned out to be much slower than expected, mainly due to the creation of a large number of new districts that do not have adequate staffing and resources. The sector reacted by developing a range of de-concentrated, regional entities for tasks such as technical support to local governments (TSUs), major investments (WSDFs), O&M backup support (Umbrella Organisations) and water resources management (WMZs). This process is fully Government-owned and synergies are being explored in order to minimise the transaction costs of these de-concentrated institutions.

### **2.2 Strategic conclusions from the sector analysis**

The water and environment sector encompasses several key areas of development identified in the National Development Plan (NDP), Uganda's overarching national planning framework since 2010. With its theme: “Growth, Employment and Socio-Economic Transformation for

<sup>9</sup> See Inception Report for details on the findings and recommendations of the JWSSPS Mid-term Review.

<sup>10</sup> At 65% for rural water supply coverage; source: Water and Environment Sector Performance Report 2011.

Prosperity” the NDP represents a focus shift towards economic growth, a priority that is reflected in the JWESSP design by increased attention to Water for Production (WfP).

One of the challenges of the proposed JWESSP is that certain sub-sectors tend to receive less prioritization for budget allocations both at the central and local government level. The benefits of efficient water resources management, environmental services and adaptation to climate change are less tangible and less immediate than the infrastructure-oriented results of water supply and WfP projects. This is despite the fact that many primary growth sectors as indicated in the NDP depend on sustainable natural resources and ecosystems and may be strongly affected by the effects of climate change.

The **Water Supply and Sanitation (WSS) sub-sector** has generally developed a conducive policy, strategic planning, performance measurement and implementation framework and made commendable efforts in terms of institutional reform and steps towards improved governance and accountability. The key challenges this sub-sector still faces include:

- Insufficient funding levels to reach the sector’s targets, including the NDP targets and the MDGs, in a context of fast population growth and low budget allocations;
- Slow progress on capacity development at the local government level, progress being jeopardized by the continuous creation of new districts;
- Establishment of sustainable operation & maintenance systems, including the challenges to achieve cost recovery and to establish an effective regulatory framework for service provision – despite the efforts made to date;
- Water for Production: Need for a consistent planning and O&M framework in cooperation with the Ministry of Agriculture (MAAIF), the institutions in charge of water resources management and local governments;
- Sanitation: Even though there is now a ring-fenced sanitation budget there is a huge need to catch up and enhance inter-sectoral coordination;
- Water Resources Management: Inadequate compliance and enforcement of permit regulations and strong dependency on DP funding due to a mix of factors, including capacity constraints, low funding and prioritization of the sub-sector, and lack of political support at the local level.

The essential elements of the policy, legal and strategic planning framework are also in place for the **ENR sub-sector**. The main challenge in this sub-sector is the significant gap between the existing policy framework and the capacities available for its implementation. Compared to the WSS sub-sector the ENR sub-sector is currently weak, highly fragmented and underfunded, and short of experience of coordination and working cooperation.

Among the issues to be addressed there are conflicts with respect to the roles and responsibilities (in particular between DEA and NEMA), governance issues, and lack of enforcement of laws and regulations, in addition to low institutional capacities and insufficient funds for effective supervision. Key emerging issues such as oil & gas exploration cannot be addressed appropriately due to these weaknesses. Trust has to be restored and absorption capacities have to be developed before scaling up support. The JWESSP will therefore have to take a gradual, stepwise approach, starting with strategy and capacity development and addressing governance issues. First steps towards preparing a good governance matrix and setting up a sub working group have been taken.

The DPs involved in the preparation process have all expressed their willingness to extend capacity development support to the ENR sub-sector. However, a risk for the programme is that so far only two DPs – Norway and Iceland – have indicated firm interest to support the ENR sub-sectors. The level of DP interest will influence the scope of the ENR components, among other factors..

During the last 5 years the **situation in Northern Uganda** has become stable enough that it is not considered necessary to include specific arrangements or a specific component in the JWESSP. The specific challenges of the North will however be taken into account in the implementation and capacity development strategies.

The **Joint Partnership Fund (JPF)**, originally established as an instrument for harmonised capacity building support, has become a key instrument for joint sector funding that is largely aligned to government systems. Preparatory stakeholder consultations for the formulation of this concept paper found that there is a clear sector preference and high demand for the JPF support modality, not only as a harmonised funding modality for capacity building but also for major infrastructure investments that cannot be handled adequately by local governments; for ensuring a reliable flow of funds to emerging institutions, in particular the de-concentrated structures which are not yet 'approved' GoU budget entities; and to provide targeted support to sub-sectors that receive less prioritization (water resources management, environment, climate change, sanitation). The JPF is appreciated by both Government and DPs for its accountability, reliability and flexibility; transaction costs are reduced by harmonisation. Being under the full control of the sector's joint decision making mechanism it is a very appropriate instrument to channel donor sector funding in line with the sector priorities and goals. All sector stakeholders as well as the Mid-term Review team therefore agree that this financing instrument is still required in the short and medium term. One of the important advantages is that the JPF is a mechanism that is acceptable for most DPs, including those that are not able or not yet ready to provide (sector) budget support<sup>11</sup>. It has already demonstrated its attractiveness for (new) sector donors and might attract more much-needed DP support for both the WSS and the ENR sub-sectors.

**Sector Budget Support (SBS)** is by definition not earmarked for specific components or activities but is in particular used to channel funding for sector activities and investments to be implemented by District Local Governments, in line with Uganda's decentralisation policy. Under the current JWSSPS transition to SBS was also planned for the support to water resources management (WRM) but has been postponed, mainly due to fears that budget allocations and disbursements for WRM would not be reliable enough to ensure continuous and effective operations. The JWESSP will aim to firmly establish core funding of WRM and ENR sub-sectors in the GoU budget, in order to avoid that these activities depend on permanent donor support. The transition could be supported by providing some of the support for these sub-sectors as SBS while JPF funding would still be available for capacity development, institutional building and strategic planning activities.

### 2.3 Fiduciary risks

Uganda has a sound legal and regulatory framework for public financial management but fiduciary risks assessments identify problems related to the enforcement of rules and regulations, contract management, and inefficiencies in accounting and reporting.

Since 2006 the MWE has an active Good Governance Work Group with broad membership which has developed a Good Governance Action Plan. Progress is being reported on a regular basis to the WESWG as well as in the annual Sector Performance Reports. The GGWG initiates value for money studies, organises trainings and highlights districts that do not comply with guidelines. These efforts will continue and be strengthened under the JWESSP.

The Joint Partnership Fund (JPF) – the most important financing channel of JWESSP – is being managed based on an Operations Manual that includes appropriate procedures and mitigation measures to minimise fiduciary risks. This includes internal auditing as well as annual external performance audits (financial, technical and managerial) under the mandate

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<sup>11</sup> As sector earmarking of budget support is notional, there is no substantial difference from general budget support. The difference is essentially limited to sector specific monitoring and assessment mechanisms.

of the Office of the Auditor General (OAG), of which all DPs receive copies. Additional special audits may be undertaken on request.

The fiduciary risks related to Sector Budget Support (SBS) are being addressed through Uganda's Joint Budget Support Framework (JBSF). The JBSF monitors both cross-cutting issues (such as public financial management) and sector-specific issues through the Joint Assessment Framework (JAF).

The risks related to institutional weaknesses of local government are being addressed by the sector by providing technical support and monitoring through the regional TSUs. Taking per capita costs for providing access to safe water supply as an overall efficiency indicator, the WSS sub-sector performs reasonably well as unit costs are moderate by international standards and comparable to the unit costs incurred by NGOs for comparable projects (source: JWSSPS mid-term review). One of the concerns is that due to the ever growing number of Districts a significant part of the water and sanitation conditional grants is being used to finance office setup and operations rather than for service delivery.

Fiduciary challenges in the ENR sub-sector are difficult to quantify at this time. They will be addressed by a phased approach which makes transition to implementation projects depend on the creation of the necessary institutional capacities and monitoring mechanisms.

In conclusion, significant fiduciary risks remain, in particular at the decentralised (district) level, but the majority of the risks are not sector specific and are being addressed systematically.

### **3. PRELIMINARY OVERVIEW OF ENVISAGED PROGRAMME SUPPORT**

#### **3.1 Overall objectives**

The **objective** of the planned JWESSP is to support the water and environment sector to achieve its targets and improve its efficiency through a consistent, harmonised support programme that is aligned to government objectives, policies and delivery modalities.

JWESSP support will be fully aligned to the goals and targets of the National Development Plan (NDP, 2010/11 to 2014/15), Uganda's overarching national planning framework. This includes the water supply and sanitation targets of 77% rural coverage and 100% urban coverage to be achieved by 2015, as well as the NDP goals in the areas of water for production, water resources management, environment/natural resources management and climate change. However, the fact that these sector targets cannot be reached with the current level of funding and budget allocations needs to be highlighted and addressed through high-level sector dialogue. The JWESSP will also help Uganda to achieve the water and sanitation MDGs; at least the water supply MDG can still be reached by 2015 if adequate funding is provided.

The JWESSP will support national sector priorities, strategies and investment plans as described in the relevant budget planning documents, work plans and (sub-)sector investment plans. The added value of the JWESSP is mainly to provide a framework for harmonised support and strong accountability, and to discuss and monitor progress on the sector's reform agenda.

#### **3.2 Outline of support strategy and programme design**

JWESSP support will be provided through a combination of capacity development at all levels, based on a new capacity development strategy being developed, and support to physical implementation in the areas where appropriate structures and capacities are in place.phase

The design and support strategy of the JWESSP are essentially based on the considerable experience of harmonised support to the Water and Sanitation sub-sector and is a direct successor of the current Joint Water and Sanitation Sector Programme Support (JWSSPS, 2008 to 2013). As JWSSPS implementation and financing modalities have been rated favourably by all the partners involved the JWESSP will essentially be designed along the same lines, as far as coordination and decision making mechanisms, the mix of funding modalities, the capacity building approach and performance measurement are concerned.

The most significant change is therefore the considerably wider scope of the new programme, which will include the Environment & Natural Resources (ENR) sub-sector, as a result of the merger of the two sectors in 2008. The ENR sub-sector, seriously underfunded and much less supported in the past, is considerably lagging behind in terms of institutional capacity development. Extending JWESSP support to the ENR sub-sector in an effective and efficient manner is therefore the single most important challenge of the new programme. Integration will have to be stepwise, starting with capacity building. The extent to which funds can be channelled to the sub-sector will also depend on the interest of DPs to support the ENR sub-sector. Water sector donors agree to support ENR capacity building but may not be able to approve the allocation of a major part of their support to the ENR sub-sector.

The programme will be designed in line with Uganda's new Partnership Policy for implementing the NDP. Government ownership and leadership of the JWESSP will be achieved through maximum alignment to government policies and strategies as well as management systems and procedures. The JWESSP will support national sector priorities and strategies as described in the relevant budget planning documents, work plans and (sub-) sector investment plans. All support will be managed through either national or joint structures for decision making, planning, budgeting, accounting and reporting<sup>12</sup>. These systems are to be strengthened from within rather than creating parallel structures. Investment planning will be based on (Sub-)Sector Investment Plans and budget planning documents (MTEF, Budget Framework Paper, Ministerial Policy Statement). Details of the activities to be supported will be developed through these regular planning and decision making procedures and work plans, not in a separate JWESSP programme. The programme will respect divisions of responsibility – with programme components essentially aligned to administrative responsibilities – and will not unilaterally introduce innovations. The de-concentrated structures to be supported will be developed with a long-term view to create national institutional structures with clear mandates, not to be mistaken as JWESSP implementation units. Where the JWESSP will have specific arrangements – for pooled financing, performance monitoring and delivery of capacity development support – these will be harmonised among DPs and aligned to government systems to the extent possible.

In this context the JWESSP will aim to strengthen coherence of sector targets and plans. At present, mainly due to low funding levels, operational annual budgets and workplans do not match with the strategic targets (NDP) and sector investment plans (SIPs).

Within the existing structure there is adequate room for sector policy dialogue and joint analytical work. These will focus on key policy issues such as governance, the progress of institutional reforms (separation of functions, improved regulation), the sustainability of investments (O&M arrangements including cost recovery), the progress of capacity development in particular in the ENR sub-sector, budget allocations, attention to sub-sectors that tend to be neglected (sanitation, water resources management, ENR), and the development of an enabling framework to strengthen the private sector and PPP arrangements.

The element of innovation and best international practice will be introduced through technical assistance, with a combination of long-term TA to support institutional development

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<sup>12</sup> The Joint Partnership Fund (JPF) has its own budgeting, accounting and reporting mechanisms but these are aligned to government systems to a large extent.

combined with targeted short-term inputs. TA will be provided in a harmonised and well-coordinated way, based on joint needs assessments and terms of reference.

JWESSP support to the **ENR sub-sector** will be provided using a **phased approach**. The first phase will focus on capacity building activities and the implementation of a governance action plan. Transition towards significant funding of the implementation of the sub-sector workplans (at service delivery level) will be decided based on the progress of capacity development –for which clear milestones need to be defined - and taking the available funding into account. For certain types of interventions it may also be appropriate to start infrastructure implementation in the first phase, hand in hand with capacity building. Details will be defined during the formulation phase, when presumably the scope of funding to be expected for the ENR sub-sector will be known.

The JWESSP will encompass most significant DP support to the sector<sup>13</sup>. In principle the JWESSP will be open to all Development Partners willing to support the sector through joint modalities. Within a joint coordination, monitoring and funding framework, the programme will have flexibility for DPs to focus on certain components, in line with their respective policies and preferred strategic areas of support. At present the DPs interested in supporting the proposed JWESSP include: African Development Bank, Austria, Denmark, European Commission, Germany, Iceland, and Norway. Other DPs, including the World Bank, France, Japan and UNICEF intend to coordinate their support with the JWESSP without making use of the joint financing mechanisms. This type of support will be coordinated through the existing sector governance and review mechanisms (WESWG and sub-groups, DP coordination group, Joint Sector Reviews, etc.).

### 3.3 Programme steering/management and stakeholder roles

Overall steering, coordination and planning will be ensured – as for the Water and Environment Sector in general - by the Water and Environment Sector Working Group (WESWG, chaired by the PS) and its sub-groups. The WESWG is also the forum to ensure overall coordination between government, development partners and NGOs. The annual Joint Sector Reviews (JSR) and Joint Technical Reviews (JTR) will be the main forum for performance review and the formulation of strategic undertakings. These steering structures will be further refined and optimised based on a critical assessment of the current setup.

MWE will be the **implementing agency** for all JWESSP components except the NGO component. The three Directorates – DWD, DWRM and DEA – and their Divisions will be responsible for the implementation and management of the individual JWESSP components, as shown in Figure 1 below. For operational purposes, certain implementation responsibilities will be delegated to the de-concentrated (regional) level, i.e. to WSDFs, WMZs etc. District local governments, with support and guidance from MWE (through TSUs), will be responsible for decentralised implementation activities funded through conditional grants. The sector's semi-autonomous agencies – NWSC, NEMA and NFA – will not be implementing agencies but will be closely involved in sector dialogue, strategy formulation and institutional reforms (clarification of roles and responsibilities).

**JWESSP operations** will be based on existing sector planning, reporting, procurement, contract management and financial management procedures. Approved operation manuals are available for the implementation at district level and for WSDF operations at the de-concentrated level.

Each JWESSP component will have a **Component Manager** who will be responsible for planning, budgeting, procurement and reporting for their specific components. This responsibility will be aligned to the MWE's organisational structures (Directorates and

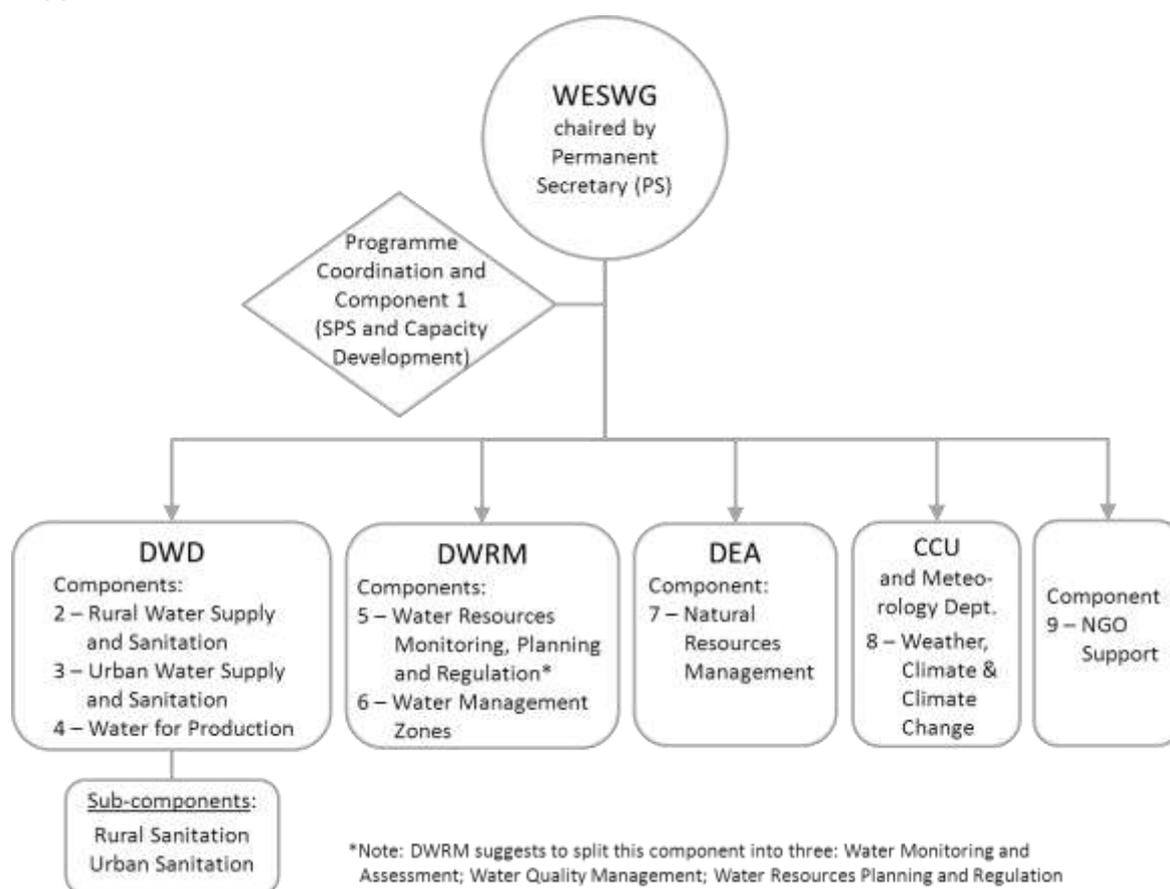
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<sup>13</sup> The World Bank is preparing a major water sector programme that will not be part of joint financing modalities due to the specific WB requirements but the programme will be coordinated closely with the JWESSP.

Departments, Climate Change Unit). A specific arrangement will be set up to ensure independent management of the NGO support component.

A **Programme Coordination Unit** within the MWE, under the guidance of the WESWG, will have the responsibility for the overall consolidation of workplans, physical and financial reports, monitoring and evaluation of the entire JWESSP. The same unit will also have the responsibility for sector programme support (SPS) activities, for the coordination of capacity development activities, and for the operational follow up on cross-cutting reform and governance agendas.

Figure 1 below visualises the proposed management structure. Please note that the proposed structure for the WRM components and the inclusion of an NGO component are suggestions that need further discussion (see section 3.5 for details and justification).



**Figure 1: Proposed management and component structure for the JWESSP**

Sanitation focal points within the Rural and Urban WSS Departments will ensure the management and coordination of sanitation sub-components, including operational coordination with the related policies and implementation activities of the health and education sectors.

Coordination with other ministries and agencies will be assured through the existing sector coordination framework (WESWG and sub-groups) where these institutions are represented as well as through the relevant inter-ministerial committees (on Water Policy, Climate Change, Agriculture, Environment). In addition, operational cooperation arrangements at the technical level are needed for activities in sanitation, water for production and climate change, which have strong cross-sectoral aspects.

Local governments play an important role as decentralised implementers of JWESSP activities. The JWESSP will therefore contribute to strengthening LG capacities, in particular District Water Offices and District Environment Offices.

The comparative advantages of **NGOs** and the importance of an independent, non-government view are fully acknowledged by the sector. NGOs will be fully involved in the sector dialogue. Under the JWESSP there will be a dedicated NGO Support Component for pooled funding of NGO secretariat, coordination and capacity development activities, under the overall guidance and oversight of WESWG but managed and funded independently from government channels.

The JWESSP will also promote the development of the local **private sector**, which is seen as a key implementation partner, by creating demand and a conducive environment (e.g. regulation). This includes the promotion or piloting of PPP arrangements in water, sanitation, water resources and environment management.

### 3.4 Tentative budget and financing modalities

According to preliminary estimates the **total volume of DP support** to the JWESSP (all funding modalities) is expected to be of the order of UGX 90 billion (US\$ 40 million, EUR 30 million) per year, the equivalent of a five-year total of UGX 450 billion (US\$ 200 million, EUR 150 million). At this stage these estimates are only meant to give an indication of the scope of the planned programme.

It is important to note that the bulk of this funding targets the water and sanitation sub-sector. A preliminary inventory of the DP areas of interest is shown in Annex 1, along with preferred funding modalities. So far only Norway has indicated interest to support specifically the ENR sub-sector. It is therefore unknown, at the time of writing, whether the ENR sub-sector will receive sufficient support to carry out the programme as outlined in this concept paper. The abovementioned “water DPs” have not indicated willingness to a significant “diversion” of water sector funds towards the ENR sub-sector, although all are in favour of extending capacity development activities to this sub-sector.

**Government budget allocations** to the JWESSP activities will be based on regular budget procedures. According to the MTEF projections the annual GoU budget allocations to the sector, including Sector Budget Support but excluding other types of DP support, will be of the order of UGX 163 bn<sup>14</sup> (US\$ 69 mn / EUR 53 mn using current exchange rates) during the JWESSP period<sup>15</sup>; nominally this is 17% more than today. However, actual budget allocations (in the annual budget call circulars) are usually less than the MTEF projections. The budget outturn (actual releases compared to the annual budget allocations) is quite reliable as it has always been over 90% during the last 9 years.

A major concern is that **current budget allocations are clearly insufficient to reach the national and sector targets**; this is the unanimous conclusion of all recent sector assessments<sup>16</sup>. Since the launch of the JWSSPS, budget allocations to the water and environment sector have been rising if expressed in UGX but are stagnating in terms of US\$ equivalents and are decreasing in terms of percentage of the total budget.

A comparison of **sector funding requirements** (according to the SIPs) and anticipated JWESSP funding (DP support and planned GoU budget allocations according to the MTEF) indicates that the combined JWESSP funding, according to the presently available indicative figures, will only cover half of the investment requirements<sup>17</sup>. In addition to the present, JWESSP pledges approximately another US\$ 100 million (EUR 77 million) of annual DP

<sup>14</sup> Consisting of wages (UGX 9 bn), other recurrent costs (UGX 20 bn) and the development budget (UGX 134 bn).

<sup>15</sup> Average of MTEF projections for 2013/14 to 2016/17, giving double weight to the last year as the projection for 2017/18 is not yet available

<sup>16</sup> E.g. JWSSPS Mid-term Review (2010); World Bank's Country Water Assistance Strategy for Uganda (2011); Functional Review of the MWE (2011); KfW Fiduciary Risk Assessment (2011).

<sup>17</sup> Total sector investment requirements according to SIPs: UGX 470 bn (US\$ 199 mn, EUR 153 mn) per year, excluding large towns water and sewerage investments. The sub-sectoral requirements are UGX 208 bn for RWSS, 61 bn for Small Towns, 72 bn for WfP, 31 bn for WRM and 118 bn for the ENR sub-sector.

contributions would be required to fully cover the investment needs identified in the SIPs, excluding large towns water and sewerage investments. Even considering the foreseeable contributions of other DPs, such as World Bank, the remaining funding gap is significant.

On the other hand, MTEF projections indicate that the sectoral **budget ceilings will be adequate** to accommodate the necessary sector investments according to the SIPs. This is relevant for the JWESSP as most support will be provided on-budget and might not necessarily have the intended impact, due to fungibility effects, if the budget ceiling was set too low. In any case, dialogue on budget ceilings and budget allocations, in particular to cover the recurrent costs of all sub-sectors, should be part of the JWESSP preparation process.

**DP Funding** for the JWESSP will be provided through **five different channels**, two main modalities (on-budget) - Sector Budget Support (SBS) and the Joint Partnership Fund (JPF) – and two to three complementary modalities (off-budget).

- **SBS** is in particular used to channel funds to the local governments but it would also be the preferred channel to support the regular costs (core funding) of regulatory, water resources management and environment management activities, provided that the required GoU funds are allocated. SBS for activities to be implemented by local governments will be channelled through conditional grants, directly from the treasury / MoFPED to LGs, in line with Uganda's fiscal decentralisation policy. SBS will be provided according to the procedures of the Joint Budget Support Framework (JBSF) and the related Joint Assessment Framework (JAF).
- The **JPF** is a pooled fund managed by the water and environment sector (MWE and DPs). JPF operations are aligned to government procedures in terms of financial management, auditing, reporting and procurement but funds are kept separate from the treasury funds. Partly JPF funds will be spent through the regional WSDFs (through delegated accounting and procurement authority). Earmarking within the JPF will be discouraged but will not be ruled out and is technically possible. It will therefore be possible for DPs to ensure adequate funding of their priority sub-sectors. During the JWESSP mid-term review an assessment will be made to determine the impact of such DP earmarking on programme implementation.
- The complementary, **off-budget funding** modalities are technical assistance provided in kind; DP managed programme management support for sector studies and monitoring; and possibly a dedicated funding channel to support NGO activities in both the water and environment sub-sectors (to be decided).

The mix of modalities (e.g. transition from JPF funding to SBS funding for water resources management and ENR activities) will be reviewed annually. Among other aspects, transition of funding from JPF to SBS are likely to be dependent on the progress of reliable budget allocations and the budgetary establishment of de-concentrated sector structures, such as the WSDFs, not only as a budget line but with effective budget allocations and disbursements.

The ENR sub-sector study has proposed competitive, output-based funding of ENR activities at the district level as an additional funding modality. This will be considered in the context of ENR strategy development but might be difficult to operationalize under GoU procedures.

In the interest of predictability and reliability of funding it is not planned to directly link disbursements to conditionalities such as performance targets. Progress will be monitored and evaluated through the sector's performance measurement framework, which is linked to JBSF (same indicators being used). In addition, DPs will monitor a small number of indicators for the efficiency of JWESSP support itself (see section **Error! Reference source not found.**).

### 3.5 Outline of programme components

The JWESSP will be structured by components, which are units in terms of planning, reporting, budgeting and accounting. In general components will be aligned to budget Vote Functions, as defined in the Budget Framework Paper and Output Budgeting Tool.

According to the PPC decision of 27<sup>th</sup> January 2012 the proposed JWESSP (2013-2018) will have nine components, compared to seven components of the present JWSSPS (2008-2013).

These are:

1. Sector Programme Support
2. Rural Water Supply and Sanitation
3. Urban Water Supply and Sanitation
4. Water for Production
5. Water Resources Monitoring, Planning and Regulation<sup>18</sup>
6. Water Management Zones
7. Natural Resources Management
8. Weather, Climate & Climate Change
9. NGO support

This proposed component structure is still under discussion; there might still be changes to the scope, number and naming of certain components during the programme formulation process.

Component 1 combines activities needed for effective sector planning, coordination, management and performance monitoring with the responsibility for cross-cutting capacity development activities.

The Rural and Urban Water Supply and Sanitation components will have sanitation sub-components, each with a focal point within the respective department. These focal points will cooperate and will ensure liaison and coordination with other actors in sanitation and hygiene, in particular with the health sector.

The Urban WSS component combines interventions in small towns with the overall reform agenda of the urban water sector (regulation, Urban Water Sector Vision 2025)

The Water Management Zones component will encompass all activities related to the institutionalisation of integrated water resources management at the de-concentrated level (Water Management Zones). There is agreement within the sector that this should be a dedicated component. According to the above proposal the activities of DWRM at the central and transboundary level, which are under one Vote Function, would become one single component whereas DWRM proposes splitting it into three components that would be aligned to the Departments of DWRM.

The Natural Resources Management component will include all JWESSP activities under the Directorate of Environmental Affairs (i.e. Environmental Support Services, Wetlands Management, Forestry and activities at the Directorate Level) with the exception of meteorology.

The “Weather, Climate & Climate Change” component includes support to the Meteorology Department as well as to the Climate Change Unit. Support to meteorology is likely to be reconsidered if the Meteorological Authority is created as planned; in this case it is assumed

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<sup>18</sup> DWRM suggests to split this component into three: Water Monitoring and Assessment; Water Quality Management; Water Resources Planning and Regulation

that dedicated support channels (probably not part of the JWESSP) will be set up for the institutional establishment of this new Authority.

The NGO support component will create a channel for harmonised support to NGO activities, in particular coordination, monitoring and capacity development activities. The component would include support to UWASNET and to the establishment of a similar NGO umbrella organisation for the ENR sub-sector. To ensure independence NGO support will be channelled directly to NGO structures, under the overall oversight of WESWG.

Annex 2 provides a brief description of the scope of each of the proposed components, the main issues to be addressed, as well as implementation modalities and responsibilities.

### 3.6 Capacity development approach

Capacity development will be guided by a new strategy, based on the outcome of a review and strategy formulation process that has already started to inform the detailed formulation of JWESSP support.

**Formulation of the sector capacity development strategy** is hence a key activity of the JWESSP formulation and preparation process. The strategy will be developed through a combination of bottom up and top down consultation, building on the experience of past support. More specific assessments and strategy development for specific sub-sectors, such as ENR, WfP or urban reforms, will be coordinated with the overall CD strategy.

Some main principles of the sector capacity development approach that have emerged from discussions with stakeholders include:

**Common approach** - a common approach between development partners and national authorities will be developed to avoid parallel and inconsistent approaches. National ownership of the process is crucial for success.

**Strategic scope** - The capacity development approach of the JWESSP will be based on a broad strategy for the sector: broad in its consideration of both the water and environment sub-sectors including climate change but also by encompassing in its consideration all stakeholders, including actors outside of government, and by adopting a broad interpretation of capacity development.

**Integrated approach** - The approach needs to go beyond the individual level and also consider the organizational level and the wider enabling environment. Capacity development involves many factors including skilled, motivated staff, organisational capacity, and the availability of necessary resources, laws and policies that contribute to the sector environment. There is hence need for an integrated and holistic approach to CD. The CD strategy will consider factors that influence performance and will look closely at the connection between capacity development and the consolidation of sector reforms.

**Prioritization of capacity development in line with the agreed reform agenda** – CD activities should be clearly prioritized and need to be linked with the jointly agreed undertakings and reform agenda for the water and environment sector.

**Readiness to learn** – the focus will be on identifying organizational readiness to learn in response to self-identified performance gaps rather than undertaking detailed training needs assessments. The readiness to learn will identify those risks and constraints which potentially reduce the impact of capacity development. Where relevant such analysis can point to pre-requisites for effective capacity development, e.g. that staff vacancies are filled or that budgets are approved for key tasks.

**Output and performance orientation** – the capacity building approach will be output and performance orientated and not focused on inputs. The approach will be that capacity development has to respond to explicit performance challenges and to catalyze and take advantage of opportunities of improving performance. The concept of intermediate capacity outcome will be used (awareness, knowledge/skills, teamwork, coalitions, networks,

implementation know-how) to define learning objectives, identify local agents of change and develop a pragmatic implementation approach. It will be considered how to link the capacity development to monitoring and accountability measures such as the Output Orientated Budgeting tool, which forms the basis for the annual planning process and reporting to the Office of the Prime Minister.

**Participation** – the development of the capacity strategy will be informed foremost through a bottom up approach and by interacting with those at central, de-concentrated and district level.

**Extend capacity building efforts to ENR** – The CD strategy will specifically address the capacity building needs of the ENR sub-sector.

**Emphasis on capacities at the regional and local level** – Some of the main challenges of the sector need to be tackled at the decentralised implementation level. A coherent strategy for CD at the regional and local level is therefore a key part of the overall CD strategy. This includes capacity development at the local government level, support to be delivered by regional/de-concentrated structures, institutional consolidation of these structures, and the enabling environment for all this. This implies also a certain shift of focus of technical support (TA) from the central to the regional level.

A wide range of **capacity development delivery options** will need to be considered depending on the target level (individual, organizational, enabling environment). At the individual level delivery will focus on education (both tertiary and vocational) and continuing professional development (both courses and mentoring). At the organisational level, the delivery will focus on technical cooperation as well as tailor made courses and interventions aimed at improving institutional performance. At the enabling environment level the delivery will focus on a combination of technical cooperation together with tailored interventions of a dialogue nature (sector undertakings, annual review memorandum, high level government dialogue, incorporation in JAF, sector working group discussion, use of special studies to guide/inform the reform process).

**Technical cooperation** should be: i) partner owned; ii) demand led and, iii) results oriented. “Partner owned” implies that the technical cooperation responds to partner priorities but with room for innovation. A “demand led” approach will direct the efforts where due to demand there are opportunities for real change. “Results orientation” will imply a focus on measurable learning objectives. Technical cooperation should be mainly focused on capacity development, not gap filling or control (gate keeping).

**Technical cooperation should be closely coordinated and harmonised** among the DPs to ensure consistent approaches. The coordination will need to be anchored in MWE, perhaps with a special sub-committee of the WESWG.

**Anchorage** – The capacity development strategy will consider and analyze the options for anchorage of capacity development functions. JWESSP support should be coordinated at the level of a liaison unit / upgraded capacity development division with focal points at department level and with close links to the governance working group. The future anchorage for capacity development awaits the outcome of the institutional reforms and depends on the progress of CD in the various sub-sectors.

**Prerequisites** to make the CD programme operational, such as appropriate anchorage or filling of critical vacant positions, will be identified as part of the strategy formulation process and will inform the JWESSP preparation dialogue.

### 3.7 Contribution to cross-cutting issues

The water and environment sector acknowledges the importance of cross-cutting issues and has developed a relevant policy and strategy framework. The aspects of pro-poor development/promotion of equity<sup>19</sup>, gender, HIV/ AIDS and governance were integrated into sector planning and policy documents as well as operational guidelines.

However, many challenges remain at the implementation level. Putting policies and strategies into practice depends on the available awareness and capacities at the appropriate level. Attention to cross-cutting issues needs to become part of the delivery approach throughout the sector, including the aspects of service provision, regulation, planning and monitoring as well as sector management itself. Awareness needs to be developed among all the actors involved in these processes.

The JWESSP will maintain a strong **pro-poor approach** based on the principles of equity and effective participation, in line with the existing strategies.

**Environmental sustainability** and mainstreaming of **climate change** are part of the sector itself and will be addressed by specific components, with a focus on mainstreaming and coordination within the sector as well as with other actors. The water and sanitation sub-sector will further enhance anchorage of these aspects in its planning guidelines (environmental safeguards) and implementation procedures and capacity development programme. The environmental legislation is well developed but capacities, awareness and political support are the critical factors for effective implementation.

**Good Governance** - Many encouraging steps have been taken to improve transparency and accountability in the sector, e.g. through setting up a Good Governance Thematic Group and developing a Good Governance Action Plan. Nevertheless the good governance agenda remains high on the JWESSP agenda and should be strengthened further. External support and funding of related studies, workshops and audits through the JPF is seen as essential. It is moreover suggested to monitor progress on good governance as part of the JWESSP performance monitoring framework (see section 3.9), in coordination with the JAF. **Effective community participation** and the involvement of NGOs/CBOs need to be strengthened further as these are likely to enhance governance, transparency and accountability in particular at the decentralised level.

**Gender Equality** - The sector has made efforts to address gender equality for several years, and gender issues are reflected in the overall strategic policy and planning frameworks. However a specific gender strategy only exists for the water and sanitation sub-sector<sup>20</sup>. As for other cross-cutting issues, the challenge for the entire sector is to effectively implement the policies and plans at all levels. Gender equality has to be considered wherever relevant and should consequently be reflected in design, implementation and result measurement of any kind of intervention – from construction to human resources development. Again, the issues affecting progress revolve around awareness, limited capacities and financial resources, as well as political will and support. Gender equality aspects should also get due attention when (re)formulating or defining performance measurement indicators for the sub-sectors and for the JWESSP programme itself.

**HIV/AIDS:** The Water and Sanitation Sector Strategy for Mainstreaming HIV/AIDS recognises opportunities in the water and sanitation sector to reach out on matters of HIV/AIDS, both at work and at the community level. At central level various mainstreaming activities have been carried out, also for the ENR sub-sector. The Water and Sanitation sub-sector has elaborated a strategy for mainstreaming HIV/AIDS (2004), to be reviewed in

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<sup>19</sup> Pro- Poor Strategy for the Water and Sanitation Sector, 2006.

<sup>20</sup> Water and Sanitation Sub-Sector Gender Strategy 2010-2015.

2011/12<sup>21</sup> based on a reflection of achievements and failures. The new strategy should also cover the ENR sub-sector to provide a thorough basis for activities under the new JWESSP.

Mainstreaming of cross-cutting issues in all components of the new JWESSP will be ensured as follows. Under the **SPS and Capacity Development Component** it will be ensured that concerted action is taken in multiple fields and at all levels through adequate capacity development measures and by developing the policy and strategic framework, including the basis (e.g. studies) for decision making. The **Climate Change Component** will provide the framework for mainstreaming the climate change agenda as a cross-cutting issue, e.g. through incorporation of climate change adaptation into district implementation manuals and other guidelines. The integration of the ENR sub-sector makes the JWESSP a programme that aims, by definition, at **environmental compliance and sustainability**. This includes environmental impact assessments for projects outside the sector.

To address the key challenge to ensure adherence to the existing policies and strategies at the decentralised implementation level the main strategy is to provide appropriate guidance, support and monitoring through the emerging regional “de-concentrated” institutional structures. Appropriate activities to foster cross-cutting issues will thus be integrated in each of the JWSSP components and be reflected in the department level workplans and budgets.

### 3.8 Risk assessment and assumptions

The main overall risks of to the envisaged support programme are related to fiduciary and governance risks; effective progress of capacity development; successful cooperation within the sector and with other stakeholders; ongoing political support for sector reforms; and the level of sector funding. A table listing the identified risks in detail, along with the proposed mitigation strategies, is provided as Annex 3 of this Concept Paper.

Political stability, the absence of conflicts and the general macro-economic development of Uganda constitute additional, “cross-cutting” assumptions that influence all other risks and assumptions.

### 3.9 JWESSP Performance monitoring framework

The sector has developed a fully operational performance monitoring framework that consists of a set of key indicators<sup>22</sup> and sub-sector indicators, regular sector reviews (Joint Sector Review, Joint Technical Review) informed by high-quality annual Sector Performance Reports, the related data collection and reporting systems as well as a Management Information System (MIS) holding the performance information. Indicators are also used for output oriented budgeting and in the context of the Joint Budget Support Framework (JAF indicators).

Despite certain issues to be addressed the system is generally appropriate and successful. However, the linkage between the performance monitoring framework and annual budgets / work plans needs to be strengthened.

Originally developed for the water and sanitation (sub-)sector, the abovementioned framework has been extended to the ENR sub-sector. A performance measurement framework for the **ENR sub-sector** has been prepared and was approved in June 2011. This is commendable progress but it needs to be completed by setting up an operational system of data generation, collection, reporting and validation.

It is also recommended to review the Golden Indicators for water resources management and for WfP. The WRM indicator should measure actual compliance with water abstraction/ discharge permit conditions (e.g. compliance with waste water quality standards and

<sup>21</sup> Uganda Water and Environment Sector Performance Report 2011, p 206.

<sup>22</sup> The “Golden Indicators” for the water and sanitation sub-sector.

permitted abstraction volumes), not only the validity of the permits. The WfP indicator should monitor the actual outcome of water storage, in terms of use and benefits of WfP infrastructure, not only the quantity of water stored.

The JWESSP will ensure that high data quality is achieved by validation and that the underlying databases, including the GIS-based WATSUP database of water supply infrastructure, are kept up to date.

Furthermore, it is recommended to complement this overall sector monitoring framework by a **small set of specific indicators and milestones** that allow monitoring the progress of capacity building and institutional reforms as well as the effectiveness and impact of JWESSP support itself<sup>23</sup>.

It is necessary to monitor this separately as the sector performance at the outcome level, as monitored by the Golden Indicators, depends too strongly on the level of financing available. Thus, if funding is insufficient the sector (or JWESSP) appears to be performing unsatisfactorily even though the sector may have worked very efficiently. The sector cannot be held accountable for lack of progress if funding is insufficient. Therefore a distinction should be made between progress towards the overall, policy loyal sector targets (NDP targets, Golden Indicators, etc.) and the performance and achievements of the sector including JWESSP, which is concerned with the efficiency of the sector (transforming inputs into outputs) and with the progress of sector reforms.

The new set of indicators would thus aim to measure the effectiveness and added value of the JWESSP activities as well as the assumptions made. This could include:

- operational performance with respect to targets that can be reasonably expected with the existing funding
- capacity building targets
- milestones for the progress of institutional reforms (e.g. independent regulation)
- progress on good governance / value for money / fiduciary risk issues<sup>24</sup>
- partner commitments such as effective budget allocations (e.g. degree to which the recurrent costs of the various sub-sectors are covered by budget allocations)
- Indicators to monitor other risks or assumptions.

When it comes to a mid-term review and evaluation of JWESSP, these indicators should help establishing whether the JWESSP approach was successful, independently from the level of sector funding.

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<sup>23</sup> Programme specific milestones and benchmarks were also foreseen under the current JWSSPS (see Annex H of the Programme Document) but have never been monitored in a systematic manner. The proposed milestones and benchmarks were focused on issues like value for money, budget allocations, progress on the establishment of institutional structures, and enhanced accountability and transparency.

<sup>24</sup> For instance, the Fiduciary Risk Assessment for the Water Supply and Sanitation Sector of 2010 recommends to monitor the percentage of DWSCGs spent on new facilities (i.e. not on administrative or transaction costs).

#### **4. PLAN FOR FURTHER PROGRAMME SUPPORT PREPARATION AND FORMULATION**

##### **4.1 Issues to be addressed during the formulation phase / prior to the start of the JWESSP**

The issues to be addressed prior to the start of the JWESSP have been identified for each of the proposed components, in order to inform the further preparation process. The resulting table is presented as Annex 4 to this Concept Paper. It distinguishes between issues to be addressed during the formulation phase (left column) and issues to be clarified or negotiated prior to the start of the programme in 2013 (right column).

##### **4.2 Process Action Plan**

The updated Process Action Plan (PAP) for the further programme preparation process is presented as Annex 5 of this Concept Paper.



## **Annex 2: Preliminary Component Descriptions**

### **Component 1 - Sector Programme Support and Capacity Development**

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This first components combines activities needed for the effective planning, coordination and management of the sector with the overall responsibility for capacity development.

It includes a wide range of cross-cutting activities that are necessary

- to ensure effective operational planning, coordination and reporting on JWESSP activities, under the guidance of the Water and Environment Sector Working Group;
- to ensure follow up on institutional and sector reforms as well as the Good Governance Action Plan;
- to coordinate performance reporting in line with the Sector Performance Measurement Framework;
- to ensure cooperation within the MWE as well as coordination and liaison with other sector stakeholders;
- to initiate and organise sector studies, audits, evaluations, Joint Sector Reviews, workshops and other events related to sector coordination, performance review and further development;
- to ensure that due attention is given to cross-cutting policies (e.g. gender and pro-poor policies);
- to coordinate capacity development activities across the programme, including technical assistance.
- To promote the integration of the “new” ENR components into the joint programme.

The component will use the Joint Partnership Fund (JPF) as its main funding mechanism. In addition, it will coordinate inputs provided by DPs in kind or off-budget, such as Technical Assistance or Programme Support.

The Component will be managed by MWE at the central level. It is strongly recommended to establish the responsibility for Component 1 within one organisational unit, which could be a »Water and Environment Liaison Department«. However, all activities will be identified and planned in close coordination with the departments/components concerned.

### **Component 2 - Rural Water Supply**

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Rural water supply and sanitation (RWSS) is a key component of JWESSP support as it has the most significant impact on the achievement of the sector’s flagship targets in terms of access to safe water, and the related NDP and MDG indicators and targets.

Since decentralisation the local governments are responsible for service provision in water and sanitation, without having any significant sources of income to finance the necessary investments. The bulk of RWSS investments is therefore funded using District Water and Sanitation Conditional Grants (DWSCGs) which are channelled from the Treasury directly to the districts, not through the MWE. MWE is involved in planning and monitoring, receives reports and provides technical guidance and support. The main modality of technical support are the regional Technical Support Units (TSUs) which are funded through the JPF.

This arrangement is established since many years and has generally been effective and efficient, as unit costs per beneficiary are reasonable by comparison with international standards and with projects of other actors (NGOs).

The main challenge is that progress of capacity development at district level has been much slower than expected, as the necessary technical and contract management skills are lacking in many districts. This is mainly due to the continuous splitting of districts, which has

thinned the available human and financial resources, jeopardized the institutional consolidation of districts, and increased administrative costs. As a result, the TSUs, which were originally created as a temporary capacity building institution, are still required and might become part of the permanent sector framework as it is probably unrealistic (and possibly not efficient) to develop the necessary capacities in each single district.

Apart from the construction of new infrastructure a key task of the Component is to enhance and revitalise the O&M framework, including aspects such as the support to user committees, major repairs, the management of funds, the spare parts supply chain, and involvement of the private sector (e.g. pump mechanics).

Piped water supply of rural growth centres (RGCs) will be handled as part of Component 3, together with the small towns.

Overall management and coordination of the component activities will be ensured by the Department of Rural Water Supply and Sanitation, DWD. The implementing agencies for decentralised RWSS investments will be the district local governments (District Water Officer under the Chief Administrative Officer CA).

Under the RWSS component a **sub-component for rural sanitation and hygiene** will be established, under the responsibility of a focal point within the RWSS Department. The main objective of the sub-component will be to increase access to improved sanitation in rural areas, which is one of the key sector goals in the NDP as well as an MDG target. The focal point will

- ensure that sanitation and hygiene awareness activities receive adequate attention, in particular at the district implementation level;
- coordinate and initiate the development, piloting and promotion of appropriate sanitation technologies for rural areas;
- ensure coordination and liaison with the health and education sectors, including cooperation regarding the use of the sanitation conditional grant.

It is assumed that the health sector, with its field staff and in line with the agreed mandates, will take the lead in sanitation promotion and hygiene education at the level of rural households.

In general the RWSS Component is well established under the current sector support programme. The main issues to be clarified during the programme formulation and preparation phase are:

- Future mandate and status of the TSUs and synergies with other de-concentrated entities;
- Establishment/strengthening of a sanitation focal point within RWSSD to ensure effective management of the sanitation and hygiene sub-component;
- Agreement or MoU with Ministry of Health to clarify the specific roles and responsibilities, in particular regarding the management of the sanitation conditional grant.

### **Component 3 - Urban Water Supply**

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The Urban Water Supply Component encompasses all activities concerning piped water systems in small towns and rural growth centres (RGCs) as well as the **development of the regulatory framework** for urban water supply, i.e. the reform agenda regarding independent regulation and Urban Water Sector Vision 2025.

Water and sewerage infrastructure in the 23 largest towns is not included as this is a responsibility of the parastatal National Water and Sewerage Corporation (NWSC), which has separate channels of support. However, NWSC has to be closely involved in the

development and implementation of the regulatory framework, which is part of the component. Targeted support to encourage service provision for the urban poor might also be provided under JWESSP.

Small towns and RGCs are important centres and catalysts of rural development hosting key institutions such as secondary schools, health centres, rural industries, markets and local administration. Improved water and sanitation services are important to promote socioeconomic development and to control the hygiene risks that arise with growing population density. In general, neither small towns nor RGCs have adequate administrative capacities to handle major infrastructure investments such as piped water schemes, and to ensure sustainable operations of these schemes after completion. The sector has therefore developed two specific institutional models to provide the necessary support, the Water and Sanitation Development Facilities WSDFs and Umbrella Organisations. Strengthening these institutional models and providing support to local service providers through these channels is among the focal activities of the UWSS component.

The four regional **Water and Sanitation Development Facilities (WSDFs)** receive project applications from local governments / communities, verify and rank them to inform financing decisions that are taken based on a transparent set of criteria. Implementation is subject to a number of prior conditions to be fulfilled by the beneficiary communities, including improvements on sanitation. Local governments are involved in the implementation process throughout the project cycle.

Currently the WSDFs work as deconcentrated units of MWE. Accounting and procurement responsibilities are delegated from the centre (PS of the MWE) to the branch managers of the WSDFs. In the medium to long term is planned to establish the WSDFs as a semi-autonomous fund. This would also allow for other funding modalities than grant funding, such as various PPP models.

A second key area of intervention of this JWESSP component is the **support to and regulation of urban water supply service delivery**. This includes supervision and regulation of the National Water and Sewerage Corporation (NWSC).

Sustainable service provision and reliable O&M of existing water supply schemes outside the area of jurisdiction of NWSC is being supported by regional **Umbrella Organisations** that provide technical and managerial support services, training and water quality monitoring to the water schemes in their respective area. Umbrellas are formally membership associations but depend essentially on public funding, funding that is justified by high functionality rates and better sustainability of the investments made.

The main **source of funding** for both WSDFs and Umbrella Organisations is the JPF. Each of the four WSDFs is likely to receive substantial funding through the JPF, either through earmarked contributions (KfW, AfDB, probably EU) or from non-earmarked JPF contributions. The JWESSP will follow-up on the institutional consolidation process and will provide long-term technical assistance during 2-3 years to each of the three WSDFs created since 2008.

**Regulation** will be enhanced by strengthening the Regulation Unit that has been established at the central level, building adequate monitoring capacities and developing a consistent regulatory framework. For the small towns segment this includes advice and technical support on regulatory issues, such as tariff guidelines and guidance/templates for performance and management contracts.

Under the UWSS component a **sub-component for urban sanitation** will be established, under the responsibility of a focal point within the UWSS Department. The focal point will

- ensure that sanitation and hygiene awareness activities receive adequate attention in the context of urban water supply projects;

- coordinate and initiate the development, piloting and promotion of modern on-site sanitation technologies for urban areas as well as for public and institutional toilet facilities, including integrated solutions for sludge management, drainage and solid waste management;
- coordinate and promote the implementation of the “10-year Financing Strategy for Improved Sanitation and Hygiene in Small Towns” (prepared in 2010 with support from the World Bank Water and Sanitation Programme);
- ensure coordination and liaison with the health and education sectors.

To which extent this sub-component will also address sanitation and sewerage in large towns is yet to be discussed during the formulation phase. This would include interventions such as sanitation solutions for the urban poor and informal settlements; industrial sewerage regulation and pre-treatment; and follow-up on the Kampala sanitation master plan.

The overall component management and oversight will be ensured by the Department of Urban Water Supply and Sewerage of DWD. Important implementation authorities (planning, project appraisal, procurement, accounting) have been delegated to the four WSDFs. WSDF operations are based on the WSDF Operations Manual approved by the Permanent Secretary. According the WSDF study recommendations, there will be a national WSDF steering committee established in DWD to coordinate the WSDF activities at the centre level.

The main issues to be clarified during the programme formulation and preparation phase are

- Establishment/strengthening of a sanitation focal point within UWSSD to ensure effective management of the sanitation sub-component
- Agreements or MoUs with the Ministry of Health and (if applicable) with NWSC to clarify the specific roles and responsibilities
- Study on the options and modalities to implement the integrated sanitation strategy for small towns (technical options, sludge management, potential role of the private sector, smart subsidies, capacity building needs, links with solid waste management and urban drainage).

#### **Component 4 - Water for Production**

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Water for Production (WfP) refers to the development and utilisation of water resources for productive use in crop irrigation, livestock, aquaculture, rural industries and other commercial uses. The WfP sector is currently focusing on water for livestock and for small scale irrigation. For livestock the MWE is investing in Valley Tanks (VT) on individual farm properties while district local governments use conditional grant funds to construct larger valley dams. Furthermore there is a programme<sup>27</sup> to construct dams for medium sized reservoirs, the water of which is to be used for livestock and/or irrigation schemes to be developed at a later stage. Another professed objective of these reservoirs is to create a strategic reserve for periods of severe drought, as response to climate change. Recently, the sector has developed an Irrigation Masterplan (2011).

WfP enjoys considerable support at the political and strategic level. The NDP puts clear emphasis on economic growth and production, to which WfP is seen as a direct contribution. It is therefore expected that during the JWESSP period considerable investments will be made to construct additional VTs and dams, using both GoU budget and DP funding. The JWESSP has to respond to this national priority, despite existing concerns regarding the sustainability of investments; effective usage of the water stored; insufficient linkage with the Ministry of Agriculture (MAAIF); and contested implementation modalities (the »force account« model). To clarify some of these issues a short-term study has been conducted to

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<sup>27</sup> Eight pilot dams have been constructed under the present JWSSPS.

inform the JWESSP formulation process. The preliminary findings of this study have been taken into account in the concept presented here.

The JWESSP intends to support investments in WfP assuming that implementation procedures will be reviewed and that planning and coordination procedures will ensure sustainable usage of the infrastructure (in cooperation MAAIF and local governments) as well as planning based on the principles of integrated water resources management (in cooperation with DWRM).

Without these changes, there would be substantial risks that unnecessarily large investments are made in dams; WfP infrastructure is not adequately used and maintained; the interests of other water users and potential environmental impacts are not taken into account; and the machinery purchased by government is not adequately maintained.

For the “force account” model, where government purchases machinery for the construction of VTs that is hired out to interested farmers at a highly subsidised rate, this means that the approach should be reviewed in the light of an economic study establishing the real costs of the force account model vs. contracting out. Depending on the outcome of this study a hybrid model could be considered. The approach of constructing VTs on private land as arguable strengths as it is strictly demand driven and has the important advantage of clear ownership and responsibility for O&M.

For enhanced planning, coordination and follow-up for water storage facilities (dams) it is recommended to (i) institutionalise cooperation with MAAIF and (ii) develop a checklist-type of procedure<sup>28</sup> where the planning and coordination requirements are firmly defined and anchored. This will include IWRM-based planning at the WMZ level. It is expected that the issue of low functionality of WfP infrastructure will be partly resolved by introducing these enhanced procedures as responsibilities, beneficiaries and ownership will be established more clearly.

Implementing these planning and cooperation procedures at the regional and local level requires capacity developing, making use of existing support structures such as the TSUs (for technical support), the WMZs (for water resources management) and possible the WSDFs (for demand-driven funding of WfP projects).

In terms of irrigation development, an integrated approach will be promoted that takes factors such as the development of local institutions and skills, market access, extension on crops and irrigation methods and potential environmental impacts into account.

It is proposed to provide initial technical assistance to support and document the development of enhanced coordination structures, planning procedures and implementation modalities. It is furthermore suggested to plan for periodical external technical auditing and short-term support. Long-term TA does not seem to be required given the existing capacities of the WfP department.

Component management will be ensured by the Water for Production Department of DWD. Coordination with MAAIF and with DWRM will be ensured by this Department.

During the formulation and preparation phase of JWESSP the abovementioned economical study should be conducted, the checklist for dam projects should be developed and the Technical Committee for coordination between MWE and MAAIF should become operational. A small set of suitable performance indicators should be developed that includes measurement of the expected benefits and outcomes of WfP infrastructure, not only outputs in terms of infrastructure constructed or water stored.

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<sup>28</sup> A mechanism by which the process of project approval for new projects has to run through a checklist to see whether all relevant parties have been consulted, approval has been granted by the main stakeholders, and key aspects such as water resources availability, possible environmental impacts and the economical viability have been assessed.

## **Component 5 - Water Resources Monitoring, Planning and Regulation**

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This proposed components encompasses all support to the Directorate of Water Resources Management (DWRM) with the important exception of the institutional development and operationalization of the de-concentrated Water Management Zones (see Component 6).

Alternatively, the DWRM proposes to split this Component into three, to be aligned with the DWRM Departments: **Water Monitoring and Assessment; Water Quality Management; and Water Resources Planning and Regulation**. The final decision regarding the number and scope of components will be taken by the WESWG.

Pressure on Uganda's water resources is increasing due to rapid population growth, the development of irrigated agriculture, urbanisation and increasing industrial activities, in a context of environmental degradation (land use) and climate change. It is therefore critical to create the information and knowledge base for sound planning decisions, improve water management practices and regulate water use. Effective resources management and protection are becoming more and more important with Uganda's ambitious plans to develop water for production (agriculture, hydropower, industrial production) and other natural resources (e.g. oil exploration). Deteriorating water quality is the reason for rising capital investments in water treatment works and a health risk for the population.

One group of activities under this component aims to ensure that the necessary knowledge and monitoring information for sound water resources management is available. This involves activities such as operating and rehabilitating/upgrading a surface water and groundwater monitoring network, sediment monitoring, groundwater mapping, and the related data processing (Water Resources Information System) and dissemination activities.

In terms of water quality management, it involves support to the operation of a network of water quality laboratories and water quality monitoring stations. It is planned to open regional laboratories in each of the water management zones and to create capacities for biological water quality monitoring.

Informed by the above monitoring and assessment activities, the Department of Water Resources Planning and Regulation of DWRM has the responsibility to develop the required policies, strategies and regulations. It is also responsible for the water resources aspect of Environmental Impact Assessments (in cooperation with NEMA) and for representing Uganda's interests in trans-boundary water resources management (Nile Basin Initiative, Lake Victoria Basin Commission).

The component will also include activities related to communication, creation of awareness, specific water resources assessment and modelling activities and support/advice to stakeholders, including the Water Policy Committee.

Two major achievements will be completed before the start of JWESSP, the comprehensive National Water Resources Assessment (already completed) and the groundwater mapping programme. Knowledge on surface and groundwater resources, current water used and demand and detailed sets of groundwater maps will thus be available as a sound basis for JWESSP support. A National Water Resources Strategy building on these bases will be finalized soon and will provide the guiding principles and framework for the management of Uganda's water resources.

The overall objective of the proposed component is build sustainable operational capacities to provide the monitoring information and knowledge that are needed for the integrated and sustainable management of Uganda's water resources, and to ensure regular surveillance of drinking water quality and initiate corrective action.

Technical assistance will include support to DWRM by a long-term WRM Advisor and short-term consultancies as required, to be planned and managed jointly with Component 6.

Regular monitoring, sampling and laboratory activities should not depend on DP support. The component will therefore provide JPF funding for capacity development and for better monitoring and laboratory equipment, but without extending monitoring and laboratory networks beyond a level that can be expected to be sustainable<sup>29</sup>. Network and laboratory operation and maintenance should be ensured through regular GoU staff and budget, possibly with a DP contribution in the form of sector budget support. This should be negotiated and agreed during the preparation phase of JWESSP.

Water quality monitoring has a strong linkage to water supply and sanitation as the laboratories and sampling programmes under this component will also ensure surveillance of drinking water quality. Other linkages include the development of a strategy for household water treatment and safe storage, the implementation of water safety plans, and response to emergencies by providing portable water treatment units. JWESSP activities will aim to strengthen this linkage through formalised cooperation between the various stakeholders (apart from DWRM: DWD, NWSC, water authorities, districts, private operators), from sampling to corrective action.

The component – as proposed here – will be managed at the level of DWRM as it involves activities of all three DWRM departments.

### **Component 6- Water Management Zones**

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The Ministry of Water and Environment has adopted the principles of Integrated Water Resources Management (IWRM), to be implemented through a catchment-based approach to water resources investment planning and management. In line with this approach, it has been decided that water resources development and management functions should be deconcentrated to 4 major basins in the country, commonly termed as **Water Management Zones**<sup>30</sup>. Since 2006 implementation of this recommendation has been ongoing on a pilot level and a number of experiences and lessons have been realized. A framework for catchment-based water resources development and management was developed based on these experiences and its implementation has started and is being upscaled.

The main focus of this JWESSP component is therefore to support the consolidation of the recently established regional **Water Management Zones (WMZs)** as regional platforms for water resources management and stakeholder coordination; the development of operational tools (information system / decision support) and catchment management plans; and the operationalisation of a catchment-based, participatory IWRM approach. Catchment management by local Catchment Management Organisations (CMOs) will be piloted in a number of “hot spot” catchments where urgent problems need to be addressed, such as the Inner Murchison Bay. The programme will also support the implementation of the recently finalised Enforcement and Compliance Monitoring Strategy (ECMS), including assistance to permit holders to establish appropriate data collection and self-monitoring systems. An important aspect is the clarification of responsibilities and development of coordination arrangements with DEA, NEMA and the WfP Department. Finally, a number of pilot multipurpose water resources development and management projects (water storage, flood management, catchment restoration etc.) will be identified and prepared through a catchment-based investment planning process.

Component management will be ensured by the DWRM department of Water Resources Planning and Regulation. Alternatively it could be managed together with Component 6 by a joint management unit to be established at the level of DWRM (to be decided). Implementation responsibility at the regional level will be with the heads (Zonal Managers) of

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<sup>29</sup> The fact that in 2010/11 only 31 out of 119 water quality monitoring stations were operational indicates the need to realistically review the monitoring requirements and available resources.

<sup>30</sup> Albert, Kyoga, Upper Nile and Victoria; together the four WMZs cover the entire national territory.

the four WMZs. WMZs will develop a regional cooperation framework with district local governments and other stakeholders.

Technical assistance will include support to DWRM by a long-term WRM Advisor and short-term consultancies as required, to be planned and managed jointly with Component 5.

The JWESSP will systematically support DWRM and WMZ activities through the JPF. However, DP support should not replace (or possibly jeopardize) the development of regular, sustainable structures that are based on permanent human resources and regular funding from the GoU funding. De-concentrated institutional structures should not be developed beyond the point the GoU is willing and able to sustain. Staff requirements and core budget allocations for recurrent costs should therefore be clarified during preparation phase. Depending on the agreed arrangements a part of the JWESSP support could be provided in the form of sector budget support while JPF support would focus on initial institutional development, piloting, capacity development, and the elaboration of strategies and plans.

During the formulation and preparation phase the performance measurement framework for WRM should be refined and operationalised. This includes full monitoring of the existing Golden Indicator on compliance with water permit conditions, which should capture actual compliance with permit conditions and not permit validity only.

## **Component 7 – Natural Resources Management**

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Initially this Component, which is named as the budget Vote Function, will encompass all JWESSP support to activities under the Directorate of Environmental Affairs with the exception of meteorology (which is under component 8), i.e. support to Environmental Support Services, Wetlands Management and Forestry as well as activities at the Directorate Level. At a later stage it may be decided to create individual components for some of these sub-sectors/departments, depending on the scope of the activities.

Uganda's environment has seen significant degradation during the last decades and the trend is continuing. Key upcoming issues such as gas and oil exploration, for which there is no experience or knowhow, will add to the challenges in terms of regulation and monitoring.

The **Department for Environmental Support Services (DESS)** within DEA/ MWE is in charge of policy formulation, regulation, inspection, monitoring, coordination across line ministries, and oversight on agencies in the ENR sub-sector with respect to their functions. Currently, there is a dramatic mismatch between these tasks and the available resources and capacities. DESS lacks adequate staffing, including a Commissioner and other high level officers, as well as adequate equipment and office space. DESS has no established working procedures for strategic planning, coordination, reporting or advocacy. The linkages with other Departments and Directorates within MWE are very weak. The NDP highlights lack of capacities, knowhow, equipment, facilitation and follow-up authority within the auditing and inspection teams. As a result compliance with environmental laws and regulations is poor. An additional challenge to be addressed is that, due to a lack of harmonisation of acts and regulations, the assignment of roles and responsibilities between DESS, NEMA<sup>31</sup> and other MWE units (WMD, DWRM) are still not clear. This has already been addressed by Sector Undertakings for FY 2010/11 and 2011/12 but needs further follow-up.

The Department for **Wetlands** Management (WMD) within DEA/ MWE is the lead agency with respect to wetlands and is mandated to formulate the policy and legal framework, set standards and guidelines, mobilize resources, provide technical guidance and ensure supervision of the sub-sector stakeholders including local government. Although studies clearly show the economic value of wetlands the recognition and valuation of wetland

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<sup>31</sup> NEMA, the National Environment Management Authority, is a semi-autonomous agency established in 1995 as "the principal Agency in Uganda responsible for the management of the environment by coordinating, monitoring, regulating, and supervising all activities in the field of environment".

protection and management is still low at the political level and in the public. For years wetlands management has been receiving very low funding from the GoU budget and limited support from DPs. The existing wetlands conditional grant for district local governments is extremely small. On the other hand, past supported resulted in a range of relevant studies, policies bills and action plans on which the support strategy under JWESSP can build.

**Forestry** is one of the primary growth sectors in the NDP because of the important role it plays in national development through its contribution to energy supply, construction and the preservation of water resources as well as mitigation of climatic extremes and the effects of climate change. As national forest cover has been declining one of the key tasks is to increase forest cover and restore degraded forest while reducing pressure on forest and promoting forest based industries and trade. The key government institutions involved in forestry management are the Department of Forestry Support Services (FSSD), the regulatory and overseeing body for forestry at the central level; the National Forest Authority (NFA), which is mainly in charge of managing the Central Forest Reserves; and District Forestry Services (DFS) at the district level.

JWESSP support will mainly aim **to increase the organisational capacity and performance** of DEA and its Departments. Given the significant gap between the challenges and the institutional capacities, capacity development and increase in funding will have to go hand in hand. Initially, the planned support will focus on the areas of project management, strategic planning, coordination, M&E, team building, reporting, and documentation of good practice. Other activities to be supported include awareness and information on environmental issues for different target groups; review and updating of the ENR Sector Investment Plan; preparation of an ENR Operational Manual; and possibly establishment of an umbrella organisation for NGOs working in the ENR sub-sector.

With respect to wetlands management, specific activities will include support to the demarcation and gazetting of wetlands, awareness creation at the political and public level, and training of district wetland officers. Support would also include clarification of the roles and responsibilities between WMD, NEMA and local governments. If sufficient funding is available it can be envisaged to support the restoration of wetlands. The ENR sub-sector study suggests to pilot innovative funding mechanisms, such as financing wetlands projects submitted by the districts on a competitive basis. This would be comparable to the WSDF model in use for financing water supply and sanitation projects

The main emphasis of support to forestry would be (i) strengthening the capacities of FSSD to effectively assume its regulatory and coordinating functions and implement the National Forest Plan (revised 2011); and (ii) addressing governance problems in order to restore trust in the sub-sector, e.g. by developing and implementing a governance action plan. The scope of support will depend on two main factors: The interest of DPs to provide support to the forestry sub-sector and progress on governance issues. In particular direct support to the implementation of forestry programmes (e.g. promotion of private tree planting, restoration of degraded forest) will depend on these two factors. Furthermore, implementation capacities would have to be strengthened at the district level.

Depending on the availability of funding the JWESSP will also support **capacity development at the district level** (District Environmental Offices, District Forestry Services) as well as **regional coordination and support**: Systematic support to decentralised implementation would need regional support arrangements, comparable to the TSUs in water supply. The establishment of de-concentrated structures for environmental management, wetlands management and forestry would have to be coordinated with the establishment of other de-concentrated structures of MWE. The options to create TSU type structures<sup>32</sup> and/or to associate with the WMZs will be analysed.

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<sup>32</sup> Such as the RTSUs for Wetland Management, but not limited to wetlands.

Once the necessary decentralised capacities and support arrangements are in place the JWESSP could advocate and offer sector budget support for more substantial conditional grants to local governments. Transition to this type of funding will be conditional on progress in capacity development.

**Component management** would be located at the level of DEA.

The main **DP funding modality** will be the JPF. However, core funding and staffing for regular activities should be ensured by GoU, for the sake of sustainability and ownership. The necessary staff numbers and qualifications for effective environmental support services should be negotiated and formally agreed prior to the launch of the JWESSP.

Activities funded through the wetlands conditional grant, or possibly through an innovative competitive project mechanism, will be managed by the Districts under the guidance and oversight of DEA/WMD.

During this critical time of institutional capacity building there is clear need for **international long-term TA**. Support should already start during the preparatory phase of JWESSP in order to build the necessary capacities for financial management, planning, M&E and reporting within DEA/DESS. In this context the Sector Performance Measurement Framework (SPMF) for the ENR sub-sector, which has been drafted in 2011, needs to be operationalised.

NEMA and NFA, with its autonomous status and its own source of funding and budgeting mechanisms, will not be an implementing agency of the JWESSP component. However, both agencies will be involved in strategic planning and possibly in certain types of institutional capacity development activities.

During the JWESSP preparation phase the immediate capacity development needs should be assessed, including institutional minimum requirements in terms of staffing (filling of vacancies, contract staff), immediate training needs and technical assistance as well as the need for de-concentrated structures for regulation and support to DFSs.

## **Component 8 – Weather, Climate and Climate Change**

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The thematic scope and name of this proposed component are based on the Vote Function of the same name (decision of the 3<sup>rd</sup> PPC meeting, 27<sup>th</sup> January 2012). It combines activities under two different MWE units: The Meteorological Department, under DEA, and the Climate Change Unit (CCU), a coordinating and facilitating unit reporting to the PS.

**Climate change** is beginning to have a negative impact on Uganda's social and economic development and the livelihoods of millions of Ugandans. The challenge of climate change is explicitly addressed by the National Development Plan which formulates objectives and strategies to address it. The CCU has started implementing pilot projects under the National Adaptation Programme of Action (NAPA), with funding from GEF. It has also started developing Uganda's climate change policy, which is expected to be completed before June 2012 and will provide a basis for developing the workplan for the CC component. The on-going implementation of the NAPA and the lessons learned to date will also inform the plan.

The **Meteorological Department** of MWE is mandated to provide weather information, forecasts and warnings along with climate and hydrological data analysis, which are used in the planning and management of wide areas of socio economic activities as well as for early warning and disaster preparedness. In contrast to these requirements the institutional capacity of the Meteorology Department is low, with 50% vacancy including high level positions. The department suffers from low GoU funding and insufficient donor support. Most of the equipment on central level but also large parts of the former observation network broke down or are outdated and the capacities for data collection, processing and analysis or quality control are low due to lack of funding and equipment but also know-how. The situation

'might change with the planned establishment of a semi-autonomous agency, the **Uganda Meteorological Authority**<sup>33</sup>.

The JWESSP will assist the CCU to develop the capacity to coordinate and implement CC adaptation activities in Uganda and ensure climate proof development planning. It will also support mainstreaming of climate change awareness within the sector at all levels (national, regional/de-concentrated, local government), including practical advice and the preparation of guidelines for the sector actors on how to cope with the challenges of climate change in their work environment (e.g. design guidelines, catchment management plans).

The JWESSP will provide capacity development support by providing technical assistance (mix of long-term and short-term input) and will facilitate the CCU for awareness raising, capacity development and applied research activities, using the JPF as funding modality. Direct support to the high-level climate change agenda (e.g. participation at international conferences etc.) is not seen as a core task of the JWESSP.

CC adaptation and mainstreaming activities will typically be implemented by the line departments in charge, e.g. by DWRM/Water Management Zones for CC adaptation in water resources management.

**Component management and coordination** for climate change will be ensured by the CCU in cooperation with SPS (for capacity development activities and coordination across components). To ensure compliance with JWESSP requirements it will be necessary to strengthen planning, reporting, M&E and financial management capacities within CCU. The necessary staff numbers and qualifications should be negotiated and formally agreed prior to the launch of the JWESSP support.

The scope of support to the **Meteorology Department** will depend on DP interest, on the one hand, and on the progress regarding the establishment of the Meteorological Authority on the other hand. Depending on the funding available the support might range from institutional capacity building (including technical assistance) to the renewal or rehabilitation of equipment and observation network. However, as the provision of meteorological services is a permanent task that requires continuity it is strongly recommended to ensure that the minimum requirements in terms of staffing and budget for recurrent costs are covered by GoU, not through DP (JPF) funding. This would have to be discussed and agreed during the preparation phase. If the Meteorological Authority is established as a (semi-)autonomous agency support through the JWESSP will have to be reconsidered, as support to the sector's other semi-autonomous agencies (NWSC, NEMA, NFA) is not included in the JWESSP.

## **Component 9 – NGO Support**

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NGOs are important actors in water and sanitation and can potentially play an important role in domains such as local level water resources management, environmental sanitation, and the restoration of wetlands or forested areas. The contribution of NGOs in terms of infrastructure construction and rehabilitation is not negligible but the particular strengths and comparative advantages are often seen in the fields of community awareness and participation, "software" interventions, support to marginalised population groups, as well in taking an independent position and advocacy role towards (local) government actors.

These comparative advantages – in particular the latter – depend on a certain degree of autonomy. NGOs should therefore not have a purely implementing role, being hired like contractors for particular services.

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<sup>33</sup> At the time of writing the Bill had been discussed in Parliament in a first reading; two more readings were needed.

It is therefore envisaged to establish a **dedicated NGO component** under JWESSP, where DPs will contribute to a pooled fund (off budget).

The areas of work and activities to be funded under the NGO Support Component include:

- NGO coordination and reporting related activities under UWASNET;
- Establishment and support to activities of a new umbrella organisation to be created for NGOs working in the ENR sub-sector;
- Capacity building and implementation of quality standards among NGOs;
- Strengthening the NGO role in good governance and advocacy;
- Knowledge management and sharing of good practices;
- Piloting innovative approaches to water, sanitation and environment interventions;
- Action research.

Whether and to which extent field implementation activities will be supported is yet to be decided.

The component would be coordinated and monitored at the sector level but the flow of funds would be independent from government channels. Whether this is feasible using the JPF as funding instrument needs to be established during the formulation phase. Details of the component management arrangements and disbursement procedures, including the role of UWASNET, will also need to be clarified.

The study on “Modalities for Collaboration between GoU/DPs and Water and Sanitation Sector NGOs” of 2007 is still a valid basis to inform the design of the component.

### Annex 3: Risks and risk mitigation strategies

	Risks	Risk Mitigation Strategies
<b>Fiduciary / governance risks</b>	<ul style="list-style-type: none"> <li>• <b>Fiduciary risks</b> that cannot be addressed by the Sector on its own (e.g. related to public financial management)</li> <li>• <b>Procurement</b> presents the most substantial fiduciary risk within the sector</li> <li>• <b>Poor planning and implementation</b>, in particular at the decentralised level, is an additional risk for the sustainability and value for money of investments</li> <li>• <b>Diversion of funds from service delivery to administration</b> (office establishment and operations) due to the increased number of District Water Offices</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of a <b>Good Governance Work Group</b> with broad membership, Good Governance Action Plan</li> <li>• Sector initiates value for money studies, technical audits etc.</li> <li>• Highlighting/ sanctioning of districts that do not comply with guidelines</li> <li>• Support and monitoring provided to local governments and water authorities (see below)</li> <li>• Offering a ringfenced financing mechanism, the JPF, for better tracking of funds as required by a number of DPs.</li> </ul>
<b>Progress of capacity development</b>	<ul style="list-style-type: none"> <li>• <b>Insufficient progress of decentralised capacity development</b>, which is closely related to the fragmentation of districts and the resulting thinning of resources</li> <li>• <b>Capacity development</b> in the ENR sub-sector is a key challenge as the necessary enabling framework (human and budgetary resources, governance arrangements) has to be developed</li> <li>• <b>High vacancy rates and insufficient budget allocations</b> for recurrent costs are significant risks for successful capacity development, in particular for the water resources management and ENR sub-sectors</li> </ul>	<ul style="list-style-type: none"> <li>• TSUs continue to provide support and capacity building at the local government level.</li> <li>• Certain tasks for which it is not realistic to create adequate capacities at the district level will be handled at the regional level; to this end the sector is developing an architecture of complementary de-concentrated institutions.</li> <li>• A phased approach will be adopted for the ENR sub-sector: The first phase will focus on capacity development and governance. The transition to phase 2 - implementation support - will depend on progress in terms of implementation capacities</li> </ul>
<b>Cooperation within the sector and with other stakeholders</b>	<ul style="list-style-type: none"> <li>• <b>Smooth cooperation between the MWE departments</b> is necessary to ensure a consistent capacity development approach and mainstreaming of policies and strategies (e.g. on cross-cutting issues, climate change)</li> <li>• <b>Collaboration with other actors</b> that are not under the MWE is key for the successful implementation of the JWESSP. These actors include the semi-autonomous agencies (NWSC, NEMA, and NFA), the Ministries of Agriculture and Health, local</li> </ul>	<ul style="list-style-type: none"> <li>• The overall responsibility for capacity development and for the operational coordination of JWESSP should be at a single unit, probably the Liaison Department which would serve the entire sector, not only the water and sanitation sub-sector.</li> <li>• The sector/JWESSP will actively promote the development of operational collaboration frameworks (technical commissions, committees or sub-working groups, as appropriate) with all these actors.</li> </ul>

	governments, NGOs and the private sector.	
<b>Political support for sector reforms</b>	<ul style="list-style-type: none"> <li>• The <b>progress of sector reforms is dependent on political support</b>, as there are vested interests in not seeing all the reforms implemented as some actors may gain from or prefer the status quo</li> <li>• Certain <b>innovative sector structures being developed</b>, in particular the de-concentrated structures, need political support for their institutional establishment and the development of sustainable financing channels</li> <li>• Political support is key for the effective <b>compliance with and enforcement of regulations</b>, in particular in WRM and in the ENR sub-sector as well as in sanitation.</li> <li>• <b>Political messages against payment for water services</b> may jeopardize the sector's policies in terms of cost recovery for infrastructure O&amp;M cost.</li> </ul>	<ul style="list-style-type: none"> <li>• The sector will ensure advocacy and explain the rationale for the necessary reforms at all political levels, including in particular the Office of the Prime Minister (OPM), the Ministry of Finance (MoFPED) and local governments</li> <li>• It will play an active role in the relevant coordination committees, such as the Water Policy Committee at the national level and the District Water and Sanitation Committees at the local level.</li> <li>• <b>Communication strategies</b> will be developed either for the sector as a whole or for the major sub-sectors.</li> </ul>
<b>Sector funding</b>	<ul style="list-style-type: none"> <li>• <b>Water and environment sector targets cannot be reached</b> if the available funding is sufficient, even if the sector itself performs efficiently.</li> <li>• The <b>availability and reliability of DP support</b> is a key assumption for the JWESSP; it is in particular critical for the support to the ENR sub-sector as support requirements and DP interest do not match, as things stand today.</li> <li>• An <b>adequate budget ceiling</b> for the sector is a key assumption to mobilise funding and ensure additionality for the JWESSP</li> <li>• <b>Timely and reliable releases</b> of GoU funding is an important condition for further strengthening of the SBS component of JWESSP funding</li> </ul>	<ul style="list-style-type: none"> <li>• The sector will aim to demonstrate sector performance independently from the availability of funding, as this might attract additional support or budget allocations.</li> <li>• Support to the ENR sub-sector will be designed in a way that it can be adjusted to the availability of funding.</li> <li>• According to the MTEF the budget ceiling for the Water and Environment sector will be adequate.</li> <li>• Releases and disbursements were satisfactory in recent years. Delayed reporting by local governments, one of the reasons for late disbursements, will be addressed by TSU support.</li> </ul>

**Annex 4: Issues to be addressed during the programme preparation phase**

	<b>Issues for the formulation phase</b>	<b>Issues to be addressed, clarified or negotiated prior to the start of the programme</b>
General	<ul style="list-style-type: none"> <li>• Clarification of the links between the JWESSP Programme Document, budget documents, SIP, annual workplans and JAF, to ensure coherence of the relevant sector targets and planning instruments.</li> <li>• Identification of complementary indicators for monitoring the effectiveness of JWSSP (e.g. progress on capacity development) and assumptions made separately from physical progress (which depends strongly on the level of funding)</li> <li>• Review/optimisation of the steering structures and sub-committees</li> <li>• Development of coordination mechanisms and identification of synergies between the various de-concentrated entities (WSDFs, TSUs, WMZ, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Dialogue on budget ceilings, DP commitments, GoU budget allocations and financing modalities between MWE, MoFPED and DPs</li> </ul>
Component 1 – SPS and Capacity Development	<ul style="list-style-type: none"> <li>• Agreement on the need for a single liaison unit for the coordination and facilitation of the overall programme and as an anchorage point for capacity development and programme support activities to be reached</li> <li>• Formulation of capacity development strategy: Study and workshop</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening of Liaison Department / JWESSP coordination unit for the extended mandate, to be fully operational before the launch of the JWESSP</li> <li>• Finalisation and formal approval of capacity development strategy</li> <li>• Agreement to be reached on minimum staff requirements for capacity development to be successful</li> <li>• Approval of complementary JWESSP indicators</li> </ul>
Component 2 – RWSS	<ul style="list-style-type: none"> <li>• Future mandate and status of TSUs and synergies with other components to be discussed</li> <li>• Clarification of the status and management modalities for the sanitation sub-component</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring of fiduciary risks at the district level: late disbursements, share of DWSCGs spent on administrative expenditure</li> <li>• Data validation and updating procedures for the WATSUP to be put in practice.</li> <li>• Establishment of a sanitation</li> </ul>

		focal point within RWSSD
Component 3 – UWSS	<ul style="list-style-type: none"> <li>• Clarification of the involvement of NWSC in JWESSP (coordination, potential for technical support, regulatory issues, sanitation)</li> <li>• Clarification of the status and management modalities for the sanitation sub-component</li> <li>• Study on the options and modalities to implement the integrated sanitation strategy for small towns (technical options, sludge management, potential role of the private sector, smart subsidies, capacity building needs, links with solid waste management and urban drainage)</li> </ul>	<ul style="list-style-type: none"> <li>• TA for the WSDFs created since 2008 should be in place before the start of JWESSP.</li> <li>• Policy issues of cost recovery and subsidy policies should be discussed and reconfirmed to ensure political support</li> <li>• Establishment of a sanitation focal point within UWSSD</li> </ul>
Component 4 – Water for Production	<ul style="list-style-type: none"> <li>• Economic and policy study to establish the real costs of the force account model vs. contracting out.</li> <li>• Preparation of a checklist defining the planning and coordination steps for dams, including cooperation with the MAAIF and DWRM</li> <li>• Review / identification of additional performance indicators to capture the benefits and actual use of WfP investments (outcome level)</li> </ul>	<ul style="list-style-type: none"> <li>• Technical coordination committee between the MAAIF and MWE to be operational;</li> <li>• Formal agreement on planning and implementation modalities for WfP infrastructure to be financed through the JPF</li> <li>• Approval of amended set of performance indicators, establishment of the related data collection and reporting arrangements.</li> </ul>
Component 5 – Water Resources Monitoring, Planning and Regulation	<ul style="list-style-type: none"> <li>• Final decision on the component structure for water resources management under JWESSP</li> <li>• Identification of additional sub-sector indicators to monitor the performance and outcome of the component activities</li> </ul>	<ul style="list-style-type: none"> <li>• Formal agreement on the provision of core funding between MoFPED, MWE and DPs; JPF support should not be the main channel of funding for regular core functions.</li> <li>• Existing Golden Indicator on compliance to become fully operational</li> <li>• Setup of data collection, validation and reporting procedures for all WRM indicators</li> </ul>
Component 6 – Water Management Zones		
Component 7 – Natural Resources	<ul style="list-style-type: none"> <li>• If possible, TA support to be provided during the preparation</li> </ul>	<ul style="list-style-type: none"> <li>• Development of capacities for financial management, planning, M&amp;E and reporting, including</li> </ul>

<p>Management</p>	<p>phase</p> <ul style="list-style-type: none"> <li>• Clarification of the scope and phasing (phase 1: capacity development only?) of the support to be provided under JWESSP, depending on DP readiness to support the ENR sub-sector</li> <li>• Earmarking of ENR sub-sector funding under the JPF?</li> <li>• Preparation of strategic plan for capacity building, including TA requirements, filling of vacancies and the need for contract staff.</li> <li>• RTSUs for environmental support, wetlands management and forestry should be included on the Ministry's concept for de-concentrated structures</li> <li>• Clarification of the involvement of NEMA and NFA in JWESSP</li> <li>• Wetlands: Recent implementation experience (e.g. Wetland Sector Strategic Plan 2001-2010) to be evaluated</li> <li>• Forestry: Evaluation of the findings of the 2010 forestry sector review</li> </ul>	<p>preparatory TA support</p> <ul style="list-style-type: none"> <li>• Establishment of a unit in charge of component management under DEA</li> <li>• Necessary staff numbers and qualifications should be negotiated and formally agreed prior to the launch of the JWESSP (for all ENR departments)</li> <li>• Agreement on budget allocations to sustainably finance the recurrent costs of environmental services</li> </ul>
<p>Component 8 – Weather, Climate and Climate Change</p>	<ul style="list-style-type: none"> <li>• Programme formulation to be coordinated with the finalisation of the Climate Change Policy</li> <li>• Clarification of implementation responsibilities for climate change mainstreaming: Responsibilities of CCU versus other departments/components involved</li> <li>• Identify the scope of support to the Meteorology Department, taking the plans to establish the Uganda Meteorological Authority into account.</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening of planning, financial management and M&amp;E capacity of CCU to ensure compliance with JPF/JWESSP requirements</li> <li>• Planning, management and M&amp;E capacities to be created at Meteorological Dept.</li> <li>• Technical and managerial support during the preparation phase</li> <li>• Agreement on staffing (numbers and qualifications) and recurrent budget requirements</li> </ul>
<p>Component 9 – NGO Support</p>	<ul style="list-style-type: none"> <li>• Identification of the component: Clarification of DP interest, scope and channels of support, implementation responsibilities, monitoring arrangements</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of an operational implementation framework for the component, separately from but coordinated with government channels of JEWSSP support.</li> </ul>



