CABRI
CONNECT • SHARE • REFORM

Position Paper

2018 | 01

Value for money in water, sanitation and hygiene

Introduction

Water, sanitation and hygiene (WASH) are fundamental requirements for sustainable social and economic development. Poor hygiene, open defecation and lack of safe water are not only leading causes of child mortality and morbidity, they also contribute to undernutrition and stunting, and present a barrier to education, especially for girls. The importance of investing in WASH cannot be overstated.

While the commitment to safe drinking water and sanitation is reaffirmed by the Agenda for Sustainable Development, the challenge for many governments to ensure that this is realised will be huge.

CABRI's Policy Dialogue from 7 to 9 November 2017 in Accra convened about 60 government officials from finance, health and WASH-related ministries from 12 African countries as well as technical experts. The dialogue provided a platform for peer exchange and learning on the common WASH policy challenges, and included visits to water and sanitation schemes in Accra.

This position paper is based on the Accra dialogue and is informed by the salient issues contained in background documents prepared for the dialogue, such as the managing and financing of WASH services in sub-Saharan Africa and institutional structures.

The seven points captured below highlight the fact that governments achieve value for money when they have the correct policies and institutional framework, choose cost-effective interventions and implement these interventions efficiently.

1. Universal access to basic WASH services is achievable

By committing to the sustainable development goals, countries have agreed to work towards universal access to safe and affordable drinking water (Goal 6.1) and access to adequate and equitable sanitation and hygiene for all (Goal 6.2). There was general agreement that while these goals are ambitious, they are important and worthy of pursuit. Beyond the financing challenge, governments will also need to ensure effective participation of households and to encourage behavioural changes. Targeting may be necessary for households that are unable to pay for WASH services. Furthermore, investment in rural services, where access is limited, has a higher rate of return than investment in urban services.

2. There is a strong economic case for additional funding

WASH, especially sanitation, is generally underfunded in Africa. For many countries, the sector is funded largely by donors and household expenditure. Government expenditure in WASH is fairly limited in most African countries. Some countries shared their experience that a poor execution rate by spending agencies is a contributing factor to reduced government spending, especially when funding is tied to performance. During the Policy Dialogue, government officials debated as to whether the WASH/health ministries have sufficiently made the economic case for investment to the finance ministry and, if they have, why government spending in WASH remains so low.

There was a general view that the economic case for funding has been made, even though public investments may not reflect this due to the tight fiscal space. Participants generally appreciated that the disease burden emanating from poor WASH, and the economic losses incurred in terms of GDP, present a strong argument for additional funding. In some countries, such as Burkina Faso, the government intends to subsidise latrines in households. The view on subsidies for latrines varied, with some delegates supporting such subsidies and others not, the latter seeing a latrine as a private good.

Additional investment in the WASH sector will require increasing the fiscal space and finding innovative ways to fund the sector. These are discussed in the sections below.

3. Universal access to WASH requires an increase in fiscal space

WASH services are typically funded by the '3 Ts' – taxes, tariffs and transfers. To achieve universal access, tax revenue needs to increase. This requires growing the tax base and governments becoming more efficient at

Box 1: Increasing access to water and sanitation in small towns in Ghana – the case of the Oyibi Water and Sanitation Scheme*

Ghana's Community Water and Sanitation Agency (CWSA) has the mandate to provide safe water and sanitation to small towns and rural areas. The Oyibi Water and Sanitation Scheme was formed 14 years ago as a non-profit venture programme with funding from DANIDA and the government of Ghana, and a small contribution by the communities involved. The scheme has three highly productive boreholes – 11.88m^3/hour, 9.72m^3/hour and 11m^3/hour respectively – that are pumped directly to all the seven beneficiary communities. The depth of the borehole we visited at Old Saasabi village is 45m while the other two are 52m and 90m respectively. The quality of the water falls within World Health Organisation's guidelines or standards for drinking water. A routine check is carried out twice a year (dry and wet season periods). The transmission and distribution system consist of a network of pipeline 102mm in diameter. The system is linked to standpipes with bulk supply to institutions/housing estates within the catchment area, which are all metered. There are 1 080 metered households with tariff charges set at 4.95 Ghanaian Cedi per m^3, while the less privileged, who get their water at standpipes, pay 15 pesewas per 36 litres. The sustainability of the scheme is based on the proceeds from tariff charges. The water vendors' earnings are a percentage of what they sell to the public.

Challenges

- Water losses on the transmission and distribution lines due to leakages
- Non-payment or irregular payment by private subscribers
- Bypassing of meters by dishonest subscribers
- Oversubscription as a result of migration of citizens to the Oyibi area has created a lot of pressure on the scheme
- Frequent bursting of the 14-year-old 102mm pipes

Measures put in place

- Regular monitoring and quick repair as soon any leakage is observed in any location
- Disconnection of defaulters as expiration time given to them runs out
- Stiff penalties for subscribers who bypass the meters
- Increased number of standpipes rather than household connections – regular payment is being observed on the standpipes
- Talking to the government about replacing old 4-inch with 6-inch pipes to reduce frequent bursting

* This text was written by Mr Abdulyekeen Shafiu, a delegate from the Nigerian Ministry of Water Resources who attended the CABRI WASH Policy Dialogue.

mobilising domestic revenue. Resource-rich countries need to fully exploit their revenue potential, which can then increase the fiscal space for WASH investments.

Tariffs, including self-supply/out-of-pocket expenditure, contribute significantly to overall WASH spending. However, as observed on some site visits in Ghana, there are service providers operating at a loss due to unpaid tariffs. Water that is produced but lost before it reaches the customer (non-revenue water) is also an important source of inefficiency. Addressing inefficiencies in the sector would ease the burden of the tight fiscal space, and might even create opportunities for subsidisation of tariffs for disadvantaged communities.

Transfers typically refer to donor funds. These are generally declining, as are all forms of overseas development assistance. However, participants agreed that there are still opportunities to attract transfers through the setting up of special funds for the sector.

4. Innovative financing mechanisms for WASH must be fully explored

Innovative sources of finance refer to sources other than taxes, tariffs and transfers. Public–private partnerships (PPPs) and trust funds were discussed as the two innovative financing options that could help to bridge the financing gap. Many of the countries represented at the Policy Dialogue had experience with water PPPs, but their experiences were mixed. For example, there were cases where PPPs introduced competitiveness into the sector, bringing reliable supply and much-needed investment. However, it also led to a rise in utility prices, which increased the financial burden on the poor.

The key lessons shared as far as PPPs are concerned were:

- PPPs need incentives and regulations to work;
- there needs to be a good policy environment for PPPs to work;
- the role of the government should be very clear; and
- PPPs should be fit for purpose, meaning that there needs to be clarity on the types of project that require a PPP arrangement in order to deliver.

The use of small water enterprises for marginal areas was also discussed as a viable option but more research is required to determine their effectiveness as a large-scale measure.

The establishment of special funds which attract wide sources of financing is regarded as a viable means of funding the WASH sector. The dialogue discussed the Ghana Water Enterprise Trust (GWET) model, which is currently in the conceptual phase. Its unique features include an agreement which the board signs with the district authority concerned to transfer ownership of the plant after 25 years. Other countries, such as Mali and Côte D'Ivoire, shared that they have 'water funds' largely funded by tariffs. Nigeria and Central African Republic are in the process of setting up and operationalising a water fund. The key lessons on the various funds are to ensure that the responsibilities of the various stakeholders are clear, that there are clear rules on the use of funds, that the facility transferred after 25 years is upgraded and functional and that the source of funding is sustainable.

5. Co-ordination is key to the success of multi-institutional structures to manage WASH

Less than 20 per cent of African countries place water and sanitation responsibilities wholly under the same ministry – examples are Ghana, Mozambique, Zambia, Uganda and, until recently, Madagascar. Having water and sanitation under one ministry can help to prioritise WASH; however, some countries with a more fragmented structure have been effective at improving WASH with good co-ordination. It was emphasised that co-ordination and clear roles and responsibilities are vital, irrespective of the choice of institutional structure.

Decentralising the administration and provision of WASH services potentially ensures that services are brought closer to the beneficiaries. A case study of Kenya was discussed to illustrate the fact that central oversight, clear regulation, accountability mechanisms, community participation and local capacity are key to the success of decentralising WASH services. The challenge for many countries is that local authorities with a mandate for WASH services are not accountable to the central ministries in charge of policy and finance. These are constitutional issues with no easy solutions, so it becomes essential for the communities to be involved and to hold local government authorities to account. Alignment of all ministries, departments and agencies to a national agenda is also important.

6. The role of data for good WASH outcomes

Data are important in the pursuit of WASH goals for several reasons:

- they allow insight into the funding gap;
- they allow countries to track progress effectively; and
- they provide the evidence base to inform policy.

The availability of WASH data varies significantly between countries. While some, such as South Africa, routinely track data, others do not. In some contexts, the WASH-related ministries would have to make special requests for the collection of WASH data in the household surveys. In general,

Box 2: Lessons on planning and budgeting though a water investment game

During the Policy Dialogue, participants used a role-play strategy game to explore technical, economic and political factors affecting rural water investment decisions. The highlights are:

- decision-makers differ in their reasoning for allocations:
  - fairness ("they got a low amount last time")
  - population ("that commune has the largest population")
  - equity ("that commune has the lowest access")
  - political imperatives ("the boss said we need to build piped schemes")
- decision-makers' motivations are not always clear, and feedback is not always transparent
- costs can vary a lot, geographically
- level of service makes huge difference to cost
  - in short-term (CapEx) and
  - medium/long-term (OpEx / CapManEx)

  for example, piped scheme had high CapEx per person and OpEx per person while all countries have 'some' data from 'some' of the main sources, very few have a complete picture.

7. Good planning and budgeting matters strongly for good WASH outcomes

Evidence from public expenditure reviews shows that expenditure is heavily weighted towards development (capital) expenditure, often constituting more than 80 per cent of the budget. In the planning and budgeting process, there is a need to ensure allocation for operations and maintenance. Other common sector challenges related to planning and budgeting include:

- issues related to fiscal decentralisation and the flow of funds between administrative levels;
- the absorptive capacity of service delivery agents, often related to capacity to execute development expenditures;
- there is no clear funding strategy that sets out how costs should be covered and from which sources;
- poor co-ordination of actors with overlapping mandates; and
- insufficient focus on performance (i.e. linking expenditure to outputs/outcomes), which is partly because ministries of finance have a different conceptual framework for performance than that of sector line ministries.

CABRI's continued engagement

The shared challenges and opportunities towards universal coverage demonstrates the importance of continual engagement and peer learning. Areas of focus in the future would place more emphasis on sanitation, the role of the ministry of finance in the sector, as well as the role of the ministry of health, and a more in-depth assessment of small water enterprises and other WASH innovations.

Acknowledgments

This Position Paper was written by Nana A Boateng (CABRI). Background papers for the CABRI Policy Dialogue on 'Value for Money in the WASH Sector' were produced by Zach White, Ian Ross, Tomas Lievens and Peter Burr from Oxford Policy Management.

This publication is funded in part by the Swiss State Secretariat for Economic Affairs. The findings and conclusions do not necessarily reflect their positions or policies.

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Embassy of Switzerland
Swiss Cooperation Office in South Africa

CABRI

CONNECT • SHARE • REFORM

For information on the Collaborative Africa Budget Reform Initiative, or to obtain copies of this publication, please contact: CABRI Secretariat, PostNet Suite 217, Private Bag X 06, Highveld Park 0169, South Africa
Email: info@cabri-sbo.org
www.cabri-sbo.org