WSUP
Water & Sanitation for the Urban Poor

PRACTICE NOTE

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Achieving sustainability: encouraging local government investment

water for people

Substantial local government investment is essential for sustainable services, but difficult to achieve. Barriers include institutional lack of clarity over responsibilities (particularly in sanitation provision), weak capacity to collect and manage revenues, unpredictable transfers from national to local government, and a lack of data on past spending and its effectiveness. This paper looks at some ways in which WSUP and Water For People are working to strengthen this link in the investment chain.

The 3 Ts and beyond

At a local scale as well as at country level, finance for sanitation and water services needs to come from a combination of the '3 Ts'– taxes, tariffs and international transfers. Moving away from reliance on transfers (i.e. donor funding) and towards municipality-led community management must be central to a sustainable approach to local service provision. To this end, work to establish reliable funding models is focusing on rebalancing and rethinking the 3 Ts so that levels of incoming revenue are high enough to cover future replacement of systems, as well as their construction, operation and maintenance. New financial models need to be further explored as a means of boosting local government public finance (for example district-level micro-bonds, and new forms of public-private partnership). However, such efforts must be underpinned by continued improvements to tariff and taxation systems.

Solutions: experience from Maputo

1: Achieving local funding for communal toilet blocks

As part of the Tchemulane programme, WSUP is supporting a model in which communal toilets in slum areas of the city are constructed and managed *sustainably*. This is achieved by a combination of user and local government contributions to capital costs, and by setting an appropriate tariff which will mean the proportion of external funding can reduce year on year. The municipal council (CMM) has now committed $10,000 towards capital costs (setting an important precedent for future models), and users are contributing in cash as well as labour. This progress has been achieved through meetings and workshops with the statutory bodies, and through Professional Services Agreements with major service providers.

2: Costing a sanitation surcharge

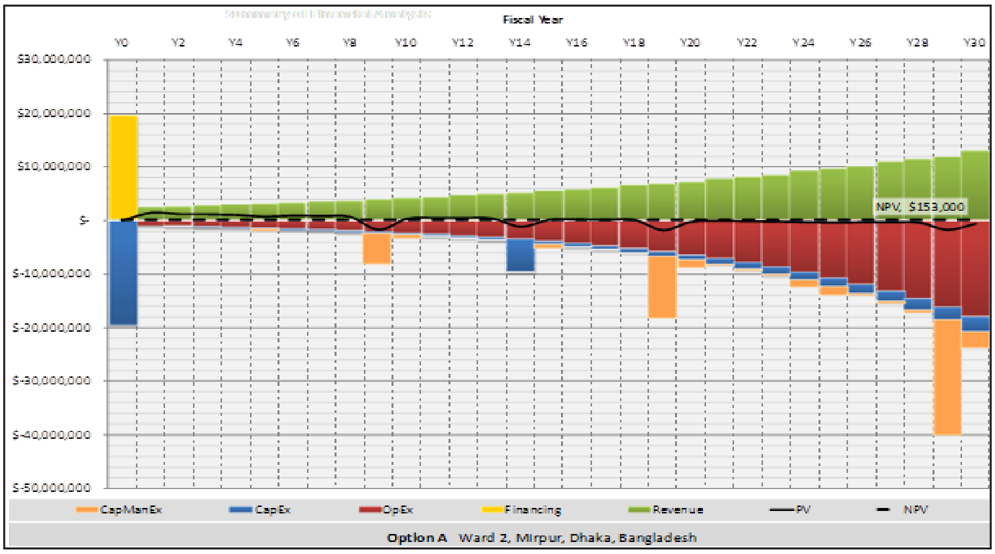
A sanitation surcharge on water bills (*taxa de saneamento)* was agreed in principle in 2001, to raise revenues for sanitation provision in low-income areas of Maputo. Progress toward its introduction has been slow however, due in large part to Mozambique's fragmented institutional framework, which results in a lack of clearly defined responsibility for sanitation. There are two main obstacles: firstly, the regulator CRA is unwilling to introduce a surcharge before services start actually being provided – a 'chicken and egg' situation. Secondly, it is not clear whether the proposed 10% charge would be either high enough to recover costs or low enough to be affordable for households. WSUP is providing technical support to the regulator through a study of different finance models, which will include a proper costing for the proposed surcharge to directly address this second point.

Mobilising local government investment

Solutions: bridging the data gap for budgetary planning

In order to make a convincing case to central governments for increased allocations in the WASH sector, local governments need reliable data on both their actual spending on pro-poor sanitation, and – essential for sustainability – budgets for actual saving for long-term repair and replacement costs. This presents a significant challenge to local governments, who often lack data on local sanitation budgets or past spending.

To help address this deficiency, several tools for life-cycle costs analysis have been developed: WSUP's Excel-based costing tool (detailed below); Water For People's At What Cost (also Excel); and IRC's WASHCost (a mobile app). Further persuasive data is coming from a field-based monitoring tool, Akvo FLOW (used by Water For People), which maps the condition of a district's water points. By showing at a glance how well existing infrastructure is (or is not) working, the tool presents the case for increased investment in repair and replacement.



WSUP and partners in Dhaka have designed an Excel-based tool to model the costs of different sanitation options. This typical output graph shows the cost and revenue projections for an example option. For more detailed information, see the WSUP Topic Brief 'Financial analysis for sanitation planning'.

Solutions: working around weak frameworks

Cashflow problems for local governments can derive from fragmented or poorly designed institutional structure: for example, a municipality may have no revenue-raising powers, or be obliged to hand back any revenue raised to central government. This is the case in Arani (Bolivia), where Water For People is proposing an association of water committees, so that individual committees can lend money to each other for repairs as well as exchanging skills and learning. Given the slow pace and complexity of institutional change, mobilising funding to local communities can help progress towards sustainable service delivery without waiting for the perfect institutional framework to be in place.

Solutions: improving relationships

Good relationships between communities and Local Service Providers (LSPs) are essential, particularly in the poorest areas. Where there is a lack of trust – say, where the community distrusts the water utility because it fails to engage with them – households may be less willing to contribute through tax and tariffs and more likely to rely on illegal connections. In Antananarivo (Madagascar), WSUP has developed a strong relationship with the water utility JIRAMA, supporting non-revenue water reduction and other business management aspects, which has incentivised them to commit to pro-poor service provision and set up a dedicated pro-poor unit. More broadly, relationships between LSPs must be strengthened where communication between them is patchy and responsibilities unclear.

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