



PASSING THE BUCK: Fiscal Decentralisation in the WASH sector

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WaterAid

Lessons from Cambodia, Ghana, Mali, Mozambique, Nepal, Timor-Leste and Uganda



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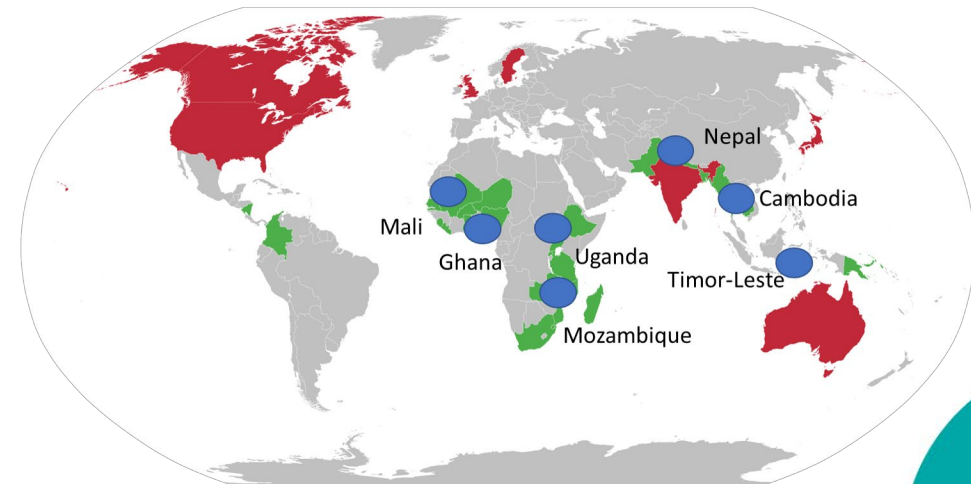
#WaWF23

Why look at fiscal decentralisation in WASH?

- Public funding through local government typically provides the foundation for WASH service provision, upon which other investments are based.
- Global trend towards decentralisation within and beyond WASH.
- Decentralisation in WASH is less studied than other sectors like health or education.
- Inform policy and practice changes to resolve bottlenecks to effectiveness of WASH financing and service provision.

Research questions:

- What is the current state of fiscal decentralisation in the WASH sector for the countries in the study?
- What are the factors that support or hinder fiscal decentralisation in the WASH sector?
- How does fiscal decentralisation impact WASH service delivery?



Study locations among the countries with WaterAid presence

Global findings: trends and common bottlenecks

Trends:

- Administrative and political decentralisation usually happens before fiscal decentralisation.
- Central governments retain control of funds for new capital investment, undermining.
- Limited local revenue generation limits local government autonomy – they are reliant on transfers from central government.
- Local government role is becoming more confined to the most challenging and underfunded services.

Common bottlenecks to effective fiscal decentralisation:

- Lack of national strategies to outline targets, roles and responsibilities, funding needs and accountability mechanisms (particularly for ongoing maintenance of services)
- Limited and poorly disaggregated financing data.
- Unclear and overlapping responsibilities.
- Weak coordination in planning and budgeting across government levels.

Global findings: implications

- Chronically inadequate absorption capacity (of both local and central government).
- Gap between decentralisation *de jure* and *de facto* undermines accountability and good governance.
- Reliance on transfers from central government promotes upward accountability instead of downward accountability to local citizens.
- Limited cross-subsidisation makes achieving universal access challenging.
- Unclear roles and lack of incentives to invest cause underinvestment, especially in Capital Maintenance costs, leading to service failure.



Local government in Kandal province, Cambodia, monitor progress towards universal sanitation access. WaterAid/Doeurn Ton

Timor-Leste case study: key findings

- Different municipalities have different levels of budgetary responsibility and power.
- RAEOA special autonomous region is the only sub-national government with a mandate to raise local revenue but this does not yet happen in practice for WASH.
- In practice Municipal WASH budgets only fund water supply O&M, leaving sanitation largely unfunded.
- About 90% of public financing to WASH goes to the national level.
- Municipality budget to WASH is between 3-5% of its total budget.



Maria de Costa, 22, is nine months pregnant and walks to the river with a jerry can to collect water. WaterAid/Tariq Hawari

Timor-Leste case study: recommendations



Rita Oliveira Goncalves and her son Henrique collect water in Timor-Leste by digging a hole next to the river and using small pebbles to filter the water. WaterAid/Tariq Hawari

For national government:

- Continue gradual devolution of power, with practical support to sub-national financial and technical skills and systems.
- Clarify and clearly define administrative and finance roles and responsibilities in WASH regulations and legislation.
- Reactivate national monitoring systems to enable data-based decision-making.
- Increase WASH investment in line with needs.

For sub-national government:

- Increase citizens' awareness of rights and responsibilities for WASH.
- Incentivise and develop capacity of community water user groups.

Cambodia case study: key findings



Drought vulnerability in Nhep Samoeu's village is exacerbated by underinvestment in water services. WaterAid/Sokmeng You

- Key policy and institutional framework have been put in place, line ministry staff have been transferred but no additional budget for water supply has been allocated.
- In practice, roles are still unclear, with overlapping mandates of ministries and sub-national authorities, and limited sub-national awareness of their decentralised roles.
- The national budget allocated to clean water supply has been very limited.
- Private investment plays an increasingly important role in water supply, but sub-national role to coordinate and monitor private sector is unclear.

Cambodia case study: recommendations

- Improved inter-ministerial coordination.
- More detailed costing for sub-national budgeting and advocacy.
- Strengthened sub-national capacity and personnel management.

Next steps:

- Joint plan between WaterAid, Ministry of Interior (districts) and National Committee for Decentralisation and Deconcentration (NCDD) to:
 - Demonstrate how district can fulfil their water supply functions, including mobilizing human and financial resources, coordinating and driving investment.
 - Pilot what level and type of support districts require.
 - Generate evidence and buy-in for the national level changes to mechanisms and processes for effective budgeting and expenditure.

Global recommendations

- For national governments:
 - Clarify roles to limit overlap and duplication.
 - Clarify budget allocation criteria.
 - Provide structured support to capacity, processes and staffing for effective decentralisation.
 - Enable local revenue raising.
 - Ring-fence WASH revenue for reinvestment in WASH.
- For donors and development partners:
 - Fund decentralisation support mechanisms.
 - Support budget and expenditure monitoring – e.g. extend TrackFIN to sub-national level.
 - Generate evidence of the costs and budget gaps for sustaining WASH services.
 - Strengthen public awareness of budgeting and support participatory budgeting, budget review and accountability mechanisms

Further information and study reports: <https://washmatters.wateraid.org/>

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