

Decentralisation and the use of cost data in WASHCost project countries

Synthesis of country reports 2009

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June 2010



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Decentralisation and the use of cost data in WASHCost project countries¹

Key points: Decentralisation and use of cost data in WASHCost project countries 2009

- Decentralisation has been in progress for many years in Burkina Faso, Ghana, Mozambique and the Indian state of Andhra Pradesh but the process of devolving and de-concentrating powers to local bodies is slow and incomplete.
- Bodies responsible for water and sanitation at regional, provincial and district/Mandal levels need strengthening. Donors and NGOs that pursue their own programmes and projects hinder the proper development of local and national plans.
- The use of cost data by those responsible for planning and delivering services is limited to capital costs (CapEx). However, there is a growing understanding of the need to cover maintenance costs (CapManEx) and indirect support costs (ExpIDS).
- WASHCost can help authorities to develop an understanding of the life-cycle costs approach and a methodology for capturing and using data. WASHCost has the potential to improve planning and reporting processes however it is important to manage expectations, since this will take time.

1 Institutional reforms: decentralisation processes

Burkina Faso, Ghana, Mozambique and the State of Andhra Pradesh, India, are all engaged in decentralisation processes which started 10 to 20 years ago. These processes have different patterns, notably in terms of the number and the size of local authorities and intermediate levels, and ultimately in terms of the number of inhabitants who fall under the local and intermediate governing levels (Table 1).

Table 1: National and intermediate levels approximate population size

India	Burkina Faso	Ghana	Mozambique
National pop. 1.148 billion	National pop. 15,265,000	National pop. 23,383,000	National pop. 21,285,000
State of Andhra Pradesh 80,000,000			
District 2,000,000 - 3,000,000	Region 1,000,000	Region 1,000,000	Province 1,000,000
Sub District (Mandal) 20,000 - 100,000	Province >10,000	District 100,000	District 100,000

¹ This briefing note is a synthesis of the "Institution mapping" reports compiled by the four country teams of the WASHCost project in January 2009 coordinated by: Dr Amah Klutse (Burkina Faso); Dr Kwabena Nyarko (Ghana); Dr M Snehalatha & Dr V Ratna Reddy (India); and Arjen Naafs (Mozambique). It focuses on two aspects – the decentralisation processes and the use of cost data and information in planning water and sanitation projects as they stood at the early stage of the project.

Decentralisation processes entail a shift in the role of the State from providing services to facilitating the delivery of services by local bodies. These may be elected² bodies or intermediate departments (region, province or district) that are not directly elected. The State transfers the water, sanitation and hygiene (WASH) services, assets and responsibilities to local authorities, whose decisions regarding the provision of water and sanitation must comply with national regulations for water quality, water management and a water delivery strategic plan.

The institutional reforms have similar patterns in all four countries. They combine devolution and de-concentration processes, top-down and bottom-up planning mechanisms, demand-driven service development, and different service delivery levels in urban and rural areas.

- Intermediate level bodies need to be strengthened in order to help the Local Authorities fulfil their new responsibilities. Whether they are regions (as in Burkina Faso and Ghana) or districts/provinces (Mozambique and India respectively), these intermediate bodies are former (unelected) State local departments, that have either kept their administrative status or have become intermediate elected authorities. Their scale, with population sizes above 1,000,000, is presumed to be large enough to develop cost-effective support functions, and to achieve a reliable coordination of the various sources of funding for WASH local investment plans, as well as reporting on the process of local implementations at State level.
- Through decentralisation, the traditional top-down planning process has to meld with a bottom-up one. Municipalities (Burkina Faso) or districts (Ghana, Mozambique) are asked to define local WASH development plans detailing the number and types of systems as well as the required investments. The finalised local development plans are aggregated at the intermediate level into Regional/Provincial/District Water and Sanitation Plans which are then compiled in order to adjust the National Strategic Investment Plan. These plans, both at the local and national levels are used to solicit funds from donors, NGOs, and Central Government.
- The local authorities are all elected bodies, except in Mozambique where only urban municipalities have elected officials. This democratic legitimacy fits the participatory and demand-driven development that is expected from local WASH services management under decentralisation. In India, local organisations were all elected bodies prior to the decentralisation reform. Interestingly enough, in African countries, the private sector has been encouraged to play a role, in the belief that this will better address demand.
- Tap water is the targeted service level in urban areas, whereas in rural areas, community standposts/handpumps are the standard. This difference may translate mainly into two service delivery models: the rural service delivery model being community management and the urban one being utility management. In Burkina Faso, Mozambique and Ghana, a national utility is the monopoly supplier of water in urban areas. Decentralisation processes have increased the number of urban entities, thus entailing an extension of the areas for which the national utility is responsible.

Despite these common patterns, decentralisation processes follow different implementation policies. The main differences are the following:

- In Burkina Faso, Mozambique and Andhra Pradesh, local State agencies are in place to facilitate the delivery of water and sanitation by rural Local Authorities. Conversely, Ghana has a dedicated entity, the Community Water and Sanitation Agency (CWSA), to facilitate the development of WASH services in rural areas and small towns.

² Although in normal usage these words do not have clear distinctions, in this paper we will use decentralisation to mean the process as a whole, devolution to indicate decentralisation to a body with a local elected mandate, and de-concentration to indicate decentralisation to a State local agency, Agency/Department, typically, in the water sector, to region, province or district.

- The three African countries rely on development aid to support and increase the provision of water and sanitation services. In India, State Governments including Andhra Pradesh depend on grants from Central Government. In the three African countries, the National Plans fit in with the poverty alleviation action plans and target the Millennium Development Goals (MDGs). This is not applicable in India where full coverage is the target. In the three African countries, a common fund is envisaged for the sector, changing from a project or programme approach to budget support. Again, this does not apply in India.

The implementation stage of the decentralisation processes varies according to country. However in all countries it is characterised by:

- A slow transfer of responsibilities and assets to local authorities. In India, the transfer of assets dates from 1994. In Mozambique, decentralisation has followed an experimental process. WASH services were first passed to cities in 1998. The nationwide roll out of the first pilot phase started in 2009. In Burkina Faso, the decree which rules the transfer of assets was passed in January 2009, five years after decentralisation reform was agreed.
- A slow de-concentration process: The National Department of Water is not represented at the Provincial/Regional level in either Mozambique or Burkina Faso. De facto, both State Departments are still responsible for water and sanitation. It is interesting to note that in Ghana CWSA accounts for 250 staff (head office and 10 regional offices) which is far higher than the number of Water Department staff in the two other African countries.
- A slow transition to Sector Wide Approach: Not only do project or programme approaches still prevail, but donors and NGOs still plan their own projects and programmes, instead of supporting the execution of the National Strategic Plans. This seems to be a strong disincentive for local authorities to define local development plans.
- In India, many indicators are green compared to the three African countries: the RWSS Department is staffed down to the Mandal (sub district) level; all the intermediate and local organisations are elected bodies; the coverage rates for water and sanitation are higher, and international actors (donors, INGOs) do not encroach on the decision-making process. However, the devolution/decentralisation process in India is described as a missed opportunity. The main reason is the increasing scarcity of underground resources that supply villages and the resulting shift from local ground water supply to long distance surface water supply in multi-village schemes. Not only does this perpetuate the neglect of operation and maintenance of drinking water supplies at village level, but it entails a de facto re-centralisation of decisions and management responsibilities.

2 WASH Costs: knowledge and use

This second part of the briefing note presents an overview of the types of costs used in each country in WASH as of January 2009; the purpose for which they are used; the gaps in cost knowledge and use, and possible ways to bridge these gaps.

2.1 Main findings from country assessments

The first conclusion is that the concept of “unit costs” is understood to consist of only capital expenditure (CapEx), i.e. the costs of hardware construction, whether measured per capita or per system. None of the four countries use a life-cycle cost approach to costing systems. There is no mention of service delivery costs, nor is any attention paid to the costs incurred by users apart from water bills. Household expenditure to access or to improve services is completely ignored, and the Indian report identifies the biggest challenge as being “better understanding of the users’ cost to access water and sanitation”.

A second conclusion is that there is, nevertheless, a general awareness of the need to shift from a “capital expenditure” approach to a “life-cycle cost” approach. However, the main interest in improving knowledge about the real current costs of providing services is primarily to impact upon and improve procurement processes (Burkina Faso and Mozambique); regulation (Ghana); and to change the sector preference for multi-level schemes by outlining the social costs (India).

A final conclusion is that in each country, there are various planning processes to which the WASHCost project can add value. Although this should facilitate the embedding of the project in the sector, it can also create unrealistic expectations of rapid results.

2.2 Who uses what costs and for what?

In general, planners at State or National level, and project implementers use costs data. Users are aware of the costs that they themselves have to meet.

Burkina Faso

- The Water Department, donors and project implementers have figures on the average capital expenditure (CapEx) for water and sanitation, per system. These costs are based on market prices e.g. the average price charged by an entrepreneur to build an infrastructure.
- The Water Department uses CapEx to estimate the investments required to meet the MDGs. Project implementers use CapEx for procurement and to benchmark bids from entrepreneurs.
- ONEA, the water utility, has a good knowledge of life-cycle costs for piped water and public standposts in urban areas.
- The Water Department also holds data about expenditure on indirect support per region, and capital maintenance expenditure (CapManEx) to renew some system components (pump, tank, wells, etc).

Ghana

- In Ghana, CWSA, donors, the Water Research Institute and consultants hold data on CapEx per system for simpler water supply and sanitation technologies such as boreholes, hand-dug wells with handpumps, and household latrines. This is based on market prices.
- The Ghana national utility, The Ghana Water Company, is aware of life-cycle costs for piped systems.
- CWSA uses CapEx to prepare Strategic Investment Plans.
- For rural systems, water boards and WATSANs hold operation and maintenance data.

Mozambique

- In Mozambique, CapEx is known for the installation of wells with Afridev pumps.
- As sanitation costs are borne by users, cost data from investment to maintenance in rural and peri-urban areas exists.

India

- In India, unit costs of systems seem to be available at State and District levels.

2.3 Cost drivers

In Africa, the identified cost drivers for CapEx are: the market size (economies of scale); the type of systems; the number of drillers (supply characteristics); the distance from suppliers (the more remote, the more expensive); the hydrological conditions; the financing sources; the institutional design (i.e. a competitive bid); the institutional arrangements for operation and maintenance; and the level of qualifications. Any delay in payment would impact upon the cost of capital. In India, the use (or non-use) of latrines is also one of the cost drivers for sanitation: the smaller the number of people using a communal system, the higher the cost per capita.

Interestingly, the report on Andhra Pradesh outlines that the community participation is a cost driver (it helps to lower the cost) and also a positive driver for sustainability. These cost drivers will be further investigated in the WASHCost project.

2.4 Knowledge gaps

■ Burkina Faso

The following costs of systems are needed, notably for procurement; to benchmark applications; to remunerate the operator; to set up prices; and to regulate:

- CapEx
- OpEx
- CapManEx
- Expenditure on indirect support (ExpIDS), such as protection of resources, quality control, and regulation.

These knowledge gaps concern institutions at different levels, according to the allocation of governance functions. Project implementers also need cost data.

■ Ghana

The Public Utilities Regulatory Commission is interested in disaggregated costs in order to fulfil its regulatory mandate towards the national utility, the Ghana Water Company. The National Department of Water is also looking for data in order to benchmark implementation costs and OpEx.

On paper, the biggest need seems to be at district level, where investment plans are prepared and users' charges are approved. Disaggregated cost data will be essential for all stakeholders in planning for sustainability. There would also be a need to assess the impact of water tariffs on community livelihoods.

■ India

The biggest gap is in information about the costs supported by users to access water and sanitation. The other notable gap relates to the cost of capital.

2.5 Collecting costs and embedding

There seems to be ample opportunities to play a win-win game with the sector players in Africa regarding data collection. Existing CapEx data is abundant and may be offered by learning alliance members. WASHCost can offer, although not immediately, options to improve the planning processes at all levels as well as reporting processes at State level, which at the moment never contain any cost data. In the short-term, training on costs (what unit costs are and how they can be used) as well as on a methodology for cost data collection and analysis, should already meet many expectations, and do not require the project to be completed before being offered. It is also worth mentioning that consultants should be targeted as well, as they are major players in the sector in the three African countries.

The situation is more complicated in India. The actors need to be convinced that by using better informed cost data, they would be able to make planning more effective. The India team initially proposes to improve the knowledge of users on costs, so that correlation between costs and sustainable, equitable WASH services can eventually be integrated into the planning process.

3 Conclusion

Decentralisation (devolution and de-concentration), as ongoing processes in the four countries, translate into rapid change for WASH sector governance. Some changes have already occurred since the rapid assessment reports synthesised in this briefing note were produced.

There is clearly a different context and status for these processes in India in comparison with the three African countries, Burkina Faso, Ghana and Mozambique. However, the transfer of responsibility for WASH services down to local level also differs by reason of the various historical backgrounds, and also because WASH services are part of a wider decentralisation process and fit into different administrative frameworks.

Knowledge about costs is mostly limited to capital investment or CapEx, although India also considers other costs. Consequently, planning and budgeting processes consider capital expenditure but do not include post construction costs either at national or local level, as part of sustainable WASH services costs. The WASHCost project faces various challenges: to collect primary data for all costs in addition to CapEx, to convince stakeholders to take an interest in other cost components that are crucial to developing sustainable WASH services, and to facilitate the use of all costs by devising and establishing country specific decision-making tools.

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