

## **MINISTRY OF WATER AND ENVIRONMENT**

# **POLICY ON TARIFFS FOR SMALL TOWNS, RURAL GROWTH CENTRES AND LARGE GRAVITY FLOW SCHEMES**

## **1 INTRODUCTION**

The Government of Uganda has in the recent past reviewed tariffs for water in small towns, rural growth centres and gravity schemes. Country-wide consultations were made with key stakeholders including several government ministries, Local Governments, Water Authorities, Private Operators, NGOs, CBOs and the general consumers.

It has been established that hitherto the tariffs that were being applied in the various water supply schemes were shrouded in inconsistency and often difficult to explain to the average consumers. Accordingly Government has decided to advance a new policy position in respect of water supply services to small towns.

## **2 POLICY GUIDELINES ON TARIFFS**

### **2.1 Formulation of Tariff**

Tariffs shall be formulated in accordance with the Water Act Cap. 152; Section 94 and the involvement of the stakeholders, especially the local authorities. The current management practice of Water Authorities and Private Operators presently in small towns should be extended to cover rural growth centres and large gravity flow schemes.

### **2.2 Water Tariff**

Each service area should have its own tariff based on the uniqueness of the water infrastructure and hence the attendant O&M costs. The tariff should be as simple as possible and setting decentralized. The basis of the tariff should be the historical cost of operation/production coupled with possible planned measures (by the Private Operator and Water Authority) for improving efficiency and keeping costs low.

### **2.3 Tariff Structure**

The tariff shall be uniform in each of the service areas in order to make it easy to understand and eliminate unnecessary investment in software development or high cost of acquiring such software that would otherwise be needed for tariff determination.

### **2.4 Service Fee**

The service fee which effectively increases the water bill for an average consumer by 30% is resented by the consumers. Thus the service fee should accordingly be eliminated or reduced significantly because of the low per capita consumption in the small towns.

## **2.5 Subsidy to Water Provision**

Tariffs will only be subsidized under exceptional circumstances. Subsidies should target access and not consumption to save Government of the burden created by wasteful subsidies. Access to services shall be subsidized as a means of achieving a critical mass of connections in all the areas. Government will continue subsidizing the extensions in the areas. Presently this subsidy is in form of conditional grants and materials/equipment supply procured centrally to benefit from economies of scale and quality control. However, in exceptional cases of operational hardships, particularly for schemes in poor working conditions and with high operating costs due to the nature of the water abstraction and treatment, subsidies will be provided towards operational costs.

## **2.6 Government Support to the Water Authorities and Operators**

Government shall improve on the support to the Water Authorities and the Private Operators in order to build capacity to enhance efficiency, effectiveness, viability and hence sustainability of the systems.

## **2.7 Sanitation Levy**

Sanitation is relegated to a lesser position partly due to the multiplicity of centres of responsibility (Ministry of Water and Environment, Health, Local Government and Education and Sports) for its management. Therefore, there is need to have serious consideration on the mode of delivery of and the responsibility for sanitation services in order to maximize the impact and eventual outcome of providing potable water. Efforts shall be made towards the establishment of a sanitation levy in large towns, while working in the context of the Memorandum of Understanding between the Ministries of Water and Environment, of Health and of Education and Sports. Such an approach shall be arrived at on the basis of consultation and concurrence with other Government agencies and stakeholders shall similarly be adopted in other urban areas where this is found to be applicable and suitable for implementation.

## **2.8 Pro-poor Strategy**

The poor currently pay more per unit volume of water because of lack of easy access and charges levied by middlemen (kiosk/yard tap owners and vendors). Service for the poor will therefore be critically addressed through a combination of the following initiatives: location of service points within the community of the poor, use of pre-paid meters, national procurement of common inputs to support pro-poor initiatives, improved mechanism for accountability on services to the poor, control of price at yard taps or stand posts. The use of yard taps shall be encouraged.