

What is the TrackFin initiative?

Effective financing for drinking-water, sanitation and hygiene (WASH) is essential to deliver and sustain services. The UN-Water Global Analysis and Assessment of Sanitation and Drinking-Water (GLAAS) results indicate that there are substantial gaps in our understanding and tracking of financing to the WASH sector. Financial reporting is often insufficient to make sound and evidence-based planning and budgeting decisions.

To help address the issue, WHO is leading the TrackFin initiative under the UN-Water GLAAS project. Its objectives are to define and test a globally accepted methodology to track financing to WASH at national level. This methodology enables countries to track financing to the sector based on standard classifications and develop a set of WASH-Accounts and indicators presented in a comparable format to help answer four basic questions:

- What is the total expenditure in the sector?
- How are the funds distributed between the different WASH services and expenditure types, such as capital expenditure, operating and maintenance expenditure and cost of capital?
- Who pays for WASH services?
- Which entities are the main channels of funding for WASH and what is their share of total spending?

Expected benefits from this initiative include strengthening national systems for the collection and analysis of financial information for WASH sector policy-making and programming, and improving our understanding of how financial resources for WASH are allocated both at national and at global levels. TrackFin is being developed in collaboration with leading country sector institutions, national statistics offices, finance departments and international entities (such as the UN Department of Statistics, the OECD and the World Bank) and with support of a Technical Advisory Group constituted of sector and finance experts. Building on the experience of the health sector, WHO developed a guidance document (see http://www.who.int/water_sanitation_health/glaas/trackfin/en/) aimed at institutions involved in monitoring and financing the WASH sector at national level. The approach has been successfully applied in Brazil, Ghana and Morocco. Following the success and lessons learnt, TrackFin will be implemented in another series of countries.

Looking forward

The next step for TrackFin is to develop national WASH-Accounts to allow tracking of trends, whilst reinforcing current data collection tools and country mechanisms through the GLAAS platform, in collaboration with other institutions, ensuring close coordination. The next steps and developments include:

- Organize a new phase of TrackFin in Brazil, Ghana and Morocco, taking into account all national recommendations, to reinforce tracking of WASH financing. The institutionalization of the process should enable these countries to progressively address all challenges and to create a sustainable process towards producing WASH-Accounts on a regular basis, as it is being done in the health sector.
- Extend the TrackFin initiative to additional countries upon Member State request, based on lessons learned from the three initial countries, which is captured in a revised guidance document (see http://www.who.int/water_sanitation_health/glaas/trackfin/en/).
- Promote tracking WASH financing data for improved budgeting, forecasting spending needs and to improve decisions on resource allocation.

Investing in water
and sanitation yields
benefits at many
levels across sectors

- ✓ Health benefits
- ✓ Quality of life benefits
- ✓ Economic benefits
- ✓ Environmental benefits

For more information:

http://www.who.int/water_sanitation_health/glaas/trackfin/en/

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UN WATER



TrackFin initiative

Tracking financing
to drinking-water,
sanitation and hygiene

Main findings from Phase One

In all three countries where TrackFin was implemented, national institutions have a very strong interest in tracking financing to the sector. For example, Ghana committed to reinforce monitoring of finance to the sector at the 2014 Sanitation and Water for All (SWA) High Level Meeting. The proposed TrackFin methodology has provided all three countries with a framework for doing so and reporting the figures in a comparable format.

Information on WASH sector financing exists but it is fragmented across the WASH sector and involves many actors. Significant effort is needed to compile what is available. The first step in implementing TrackFin is to map out WASH sector financing actors and sources of data, in order to draw a comprehensive analysis of who is financing the sector and through which channels.

When data are not available, initial estimates can be formulated to overcome data gaps in order to form an overall vision of sector financing and identify ways to improve data collection in future phases. For example, household expenditure on self-provided water supply and on-site sanitation is usually not recorded anywhere. Preliminary estimates have been formulated based on national household survey data combined with estimates of investment costs in on-site sanitation facilities. One critical issue is that existing household surveys usually track operating expenditure on water and sanitation (on tariffs or maintenance costs) but do not record households' investments in self-supply facilities.

Initial results from pilot studies demonstrate that the methodology is applicable and does not require major modifications. Some aspects need to be further developed based on the three pilot experiences, notably on methods to estimate households' expenditure on self-supply, repayable finance, and classify costs.

glaas | UN-Water Global Analysis
and Assessment of Sanitation
and Drinking-Water

Results from Brazil, Ghana and Morocco

Key results presented below show examples of the type of information that were generated based on the TrackFin methodology. All three countries were able to gather comprehensive data on WASH financing, although data availability varied significantly from country to country (Table 1).

Table 1. WASH financing data availability

Financing sources	Availability of data (Brazil, Ghana, Morocco)	Comments on data availability
Tariffs for services provided	<div><div></div><div></div><div></div></div>	Tariff data is usually available from service providers, except for those operating in the non-formal sector or at a highly decentralized level.
Households' expenditures for self-supply	<div><div></div><div></div><div></div></div>	Estimates originating from household surveys based on household spending. Level of disaggregation varies between surveys.
Domestic public transfers (central government)	<div><div></div><div></div><div></div></div>	Data on actual expenditures could be collected but in some cases, public institutions could only provide budgeted amounts and not actual expenditures.
Domestic public transfers, (local governments/ authorities)	<div><div></div><div></div><div></div></div>	Public transfers from decentralized institutions are often difficult to obtain and need to be estimated based on budget transfers from central Government.
International public transfers (grants from public donors or multilaterals)	<div><div></div><div></div><div></div></div>	Data on international public transfers is available from central Government but some direct funding is not captured (studies/ research/assistance) and data is not sufficiently disaggregated (i.e. water/sanitation, urban/water. . .)
Voluntary contributions transfers (NGOs)	<div><div></div><div></div><div></div></div>	No data was obtained from NGOs in all three countries despite numerous requests. NGO funding to the sector in Morocco and Brazil is considered to be marginal, however.
Repayable financing (loans)	<div><div></div><div></div><div></div></div>	Data comes from several sources: Ministry of finance, service providers, lenders and donors but requires cross checking.

Data available Data partly available + estimates Estimates No data collected

What is the total expenditure in the WASH sector?

The TrackFin methodology sets out steps to estimate total expenditure in the WASH sector. In this first iteration, it was not possible to include expenditure for all sub-sectors (in particular, expenditure on hygiene is typically missing) and from all actors (data from decentralized governments and NGOs is commonly difficult to obtain). However, it was possible to generate an overall estimate of total expenditure in the WASH sector and track it over 2 to 3 years (depending on countries). As an example, the table below shows figures collected for one year across the three countries (Table 2).

Table 2. Overall spending to WASH by country¹

	Brazil (2012)	Morocco (2011)	Ghana (2012)
Total expenditure to WASH (million USD)	26,911	2,219	521
Total expenditure to WASH per capita (USD per capita)	137	69	21
Total expenditure to WASH per capita as a % of GDP	1.2%	2.2%	1.3%
Total expenditure to health as a % of GDP (Source: Global Health Expenditure Database)	9.3%	6.3%	5.2%

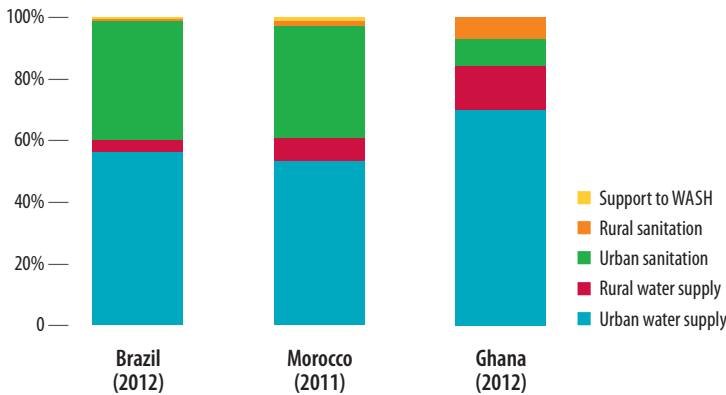
The collection of trend data over three years (Morocco: 2009 to 2011, Brazil and Ghana: 2010 to 2012) gives a basis to track sector expenditure over time. In Brazil, for example, total sector spending has been increasing in recent years, from an estimated USD 24,829 million in 2010 to USD 26,911 million in 2012. Public spending is still much below what would need to be spent in line with government's objectives, however. Compared to GDP, total spending on the WASH sector has remained stable, however, and amounted to 1.22% per year on average in the period 2010/2012, compared with approximately 9.3% in the health sector, according to data from the global health expenditure database.

¹ The data shown are for the latest year available.

How are the funds distributed to the different WASH services and expenditure types?

WASH-Accounts enable estimations to be made on how much has been spent on investments versus on operations and maintenance expenditure, by sub-sector. In Morocco, operations expenditure is twice higher than capital investments. This partly reflects the fact that the sector has seen major investments in recent years. These have now slowed down (as full water coverage has been achieved in urban areas and has reached 92% in rural areas) and the share of operating expenditure is now growing. By contrast, in the sanitation sub-sector, capital investments are higher than operations expenditure, which shows that this sector is still expanding (in Morocco, urban sanitation coverage stood at almost 90% in 2012). A similar pattern can be observed in Brazil, where only 35% of sector spending goes to investments.

Figure 1. WASH expenditures by sub-sectors



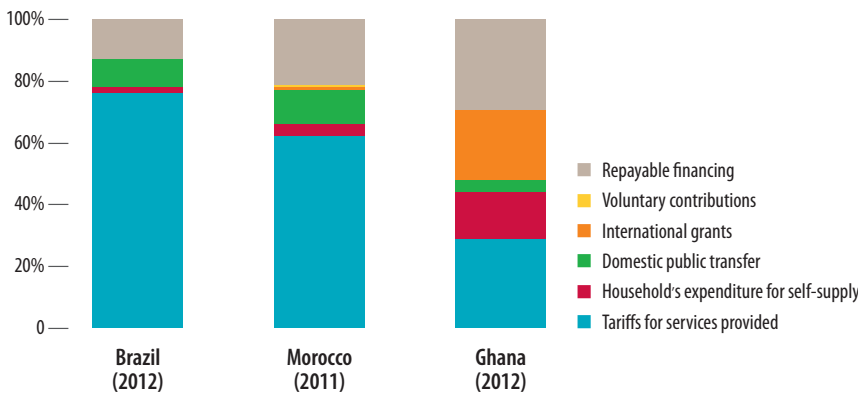
WASH-Accounts can estimate the distribution of WASH expenditure between sub-sectors, urban and rural areas and types of service providers. Figure 1 shows that the water sector receives the largest share of WASH sector financing, with 84% of the expenditures for drinking-water in Ghana, 60% in Brazil and 61% in Morocco.

Most funding is directed to the urban sector, including 78% in Ghana, 95% in Brazil and 89% in Morocco. Expenditure for urban areas for both water and sanitation has been increasing during the period of study and has decreased or remained stable for rural areas.

Who pays for WASH services?

WASH-Accounts disaggregate financial flows in the sector by financing sources and financing units (i.e. the entities that are channeling financing to the sector). Figure 2 indicates that service users (households, government institutions, industries. . .) are the main contributors of funding to the sector in Brazil and Morocco, through the tariffs they pay for services provided and expenditure for self-supply. In Morocco, tariffs represent 62% of total sector financing and 76% in Brazil. Users' contributions for self-supply represent 4% of the funding in Morocco. In Brazil they represent an estimated 2% of the funding.

Figure 2. Funding per type of financing source



In Brazil and Morocco, the sector has become less dependent on domestic and international public transfers (i.e. grants). In Brazil, the sector does not receive voluntary contributions or international public grants at Federal level. Public domestic grants only represent 9% of the funding. In Morocco, voluntary contributions and international public grant only accounted for 2% of the spending and domestic public grants for 11%. In both countries, the WASH sector relies on repayable finance to cover the financing gap, which represents 22% of the funding in Morocco and 13% in Brazil, where repayable financing comes from national development banks instead of external donors. By contrast, in Ghana users' expenditure represent 44% of total funding (including 15% of household self-expenditure which likely to be an under-estimate) while international grants represent 22% and repayable financing represent 29%.

Which entities are the main channels of funding for WASH and what is their share of total spending?

Allocation of expenditure by funding channels was extremely decentralized in Brazil, where 60% of WASH sector expenditure are channeled via corporate service providers, whilst local Governments/authorities manage 17% of expenditure. The share of the Federal government has been growing, from 5.5% in 2010 to 8.1% in 2012, and is likely to grow further with the implementation of the PLANSAB, a Federal programme to boost investment in the sector.

Next steps to address remaining challenges in Brazil, Ghana and Morocco

The implementation of TrackFin has provided a relatively detailed picture of WASH sector finance in Brazil, Ghana and Morocco and has helped identify challenges and ways to progressively overcome them. Developing national WASH-Accounts needs to be done in a progressive manner, gradually improving accuracy and the level of disaggregation for certain flows. All three countries intend on repeating the exercise in the near future, in view of institutionalizing the process and improving the accuracy of the estimates.

Each country has identified ways to **reinforce coordination** between all institutions in charge of financing, particularly by **involving decision-makers** to ensure commitment to making information available and taking results into account.

To **better capture local government/authorities expenditures**, reporting frameworks need to be developed, such as those available in Brazil. Ghana and Morocco are planning to conduct **nationally representative sampling surveys** to estimate WASH spending at the level of local governments/authorities and **further develop existing reporting tools**.

As a major source of data for household expenditures, particularly for self-supplied households, comes from household surveys, sector agencies and national statistics office will work together (Morocco) to **prepare the next household surveys** in order to obtain the level of disaggregation required in a statistically realistic manner.

A specific approach is needed to collect data from NGOs, who are major contributors for the sector in some countries. Ghana has developed a **specific questionnaire for NGOs** and will work closely with them to **develop financial reporting systems**.

All three countries plan to develop a **collaborative framework with donors** to improve data collection on international transfers, particularly to obtain disaggregated data. They will also seek support from donors in developing national processes to establish WASH-Accounts.

Geographical disaggregation requires **harmonized definitions of urban and rural areas** to produce consolidated estimates between all institutions. Morocco and Ghana are committed to address this specific issue in the next phase and Brazil will be collecting data by State to produce WASH-Accounts for each State in the next iteration.

To respond to the strong demand from national stakeholders, Morocco and Brazil attempted to collect expenditure on hygiene but was incomplete. **A specific approach will need to be developed in the TrackFin methodology to monitor financing for hygiene**. This will include proposing a common definition for hygiene and a list of hygiene activities for which expenditure data can be collected.