



USAID
FROM THE AMERICAN PEOPLE



TECHNICAL BRIEF

USAID'S WATER, SANITATION AND HYGIENE FINANCE (WASH-FIN)

Tracking Water and Sanitation Financing in Kenya and Mozambique: Building Evidence for Increased Investments to the Sector (August 2022)

Authors: Barbara Kazimbaya-Senkwe, Emily Mutai, and James Wairuri

The World Bank estimated in 2015 that achieving the Sustainable Development Goal (SDG) of universal access to water supply and sanitation (WSS) by 2030 will require investment to triple to reach US\$114 billion per year¹. Many governments made commitments to achieve universal access and invest more in the sector. Have governments been spending appropriately to achieve this goal, and is there a way to monitor this expenditure? Yes, there is. This

Technical Brief shares the USAID Water, Sanitation, and Hygiene Finance (WASH-FIN) program's experience supporting WASH expenditure tracking in Kenya and Mozambique using the TrackFin (Tracking Finance) method. The Brief describes the TrackFin process and key results, which are presented as National WASH Accounts. It shows how tracking and National WASH Accounts are tools to better assess the sectors' financing situation and promote dialogue

¹ World Bank. (2015). The Costs of Meeting the 2030 Sustainable Development Goal Targets on Drinking Water, Sanitation, and Hygiene.

and advocacy for greater sector expenditure to meet SDG goals. The Brief ends with reflections on key methodological challenges and suggestions for institutionalization of the TrackFin process.

ABOUT TRACKFIN

TrackFin was developed by the World Health Organization (WHO), the Organization for Economic Co-operation and Development (OECD), and the World Bank as part of the United Nations Water's Global Analysis and Assessment of Sanitation and Drinking Water (GLAAS) program,² to address gaps in knowledge of financial data in the WASH sector. TrackFin aims to help countries develop national WASH Accounts to track and monitor Capital Expenditure (CapEx), Operation and Maintenance Expenditure (OpEx), and other kinds of expenditures such as support and financial costs from all national and subnational sources using a globally accepted methodology. As of July 2020, TrackFin was being implemented in 21 countries³.

TrackFin collects data that answers four fundamental questions aimed at the country level:

- (i) What is the total expenditure in the WASH sector?
- (ii) Who pays for WASH services and how much do they pay?
- (iii) Which entities are the main funding channels for the WASH sector?
- (iv) How are funds distributed to different WASH services and expenditure types?

² The objective of GLAAS is to provide policy- and decision-makers at all levels with a reliable, easily accessible and comprehensive analysis of WASH systems to make informed decisions for sanitation, drinking water, and hygiene. GLAAS collects data through country and external support agency (ESA) surveys and publishes reports summarizing WASH systems data every two to three years. Additionally, GLAAS—in collaboration with OECD and UNDP—monitors the means of implementation targets for SDG 6.

The collected data is analyzed using the TrackFin WASH Accounts Production Tool (WAPT). WAPT allows for comparability of results across countries and global monitoring of WASH financing. TrackFin is a government-led process supported by key stakeholders through specific committees that define the approach, frame policy questions, and validate the resulting WASH Accounts. Government ownership of the results is intended as a basis to advocate for greater and more effective public spending to the WASH sector.

TRACKING WASH EXPENDITURE IN KENYA AND MOZAMBIQUE

Kenya and Mozambique have committed to achieving universal WSS access by 2030 but are struggling with persistently low coverage levels. As of 2020, only 62 percent of Kenyans had access to drinking water and only 33 percent to sanitation while 63 percent of people in Mozambique had access to safely managed water and only 37 percent had access to sanitation⁴. Both countries have used TrackFin to track WASH expenditures for the period 2016-2018. The Ministry of Health and Ministry of Water Sanitation and Irrigation in Kenya and the Ministry of Public Works, Housing, and Water Resources in Mozambique facilitated the process, with technical and financial support from the WHO and USAID's WASH-FIN program. Table 1

³ Argentina, Bangladesh, Brazil, Burkina Faso, Ghana, India, Kenya, Kyrgyzstan, Madagascar, Malawi, Mali, Mexico, Morocco, Mozambique, Nepal, Niger, Nigeria, Senegal, Tunisia, Uganda, and Peru. WHO (2021). Reflecting on TrackFin 2012-2020. Key results, lessons learned and the way forward.

⁴ WHO/United Nations Children's Fund (UNICEF). (2021). Progress on household drinking water, sanitation and hygiene 2000-2020: five years into the SDGs. Joint Monitoring Program for Water Supply, Sanitation and Hygiene (JMP).

Table 1: WASH expenditure in Kenya and Mozambique 2016-2018

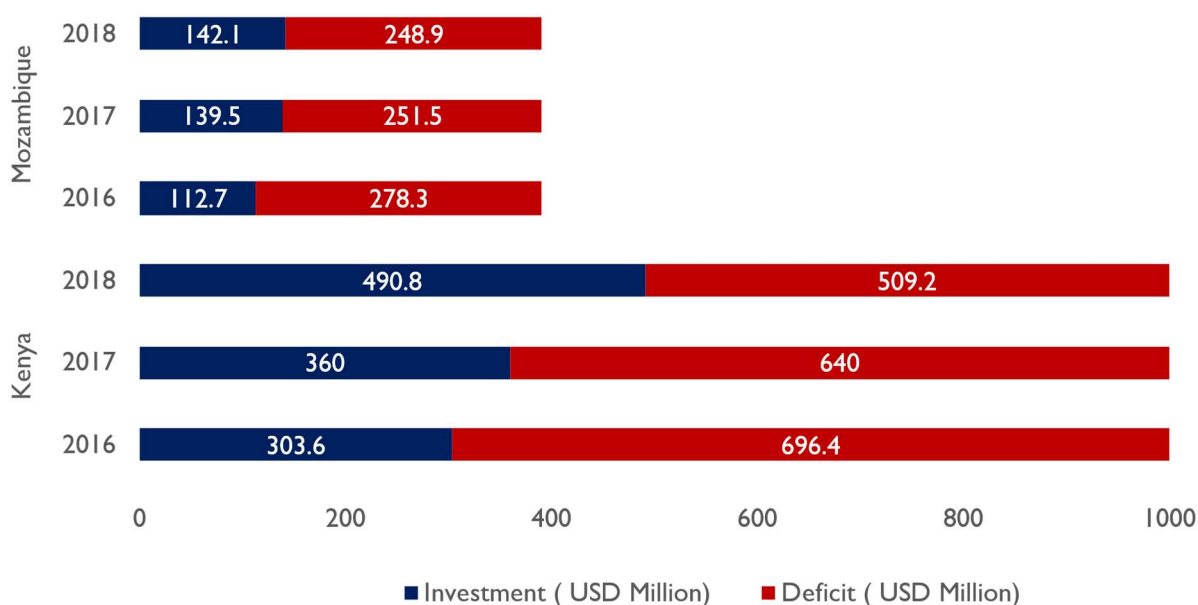
National Aggregates	Kenya			Mozambique		
	2016	2017	2018	2016	2017	2018
Government Expenditure (Million USD)	18,135	19,627	25,359	3,469	3,851	4,655
GDP (Million USD)	66,461	78,970	87,780	11,940	11,322	14,850
Population (Thousands)	43,600	44,800	46,000	27,830	28,650	29,500
Aggregates for WASH Sector						
Total Expenditure WASH (USD millions)	616	7,17.59	8,14.24	113	144	147
Total WASH Expenditure per capita (USD)	13.7	15.9	18.3	9.2	9.3	9.5
Total Expenditure WASH % of Government Expenditure	3.40%	3.66%	3.21%	3.26%	3.74%	3.16%

shows the total WASH expenditure during the period of study and as a proportion of total government expenditure⁵.

On average, Mozambique spent US\$134 million, while Kenya spent US\$715 million annually. These expenditures represented a spending level two-thirds below that needed for CapEx -

excluding recurrent and other costs - to achieve universal access and is below the recommended five percent target of total government expenditure for WASH (see below). Both countries increased their investments in 2018, with Kenya reducing its annual CapEx deficit to about 51 percent of what is needed, whereas the change for Mozambique was negligible (Figure 1)⁶.

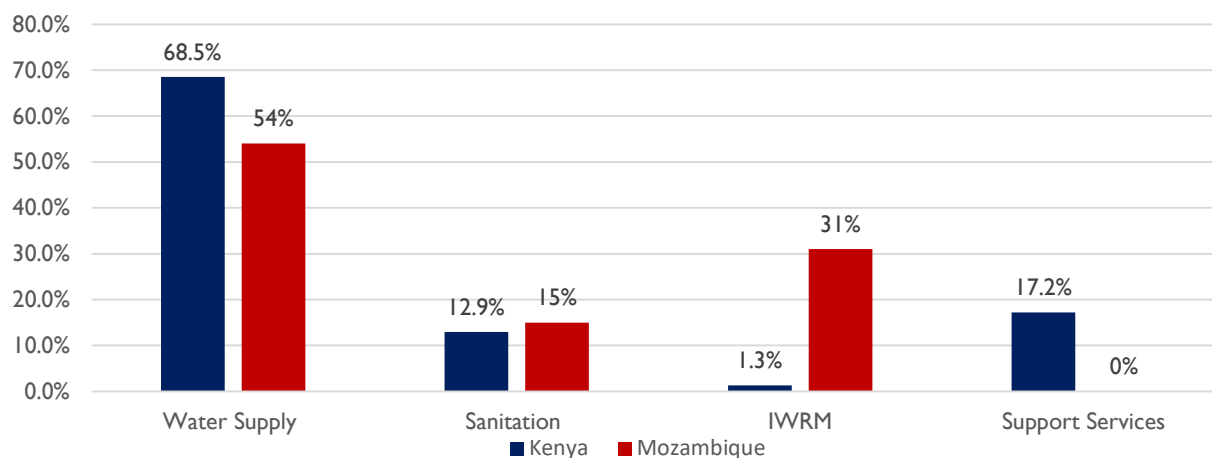
Figure 1: Funding deficits in Kenya and Mozambique (2016-2018)



⁵ The total government expenditures for both countries are based on computations from the TrackFin reports and triangulated with World Bank data sources.

⁶ As this is for illustrative purposes only, the graph is based on an assumption of a fixed annual estimated expenditure only; unexpended CapEx from prior years is not carried forward.

Figure 2: Spending by water service category

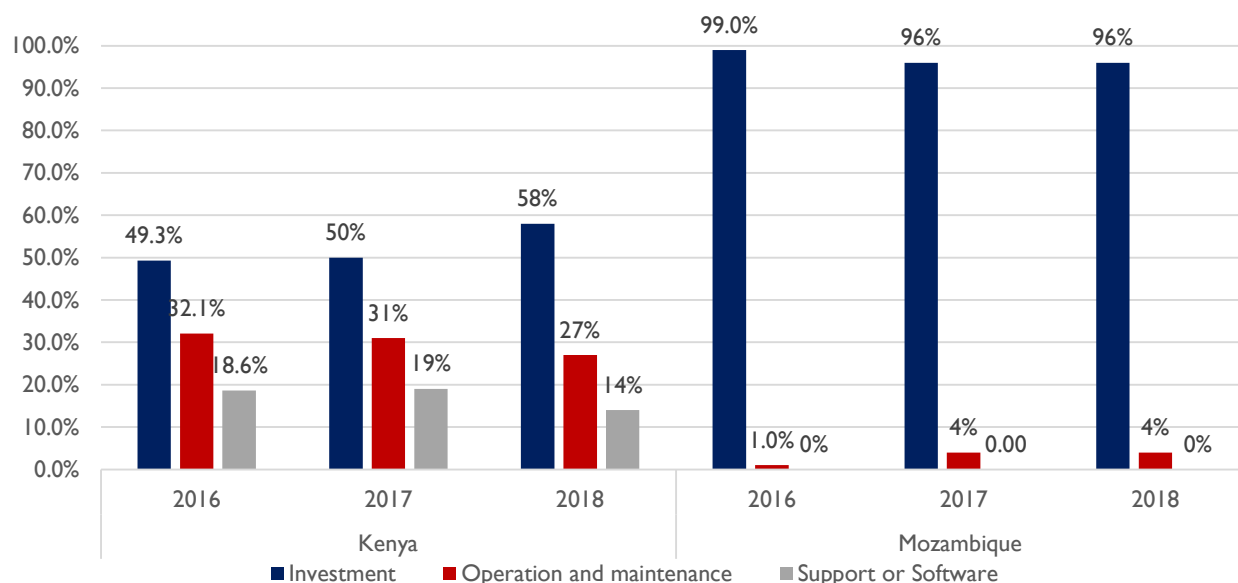


WHAT IS WASH FUNDING SPENT ON?

In both countries, water supply takes the bulk of the sectors' total expenditures, though Mozambique spends proportionately more on Integrated Water Resources Management (IWRM) compared to Kenya, despite the latter being classified as water scarce⁷ (Figure 2). The

high expenditure on IWRM in Mozambique is most likely explained by the fact that although the country has abundant water, it is prone to natural disasters such as flooding and hurricanes. Further, the disparity can in part be explained by the fact that the IWRM figures in Mozambique included all associated IWRM costs, whilst that in Kenya focused only on IWRM costs related directly to

Figure 3: WASH expenditure types



⁷ USAID Global Waters Kenya Overview - <https://www.globalwaters.org/wherewework/africa/kenya>

WASH. In both countries, sanitation expenditure is very low (less than 20 percent) especially when considering the low levels of coverage.

Although CapEx is below what is required in Kenya, it accounted for almost half of expenditures, with OpEx coming in second at over one-third, with support and software costs being the lowest. In Mozambique, CapEx was 97 percent of the total WASH sub-subsector (Figure 3). It should be noted, however, that the apparent limited OpEx in Mozambique is largely explained by the fact that some operational costs are accounted for as investment costs, making it difficult to isolate OpEx. For example, for institutions like DNAAS, AIAS, and AURA some personnel, equipment, supplies, and travel costs are covered by projects and classified as investment costs. The 97% shown as CapEx therefore includes OpEx, meaning that any subsequent TrackFin activity needs to define a way to isolate these amounts more accurately.

WHAT ARE THE SOURCES OF FUNDING FOR WASH?

For Kenya, user fees/tariffs and public transfers were the major source of funding, accounting for two-thirds, followed by external flows (loans and grants) at 35.2 percent. In Mozambique, loans and grants accounted for the largest share (85 percent) with internal sources (public transfers and user fees) coming second at only 15 percent. It must be noted that the TrackFin process in Mozambique did not collect data on tariffs as the committee wanted to collect only data considered accurate, and therefore deferred capturing all other sources of expenditure to future tracking exercises.

WHAT CAN WE LEARN ABOUT WASH EXPENDITURE FROM KENYA AND MOZAMBIQUE?

The first significant lesson is the data confirms what has been known anecdotally, that both countries are a long way from reaching the required financing level for water and sanitation. As shown in Figure 1 above, both countries have significant annual investment deficits, over two-thirds for Mozambique across the three years, and over two-thirds for Kenya for 2016 and 2017 and half in 2018. Without significant additional funding for the sector, neither country will reach SDG targets on water and sanitation by 2030.

The second lesson is that greater priority is given to water supply over sanitation and water resources management, even in a country like Kenya, which is water scarce. Spending on sanitation is a low priority and is reflected in the low sanitation coverage in both countries (29 percent).

The third lesson is that while signing on to international commitments is important, countries must do more to translate the commitments into reality. As Table 1 above indicates, spending on WASH in Kenya and Mozambique has been consistently around 3 percent in both countries, an expenditure below 5 percent of their national budgets, (the percent budget allocation that a number of countries aspire to)⁸.

A fourth and final important lesson is that with appropriate enablers, development partner contributions can gradually be substituted for local resources, including repayable finance.⁹ Mozambique is highly reliant on external partners

⁸ The data source for funding needs in Kenya is [National Water Masterplan 2030](https://data.worldbank.org/indicator/NE.CON.GOV.T.KN?locations=KE) and World Bank <https://data.worldbank.org/indicator/NE.CON.GOV.T.KN?locations=KE>

The data source for funding needs for Mozambique is Resolution 40/2018 (<http://faolex.fao.org/docs/pdf/moz184869.pdf>)- Mozambique

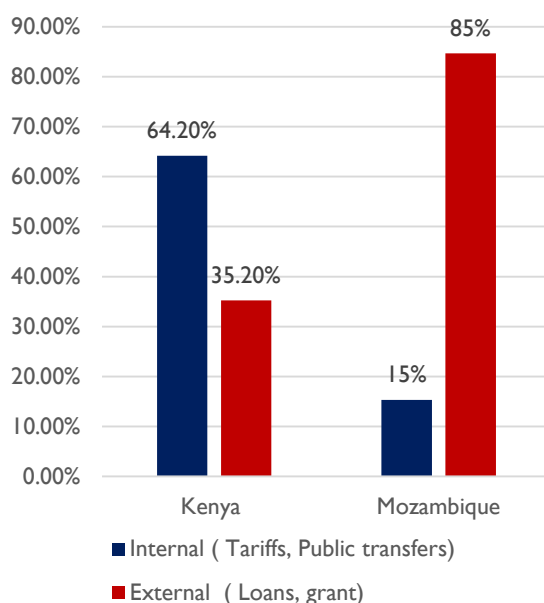
⁹ USAID (2020). WASH-FIN Kenya Country Brief: Expanding Finance for Water Service Providers in Kenya.

as the main source of funding, but the case in Kenya shows customer contributions and domestic transfers as the largest sources, comprising over 64 percent of expenditure. With sustained reforms focused on strengthening operation of water service providers as corporate entities and putting in place measures to safeguard the WASH needs of the poor, blending public and private sources of funding has the potential to move the sector gradually toward self-reliance.

REFLECTIONS ON THE TRACKFIN METHODOLOGY

A key challenge in tracking expenditure is related to data that is unavailable or difficult to collect. Data quality is another, and it is linked to recordkeeping practices and accounting guidelines within each country. There were additional challenges related to disaggregating OpEx from CapEx, especially in Mozambique. For Mozambique, it was also difficult to collect data on expenditures stemming from customer tariffs,

Figure 4: Sources of funding (2016-2018)



which in the case of Kenya made up the bulk of expenditure by source (Figure 4). These data gaps suggest that making cross-country comparisons can be difficult and imprecise. It must be noted that these differences are likely much more heightened due to limited data availability and should become less with each successful round of TrackFin.

In both countries, it was also not possible to include other direct household investment, which due to the inadequacy of public WASH services is a significant source of WASH expenditure. Consumers play a key role in funding CapEx in boreholes, water storage, and toilet facilities including septic tanks, as well as OpEx such as emptying. Further, no private sector expenditure data was collected. Private sector expenditure is substantial, especially in provision of emptying and transportation services for fecal sludge management and water supply. The implication of this is that most initial National WASH Accounts are likely to be “Partial Accounts” reflecting mostly public expenditure. The completeness of these Accounts should, however, be expected to improve as countries undertake more rounds. Capturing private investment would allow for a means to measure and incentivize leverage. This is food for thought as countries endeavor to institutionalize WASH Accounts.

Finally, the TrackFin methodology by design focuses only on the question of how much was spent and who spent it. However, stakeholder consultations always generate questions about the “why” of the particular expenditure. The current methodology cannot answer these questions. To get answers to the “why” question, other tracking-type methodologies are used, such as the World Bank’s Public

Expenditure Reviews.¹⁰ Each methodology serves a distinct purpose, and they are rarely undertaken at the same time or by the same teams, which can lead to some confusion as to whether TrackFin is complementary or competitive with other methodologies. This ‘apparent confusion’ came up in each round of the Kenya process. Continuous dissemination of the purposes and complementarities of each process together with greater development partner coordination would help reduce this duplication, perceived or otherwise.

INSTITUTIONALIZING THE TRACKFIN PROCESS

Despite the challenges articulated above, there is no doubt that having improved financial data is useful—a position agreed to by sector stakeholders in both Kenya and Mozambique. One area of continued focus, however, has to be supporting the process of ensuring that National WASH accounts are used and linked with policy objectives and strategic financing plans. One way of ensuring this happens is to have the lead WASH agency take ownership and perform key roles as recommended by the WHO. This includes mobilizing political support for the development and institutionalization of the WASH Accounts and forming a technical committee of operational staff with access to and knowledge of WASH financial data from the finance ministry, lead government agencies, development partners, and civil society. It must be noted that Mozambique has recently started to use the Trackfin results, alongside other assessments to enhance discussions about the unequal investment prioritization of sanitation in relation to water supply. Current activities by WHO to strengthen guidance on the political process of Trackfin should help to enhance these efforts.

Although the lead agencies from both Kenya and Mozambique have created technical committees, these were rather *ad hoc* in nature, and in the case of Kenya, not fully representative. Further, the reliance on consultants paid for by development partners for data collection and analysis raised questions on the sustainability of the process. TrackFin requires a dedicated budget for both data collection and preparation of WASH accounts as well as for the facilitation of stakeholder engagement. Government ownership requires that they set aside funds and a dedicated team to oversee the process. Presently this is not the case in either Kenya or Mozambique. This challenge needs to be considered and solutions built in from the onset so that TrackFin can deliver the goal of informing advocacy efforts for increased funding to the WASH sector.

PROJECT DETAILS

The WASH-FIN project is funded by the United States Agency for International Development (USAID); it began in October 2016 and concludes in December 2022. Implementation is led by Tetra Tech in focus countries Cambodia, Nepal, Philippines, Kenya, Mozambique, Senegal, South Africa, and Zambia. For more details, visit <https://www.globalwaters.org/WASH-FIN>.

Contact details: Ella Lazarte mlazarte@usaid.gov or Alyssa Boyer alyssa.boyer@washfin.org.

¹⁰ <https://blogs.worldbank.org/water/public-spending-water-sector-what-do-we-know>