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Uganda signs \$3.2m World Bank-administered grant for increasing access to clean water in small towns through output-based approaches

Kampala, February 12, 2007— A \$3.2 million World Bank-administered grant agreement was signed today for improving access to water supply services to the poor in up to 12 small towns and rural growth centers in Uganda. The grant is funded by the United Kingdom's Department for International Development (DFID), the World Bank's International Finance Corporation (IFC), and the Netherlands Ministry of Development Cooperation (DGIS) under the Global Partnership for Output Based Aid (GPOBA) administered by the World Bank.

The funds will be utilized under a public-private partnership involving private operators and local water authorities, who will improve water supply services through increased investment in infrastructure. The private operators will be selected through a competitive process administered by the Ministry of Water and Environment (MWE).

The Minister of Water and Environment, Hon. Maria Mutagamba presided over the signing ceremony. Mr. Joseph M. Baliddawa signed the GPOBA Grant Agreement on behalf of PricewaterhouseCoopers Limited, while Ms. Grace Yabrudy signed on behalf of the World Bank. PricewaterhouseCoopers Limited will act as a fiduciary agent for the grant but the key implementing agency will be the Ministry of Water and Environment's Directorate of Water Development (DWD). In addition to the grant agreement, a Memorandum of Understanding was signed between the Ministry of Water and Environment and the GPOBA for implementing the project.

Speaking shortly after the signing ceremony, Ms. Yabrudy, Uganda Country Manager of the World Bank explained that performance-based grants such as those provided by GPOBA are required for countries like Uganda if it is to achieve its national water supply targets and the Millennium Development Goals (MDGs). She said the large investment required in the water sector cannot be recuperated from the nation's poor through user fees. She noted that the key to the success of this pilot project will be the private operators' ability to pre-finance the delivery of services, in some cases borrowing from local commercial banks. The private operators will be

compensated for the delivery of agreed outputs through the grant, to be verified by an independent monitoring agent.

“The use of innovative subsidies to promote transparency and accountability in operations is of key interest to the World Bank globally and by involving the private sector, this project will help to do that,” said **Ms. Grace Yabrudy, World Bank Uganda Country Manager**.

Small towns and rural growth centers in Uganda face severe challenges in providing safe and adequate water supply services to the poor. GPOBA provides grants that aim to improve the delivery of basic services such as water, sanitation, electricity, health and education to the poor. GPOBA grants are disbursed through operators that will receive payment only after providing agreed outputs that meet agreed quality standards, in this case, household yard taps and public water points. The current grant is being made after extensive consultation with the Government of Uganda represented by the Ministry of Water and Environment.

“This grant will improve the lives of the poor in these small towns and rural growth centers, and help Uganda move closer to achieving the Millennium Development Goals” said **Acting Permanent Secretary of the MWE, Eng. Sottie Bomukama**.

The grant will reach about 45,000 new customers in the 10 to 12 small towns and rural growth centers. The grant will also provide capacity building to the Ministry in relation to competitive tendering processes and monitoring and verification. The small towns and rural growth centers that will benefit from this first pilot include: Kachumbala, Wakiso, Luwero, Wobulenzi, Rukungiri, Kalisizo, Sipi, Namutumba, Magale, and Masafu. Works in Kachumbala, Wakiso, Luweero, Wobulenzi, Rukungiri and Kalisizo are limited to extensions, new connections and minor repairs; while works in the rest of the towns involve construction of totally new infrastructure. The International Finance Corporation, a member of the World Bank Group, has provided capacity building services for the private sector operators.

“We are excited about this innovative approach, and hope to see it replicated elsewhere in Uganda as there is great demand, as well as a growing Uganda private sector ready to take on a larger role”, said **Acting Assistant Commissioner of the DWD, Eng. Chris Azuba**.

“GPOBA believes that output-based aid approaches may be more widely applicable in the Ugandan context, and we hope this pilot will lead to good results which will enable us to scale-up our activities in the water sector,” said **Yogita Mumssen, GPOBA Project Manager**.

PricewaterhouseCoopers was competitively selected to provide its services as fiduciary agent, and will help ensure transparent and efficient disbursement of funds. Director of PricewaterhouseCoopers Limited of Uganda Joseph Baliddawa stated: “We are excited to be part of this innovative pilot and see it deliver the results expected.”

For more information on the World Bank’s work in Uganda visit:

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