

Crossfire:

‘We need to fund first those who don’t have access rather than fund maintenance for those who already have access’

ROLF LUYENDIJK and CATARINA FONSECA

In this issue's Crossfire, Rolf Luyendijk and Catarina Fonseca discuss funding priorities and who should be responsible for financing maintenance in order to make WASH services sustainable.

Dear Catarina

According to the latest estimates of the WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation (JMP) for the year 2011, there are still 768 million in the world who rely on unimproved drinking water sources, including 186 million that rely on surface water and a billion people who practise open defecation. These numbers are shocking, and have come down only slowly over the past two decades. Since 1990, on average, each year 102 million people gained access to an improved drinking water source, whereas the number of people without access dropped by a mere 23 million per year. The difference between these figures is explained by population growth.

Data from household surveys show that many of those without access suffer from multiple deprivations. In comparison to those with access, these families are less likely to have access

to sanitation, their children are more likely to be stunted, less likely to go to school, and suffer a greater disease burden. They are concentrated largely in the poorest quintiles, often in remote, rural areas, and they commonly have the weakest political voice. From a human rights perspective, investments in drinking water and sanitation should go to providing these people with services first.

Whereas huge investments were needed to add over 100 million new users per year to those already with access to drinking water services, I think it is fair to say that these investments pale in comparison to the investments that are made in sustaining and improving the level of access for those 6.2 billion who currently already draw on improved drinking water sources. Using donor funding for maintenance for those already with access goes against my belief in ‘some for all rather than all for some’.

Ideally regular maintenance costs should be borne by the users of the system – but all too often this is not the case. I speculate that this is mostly due to poor revenue collection,

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inadequate pricing, illegal connections which tap unmetered water, years of neglect which augment O&M costs, inadequate financing of public services, and so on. Root causes for this lie in poorly functioning government systems, limited capacities to address these issues, and corruption, among others. These are elements of good governance which is a prerequisite for sustainable development and sustainable services. A focus solely on service provision has undermined the traditional development focus. It is important to continue to develop local capacity to take charge and manage services sustainably but also to explore options to involve the private sector in managing systems or providing operation and maintenance services.

By no means am I saying that no funding should be invested in maintenance. Good drinking water programmes invest part of their funding in the development of a good operation and maintenance system and/or follow approaches whereby communities are empowered to take charge of maintenance of their new systems in the absence of a service provider; good programmes engage with the private sector to ensure spare-part availability through local manufacturing, distribution networks, etc.; and they create an economy of scale which makes it worthwhile for the private sector to invest or explore a licensing agreement to operate a number of systems and collect tariffs.

I support an arrangement whereby a private service receives external funding either through a capital investment or through social marketing or an output-based aid contract with a clear plan in place

to phase out external support and work towards cost-recovery, while maintaining quality services for all. Governments will need to raise taxes and use those for capital investments, as is done still in most developed countries, most of which too have no full cost recovery. But I do not support diverting development funds for continuous regular maintenance of new or existing services. There is a risk that such support could send a wrong message – not to the users but to their governments – that they can continue to count on external support for running basic services infrastructure. I am convinced that a bit of extra funding to keep things running will not make the difference over the long term – investing in systems and capacity development will.

I look forward to hearing your arguments and am sure that there is a lot of middle ground we can agree on. I did not yet elaborate on sanitation – which I believe has a different side to it from drinking water, but hope to say more about that after reading your views.

With warm regards
Rolf

Dear Rolf

Fascinating to be discussing these issues with you! As you are well aware, sustainability is something we as a sector have been struggling with for a while. I have interpreted the 'we' in the statement above as referring to the donor or aid community and the role of aid in funding first-time access versus funding maintenance of existing services.

It has always struck me that the moral imperative to provide aid in

the water and sanitation sector has 'physical' and 'time' boundaries. This has no parallel in other sectors. In education, no one claims that aid funds can only be used to pay for the construction of school buildings and then parents need to pay the school teachers and for school materials, or even the maintenance of the schools. In health, no one claims that the first shots of vaccines can be funded through aid but that afterwards, additional shots need to be paid locally. If road maintenance had not been externally supported, economic growth in many developing countries would have certainly been lower. These are all sectors that also struggle with limited governance and capacities. Still they receive much more aid per capita than water supply and sanitation, and can use that aid to cover both construction *and* recurrent maintenance costs.

Thinking and planning aid for water, sanitation, and hygiene as simply delivering pieces of infrastructure spread randomly through the rural and urban landscapes is simply not cost-effective and, as I often say, borderline irresponsible of the donor community. We are wasting billions on investments in infrastructure which are supposed to last for 20–30 years but stop working after 1 or 2 years. As an illustrative example, for water supply, the failure of replacing a handpump for less than US\$1,000 jeopardizes the \$10,000 that was spent developing the borehole. Non-functionality can be as high as 90 per cent at any given point in time on some Pacific islands. Further, some countries (Uganda, India) are hitting the point where the results of investment in new infrastructure

are off-set by existing infrastructure that falls into disrepair – resulting in stagnating coverage. In the absence of global sector monitoring that tracks slippage and actual levels of service delivered there is a useful repository on references for non-functionality available at the Improve International website.

You mentioned many of the reasons why infrastructure is falling into disrepair, and I agree with all of those, as well as with some of the ways of overcoming these limitations. But you have not mentioned an important one: whereas smaller repairs can usually be covered by communities, larger repairs and replacements are many times beyond the means of the individual households (for sanitation) and communities (for water). The least progress in coverage has been in the poorest quintiles and low income levels certainly play a role. The costs for reaching and, most importantly, maintaining decent levels of service to the poorest somehow need to be covered by someone else: either the governments of the countries where these communities are or by donors. I'm now going to mention the 's word': these are called 'subsidies', which in their essence are either domestic or international transfers or taxes.

And that brings me to the perspective of governments. If they are serious about providing universal access, they need to bite the bullet and accept that they need to co-finance recurrent expenditures, for example, by paying for some of the repair and replacement costs, just like most (if not all?) governments in the Western world still do. In Europe and the USA, rural water supplies are partially

funded through general taxation = subsidized.

So, if donors decide that they want to pick 'only' the bill on infrastructure construction, then governments will need to dedicate a larger part of their funding to recurrent costs. But, at the moment it's not possible that governments of countries with GDPs of less than \$250 per person per year can cover all the maintenance costs of providing a basic level of health, education, roads, water, sanitation ... Will this go at the expense of government's capacity to invest in services for the ones currently not covered? From a purely mathematical perspective maybe, but only to a very small extent (recurrent costs are much lower than initial capital investment costs). However, this also assumes that total levels of funding for WASH remain the same and as a WASH community we can be smarter in pledging transfers and taxes to the sector. Most important is that the recurrent cost bill is being picked up – and that it is clear who pays what bill.

There are simple solutions to the problem within the reach of donors and NGOs while governance and capacities are being developed. Dedicating a minimum of 10 per cent of funds for repairs (or even better preventive maintenance) – independently of who funds it – can go a long way to delivering more sustainable services. Testing innovative insurance funds for maintenance and devising smart financing can solve some of the problems, but I think we need to be even more ambitious if we want progress to speed up and reach universal access for water and sanitation by 2030.

Look at the other sectors mentioned earlier: health, education, roads. The ambitions were not bound by time or what component is funded. The main challenge is to channel funds in a coordinated manner, following government-led norms and standards, and to focus on reaching everyone in a specific geographic area, allowing for what you mention as critical: the local capacities, the supply chains, the licensing agreements, the economies of scale that will allow a service to be provided when aid is not there.

In the end I agree with you, we both want some level of basic services for everyone, but I add the time dimension. I believe in some for everyone and forever, not only for a couple of years. And this means looking at the combination of the aid system and government funds to jointly support services and not pieces of equipment.

*Warm regards
Catarina Fonseca*

Dear Catarina

Fascinating indeed to be discussing this with you! I know that one of the main findings of IRC's WASH Cost programme was a recommendation to take the life-time cost of facilities into account, but your arguments do not yet convince me that 'we' (indeed the aid and donor community) need to pay for these. I like your introduction of the time element into the discussion as it is fundamental to sustainability, and see the parallel with investing in education and infrastructure, but not exactly in the same way as you do. Education and infrastructure (roads but also some parts of sanitation) are public goods benefitting society

at large and are usually paid for by transfers or taxes. You could argue that the infrastructure and capital investments for drinking water services fall under the same category. From a human rights perspective, government has a duty to provide a minimum level of services to all people, safeguarding the basic infrastructure and ensuring that the marginalized and those too poor to pay for maintenance have and keep their service. There, too, subsidies for ensuring a minimum level of service are justifiable, and yes to some extent 'we' could contribute to that until a government receives sufficient revenue to cover those costs.

Beyond ensuring a minimum level of service, the provision of drinking water is no longer a public good but a commercial service, for which people should and usually are willing to pay. When well managed and priced, these payments should be enough to cover operation and maintenance costs and even cross-subsidize the poor. The donor community should work towards such models – not by paying for the O&M, but by strengthening the governance and management of these systems.

Sewage and wastewater treatment, regulation of services, and quality control are public goods too and I concede that in the foreseeable future the aid community will be asked to continue to contribute to those elements either directly, or through technical or budget support.

I don't think it is unreasonable to require individual households to pay for their own construction, maintenance, and replacement of their toilet or latrine, unless circumstances outside their control warrant subsidy

or support. Putting our money into changing social norms is paying off at rates that are unprecedented in 40 years of sanitation programming and the approach has proven that families can and will construct their own facilities using their own funds. Similarly we can work on raising popular support for treatment of wastewater and possibly even reuse and nutrient capture. After all in most of the developed world there is a public consensus that sewage should not be seen, smelled or otherwise noticeable – and that's why we collectively agreed to spend huge amounts of public funding to keep it that way. In those areas too overcrowded for individual household toilets, local government could decide to run public facilities paid for from public funds because in these situations, concerted public action is required. I can see that 'we' may continue to invest in these types of public services – while at the same time pushing governments to improve their tax collection and accountability systems.

Where does that leave the rural communities with hand pumps – many of which, as you point out, continue to fall into disrepair the world over? Drilling a well and putting a pump on it can be difficult, but it's probably the easiest part of providing a drinking water service. Ensuring the sustainability of the service is where it gets really challenging. The focus of the MDGs on toilets and taps may to some extent have had an undermining effect on addressing the sustainability of services. I just cleaned out my attic over the weekend and found piles and piles of documents, reports, and handbooks

on community management of services and community approaches to ensuring sustainable services, community financing, and so on. Either those were wrong or neglected or maybe the push for increasing the numbers of people with access has led to lower investments in governance, community or private sector initiatives to ensure sustainable operation of services.

It is not only individual handpumps that are failing, but small systems as well, even in relatively populated areas like Indonesia where you would expect an economy of scale. A shortage of skilled technicians – plumbers, but also managers – is partially to blame for that. Who of ‘us’ is still investing in vocational training – which was big in the 1980s, tapering off in the 1990s? Are there enough plumbers and skilled people ready to jump into the market to provide O&M services for drinking water or to manage them properly? I recall a proposal from Somalia only a couple of years ago for establishing a vocational training centre to train plumbers and technicians: ‘we have enough money – but no skilled people to build or maintain services’ our WASH chief said. ‘Sorry’ the donors said – ‘we only support projects that contribute directly to the MDGs’.

Maybe we are not that far off with our views about who should be paying for what. We agree that services provided today should continue to work in three, five or 10 years from now. By now we know there are no magic bullets and that bringing about sustained change and development requires investing in much more than the provision of basic services. Yes,

invest in O&M but do it the smart way by investing in the enabling environment, vocational training for technicians, good governance, and management skills, among others, and by capitalizing on innovations in technology, especially monitoring technologies which I am convinced hold huge promise for private sector involvement in operation and maintenance. Programmes too should play their part and rather than reporting on how many people have gained access, we should report on what actions were taken to ensure that those with newly gained access still have access five or ten years from now.

Your proposal of investing just 10 per cent extra for O&M sounds about right, but only if it is on a yearly basis – that’s where your time factor comes in again. O&M is key to ensuring sustainable services and by its very nature requires a long-term investment. The only way to ensure that is by investing in people and systems, be they communities, local government, the private sector or even better – a combination of the three. We can support governments to support that.

Rereading the original statement, I believe my final position would be that we need to do both. Invest in those left behind, the rural poor in remote, marginalized areas and the peri-urban populations in countless large and small cities who are currently excluded from public services. And invest in the people, systems, and structures that support societies and ensure sustainable and affordable services for all in a cost-effective manner.

With warm regards
Rolf

Dear Rolf

Indeed, when I started working in the water sector, almost 14 years ago, I started by writing manuals on community management after visiting very successful pilot projects (hope you did not throw mine away!). They are not wrong, but the solutions proposed are only sufficient, not enough (with a few very limited exceptions).

This is a crossfire, we were supposed to be arguing against each other, but I agree with everything you mention above. In fact I think you have touched on all the key points in this interesting debate:

- That the focus of the donor community should be on ensuring a basic level of services for those that need them even if that means funding maintenance.
- That the MDGs focused on one side of the issue only and as a result sustainability suffered – this will hopefully be corrected with the new goal setting at global level.
- That innovation, both technological and in the institutional setting up, can bring positive change to the sector – especially those related to tracking, monitoring, measuring, and having basic data for making decisions.
- That the minimum 10 per cent fund for maintenance needs to be on a yearly basis – as demonstrated by a lot of the WASHCost work.

There are a few tricky points. First, what is a basic level of service to fund? Different societies will have different aspirations and donors work globally. A basic level of 15 litres per person a

day is good enough in Ethiopia while in many Latin American countries, 60 litres is considered 'basic'. Sewerage and treatment is an aspiration few countries can afford at this moment in time but is considered 'basic' in most Western countries. Where the donor community chooses to put its tax money becomes then a choice mostly based on geo-political decisions rather than a rational 'who needs it the most'. And interestingly enough, through the years, this has been confirmed by answers of most respondents to the GLAAS report. I agree with your revised statement, but it lacks the 'political economy' perspective. In reality, it will not happen unless as a sector we become smarter in communicating to ministries of finance, for instance, the yearly loss of infrastructure assets (which would be impossible to justify in any of the developed countries).

Second, (I'm also with you on this one) where are the long-term, large-scale capacity development programmes in the sector? I went back to the GLAAS report answer sheets to check the evidence, plus the latest studies from IWA on the subject. There are at the moment very few, very small investments into sector-specific vocational training. Without large-scale training, we will not have the managerial and technical WASH skills needed now or in the next 5 years. Aiming at scale – be it infrastructure construction or maintenance – is impossible without trained technicians. However, if in the short and medium term – perhaps as part of a 'transitional' development phase – there is no money for those trained people to practise service delivery, they will learn nothing. Most of the district engineers

I know with 20+ years' experience sit (reluctantly) in their offices and manage to go 'to the field' to supervise random borehole construction of donor X 'project' or NGO Y 'pilot'. There is never money for follow up, preventive maintenance or replacement until another 'project' arrives. If investment in vocational training comes without investment in the 'O&M' it becomes a load of empty workshops.

Third, yes, from a human rights perspective governments have the duty to provide a minimum level of services, but without financial numbers this is a conceptual argument. As mentioned above, from a macroeconomic perspective, many least developed countries have very low levels of tax recovery and in the short term, expecting them to come up with the money to significantly subsidize rural services is not realistic. We have two choices at the moment: either we accept that rural water and sanitation services will be lousy (and against human rights) or accept the need for aid flows to subsidize them.

The next useful discussion to have is about how to channel 'maintenance' subsidies, for example directly through public service provision – if only for support costs – or indirectly through voucher schemes to pay the private sector. There is still a lot of work to be done on this front.

I think one important takeaway is that the discussion on 'new versus maintaining infrastructure' seems simple but actually has more granularity and complexity to it. The other takeaway is that doing proper maintenance is like doing proper infrastructure development: fix the problem but also fix and fund the root causes of the problem which are mostly around governance, monitoring, structures, and people with the right skills at the right place in the right moment.

I'm now more worried than when I started this discussion with you, but I think we end with a good set of messages to the sector.

*Has been a pleasure
Catarina*