Developing WASH-Accounts: An overview of the UN-Water GLAAS TrackFin Initiative

Authors

Sophie Trémolet and Marie-Alix Prat.

Abstract

This paper sets out the overall vision for the UN-Water GLAAS TrackFin initiative, which aims to define and test a globally accepted methodology to track financing to WASH at national level, so as to improve our understanding of current total expenditure in the WASH sector. This initiative proposes to support countries to develop national WASH-Accounts, similar to the National Health Accounts that are developed in the health sector.

This paper briefly presents the methodology to build the WASH Accounts and the benefits expected for countries from implementing WASH-Accounts and having better financial data on the WASH sector. This methodology will be tested in up to five countries and results of this "testing exercise" will feed into the GLAAS 2014 report. In the longer term, it is hoped that the methodology can be rolled out in many other countries so as to contribute to strengthening national systems for the collection and analysis of financial information for WASH sector policy-making and programming.

This paper is organised as follows:
- Part 1 presents the rationale for developing the TrackFin initiative and its objectives.
- Part 2 presents the expected findings and benefits from developing WASH-Accounts.
- Part 3 outlines key steps of the methodology for preparing WASH-Accounts.
- Part 4 presents the next steps for the TrackFin initiative.

Background

Why the "TrackFin initiative"?

Inadequate monitoring and limited availability of financial data limits countries' ability to assess progress in the sustainable delivery of water and sanitation services and to improve their performance.

An internationally agreed standard methodology for tracking financing to WASH at the national level does not exist at present, whereas it exists for health or education. As a result, our current understanding of financing to WASH is limited, with numerous gaps. Attempts to undertake global reporting and monitoring – including through the GLAAS report in 2008, 2010 and 2012 – have not been fully satisfactory and do not provide sufficiently robust evidence for policy-making at the national level and for international comparisons. Moreover, very few countries have set up a dedicated reporting tool to collect data on the financing to their WASH sector. By contrast, the health sector is better able to successfully track financing through a system of national

Health Accounts. Adopting a similar approach in the WASH sector could provide evidence to WASH policymakers to help them make decisions over a wide range of policy issues. Expected benefits of the implementation of such "WASH-Accounts" (WASH-A) are outlined in section **Error! Reference source not found.**.

Based on a review of existing methodologies, studies and tools to track financing to the WASH sector, (Trémolet & Rama, 2012) recommended that developing a shared methodological framework for tracking financing to the WASH sector would make an essential contribution to the development of sector policy at a national as well as at an international level. Demand for sound financial information for the sector was expressed at the highest political level, including by Ministers of Finance and Ministers responsible for water and sanitation at the Sanitation and Water for All High-Level Meeting, hosted by the World Bank and UNICEF in Washington DC in April 2012 (Sanitation and Water for All , August 2012). This has provided the basis for the launch of the WASH "TrackFin" initiative (as in "tracking financing" to WASH) by WHO on behalf of UN-Water.

Objectives of the TrackFin initiative

The objectives of the TrackFin initiative are to define and test a globally accepted methodology to track financing to WASH at national level, so as to improve our understanding of current expenditure in the WASH sector so as to be in a position to answer four basic questions:

- What is the total expenditure in the sector (including public and private)?
- How are the funds distributed to the different WASH services and expenditure types, such as capital expenditure, operating and maintenance expenditure, cost of capital)?Who pays for WASH services, and how much? Which entities are the main channels of funding for WASH; what is their share of total spending?

This methodology aims to guide countries in collecting comparable data and compiling it in a set of comparable tables, referred to as WASH Accounts (WASH-A).

The "TrackFin initiative" aims to develop this methodology:

- ***Jointly*** with leading country sector institutions and international entities in charge of financial tracking (such as UN Department of Statistics and OECD). The aim is to develop a "common language" across different institutions and fields, so that, for example, statistical departments in countries can work with WASH sector institutions and produce information that meets sector policy needs. The resulting methodology and the results (i.e., the data generated) will be a global public good;
- ***Progressively*** so as to start with simple objectives and iterate more comprehensive approaches over time to answer more complex questions (for example, linking financing to water and sanitation coverage data so as to estimate cost-effectiveness

indicators). With this in mind, the "TrackFin initiative" has set short and long term objectives, as presented below.

- **In a modular manner,** so that it can be adapted flexibly to different contexts and be applicable to local, regional and national levels or to different sub-segments of the WASH sector.

In the short term, TrackFin aims to improve the availability and quality of the "basic" financial data, such as that collected for the GLAAS report or to be presented in national sector review reports. To this end, it is important that countries reporting financing information be provided with clearer guidance as to what is needed, so that the information is comparable and overall reliability is improved. The methodology developed for this purpose will be tested in selected countries for the GLAAS 2014 report. The aim is to prepare a guidance document that would be provided to all countries completing the GLAAS questionnaire for the 2016 report.

However, given that national monitoring systems are generally weak at tracking how much financing is allocated to the water sector, providing guidance on filling in the GLAAS questionnaire alone is not going to be sufficient in most countries. As a result, the GLAAS team is examining how national monitoring systems can be strengthened so that countries can start generating WASH financing information that is reliable, comprehensive and comparable. This longer-term initiative builds on the experience of the health sector, which has developed methodologies to track financing to health (referred to as the National Health Accounts) over the course of the last 30 years. National Health Accounts (or NHA) have now been prepared by more than 100 countries (including many less developed countries) and the exercise has been repeated more than once in many countries. The underlying hypothesis is that the GLAAS process can serve as a catalyst at country level to support the development of stronger national systems for tracking finance to the sector.

Findings expected from implementing WASH-Accounts

WASH-Accounts are expected to make a significant contribution for evidence-based policymaking in the WASH sector, in particular for answering the questions set out below.

What is the total expenditure in the sector?

Information on total WASH expenditure could be used to:

- Monitor funding trends over time;
- Benchmark funding to the WASH sector, against other countries or other sectors.

Information on how WASH expenditure varies overtime and how the level of expenditure compares to that in other countries and sectors could be used to raise awareness on the need to attract more financing to the WASH sector so as to meet agreed physical targets and objectives. In a second stage, when reliable data is produced

in terms of financial inputs, this data could also be related to outputs and outcomes in order to estimate the efficiency of financing.

How are funds distributed?

Information on how expenditures to the WASH sector are distributed across regions, urban and rural areas, subsectors, services, service providers and types of expenditures could be used by policymakers for budgeting and planning in order to perform the following types of analysis:

- Identify inequities in the distribution of spending across regions and population groups.
- Allocate funds to sub-sectors, services, providers and programmes.
- Plan national WASH policies and strategies.
- Monitor policies' outcomes and effectiveness.

Depending on countries' requirements, WASH-A could show data on the share of WASH expenditure by regions or by population groups with the greatest needs. In turn, such analysis could be used to reduce inequities across population groups and regions by relocating transfers to those regions and groups that need them most through targeted pro-poor policies.

 WASH-A could also provide information on the share of spending allocated to the different subsectors (urban water, rural water, urban sanitation and rural sanitation), services (on-site sanitation or piped sewerage, etc.) and types of providers (public, private, community-based, small or large scale). This would help evaluating whether funding is currently allocated to services and providers that need it most in order to allocate budget more efficiently based on evidence. For instance a study on public finance for household sanitation in Dar Es Salaam revealed that in the period 2006-2010, 99% of public finance was allocated to sewerage and to wastewater treatment whereas only 10% of the population was connected to the sewer network and only a mere 3% of the population benefited from wastewater treatment (Trémolet S. , 2013).

By providing a complete picture of current spending, WASH-A could also contribute to identifying funding needs and priorities and designing a national WASH strategy to plan expenditure at a national level based on such priorities. Regular tracking of actual spending to WASH services overtime could help monitor the efficiency of these policies and reallocate budgeted funds based on evidence.

Who pays for WASH services?

Information on who really pays for WASH services and how much could be used by policymakers to:

- Define financing strategies.
- Monitor trends and outcomes of financing strategies over time.
- Coordinate donor aid and international transfers.
- Track commitments and targets expressed in financial terms.

WASH accounts could enable building a more complete picture of expenditure. It would take into account public as well as private (including household) and donor expenditure. This data could be used to define financing strategies and assess the performance of policies designed to leverage investment over time.

A better understanding of WASH expenditures would thus facilitate greater coordination of WASH financing at a national level. A substantial part of aid transfers to developing countries is often channelled through NGOs out of governments' budget, making it difficult to evaluate total spending in the sector.

Data on actual spending to WASH could also be used to track governments' and donors' commitments with respect to sector financing. Several governments have made commitments at the international level which have been formulated with reference to monetary amounts allocated to the WASH sector. For example, the eThekwini declaration in 2008 committed signatory African countries to establish specific public sector budget allocations for sanitation and hygiene programs. Compiling such indicator in a consistent, comprehensive and comparable basis would be essential in order to track the implementation of such a commitment.

How is funding channelled in the WASH sector?

Information on how the funding is channelled, via who and how much could be used by policymakers to define and monitor financing strategies. Local governments often play an important role in channelling funds to local levels. This information could be used to evaluate the performance of decentralised financing policies. It could help identify ways to support local governments that channel such budgets.

To sum up, WASH-Accounts can contribute to develop-evidence based decision making. They could help address policy questions to support the allocation of budgets and the definition and evaluation of financing strategies. They could also help monitor and benchmark financing trends in order to attract additional funding, coordinate donor aid and track commitments and targets of WASH funding. To get more concrete evidence about how this information could be used to improve policy-making, it is useful to refer to the experience of the National Health Accounts, as detailed in Box 1 below.

Box 1. What the Health Accounts have brought to the health sector.

In the health sector, Health Accounts (HA) have generated useful evidence for country-level policymaking as well as for cross-country comparisons (The World Bank, World Health Organization and United States Agency for International Development, 2009). Health Accounts have been increasingly institutionalised in developing countries and used by policymakers to reform health systems and allocate financing more efficiently.

For example, HA are used to evaluate whether funds were allocated to the neediest population. In South Africa, for instance, HA were tailored after the Apartheid to show the distribution of resources by district and income-levels and revealed a major lack of investments in poor neighbourhoods. HA findings were used to design new policies to redistribute health resources in a more equitable manner (McIntyre & al, 1995).
In Mexico, in order to identify funding needs and inform budget allocation, HA were disaggregated to show per capita health expenditure by state and compare it with health status data. After HA revealed that states with major health needs were receiving lower transfers via the system, a policy was set up to

channel public funds to protect the population of those states in major need. HA is the tool that is now monitoring the implementation of this policy (The World Bank , 2010).

HA have also contributed to prioritise funding to major diseases according to different strategies of care provision. In Rwanda, the government developed sub-accounts for HIV /AIDS in their first round of NHA in 1999 to better understand the sources and distribution of financing for HIV/AIDS care services. It revealed that 10% of all health funds were used for the prevention and treatment of this disease. Only 1% of donors' funds were targeting HIV /AIDS and households were carrying 93.5% of those expenditures. These findings were used by the Ministry of Health to design targeted interventions to improve HIV/AIDS prevention financing and to encourage donors to increase funding allocated to HIV/AIDS (Barnett & al, 2001). In Mali, HA findings were integrated into the 2008 Health Sector Strategic Plan to inform changes in human resources and health financing and justify the priority given to regional levels in the resource allocation (Health Systems 20/20, 2011).

HA are used to allocate spending according to cost-efficiency of service provision. In Sri Lanka, HA estimated the total costs of diseases by types of providers (hospitals, ambulatory services, pharmaceutical companies, etc.) and revealed the weight of hospitals costs. This finding influenced policymakers to focus on enhancing primary health care and promoting specific preventive interventions (Hernandez, 2012).

Moreover, HA provide insights on who pays for health service and enables to monitor for instance households' health financial burden. In Turkey, the 2001 HA report revealed that inequities in health spending left many population groups without financial access to care. There was a need to harmonise the benefit package across insurance schemes and mitigate out-of-pocket spending for the poor. This was done through the Green Card holders program for targeted poor households. Green Card holders were given access to care and pharmaceuticals and today, all insurance schemes have access to the same basic benefits package. Formal health insurance coverage has also increased, reaching 87% of the population compared to 67% of the population in 2002. Out-of-pocket payments had decreased from 27.6% in 2000 to 17.4% of total health spending in 2008 (Maeda & al, 2012).

HA findings are also used to gain support for donor aid coordination. In Tanzania for instance, the first NHA study conducted in 1999 revealed that an important part (23%) of health sector expenditures was financed by donors "off-the-government" budget, bypassing the government and directly funding their own health programs. The government used NHA findings to convince donors to strengthen the coordination between their interventions with the adoption of a Sector Wide Approach (SWAp) and to channel their funds through a basket of funds managed by the government. This increased its leadership and oversight over the use of health funds (De & al, 2003).

Finally, HA generate evidence to monitor policies impacting the health care services. In the Philippines, HA have been used to evaluate the impact of the government's decentralisation reform in 1993. Prior to the reforms, both central and regional government funding for public health care (services such as immunisation, which benefits the community at large as well as the individual) was low, with central government funding actually decreasing significantly. The comparison of national HA conducted before and after decentralisation showed that spending on public health care actually increased from 25% to 35% of total government health spending between 1991 and 1997 (see figure below). This increase was largely due to increased funding from local governments, which allocated more than half of their health resources to public health care in 1997. The annual production of national HA provided significant insight on the impact of decentralisation on health care (Partners for Health Reformplus, 2002).

Overall, HA have improved the understanding of how the health sector is financed. It has generated evidence for policymakers to better allocate the available resources and design policies to increase health outcomes.

A brief overview of the Trackfin methodology

The TrackFin initiative has developed a draft Guidance Document to support such exercises, which is now open for consultation with sector experts and stakeholders.[1] Countries will be able to draw on this document to address their own policy questions. Figure 1 below schematically outlines the main steps of the TrackFin Guidance Document: readers are invited to refer to the full document for more detail. Countries will need to broadly follow these steps, although in some cases the process is likely to be an iterative one rather than purely linear (i.e. it might be necessary to revisit some decisions taken earlier in the process to reflect realities on the ground).

Figure 1. Overview of proposed methodology to track financing to WASH at national level.
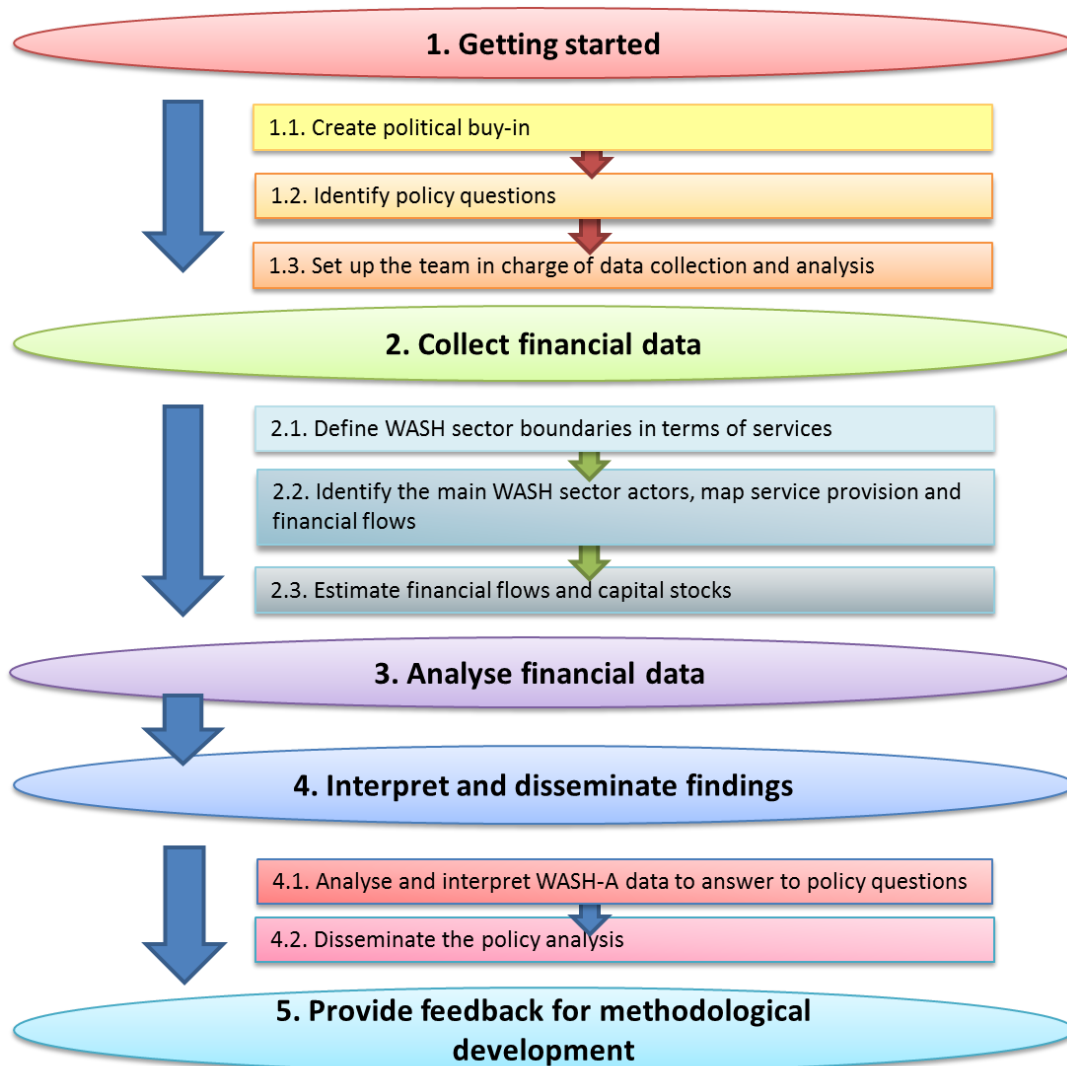
Key methodological issues that the Guidance Document proposes guidance on are set out below.

---

[1] This methodology builds on initial proposals that were set out in a Working Paper published by WHO in August 2012, "Tracking national financial flows into sanitation, hygiene and drinking water".

Defining the "boundaries" of the WASH sector based on a list of potential services to be included.

Adopting and using a common classification of products, services and activities relevant to the WASH sector is essential in order to ensure that the information produced for the GLAAS exercise (and beyond) is consistent, comprehensive and comparable. This applies to the collection of financial information as well as to any other type of information collected through the GLAAS report. Such a definition often varies from one country to another. For instance, in some countries, the sanitation sector may include solid waste management as well: to enhance comparability, it would need to be separated out. This also applies to broader water resource management investments (such as in dam construction) which may need to be excluded as TrackFin is focused on water, sanitation and hygiene services. It is therefore essential to clarify what is included in the sector in the country where the analysis is conducted. The Guidance document presents a proposed common classification of WASH services, based on a thorough analysis of existing classifications used internationally to classify industrial sectors, products and services. Countries applying the TrackFin methodology will therefore be able to refer to this proposed classification in order to clarify the boundaries of their own WASH sector.

Defining a proposed classification of WASH sector actors that could be adopted for this purpose and that is sufficiently broad to capture most (if not all) sector organisations.

To allow international comparisons and to ensure that the information produced is consistent, it is preferable that all countries participating in the exercise use the same (or similar) classification of WASH sector actors and of the financing flows circulating between them. The proposed classification distinguishes between actors (including users, service providers, financing units and financing agents) and financing sources. This proposed classification was developed so as to align with existing classifications used at an international level (such as those used by SEEA-W or by the OECD for financing sources, through its 3T typology), whilst proposing improvements to overcome certain identified weaknesses with existing classifications. If possible, it should be used across countries so as to present data on a comparable basis. Based on this classification, countries are invited to identify and list all potential actors in the WASH sector, gather basic information on these actors and map out how the sector is organised and financed.

Defining methodologies to capture financing information.

The Guidance Document then sets out methodologies for gathering cost information so as to be able to estimate sector financing. It suggests two main types of financial information can be collected:

- ***Information on financing flows.*** This can be used to estimate how much is "spent" every year on providing different types of services, to cover different types of costs,

such as operating expenditure, small maintenance, capital expenditure or capital maintenance expenditure.

- ***Information on capital stocks.*** Alternatively, and in complement, it can be useful to gather information on capital stocks, to estimate how much has been invested by economic actors in building WASH assets over the years.

It sets out that collecting information on financing flows can itself be done based on two approaches, as described below, and provides initial guidance on how to apply each of these approaches:

- The ***"Financing Source Approach"*** consists of tracking revenues from each financing source to estimate "how much money is allocated to the sector" and aggregate those estimates. This approach seeks to capture data on funds allocated to the WASH sector through tariffs, household expenditure, public transfers, voluntary transfers and private repayable finance are gathered from service providers, regulators, household surveys, donors, national and local government financial accounts and commercial banking reports.
- The ***"Service Provider Approach"*** consists of tracking the costs of different services to estimate "what is being spent" and aggregate those expenses to derive total expenditure figures. Data on funds allocated by the different service providers is collected based on their financial statements and cost analysis and classified according to the type of service or good provided and type of expenditure.

To estimate financing flows, a combination of both of these approaches needs to be used, in order to capture all types of flows to a level of detail that is necessary for the analysis. Even though gathering information on capital stocks might be more difficult (as most analysis is usually focused on financing flows), the methodology recommends that applying this methodology be attempted as it presents several advantages from the point of view of interpreting results.

Defining a common set of tables and indicators to present the information.

In order to conduct analysis and inform policy-making, the WASH-A team will need to build a number of tables to present the information collected in a way that can be analysed and used by policy-makers. These tables are referred to collectively as the "WASH Accounts". WASH Accounts tables are a means of displaying information on the consumption, production and financing activities for a country's WASH sector. It is on the basis of such tables that comparable indicators can also be derived. The Guidance Document proposes a set of tables and indicators that countries can choose from in order to answer policy questions that are most relevant in the country context. WASH Account tables are constructed in a way to track the flows of financing between all the dimensions of the WASH sector financing presented above (WASH services, users of WASH services, WASH providers, financing sources, financing agents, costs and service areas). The classifications can be applied to WASH costs individually to produce

expenditure tables for a single dimension (Expenditure by WASH users, service providers, financing sources etc.). Additional information can be gained from cross-classifications that use two or more dimensions. Many combinations of two and three dimensions tables can be created, but the guidance document recommends that a minimum set of common tables be prepared in each country in order to ensure comparability of results (the proposed set of WASH Account tables to be prepared in all countries is included in the guidance document).

Finally the document provides guidance on how to analyse, interpret and disseminate the results of the analysis.
It suggests that in order to be effectively used by policymakers, this information needs to be concise, directly meaningful and relevant to them.

Next steps
The Guidance Document is currently undergoing consultation with sector experts and stakeholders. It will be tested in up to five countries between May and November 2013. At present Morocco, Ghana and Brazil have volunteered for this exercise.

The objectives of the "testing exercise" at country level are as follows:

- To evaluate the feasibility of collecting financing data on the WASH sector at national level in a way that is comparable and consistent across countries, following the guidelines of the developed Guidance Document. Participating countries have been invited to provide feedback on the methodology based on the practical challenges they encounter, so that the Guidance Document can be refined and expanded as necessary. As in the health sector, the guidance for elaborating WASH-Accounts is likely to be continuously expanded so as to reflect new methodological developments;
- To assess the extent to which national statistical offices are able to provide financial information on the WASH sector in a way that can be used by sector policy-makers and on reverse, the extent to which sector policy-makers could express their demands to statistical offices so that information can be provided in a reliable and standardised manner;
- To obtain feedback on the long-term feasibility of national WASH Accounts and on methodological developments that may be required over the long-term.

The testing exercise will have to make do with the available data sources and statistical information systems. We anticipate challenges with obtaining expenditure data at a disaggregate level, particularly when water sectors are highly decentralised. In effect, it will probably be necessary to obtain data for a limited sample (for example, of households, or of local governments) and to extrapolate from this data. Some information such as capital assets might not be tracked in some countries and it will not be possible to include them in the testing exercise. But the testing exercise will enable to

kick start a progressive approach in countries, starting with simple objectives and iterate more comprehensive approaches over time.

Results of the testing exercise will feed into the GLAAS 2014 report and will be used to improve and finalise the TrackFin guidance document that will be rolled it out in other countries. It is hoped that it contributes to strengthening national systems for the collection and analysis of financial information for WASH sector policy-making and programming.

References

Partners for Health Reformplus. (2002). *Using NHA to Inform the Policy Process- NHA Global Policy Brief.* Bethesda, MD: Abt Associates Inc.

Barnett, C., & al. (2001). *The Application of National Health Accounts Framework to HIV/AIDS in Rwanda. Special Initiatives Report No. 31.* Bethesda, MD: Partnerships for Health Reform Project, Abt Associates Inc.

De, S., & al. (2003). *Has Improved Availability of Health Expenditure Data Contributed to Evidence-Based Policymaking? Country Experiences with National Health Accounts.*

Health Systems 20/20. (2011). *Mali NHA policy Impact.* Health Systems 20/20.

Hernandez, P. (2012). Health Accounts : a review of 20 years of experience, Presentation for the 2012 Stockholm World Water Week.

Maeda, A., & al. (2012). *Creating Evidence for Better Health Financing Decisions: A Strategic Guide for the Institutionalization of National Health Accounts.* The World Bank.

McIntyre, D., & al. (1995). *Health Expenditure and Finance in South Africa.* South Africa: Health Systems Trust and the World Bank.

Snehalatha, M., & al. (2011). *Looking Beyond Capital Costs - Life Cycle Costing for Sustainable Service Delivery -A Study from Andhra Pradesh, India.* Hyderabad: WASHCost (India) Project, Center for economics and social studies.

The World Bank . (2010). *Harnessing National Health Accounts to Strengthen Policymaking - Compendium of Case Studies.* Washington, DC: The World Bank.

The World Bank, World Health Organization and United States Agency for International Development. (2009). *National Health Accounts and Public Expenditure Reviews: Redundant or Complementary Tools?* Health Systems 2020 Policy Brief.

Trémolet, S. (2013). *Evaluating the effectiveness of public finance for household sanitation in Dar Es Salaam, Tanzania.* London: Water Aid.

Trémolet, S., & Binder, D. (2010). *Evaluating the effectiveness of public finance for household sanitation in Dar Es Salaam, Tanzania.*

Trémolet, S., & Rama, M. (2012). *Tracking national financial flows into sanitation, hygiene and drinking-water.* Geneva: World Health Organization.

WHO. (2012). *UN-water global annual assessment of sanitation and drinking-water (GLAAS) 2012 report.* Geneva: WHO.

WHO. (2012). *UN-water global annual assessment of sanitation and drinking-water (GLAAS) 2012 report.* Geneva: WHO.