FINANCING WATER, SANITATION & HYGIENE "AN ENDLESS TALE OF IMPOVERISHED COUNTRIES"

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ABSTRACT

This article explores aspects of Public Financial Management (PFM) mechanisms towards the realisation of the Sustainable Development Goals (SDG) on Clean Water and Sanitation and related goals. Developing countries like Zambia have been afflicted with poor financing of the water sector and exacerbated by financial mismanagement. As such, sustaining water, sanitation and hygiene, water resource management, water quality and risk factors does not only call for political leadership and expediency, but also for significant investment in water systems and infrastructure, and tied to stringent PFM mechanisms. Zambia, in particular, still has challenges in terms of high poverty levels; low GDP growth rate; power crisis; high fiscal deficits and financial mismanagement; and a very high debt burden. Many citizens in Urban and Peri - Urban settings still rely on bore holes and soak-ways for their drinking water and sanitation respectively, and worse for those in the rural areas. This has not only exposed the citizenry to contaminated water but also led to intrusion of the ecological systems in these areas. Arguably too is the fact that the WSS sector transformation process in Zambia from Council - managed to Commercial Utilities have not yielded much in terms of the desired impact, thereby exacerbating the already precarious situation of donor - driven financing. On this basis, Zambia is likely to face an uphill battle in terms of attaining the SDG on Clean Water and Sanitation within the projected timeframe to 2030. The paper provides some solutions to reducing impoverishment and concludes that as long as developing countries like Zambia, fail to adequately harness strong PFM mechanisms, the dream for sustainable water, sanitation and hygiene will never be attained. As such, financing of the sector will forever remain an endless tale of impoverished countries.

Type: Conference paper

Key words: Financing, impoverishment, water supply, sanitation, PFM Mechanisms, Development Assistance.

1.0 Introduction.

Poor financing of the Water Supply and Sanitation (WSS) sector coupled with financial mismanagement is an incorrigible cancer afflicting most developing countries such as Zambia. On a yearly basis, the *"begging bowl"* for Development Assistance (DA) has become larger and larger thereby transforming begging into a DNA. It is also true that begging in an offshoot of poverty. DA or development finance is donor driven (OECD, 2017) and normally given to developing countries in the form of Budget Support, Direct Project Financing or Grants channelled through Multilateral Development Agencies such as the United Nations (UN) or the World Bank. For instance, the 2016 Official Development Assistance (ODA) amounted to USD 142.6 million, an increase of 8.9% from 2015 (OECD, 2017). For Zambia in particular, the 2017 budget that is anchored on an Economic Recovery Programme and dubbed "Zambia Plus" incorporates a 33.4% demand on donor aid and debt financing (National Assembly of Zambia, 2017). This entails that sustainable water, sanitation and hygiene in developing countries can only be meaningfully achieved through adequate financing. The observed enslavement on donor aid is an indictment on developing countries and unless they start putting value on their untapped and endowed natural resources, sufficiently provide control measures aimed at maximising their revenue generating abilities, and putting the generated funds to good use, impoverishment will haunt them forever. Similarly, development finance must be supported by robust PFM mechanisms to ensure unfettered transparency and accountability. This article therefore explores aspects of Public Financial Management (PFM) mechanisms towards the realisation of the Sustainable Development Goals (SDG) on Clean Water and Sanitation, particularly water, sanitation and hygiene and proposes solution to ending impoverishment.

2.0 Impoverished Countries and Financing.

According to the OECD (2017), financing for sustainable development is categorised by Income Groups or by Regions. Income groups include Least Developed Countries (LDCs); Other Low – Income Countries; Lower – Middle Income (LMI) Countries; and Upper - Middle Income (UMI) Countries. In 2014 and 2015, and based on the OECD – DAC statistics on resource flow by Income Groups, developing countries (LDCs – LMI) received about 45% of the allocated development assistance (OECD, 2017). This percentage could be more in 2016 going by the 8.9% increase in aid. Unless this kind of assistance continues, impoverished countries will continue wallowing in abject poverty. The following questions need to be answered: Is development assistance utilised prudently? If it is, why is that the social and economic development in the beneficiary countries is still at its lowest ebb? If it is not, to what extent is fraud, corruption, money laundering, financial mismanagement, and related scourges been addressed? Or what motivates countries giving development assistance to continue financing non-performing developing countries? Is it a payback for accrued benefits or a form of concession? According to the Transparency International Corruption Index, higher rankings with lower scores in terms of corruption are peculiar to LDCs and LMI countries (Transparency International, 2016). Begging is synonymous to poverty and impoverished countries are likely to be corrupt in nature, and unless measures are taken to minimise poverty levels, begging for developmental assistance will never end. It is therefore an appeal to impoverished countries to start re-thinking on how best they can harness their endowed resources, add value to them in order to get the maximum return and eventually minimise on donor reliance. This calls for tangible solutions towards ending this perpetual impoverishment.

3.0 A Case for Zambia

In the recent past, Zambia was ranked as a Lower Middle Income country, an indication of graduation from the category of LDCs. Contrary to this, Zambia continues to face many more challenges that include among others high poverty levels (40.8% extreme poverty, 54.4% being poor); low GDP growth rate (2.9% in 2016); power crisis signified by higher levels of load shedding (Lusaka times, 2015); yearly fiscal deficits with a 33.4% demand on donor aid and external financing in the 2017 budget (MOF, 2017); high levels of financial mismanagement (Auditor General's Reports, 2012 – 2015ab); and a very high debt burden of not less than US$7 billion in external debt and not less than US$2.7 billion in domestic debt (MOF, 2017). This entails that the 2017 budget is lower than the debt portfolio of the country making its sustainability difficult and signifying reliance on development assistance for many years to come. Forthwith, Zambia is ranked number 87/176 of the corrupt countries surveyed in 2016 with a Corruption Index of 38 compared to 90 (least corrupt) and 10 (Highly corrupt) (Transparency International, 2016). This corruption trend has remained the same for Zambia since 2012. As such, many citizens in Urban and Peri – Urban settings still rely on bore holes and soak-ways for their drinking water and sanitation respectively.

According to the NWASCO's Sector Report of 2016, National Urban Water and Sanitation coverage stand at 83.5% and 62.6% respectively based on a population of 6.3 million (NWASCO, 2016). Nonetheless, the population coverage represents about 39% of the population of Zambia (Approx. 16 million) meaning that the majority population (61%) is not served with water and sewerage system. This has not only exposed the citizenry to contaminated water but also led to intrusion of the ecological systems in these areas. Arguably too is the fact that the WSS sector transformation process in Zambia from Council - managed to Commercial Utilities have not yielded much in terms of the desired impact (Auditor General's Reports, 2012 -2015b), thereby exacerbating the already precarious situation of donor - driven financing. Taking steps to ensuring availability and sustainable management of water and sanitation for all requires adequate financing and unless this is done, poverty shall always afflict impoverished countries. It is also true that most developing countries are still struggling to deliver other public services not depended on water supply and sanitation due to perpetual fiscal deficits and financial mismanagement. This makes graduation from poverty a nightmare. Forthwith, Zambia did not meet the MDG target for both water and sanitation coverage (NWASCO, 2016). Unless the flow of donor financing is buttressed further and sufficient PFM mechanisms are put in place to deter financial mismanagement, achieving the SDG on Clean Water and Sanitation will still remain a pipe dream.

3.0 The Concept of Public Financial Management and Mechanisms.

The concept of Public Financial Management (PFM) is widely defined in various jurisdictions. Nonetheless, the thrust is more to do with factors involved in managing public funds to ensure delivery of public services. For instance, a number of definitions have been advanced:

"set of laws, rules, systems and processes used in governments to mobilise revenue, allocate public funds and undertake public spending, account for funds and audit results"	Lawson (2015)
"Concerned with aspects of resource mobilisation and expenditure management in the public sector". More to do with aggregate financial management, operational management, governance and fiduciary risk management.	ACCAGLOBAL (2013)
"The system, by which financial resources are planned, directed and controlled to enable and influence the efficient and effective delivery of public service goals."	CIPFA (2010)
"For countries, financial management refers to the budgeting, accounting, internal control, funds flow, financial reporting, and auditing arrangements by which they receive funds, allocate them and record their use"	World Bank (Cited in CIPFA, 2010)

It could be deduced from the above definitions that PFM requires that laws, regulations and policies are set and put in place by the government to facilitate the collection of revenue, making expenditure and accounting for all the funds collected and spent. Reporting must be done in a transparent, timely and reliable manner and ensure effective Parliamentary oversight throughout the entire process. Overall, the above definitions speak to systems, components, and governance structures that ensure that fiscal discipline is a reality. Unless this is done, all resources allocated to water, sanitation and hygiene will have no impact on the development of the water sector. It also goes to say that there should be adequate PFM mechanisms put in place or strengthen those already in existence (stronger enforcement).

PFM Mechanisms are aimed at enhancing or strengthening fiscal discipline for sustainable social and economic growth. They include mechanisms that take into account aspects of leadership, transparency, accountability, levels of resources and staff capacity and influenced by many aspects of the social, political and economic environment. For the purpose of reducing disengagement from poverty as much as possible, the following PFM Mechanisms are proposed.

a. **Put in place and/or strengthen legislation that deals with the contraction of debt through to its utilisation.** Debt should only be contracted once a proper assessment has been done on the capacity to repay and readiness and/or capacity to utilise the borrowed funds has been established. An assessment of the expected returns should be made too. Parliament should only approve contracting of debt once convinced that borrowed funds will improve the social and economic wellbeing of its citizenry without **bias** (based on political inclinations) and that sufficient safeguards have been put in place to ensure that value for money is achieved. For instance, developing countries should ensure that money borrowed to improve water, sanitation and hygiene in the Urban and Peri-Urban areas is put to good use and sufficiently accounted for. The expected revenue flow arising from the project should be sufficient to repay the loan. In this way, sufficient control mechanisms are created that ensure that all funds borrowed are put to good use and through increased productivity and generation of revenue, the appetite to beg is minimised and eventually poverty. Since it is the responsibility of government to provide safe and clear water, sanitation and hygiene services to its citizenry, the rural population should be catered for using internally generated funds considering that the return from such services may not be sufficient through revenue generated.

b. **Enact new legislation to regulate exports of raw materials to encourage value addition maximisation.** This has the ability to grow the industrial based of the country, increase productivity and employment, increase the income generating ability and eventually improve the social and economic growth of the country. It has the potential to maximise the revenue generating ability.

c. **Strengthen government structures such as Anti-Corruption Commission (ACC), Office of the Auditor General (OAG), Controller of Internal Audits (CIAs), prosecution institutions, Financial Intelligent Unit, and any other institution that maybe involved in the PFM cycle.** These institutions must be made autonomous as much as possible to avoid the influence of the long arm of the Executive. Once the levels of transparency and accountability are increased, public funds are put to good use and eventually increase public sector performance. Once these institutions are compromised, impunity becomes the order of the day.

d. **Allow a strong voice of the Media, NGOs in the accountability process of public funds**. The media and NGOs have a critical role in disseminating information to the public. This increases transparency, accountability and ethical behaviours by those entrusted with public funds. The more we are watched, the better we behave and eventually perform to the expectation of the public.

e. **Strengthen the Judiciary arm and allow fast track courts on all matters of financial impropriety**. The porousness of the judicial system creates an affront to abuse of public trust. According to the Differential Association Theory by *Edwin Sutherland (Criminologist), an individual will choose the criminal path when the balance of definitions for law-breaking* ***exceeds*** *those for law-abiding.* This is what happens when the rule of law is compromised.

f. **Push for agreements with countries where stolen money is banked by top leaders.** There is no deliberate effort by developed countries to assist developing countries to recover plundered money. Developing countries do not want to remain perpetual beggars and it would be helpful if developed countries can be channelling back funds hidden with them to improve economies in the source countries. This can act as a deterrent to the plunder of public resources.

4.0 Challenges inhibiting graduation from impoverishment

Challenges are rooted around the inability to develop new legislation, regulations, policies and other measures that speak to the process of graduation from impoverishment. Where these are in place, then failure to strengthen and reinforce them can create another avenue for financial mismanagement. For instance, most leaders in impoverished countries have a tendency to invest their stolen resources in developed countries. This is a major challenge that inhibits the fight against corruption and money laundering. As such, funds meant for developmental activities are misappropriated or embezzled without trace. As such, plunder of national resources is one of the main challenges inhibiting graduation from impoverishment. This could only be minimised through robust PFM mechanisms as proposed in paragraph 3.0 above.

5.0 Solutions to graduating from impoverishment.

It must be appreciated that at no time will a "begging bowl" be full. Begging is addictive and non – rehabilitating and it becomes perpetual, and eventually transforms into a DNA. Leaders start thinking begging is normal. Nonetheless, it goes to say, *"a beggar is not a chooser".* True, the reason why donor financing comes with conditions. A number of solutions to this begging syndrome could be advanced bearing in mind the proposed PFM mechanisms and that some countries could already be moving towards this.

a) **Call for an international forum** of all developing countries to discuss on issues of donor reliance. The focus should be to come up with measures on how donor reliance could be minimised. For instance, emphasis placed on value addition to the abundant resources each country has. Resolutions therefrom could act as a platform or basis for the development of turnaround strategies that are common but suitable to each country.
b) OECD member countries that contribute to the needed development assistance should not at any point in time allow stolen resources to be invested in their countries. Developing countries will assume that the development assistance given is actually a payback of their money that goes through plunder.
c) Encourage well planned PPP models with a win-win concept in mind.
d) Utilise grants or any donor –aid related financing using value for money principles. Funds must be used in an economic, effective and efficient manner.
e) All debt contracted must be used on productive ventures and ensure that all resources are put to good use. This calls for zero tolerance to corruption and promotes quality workmanship.
f) The fight against corruption must be based on the "zero – tolerance" principle.

g) Visionary political leadership that looks beyond their term of office. Particularly, political leaders must operate above board in all matters of corporate governance.
h) Beg once or twice and start to craw and eventually walk the tall.
i) Tighten public financial management mechanisms.
j) Encourage a professional civil service whose aim is beyond politics.
k) Do not allow investors to exploit raw materials to their advantage. Learn to add value to exiting raw materials as a way of creating employment and increasing productivity.

6.0 Conclusion

It is discernable from the above literature that fiscal discipline is a critical pedagogy in PFM. Lack of it leads to being a perpetual beggar and loss of social and economic independence. According to Lawson (2015), the PFM system should be organised in such a way as to ensure the following: protect aggregate fiscal sustainability so that the government do not go into unnecessary debt; allocate resources to strategic priorities and avoid the whims of political expediency; ensuring value for money in service delivery; and make transparent and accountability a beacon for sustainable development. Poverty is created and not earned. With abundant resources endowed with most impoverished countries, coupled with prudent public financial management, begging and poverty can be a thing of the past. We need to be audacious, make decisions that are unpopular, and always exercise selfless leadership in our call to duty. We need to deal with unacceptable human behaviour and emphasis placed more on doing the right thing for the first time. Nonetheless, the biggest enemy is lack of leadership across all levels of the Central and Local Governments' in most countries to drive zero tolerance to financial mismanagement. The saying, *"once beaten, twice shy"* should act as a turning point to start walking the tall. As long as developing countries like Zambia, fail to adequately harness strong PFM mechanisms, the dream for sustainable water, sanitation and hygiene will never be attained and financing of the sector will forever remain an endless tale of impoverished countries.

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