

Community self-financing of water supply and sanitation: what are the promises and pitfalls?

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As a result of the debt crisis in developing nations and shrinking donor resources, the water supply and sanitation sector is increasingly orientated towards recovering some portion of the cost of system development from beneficiary communities. In some cases, full cost recovery, including capital costs, is the goal.

Sustainable projects continue to be perceived as the major indicator of successful sector development. Community acceptance of responsibility for system operation, maintenance and management appears to be essential to sustainability. Creating this kind of capability in communities requires both significant time and resources.

'Willingness to pay', initially used as an indicator of community preferences for level of service, has become a measure of a community's hypothetical willingness and ability to bear the cost of operations and maintenance and/or system development. The methodologies used to establish willingness to pay are imprecise as predictors of actual behaviour.

In designing ways to implement cost recovery, donors and implementing agencies have adopted some strategies that endanger the time spent in developing community management capability and, thus, undermine system sustainability. There is a need to understand all of the implications of cost-recovery strategies, and particularly to examine their impact on sustainability and building community capability.

Introduction

During the 1980s, the debt crisis in developing nations, and shrinking donor resources, brought into focus the fact that provision of water supply and sanitation (WS&S) facilities to all of the world's people at no cost to the user is not a realistic option. The initial reaction to this was an increased emphasis on recovering from users at least the operation and maintenance costs of WS&S systems. More recently the trend has been towards recovering other system development costs from communities, including capital costs. Cost recovery is now an important part of any project implementation process, and it is often credited with beneficial side effects such as enhancing system sustainability, or community capacity-building. However, many have embraced the concept of cost recovery without adequately

considering its operational implications. There appears to be a real danger that cost recovery is becoming an overriding principle and, in some cases, virtually an end in itself.

This paper highlights some of the operational implications and possible results of an emphasis on cost recovery. It examines the impact of cost recovery on system sustainability and on the creation of management skills at the community level. The paper then makes some suggestions about alternative approaches to cost recovery - including community-based resource mobilization - that can have a positive impact on the ability of communities to meet costs, and that can result in a more balanced and realistic application of the concept. The paper focuses

primarily on the provision of improved WS&S facilities to rural and peri-urban communities.

The growth of cost recovery as an issue

By the mid-1980s, donors active in the WS&S sector began to emphasize the concept of 'sustainability'. This largely resulted from the fact that many of the systems that had been built by donors in earlier years were, a relatively short time later, no longer in use either because of lack of adequate operation and maintenance or because of community indifference - or both. Sustainability was identified as the key to successful development.

Sustainability, in this context, is a function of the ability of communities to use the improved infrastructure in a manner that, over time, will result in health and economic benefits. It generally has to do with systems continuing to operate as planned for a substantial period of time after external assistance (that is, from donors) has ended. Many factors enter into sustainability, and there are continual shifts in the conceptual paradigm (Roark 1987). However, a key factor for small, rural systems appears to be community ownership and responsibility for the system. The greatest manifestation of this sense of ownership is held to be willingness to use, operate and maintain the system properly (Arlosoroff et al. 1987).

Most donors and technical assistance groups have gradually incorporated steps generally focused on community participation into their project plans and designs. These have included creation and expression of community demand and enhancement of community skills in such areas as negotiation, committee formation, use of facilities to bring about health improvements, and system operation, maintenance and management (YacooB et al. 1989).

A second major impetus for increased community participation was a global swing towards shifting at least a share of public responsibility from the central government level to regional and local government agencies, private sector organizations, and communities. These two phenomena, then, together helped change the emphasis of participation from community assistance in con-

struction to community ability to manage the completed system (McCommon et al. 1989). Hygiene education came to be an integral part of the package, eventually focusing on increasing a community's ability to identify negative environmental sanitation issues and to take action to address them beyond, for example, merely constructing latrines (Gearhardt et al. 1990).

Technical and engineering emphasis was placed on simple technologies within the capacity of communities to maintain (and eventually replace out of local revenues), and on training community members to undertake at least the routine aspects of operation and maintenance. It was assumed that not only would this result in more sustainable systems, but also in more systems and a faster process of achieving coverage of rural areas with improved facilities (Cairncross 1989).

Community participation in all aspects of system development was emphasized as a mechanism for training communities in the skills required to manage the system as a community resource. Actual community ownership was also emphasized in some cases, and the concept of 'willingness to pay' emerged as central to creating ownership of the project and ensuring that it would be both sustainable and replicable (Whittington et al. 1989a). A methodology to determine willingness to pay was developed, based on surveys using structured questions designed to determine the maximum amount of money a household is willing to pay for improved water facilities.

While 'willingness to pay' studies are important in developing water sector policy, and in planning improved facilities (Whittington 1988), they are most reliable in situations in which actual behaviour is measured - for example, the amount the household is now paying a vendor for water - rather than hypothetical behaviour (Whittington et al. 1989b). Hypothetical behaviour may or may not accurately predict future behaviour; social and behavioural sciences have demonstrated that actual human behaviour is often quite different from that indicated by responses to hypothetical questions. There is some doubt as to whether people will actually spend the money they say they will spend according to willingness to pay studies, even for a

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highly valued commodity such as water. It also is not clear what the relationship is between willingness to pay and ability to pay, or how willingness to pay is affected by extreme economic recession and shrinking household incomes that result from structural economic adjustment programmes.

Despite these limitations, 'willingness to pay' studies are now an integral part of project planning, and the data they produce are sometimes used as an indicator of a community's willingness to operate and maintain a system, and its desire for improved facilities. Furthermore, willingness to pay, despite its origins as an indicator of community interest and preference for levels of technology (such as community standpipe, versus standpipes at each dwelling, versus piped water indoors), is now primarily a tool or technique for assessing the potential for cost recovery (Whittington et al. 1989a).

The World Bank has been the strongest proponent of cost recovery, stressing that a higher level of cost recovery is advisable and asserting that 'there is evidence to suggest both a willingness and ability to pay for improved services in most rural areas' (Churchill et al. 1987). Even if that is true, a recent report they presented at the Collaborative Council meeting (Garn 1989) wisely cautions that 'the availability of financial resources is no guarantee that the activities that result in new financial obligations are sensible to undertake'. In general, however, as complete cost recovery has gathered momentum, its implications for communities and for extension staff are not being sufficiently questioned.

Some operational considerations in cost recovery

The rationale for cost recovery most often enunciated in the WS&S sector is that it will permit and even encourage an acceleration in the rate of investment in the sector and thus lead to greater progress in meeting coverage goals. This rationale is, in fact, inconsistent with much of the thinking on sustainability, which correctly points out that coverage is irrelevant if the systems only fall into disuse or disrepair shortly after coverage is achieved. This is indicative of the most serious

negative impact of the rush to recover the costs of WS&S improvements: the sector is in grave danger of losing sight of the basic purpose behind those improvements and, indeed, behind the sector's own existence.

Water supply and sanitation are intended to provide the basic infrastructure that will lead to health benefits (Briscoe 1984, 1986; Feachem 1977; World Bank 1989). Health benefits, along with economic benefits of improved facilities, occur as a result of behavioural changes, which themselves occur because the community has had training and has developed institutions with the capacity to manage this community resource and use it in a way that impacts health and economics (Roark 1987; Yacoob 1989). The concept of ownership that is held to be so critical to sustainability is as much about willingness to use and manage the facilities as about willingness to pay for them.

The WS&S sector increasingly seems to be assuming, however, that the only important factor in ownership is payment, not skill development in communities. The assumption is too often made that the degree of community ownership is a function of the degree of cost recovery which, in turn, determines the degree of effectiveness of operation and maintenance. In other words, so this paradigm goes, where there is complete cost recovery (or self-financing, looked at from the community standpoint), communities are able to manage systems and, consequently, systems are sustainable. It seems to occur to too few people that this flies in the face of all that the sector has learned about fostering effective community management, a process requiring continued training to develop community capacity as its central feature.

Self-financing and capacity-building

A community's ability to manage its water system is not associated with funding mechanisms but with efforts at capacity-building. Development of community capability has repeatedly been shown to be associated with sustainability in water projects and to require time, effort and resources. In Togo, for example, the approach used was to develop community capability in the context of a water project that could later be used in undertaking other

development efforts (Roark and Aubel 1988). This was achieved by training field extension agents to work with communities on capacity-building activities. Training the field agents required over four months and almost 25% of total project expenditures.

Projects that focus heavily on community self-financing and have, as their ultimate goal, the expansion of coverage are unlikely to achieve much in the area of capacity-building. Indeed, that particular focus appears to stand in the way of developing community capability. Where self-financing is the primary focus, most of the interaction between field extension agents and the community is devoted to planning and implementing ways to meet the capital costs of the next phase of construction. Management skills – such as the importance of user fees, collection methods, defining operation and maintenance needs, allocating operation and maintenance responsibilities – are not central to the self-financing exercise and thus tend to be ignored. From a field-level perspective, there simply is not time to do both.

Similarly, the hygiene education which experience has clearly shown to be needed if the behaviour changes that lead to health benefits are to occur tends to receive inadequate attention in projects focused on self-financing. The most difficult and time-consuming – and most critical – component of hygiene education requires the development of community capability to identify negative behaviours, prioritize them, and develop action plans for changing them. This will almost certainly disappear from the agenda when so much of the extension agents' time with the community must be devoted to fund-raising.

In addition, field extension agents with the skills and orientation to organize phased construction and fund-raising effectively probably do not have the skills and orientation to be trainers of trainers in health, hygiene and management. These are complex and difficult areas in which to carry out training, and they require quite a different set of abilities from those of construction planning.

There is a real danger that the end-product of projects focused on self-financing will be water

systems that have been paid for – and that is all. The lack of community commitment and capability that produced non-sustainable systems in previous years will do so again, the only difference being that the non-functioning systems resulting from poor management and maintenance will have been built at community expense.

Self-financing and community empowerment

Perhaps the major non-health benefit to a community from active participation in the development and management of its water system is that the process gives the community expertise and confidence that can be applied to other development efforts. When self-financing becomes the focus of a project, community empowerment may or may not occur. If the implementing agency encourages and motivates the community to finance its own water system, and provides ongoing technical assistance in the process, there may well be some empowerment side-effects. However, communities that approach donors and request assistance in carrying out self-financing projects are probably already empowered. For example, the African Development Foundation provides communities with funding in response to proposals for development projects. The Foundation sees the ability of the community to prepare such a proposal as an indicator that the community is already empowered. It provides funds and some design assistance and leaves the community with the tasks of hiring contractors, builders, drillers, and others, to construct the system. While this approach effectively takes advantage of existing community capability, it clearly would not work well in the numerous non-empowered communities.

In the CARE/Indonesia water projects, for example, some of the communities that requested assistance in self-financing water systems were those that had already built mosques, schools, or bridges, and were already undertaking a number of income-generating activities (Judd 1988). All that the water project would achieve in these cases would be to train the communities in the specific techniques of building a particular type of water system; the donor's presence might not even be necessary, especially where other sources of capital, perhaps from the private sector, were available.

Self-financing and ability to pay

There are undoubtedly many rural communities in the Third World that have already financed, or are in the process of financing, their own water systems with no external monetary assistance, and which have also been able to meet their technical assistance needs unaided. There are also many more communities with the potential and desire to finance their own systems if technical assistance from some source is forthcoming. If these were the only communities in which cost recovery were a major issue, there would be few problems. Unfortunately, this is not the case.

Assistance programmes in community water supply are, by and large, concerned with meeting the needs of poor rural communities, that is, those with a subsistence economic base. Willingness to pay is often present; it is the ability to pay that is lacking. Such communities have nothing to sell and inadequate resources to assemble the required funds. The only equity they are able to acquire in the system is gained through contributed labour and gathered local materials. Yet, in the rush to embrace cost recovery and to foster self-financing, donors and implementing agencies are asking such communities to place themselves further in debt, or, even more questionably, to initiate and implement income-generating projects so they can pay for water. Communities that are unwilling or unable to do so may have to wait until government resources become available or until the community gathers sufficient resources itself. Evidence suggests neither is likely to occur (Garn 1989). These practices raise serious ethical questions for the entire development community.

The establishment of business enterprises entirely external to water systems to generate funds to pay for the water appears to make cost recovery an end in itself. There is no more reason to believe that such schemes result in any greater commitment to (or interest in and understanding of) the management of the water systems than western wage-earners have in the credit-card companies that their salaries go to repay. Certainly these schemes completely divorce capacity-building from cost recovery and do nothing to address the fundamental factors in sustainability.

In addition, there is reason to question the operational feasibility of this type of strategy. Establishing a business enterprise is a difficult, time-consuming undertaking no matter what the ultimate goals of the enterprise. Long-term technical assistance, careful market analysis, detailed business plans, capital resources, and training in setting up and managing a business, as well as in carrying out whatever operations the business demands, are all required. Even if donors and implementing agencies were willing and able to assist communities with all of these matters, realistically it would take several years before the business began generating sufficient surplus revenues to pay for a water system. It is not clear what happens when businesses turn out to be totally unsuccessful (does this disqualify communities from having water systems at all?) or when their profits are inadequate to make scheduled loan payments (does the lender foreclose on the system, or does the farmer who put up his land as collateral now lose it?).

These are not merely hypothetical concerns since, in practice, many of the businesses that are being established as a means of community self-financing of water systems are neither well thought-out nor stable. Garlic cultivation and seaweed collection, to cite only two examples, are highly vulnerable to price fluctuation as well as to outright crop failure. They do not offer any real hope of meeting the long-term expenditures required for water systems. In situations where resources are scarce, which is more common than not, the business development effort will inevitably compete with the water system development effort, the likely result being delays in getting the water system that was the initial reason for the activity.

Self-financing and the role of implementing agencies

Extension agents from implementing agencies are the backbone of any water project and the critical link between the project and the community. When the implementing agency is both the funder and developer of the water system, the role of extension agents is clearly defined and the timing and nature of their activities are dictated by the construction schedule. Since the implementing agency is providing the funds for the

system, the agency determines the pace of the activities.

In the short-term, any realistic self-financing model will still very likely require the work of an extension agent at no cost to the community. The timing of assistance, however, will be dictated by the community's financial ability to go forward with the next step. In addition, the type of assistance needed will be quite different, as will the extension agent's role. Under this scenario, extension agents will need to function less as representatives of the implementing agency, with clear-cut implementation-orientated duties and responsibilities, than as consultants to the community, seeking to create a demand for their services. At a minimum, this will require a significant reorientation for most extension agents as well as training in consultant-client relationships. It is not at all clear that such major retooling and reorientation are feasible for donor agencies in the short-term.

An alternative approach to cost recovery

The above summary of some of the more serious consequences of strategies for complete cost recovery strongly suggests that the development community's approach to the matter needs to be reconsidered. In formulating the beginnings of a new approach, it is well to bear in mind that for many institutions and individuals the commitment to cost recovery is a fundamental philosophical matter. Some believe, as a matter of principle, that people should pay for whatever services they receive and that, if they cannot pay, they should not receive the services. For many of these people, cost recovery is an end in itself. While there are probably few in the development community who hold this belief so strongly that they would deny assistance because of it, the principle itself informs much of the debate and project development activity.

Institutions with development and capacity-building as their main focus need not, however, embrace either the principle or its manifestation in the form of cost-recovery strategies. For these institutions, and for non-ideologically aligned development professionals, cost recovery and community self-financing should be examined and judged from the standpoint of their utility in

achieving development goals. Some communities will never be able to afford the full costs of a potable water supply; the development community must face this reality and make provisions to deal with it.

From the standpoint of utility, the strongest and most common argument advanced by the proponents of cost recovery in the WS&S sector is that it will permit expanded coverage, as the funds recaptured from one community can then be lent to another. This is perhaps true but by no means persuasive. If the development community has learned anything in the past 50 years, it is that coverage does not equal development.

The lessons learned about the importance of sustainability, and the progress that has been made towards identifying the elements needed to achieve it, have persuasively suggested that coverage by itself is a false measure of success and an unworthy goal. In evaluating the utility of cost recovery, it is the concept's contribution to sustainability and capacity-building, not to expanded coverage, that is most relevant. And it is here, as the previous sections of this paper have indicated, that cost recovery is most flawed.

For small, rural systems that must be managed, operated and maintained by the community, all evidence indicates that it is community ownership and the development of community skills, not physical ownership, that are most likely to result in sustainable systems. The current overwhelming emphasis on cost recovery, by emphasizing collecting money rather than capacity-building, contributes nothing to sustainability and probably militates against it. Should cost recovery then be abandoned as both a principle and a technique?

The answer, on balance, is 'no', but a new approach needs to be developed and the whole issue put in its proper perspective. The basic premise underlying such a new approach should be that the goal of the sector is to foster sustainable systems and that the primary objective that must be met to achieve this goal is to strengthen community skills, capabilities and institutions. All cost-recovery efforts should be measured against this objective and evaluated in terms of their contribution to achieving it.

In working towards an effective approach to cost recovery, there are several steps that should be considered:

1 *Separate the concept of 'willingness to pay' from that of 'cost recovery'.* Willingness to pay should be separated from cost recovery and used as an indicator of community interest in having improved WS&S facilities and as an indicator of the level of service the community wants. Willingness to pay should not be distorted into the first step in a cost-recovery scheme. Perhaps more relevant to cost recovery than willingness to pay is ability to pay.

2 *Develop and use a concept of 'affordability' in cost recovery strategies.* Operationally, determining how much subsidy a system requires calls for the establishment of a 'willingness but inability to pay' standard, with water payment as a percentage of disposable income. Anthropologists have developed a simplified way to measure financial feasibility that can be used by extension agents in the field. The amount available for monthly loan repayment is determined by an estimate of monthly disposable income per household. The 'disposable' income in one case in Nigeria, for example, was both in-kind and cash contributions to village development activities (Whittington et al. 1989b). Types of food, clothing and special commodities purchased may be other indicators of disposable income. Estimated disposable income is then compared to the per user cost of the water system. This cost is determined by subtracting the amount the community is able to invest from the total cost of the system. The result is the loan amount, which is calculated on a per user basis with monthly debt repayment compared with disposable income on a household basis. This permits a reasonable assessment of the affordability of the system to the community.

3 *Develop criteria that will ensure cost recovery and community self-financing strategies are used only in appropriate situations.* Some communities can both afford to pay for their own water systems and already have or can acquire the capability needed to make the systems sustainable. For many communities, however, self-financing is not a viable option. To which category specific communities belong, and the

decision as to how much technical assistance a given community needs, must be made by the implementing agency - based on its assessment of each individual situation.

Communities with long experience in undertaking development activities and with sufficient financial and human resources may be handed the design for the system and proceed forthwith. In these cases, the time and resources of the implementing agency can be devoted to educating the community on the relationship between water and health improvements, and in assisting the community to decide what actions it should take to improve its health conditions.

Communities with systems requiring rehabilitation are also, on the whole, good candidates for self-financing. These communities are presumably already familiar with the greater convenience and possible health improvements which improved facilities provide. They are also likely to understand the need for skill-building and for the community to manage the system. Some communities may only need help in obtaining access to government resources.

Each community, therefore, has a unique set of needs and abilities that must be identified by implementing agencies. A flexible approach to level of subsidy - as well as to level and type of technical assistance - must be taken, so that each community receives what it needs to sustain its system.

4 *Eliminate new business development from the list of appropriate cost recovery techniques.* It has already been noted that developing new businesses to generate funds for water system construction is a technique with many negatives and few positives from the standpoint of sustainable systems. It is therefore a suitable technique only if cost recovery is admitted to be the overriding goal. Even in this case it will probably not be successful, because of the complexities involved in creating new businesses. Other fiscal techniques, such as taxation or revolving funds, may, however, be effective.

5 *Develop creative ways to generate resources that are community-based and take advantage of*

existing institutions, skills and abilities. If community financial contributions are decreed to be feasible and desirable - given the goal of sustainable systems - the needed monies should be generated in ways that are natural outgrowths of the community's existing structures and resources. This kind of domestic resource mobilization has been successfully used by some non-governmental organizations. Examples of techniques of this type include:

- collection of *zakat*, an Islamic obligation for causes benefiting the general community
- collection of community contributions from the sale of agricultural products (such as rice, coffee, coconuts, bananas)
- collection of stones, sand, bamboo, and other locally available materials for use in construction
- organizing community production of bricks for spring catchments or reservoirs
- sale of livestock
- community hunt and sale of unendangered wild animals (for example, wild boar)
- fund-raising shows such as the traditional puppet shows
- sale of water to farmers for irrigation of vegetables and to other community people for drinking.

Conclusion

The current concern with cost recovery in the WS&S sector is in danger of overshadowing the purpose of community water supply and household sanitation. If community self-financing is to be successful, major programme changes will be required. Implementing agencies will have to rethink their priorities, develop new operating criteria, and consider major retraining of project staff. New methodologies to assess the community potential for cost recovery must be developed. Those that exist are not yet ready for extensive application, and great caution must be exercised in using them to avoid misleading policy-makers and donor agencies. Implementing agencies must not perceive community self-financing as the ultimate answer to all situations. Flexibility must be maintained to accommodate those communities that are willing to pay but are unable to do so.

The suggestions advanced by this paper are only the initial steps towards developing alternative approaches to cost recovery; much more discussion about the concept, and its appropriate place in the WS&S sector, is needed in the development community. Such discussion should be high on the sector's agenda for 1990. Community self-financing is an important development, but there is an urgent need to consider all of its implications before irretrievable damage is done.

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Biography

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From Bamako to Kolda: a case study of medicines and the financing of district health services

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In 1987 the United Nations Children's Fund and the World Health Organization promoted the Bamako Initiative whose principal objective was to raise funds for primary health care (PHC) at community level through charging for drug treatment. Although the \$US 180 million requested from donors by UNICEF has not been forthcoming, nevertheless about 15 countries in sub-Saharan Africa are at present implementing Bamako-type projects. The management of these projects may, perhaps benefit from experience in the district of Kolda in Senegal, a country in which the principle of the self-management of receipts by health service structures has been established since 1981.

In 1985, in the rural district (département) of Kolda, Senegal, situated 450 km from Dakar, the health service was not being used by the population. The district management team attempted to change the pattern of under-utilization by rationalizing the mechanisms for financing services and supplies of pharmaceuticals. After the introduction of new forms of management and control, the hospital issue of prescriptions for the purchase of drugs at private pharmacies was stopped. The result was an increase in the utilization of services and in receipts, which made it possible to increase the stocks held by the pharmacy. It is planned to make the services of the pharmacy available to satellite dispensaries, giving priority to those which undertake to rationalize their prescribing of medicines and to alter their methods of financing.

Introduction

Specialized programmes integrated into health services, whose curative facilities the population does not use, are not viable. The most frequent cause of the unacceptability of these services is the prescribing of medicines which the patient cannot obtain because of their cost. These two observations, as well as the need for a new approach to the community financing of local health needs, led to the decision by the United Nations Children's Fund (UNICEF) and the World Health Organization (WHO), at WHO's 37th African Regional Assembly, to promote the Bamako Initiative¹ whose principal objective was to raise funds for PHC at community level through charging for drug treatment. Although the \$US 180 million requested from donors by UNICEF has not been forthcoming, nevertheless about 15 countries in sub-Saharan Africa are at present implementing Bamako-type projects.

This article has been written to echo the concern already expressed² that the conception of the Bamako Initiative was based on an over-hasty generalization of two small projects, and the view that account should be taken of earlier attempts to improve access to medicines.³

Since 1981, health policy in Senegal has depended on community financing, independent management by health service institutions and decentralization of decision-making to district level. In addition a number of districts have benefited from foreign aid in medicines. This article describes the management of the Kolda district in 1986 and 1987, the priority aim of which was to abolish the use of prescriptions issued by hospitals and dispensaries for the purchase of drugs at private pharmacies. This was to be achieved without any international aid other than the training of district medical officers