

The Role of the Water and Environment Sub Sector in Industrialization and Wealth Creation

Keynote Address

The Annual JSR for the Water & Environment Sector

Fred K. Muhumuza, PhD
School of Economics
Makerere University

The W&E sector is a critical to the success of all sectors

- The thinking underlying the proposed focus of the NDP III is to enhance household incomes and improve the quality of life by focusing on resource-led industrialization and export.
- Agro-based and mineral-based industrialization and labor-intensive light manufacturing are being looked at as central to this agenda.
- It is impossible to imagine realization of such a goal without the critical input of water and environment.
- The linkage between water, environment and agriculture should be central to Uganda's development planning for wealth creation given the fact that the bulk of the population is dependent on agriculture directly or otherwise.

Increasing negative pressures need to be counteracted

- The growing demand for water due to population and economic growth in general, is expected to increase due to expansion of industrial water usage including the process of electricity production.
- The environment that underlies the quantity and quality of water is equally an important aspect that tends to get neglected in terms of adequate investments and focus.
- The stagnant trend in poverty reduction has raised risks to the environment in terms of clearing of the vegetation for energy (charcoal and firewood), farming and timber for the housing industry.
- Water as a means of transport is yet to be fully exploited and is risky yet it remains the cheapest means of moving bulk items and raising connectivity across the country.

The W&E sector is even more central to preservation and promotion of tourism than infrastructure



Investments in W&E are highly correlated with other sectors

- Inadequate management of water systems creates risks to investments in other sectors such as transport, energy, agriculture and industry.
- E.g. there is emerging evidence that power generation is being undermined by reduced water volumes in rivers
- Disruption of water flow systems is destroying road infrastructure.



Matters to do with Sanitation and hygiene

- The major role of Government to the public is education and sensitization
- This is besides provision in limited places (highways and public institutions)
- Recent experiences at Kirudu National Referral hospital highlight the challenge of taking matters of sanitation lightly.
- Open defecation remains a challenge that is not just a result of cultural practices but negligence by households.
- The District Sanitation and Hygiene Conditional Grant supported 97 districts in 2018/19, but with reduced amounts from UGX 21-23Mn to less than UGX 20Mn/yr due to an increase in number of districts but not the money.
- The challenge is the inclination of GoU budgets to capital development is likely to undermine the trust pressing the private individuals to make the necessary investments in sanitation and hygiene
- Going forward, budget flexibility and increased amounts will be key

Rainwater harvesting – a begging opportunity

- While within reach of millions of households, many lack the means.
- Most households can only store about 40 liters from a heavy downpour mainly due to lack of storage containers.
- GoU should provide incentives to the production of plastic containers for both households and institutions.
- Vulnerable households (elderly, child-headed, chronic illness, etc.) could receive free containers



What is implied by the growing desire for irrigation

- Planned irrigation strategy for wealth creation is likely to be negatively affected by the volatility in water volumes and quality across the country.
- The next NDP proposes to support agro-industrialization by clustering districts into nine (9) agro-ecological zones to be supported to maximize value addition in selected commodities and building special industrial parks.
- This strategy needs to be harmonized with the zoning of water catchment areas for harmonization of investments in inputs.
- Besides, the future of these agro-ecological zones is bound to change from the current status depending on the initiatives for the management of climate change.

How much water is where to support irrigation?



- The volumes of water required to support and sustain irrigation in given areas and for specific crops demands establishment of a data base that gets regularly updated.
- Efforts to protect the catchment areas should run parallel if government is to avoid creation of future white elephants.

Water for refugees and internal migrations

- While as Chair of the World Vision Uganda Board, my experience with Bidi Bidi, currently the largest refugee camp in the world, was the need to provide water, sanitation and hot meals.
- The need to do programmes) for water in refugee areas is amplified by the fact that in Uganda, they rarely go back.
- This should become a standing item on the Sector's agenda with rapid response plans including an equivalent of a 'reserve force'.
- Relatedly are the internal migrations of low-income people who continue to increase in slums and similar places that need to be targeted and monitored regularly to inform planned investments.

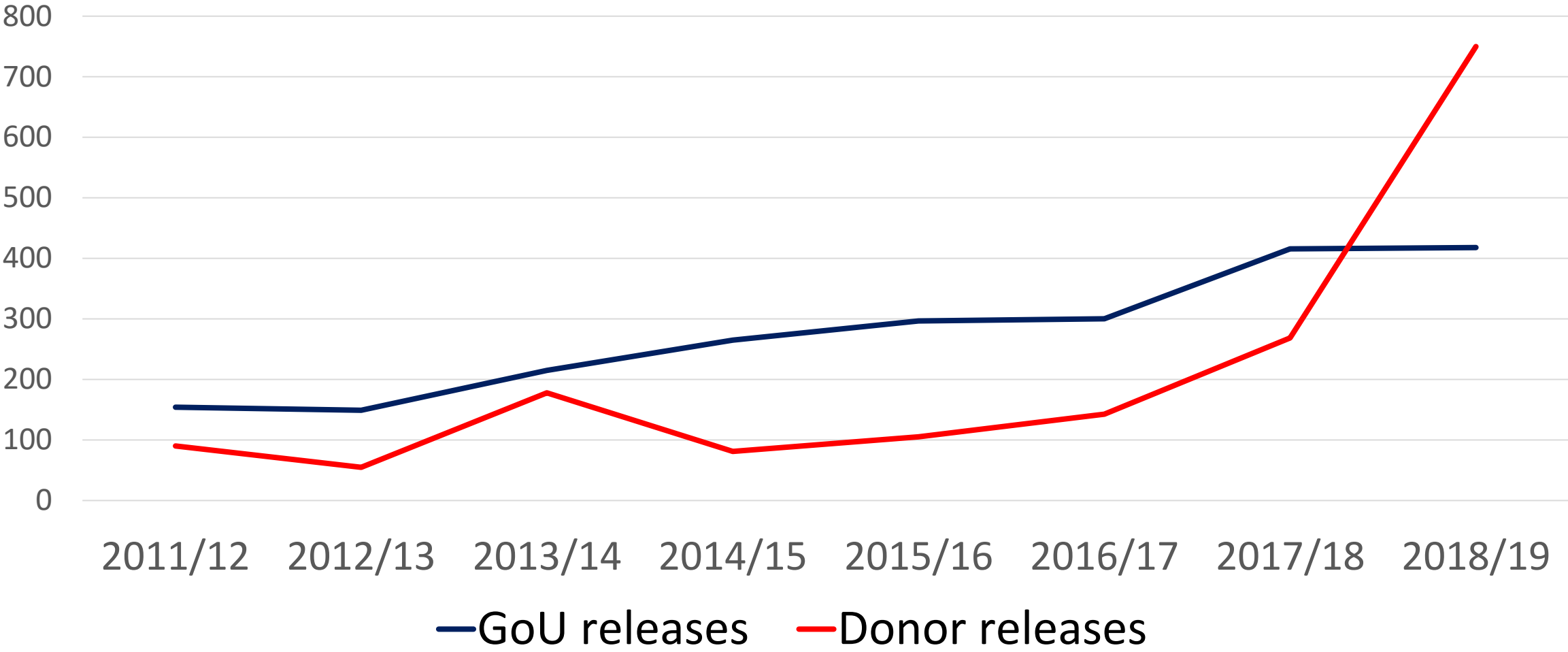
What about climate change?

- Here is one case where Uganda can only join the rest of the world to find and implement common solutions for a problem that transcends sovereign borders.
- Uganda's current stance on preservation of forests and water catchment areas should be a concern.
- Effects of climate change effects are already manifesting through changing rainfall patterns and total amounts.
- According to NPA (2019), there is a significant reduction in the forest cover from 15% in 2010 to 9.5% in 2017
- There is also wetland degradation and encroachment that has reduced wetland cover from 11.9% in 2012 to 10.9% in 2017.

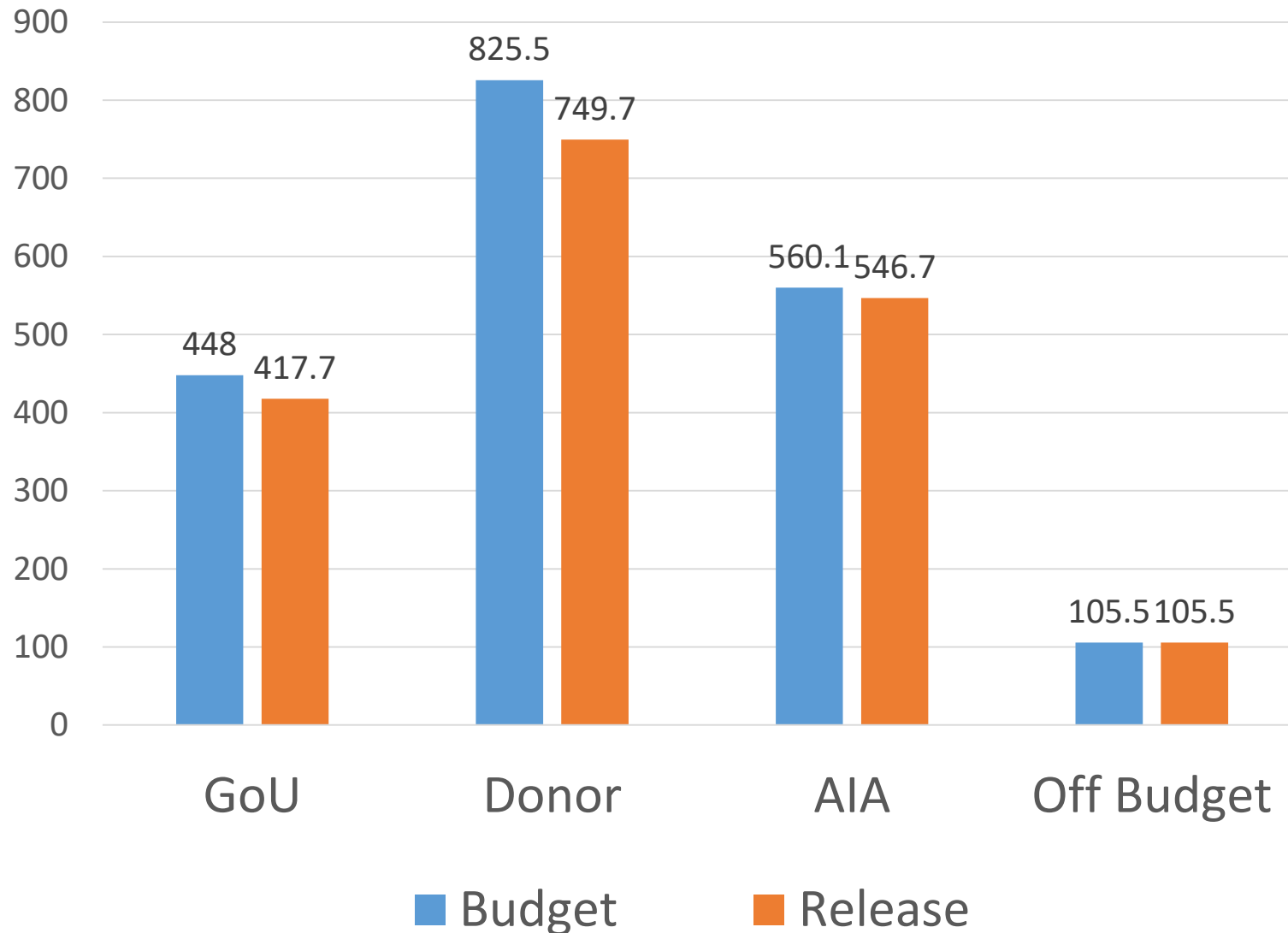
Alternative source of financing the sector

- The W&E sector has limited ability to generate own resources to finance the required investments in a poor country like Uganda.
- It is possible that the bulk of investments in areas where the tariff can cover O&M (but not the capital) are already getting exhausted.
- Thus, funding to increase investments and realise equality and sustainability has to continuously come from outside the sector.
- These could be funds from GoU but increasingly from DPs given the growing limitations on the GoU budget.
- It may be time to revert to sector basket funding modalities in addition to pure project finance.

GoU releases will continue to increase gradually but not significantly while DPs show great potential



Budget versus release for 2018/19



- Donors to be credited for the significant support and remain the most reliable source of additional finance
- Specific funds are possible as seen in the case of Gabon
- A resource mobilization unit could be created in the Ministry to solicit for alternative finances including support to private sector initiatives

Gabon receives US\$ 150M for preserving forests

- Gabon become the first African country to get paid to protect its rainforests as part of a global strategy to deal with climate change.
- Last Sunday (22/09/19) Norway committed to pay US\$150M, through the Central African Forest Initiative (CAFI), toward the 10-year agreement.
- CAFI, was born 4 years ago and includes 6 African nations, global development agencies and European partners.
- Gabon holds just 12% of the Congo Basin forests but is home to about 60% of the forest elephants in Africa.
- The African forests and peatlands store up to 70 billion tons of carbon, or the equivalent of 5 - 10 years of global greenhouse gas emissions.
- Gabon's commitment to resolve its environmental and political challenges is shown by removal from office of the Forests Minister following the corruption scandal over illegal logging in 2019

More funds to be targeted

- The U.K. government announced new climate change and biodiversity funds worth £1.3 billion (\$1.6 billion) on Monday
- They include 1 billion pounds to support British engineers and scientists to develop “cutting-edge tech” to help low-income countries reduce their carbon emissions;
- Another 220 million pounds for the International Biodiversity Fund to preserve the world’s endangered species and habitats;
- Another 100 million pounds for the Biodiversity Landscape Fund to protect mangroves and forests.
- The funds are part of Johnson’s commitment, also announced at UNGA, to double the U.K.’s international climate finance to 11.6 billion pounds.

The End

Thank You