LIFECYCLE COSTING DATA TO SUPPORT STRATEGIC PLANNING AND DECISION-MAKING

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Water For People
01
LIFECYCLE COSTS
Sustainable service provision requires different sources of financing.

02
COSTING TOOLS - TIMELINE
Use of costing tools to calculate the costs of providing sustainable services and strategic planning.

03
COSTING TOOLS FOR DECISION MAKING
Use of costing tools for decision making.
LIFECYCLE COSTS
Service provision and technical assistance to providers

Replacement, expansion or rehabilitation of infrastructure assets

Planning for infrastructure development

Capital intensive phase of infrastructure development (project cycle)

Diagnostic

Design

Feasibility

Implementation

Monitoring

Service Provision

Project Lifecycle
LIFECYCLE COSTS

- Indirect Support Costs
- Direct Support Costs
- Capital Costs
- Initial Investment Costs
- Asset Replacement Costs
- Operation and Maintenance Costs
COSTING TOOLS
<table>
<thead>
<tr>
<th>COSTING TOOL IMPLEMENTATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asset Registry</strong></td>
</tr>
<tr>
<td>Identifies communities and systems that require investment for the development of new systems, extensions or replacements.</td>
</tr>
<tr>
<td><strong>AtWhatCost</strong></td>
</tr>
<tr>
<td>Defines tariffs that allow service providers to cover operating and maintenance costs, as well as part of the replacement costs.</td>
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<tr>
<td><strong>Direct Support Costs</strong></td>
</tr>
<tr>
<td>Analyzes and proposes necessary changes in the municipal budget to cover costs of providing technical assistance and sustaining the institutional framework to ensure the sustainability of the services.</td>
</tr>
<tr>
<td><strong>Financial Sustainability Card</strong></td>
</tr>
<tr>
<td>Projects all the financial resources necessary to reach full coverage in a sustainable manner in the coming years (10).</td>
</tr>
</tbody>
</table>
Sustainable Tariff Concept

Tariff Affordability

Municipal water and sanitation technicians dedicating time to analysis and promotion for the adjustment of tariffs with service providers
Introduction of the Sustainable Tariff concept in the municipality was a challenge because service providers established rates without any type of analysis in terms of service provision.

Affordability depends on many contextual variables; in some cases there are users who do not see a relationship between the payment of a sustainable tariff and quality service.

Technical assistance to service providers on tariffs is essential and can become more efficient as municipal technicians know the context and human resource costs are lower compared to external personnel.
Diagnostic of all water systems and identification of communities without a system.

Formation of Municipal Water and Sanitation Technical Unit (UTMAS).

Definition in the municipal water and sanitation policy of the % community contribution for replacement costs via tariff.

Municipal financial analysis to achieve full coverage and sustain it over time.
Prioritization of investment for Water and Sanitation in the municipalities, as there is no dedicated line item for this in municipal budgets.

The costing tools provide important inputs for the formulation of municipal policies and plans for water and sanitation, including: initial investment costs, technical assistance, replacement investments, and sustainable tariffs.

Communities were identified as sources of financing for future investments.

Understanding on the part of municipal authorities regarding historical investment in water and sanitation in their municipality and what it means to sustain it.
USE OF COSTING TOOLS FOR STRATEGIC PLANNING

2018

Municipal Strategic Plan for Water and Sanitation (PEMAS)

- Baseline
  - *Asset Registry
  - *Historic Investment

- Coverage Guidelines
  - *Asset Registry
  - *Financial Sustainability Card

- Service Provision Guidelines
  - *Direct Support Costs

- Municipal Institutionalization Guidelines
  - *Direct Support Costs

Needs assessment

Prioritization of infrastructure investments

Municipal budget for technical assistance and increased service levels

Budget to support institutionalization
PEMAS COSTS
SAN ANTONIO DE CORTES – EVERYONE FOREVER

Water System Service Level
2018

Water System Service Level
2022

PEMAS Costs to 2022

<table>
<thead>
<tr>
<th>No</th>
<th>Description</th>
<th>Costs/Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Water Coverage</td>
<td>258,362.80</td>
</tr>
<tr>
<td>2</td>
<td>Asset Replacement</td>
<td>684,792.57</td>
</tr>
<tr>
<td>3</td>
<td>Technical Assistance</td>
<td>137,081.88</td>
</tr>
<tr>
<td>4</td>
<td>Institutionalization</td>
<td>128,720.00</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>1,208,957.25</td>
</tr>
</tbody>
</table>

Service Level

Unimproved system
Inadequate service level
Basic service level
Intermediate service level
High service level
“Many beneficiaries of drinking water systems do not know the conditions of their assets; even the Board does not know”

Azucena Serrano,
Financial Sustainability Technical Assistant
Water For People in Honduras
COSTING TOOLS FOR DECISION MAKING
COSTING TOOLS FOR DECISION MAKING

Community Level

Tools
- Asset Registry
- AtWhatCost

Results
- Investment needs
- Current tariff vs ideal tariff

Decisions
- Investment planning
- Tariff adjustments
- Fund management

Evidence
- Internal Regulation
- Operation & Maintenance Plan
- High level of service
COSTING TOOLS FOR DECISION MAKING

Nivel Municipal

Tools
- Financial Sustainability Card
- Direct Support Costs
- AtWhatCost
- Asset Registry
- Historic Investment

Results
- Municipal Diagnostic
- Investment needs
- Current vs ideal direct support
- Average municipal tariff

Decisions
- Investment planning
- Project prioritization
- Municipal finance policy
- Fund management
- Increase in direct support costs

Evidence
- Municipal Strategic Plan for Drinking Water and Sanitation (PEMAS)
System Strengthening Regional or National level: Methodological Guide for PEMAS Development

After including the tools in the PEMAS for San Antonio de Cortes, IRC and the Secretariat of the Everyone Forever (PTPS) movement influenced the Technical Secretariat of the National Council of Drinking Water and Sanitation (CONASA) to incorporate these costing tools in a Methodological Guide for Development of PEMAS.
“When there is strategic planning, we have a focused direction to advance our municipality.”

<< We do not work blindly >>

Santos Murillo,
Mayor of San Antonio de Cortes