

JOINT MESSAGES



**CIVIL SOCIETY PARTNERS
OF SANITATION AND WATER
FOR ALL**

2020

JOINT MESSAGES OF SANITATION AND WATER FOR ALL' CIVIL SOCIETY PARTNERS

TARGETED AND ACCOUNTABLE FINANCING FOR THOSE LEFT BEHIND

The current global pandemic COVID-19 and its impact on the world's economies is irrefutable proof that solving water, sanitation and hygiene challenges goes beyond the public health imperative. Now, more than ever, finance ministers can look for opportunities to collaborate with their peer in other ministries to develop financial policies that contribute to lasting solutions.

This document is designed for civil society organizations to use as talking points with Finance Ministers' and Finance Ministries in preparation for the Finance Ministers' Meetings. These messages do not cover other stakeholders in line ministries.

Also, these talking points can be used throughout the year to engage with Ministries of Finance to improve transparency, accountability and targeting of financing for the most marginalized. CSOs may adapt these messages to their regional, national, sub-national and local contexts.

These messages have been created jointly by the civil society organizations who are SWA partners.



KEY TALKING POINTS FOR FINANCE MINISTERS

- Invest in water, sanitation and hygiene as a priority for human development, crisis management, and to respect the government's commitment to the fulfillment of the human rights to water and sanitation, for those left behind
- Establish transparent systems and inclusive accountability mechanisms at national, sub-national and local levels, for voluntary public disclosure of all information related to financial allocation and utilization for water and sanitation
- Collaborate with the Sector Minister(s) to develop a comprehensive and targeted national financing strategy which contains dedicated budget lines for the most marginalized
- Create and/or strengthen the mechanisms for participation by the most marginalized in the budget planning and reviewing processes

MESSAGES FOR FINANCE MINISTERS

On transparency, accountability and budget allocation

Ministers of Finance should:

1. **Establish transparent systems at national, sub-national and local levels, making it mandatory for voluntary public disclosure of all information related to financial allocation and utilization, especially for those left behind.** In order to,
 - Ensure the quality and integrity of information by developing standards and encouraging citizen reviews.
 - Make it mandatory for all non-governmental entities (including the private sector) to follow the principle of voluntary disclosure of financial information related to their investments in the water, sanitation and hygiene (WASH) sector.
 - Ensure all financial contributions (including community contributions) are accounted for in the local government and national sector reports. Moreover, incorporate this information into the sector budgeting processes.
2. **Establish robust and inclusive accountability mechanisms to ensure that budgets are fully utilized for the intended purpose, efficiently spent and well accounted.**
 - Identify the weaknesses in the public financial management system, including why finances aren't flowing and improve the way that funds are disbursed.
 - Ensure adequate financial and contract management control systems and internal audit capacities in line ministries and sub-national institutions.
 - Ensure compliance for government ministries in paying their water utility bills to ensure the costs are not passed to the customer.

Water bills: Ensuring compliance for government ministries in paying their water utility bills

In Ghana, the collection rate among private users is 89% against only 12% among public users. (Ghana Water Company Limited (2018): Proposals For Review Of Aggregate Revenue Requirement And Tariff)

In Kenya, data from only 12 out of 88 service providers show that the national governments owe them more than 3 million USD (Water Services Providers Association 2019)

On targeting financing for the most marginalized¹

Ministers of Finance should:

1. Ensure budget processes are inclusive and transparent.

- By creating and/or strengthening the mechanisms for participation by the most marginalized in the budget planning processes.

2. Support Sector Ministers' to develop a robust and comprehensive national financing strategy which contains clear annual financing targets and dedicated budget lines for the most marginalized and includes policies promoting their financial inclusion.

- Ensure effective implementation of national financing strategies by leveraging other forms of finance such as commercial and private, to reach the most marginalized.
- Such additional finance needs to respect the principles of human rights to water and sanitation notably around the delivery and affordability of services.



Participatory Budgeting in Bangladesh (Picture Courtesy: DORP)

3. Improve the system for subsidies and ensure they are not just supporting those in the highest income levels but are inclusive and targeted towards the most marginalized.

- Tariff systems can be redesigned to be more equitable as affordability is a key principle of the human right to water and sanitation.
- Target those left behind: existing subsidies target networked services, which are mostly unavailable in poor neighbourhoods. Existing subsidies should make use of targeting mechanisms that can direct resources to the poor.² CSOs can work closely with governments and utilities in helping to identify the needs of those left behind.

1. The most marginalized includes those individuals, communities or groups marginalized or discriminated against because of their gender, age, socio-economic status, or because of their ethnic, religious or linguistic identity (<https://www.unwater.org/world-water-development-report-2019-leaving-no-one-behind/>)

2. Doing More With Less: Smarter Subsidies for Water supply and Sanitation (World Bank 2019)

- Foster and help reinforce cross-subsidies and cross-sectoral coordination across water, sanitation and hygiene, health services, education, nutrition and livelihoods.

Colombia: Subsidies and incentives targeted to rural areas and informal neighbourhoods³

Colombia's law governing public utilities has been successful in extending the provision of water and sanitation services in large urban areas. After the law came into force, drinking water coverage increased from 77% in 1993 to 92% in 2018. Despite these gains, rural areas and informal neighbourhoods in cities continued to be under-served.

The law states that utilities have the main responsibility to provide services and must comply with regulations, which include set tariffs and minimum service standards. However, the defining characteristics of rural areas and informal neighbourhoods (e.g. low income, dispersed population, located far from existing infrastructure networks) can make them seem unattractive as prospective investments, especially if penalties for non-compliance are ultimately much lower than the costs of providing services.

The Ministry of Housing and Cities therefore decided to develop additional incentives for the provision of services in these lower-income areas. These included direct subsidies for informal neighbourhoods (where providers are not utilities), as well as for adoption of technological solutions better suited to rural areas. The targeted incentives create the space for utilities to achieve the legal service standards required of them, but in a gradual and more flexible way, and encourages innovation in off-grid solutions.

Based on the new adapted regulations, the ministry is currently implementing two programmes working together with sub-national governments: one for rural areas ('Agua al Campo') and one for informal neighbourhoods ('Agua al Barrio'). Agua el Campo has a budget of 8.4 billion Colombian pesos, equivalent to US\$2.5 billion for the period 2020-2032.

The programmes's initial targets include increasing water coverage from 24% in 2018 to 40% in 2022, and increasing sanitation coverage from 10% in 2018 to 22% in 2022, in selected municipalities.

3.Data supplied by Ministerio de Vivienda, Ciudad Y Territorio. Viceministerio de Agua Potable y Saneamiento/ SWA Handbook for Finance Ministers'

CASE STUDIES

MOZAMBIQUE: THE BUDGET FORUM COALITION TO PROTECT PUBLIC FUNDING FOR THE SECTOR ⁴

The Mozambique Budget Forum (BMF) is a coalition of Mozambican civil society organizations working on public finance transparency and accountability. Helvetas, Water Integrity Network and Swiss Development Cooperation have been supporting BMF since 2013.

In 2016, BMF's work with parliament contributed significantly to limiting priority sector budget cuts to only 1%, allowing the water, sanitation and hygiene sector to maintain its investments and core activities. BMF directly supported the parliamentary Planning and Budget Committee to scrutinize national budgets and present reasoned arguments to the Government for increased budget allocations to the water, sanitation and hygiene sector. BMF also recommended that the Government should set out Mozambique's national accounts in a clear, accurate and simple format, to make them more accessible for citizens. In 2017 the Government agreed, making the nation's 'State General Accounts' readily available, and publishing them alongside an accompanying simplified version, called 'Citizen Account'.

In 2018, BMF published an analysis of the 'Budget Execution Report' for the water and sanitation sector, which highlighted low allocation of funds and poor performance in terms of budget execution, with less than a third of the allocated budget used at the end of the third quarter – hugely frustrating for communities dependent on public funds for access to water services. The analysis also showed that the centralized way the budget was coordinated in the water sector undermined development outcomes, with two thirds of the budget going to national level projects, and less than 0.1% going to the country's poorest and most populous provinces of Niassa and Zembézia. Recommendations from these analyses now help frame discussions before the budget is tabled in Parliament, during consultations that are coordinated by the Ministry of Finance.





SOCIAL ACCOUNTABILITY AND INCLUSIVE BUDGET PROCESS IN SOUTH AFRICA

The International Budget Partnership supported a program in South Africa to Empower informal settlement residents to work with the government to assess/improve the quality of basic service delivery using budget information. They worked with Informal settlements organizations in 6 metropolitan municipalities across South Africa who led social community-led audits where communities compared the services they receive against what is stated in official government documents such as bid specifications or contracts.

One of their key findings was that the challenge was not how to increase budget allocations for water and sanitation for those left behind but how to improve the implementation of existing allocations and expenditures. The Community representatives and civil society partners discussed the findings with officials from the Department of Water and Sanitation. The communities are now involved in monitoring the implementation of the new contract and continue to interact with the relevant department on those findings.

CALL TO OPEN GOVERNMENT BUDGETS BY INTERNATIONAL BUDGET PARTNERSHIP

Government decisions about how public money is raised, allocated and spent are moral choices--reflecting a nation's values and priorities. A nation's budget determines what services are available and to whom—including schools for children, medicine for the sick and support for the unemployed.

To assure that public budgets, and the use of public money, are fair and equitable, core documents must be open for public examination, public participation must be encouraged, and audit institutions and legislatures must provide effective oversight.

Open budgets help governments establish a more secure mandate by creating new avenues to connect to citizens and build trust. Those who have signed this call believe all people should have access to detailed information about their governments' budgets, with meaningful opportunities for input and engagement--including people living in poverty and other marginalized communities.

Thus, over the next five years, the signatories have called on all national governments to:

1. Publish information on how public resources are generated, allocated and spent in a timely manner that is accessible to all, as specified in the Open Budget Survey.
2. Create opportunities for all people, particularly those from marginalized communities, to provide input into the budget process.
3. Strengthen monitoring and oversight of budget execution through independent institutions.
4. Sustain improvements achieved on open budgeting, protecting them from political shifts.



SUPPORTING EVIDENCE

Funding Gap

- The Sustainable Development Goals won't be achieved without a significant increase in investments in basic services such as water, sanitation and hygiene.
- The World Bank indicates that the present value of additional investment needed in WASH through 2030 will exceed US\$1.7 trillion (Hutton & Varughese 2016) which demonstrates the significant funding gap to reach the sustainable development goals.

Return on investments

- Every dollar invested in sanitation and water brings a four-fold return (WHO 2012)
- The total economic losses associated with inadequate services are estimated at US\$ 260 billion annually, which is roughly equivalent to an average annual loss of 1.5% of Gross Domestic Product (WHO 2012)
- The majority of interlinkages between the targets of the water and sanitation (Sustainable Development Goal 6), and other targets across the 2030 Agenda are mutually reinforcing (UN-Water, 2016)
- Targeting the poor provides the highest marginal benefit (Stockholm International Water Institute 2005).

Performance of sector and finance strategies

- In the 2019 GLAAS report covering 115 countries in Latin America, Africa and Asia stated that
 - a. Only one third of countries reported use of performance indicators on cost-effectiveness for water and only one sixth for sanitation, indicating limited ability of governments to hold institutions to account and make informed adjustments in WASH spending priorities.
 - b. Over two thirds of countries have measures in policies and plans to reach poor populations, but less than 40% have corresponding measures for financing these efforts that are consistently applied.
 - c. The share of national WASH sector expenditure for sanitation went down from 43% to 35%, while access levels for continue to be seriously lower for sanitation than for water. This indicates an urgent need to prioritize budget allocations for sanitation and ensure that separate budget lines and accounting officers for sanitation are established.

Reaching the most marginalized

- CSOs are deeply concerned that actual investments need to further address the most vulnerable groups lacking access to drinking water, safe sanitation and hygiene.
- An average of 56% of subsidies reach the wealthiest quintile of a country population while only 6% reach the poorest quintile (World Bank, 2019).
- The 2019 World Water Development Report highlighted that the urban poor spend 10 to 20 times more on drinking water compared to the rich.