

Planning and budgeting mechanisms in the Mozambique water sector: improving the decision making process

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Abstract

The aim of this document is to map the main planning and budgeting tools and mechanisms used in the water sector in Mozambique at all levels and to show how unit costs have been used to date and how they can influence services sustainability. The decision-making process in the water sector in Mozambique has undergone significant improvements with the approval of various planning and budgeting guiding tools, as well as with the creation of mechanisms that enable the integration and interlinking of tools at all levels. The reforms underway in the country, which enabled the introduction of more modern and effective planning, budgeting and financial control systems, provide the blueprint for the significant improvements that have been registered in all the sectors, including the water sector. An analysis of the sector's planning and budgeting tools and mechanisms indicates that, despite great progress in recent years, there are still problems related to the harmonised use of these tools. There are discrepancies in the interpretation and implementation of the existing tools between the different levels.

The WASHCost project and the life-cycle costs approach seem to be producing data that is close to what is happening to normative costs in Mozambique where those exist. This approach has a great potential to influence the capacity of stakeholders at provincial and district level and to provide relevant information for the budgeting process. Costs data can feed into the existing structure where they can improve the accuracy of the Medium-Term Fiscal Framework which informs the sector annual and budgeting processes. Information provided by WASHCost can also be used to better inform decision making on resource allocation and the development of sector master plans and district strategic development plans. The life-cycle costs approach also provides a methodology for updating cost data on a regular basis.

The document is based on a review of relevant literature and on interviews with key people involved in these processes at central, provincial and district levels. This work is under the scope of the WASHCost project, a five year action research project investigating the costs of water supply, sanitation and hygiene services to rural, small town and peri-urban communities in Ghana, Burkina-Faso, Mozambique and India (Andhra Pradesh).

1 INTRODUCTION

The aim of this paper is to illustrate the main tools used for decision making in the water sector in Mozambique and discuss the use of unit costs within the existing institutional framework. From this perspective, the paper analyses the existing country planning and budgeting tools and mechanisms at all levels and shows how they are interlinked. This document is based on a review of relevant literature and interviews with key people involved in the planning processes at central, provincial and district level.

This work is being developed under the scope of WASHCost, a five year action research project investigating the costs of water supply, sanitation and hygiene services to rural, small towns and peri-urban communities in Ghana, Burkina-Faso, Mozambique and India (Andhra Pradesh). The project rationale is that WASH governance will improve at all levels, as decision makers and stakeholders analyse the costs of sustainable, equitable and efficient services and put their knowledge to use. (www.washcost.info)

The objectives of the collection and disaggregation of cost data over the full life-cycle of WASH services are first, to understand better what factors drive costs and second, through this understanding, to enable more cost effective and equitable service delivery.

There are six cost components being assessed by WASHCost (Fonseca et al., 2010), namely,

- i) *Capital Expenditure – Hardware and Software (CapEx)* – the capital invested in constructing fixed assets such as concrete structures, pumps and pipes, including (as ‘software’) one-off work with stakeholders prior to construction and technical supervision;
- ii) *Capital Maintenance Expenditure (CapManEx)* –expenditure on asset renewal, replacement and rehabilitation, covering the work that goes beyond routine maintenance, to repair and replace equipment, in order to keep systems running;
- iii) *Cost of capital (CoC)* – the cost of financing a programme or project, taking into account loan repayments and the cost of tying up capital;
- iv) *Operating and Minor Maintenance Expenditure (OpEx)* –expenditure on labour, fuel, chemicals, materials, regular purchases of bulk water and minor maintenance to keep the service running;
- v) *Expenditure on Direct Support (ExpDS)* – the expenditure on post-construction support activities direct to local-level stakeholders, users or user groups (such as training or capacity building); and
- vi) *Expenditure on Indirect Support (ExpIDS)* – the costs of macro-level support, planning a and policy making (e.g. at department level).

This document is divided into six parts, of which this introduction is the first. The second part presents the planning and budgeting tools and mechanisms in general systematic use in the country. Part three presents the planning and budgeting tools and mechanisms used in the water sector, and part four looks at how that translates into existing cost data being used in the water sector. Part five examines how the life-cycle costs approach can influence and improve the planning and budgeting process; part six draws the main conclusions.

MOZAMBIQUE



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2 MOZAMBIQUE PLANNING AND BUDGETING FRAMEWORK

The Mozambican State has two levels of governance, namely the central government which is constituted by the central and local State organs and the local government constituted by the local authorities (Boletim da República, 2005). The central government is decentralised to the level of the locality and all levels function in a hierarchical manner and follow synchronised tools and mechanisms. Even the local authorities, that have great autonomy, are subject to an administrative central State tutelage. This constitutional arrangement has a great influence on the State and on forms of societal organisation, which, in turn, influences the planning and budgeting decision-making processes.

In general terms, the planning and budgeting process in Mozambique is generated by two ministries. On the one hand, it is the responsibility of the Ministry of Planning and Development to lead and coordinate the planning process and guide the country's integrated and balanced economic and social development. And, on the other, the Ministry of Finance is responsible for the management of public funds that comprises, amongst other processes, budget elaboration and execution. In the past, these were the responsibilities of a single ministry, the Ministry of Planning and Finance (which was replaced in 2004).

Critical tools for planning and budgeting linked with the water sector

In recent years, the country has been developing a series of tools that lead to better planning of the economic and social development, and Mozambique has become known as one of the countries with most reforms underway in this area (FMI, 2008). A set of tools guides the country's planning and budgeting process, of which the most critical related to the water sector include the following.

Poverty Reduction Strategic Plan (PARP) is a Government document that delineates the strategies for achieving the main objective of the Government Five-year Plan, which is the reduction of absolute poverty in the country. It describes the macro-economic, structural and social policies and programmes which aim to promote growth and reduce poverty, as well as the associated external financial needs.

The PARPA identifies three pillars on which the entire setting for the reduction of absolute poverty in the country should be built, namely, human capital, good governance and economic development. It is under the heading of human capital development that the government defines the improvement and access to drinking water and adequate sanitation as a priority, by means of increasing coverage, especially in rural areas where the majority of the population lives.

The Medium-Term Fiscal Framework – CFMP is a medium-term planning tool through which the Government organises and presents strategic options aimed at achieving the main lines of its Five-Year Plan and in its Poverty Reduction Strategic Plan (PARPA). The CFMP is also a tool through which the resources are allocated for State expenditure (Governo de Moçambique, 2009). This tool is updated annually taking into consideration current and or structural changes which influence or are current in the country, with the aim of ensuring

that the budgeting system permits public resources to be allocated in accordance with the desired and expected effects. This means that changes in medium-term policies and strategies evoke mechanisms that alter the structure of expenditure to ensure they fit the new strategies.

The budgeting process in Mozambique was given a new dynamic with the approval of Law 9/2002 which created the Integrated State Financial and Administration System (SISTAFE). Various actions have taken place relative to the introduction of legislation and management models that are more appropriate for the needs of a modern and effective public administration (Lawson et al., 2008: 19).

SISTAFE is an integrated budgeting, financial programming, accounting and internal control system, which includes the following objectives: to establish and harmonise programming rules and procedures; assessment, control and expenditure of public resources; develop sub-systems that provide timely and trustworthy information on the budgeting and care of assets by State organs and institutions; and, establish, implement and maintain an efficient and effective internal control system and internationally accepted internal audit procedures (Governo de Moçambique, 2002).

The State Budget (OE) also known as annual budget, is the government's base tool with regards to the implementation of the Economic and Social Plan, outlining predicted revenues and expenses for the year in question. Since 2008, elaboration of the State Budget has been guided by the CFMP (see above). In 2010, for the first time, a budget was elaborated for each programme with the aim of narrowing the gap between the planning and budgeting process, to make resource allocation more dynamic and to focus on the link between resources and results (Governo de Moçambique, 2010a&b).

Planning and budgeting at provincial and district level

Provinces and districts have their strategic and operational plans that should feed into the central plan. The sectors (roads, water, agriculture, etc.) also have their own strategic plans and roadmaps at all levels that should translate into national strategic plans ("major plans") that fit current circumstances.

With regards to the decentralisation process under way, the districts are largely encouraged to develop their Development Strategic Plans (PEDD) and their annual operational and budgeting plans (PESOD). Up to what point these plans are essentially executed and harmonised with the country's global plans is a question to which we shall return later.

The district is considered a budgeting unit to control the funds for implementing development priorities, within the competence limits defined in the Law of Local State Organs (Boletim da República, 2005). The district constitutes the starting point for the whole planning process in the country. In practice, as will later be seen, decisions on the final country plan are taken at other levels and, in most cases, without taking into considerations the proposals at this base level.

The provinces are the intermediary units between the central and the district level. It is the responsibility of the provinces, in the planning process, to harmonise the district plans and to elaborate a provincial plan which will later be submitted to the central level.

Figure 1 shows how the existing planning and budgeting tools inter-link and form the Mozambican State’s planning and budgeting mechanism.

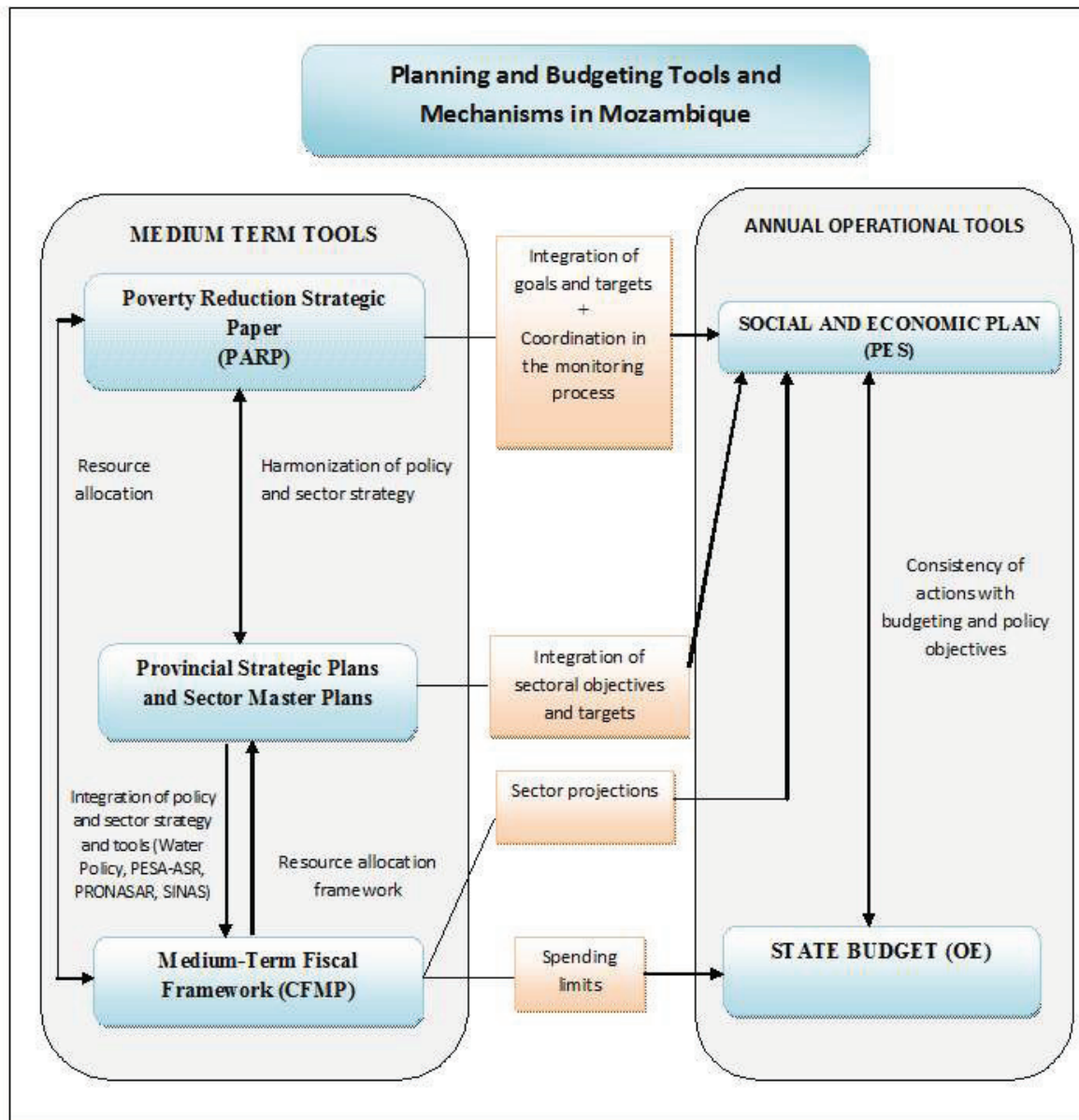


Figure 1 Mozambique planning and budgeting mechanism

Source: Ministry of Planning and Development

3 PLANNING AND BUDGETING IN THE WATER SECTOR

The Ministry of Public Works and Housing (MOPH), through the National Water Directorate (DNA), is the responsible central level institution for the strategic management of the water sector, which includes water supply, sanitation and water resources management (Government of Mozambique, 2007). The Provincial Directorate for Public Works and

Housing (DPOPH), through its Water and Sanitation Departments (DAS), is responsible for the management of sector. However, the water sector is not represented in an independent form at district level. Coordination activities at this level are the responsibility of the District Planning and Infrastructure Service (SDPI) in the case of water supply, whilst the District Services for Health, Women and Social Action (SDMAS) is responsible for the coordination of sanitation and hygiene promotion activities.

Tools that support the planning and budgeting process were developed at the sector level. These tools are compatible, or at least try to be, with the national tools which govern the country's planning and budgeting (see Section 2). Indeed, the main tools that were described above are translated into specific tools for the water sector.

3.1 Water Policy

The Water Policy (PA) is a set of guidelines for the management of water supply, sanitation and water resources. The PA enumerates the fundamental principles that should be observed, establishes the goals to be achieved and indicates the responsibilities of the various stakeholders (Governo de Moçambique, 2007). This tool was approved in 2007 as a culmination of the revision process of the National Water Policy (PNA).

3.2 PESA-ASR

Strategic Water Sector Plan – Rural Water Supply and Sanitation (PESA – ASR) is a set of options and frameworks that guide the development of the rural water supply and sanitation sub-sector in the medium and long term. It was approved in 2007 with 2015 as its final timeline. The PESA-ASR identifies the sub-sector's challenges and the objectives to be achieved to contribute decisively to increasing levels of access and use of water supply and sanitation services in rural areas (DNA, 2007). The strategic plan provides indicative unit costs for rural water supply (discussed in section 4 of this document). As for sanitation, no consistent indicative unit costs are presented in a structured way; evidence that sanitation costing needs more attention in the water sector.

3.3 PRONASAR

National Rural Water Supply and Sanitation Programme (PRONASAR) is a programme that makes the PESA-ASR operational in practice and has the fundamental aim of increasing sustainable access to water supply and sanitation to the rural population as a means of achieving the millennium goals by 2015. One of the four components of this programme is the improvement of planning, budgeting and sector management mechanisms at decentralised level, to ensure that planning is participative, inclusive and bottom-up, and that it provides support to the districts and provinces in the elaboration of the plans and budgets (DNA, 2009).

Additionally, the sector has cost projections which amount to its **Medium-Term Fiscal Framework**, whereby the necessary resources for implementing programmes and projects are projected in a medium-term perspective (three years). These projections are updated

annually taking into consideration dynamic realities in the sector, in the light of the overall fiscal picture. It is important to mention that these projections are compulsory for all sectors and feed into the fiscal framework that the government uses to define budgeting ceilings for all sectors and territories. The unit costs being used by the water sector are those provided by the strategic plan for rural water supply and sanitation.

3.4 SINAS

National Water and Sanitation Information System is an institutional network that has the aim of identifying, analysing, disseminating, using and storing data and information for management, planning, formulation of policies and decision making in the water sector. SINAS establishes the performance and impact indicators and the tools necessary for carrying out a systematic assessment of all processes underway in the water sector. SINAS was conceived to produce, analyse and disseminate relevant information that may be useful to all the sector's stakeholders and not only in the decision making processes for strategic planning. This information will feed into the Medium-Term Fiscal Framework and through this to the annual planning and budgeting at all levels. The provinces and districts will use this information to develop their master plans and annual budgets. Sector information is also meant to be used by other stakeholders such as NGOs and the private sector. The SINAS perspective is to become a credible information system for the water sector. Whether DNA is the best location for it to become such a credible and recognised system is still a matter of discussion.

3.5 Provincial Master Plans

At provincial level, the sector has been encouraging the elaboration of the **Provincial Water and Sanitation Master Plans**, medium-term planning tools which reflect the provinces' vision with regards to its contribution to achieving PESA objectives. So far, only two provinces have had their plans approved by the respective provincial government. It is foreseen that all provinces should have their water and sanitation master plans approved by the end of 2011, under the scope of PRONASAR.

3.6 PEDD and PESOD

The districts have as their main planning tool the **District Strategic Development Plans**, with a timeline of five years, which cover all sectors of activity, not only water. However, these plans have a defined vision on what is to be done in relation to the water sector. Therefore, it is a very important tool for sector planning at this level. The strategic plans are translated annually into District Economic, Social and Budgeting Plans (PESOD).

In principle, the planning process in the water sector has always been centralised, since it is DNA's role to define the priorities in terms of what should be done and where to do it. Until now there have been no tools that informed the decision-making process in a structural and unequivocal manner.

With the developments of the tools mentioned above, coupled with the decentralisation process underway in the country, the sector planning process starts to follow a logic which begins at district level with the listing of the needs and their prioritisation by local governments. The districts submit their plans to the provinces and the latter harmonise the information and submit it to the central level. In practice, this process started in 2010 and still presents coordination and synchronisation problems.

The timeframe drawn up by the Ministry of Planning and Development for the planning process has still not been fully integrated by various governance levels (districts and provinces), which explains why they have not yet complied with deadlines for completing the process and submitting their plans to the central level. For example, for the 2011 planning cycle, all the provinces submitted their plans to the central level before they had been approved by their local assemblies.

The link between the strategic plans and the annual operational plans is still weak, indicating that these plans are not adequately used for the annual planning process.

Analysis of the annual plans for the two provinces where the Master Plans were approved indicates that these tools have not been duly and integrally used as planning and budgeting at this level. Various reasons may have led to this situation, of which two are related to: i) the weak capacity at this level to adequately read and interpret these tools; and ii) the fact that the mechanisms instituted for the planning process does not facilitate the use of these instruments as the basis for decision making. For example, the provincial master plans were developed by experts with limited involvement of the provincial staff who are meant to use these plans. Sophisticated language and tools (long and multiple excel sheets) were used in developing the plans and, given existing technical capacity at provincial level, staff there are not capable of working with them.

Discrepancies may also be related to the lack of coherence of some strategic plans with the current vision. Changes in government leadership every five years can, in some cases, bring changes in development perspective, heavily affecting most sector strategies and plans. In this particular case, the need to face the global crisis led to the redefinition of country priorities and this affected the existing medium-term planning strategies and plans. The Ministry of Planning and Development recognised the shift in priorities and is now considering the revision of all district and provincial plans as a means of fitting them into the current country vision. This shows that although there is a long term vision of how the sector should be developed, unforeseen events have a major impact on planning and budgeting, thus making the tools and mechanisms in place less useful.

4 EXISTING UNIT COSTS BEING USED IN THE WATER SECTOR

From all the planning tools presented above, only some have some indication of costs, as the majority deal with strategic aspects. The tools that have some indication of costs are: i) the Strategic Water Sector Plan – Rural Water Supply and Sanitation (PESA – ASR), ii) the Medium-Term Fiscal Framework (CFMP), iii) National Rural Water and Sanitation Program (PRONASAR) and iv) the Provincial Rural Water and Sanitation Master Plans.

The Rural Water Supply and Sanitation Strategic Plan is the planning tool that presents detailed cost structures in use in the rural water supply sub sector in Mozambique over the last few years. The unit costs presented in this document are based on four different sources and are the most structured data available.

Description	Cost component	Source	Cost (USD)	Reference Year	Cost in USD 2010 (adjusted using GDP deflator) ¹
Construction of protected well –total cost	CapEx	(1)	4.500	2003	7.511,9
Rehabilitation of protected well – total cost	CapManEx	(2)	2.100	2005	3.126,49
Protected spring – total cost	CapEx	(1)	130	2002	216,63
Construction of borehole with hand pump (cost of <i>fiscalização</i> and PEC not included)	CapEx Hardware	(3)		2006	
			6.251		8.940,10
			7.890		11.284,10
- Maputo			8.358		11.953,50
- Gaza			6.493		9.286,20
- Inhambane			6.346		9.075,97
- Sofala			4.915		7.029,37
- Manica			5.032		7.196,70
- Tete			6.191		8.854,29
- Zambézia			6.146		8.789,93
- Nampula			6.312		9.027,34
- Cabo Delgado			6.393		9.134,19
- Niassa					9.143,71
- National Average					
Rehabilitation of borehole with hand pump (cost of <i>fiscalização</i> and PEC not included)	CapManEx Hardware	(1)	2.500	2004	4.228,27
Rehabilitation of Small Piped System	CapEx	(1)	450.000	2004	761.088,59
- Up to 10.000 inhabitants			500.000		845.653,98
- 10.000 – 20.000			750.000		1.268.480,8
			550.000		

¹ The 2010 unit cost is calculated using the GDP deflator, taking 2003 as the base year. As the 2010 index was not yet available at the time of publication, this calculation is an extrapolation using the median index from 2003 to 2009.

Description	Cost component	Source	Cost (USD)	Reference Year	Cost in USD 2010 (adjusted using GDP deflator) ¹
inhabitants - Average cost including project design					930.219,38
Costs of <i>fiscalização</i> - % per constructed or rehabilitated unit	CapEx Software	(4)	15%	2004	
Costs with social marketing (PEC) - % per constructed or rehabilitated unit	CapEx Software	(4)	20% before 10% after	2004	
Institutional costs - % per constructed or rehabilitated unit	ExDS???	(4)	10%	2005	
Costs of Programme Management	ExIDS???	(4)	10%	2004	

Table 1 Standard Unit Cost in Use for rural Water Supply ²

Analysis of existing cost components in the governmental guidelines

As can be noted from the above table, there is some detailed and structured knowledge on investment in hardware (both for CapEx and CapManEx), but the same cannot be said in regard to other cost components (CapEx Software and CapManEx Software) where the sector relies on estimates based on percentages of the known costs.

An interesting aspect of this cost structure is the lack of mention of OpEx or CoC. A reason for neglecting OpEx may be related to fact that sector strategies regard operation and minor maintenance (O&M) as a responsibility for beneficiary communities. However, in case of small piped systems, responsibility for O&M is undertaken by local government, parastatal bodies and private entities. Even if O&M is a community responsibility there is a need to have knowledge about the real costs involved. Regarding CoC, the sector in Mozambique relies mostly on donations (aid grants) to provide rural water supply and sanitation services and these have a zero interest rate.

² Sources used include: DNA, in Rapid Assessment of Rural Water Supply and Sanitation, Austral Consultoria (March 2005); DNA (November, 2005); Avaliação da Capacidade Nacional do Sector de Perfuração para o Abastecimento de Água Rural em Moçambique (DNA/WSP, Junho 2006); CFMP 2006-2010 (DNA, Junho 2005).

It is however important to note that the sector is aware of the other cost components such as indirect and direct support costs and they are referred to as institutional and management costs, although it is difficult to conclusively deduce that these costs are meant to be support costs.

Essentially, these are the unit costs being used as reference figures in the rural water supply subsector in Mozambique. There are no known mechanisms in place that allow a structured and regular updating of these costs.

As far as the sanitation subsector is concerned, there is no structured cost data being used as a reference. The sector planning and budgeting tools do not mention any structured data apart from some existing data on the cost of construction of improved latrines and latrine slabs.

Comparing the normative unit costs with preliminary data from unit costs studies

WASHCost analysed unit cost for borehole construction and rehabilitation including technical supervision (Zita & Naafs, 2010). This analysis covered 29 construction contracts representing 866 boreholes, 18 rehabilitation contracts representing 222 boreholes and 16 technical supervision contracts representing 687 boreholes. All these contracts were signed and executed during 2009 in different provinces and with different funding agencies.

Cost Component	Year	Unit cost (USD)		Average cost (USD)
		Min*	Max*	
CapEx Hardware	2009	7.485	11.228	9.548
CapEx Software	2009	1.085	1.497	1.349
CapManEx Hardware	2009	748.50	1.871	2.001

Table 2 Current unit cost in the water sector in Mozambique

Source: WASHCost Mozambique (2010).

The table above shows that there is no great difference between the costs analysed by WASHCost in 2009 and the normative costs indicated in the Strategic Plan for the Water Sector, once the normative costs have been updated for 2010 using the GDP deflator. This means that costs have been updated regularly in the country (through unknown mechanisms), with indexes nearly equal to those WASHCost uses for cost updates (GDP deflator and normal inflation). The absence of a structured mechanism in the sector to make these updates leads us to believe that market forces themselves are responsible for doing so.

Another interesting aspect of this analysis is the fact that the normative percentages given to the costs of technical supervision are confirmed by the data analysed by WASHCost

project. Indeed, the costs of technical supervision analysed are on average 14% of capital costs, which corresponds closely to the 15% estimates made in the Strategic Plan for the water sector.

5 HOW CAN PLANNING AND BUDGETING PROCESSES TAKE INTO ACCOUNT LIFE-CYCLE COSTS?

Collecting and understanding the costs of ensuring delivery of adequate, equitable and sustainable WASH services is a primary aim of the WASHCost project. However, WASHCost goes beyond developing the technical ability to quantify and make costs readily available. It seeks to influence sector understanding of why life-cycle costs assessment is central to improved and sustained service delivery and to influence the behaviour of sector stakeholders, so that life-cycle unit costs are mainstreamed into WASH governance processes at all institutional levels from local to national to international. WASHCost aims to increase the ability and willingness of decision makers (both users and those involved in service planning, budgeting and delivery) to make informed and relevant choices between different types and levels of WASH service (Fonseca et al., 2010).

Considering all relevant tools and mechanisms as well as the cost structure being used in the sector, it can be said that the planning and budgeting process in Mozambique does not take into consideration the life-cycle costs approach. Neither the operating and minor maintenance costs (OpEx) nor the costs of capital (CoC) are taken into consideration in the actual cost structure. Support costs (both direct and indirect) are defined by a percentage based on the capital cost. Capital costs (CapEx) is the only cost component being addressed with the necessary detail.

It is important, however, to note that no cost references for sanitation or hygiene exist in the way that they do for rural water supply. It is a great challenge for the sector to produce cost references for sanitation and hygiene promotion activities.

The WASHCost project has a great potential to influence both the development of capacity of stakeholders at provincial and district level and to provide relevant information for the budgeting process. WASHCost is meant to provide disaggregated information on costs per technology and per service level taking into consideration all cost components. This information will feed directly to the existing structure of costs, adding the cost components that are not currently being taken into consideration, and they will be used to develop with high level of accuracy the Medium-Term Fiscal Framework which in turn informs the sector annual and budgeting processes.

At district and provincial level, the information provided by WASHCost can be used to better inform decision making on resource allocation and the development of sector master plans and district strategic development plans, as well as the annual plans and budgets for each level. Districts are responsible for maintaining levels of WASH coverage and have to decide on which components to invest the limited resources they have to fulfil their responsibilities.

Lack of structured and consistent mechanism for updating costs, and a lack of a clear indication of cost drivers in rural water supply and sanitation were mentioned during interviews with sector planning personnel as being among the main constraints affecting sector budgeting. The life-cycle costs approach provides a methodology for updating cost data on a regular basis.

6 CONCLUSIONS

Planning and budgeting processes in Mozambique have been undergoing major improvements as a result of the development of new tools and the establishment of sound planning and budgeting mechanisms. The water sector has been taking advantage of this trend and developing tools that help the sector to better plan and budget. However, it can be noted that major progress has been made in relation to strategic thinking than in budgeting.

There are still problems related to the harmonised use of these tools and the efficiency of the process is still weak. The mechanisms set out for the planning and budgeting processes are somehow still fragmented. Lack of capacity at lower levels has been hampering the intended gains for the sector.

Unit cost references are available for rural water supply and very limited as far as sanitation and hygiene promotion is concerned. The existing unit cost references for water supply are mainly related to investment in infrastructures. No reference is made on operating and minor maintenance costs as well as cost of capital. Support costs (both direct and indirect) and software investment costs are estimated percentages based on hardware investment costs.

No structured mechanisms for updating costs have been found and this is seen as one of the major constraint for proper budgeting. However, an analysis of investment costs in new constructions and rehabilitations including technical supervision made by WASHCost shows that normative costs are quite similar with the actual costs if updated to 2010 figures. This means that the costs are being regularly updated in the sector. In the absence of any known structured mechanism for cost updates, it can be concluded that the market itself plays the updating role.

The life-cycle costs approach has firm basis for influencing the planning and budgeting processes in Mozambique. It provides a more structured vision for cost components as well as methodologies for cost data to be regularly updated. Life-cycle costs can feed into existing planning and budgeting tools such as the Medium-Term Fiscal Framework, a tool that influences the planning and budgeting process in the entire sector.

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