THE REPUBLIC OF UGANDA
MINISTRY OF WATER AND ENVIRONMENT

POLICY INTERPRETATION PAPER

Demystifying Toilet Incentives in Uganda's Sanitation Policy

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Executive summary

The National Environmental Health Policy 2005 is central to Uganda's approach to sanitation, aiming to create a healthy living environment across urban and rural areas. The incentive mechanism in Section 8.2 supports targeted sanitation improvements for disadvantaged or marginalised groups, yet ambiguities in incentive guidelines and funding allocations hinder effective implementation. This paper identifies these challenges, explores recent policy developments, and suggests refined guidelines, targeting, and funding strategies to better align with global sanitation goals and improve sanitation access for Uganda's urban poor.

1. Introduction

1.1. Policy overview

The National Environmental Health Policy 2005 sets Uganda's sanitation framework, aiming to ensure healthy urban and rural environments by prioritising sanitation and hygiene. The policy delegates responsibilities across key ministries, considering the cross-cutting nature of environmental health. Section 8.2 limits government funding for private latrine hardware, but allows targeted incentives for disadvantaged or marginalised groups, or challenging environments, particularly low-cost, scalable sanitation solutions.

1.2. Purpose and scope of this paper

This interpretation paper addresses ambiguities and operational challenges within Section 8.2. It aims to clarify the incentive framework, assess practical impacts, and propose improvements to help stakeholders align policy with current sanitation demands, focusing on the urban poor.

1.3. Methodology

The analysis includes a review of the primary policy and strategies, stakeholder input from a co-creation workshop, and an assessment of incentive approaches in similar contexts to propose actionable recommendations.

2. Policy element and context

2.1. Description of the policy element

The Improved Sanitation and Hygiene (ISH) Promotion Financing Strategy 2006 prioritises incentives for public latrines, school sanitation, and initial sewer networks but excludes private household latrine support. The strategy views communal facilities as a more impactful use of public funds. This strategy prioritises demand creation rather than direct hardware provision, responding to prior ineffectiveness of supply-driven incentives.

2.2. Underlying rationale

- Social: The policy aimed to ensure equitable access to sanitation facilities and promote community health benefits.
- Economic: Directing incentives to communal facilities was intended to maximise the impact of constrained government resources.
- Environmental: Investments in public latrines, school sanitation, and sewerage infrastructure were part of broader environmental health objectives to improve public sanitation and waste management.

2.3. Identified weaknesses

- Lack of pro-poor focus: Incentives for sewerage networks tended to favour wealthier groups, limiting benefits for lower-income populations.
- Decreased sanitation funding: Removing incentives for household latrines potentially reduced overall sanitation funding rather than reallocating it effectively.
- Limited support for vulnerable groups: Marginalised communities, including orphans, widows, the sick, and disabled, faced significant barriers to improving sanitation without targeted assistance.

The 2006 shift away from household incentives reflected a strategic response to limited successes from previous supply-driven incentives. However, as shown in this paper, evolving urban sanitation needs require a re-evaluation of incentive policy to address urban poverty challenges effectively.

3. Relevant developments

3.1. Evolving global sanitation goals

Sanitation targets have grown from MDGs (focused on basic sanitation access - mainly containment) to SDGs emphasising equitable access to safe and sustainable sanitation for all - the entire value chain of sanitation. SDG 6.2 specifically calls for universal, adequate sanitation with an emphasis on vulnerable populations and open defecation elimination.

3.2. Regional commitments and the Ngor Declaration

Key commitments include the eThekwini Declaration (2008), calling for African nations to invest at least 0.5% of GDP in sanitation, and the Ngor Declaration (2015). The declarations strengthened funding commitments for universal access to safely managed sanitation targeting vulnerable populations.

3.3. ISH strategy 2018 updates

The Integrated Sanitation and Hygiene Strategy (2018-2030) provides a multi-faceted incentive framework, including:

- Private sector incentives for infrastructure, tax incentives, and loans.
- Household support through incentivised materials and household latrine funding.
- Annual budget targeting 50,000 new household toilets, emphasising urban poor support.

These updates seek to increase sanitation access, support private investment, and align Uganda's strategy with SDG 6. Despite these intentions, funding shortfalls and cost challenges persist for low-income households.

3.4. Recent research findings

High lined toilet costs (e.g., USD 600-800 per lined toilet) exceed average incomes, creating a barrier for low-income urban households. Evidence suggests that partial incentives can increase uptake among middle-income groups, while full or near-full incentives are often essential for the lowest-income quintiles. Cost-sharing remains key for broader access without full reliance on government funds.

4. Current policy interpretation and challenges

4.1. Ambiguities in incentive policy

The policy contains several ambiguities that complicate implementation.

1. Funding stance: Section 8.2 prohibits general government funding for household sanitation but allows for “targeted” incentives. It is unclear if these targeted incentives would be funded by the government or other sources, i.e. donor funding via grants or concessional loans.
2. Target group definitions: The policy lacks clear criteria for identifying “disadvantaged” or “marginalised” groups eligible for incentives, as well as definitions for “low-cost” or “innovative” technologies.
3. Historical context Vs. current applicability: The strict non-incentive stance from 2005 conflicts with today's global sanitation priorities and Uganda’s growing urban needs, particularly in informal settlements.
4. Cost-sharing mechanisms: There is no guidance on how to structure cost-sharing arrangements in the absence of government funding, particularly in partnerships with development partners or the private sector.

4.2. Conflicting interpretations of policy provisions

1. Strict non-incentive interpretation: Some stakeholders interpret Section 8.2 as a ban on household incentives.
2. Permissive targeted incentive interpretation: Others view the policy as allowing limited incentives for low-income households, innovative approaches, or essential urban sanitation support.

4.3. Challenges resulting from interpretative conflicts

A. Global and regional misalignment: Limited incentives hinder Uganda’s alignment with SDG 6 and regional commitments for safely managed sanitation.

B. Investment limitations: Donors and development partners are reluctant to fund, or co-fund initiatives restricted by policy, limiting potential investments from both household and private sector sources.

5. Impact analysis

5.1. Stakeholder impact

- Households and urban poor: Low funding limits access to safely managed toilets that promote effective faecal sludge management for vulnerable urban populations, exacerbating public health risks and inhibiting sanitation investment.
- Development partners: Inconsistent policy interpretation creates funding reluctance, constraining donor contributions for household sanitation.
- Private sector: Limited government incentives reduce private sector participation, essential for sustainable urban sanitation improvements.

5.2. Consequences of policy ambiguities

- Pro-poor limitations: Current policy interpretation continues to exclude urban poor communities from essential incentives.
- Environmental and public health risks: With a majority relying on unlined pit latrines, urban water sources face contamination, increasing disease rates, and higher public health costs.

- ➢ Stagnant progress: Access to safely managed urban sanitation remains around 22%, far from universal goals.

6. Recommendations for policy review and improvement

1. Clear incentive guidelines: Specify approved incentive types (e.g., partial, output-based, demand or supply oriented), defining incentive limits to avoid full reliance on government funds.
2. Target group definitions: Identify specific population quintiles or socioeconomic indicators to clearly designate which groups are eligible for targeted incentives.
3. Cost-sharing partnerships: Enable cost-sharing with development partners and the private sector to supplement limited government funding for sanitation infrastructure.
4. Set standards for toilets that need to be incentivised: Focus on "safely managed" facilities and appropriate standards to meet SDG goals.
5. Shift policy focus from "improved" to "safely managed" sanitation: Update policy language and standards to align with international targets.
6. Reformulate the term "subsidy" to "incentives": Considering the current trends and given that that the term "subsidy" has in the past earned a negative image, it is recommended that the term subsidy should be replaced with "incentive".
7. Strengthen the private sector through financial, non-financial incentives, and support other aspects of the enabling environment. This has multiplier effects by empowering small local sanitation entrepreneurs, and in turn reduce the cost of sanitation services.

8. Conclusion

This paper highlights key ambiguities in Uganda's sanitation incentive policy, stressing the need for clearer definitions, structured guidelines, and consistent cost-sharing mechanisms. By aligning with SDG and regional commitments, Uganda can improve access to safely managed sanitation, address urban health challenges, and advance public health equity. Addressing the current gaps requires coordinated action from stakeholders, including a dedicated incentive framework to better serve the urban poor and advance Uganda's sanitation goals.

9. Annexes

5. Annex 1: Glossary of terms

Policy: A guiding framework or instrument that outlines principles and actions to achieve national sector goals. It provides the broad direction for decision-making and actions by the government.

Strategy: A detailed, actionable plan designed to achieve specific objectives within the scope and guidelines provided by policies. It includes steps, resources, and timelines for implementation.

Safely managed sanitation (SDG target): Improved sanitation facilities that are not shared or shared among a limited number of users (no more than four households or 20 individuals). It ensures that excreta is safely disposed of on-site or collected and treated off-site, thereby protecting both public health and the environment.

Improved sanitation (MDG target): Toilet facilities designed to hygienically separate excreta from human contact (without considering the sharing of facilities or the safe disposal/treatment of excreta), and include flush/pour flush toilets connected to piped sewer systems, septic tanks or pit latrines; pit latrines with slabs (including ventilated pit latrines), and composting toilets

Incentives: Financial incentives characterised by a situation in which the cost borne by users or customers for a product or service falls below the actual cost, with the deficit often covered by a third party, such as the government, fellow users, or future generations.

6. Annex 2: Supporting documents

- National Environmental Health Policy 2005. Available at https://library.health.go.ug/sites/default/files/resources/National%20Environmental%20health%20Policy.pdf. Last accessed 08.11.2024
- Improved Sanitation and Hygiene (ISH) Promotion Financing Strategy 2006. Available at https://www.usaid.gov/sites/default/files/2022-05/J.5%20Uganda%20San%20Financing%20strategy%20FINAL%20December%2010%202006_0.pdf. Last accessed 08.11.2024
- Integrated Sanitation and Hygiene Strategy (2018-2030). Available at: https://mwe.go.ug/sites/default/files/library/2018%20-%202030%20Integrated%20Sanitation%20and%20Hygiene%20Financing%20Strategy_0.pdf. Last accessed 08.11.2024

7. Annex 3: Sanitation incentive types

1. Upfront incentives: Financial aid provided during or before toilet construction to cover part of the cost.
2. Smart incentives: Targeted, temporary assistance for vulnerable groups, like women-headed households or people with disabilities.
3. Performance-based incentives: Funds given after successful completion and inspection of sanitation facilities.
4. Demand-side incentives: Consumer-focused programs such as vouchers for construction materials or toilet kits.
5. Supply-side incentives: Assistance given to suppliers, reducing the cost of sanitation services or materials.
6. Cross-incentives: Wealthier areas fund sanitation services for lower-income groups through higher fees.
7. Loans with interest incentives: Microloans with reduced interest rates, often supported by community savings or microfinance institutions.
8. Direct vs. Indirect incentives: Direct financial support (cash grants) versus in-kind support (materials or services).
9. Cash vs. In-kind contributions: Cash allows flexibility, while in-kind support ensures resource-specific sanitation improvements.
10. Upfront vs. post-construction incentives: Upfront funds help with initial construction costs, while post-construction incentives reward completed, inspected facilities.