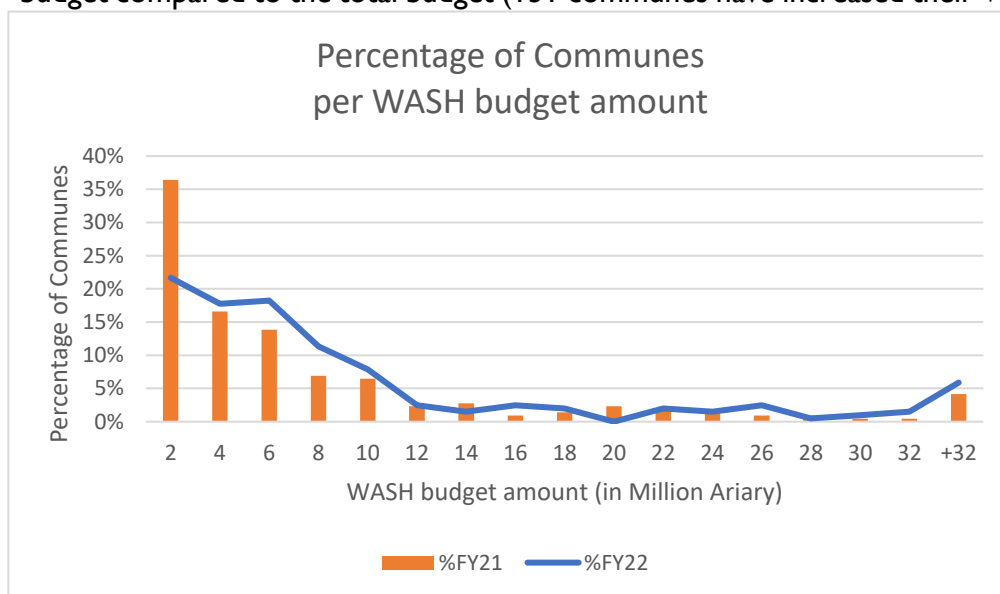


ANNEX I. COMMUNAL WASH BUDGET Q4.22

FY2022 COMMUNAL WASH BUDGETS WITHIN THE COMMUNES SUPPORTED BY RANOWASH

This Q1 period coincides with the fielding of the annual survey implemented by the monitoring and evaluation team and the closing of the fiscal year for budget execution at the commune level. Thus, updates for the communes' financial year for the documentation of 2021 expenditures and the 2022 budgets were carried out. In most cases, the additional data obtained in Q1 confirms the analyses in the previous reports; only the figures have changed. The major changes in data quantity concern the "commune-level expenditures" section, where out of 147 communes surveyed, 117 communes have made WASH expenditures (79%).

99% of the 205 communes that submitted their budgets have a WASH budget. The total amount of the WASH budget is estimated at **2,574 billion ariary (\$579,190)**. **148 communes have increased** the amount of their WASH budget or the rate of the WASH budget compared to the total budget (131 communes have increased their WASH budget, and



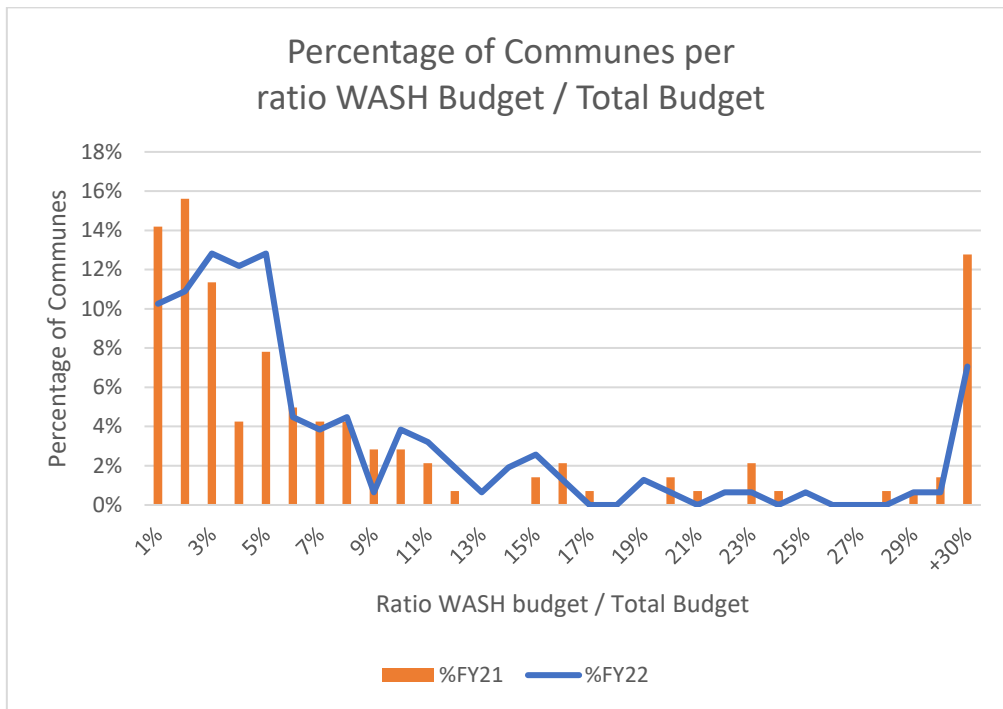
148 communes have increased their WASH budget rate compared to the Communal budget).

According to the graph below, the dialogues on finding a more realistic budget

following the Malagasy fiscal year 2021 experience have operationalized into a decrease in the rate of communes with a budget of less than 2 million ariary. Nevertheless, despite the increased WASH budget by communes, this amount remains low for only awareness activities and small repairs. Indeed, **75% of communes have a budget less than or equal to 9 million ariary**, and only 10% have a WASH budget greater than 20 million ariary.

Data source: RANO WASH MEAL database January 2023, budgets available for 2021 are for 221/250 communes, and budgets available for 2022 are for 205/250 communes.

COMMUNAL WASH BUDGET VERSUS TOTAL BUDGET



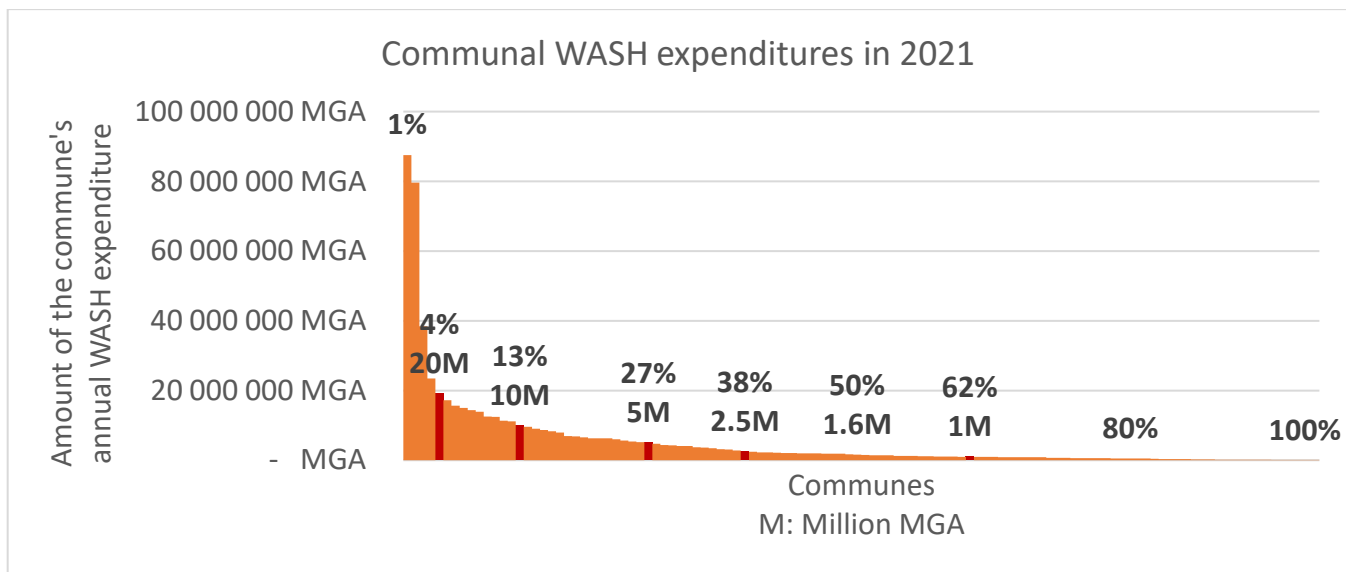
Data source: RANO WASH MEAL database January 2023

148 communes have increased the WASH budget rate compared to the total budget. This rate indicates a higher priority for WASH activities in the commune's budget. And 70% of the communes have less than a 7 % WASH budget compared to the total budget

THE AMOUNT OF WASH EXPENDITURE BY COMMUNES AND THEIR CATEGORIES

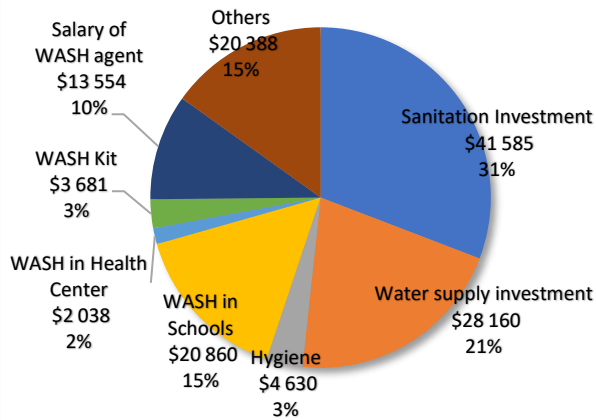
As communes will not be submitting their 2022 administrative accounts (expenditure accounts) until the end of March 2023, the expenditures analyzed in this document relate to communes' expenditures in 2021. The database for the M&E system was updated by the annual survey, which revealed 117 communes with WASH expenditures for 2022 out of 144 communes surveyed in Q1. The total amount spent by these 117 communes was 599 million ariary (\$134,000). This information will be combined with the 2021 expenditures of the other communes not targeted by the annual survey but already collected during Q3 and Q4 of FY22 in our database.

Thus, in fiscal year 2021, out of 203 communes with a WASH budget, 135 communes have transferred their administrative accounts (expenditure accounts) to RANO WASH (67%). The total expenditure of communes for WASH in these documents is 686 million ariary (or \$154,000). This number is an improvement over the figures during Q4 (36 communes with administrative accounts validated).

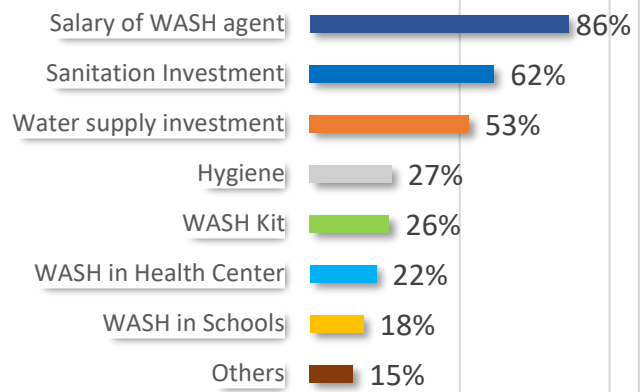


Only 13% of communes spent more than 10 million ariary on WASH during 2021, and half of the communes spent less than 1.5 million ariary. These volumes of funding by communes are still far below what is needed, even for small maintenance for WASH services.

WASH EXPENDITURES ACHIEVED IN 2021 BY THE 117 COMMUNES



PERCENTAGE OF COMMUNE WITH WASH EXPENDITURE

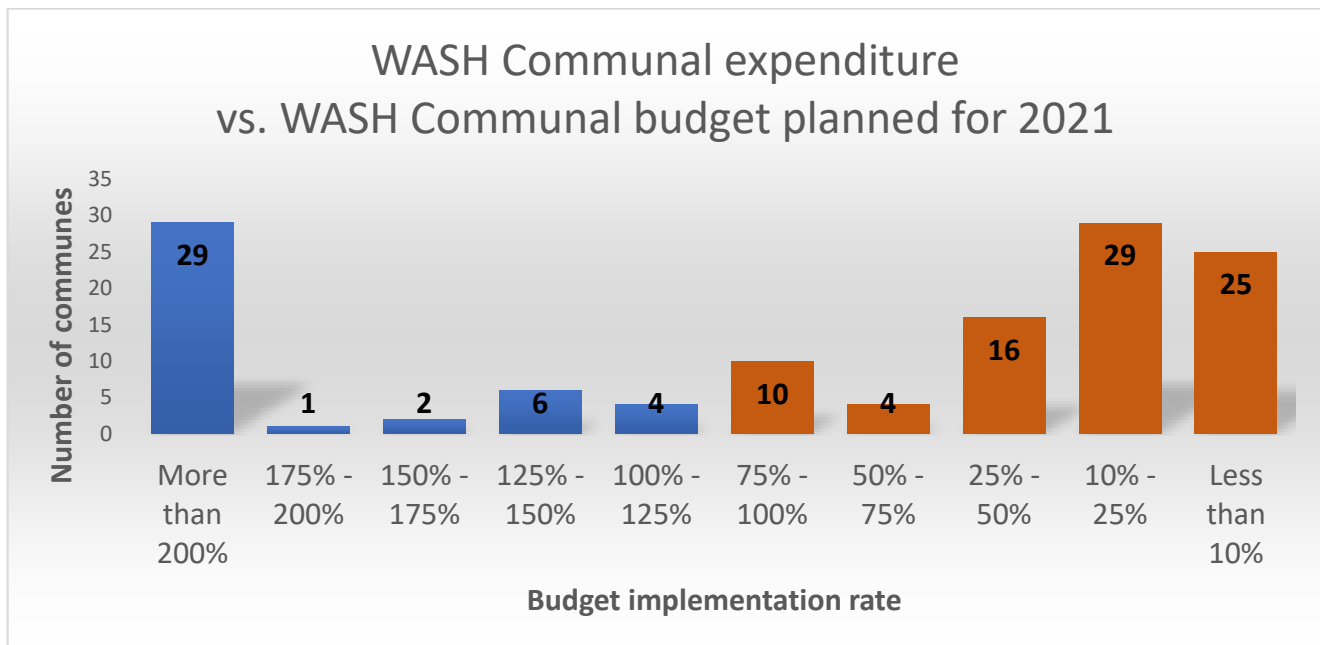


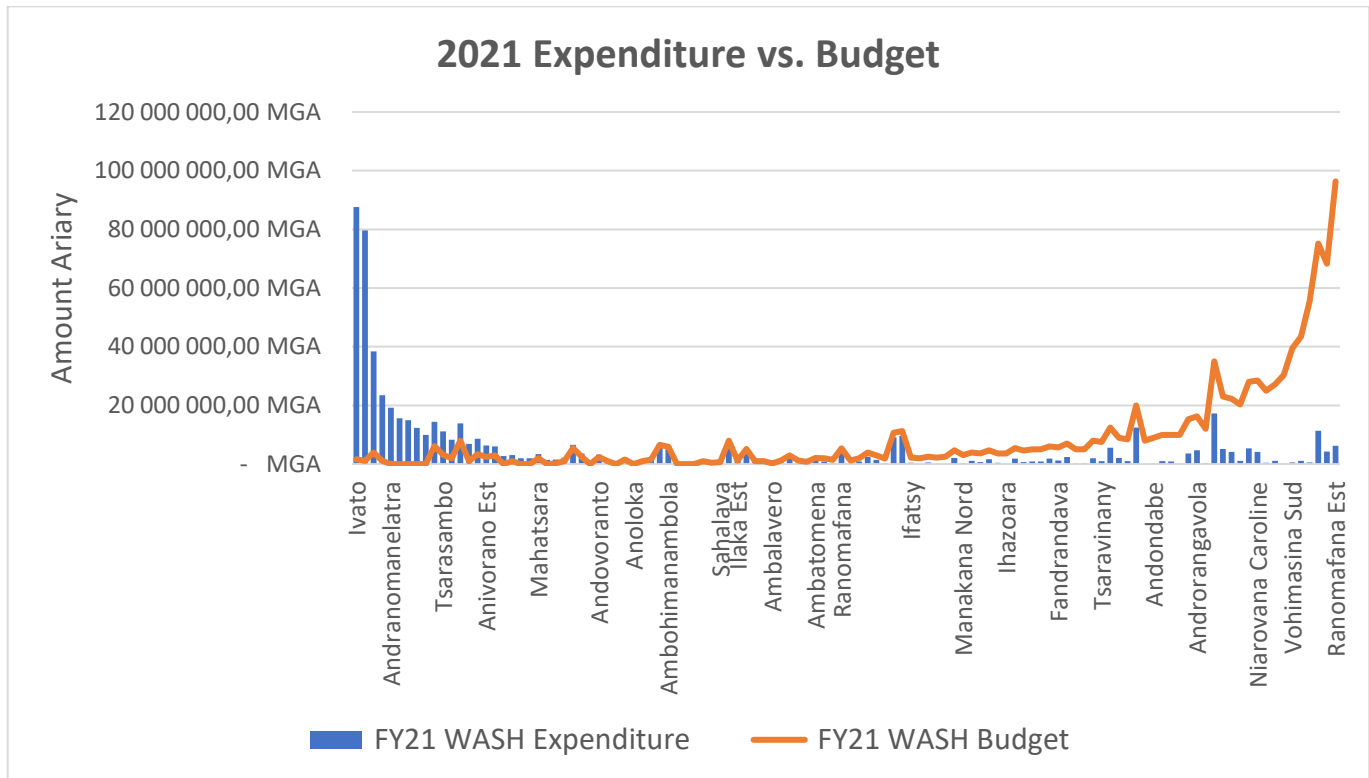
Among the categories of expenditure, the majority of communes already include the salary of WASH agents (STEAH) in their expenditure. More than half of the communes are spending on construction or rehabilitation of water and sanitation facilities.

These figures show that municipalities are beginning to see the sanitation component as where they can make changes. Municipalities are also starting to spend money on water, but most of the time they only do small repairs and still rely on external partners for larger investments.

More than 20% of communes have begun to invest in WASH at the institutional level as well as in hygiene.

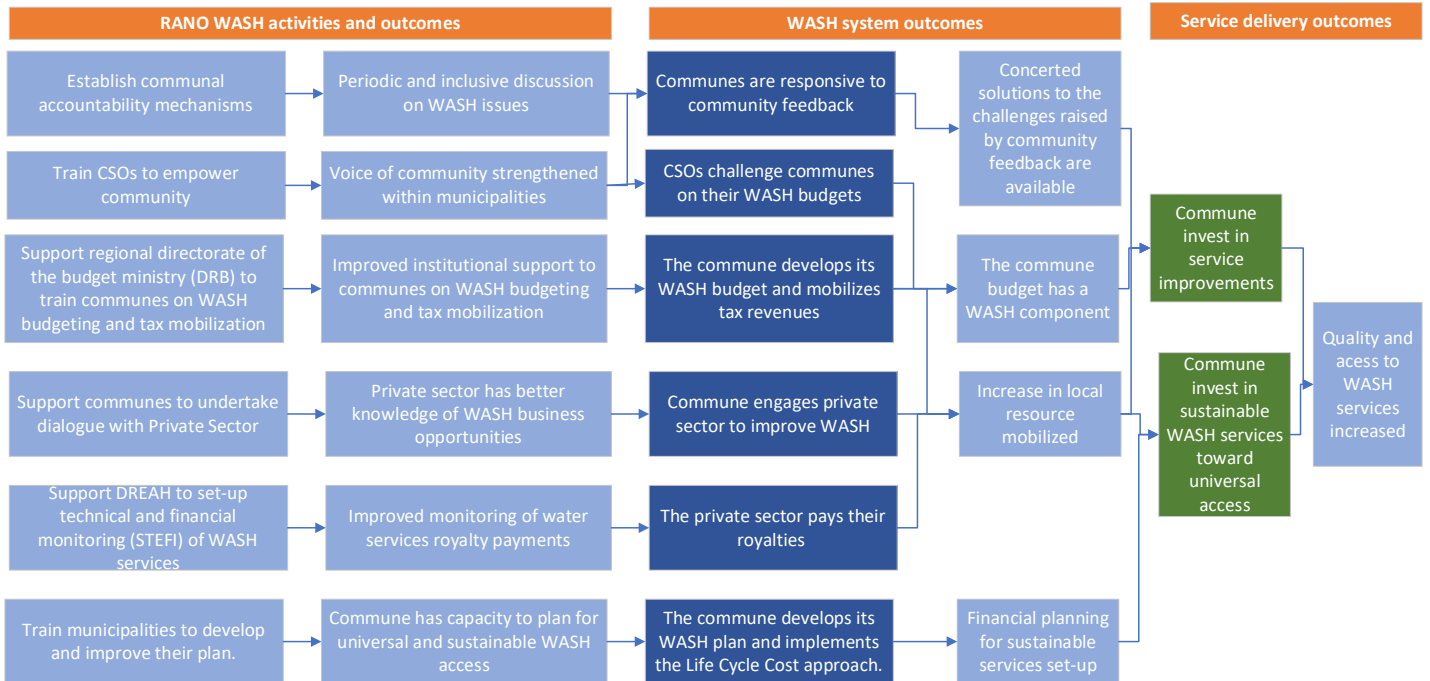
COMPARISON OF COMMUNAL WASH BUDGET AND ACTUAL EXPENSES



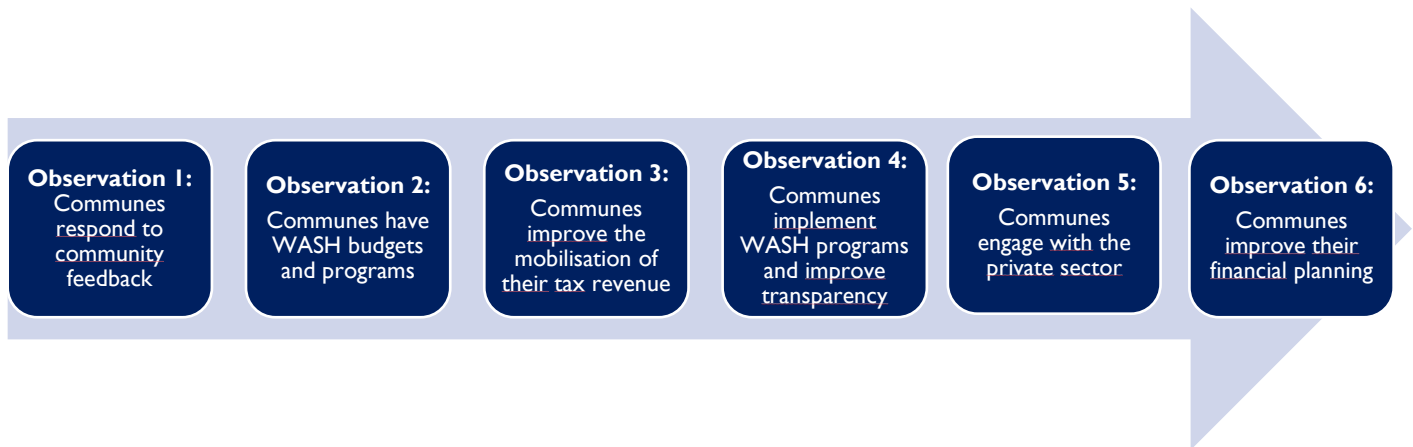


Although, the findings for 2020 on the inconsistency between planned WASH budgets and actual expenditures are still valid for 2021: (1) in the right part of each graph, some Municipalities undertake expenditures for WASH but have not provided documents to prove that they have budgeted it before. We note that several communes that have spent more than 10 million ariary on WASH have not budgeted for it. However, advocacy and capacity building efforts during 2021 have committed them to making these WASH expenditures. On the left side, other communes have budgeted WASH activities but still need to implement them or to improve the documentation of their WASH expenditure. These Communes have often overestimated their ability to mobilize revenue to finance these expenditures. Given the one-year cycle for budget planning, our efforts have only impacted the inclusion of the WASH component in the various budget documents. Still, they have yet to influence the achievement of greater consistency between budget and actual expenditures. Organizations with a more permanent local presence should lead this effort, such as the DREAH, the Districts, and the regional budget offices.

THE PATHS LEADING TO THESE CHANGES



PROGRESSIVE IMPROVEMENTS OBSERVED IN THE COMMUNES:



Observation 1: Communes respond to community feedback

Local structures such as CLCs, accountability mechanisms, and CSO actions are producing quick wins, particularly for mayors' and communes' commitment to WASH expenditures. Even if the commune does not initially have a formalized budget for WASH, these activities have helped to engage communes to fund the rehabilitation of small water supply schemes, the construction of small sanitary blocks, and the purchase of sanitation materials for markets and public spaces. When these structures are active, one can expect a quick win every three months.

Observation 2: Communes have WASH budgets and programs

The challenge of assisting municipalities in developing their budgets should not be underestimated. Indeed, the one-year budget cycle slows down the effect of the improvement, even with quarterly corrections. And the following additional challenges have to be solved during the implementation: (1) Communes faced difficulty writing (and reading) the WASH component of a communal budget and especially on accounting codes for WASH activities, (2) Slow pace of communes preparing budget documents by the schedule foreseen by the texts, (3) Weak transparency of budget documents.

The regularity of budgetary entries can be observed after 1 to 2 years of support. (1) Collaborative efforts with SRBs are the most cost-effective, especially to facilitate training on the budget process and accounting coding, (2) CSO budget monitoring helps to strengthen commune WASH budget improvement efforts each year. In the Vatovavy et Fitovinany region, budget verification institutions (District and SRB) challenge communes when they do not have a WASH budget line.

Observation 3: Communes improve the mobilization of their tax revenue

In addition to writing the WASH program and allocating expenditures, identifying new financial resources is critical for the commune. Thus, experiences have shown that the challenges often encountered can be solved: (1) Lack of political will of the Mayor to mobilize tax revenues, lack of capacity of the commune tax agents to mobilize tax revenue, and lack of ideas to motivate the community to pay taxes. The training effort and process can take more than a year to complete, not including advocacy efforts. Results are achieved each year incrementally by improving the tax mobilization strategy and tax collection efforts.

Observation 4: Communes implement WASH programs and improve transparency

Local structures and accountability mechanisms are the cornerstones for ensuring quality program delivery by the commune. The implementation of STEFI at the regional level is also an important element in improving the collection of charges from water supply managers.

Observation 5: Communes engage with the private sector

The increase in funding through private sector involvement by the commune has required seeing the results of large systems funded by RANO WASH. The drivers of change are the efforts to network communes with private operators and support the private sector to mobilize funding. Several forms of collaboration have been observed, depending on the financing modality and the field of application. The challenges of effectively mobilizing the funds to be provided by the communes within the allotted time are among the parameters that can weaken the process.

Observation 6: Communes improve their financial planning

The use of the life cycle cost tool by the municipality is ideal. It allows them to have a long-term vision (2030) and to consider all the parameters to ensure universal access or a less ambitious coverage objective. But it also allows them to monitor the resources that can be mobilized and prepare the annual budgets to be submitted. The challenges of manipulating the excel file require the support of DREAH. The communes can gradually master the parameters of the system by progressing through the points previously observed.