



Ministry of Water and Environment Joint Sector Review 2018



***Promising Start of the
Umbrella Authorities
Model:***

**Taking Stock after the
First Year of Operations**

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In a Nutshell: The new Umbrella Authorities Model

- A new management model that is tailored for piped water schemes supplying small towns and rural areas
- First schemes now managed since one year (since August 2017)
- Model builds on the structures and experience of the 6 regional “Umbrellas of Water and Sanitation” that were created between 2002 and 2014 to provide O&M backup support services
- Under the new model the Umbrellas are appointed as **Water Authorities**. Instead of playing a supporting role as in the past they assume direct management responsibilities for the “gazetted” schemes.
- UAs are now gazetted as Water Authorities for 434 schemes supplying about 2.5 million people

In a Nutshell: The new Umbrella Authorities Model

Key features of the new model

Maintained:

- Lean staffing structure
- Involvement of the local communities
- Flexible tariffs based on local O&M costs - lower tariffs for gravity flow systems without pumping costs

New:

- Local scheme operators now directly contracted and supervised by the Umbrella Authorities
- Introduction of electronic billing and revenue collection systems
- Metering of unmetered schemes – payment by consumption
- Investments in repairs, extensions and more connections
- Performance monitoring

Rationale of the New Model

Old model - O&M backup support:

- Umbrellas working mainly in “fire-fighting” mode
- Uphill struggle against bad management practices, no mandate to take action
- Dependent on donor funding and GoU grants to meet the costs of the support services.
- Local revenue collection insufficient – no savings made to pay for investments
- Effective regulation unrealistic for hundreds of very small Water Authorities.

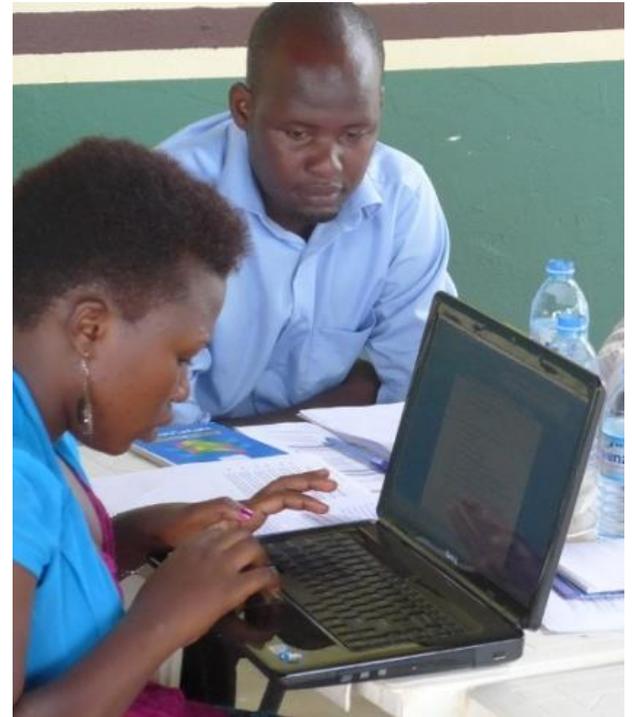


New Water Authorities Model:

- Direct management responsibility of UAs
- Professionalized management emphasizing preventive maintenance
- Revenue collection using electronic systems
- Umbrellas to become independent of donor support
- Investments through Revolving Fund
- Close monitoring by MWE HQ and Water Utility Regulation Dept.

Introduction of Electronic / Web-based Technologies

- Electronic transfer of collected revenue (EzeeMoney, other platforms planned)
- General introduction of billing software
- Integrated electronic billing and payment system under development, field testing to start in September 2018
- Introduction of accounting software under preparation
- Performance monitoring and asset management using a web-based information system (UPMiS)



6 Regional Umbrella Authorities



Central Umbrella
Wakiso

Eastern Umbrella
Mbale

Karamoja Umbrella
Moroto

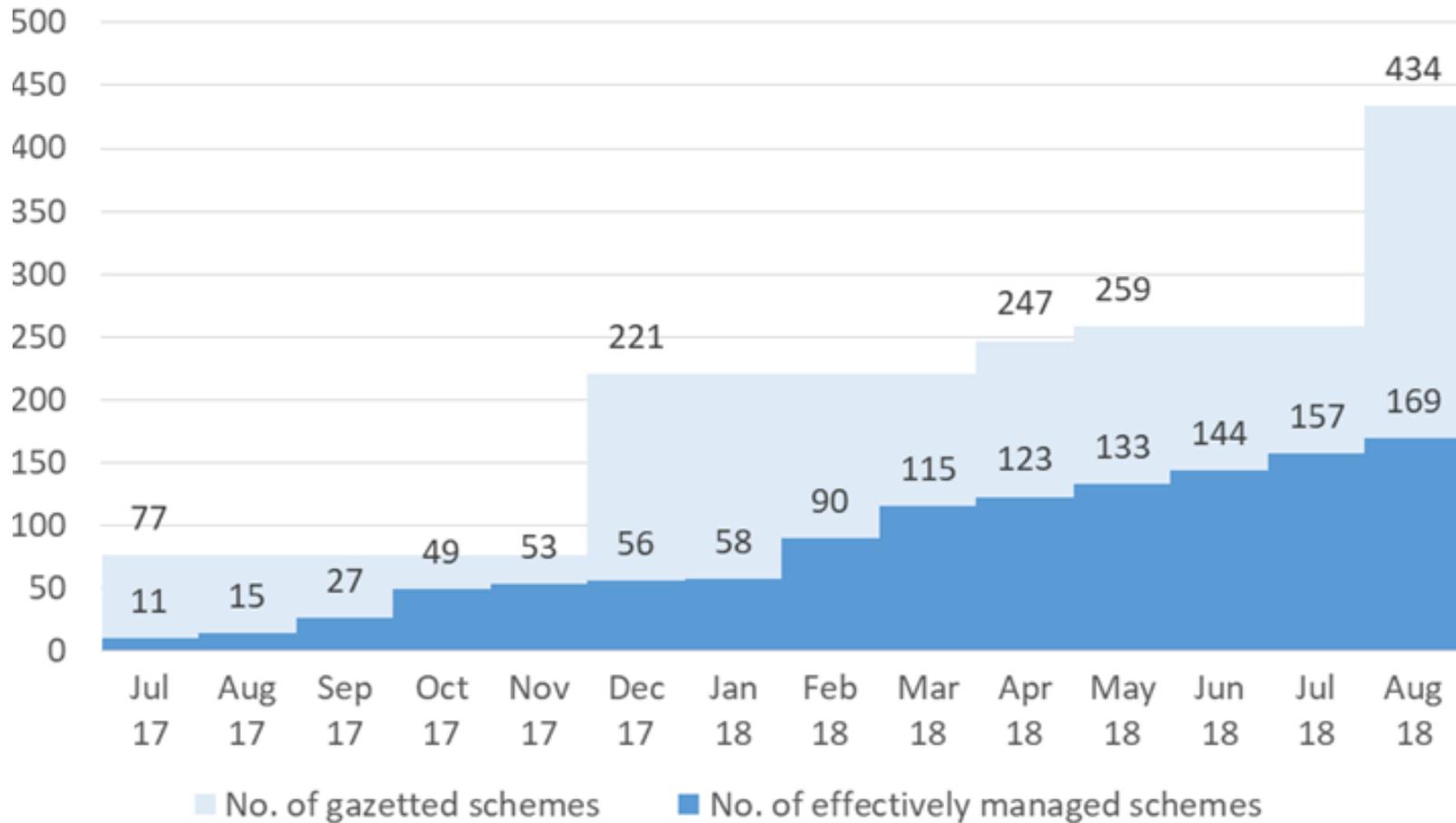
Mid-Western Umbrella
Kyenjojo

Northern Umbrella
Lira

South Western Umbrella
Kabale

Progress of Gazetting and Takeover of Schemes by Umbrella Authorities

Number of Schemes under UA Management Model



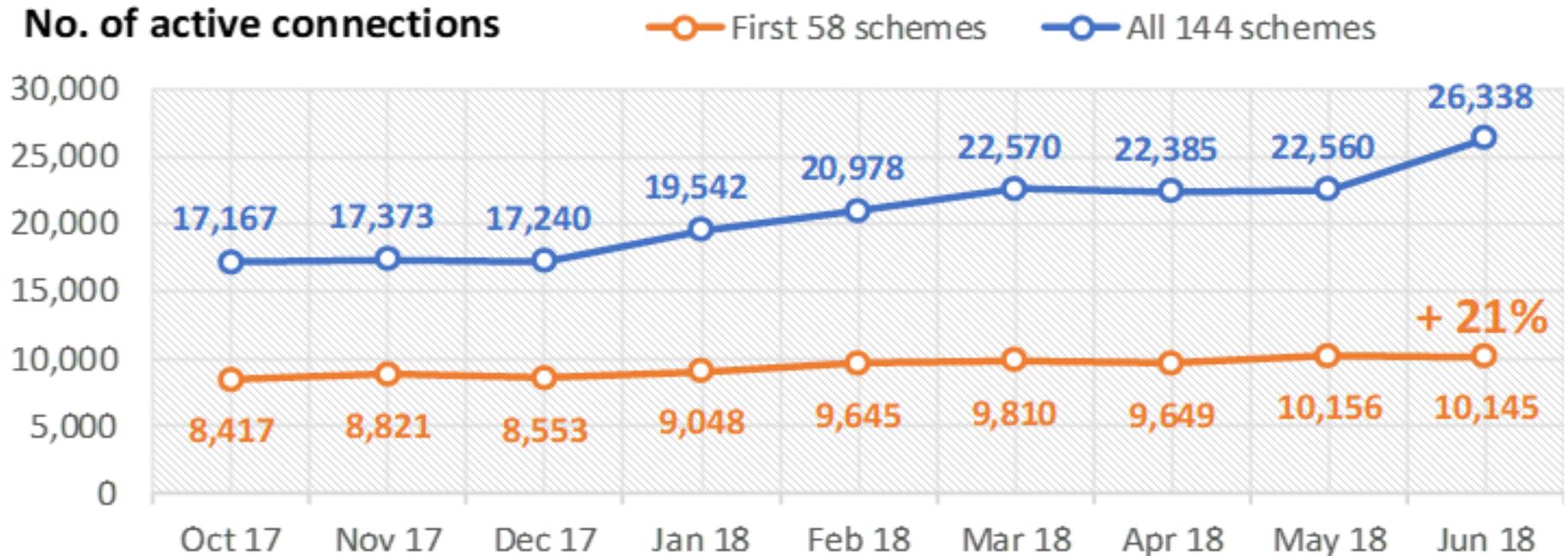
- **What is the experience after the first year of UA operations?**
- **Is there evidence that the expectations will be met?**

The following slides analyse selected Key Performance Indicators using data from UPMiS and from the electronic revenue collection system. The results shown are for all UAs combined.

Two groups of schemes were analysed:

- **Orange:** The first 58 schemes that were taken over before the end of January 2018. This allows to analyse performance trends for this subset of schemes.
- **Blue:** All 144 schemes that were under UA management by end of June 2018, including the 58 schemes above.

Increasing Number of Connections

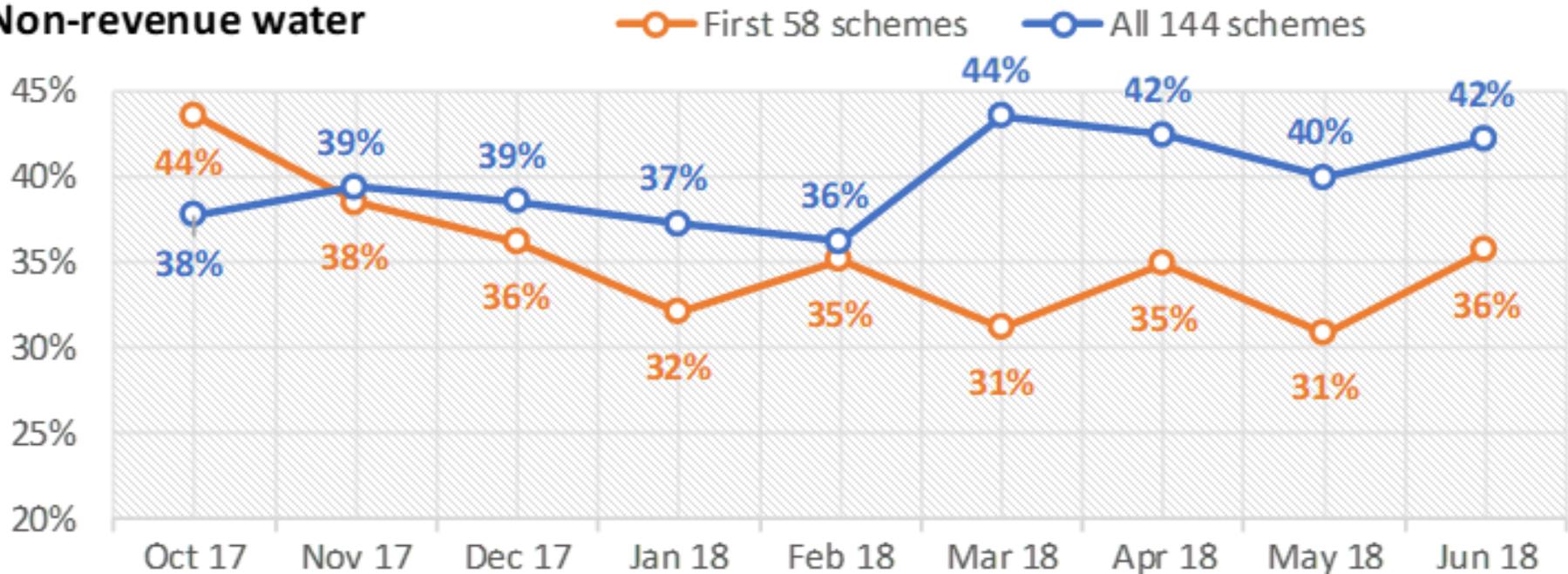


- Number of connections is steadily increasing – by more than 1,700 or 21% in the first group of schemes that were taken over
- Demand for new connections is high but the rate of increase is limited by funding, as many interested customers cannot pay the full costs of being connected



Decreasing Non-Revenue Water

Non-revenue water



- In the first group of towns NRW decreased from 44% to 36%, mainly due to improved management practices
- Further reductions are expected when funds become available for the investments that are needed to reduce physical losses

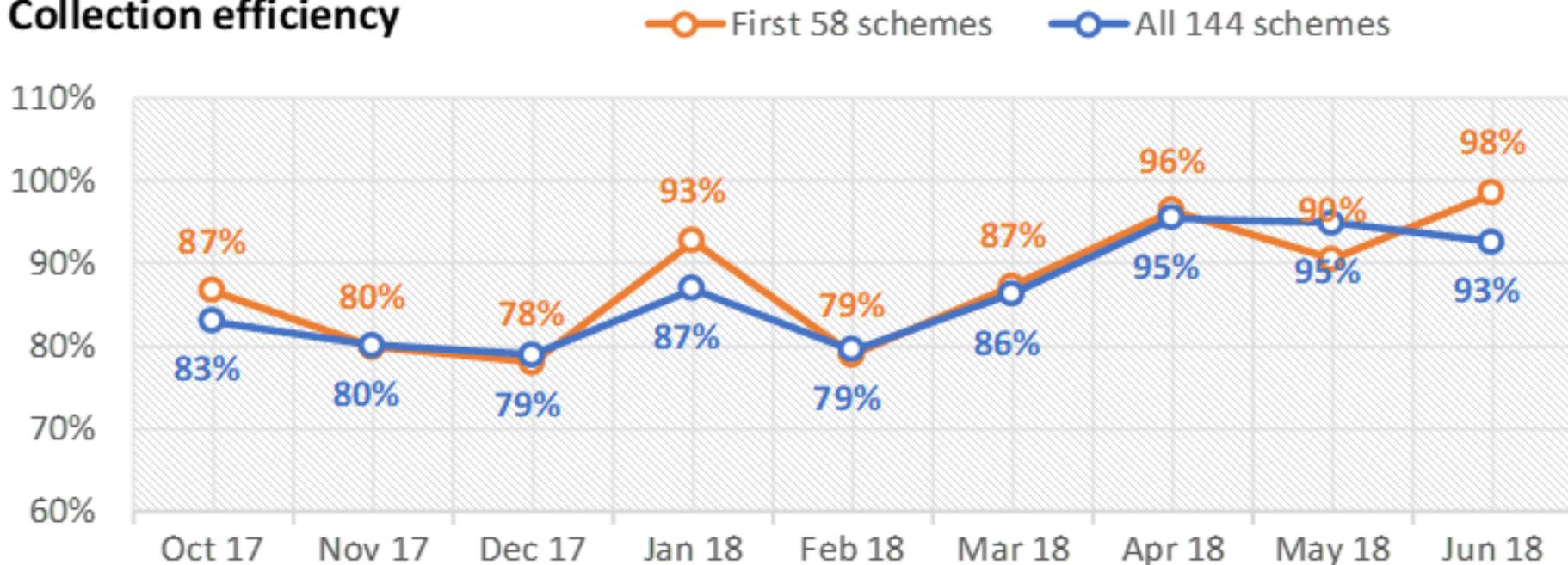
Increasing Revenue Collections



- Revenue collections up by 51% for the first group of schemes (October 2017 to June 2018)
- Increase continues - total collections exceeded UGX 500m in August

Collection Efficiency

Collection efficiency



- Collection efficiency: average 94% in quarter 4, mainly using electronic systems
- 83% of the collections are being made using electronic systems (Ezee Money)



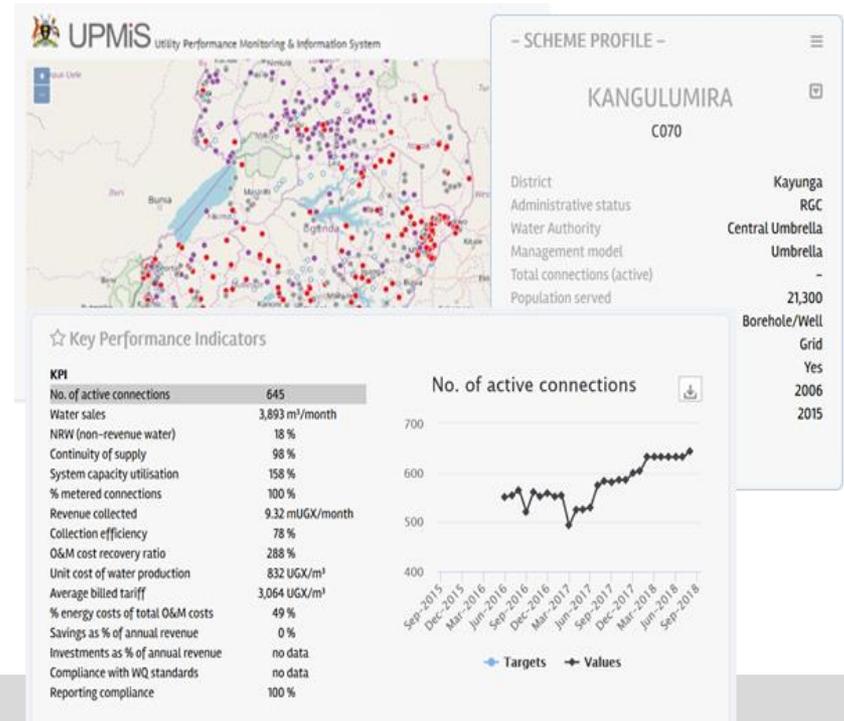
Towards Financial Sustainability

- Revenue collections on average **58%** above direct local operation costs (energy costs, scheme operators' remuneration etc.)
- This surplus can now be used
 - to address the backlog of investments, including repairs, extensions and back payments to the Revolving Fund
 - to cover the Umbrella Authorities' operation costs at the regional level and make them independent from donor support.
- However, there are significant differences between UAs: The Karamoja and South-Western Umbrellas have fewer customers, lower water sales and revenue collections.
 - Collections just cover the direct operating costs but are not yet sufficient to sustain the UAs' operations.

Other Performance Indicators

all UAs combined, Quarter 4 2017/18:

- **Continuity of supply: 91%** on average, improving
- **90%** of samples complying with water quality standards (711 samples taken in quarter 4, FY 2017/18)
- **95%** of the UA managed schemes are submitting monthly performance reports through UPMiS



Water Quality Concern

Mid-Western Umbrella:

- In the Rwenzori region there is a large number of piped water systems where surface water is distributed to customers without any treatment. It is urgent to set up a programme to retrofit these systems with water treatment units.



Successful Launch of the Revolving Fund (RF)

RF designed for small to medium investments such as

- Major repairs and replacement of equipment
- Scheme extensions and capacity increase
- Subsidised connections
- Metering of unmetered schemes
- Water source protection

Back payments to be made from revenue collections – The RF works at the Umbrellas’ “credit card”.



Up to August 2018:

- 90 eligible projects approved
- 47 of these completed, rest under construction
- > 80% of the initial seed funding of UGX 2.3bn spent

Conclusion

- ✓ **New Umbrella Authorities model is promising and has met the expectations during the first year of operations**

Challenges and Recommendations:

- Current staffing and logistical resources (transport) are not yet adequate for the huge task and can only be strengthened gradually, as revenue collections increase
- External support of UA operations at the regional level should therefore continue for another year, in particular for the Karamoja and South Western Umbrellas
- Support is also needed as long as Umbrellas are expected to provide free support services to schemes they are not managing

Conclusion

- ✓ **New Umbrella Authorities model is promising and has met the expectations during the first year of operations**

Challenges and Recommendations (continued):

- Support is also needed to meet the costs of the initial investments of the schemes taken over, where often the most basic infrastructure is not available – e.g. metering of unmetered schemes or missing water treatment units
- Many schemes suffer from a serious investment backlog – resulting from ageing infrastructure and deferred maintenance – that cannot be met from the Umbrellas' own resources alone.
- Finally, a substantial capacity development programme should be set up including targeted training modules for UA staff and a broad training programme for local scheme operators

Thank you

