Advancing Sustainable WASH Finance: An ESG Collaborative Dialogue with Commercial Financial Institutions

EVENT REPORT

17th June, 2025 | Kampala

MINISTRY OF WATER AND ENVIRONMENT

Uganda Bankers' Association

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Executive Summary

Despite progress, Uganda faces significant challenges in achieving Sustainable Development Goal 6 (SDG 6) by 2030, with only 19% of the population accessing safely managed water services and 18% accessing safely managed sanitation services as of 2022. To address these gaps, the Ministry of Water and Environment (MWE) is engaging Uganda's financial sector through spearheading a collaborative initiative to advance sustainable financing for Water, Sanitation, and Hygiene (WASH) services in Uganda, leveraging the recently launched Environmental, Social, and Governance (ESG) Framework to integrate sustainable financing into commercial banking practices.

The initiative aims to establish a Sustainable Financing Framework (SFF) that aligns the financial and environmental sectors toward the 2030 agenda. Key objectives include strengthening partnerships between financial institutions and WASH stakeholders, integrating ESG principles into commercial finance, and unlocking untapped investment opportunities in the WASH sector.

The collaboration culminated in a breakfast dialogue held in Kampala on June 17th, 2025, bringing together ESG champions, financial institutions, and WASH sector players to define actionable steps for sustainable WASH financing. This meeting was the first of other several meetings that are set to be held to see to it that the collaboration takes effect and is sustainable.

> **"As the ministry tasked with coordinating water and environmental resource management, MWE recognizes the need for innovative financing solutions to bridge the annual funding gap of approximately US$ 206 million for water supply and US$ 32.2 million for sanitation and hygiene."**

The Event

The event opened with remarks from Patricia Amito, Head of Communications, Uganda Bankers' Association (UBA), who emphasized the eagerness of Uganda's financial institutions to positively impact the WASH sector. She highlighted the need for technical assistance from sector experts like the Ministry of Water and Environment, Water.org, IRC, and Water For People. Amito expressed confidence that a Sustainable Financing Framework for WASH in Uganda could be achieved by combining the partners' technical guidance with the financial expertise of the banking association.

She underscored the significance of the ESG Framework, built on four pillars: Governance, Sustainable Finance, Risk Management, and Reporting. While financial institutions have made progress in governance, substantial gaps remain in the other three pillars. The event aimed to address these deficiencies by fostering collaboration and integrating ESG principles into commercial finance. Two primary objectives were outlined:

- strengthening collaboration and partnerships, and
- integrating ESG principles into commercial finance.

Objective 1: Strengthening collaboration and partnerships

The Various Uses of Water - Dr Callist Tindimugaya, Commissioner for Water Resources Planning, MWE

The following are the salient points from Dr Tindimugaya presentation:

An analysis of the WASH sector's current standing: He highlighted existing opportunities for partnership, and elaborated on the review of the National Water Policy, connecting it to the context of the meeting.

The crucial role of water across all sectors of the economy and in every aspect of life: He elaborated MWE's pivotal position, highlighting its responsibility in safeguarding essential water and environmental resources upon which all other aspects of economic and social progress depend. There is need for water on four fronts: Water for people; Water for food; Water for nature; and Water for gas and energy.

Uganda's current standing regarding water resource coverage: Approximately 32% of the rural population and 27% of the urban population lack access to safe water. Access to water is a fundamental human right and should be available to everyone therefore the aim of collaboration is to consolidate efforts to close this gap and achieve 100% water coverage.

The challenge posed by Uganda's growing population. Whereas there is an annual increase of 1.2 million people, the current water resources can only adequately serve about 800,000 additional individuals. This requires increased financial support, underscoring the importance of partnerships between the water and financial sectors.

80% of the diseases in Uganda are water-related: To address this health challenge, there is need to address the challenge of clean and safe water for use.

Concerns about Uganda importing food: Despite its potential to be a major food producer, Uganda imports food. He attributed this to the mismanagement or underutilization of water resources, particularly the failure to implement irrigation during dry seasons to boost agricultural output. He emphasized the urgent need for increased investment in water harvesting initiatives.

Hydro-power stations operating below their capacity during dry seasons: Due to reduced water levels in the dry season, dams operate below their potential. Efforts are underway to address this, but more significant investment is required in this sector.

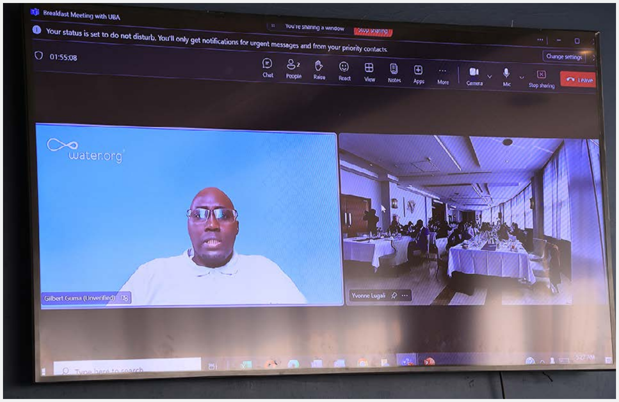
Urgent need to address existential disasters such as flooding, soil erosion, and landslides across the country: These recurring events impede various sectors, including trade, education, transportation, and investment, all of which are directly linked to economic growth.

Fluctuations in water levels: There is excessive water during rainy seasons and scarcity during dry periods. While the government and other stakeholders have attempted to mitigate these issues, greater investment is necessary for comprehensive solutions.

Declining quality and quantity of water: Addressing these issues, as outlined in the National Water Policy, requires a new approach. The estimated cost to bridge the existing gap over the next decade is over UGX 30 trillion, necessitating a tripling of the current annual sector funding which is less than 1 trillion shillings.

Following the President Museveni's challenge to the water sector to identify funding sources and develop a resource mobilisation strategy, Dr Tindimugaya reiterated MWE's committment to prioritise partnerships with banking institutions. He also encouraged the sector to utilise blue and green funds including carbon funds and green bonds given the bankers' expertise in the area.

The Possible Models to Partnerships – Guma Gilbert, Country Manager, Water.org



He presented on the modalities and modals on how partnerships can happen between the water sector and the financial institutions. The following were the key takeaways;

The four models to explore for partnerships to happen.

- Direct partnerships
- Working with an apex by onboarding about 25 commercial institutions
- Exploring bonds like the environmental bond (blue or green) or social bonds (orange bonds)
- Exploring the options of Corporate Social Responsibility from corporate companies. These models exist and can be explored for a partnership of this nature to happen.

The need to have an economic management system. The system can help disseminate information on funding, grants and possible partnerships to uplift the water sector.

Objective 2: Integration of ESG into Commercial Finance

ESG's Performance Statistics - Ronald Ocheng, Senior Research Officer and Coordinator of the ESG Framework Implementation, UBA

He noted the following:

ESG implementation within UBA member banks started with conversations in January 2024, followed by actual work in June 2024. Two ESG reports were completed last year, and a third one for the first quarter of this year.

The ESG reports highlighted several issues aligned with the sustainable financing framework. These issues relate to the core components of the ESG framework: Governance, Sustainability, Risk Management, and Reporting and Disclosure.

The existence of a sustainable finance gap. According to the three ESG reports, the most significant implementation challenge within the UBA member banks is the sustainable finance gap, which has shown poorer performance compared to other areas. In contrast, governance structures have been the best-performing aspect, likely due to the structural nature of banking institutions.

Sustainable financing is a daunting task that requires support from other bodies. This therefore is the reason a collaboration with the water sector officials is important to provide technical assistance.

The banks are beginning to understand to concept of ESG. But what is clear is that even when the banks, especially the big ones, are conversant with the concept and are doing well with its implementation, they all still struggle with sustainable financing.

The figures related to progress of the progress of the ESG implementation. Across all member banks, governance improved from 59% to 72%; 28% to 44% for sustainable financing; 54% to 59% for risk management and 52% to 62% for reporting and disclosure. These figures speak to where the intervention should be and where potential collaboration should focus on.

The need to do a cross learning. Here smaller banks can learn from bigger banks on implementation of the framework. He also pointed out the need to be considerate of the low performing financial institutions and how to support them to be better as far as implementation of the framework is concerned.

The need to work together. This can enable institutions to complement each other's technical ability and knowledge capacities for the framework to be implemented and work effectively.

Stakeholder Attendance Pictorial

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Key Outcomes

There were various outcomes from the plenary discussions as well as the question and answer session:

The UGX 30 trillion funding needed for water and sanitation should be broken down so banks can see where the money is needed.

Lending rules should be adapted to support small and medium-sized water businesses, similar to how agriculture is supported.

Guidelines should be created to measure the success of water projects so banks can track their investments. Banks should also focus on their overall impact.

Financial institutions need to train their staff about the ESG framework and how to use it.

A central resource centre should be established to share information on funding opportunities and ESG education for water and sanitation projects.

Formalising the Ministry of Water and Environment and Uganda Bankers' Assocation partnership though an MOU.

Conclusion and Way Forward

In conclusion, the dialogue emphasized the need for strong collaboration between financial institutions (represented by the UBA) and the water sector. The dialogue highlighted the complementary skills of both sectors and underscored the MWE's intention to formalize a partnership through an MOU with the UBA.

The chairperson of the UBA's ESG committee, expressed enthusiasm for this collaboration, with a particular focus on strengthening the sustainable financing pillar of the ESG framework and investing in knowledge management within the banking sector.

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