Guidelines for Developing a WASH Budget Brief

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Social Policy and Research Section
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Please note that these guidelines (now in the second version) and the accompanying Excel-based template (first version) are working drafts that are intended to be periodically updated based on user feedback.
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INTRODUCTION

Background on budget briefs

In 2015, UNICEF’s Regional Office for Eastern and Southern Africa (ESARO) began encouraging country offices to develop budget briefs. Through the region-wide initiative, the number of budget briefs produced increased significantly. While just two country offices produced a total of six briefs in fiscal year 2015, this included 18 offices and more than 80 briefs in fiscal year 2017. Reflecting the utility and impact of these products, the Regional Priorities (2018-21) formalized the requirement for all offices to develop annual budget briefs as a minimum standard to support engagement in public financial management (PFM) processes. All published briefs are available on the ESARO budget brief website.

Within this context, the budget briefs serve four main purposes:

1. Analyze and monitor budget allocations to sectors that are important for children in the current fiscal year;
2. Assess the efficiency, effectiveness, equity and adequacy of past spending to the extent possible;
3. Inform advocacy, through key messages for policy and financing changes; and
4. Increase staff knowledge on budget issues that are linked to sector results.

Objectives of the guidelines

These guidelines are intended to support the efforts of country offices to develop a budget brief for the WASH sector. The specific objectives include:

- Present strategic approaches based on lessons learned and good practices;
- Describe key concepts and address common misconceptions;
- Clarify accountability and responsibilities;
- Deconstruct a good budget brief; and
- Provide detailed guidance on developing content for the brief, including an outline.

Structure of the guidelines

The guidelines are presented in two parts as follows:

Part I. The Process

- Shared accountabilities: Who does what within the country office
- Characteristics of a good brief: Key considerations to bear in mind when analyzing data and drafting content
- Data: A list of suggested sources
- What to do: How to get started and ensure the budget brief is fit for purpose
Part II. The Template

- Section by section guidance: Describes the objectives, key considerations, possible data sources and content that should be included in each section of the brief and also presents sample figures and tables
- Outline: Provides a sample structure for the brief

Companion Documents

These guidelines are accompanied by two companion documents, which are available on ESARO’s budget brief external webpage:

- **WASH Sector Budget Brief Template**: This excel-based tool should be used to produce all figures for the budget brief. Country offices are encouraged to change and produce additional figures where they see fit. However, any changes or additions should be an improvement on the figures presented in the template.

- **Budget Brief Impact Action Plan - A Short Guide**: Each budget brief should be accompanied by an action plan that describes in detail how the key recommendations will be transformed into action and influence. This document provides step-by-step guidance for developing an action plan, which covers: (i) key asks; (ii) expected results; (iii) target audience; (iv) partners; (v) actions; and (vi) progress. It also includes customizable examples (e.g. for indicators, activities) along with a sample template in the Annex. Importantly, the plan should take no more 1-2 hours to develop; it is intended to be a light exercise to give the office (and partners) clarity about what needs to be changed and how this can happen.
Part I. The Process

Shared Accountabilities

It is strongly recommended that the Water, Sanitation and Hygiene (WASH) team in the country office lead the development of the WASH budget brief. WASH staff should be familiar with the key policy and budget issues that need to be emphasized and also be able to identify useful indicators, relevant policy, strategy and planning documents, and budget data. In this regard, the WASH team should be responsible for: (i) collecting budget data and other documentation from government counterparts; (ii) supporting the analysis of the data, where capacity exists; (iii) drafting the different sections of the brief; (iv) developing and refining the key messages and recommendations; (v) sharing the draft with government counterparts for review and validation; (vi) disseminating the brief to relevant partners; and (vii) developing and leading the implementation of a WASH budget brief impact strategy to operationalize the main recommendations of the brief.

The social policy team should facilitate the exercise and support the WASH team in developing the brief, but not lead or carry out the work. Depending on the country office context, support from the social policy team could include: (i) providing an introduction to the structure of the national budget and the types of information that are required for the sector brief; (ii) facilitating access to budget data through the Ministry of Finance when WASH staff are unable to obtain information from ministerial counterparts; (iii) hiring a consultant who will develop all budget briefs and work with the sections, under the facilitation of the social policy team; and (iv) providing quality assurance, including reviewing figures/tables and the underlying data sources and calculations, identifying information gaps, ensuring the right information is presented, fine-tuning the narrative, helping to formulate strong advocacy asks, etc.

The social policy team is also responsible for engaging the WASH team at the outset to: (i) develop the impact strategy; (ii) agree on a timeline for finalizing the product; and (iii) support the operationalization of recommendations, where required (e.g. around PFM reforms or advocacy for greater financing).

Senior management has an important role as well. The Representative and Deputy Representative are responsible for: (i) setting the agenda around the briefs within the overall context of the office-wide policy advocacy strategy; (ii) ensuring that section leads understand their roles and responsibilities; (iii) providing close oversight to ensure that the briefs are developed according to agreed timelines; and (iv) supporting the implementation of the impact strategies through high-level advocacy and discussion, as required.

Characteristics of a Good Brief

Past experiences show that high-quality budget briefs have distinct features. The following is an initial list that should be kept in mind while analyzing data and writing content.
• **Logical structure:** The brief should be written in “title sentence” format whereby the first sentence of each paragraph clearly states the main point of the paragraph, while the following sentences elaborate and add detail. The majority of paragraphs should be describing data and information contained in tables, figures, etc.

• **Succinct and clear:** You are writing a budget “brief” – the aim is to be as comprehensive as the data will allow and short enough to describe the important points. A brief is not a place for comprehensive discussion or rambling!

• **Accuracy:** The analyses need to be factually correct. It is imperative that all data work is checked and double checked. Heed the “four eyed principle,” whereby two individuals review and validate tables, figures, etc. and the underlying data and calculations.

• **Plain and simple language:** Briefs are for wide circulation and advocacy. Non-technical language should be used as much as possible. With that in mind, the briefs are designed to relate to the national budget. Technical terms used in the national budget should be explained in the briefs.

• **Emphasis:** Decide how important a section is and how relevant it is to the country context. Not every section may be necessary. For example, if the analysis shows that there are no major issues regarding budget execution, the section can be dropped to keep the document succinct. Issues can be emphasized by including them upfront in the key messages and recommendations section and by addressing the most important issues first.

• **Answers the “how” and the “why”:** Rather than just giving an overview of budget information e.g. allocations to the WASH sector have decreased as a percentage of the budget over the last four years, it is important to describe how the national budget has been increasing while allocations to WASH have remained stagnant, which could, for instance, reflect increasing priority to infrastructure spending in line with the government’s strategic plan to prioritize economic growth.

• **Brings out the child lens:** A UNICEF-supported budget brief is unique from budget analyses produced by other partners (e.g. UNDP, World Bank) because of its focus on the child. As such, it is important to clearly link the different analyses and findings to families and children as much as possible.

• **Presents inflation adjusted trends:** When analyzing spending trends over time, it is imperative that data are adjusted for inflation and presented in real terms; note that the companion [WASH Sector Budget Brief Template](#) calculates this automatically.

• **Crafts well-informed, feasible recommendations:** Sensible and well-researched recommendations help to transform briefs from information into advocacy. However, no recommendation is preferable to a poor recommendation. Also, not every issue facing a country has a simple solution. For instance, improving fiscal space by increasing domestic revenue may also increase inequality, undermine PFM reforms and dampen economic growth. In addition, recommendations need to be informationally objective – that is, they should reflect data and evidence rather than opinions or beliefs about what is the best course of
action, which could undermine the potential influence on budget negotiations and processes.

- **Supports ideas for future research and program interventions:** Where the analysis shows deficiencies in the information available, this could be the impetus for UNICEF to provide technical support or guide future research. Findings in the brief may also inform the programming priorities of different sections.

- **Follows the UNICEF style book:** The style guide provides instruction on spelling, language norms and referencing. It may be helpful to use footnotes while drafting. However, endnotes should be used for presentation so that the references allow room for graphics and do not disrupt the flow of the narrative.

### Data

The WASH budget brief will require budget data from national and international sources (for comparisons), as well as information on the performance of the WASH sector. A list of possible data sources is included at the start of each section in the template in Part II.

As a starting point, it is important to note that budget data come in many different forms. The first is based on the budget classification system. Here there are three common systems used to present budget information, which include **administrative** (where budget data is aligned with the institutional structure of the government), **functional** (where budget data is aligned with different objectives or functions), **economic** (where budget data is aligned with inputs) and **program** (where budget data is aligned to the strategic objectives of the government) (see Box 1 at the end of this section for more information).

At the same time, for any given year there can be multiple types of budget information reported, including budgeted, approved, disbursed, outturn and audited (see Box 2 for more information). For the budget briefs, it is important to get budget allocations for the current fiscal year (the approved amounts) as well as actual expenditure (audited amounts) for as many historical years as possible to allow for analysis of budget execution performance as well as expenditure trends over time.

**WASH sector budget data**

- WASH budget documents, including the annual budget, Medium-Term Expenditure Framework (MTEF), consolidated spending reports, audit reports; Note that in most countries national budget data is publicly available on the website of the Ministry of Finance or the Treasury
- **Budget speeches**
- **GLAAS 2016/17 country survey (summary results in Annex D, pages 66-69)**
- **Government Spending Watch Database** (this includes water and sanitation budget data for FY2015-17 for 13 ESAR countries, in many cases covering actual/planned, by type of spending and by source of funding – note that a methodology has been applied to standardized water and sanitation spending across countries, so the figures may differ from national estimates)
- **TrackFin: Tracking financing to sanitation, hygiene and drinking-water**
Public Expenditure Reviews (PERs) with a focus on water (and sanitation, although there are very few cases); Note that water and/or sanitation is oftentimes covered in national PERs as a separate chapter

Public Expenditure Tracking Surveys (PETS) with a focus on water

World Bank BOOST Initiative

OECD-DAC database on Official Development Assistance (ODA)

National NGO database and registrar (e.g. Charities Commission)

WASH sector data

WASH performance reporting

Census data

WHO / UNICEF Joint Monitoring Program for Water Supply and Sanitation

UNICEF data

World Development Indicators (WDI) Database

WASH sector analysis

Budget data matrix

<table>
<thead>
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<th>Document</th>
<th>Proposed</th>
<th>Approved</th>
<th>In-Year</th>
<th>Year-end/ Provisional</th>
<th>Audited</th>
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<td>Sector/MDA Policy Document</td>
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Box 1. Budget classification systems

1. **Administrative classification**: Breaks budget allocations down to ministry, department, agency (MDA) or other public entity, basically replicating the existing institutional structure of the government; these entities are responsible for managing the allocations assigned to them in the national budget.

2. **Functional classification**: Groups financial allocations according to their strategic objectives and broad purposes (e.g. for economic affairs, environmental protection, housing and community amenities, health, social protection).

3. **Economic classification**: Divides the budget into economic inputs, mainly wages and capital, to understand how the government is producing goods and services; the two main distinctions with economic classification include: (i) recurrent spending (principally on salaries for employees, but also continuous operational costs like electricity and internet for buildings or gas for vehicles); and (ii) capital spending (includes spending to develop new infrastructure or purchase vehicles or computers – also called development spending in some countries).

4. **Program classification**: A program is a group of activities aligned to the policy objectives of the government. Compared to functional classification, a classification by program takes into account the government’s policy objectives and how these policies will be implemented. Programs may be divided into sub-programs which group together related activities and projects (e.g. increasing enrollment of girls under the primary education program, vaccination and disease prevention under increasing agricultural productivity).

For more information, see: Jacobs, D., Hélis, J-H, and D. Bouley (2009) “Budget Classification,” Technical Note, Fiscal Affairs Department, IMF.

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Box 2. Key budget terms

- **Budget Estimates or Proposed Budget or Estimates of Expenditure**: The budget as presented to Parliament.

- **Approved Budget or Approved Estimates**: The budget as approved by Parliament, taking into account revisions during the approval process.

- **Revised Budget Estimates**: The budget as revised during the financial year, often presented at mid-year.

- **Budget Outturn or Final Budget Outcome**: Estimated actual spending at a particular time during the financial year or at the end of the financial year.

- **Audited Budget or Actual Budget**: Spending verified by the Supreme Audit Institution and presented to Parliament; this presents the final (or actual) spending figures for a given fiscal year.

- **Disbursed Funding**: Funding transferred from a central agency to a spending agency.

- **Utilized Funding**: Funding used (actually spent) by a spending agency.

- **Variance**: The difference between approved spending and actual spending.

- **Virement**: The transfer of funds between line ministries, programs, policy areas, expenditure categories or line items.
What to do

1. **Ensure government ownership:** A critical starting point is to inform counterparts that UNICEF is planning to develop a WASH budget brief based on the approved budget for the current or upcoming fiscal year. In addition to facilitating access to budget data and other information, this initial consultation will help to ensure an audience to deliver and act on the recommendations once the brief if finalized. Where possible, country offices are strongly encouraged to jointly publish the brief with relevant ministries; their main roles would be to review and approve the draft, and also to provide the official ministerial logo/s to be included on the title page.

2. **Get budget data:** In addition to the approved budget for the current or forthcoming fiscal year for your sector, the country office should get budget information for the past three years at a minimum – and ideally five. Please see the “Data requirements” section above to assist with sourcing and requesting data. If the budget/finance departments in the relevant ministries are not helpful or cannot provide the requested data, then information requests will need to be directed to the Ministry of Finance or Treasury. If this is your situation, then you will need to work with your social policy team.

3. **Write the brief:** Use the guidance and template presented in Part II of this document together with the accompanying [WASH Sector Budget Brief Template](#) to analyze the data and develop the content. Once drafted and reviewed by all relevant staff in the country office (including social policy) and ESARO (including WASH and social policy focal points), it should be shared with ministerial counterparts for feedback and validation. Any comments or data issues should be addressed, after which the brief can be finalized.

   **Note:** Once using the excel-based WASH Sector Budget Brief Template to organize and analyze budget and sector data for the first time, subsequent briefs should build on the previous database to produce updated figures and tables. This will ensure consistency and comparability of information over time to understand whether specific spending trends are getting better or worse, and also significantly reduce the time to generate analyses and produce a new brief.

4. **Develop an action plan:** To effectively operationalize the main recommendations from the brief, it will be important to put together a short action plan to give the office clarity about what needs to be changed and how this can happen. The plan should broadly include: (i) key asks (lifted directly from the brief); (ii) expected results; (iii) target audience; (iv) partners; (v) actions; and (vi) progress. As mentioned earlier, customizable examples and a very short template plan are provided in the [Budget Brief Action Plan - A Short Guide](#). This is a light exercise that should not take more than 1-2 hours.

5. **Execute the action plan and document progress!**
PART II. THE TEMPLATE

Preface

- This is optional, but you can consider including a short paragraph that summarizes the purpose of the briefs and its link to the series being produced. While this could be presented on the cover page or one of the first pages, including as a footnote, it could also go on the last page of the document. Sample text is provided below:

This budget brief is one of four that explore the extent to which the national budget addresses the needs of children under 18 years in name of country. The briefs analyze the size and composition of approved budget allocations to sectors that affect children in fiscal year 2019/20 as well as offer insights into the efficiency, effectiveness, equity and adequacy of past spending. The main objectives are to synthesize complex budget information so that it is easily understood by stakeholders and to put forth practical recommendations that can inform and make financial decision-making processes better respond to the needs of children and poor households.

Key Messages and Recommendations

Objectives
- Provide one sentence summaries of the most important key findings and accompanying recommendations, presented in order of priority.

Key considerations
- This section serves as the conclusion of the brief (there is no standalone “Conclusion” section). It is deliberately positioned at the start of the document and written in succinct, bullet point format to focus attention on what matters. The single page presentation also allows this to be used as a standalone summary note for dissemination and advocacy purposes. Please also note that the key recommendations should serve as the foundation for developing the budget brief impact strategy.
- This should be the final part of the brief that is written; there is a short “takeaways” sub-section at the conclusion of each section in the brief, which will facilitate the development of this content.
- Each finding needs to be accompanied by a specific recommendation or ask – what we want the government to do.
- The recommendations need to be meaningful and actionable.
- The draft messages and recommendations should be widely shared to get suggestions for improvement, including with the social policy team, the communication team, senior management, development partners, civil society actors (where relevant) and ministerial counterparts.
- There should not be a key message and recommendation for each section and every issue covered in the brief. It is, therefore, important to be highly selective so that only the most important issues are featured.
• The key messages and recommendations should be presented in order of priority from highest to lowest – e.g. if the government could only change one thing, that should appear first.
• Suggested length for this section: 1 page.

Content

• Findings and asks on overall spending trends: Describe total WASH spending trends (including real changes) and comment on the priority of WASH spending vis-à-vis the national budget and against any targets in national WASH plans/strategies. Also be sure to compare current spending against the eThekwini Declaration (0.5% of GDP for sanitation and hygiene). Based on the findings, formulate asks to improve overall spending trends.

• Findings and asks on the composition of spending: Summarize spending by: (i) the different ministries that constitute the WASH sector; (ii) major WASH services or programs; and (iii) recurrent and capital expenses. Based on the findings, formulate asks to improve the composition of spending. Call for generating more and better data if information on WASH sub-sectors is not reported in routine budget reports.

• Findings and asks on budget credibility and execution: Describe any major variations between the approved budget and actual expenditure in the WASH sector as a whole or for different WASH services. Based on the findings, formulate asks to strengthen budget credibility and execution in the sector.

• Findings and asks on the equity of spending: Present per capita WASH spending by regions and discuss the balance of spending on rural and urban areas. Where possible, discuss the relationship between spending and income levels, ethnicity and results. Based on the findings, formulate asks to improve the equity of spending, including increasing and better targeting spending toward rural areas and deprived regions and/or revising sub-national allocation formulas, as appropriate.

• Findings and asks on financing the WASH sector: Highlight any key financing trends, which could include government revenue, debt financing, donor funding, private sector investments and household payments. For external funds, summarize aid trends and the focus of support (recurrent versus capital investments, sanitation versus water, across different services, etc.) if important, and note whether transfers are recorded on budget. Also identify options to increase spending on WASH services, including the potential for blended financing arrangements, public-private partnerships, etc., if relevant. Based on the findings, formulate asks to reverse widening financing gaps or better maximize the use of aid or existing budgets to ensure adequate and sustainable financing. Be sure to call for recording aid on budget and using national systems if those are not current practices.

• Other sector issues and reforms: Based on country context, there could be different sector-based issues that impact spending on WASH infrastructure and services, such as decentralization processes, cost recovery, affordability, tariff structures, cross subsidies, procurement challenges, vacancy rates, etc. This is also the space to discuss any key messages related to the lack of coherence between existing policies and plans and the budget allocated to implement them (e.g. through the MTEF). Formulate appropriate asks based on the findings.
Examples

• At 2.4% of the overall state budget, the water sector lags behind other priority sectors, including education, infrastructure, health and agriculture, and falls far below the minimum spending requirements to achieve even the water and sanitation MDGs (3.4% of GDP). The government should make every effort to progressively increase the share of the budget to the water sector.

• When factoring in inflation, the government allocated less resources to WASH in the current fiscal year than four years ago. Given that only 41% households use an improved sanitation facility and 20% of schools have protected water sources, budget allocations to WASH should be increasing sharply rather than declining.

• The lack of a budget line for WASH at both national and county levels limits the ability of policy makers to understand how much and how well spending is performing in the sector. It is imperative that a working group identify WASH-relevant spending and introduce a budget line for tracking these resources.

• The introduction of a new budget line for sanitation and hygiene in 2017 is to be applauded. However, the government must ensure that funding, which currently stands at a meagre US$60,000, is quickly scaled up to meet the significant needs of the population.

• Over two thirds of the water sector budget is directed to rural water supply. The skewedness of the budget towards capital investments with negligible allocations for sustaining the schemes is a major concern that needs to be addressed.

• At 43%, budget execution rates in the WASH sector are alarming. Serious attention should be directed to resolving the underlying challenges, including through the initiation of a budget absorption capacity assessment.

• The WASH sector continues to struggle to execute its budgets: the average national budget execution rate between 2009 and 2015 was 88%, while it was less than 60% for WASH. One major issue is poor execution of external investment funds (provided by donors), which should be carefully assessed.

• More than 90% of resources allocated to the WASH sector go to urban areas. Given that most of the underserved populations are located in urban areas, the government should urgently review the focus of its WASH investments.

• Fiscal decentralization of the WASH sector is ongoing, but the majority of transfers are for capital expenditures. Despite notable progress, access and equity issues remain worrisome, with greater focus needed on supporting operational and maintenance costs at sub-national levels.

• District allocations are not aligned to needs in the water sector. For example, Kasungu and Thyolo have the lowest percentages of households using improved water sources yet they receive the least per capita expenditure, which stands in stark contrast with the best performing districts where per capita expenditure is the highest. As a result, the district allocation formula should be urgently revised so that the budget more effectively responds to needs of the population.

• With external resources amounting to nearly 80% and 70% of budget allocations to the Ministry of Energy and the Ministry of Water, respectively, the WASH sector is extremely aid dependent. The ongoing withdrawal of foreign support threatens to remove WASH services from serving thousands of households and could potentially lead to a major uptick in under five deaths, which makes reversing donor support trends imperative to avoid truly catastrophic outcomes for children.

• The majority of donor WASH resources are spent off budget. In line with OECD-DAC best principles, donor funding should increasingly flow through national systems. This is a joint agenda, which requires the government to prioritize
strengthening the PFM system to minimize fiduciary risk and donors to reduce project-based support modalities.

- The absence of a national policy on sanitation perpetuates underfunding and slow progress. The government should urgently develop a sanitation policy, which would increase attention to this critical area as well as improve the institutional set-up and coordination of the sub-sector.
- WASH sector resources are extremely difficult to track since they are bundled together with public works and housing, as well as in affiliated sub-national institutions.
- Sector financing is heavily skewed against sanitation and sewerage which together are allocated less than 10% of the sector budget compared to 90% for water supply and resource management. The government is strongly encouraged to review the allocation of resources within the WASH sector so that access and equity concerns can be more effectively addressed.

Sources: Adapted from select budget briefs.
Section 1. Introduction

Objectives
• Provide an overview of key policy and/or strategy documents and recent sector performance.

Key considerations
• All spending in the WASH sector should be presented in this section, irrespective of funding source (both domestic and donor funding that is reflected on budget). Note that there is no need to distinguish between funding sources at this stage, which will be discussed in detail in Section 7 on financing the WASH sector. Related, if off-budget spending is significant in your context, it will be important to mention the importance in the narrative of overall spending trends, but then refer to Section 7 where detailed analysis will be presented, if relevant.
• A country’s investments in the WASH sector should be guided by one or more policy, strategy, planning and/or financing documents.
• In some countries, one document will cover the entire WASH sector; in others, there may be different documents for water, sanitation and hygiene and/or for the different government agencies responsible for delivering WASH services.
• Over two thirds of countries surveyed in the GLAAS 2017 Report indicate the existence of a financing plan or budget for drinking water and sanitation. If this is not the case in your country or if hygiene is not included, this should be a key recommendation. At the same time, only one third of countries reported that a financial plan has been defined, agreed and consistently followed. If this does not apply to your country, this should also be a key recommendation.
• The takeaways section is an appropriate space to talk about the lack of a sector-wide investment plan and/or a multi-year/medium-term budget/expenditure framework. This is also the space to discuss the importance of developing spending markers for WASH, especially for hygiene, if they are not in place.
• Suggested length for this section: 1-1.5 pages, including any graphics.

Possible data sources
• WASH strategic plan, subsidiary policies, MDA strategic plans, global databases (World Bank), sector performance databases and reports.

Content
• WASH sector overview: Describe how the government defines the WASH sector (WASH as a single sector, water and sanitation together with hygiene as a sub-sector of health, three distinct sub-sectors, etc.) and list the ministries responsible for delivering WASH services. In many countries it is difficult to identify hygiene-related spending in the budget. If this is your situation, discuss this challenge here and then clarify that the analysis is restricted to water and sanitation only (or only water if that is the case); you may also consider naming the brief “Water and Sanitation” or simply “Water” rather than “WASH.”
• Main documents and targets: Summarize the key sector documents and high-level targets (e.g. for ending open defecation, reaching all schools with drinking water and handwashing facilities). You can also refer to the Post-2015 WASH Targets and Indicators: (i) no open defecation by 2025; (ii) basic drinking water, adequate sanitation, handwashing and menstrual hygiene management in schools and health centers along with basic water and handwashing at home by 2030; and (iii) adequate sanitation at home by 2040.
• **Sector performance:** Give a high-level overview of the recent performance of the WASH sector, highlighting key statistics. Based on your country context, present 2-3 indicators in a time-series figure to highlight key challenges (e.g. low access to safe drinking water). If there is data, you can present the Post-2015 WASH Targets and Indicators for the total population as well as for rural and urban populations or alternatively use the MDG 7C targets (see suggestions in Box 3). Also be sure to include any information on disparities based on regions (beyond the rural and urban areas) and/or income if data permits.

• **Takeaways:** Using bullet points, summarize key findings and implications on poor households and children.

**Box 3. Suggested indicators**

% of the population (total, rural and urban) (SDGs):
- ✓ practicing open defecation
- ✓ using a basic drinking-water service
- ✓ with basic handwashing facilities in the home
- ✓ using an intermediate drinking water service
- ✓ using an adequate sanitation facility
- ✓ living in households whose excreta are safely managed

And/or (MDGs):
- ✓ % of population using an improved drinking water source
- ✓ % of population using an improved sanitation facility
- ✓ # of diarrhea deaths due to inadequate WASH in children under 5

**Examples:** Refer to Section 1 of the WASH Sector Budget Brief Template, which presents the data requirements for each figure, a short description of how the information should be interpreted, and suggested titles and sources. Some examples are presented below.

**Figure 1.1. Strategic framework for WASH: Key policies, strategies and plans that guide the sector**

(example from the education sector)

<table>
<thead>
<tr>
<th>National Long Term Development Plan</th>
<th>Early Childhood Development Policy</th>
<th>National Education Sector Implementation Plan</th>
<th>National Education Sector Policy II</th>
<th>Adult Education and Literacy Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2012</td>
<td>2015</td>
<td>2017</td>
<td>2021</td>
</tr>
</tbody>
</table>

**Figure 1.2. Open defecation trends, 2001-15 (in # of persons and as % of population practicing)**

[Graph showing open defecation trends]
Figure 1.3. Open defecation in select ESAR countries, latest available (as % of population)

Figure 1.4. Lack of access to an improved water source, 2001-15 (in number of persons and as % of population without access)

Figure 1.5. Access to improved water sources in select ESAR countries (as % of population with access)
Figure 1.6. Use of improved sanitation facilities, 2001-15
(in number of persons and % of population not using improved facilities)

Figure 1.7. Access to improved sanitation facilities in select ESAR countries,
latest available (as a % of population with access)
Section 2. WASH Spending Trends

Objectives

- Present WASH sector spending trends over time, understand the overall priority of the WASH sector within the national budget, and compare against national and international targets as well as to similar countries.

Key considerations

- This section aims to present aggregate WASH sector spending trends; the next section (3) will focus on the composition of the WASH sector budget, including by ministries, services and the economic classification (recurrent and capital spending). As a result, WASH sector spending should be presented as a whole – or at least water and sanitation combined if information on hygiene is unavailable.
- Total WASH sector spending should include spending from all funding sources that is reflected on budget, including national, regional and local authorities, bilateral and multilateral donors for all domestic public transfers, international public transfers, and public loans. When looking at sub-national spending, take care to avoid double counting (i.e. transfers from the central level that are spent at sub-national levels should not be counted twice).
- All spending figures should look at the latest five-year period. If MTEF estimates are available for the next 2-4 years, also include those, making sure to clearly note where estimates begin.
- Suggested length for this section: 1-2 pages, including any graphics.

Possible data sources

- Approved national budget, MTEF, audited or preliminary outturns for the past 4 years, approved/draft estimates for the current financial year, outer year projections, budget speech, Government Spending Watch.

Content

- **Size of spending**: Present the evolution of total WASH sector spending over time, including:
  - total nominal value
  - as % of the total government budget
  - as % of GDP
  - per capita at the national level (total nominal value of WASH spending divided by the total population)
- **Spending changes**: Present annual changes in total WASH spending in nominal and real terms (i.e. adjusting for inflation) (see Section 2 of the WASH Sector Budget Brief Template, which will automatically calculate these for users).
- **The priority of WASH**: Compare total WASH sector spending to spending on other sectors in the national budget (only look at the 5-8 biggest sectors and group smaller sectors into an “other” category). If the proportion of resources going to WASH has been decreasing in recent years, identify the areas that have been receiving greater funding (debt repayment, transport, security, etc.).
- **Spending against commitments**: Gauge your country’s current financial commitment to WASH against any national targets contained in policy, strategy or investment documents, if available. Although dated, you should also compare current spending against various international benchmarks, which can be used as a minimum standard. This includes the commitment made by all African governments in the Ngor Declaration (2015) to establish and track sanitation and...
hygiene budget lines that consistently increase annually to reach a minimum of 0.5% GDP by 2020. This could also build on the estimates made by the Africa Infrastructure Country Diagnostic (AICD) (2008) of the average funding required each year for Sub-Saharan African countries to achieve the sanitation MDG target (0.9% of GDP) and the water MDG targets (2.4% of GDP) – or combined WASH MDG targets (3.5% of GDP). Given the much more ambitious objectives in SDG 6 and hence even greater funding requirements, it would be safe to assume that a government that is falling short of the MDG financing targets is also likely even farther behind those required to achieve the WASH SDGs.

- **Spending against other countries:** Compare total WASH spending in your country with other countries (e.g. neighbors, similar income levels) and/or regional or sub-regional averages. The WASH sector presents a variety of challenges since – unlike education or health – there is not a widely used national accounting system in place to allow for comparisons across countries (TrackFin has only been applied in a handful of countries to date). One approach is to extract the latest expenditure information from the GLAAS 2016/17 survey to compare annual WASH expenditure in constant 2014 US$ – this is presented in the GLAAS 2017 Report in Annex D on pages 66-69; the same report also offers regional summaries, including for Sub-Saharan Africa, as % of GDP and in per capita US$ (see first figure below under “Examples: Comparisons to other countries”). Another approach is to build on analysis of that same survey data that shows that governments with available data (n=57), on average, increase WASH sector spending by roughly 5% each year, which could also be used as a general benchmark for comparison (see second figure below under “Examples: Comparisons to other countries”).

- **Takeaways:** Using bullet points, summarize key findings and implications on poor households and children.

**Examples:** Refer to Section 2 of the WASH Sector Budget Brief Template, which presents the data requirements for each figure, a short description of how the information should be interpreted, and suggested titles and sources. Some examples are presented below.

*Figure 2.1. Nominal and real WASH sector spending trends, FY2011-21 (in billions of local currency -- base year is 2011)*
Figure 2.2. Composition of government expenditure, FY2016-20 (as % of total expenditure)

Figure 2.3. WASH sector spending trends and international targets, 2011-20 (as % of national budget and a % of GDP)
Section 3. Composition of WASH Spending

Objectives
- Describe the composition of spending on the WASH sector, including by ministries/institutions, by services or programs and by type of spending (recurrent and capital).

Key considerations
- As in Section 2, this section should include spending from all funding sources.
- It will be critical to disaggregate total WASH expenditure by sub-sectors. Based on SDG 6, fiscal plans need to be able to identify financing needs by rural, urban and institutional WASH and then further by rural water, rural sanitation, urban water, urban sanitation, school WASH and health facility WASH. Under the guideline, the rural/urban lens is suggested to be presented in Section 6 (Equity of WASH Spending), but it can be included here as well if preferred.
- Building on the above, if there is not budget information on different WASH programs or services, especially in schools and healthcare facilities, this should be a primary recommendation of the brief, specifically encouraging governments to adopt TrackFin – a national accounting system for the WASH sector.
- Presentation of the budget by economic inputs is useful for budgeting and analytical purposes. Each country may have slightly different accounting standards and classifications. The government’s accounting and reporting standards should be adopted for the brief.
- Economic classification is often divided into three categories:
  - Salaries and wages: This will normally include all wages, salaries and allowances for civil servants in the WASH sector. Leave allowances and social benefits, such as health insurance contributions and pensions, will often be included in this category. The wages of contractors and personnel attached to particular development projects may not be included in this category but rather appear under development or capital spending (below).
  - Other recurrent costs: This category is normally a catch all for items that are not related to salaries or major investment projects. This could include items such as office consumables, utility payments, transportation costs and maintenance costs.
  - Development or capital spending: Countries often have separate mechanisms and procurement guidelines for managing large projects. To ensure capital or development spending is directed to the most beneficial projects, project proposals will often be examined to assess both their economic return and their alignment to national objectives. To reduce the risk of corruption, development spending will often abide by stricter procurement guidelines. Due to the heavy involvement of donors in ESAR, development or capital spending is often divided into domestically financed and donor or internationally financed. Donor projects may also involve co-contributions from the government resulting in two sources of finding for the same project.
- When looking at recurrent and capital spending (economic classification), certain items can consume an inordinate amount of the WASH budget. Public Expenditure Reviews (PERs) can help to analyze unjustifiable spending and will be an important information source for this section if one has been produced in recent years. Alternatively, if a PER of the WASH sector has not been carried out in the past four years, this would serve as a strong recommendation for the brief and action point for the office.
• WASH investments can serve very different populations. Few poor households in ESAR have water piped to their homes and mainly rely on water kiosks, boreholes and wells. Increasing water tariffs on piped water will impact few poor households while potentially relieving water utilities reliance on government subsidies.

• A common consideration in the WASH sector is to ensure that the maintenance budget relative to the budget for capital investments is adequate.

• Suggested length for this section: 1-2 pages, including any graphics.

Possible data sources
• Approved national budget, MTEF, audited or preliminary outturns for the past 4 years, approved/draft estimates for the current financial year, outer year projections, budget speech, Government Spending Watch.

Content
• Ministries/institutions: Describe the spending trends for each ministry, institution and/or agency that is responsible for providing WASH services (e.g. Ministry of Water Supply and Sanitation, Ministry of Water and Irrigation, Ministry of Health).

• Services: Present spending by different WASH services based on available budget data. You should simply present whatever government data are available and not attempt to re-classify or categorize existing budget information, which is beyond the scope of the budget brief. At a minimum, you should be able to present spending on high-level services, including: (i) water; (ii) sanitation; and (iii) hygiene.
  o One of the most important analyses will be to identify spending on WASH services in schools and healthcare facilities – even if this is not easily identified in the budget. You should do whatever you can to try to offer a picture of spending on these child-focused areas. Again, if this is an impossible task, then one of the recommendations should be on the need to generate more specific information on services.
  o In an idea scenario, you will be able to present spending based on the services presented in the TrackFin Guidance Document:

  Water supply services
  ▪ Water supply through large network systems
  ▪ Basic drinking-water supply

  Sanitation services
  ▪ Sanitation though large network systems
  ▪ Basic sanitation

  Support services to the WASH sector
  ▪ Policy-making, legislation and regulation, planning, program administration and governance
  ▪ Capacity building

  Water resources management
  ▪ Water resources protection
  ▪ River basin development

  Hygiene services
  ▪ Hygiene promotion programs (including in schools and healthcare centers)
  ▪ Household-level hygiene activities

• Economic classification: Present recent spending trends and planned spending by salaries and wages, other recurrent items, development (capital), etc. For
WASH, it will be very important to highlight spending on operations and maintenance costs.

- **Key gaps**: Are there key investments mentioned in the WASH sector plan or strategy that did not make it into the budget?
- **Takeaways**: Using bullet points, summarize key findings and implications on poor households and children.

**Examples**: Refer to Section 3 of the [WASH Sector Budget Brief Template](#), which presents the data requirements for each figure, a short description of how the information should be interpreted, and suggested titles and sources. Some examples are presented below.

**Figure 3.1. WASH sector spending by institution, FY2015-19**
*(in billions of local currency and a % of sector budget)*

**Figure 3.2. WASH sector spending by services, FY2015-19**
*(in billions of local currency and a % of sector budget)*
Figure 3.3. WASH sector spending by economic classification, FY2015-19
(in billions of local currency and a % of sector budget)
Section 4. Budget Credibility and Execution

Objectives

- Evaluate the credibility of the WASH sector budget (i.e. the relationship between budget allocations and actual expenditures) and the capacity of implementing agencies to spend available funds.

Key considerations

Budget credibility

- Budget credibility refers to the ability of the government to execute the budget as planned. This can be measured by the deviation between planned and actual spending – in other words, the difference between budget allocations in the WASH sector (or planned spending), which are approved at the start of the fiscal year, and actual expenditure, which is the total amount spent at the end of the fiscal year.

Budget execution

- Budget execution refers to the implementation of the approved budget. For the WASH sector, it can be measured by the difference between the total amount of funds released by the Ministry of Finance or Treasury to those ministries that are responsible for delivering WASH services and the total amount of funds that are actually spent by those ministries at the end of the fiscal year. Budget execution is a key component of budget credibility since unspent funds will affect actual expenditure.

- Budget execution is the processes of releasing funds, recording transactions, operating budget controls, monitoring budget implementation (including any necessary remedial actions), and systems to pay wages, manage contracts, measure performance, supervise, etc. It is often divided into five steps: (i) commitment; (ii) verification; (iii) payment order; (iv) cash payment; and (v) accounts.

- There are some general signs that indicate budget execution challenges:
  - Large variations in planned versus revised and actual expenditures: Is there an official explanation for the deviation? Is the official explanation reasonable? Could cost overruns have been predicted? Was the initial budget in line with historic trends or was it inflated and optimistic? What is the role of budget planning and approval processes?
  - Systematic variations: Does a particular program, activity, public entity or budget classification face revision every year? Is the regularly revised activity open to exchange rate or price volatility? Are revisions specific to one entity, which can be attributed to poor planning? Do specific entities regularly underspend, which can be attributed to a general lack of capacity?
  - Late release of funding: When does the Ministry of Finance or Treasury release funding to spending entities? Are funding releases on a monthly or quarterly basis? Are releases made toward the end of the month/quarter? Does the amount of funding released deviate from agreed cash flows.

- Some general causes of poor budget execution include:
  - Poor planning, accounting and cash management practices
  - Macroeconomic adjustments (e.g. result in downward revisions of revenue and hence the resource envelope)
  - Frontloading disbursements or uneven disbursements throughout the year

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Inability of the spending agency to utilize budgeted resources due to insufficient human resources, delayed procurement processes, poor planning, technical challenges, etc.

- Report lags from lower levels, which mean that resources may have actually been spent but they have not yet shown up in the official accounting system
- Withholding of funds from the spending agency due to deviations from national budget guidelines (e.g. poor quality of cash flow submissions)

The latest GLAAS survey shows that budget execution rates perform modestly for the WASH sector in general (above 75%). However, this varies by country and is far from optimal. Some of the most common challenges identified in the WASH sector include:

- **Procurement delays** due to complex procedures, lengthy processes, extended negotiations (which cause late release of funds and limited time to spend within financial year)
- **Delayed or incomplete release of funds** from the Ministry of Finance or Treasury
- **Lengthy and/or complex administrative procedures** to release funds
- **Low administrative/financial/technical resource capacity** for planning and managing projects, especially development (capital) investments
- **Lack of private sector companies, equipment and/or qualified personnel** in the market
- **Logistical challenges** in remote areas, which may cause spending delays
- **Securing clearances, licenses and permits from partner institutions** (e.g. environmental impact)
- **For donor funding, complex procurement procedures and different rules** specific to each donor are common causes of under-utilization

### General

- In practice, budgets are rarely implemented exactly as approved. This can be for legitimate reasons, such as adjustments in policies in response to changes in economic conditions, or for systematic issues, like mismanagement, poor planning, unauthorized expenditures, low absorption capacity, fraud, delayed disbursements, etc. This section should aim to identify some of the key issues.
- The mid-year and year-end budget reports will contain official justifications for revising approved expenditures.

To better understand the extent to which budget credibility and execution challenges may be affecting the WASH sector in your country, it will be important to quickly review (and cite!) broader PFM diagnostics that have been recently carried out, including Public Expenditure Reviews (PERs) and Public Expenditure Tracking Surveys (PETS), as well as pillars 1-3, 14 and 16 of Public Expenditure and Financial Accountability (PEFA) Assessments. The PEFA questionnaire, in particular, provides guidance on acceptable levels of deviations from the approved budget. For at least two of three years:

<table>
<thead>
<tr>
<th>PEFA scoring PI1, PI2</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate expenditure</td>
<td>±5%</td>
<td>±10%</td>
<td>±15%</td>
</tr>
<tr>
<td>Expenditure by classification</td>
<td>±5%</td>
<td>±10%</td>
<td>±15%</td>
</tr>
</tbody>
</table>

- **What to assess?** There are many aspects of budgeting that can be assessed for credibility, including approved and actual estimates according to the administrative, functional, economic and program classifications. Given the multitude of potential analyses, this section should be issue driven, so that it focuses on the specific areas where the greatest deviations are observed. At a minimum, comparisons
between the approved budget and budget outturns by administrative and economic classification should be presented.

• Suggested length for this section: 1 page, including any graphics.

Possible data sources

• National in-year and end-year execution/performance reports, sector/MDA budget/performance reports, audit reports, secondary analysis, such as donor reports, Government Spending Watch.

Content

• **Budget credibility:** Describe any major variations between planned and actual spending. This requires comparing budget allocations alongside actual expenditure for as many years as possible. Data on mid-year revisions should also be presented if available. If you have this data, then you would present three data points for each year: (i) the planned budget (or approved budget or budget allocations) at the start of the fiscal year; (ii) the revised budget (or adjusted budget) at the mid-year review; and (iii) outturn (at the end of the year) or actual expenditure (after spending has been audited and verified). Ideally this analysis can be done for each of the different MDAs that deliver WASH services as well as according to the economic classification of the WASH budget. If there are budget credibility concerns relating to the use of funds compared to approved budget plans, there may be value in exploring this data at the economic classification level to explore movements of funds between categories within a sector.

• **Budget execution:** If data allows, compare the funding released by the Ministry of Finance or Treasury to the funding utilized by the different MDAs that deliver WASH services. As above, it would also be ideal to do this analysis using the economic classification of the WASH sector budget.

• **Challenges:** Identify any underlying causes of poor budget credibility and execution, including systemic problems and sector-specific issues. Be sure to refer to and cite relevant literature where applicable. By comparing a MDA’s budget outturn to the approved budget, a number of issues can be investigated. How does the MDA’s budget execution compare to the national execution average? Was funding released from the Ministry of Finance or Treasury, but the MDA was unable to spend all of the available funding before the end of the fiscal year? Is this due to late disbursements or poor-planning? Is there a pattern of particular items being deprioritized (underspent) during the year?

• **Takeaways:** Using bullet points, summarize key findings and implications on poor households and children.

**Examples:** Refer to Section 4 of the WASH Sector Budget Brief Template, which presents the data requirements for each figure, a short description of how the information should be interpreted, and suggested titles and sources. Some examples are presented below.
Figure 4.1. Budget credibility rates in select institutions, FY2015-18
(deviation from amount approved as %)

Ministry of Water and Irrigation
Ministry for Water and Irrigation
State Water Board

Figure 4.2. Budget execution rates by economic classification, FY2014-18
(deviation from amount approved as %)
Section 5. Decentralization and WASH Spending

Objectives

- Understand how decentralization in the WASH sector contributes to equitable spending across different geographical units of the country.

Key considerations

- This section is optional and should only be developed if: (i) the WASH sector is heavily decentralized or currently going through decentralization reforms; and (ii) sub-national budget information for the WASH sector is available. If you are in a decentralized context and there are no data, a key message should be for the PFM system to generate disaggregated budget information which underpins equity analysis.
- Decentralized funding can be distributed to sub-national entities directly from the Ministry of Finance or Treasury or be channeled through a central institution – e.g. Ministry of Decentralization, Ministry of Territorial Administration, Ministry of Interior, Local Government Finance Agency, Grants Commission – which will also establish reporting and accounting practices. The national institution responsible for sub-national financing is likely to have the latest and most detailed information on budgets and performance indicators.
- Under a devolution model where powers are transferred to the sub-national level (see Box 5 for more information), the MDAs responsible for delivering WASH services are likely to have sub-national offices that receive the funding from the central level; these offices will also keep financial records.
- The primary structures used to finance sub-national governments – grants and formulas – need constant monitoring and revision to ensure that they are equitable and efficient. For example, it would be worth investigating how active the lead MDA for WASH has been in monitoring and revising the sub-national financing structure.
- Especially where decentralization is new or still an ongoing process, sub-national financing guidelines may not be strictly followed. If you have access to the financing formula and actual sub-national allocations, you can assess how closely the government has followed its financing guidelines, which can be a simple yet powerful analysis.
- Sub-national governments that closely adhere to national budgeting and accounting guidelines are more transparent and vice versa. Similarly, connecting sub-national entities to the national integrated financial management information system (IFMIS) can significantly boost transparency and accountability, and could be a good recommendation for the budget brief, if relevant.
- Suggested length for this section: 0.5-1.5 pages, including any graphics.

Possible data sources

- Decentralization master plan, transfers to sub-national governments, consolidated sub-national budgets.

Content

- **Decentralization context**: Discuss the functions that have been decentralized in the WASH sector and the degree to which the budget has been accordingly decentralized.
- **Sub-national funding guidelines**: Describe how funding is distributed to different regions (through a formula, grants or a combination of both) and the implications on the equity of spending. Are horizontal transfers to sub-national governments
governed by a transparent, rule-based system? The PEFA guidelines (Pl-7) detail issues related to horizontal government transfers.

- **Sub-national spending trends:** Explore recent changes in the WASH sector budget for sub-national entities and the composition of budgets – e.g. by comparing the percentage of total spending at national and sub-national levels. Is there more spending at the district level than the provincial or central levels? If so, account for the differences and discuss the impacts on the quality and equity of WASH services.

- **Spending disparities based on regions:** If you are not going to develop a standalone section on equity (see next section), then you can also include analysis of regional spending disparities here. If data allow you to calculate per capita spending on the WASH sector by a regional unit (e.g. states/provinces, districts/municipalities), one good method is to present the per capita spending values on a bar chart that orders the regions from lowest to highest; this illustration can make a convincing case on the need for increasing or reallocating resources to deprived regions or facilities, if required. Based on data availability, this analysis can be carried out for different WASH services; otherwise use total WASH sector spending (or total water or total sanitation spending).

- **Takeaways:** Using bullet points, summarize key findings and implications on poor households and children.

### Box 5. Key definitions

**Decentralization:** The transfer of responsibility and authority for planning, management, fundraising, resource allocation and other functions from a central government and its agencies to: (i) levels of local government; (ii) semi-autonomous public authorities or corporations; (iii) nongovernmental and voluntary organizations; and/or (iv) field units of central government ministries or agencies.

There are three different types of decentralization:

1. **Devolution:** The transfer of authority and responsibility for public functions to levels of (elected) local government. In devolution, local governments are considered autonomous and independent, operating within the bounds of the national legislative framework. However, in most cases, central oversight and control persist in various forms, including funding conditionalities. Devolution is strongly associated with political decentralization.

2. **Delegation:** The transfer of responsibility for public functions to semiautonomous public authorities or corporations (e.g. public housing corporations) and/or non-governmental and voluntary organizations. In delegation, the central government exercises its control through a contractual relationship that enforces accountability from the receiving authority. However, through this contractual arrangement, delegation also allows for some autonomy in decision-making, albeit less than devolution.

3. **Deconcentration:** The transfer of responsibility for public functions from the central government to field units of central government ministries or agencies (e.g. district water department or provincial water department). It is a shifting of the workload from centrally located officials to staff or offices outside of the national capital. Under deconcentration, the central government retains authority over the field office and exercises that authority through the hierarchical channels of the central government bureaucracy.

Examples: Refer to Section 5 of the WASH Sector Budget Brief Template, which presents the data requirements for each figure, a short description of how the information should be interpreted, and suggested titles and sources. Some examples are presented below.

Figure 5.1. National and sub-national spending trends on the WASH sector FY2015-19
(in billions of local currency and as % of total)

Figure 5.2. WASH sector spending by district, latest available
(per capita and as % of subnational budget for WASH)
Section 6. Equity of WASH Spending

Objectives
- Understand whether spending in the WASH sector is prioritizing the most disadvantaged households and delivering results for all children.

Key considerations
- The first component of this section is critical: presenting WASH sector spending trends by rural and urban areas. As mentioned earlier, this disaggregation underpins progress toward SDG 6.
- The additional analyses are optional, as they can only be developed if there is disaggregated data on WASH budgets as well as WASH sector performance or outcome data. Also, if your country is heavily decentralized, analyses of territorial equity of allocations or expenditure could be included in Section 5 (on decentralization).
- Understanding the equity of spending underpins UNICEF’s core mandate to focus on and advocate for the most vulnerable households and children.
- The allocation of budgets to the WASH sector is considered inequitable if an advantaged (better off) group consumes a greater share of the resources. In contrast, equitable budget allocation is when the distribution of public resources compensates the initial disadvantages of groups considered to be disfavored, through an allocation of resources that is proportionally greater than the group’s weight in the total population.
- There are potentially three approaches to understand the distributive and structural dimensions of equity in the allocation of public resources to the WASH sector:
  o Analysis of the distribution of resources by rural and urban areas: Related, but distinct from the regional analysis, is understanding whether urban areas are favored vis-à-vis rural areas, which is a common trend in ESAR countries.
  o Analysis of the distribution of resources by regions: From an equity perspective, the most disadvantaged regions in terms of WASH indicators and more broadly, living standards, are expected to receive at least the same amount of resources as those received by better-performing regions.
  o Analysis of the distribution of resources by individuals or groups: This consists of analyzing the spending of public resources on WASH services according to the socioeconomic characteristics of groups or individual consumers.
- Data permitting, more sophisticated analyses using spending patterns and WASH sector performance indicators, like access to an improved water source or incidence of diarrhea, can shed deeper insights on the equity of spending and results.
- Exercise caution when making recommendations regarding reallocations to poorer or lower performing regions. Sub-national allocations may only impact recurrent spending, which will not have a major impact on issues like constructing or improving WASH infrastructure and systems; off-budget funds may also be significant and distort the funding picture. It will be important to understand whether poor WASH results are driven by a lack of funding or other performance factors.
- Simple performance analyses may help identify good performers or outliers which could trigger additional studies and potentially find better ways of maximizing the impact of WASH budgets.
- Although dated, the GLAAS 2014 Findings: Special Report for Africa shows that rural populations in the sample of 11 countries with data represented 70% of the unserved but benefited from less than 20% of WASH spending. If this describes
the situation in your country, it is critical to highlight the need for better prioritizing rural areas, either by reallocating (or reprioritizing) spending within the WASH sector or by identifying other resources to increase investments.

- If your country does not have information on WASH sector spending by different regions or by rural and urban areas, this should be raised as a key message.
- Suggested length for this section: 0.5 page with graphics if including one analysis and up to 1.5 pages if including two or more analyses.

Possible data sources

- Sub-national or facility financing formulas/grants, decentralization master plan, transfers to sub-national governments, consolidated sub-national budgets, annual WASH performance reporting (e.g. average time spent collecting water, percentage of households with access to an improved water or sanitation source), benefit incidence analyses.

Content

- **Spending disparities by rural and urban areas**: This should start by presenting the balance of spending on the total WASH sector by rural and urban areas and then complemented by the balance by different services – at a minimum water and sanitation, and hygiene if available. How do the geographical areas compare in terms of total spending and by the different services? Is this aligned to the neediest populations are located?

- **Spending disparities by regions**: Make comparisons of per capita spending on WASH by region, district, etc. (the lower the level the better). Based on data availability, this analysis could be carried out for different WASH services (e.g. by water, sanitation). Which regions, districts, etc. receive the lowest amount of funding once factoring in the size of the population, and is there a case for reallocating funding?

- **Spending disparities by results**: To gain insights on the relationship between resources and results, another compelling illustration can be developed if there is data on both spending and performance indicators at the lowest level possible (e.g. district). This would involve a scatter plot that places per capita spending on the x-axis alongside a performance indicator on the y-axis, such as those presented earlier in Box 3. In addition to distinguishing between good and bad performers, this can help to identify cases of “positive deviance,” whereby a small number of areas of the country achieve impressive performance while using relatively fewer resources than most others. Although this would fall beyond the boundaries of a budget brief, this initial analysis could trigger follow up activities, including in-depth case studies based on field visits, interviews and deeper analysis of data, which could potentially reveal certain practices/standards/behaviors that lead to strong performance; these could be documented and then tested elsewhere.

- **Causes**: If severe spending disparities are identified based on any of the above analyses, it will be important to look at the underlying financing mechanisms as well as other drivers that favor certain regions or groups over others, such as household income, ethnicity, political economy dynamics, the presence of natural resources, geography (e.g. located next to a large lake or river), etc.

- **Takeaways**: Using bullet points, summarize key findings and implications on poor households and children.

Examples: Refer to Section 6 of the [WASH Sector Budget Brief Template](#), which presents the data requirements for each figure, a short description of how the
information should be interpreted, and suggested titles and sources. Some examples are presented below.

**Figure 6.1. Rural and urban spending trends in the WASH sector, FY2015-19**
*(in billions of local currency and as a % of total WASH budget)*

**Figure 6.2. Spending on water, sanitation and hygiene by rural and urban areas, latest available (as a % of total WASH budget)*

**Figure 6.3. Per capita WASH spending and access to improved sanitation by district, latest available**

\[ R^2 = 0.2647 \]
Section 7. Financing the WASH Sector

Objectives

• Understand the main sources of financing for the WASH sector and identify potential vulnerabilities as well as opportunities for sustaining investments in the sector.

Key considerations

• The composition of overall financing to the sector can reveal issues of sustainability and equity.

• WASH services can be financed through a mix of government revenue (from tax and non-tax sources at national and sub-national levels), government borrowing (from domestic and external sources, including through concessional arrangements), donor grants and private sector funding (including user fees paid by households to public and private service providers, investments by water and sanitation companies to develop infrastructure and/or maintain services, and household investments in self-supply solutions).

• WASH is unique from most other social sectors in that it can generate revenue by charging fees e.g. for water. Whether the revenue that is generated is returned to the national Treasury or retained by a WASH MDA, as well as how that revenue is accounted for, are important PFM questions.

• Related to the above, user fees are usually determined by tariffs, which are generally set by the water or sanitation service provider or by national (or local) governments through national or local policy. However, the public or private sector can also calculate tariffs for an individual project, sometimes at the community level. Policy makers and utility managers can use a variety of tariff structures to calculate customers’ bills for water and sanitation services, ranging from a simple flat monthly fee to complicated multipart tariffs with seasonal pricing based on metered water use. It will be important to feature and analyze as much of this information as possible. For example, if user fees are too low, capital investments (e.g. for boreholes, water systems) may quickly fall into disrepair. In contrast, if fees are too high, they may prevent poor households from accessing services.

• Estimating national WASH financing requires information collection and coordination among the many different WASH sector institutions and levels of government, service providers, NGOs and external development partners. For ease of analysis in the budget brief, these can be grouped into three main sources:
  o Government revenue: This includes funds originating from taxes and other government revenue that are channeled to the sector by central, regional and/or local governments, as well as repayable finance borrowed by governments, including concessional finance; this should be the easiest information to obtain.
  o Donor grants: This captures grants from international donors and charitable foundations. Information from donors should be available from the Ministry of Finance or Development Cooperation. If not, you can get estimates from existing global databases (see below). Information on charities, CSOs, etc. will likely be difficult to obtain and should only be presented and discussed if routinely published.
  o Household financing: This covers household tariffs and fees paid to service providers and repayable finance raised by public utilities, as well as household investment in self-supply solutions (e.g. private or community wells, water tanks) and household level sanitation. Household financing would not be expected to be captured in a budget brief, which is focused on government
spending. However, given that households contribute to approximately two-thirds of total funding to the WASH sector, on average (based on the sample of countries captured in the GLAAS 2017 Report), it is important to capture and analyze whatever information is available.

- If you cannot obtain foreign aid data from the government, donor support to all countries by specific sectors is recorded in the OECD-Development Assistance Committee Creditor Reporting System, which can be used to fill any information gaps. This can be disaggregated among different purpose codes, including aid for basic and large drinking water and sanitation systems. Basic drinking-water systems include rural water supply schemes using hand pumps, spring catchments, gravity-fed systems, rainwater collection, storage tanks, small distribution systems, urban schemes using hand pumps and local neighborhood networks. Basic sanitation systems are defined as latrines, on-site disposal and alternative sanitation systems, including the promotion of household and community investments in the construction of these facilities. Large systems include large urban distribution networks and/or treatment facilities.

- Although international aid data used to be widely disbursed, the growth of sector program support (especially through budget support which is directed to specific ministries or spending items) has increasingly led to allocations that appear on the budgets of recipient ministries (known as “on budget”). If there is significant donor support that is not recorded on budget (i.e. it is channeled directly through a parallel service delivery system), this should be considered as a key recommendation in the budget brief.

- Donor support is more effective if national systems are utilized and reported in the national budget. Among others, this can help ensure more predictable disbursements, avoid duplication of services or activities, and strengthen domestic planning and budgeting processes. If donor funding is unpredictable or erratic, this can also be a key recommendation.

- Information on household sources of financing can be particularly difficult to get. While data on utility tariffs are readily available in many countries, household payments for rural WASH services and out-of-pocket household expenditures may rely on estimates which can be found in national strategic plans. It is important to note that aggregation of household expenditures for WASH at the national level is not commonly performed or compiled, nor is a centralized information system used.

- If your country office has recently conducted a fiscal space analysis, this section offers an opportunity to present some of the headline options that could be used to scale up spending on WASH. Even if there has not been a recent fiscal space study, the option that could be the most effective for advocacy is how to maximize the impact of current WASH budgets. The latest GLAAS survey shows that most WASH sector budget execution rates do not exceed 75%, on average, which means that addressing existing bottlenecks to improve budget absorption capacity could increase actual WASH spending in the realm of 33% without increasing the size of the budget for WASH.

- Where government has experience and capacity to manage public-private partnerships (PPPs), these can be a useful option to free up scarce government resources. Urban water and urban sewerage schemes have been privatized in many ESAR countries with mixed success. These services have limited social responsibilities and make them obvious targets for commercialization and privatization reforms.

- Blended finance is another increasingly popular option to increase investments in the WASH sector, which is the strategic combination of domestic revenue, donor
grants and/or concessional loans to promote commercial financing in the sector. Blended finance measures can include grants, concessional loans and credit enhancements such as guarantees to help “crowd in” private investment. For example, grants can be offered to provide technical assistance to manage commercialization; concessional loans can be combined with commercial finance to soften lending agreements; and domestic finance can be used to provide guarantees for loans to public utilities.

- Suggested length for this section: 1-1.5 pages, including any graphics.

Possible data sources

Content
- Financing snapshot: This section should start by presenting a high-level picture of the main financing sources of the WASH sector over time, including from government revenue, government borrowing, donor grants and private sector funding. The remainder of this section then allows for specific breakdown and analysis of each of these categories.
- Government revenue: Identify how much revenue is used to finance the WASH sector, which should include from both national and local governments, if applicable. Describe trends over time. Revenue from water and sanitation tariffs collected by public providers is captured here, but there is also a standalone section below to analyze this issue in more detail.
- Government borrowing: For borrowing, this should include funding from domestic and/or external markets as relevant. It is also recommended to include concessional borrowing here as well.
- Donor grants: Analyze the role of donor grants if they play a significant role in financing WASH services in your country. This should describe the total contribution of donors to WASH as a percentage of the total WASH budget, including the implications of growing or declining support, as well as the different funding modalities used (budget support, SWAp, donor pooling, etc.). It should also mention whether donor support is recorded on budget. Other questions to consider: Does the government have an aid management platform or similar reporting framework? Is donor reporting up to date? Is donor funding stable and predictable? Is any donor funding used as part of blended financing arrangements?
- Private funding: Discuss the composition and recent trends of private funding of WASH services. This could include: (i) household fees paid to private and public service providers; (ii) repayable finance raised by public utilities; and/or (iii) household investment in self-supply solutions (wells, water tanks, latrines, etc.).
- Water and sanitation tariffs: Tariffs paid by private consumers to public service providers are technically a form of domestic revenue, and hence would have been reported earlier. However, given that tariffs tend to play a very important role in sustainable financing of WASH services and their explicit equity implications, it is strongly encouraged to develop a standalone sub-section or box to describe the tariff structure in some detail. Some questions to consider: Who determines water and sanitation tariffs and what is the process? What is the structure for calculating customer bills (flat monthly fee, seasonal pricing, etc.)? Are the structures set up so that the poorest households are exempt or pay only nominal fees? How are fees
to public utilities managed? And are they reported to the central government and returned to a central account?

- **Additional financing options**: Discuss feasible options for increasing investments in the WASH sector, paying special attention to the potential for improving the efficiency of existing resources and blended financing. The discussion should also link to the most recent debt sustainability analysis (DSA) carried out by the IMF. If the country rating is high or already in debt distress, then innovative finance (e.g., climate), blended finance and/or investment guarantees should be explored and included as core recommendations to accelerate progress toward national targets and SDG 6.

- **Takeaways**: Using bullet points, summarize key findings and implications on poor households and children.

**Examples**: Refer to Section 7 of the [WASH Sector Budget Brief Template](#), which presents the data requirements for each figure, a short description of how the information should be interpreted, and suggested titles and sources. Some examples are presented below.

**Figure 7.1. Main sources of financing the WASH sector, 2017-19 average (as % of total)**

- National revenue
- Subnational revenue
- Government borrowing
- Donor grants
- Private funding

**Figure 7.2. Main sources of financing the WASH sector, FY2015-19**

* (in billions of local currency and as % of total)
Section 8. Other Sector Issues and Reforms

Objectives
- This section provides a space to highlight any other important issues and reforms that impact WASH sector budgets that have not been discussed earlier in the brief.

Key Considerations
- Policy changes can oftentimes have more impact on WASH outcomes than a large change in budget allocations.
- Policy changes also have budget implications. New policies might be pursued without increasing the sector budget. In fact, there is often a lack of coherence between WASH policy and plans and budget allocation, and this section should highlight any relevant examples (e.g. how the budget can be more responsive to existing frameworks).
- This section can also be used to highlight other relevant research that can help make the case for increasing budget allocations, such as costing exercises or cost of inaction and cost-benefit analyses, or improving the use of existing budgets, such as through recent assessments of targeting designs or policies.
- Suggested length for this section: 0.5-1.5 pages, including any graphics.

Possible data sources
- Sector policy documents, SWAp/donor reports, sector reform plan, national reform agenda, PERs, PETS, costing exercises, investment cases.

Content
- Policy issues: Examples of types of issues that can be discussed include:
  - Cost recovery: You can highlight any institutional efforts to improve cost recovery, such as reviewing and adjusting tariff structures, improving bill collection, reducing non-revenue water, improving operational efficiency, or put forth recommendations calling for these specific analyses.
  - Affordability: Affordability is a key element of the human rights to WASH and also at the core of UNICEF’s equity mandate; however, poor populations, vulnerable populations and people living in remote communities or informal settlements often do not have the financial means to obtain or connect to existing services, let alone pay for the cost to sustain these services. The three most commonly cited affordability schemes reported by countries in the GLAAS 2017 Report (2017) include: (i) government subsidies for infrastructure and operating and maintenance to support affordable tariffs; (ii) reduced tariffs for specific population groups; and (iii) block tariff structures, with a highly subsidized first block (e.g. 0 to 7 cubic meters) to cover basic needs. Other examples of affordability schemes that could be explored here include: reduced, subsidized or waived connection fees, free water to the poorest, subsidies for microfinance institutions, revolving loan funds, bill discounts, payment plans and/or institutional tariffs subsidies. This section could broadly discuss a variety of affordability approaches, as mentioned above, or focus on one or two schemes, such as those described below.
  - Reduced tariffs: Also known as social tariffs, solidarity tariffs, lifeline rates, preferential tariffs, etc., these are provided for vulnerable or disadvantaged populations, such as the elderly, people living with disabilities, war veterans or people with low household income levels and based on a socioeconomic condition. Both centralized and local tariff reduction schemes exist, and both
local service providers (municipalities) and regional providers adopt policies of tariff subsidies and can do so at their own discretion. However, central policy may also mandate tariff reduction or bill discounts. Local municipalities and service providers may cover the cost of these reduced tariffs from the local budget, cross-subsidies among users and/or direct subsidies from the national government.

- **Block tariff structures:** Also known as stepped tariffs, ascending tariffs, tiered tariffs etc., these are based on water use levels, i.e. different charges for different levels of water use with a highly subsidized first block (e.g. 0 to 7 cubic meters) designed to cover basic needs. Higher water use customers pay more for water use that exceeds basic needs, though preferential tariffs for one or more blocks may still apply in the case of low income users. While block tariffs are an affordability scheme, it should be noted that block tariffs require a metered connection, which is often out of reach for poor populations or people living in informal settlements or remote areas.

- **Free WASH schemes:** Although uncommon globally, there are several examples in Africa, including in South Africa and Tanzania. This can include providing free coverage for WASH services to poor households, such as free water tanks, subsidizing rainwater harvesting, ensuring 25 liters of daily drinking water per person, providing a ventilated improved pit latrine or better to households, etc.

- **Cross subsidies:** This is where some users pay more for services provided, while others pay less; they are implemented either among users (whereby higher tariffs are applied for users in higher water blocks or tariffs are assigned according to income classification) or among regions. Cross subsidies can also be applied across services, e.g. between water, sewer and electricity services.

- **Targeting and household expenditure on WASH:** This could look at how targeting policies – or the lack of – impact affordability at the household level and what this means to access and equity. This can also diver deeper into existing rural/urban spending imbalances to highlight the degree to which rural populations continue to be unserved.

- **High vacancy and turnover rates:** Many African countries report very high vacancy rates of WASH sector personnel. The main drivers could be summarized here, highlighting any relevant public finance issues, such as low salaries and compensation packages, arrears, limited talent pool, and how this impacts budget credibility and executing, and ultimately service delivery.

- **Cost of inaction studies:** Many countries have developed studies looking at the longer-term impact of conducting business as usual and not ramping public investments in the sector (see, for example, *Africa: Economics of Sanitation Initiative*). If relevant to your country, you can summarize the high level messages to support advocacy on the need to better prioritize the WASH sector in the national budget.

- **MTEF:** How likely are proposed or recently approved policies to be successfully implemented given the budget realities of the MTEF for WASH sector (or the annual budget for the WASH sector if there is not an MTEF)?

- **etc.**

- **Takeaways:** Using bullet points, summarize key findings and implications on poor households and children.
ANNEX 1. SAMPLE OUTLINE

Key Messages and Recommendations
• List in order of priority

Section 1. Introduction
• WASH sector overview
• Main documents and targets
• Sector performance
• Takeaways

Section 2. WASH Spending Trends
• Size of spending
• Spending changes
• The priority of WASH
• Spending against commitments
• Spending against other countries
• Takeaways

Section 3. Composition of WASH Spending
• Ministries/institutions
• Services or programs
• Recurrent and capital spending
• Takeaways

Section 4. Budget Credibility and Execution
• Budget credibility
• Budget execution
• Challenges
• Takeaways

Section 5. Decentralization and WASH Spending
• Decentralization context
• Sub-national funding guidelines
• Sub-national spending trends
• Spending disparities based on regions
• Takeaways

Section 6. Equity of WASH Spending
• Spending disparities by regions
• Spending disparities by rural and urban areas
• Spending disparities by income
• Causes
• Takeaways

Section 7. Financing the WASH Sector
• Financing snapshot
• Government revenue
• Foreign aid
• Private funding
• Tariffs
• Additional financing options
• Takeaways

Section 8. Other Sector Issues and Reforms
• Issue 1…