

MADAGASCAR WASH PLANNING AND BUDGETING PROCESSES: recommendations to improvements of the regional budget planning (BPOR) and the national budget planning (BPON) processes and tools

1. Background

WaterAid, as part of USAID funded RANOWASH project, is supporting the review and improvement of some WASH sector governance processes in Madagascar – particularly related to improving WASH monitoring, planning and budgeting.

In January 2020 WaterAid performed a review of current planning processes, particularly focused on assessing current status and limitations of the following:

- Commune level planning of WASH services (1 commune part of RANOWASH target area)
- Regional BPOR processes development and aggregation to BPON
- SE&AM indicators and data use to inform BPOR

This document provides a summary of key observations, along with key recommendation for improving and strengthening BPON/ BPOR processes, following this initial review.

2. Key observations

Currently, the BPOR is designed to calculate **universal** access to water supply (only) for the Malagasy population currently unserved. **Service levels** used are based on MDG indicators of improved WASH access. The wider range of service levels are not considered, nor are targets disaggregated to consider basic and safely managed services, in alignment with SDGs.

The approach to costing is aligned with this broad scope. Water supply costs considered are calculated on the basis of populations currently without any access and include actual CAPEX and estimates of CapManEx and Direct Support Costs considering regional/international reference unit costs and **excludes prediction of costs to maintain services** currently in place but for whom services need to be maintained, improved, rehabilitated or upgraded. This approach hinders the likely sustainability of services.

SE&AM, the National WASH Sector Management Information System currently uses information from communities' water and sanitation access to support calculation of CAPEX required for unserved parts of the communities (informing the BPOR). However, gaps in regular data updating from communes and lack of information on service levels of communities already served limits the use of the MIS to inform overall costing of universal and sustained services. Upgrades to the SE&AM are planned and should align with BPOR/N changes.

Costs calculated for the BPOR are then **aggregated** into the BPON without additional national-specific costs, or the consideration of scenarios considering various assumptions (e.g time horizon, service levels, technology types).

There is currently **no guidance document** describing the purpose of these instruments, their use and link to decision-making processes or the approach to updating them on a regular process.

INFRASTRUCTURE AND COSTS

Values	2019	2020
Population to be served	57,917	230,552
Sum of population to be served by FPMH	-	29,942
Sum of population to be served by PPMH	-	4,904
Sum of population to be served by BF AEPG	57,917	179,376
Sum of population to be served by BF AEPP	-	16,330
Sum of number of water points to be built	312	1,160
Sum of FPMH's number	-	155
Sum of PPMH 's number	-	33
Sum of BF AEPG's number	312	904
Sum of BF AEPP's number	-	68
Sum of FPMH's number	-	15,621
Sum of PPMH's number	-	1,467
Sum of AEPG's cost	3,242,346	10,045,049
Sum of AEPP's cost	-	1,535,036
Sum of Investment for AEP	3,243,346	11,597,172

FPMH: borehole with Hand pump

PPMH: dug well with Hand pump

AEPG: water gravity fed system

AEPP: Pumping water system

BF: Standpipe

AEP: Drinking water supply

This includes only CAPEX costs for population to be served.

On that basis, the following recommendations are formulated:

3. Key recommendations

Overarching recommendation: revise the scope of the BPOR/BPON and the costing methodology, to design a sector-wide planning instrument supporting the achievement of universal and sustainable WASH services.

The BPOR/BPON should be revised to serve as the key instrument for WASH-sector planning for new services as well as for the maintenance, upgrading and extension of existing services. As such, it would support strategic decision-making around i) sector-investment, ii) appropriate management models and iii) financial modelling to cover all life-cycle costs, including those falling outside the government's remit.

Implications:

- The BPOR/BPON should plan to provide universal AND sustainable services, aligned with SDGs: a combination of service levels should be considered (see recommendation I) and

costs considered should go beyond CapEx to consider all other life cycle costs; including those falling under the responsibility of users and service providers and capital expenditure based on real and localised costs (see recommendation 2).

- The BPON should go beyond the aggregation of regional-level costs (see recommendation 3)
- The BPOR/BPON should include scenario building to support key decision-making around targets, service levels, technology types (see recommendation 4)
- The BPOR/BPON should consider sanitation and hygiene in its scope (see recommendation 5)
- The BPOR/BPON should align with any updates of the SE&SAM (recommendation 6)
- The use and updating process of the BPOR/BPON should be institutionalised and a short guidance should be developed (e.g. use, roles and responsibilities, frequency and funding) (see recommendation 7).

Recommendation 1: consider various WASH service levels in the BPOR

The BPON / BPOR calculation should be updated to consider various levels of services- basic and safely managed:

- The targets should be broken down to consider the % population having access to basic & safely managed services.
- Within the model, these should be included as variables that can be updated in case of changes to long term targets (see recommendation x).
- These targets should be aligned with ongoing updating of national and sub-national targets by from the Ministry, in line with SDGs service levels.
- This change will require also updating the SE&AM monitoring indicators to inform service levels disaggregation – e.g. water quality, reliability etc.

Recommendation 2: calculate all life-cycle costs for providing sustainable services, particularly CapManEx

The costing methodology should be revised to ensure capital expenditure (CapEx) are based on localised unit costs and that other expenditures required to maintain and support services over time, particularly Capital Maintenance Expenditure (CapManEx) are incorporated in the calculations:

Capital expenditure (CapEx):

- Perform an assessment of LCC in a number of representable communes to contextualise unit estimates;
- When unit costs are used verify/ triangulate these on case studies, for example local studies on LCC could be conducted. For this, there is a potential to take advantage of upcoming baselines performed as part of RANOWASH to support this process.
- Alternatively ask a wide range of NGOs for records of costing for different components to be used as reference.

Capital Maintenance Expenditure (CapManEx):

- Model CapManEx estimates based on regional data considering infrastructure age.
- Alternatively, calculate average CapManEx based on specific variable (e.g. type of technology used in the region/ commune, population, management models). This requires a detailed LCC review of current costs from a number of districts to inform estimates.

Direct Support expenditure (DSexp):

- In the short term, come up with a detailed assessment of average DS costs could be performed in a sample of Regions or Commune to be representative of different areas
- In the long term, introduce a standardised approach to perform localised Direct Support costing estimates.

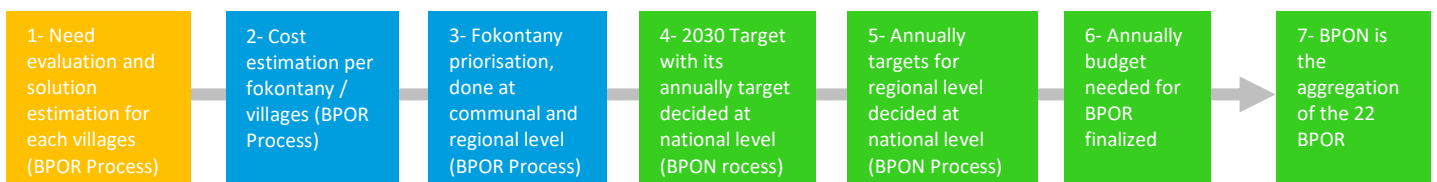
Operational Expenditure (OpEx):

This should be discussed based on the scope of the BPOR and whether it includes or not expenditure under users' responsibility.

Recommendation 3: revise the aggregation process from regional to national levels

The BPON should be updated to consider i) national-level activities (and related costs) and ii) prioritisation processes of regional-level activities (and related costs):

- The BPON should include costing of activities performed at national level to ensure adequate deliverable of services:
 - Indirect Support Costs such as trainings, policy/strategy development. This could be estimated as part of PSEASH costing and planned to be reviewed annually / every 3 years depending on National planning review frequency
 - Cost of Capital: the corresponding public debt (forward) or corporate borrowing (for a securely managed objective).



- The aggregation process should be revised to include strategic analysis, and a prioritisation process based on a number of criteria:
 - Localisation of short and long targets (2023 & 2030)
 - Geographical priorities

- Ministry performance contracts *[need to understand further if these are updated annually and criteria of this]*

Recommendation 4: Include scenario building

In an effort to use BPOR/BPON as a planning and decision-making tool, it should be revised to include various scenario planning, considering:

- Various time horizons (2023/2030)
- Various service level targets
- Various technology types)

Recommendation 5: expand to sanitation & hygiene costing estimates

The BPOR should be revised to incorporate sanitation and hygiene and related cost calculations:

- Integrate UNICEF sanitation costing (Madagascar Madio) with consideration to the following gaps to be addressed:
 - Include costing options for additional sanitation approaches beyond CLTS
 - NO CAPEX infrastructure costing included (subsidies for HH latrines?)
 - CAPMANEX estimates review
 - Extend duration of estimates to 2030
 - Institutional sanitation needs to include CAPMANEX for infrastructure and OPEX
 - Need to source reference unit costs used and ensure these can be updated.

Recommendation 6: Align BPOR and BPON and SE&AM upgrades

As the SE&AM is developed as a monitoring platform to inform planning and budgeting, the indicators included in the upgrade of the SE&AM should be in line with the needs for upgrading the BPOR/N in particularly the alignment with SDGs global indicators:

- Ensure coordination between SE&AM team and BPON development teams – particularly on indicators harmonisation, data needs alignment
- Upgrade SE&AM capacities to reflect changes on planning and budgeting processes – particularly around estimates for CAPMANEX

Recommendation 7: Institutionalise the BPOR/BPON process and update

Any updates to the BPON/ BPOR tool need to be led by Ministry team throughout process to ensure participation and ownership. A team responsible for BPON at Ministry level should be set up and discussion around the stability of this in case of Ministry change to ensure continuity:

- Develop process for regular updating of BPON and BPOR (possibly annual updated based on achievements and changes to targets). This should be done in junction to the annual sectoral review is conducted by the ministry team and the updates of the performance contract

- Formalise the use and updating of BPOR/BPON into a concise guidance document, articulating links with key decision-making moments in the WASH sector in Madagascar.

Next steps recommended by WaterAid:

- WASH Life Cycle Costing workshop to Ministry to ensure joint understanding and agreement on costs components to be included in the updated tool and review of current SE&AM upgrade plans to ensure alignment with planning and budgeting changes.
- 3-4 communes to be selected as representable communes (based on criteria to be agreed) to perform detailed LCC estimate

Acronyms

BPOR	Budget Program per Regional Objective
BPON	Budget Program per National Objective
SE&AM	Madagascar WASH Monitoring and Information System
MDG	Millennium development goal
SDGs	Sustainable development goals
CAPEX	Capital expenditure
CapManEx	Capital Maintenance Expenditure
LCC	Life Cycle Cost
NGO	Non-governmental Organization
DSexp	Direct Support expenditure
OpEx	Operational Expenditure
PSEAH	WASH Sector Program
FPMH	borehole with Hand pump
PPMH	dug well with Hand pump
AEFG	water gravity fed system
AEPP	Pumping water system
BF	Standpipe
AEP	Drinking water supply