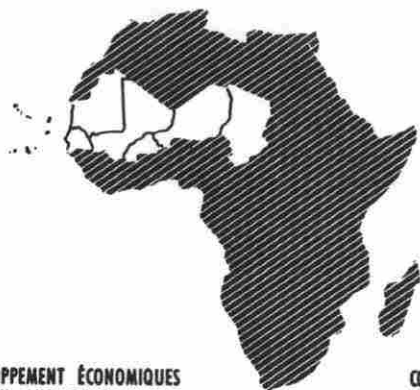


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ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES  
ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

CILSS

COMITÉ PERMANENT INTER-ÉTATS DE LUTTE CONTRE LA SÉCHERESSE DANS LE SAHEL  
PERMANENT INTERSTATE COMMITTEE FOR DROUGHT CONTROL IN THE SAHEL

## CLUB DU SAHEL

SAHEL D(85)242 /  
May 1985

Or. : French

GENERAL DISTRIBUTION

PRACTICAL GUIDE  
FOR  
RECURRENT COST ACCOUNTING  
IN DEVELOPMENT PROJECTS

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IN DEVELOPMENT PROJECTS

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The ideas expressed in this document are those of the author and do not necessarily reflect the views of the CILSS, the Club du Sahel, OECD or the national authorities.

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## TABLE OF CONTENTS

TABLE OF CONTENTS	i
PART I: GENERAL FRAMEWORK	1
PART II: TABLES	5
PART III: EXPLANATORY NOTES	21
For table I	22
For table II	24
For table III	25
For table IV	26
For table V	28
For table VI	29

## LIST OF TABLES

I.	Project Description	6
II.	Synthesis of Project Costs (in local currency)	9
III.	Establishment Costs (in local currency)	11
IV.	Operation and Maintenance Costs (O & M) (in local currency)	13
V.	Calculation of Personnel Expenses for a Normal Operating Year (in local currency)	16
VI.	Production Input Purchase Subsidies (in local currency)	17

## PART I

### GENERAL FRAMEWORK

1. Dilapidated schools, hospitals without medicine or drugs, abandoned irrigation canals, roads in disrepair ... this is a familiar picture in many Third World countries today. There was certainly sufficient financing in the beginning to build and set up these schools, hospitals, irrigation networks and other infrastructures, and international aid did much to help. But once these infrastructures were in place and the financial backing withdrawn, little or no provision was made to ensure their operation and maintenance.

It is precisely this inadequacy of material and human resources needed to operate and maintain the social and economic infrastructures existing in the Third World that is at the core of the problem of recurrent costs. The term "recurrent" here refers to the recurring nature of those expenditures required for such operation and maintenance (expenditures in salaries and wages, and in materials such as spare parts, fuel, medicine and so on). (1)

Crop yields significantly below international averages, poor schooling, health and nutrition are, in many cases, all symptoms of this problem. The necessary infrastructures exist but, for lack of resources, operate poorly or are not adequately maintained.

Awareness of this phenomenon is only relatively recent. In fact, it is quite a new concept from both a theoretical and practical point of view in terms of economic growth and development. Though capital expenditures (also called development expenditures) are still considered an essential ingredient to economic growth, it is now acknowledged that maintaining and consolidating this growth, in short, promoting true development, requires the rigorous and painstaking planning of resources to ensure that the capital invested achieves the anticipated social and economic benefits after the establishment phase is completed.

- 
- (1) Of course, the problem of recurrent costs is not peculiar to Third World countries. There is sufficient evidence in developed countries of deteriorating schools, hospitals and recreational facilities, but the relative social costs of such deterioration is no doubt less than in developing nations. Furthermore, limiting the notion of "recurrent costs" to public expenditures of a social or economic nature is somewhat arbitrary. There are other types of recurrent public expenditures, those associated with a country's sovereignty, such as the salaries of military personnel, the expenses of diplomats posted abroad and so on. Nevertheless, we can assume that if this type of expenditure were cut back or inadequately funded, the country's growth and development would be less adversely affected than if social and economic expenditures were involved.

2. At the 4th Conference of the Club du Sahel, held in Kuwait (November, 1980) the CILSS member countries and partners in the international community examined a report from experts dealing with the general problem of recurrent costs in the member countries (Burkina Fâso, Cape Verde, Chad, Gambia, Mali, Mauritania, Niger and Senegal). At the Vth Conference of the Club du Sahel, held in Brussels (October, 1983), there was a recommendation made to draw up a Practical Guide for Project Recurrent Cost Accounting in order that the quantitative importance and the nature of the costs involved be better grasped, either at the ex-ante project design and evaluation stage or at the project ex-post evaluation stage.

The present guide is the result of the recommendation of Brussels. A first draft was submitted for comments and criticism to the Group of Methodological Reflection on Recurrent Costs of the Club du Sahel and was also evaluated and tested in a technical seminar on recurrent costs in Dakar (1983) organized by the Direction de la planification du Ministère du Plan et de la Coopération du Sénégal.

Also taken into account were the discussions held at the Mali and the Niger workshops on recurrent costs.

3. The Guide requires the completion of 6 tables (infra, Part II) concerning project costs:

Table I	Project Description
Table II	Synthesis of Project Costs
Table III	Establishment Costs
Table IV	Operation and Maintenance Costs (O & M)
Table V	Calculation of Personnel Costs
Table VI	Production Input Purchase Subsidies

Table III to VI are supporting tables of which the annual totals should be recorded in synthetic table II. Each table is accompanied by a set of explanatory notes (infra, Part III).

4. In the present Guide, the recurrent costs consist of those of a repetitive nature determined by the O & M of projects. The corresponding recurrent costs do not necessarily entail expenditures in so far as certain of these costs can be met by contributions "in kind" such as the farmers' participation in maintaining wells and small irrigation works. If there are expenditures, these will be considered whatever the source of financing (central administration, special funds, foreign aid, etc ...).

The person responsible for computing the tables for a project may want to break down the project into distinct activities. In the case of a rural integrated development project, for example, extension services, irrigation, marketing, literacy programs, etc... In such a case, tables III to VI should be filled in by activity.

5. Finally, the information recorded in the 6 tables is useful for providing details on project costs for presentation and evaluation documents required by the national governments and by foreign aid agencies. Recall that in 1980 the CILSS and the Club du Sahel drew up a Project Identification Document for the use of the national governments (Sahel D(80) 33).

All comments or requests for information relating to this Guide can be addressed to:

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Paris, Cédex 16, 75775 France  
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B.P. 7049  
Ouagadougou, Burkina Faso

**It is recommended that this GUIDE be used in conjunction with the Project Identification Document - Sahel D(80) 33 - drawn up by the Secretariats of the CILSS and the Club du Sahel.**

**PART II**  
**THE TABLES**

TABLE I. *Continued*

TABLE I. *Continued*



**Table I: Project Description**

Page 1 of 3

1.1 Reference number	1.2 Name of project	
1.3 Country	1.4 Region	1.5 Sector of activity
1.6 Responsible Ministry, department or organization		
1.7 Project objectives		
1.8 Main characteristics of the project		

**Table I (continued)**

<p>1.9 Starting date:</p>	<p>1.10 a. Duration of establishment</p> <p>b. Number of years of project's useful years after establishment</p>
<p>(mark the appropriate box: X)</p> <p>1.11 a. a new project <input type="checkbox"/></p> <p>b. continuation of an existing project: <input type="checkbox"/></p> <p>1.12 Is documentation available?</p> <p>If so, indicate the principal references (author, title, date, place):</p> <p>1. ....</p> <p>2. ....</p> <p>3. ....</p> <p>4. ....</p> <p>5. ....</p>	

**Table I (continued)**

1.1.3 Foreign funding agencies currently or potentially involved:

1. ....
2. ....
3. ....
4. ....
5. ....

1.14 In a case where there is already a commitment on the part of foreign funding agencies, specify:

Funding agency	Financing agreement date	Agreement number	Amount in foreign exchange (which currency)		If aid-in-kind, value of counterpart in local currency
			subsidies	loans	
1. ....					
2. ....					
3. ....					
4. ....					
5. ....					

1.15 Comments:

1.16 File established by: Signature:

Table II Synthesis of Project Costs (in local currency)

2.1 Years	2.2 (*) Establishment Costs	2.3 (**) O & M Costs	2.4 (***) Subsidies for the Purchase of Production Inputs	2.5 Total Costs (2.2 + 2.3 + 2.4)
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

(\*): see table III

(\*\*): see table IV

(\*\*\*): see table VI.

**Table II (continued)**

<p>2.6 a. Are they observed costs? <input type="checkbox"/> or foreseen? <input type="checkbox"/> (mark the appropriate box: X)</p> <p>b. Are they at current prices? <input type="checkbox"/> at constant prices? <input type="checkbox"/></p> <p>c. If at constant prices, what is the base year retained? 19 _____</p> <p>d. <u>Only</u> in the case of costs <u>foreseen and at current prices</u>, what inflation rate(s) was/were retained in the conversion into current prices?</p> <p>(in the other cases, ignore sub-question 2.6 d)</p>	<p>2.7 Comments:</p>
--	----------------------

Table III Establishment Costs (in local currency)

3.1 Years	3.2 Gross fixed capital formation	3.3 Technical assistance	3.4 Personnel training locally and abroad	3.5 Other establishment costs including population participation	3.6 (*) Total of establishment costs (3.2 + 3.3 + 3.4 + 3.5)
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

(\*) Write the figures of column 3.6 in column 2.2 of table II.

**Table III (continued)**

3.7 Percentage (%) breakdown of financing for establishment costs components						
	3.7.A Government Budget		3.7.B Special national funds	3.7.C Foreign subsidies and loans	3.7.D Other	TOTAL (*)
	Equipment	Operating				
i Gross fixed capital formation						100%
ii Technical assistance						100%
iii Personnel training						100%
iv Other						100%
3.9 Comments:						

(\*) N.B. The sum of the elements of each line (i, ii, iii, iv) must equal 100%.

Table IV O &amp; M Costs (in local currency)

[illegible]



Table IV (continued)

Categories	Years									
	1	2	3	4	5	6	7	8	9	10
Item ..... (of which imports in %)										
Item ..... (of which imports in %)										
Poste ..... (of which imports in %)										
Sub-total 4.1										
<b>4.2 Personnel Expenses</b>										
a) Local personnel (*)										
b) Foreign personnel										
c) Personnel training										
Sub-total 4.2										
<b>4.3 Equipment Amortization Costs</b>										
Sub-total 4.3										
<b>4.4 Total = 4.1 + 4.2 + 4.3 (**)</b>										

(\*) See table V

(\*\*) Write the figures of line 4.4 in column 2.3 of table II

Table IV (continued)

4.5 Percentage (%) of financing for O & M costs components for a normal operating year.								
	4.5a Government budget	4.5b Special national funds	4.5c Sales receipts	4.5d User fees	4.5e Foreign subsidiaries and loans	4.5f Other	4.5g Unforeseen	TOTAL(*)
i Purchase of goods and services								= 100%
ii Local personnel expenses (**)								= 100%
iii Foreign personnel expenses								= 100%
iv Equipment Amortization Costs								= 100%
4.6 Comments:								

(\*) The sum of the elements of each line (i, ii, iii, iv) must equal 100%  
 (\*\*) Including personnel training.

**Table V Calculation of Personnel Expenses for a Normal Operating Year (in local currency)**

5.1 Full-time personnel paid by the administration	5.4 Duration of employment (*)	5.5 Number of persons	5.6 Cost per person and by time-unit	5.7 Total cost (5.4 x 5.5 x 5.6)
Sub-total 5.1				
5.2 Part-time personnel (seasonal) paid by the administration				
Sub-total 5.2				
5.3 Volunteer Personnel				
Sub-Total 5.3				
TOTAL (5.1 + 5.2 + 5.3)				
5.8 Comments:				

(\*) If less than 1 year, specify the number of days, weeks or months per year.

**Table VI Production Input Purchase Subsidies (in local currency)**

Page 1 of 3

Input	Years									
	1	2	3	4	5	6	7	8	9	10
..... No Description										
6.1 Non-subsidized purchasing price										
6.2 Subsidized purchasing price										
6.3 Subsidy per unit (1)										
6.4 Quantity used										
6.5 Total subsidy for input (2)										
..... No Description										
6.1 Non-subsidized purchasing price										
6.2 Subsidized purchasing price										
6.3 Subsidy per unit (1)										
6.4 Quantity used										
6.5 Total subsidy for input (2)										
..... No Description										
6.1 Non-subsidized purchasing price										
6.2 Subsidized purchasing price										
6.3 Subsidy per unit (1)										
6.4 Quantity used										
6.5 Total subsidy for input (2)										

N.B. (1) 6.1 minus 6.2, (2) 6.3 multiplied by 6.4 (\*) Write the figures of line 6.5 (total) in column 2.4 of table II.

**Table VI (continued) Production Input Purchase Subsidies (in local currency)** Page 2 of 3

Input	Years									
	1	2	3	4	5	6	7	8	9	10
..... No Description										
6.1 Non-subsidized purchasing price										
6.2 Subsidized purchasing price										
6.3 Subsidy per unit (1)										
6.4 Quantity used										
6.5 Total subsidy for input (2)										
..... No Description										
6.1 Non-subsidized purchasing price										
6.2 Subsidized purchasing price										
6.3 Subsidy per unit (1)										
6.4 Quantity used										
6.5 Total subsidy for input (2)										
<b>Total of 6.5 (*)</b>										
6.6 Comments:										

N.B. (1) 6.1 minus 6.2, (2) 6.3 multiplied by 6.4 (\*) Write the figures of line 6.5 (total) in column 2.4 of table II.

**Table VI (continued) Production Input Purchase Subsidies (in local currency)** Page 3 of 3

Input		Years									
		1	2	3	4	5	6	7	8	9	10
..... No Description											
6.1 Non-subsidized purchasing price											
6.2 Subsidized purchasing price											
6.3 Subsidy per unit (1)											
6.4 Quantity used											
6.5 Total subsidy for input (2)											
..... No Description											
6.1 Non-subsidized purchasing price											
6.2 Subsidized purchasing price											
6.3 Subsidy per unit (1)											
6.4 Quantity used											
6.5 Total subsidy for input (2)											
<b>Total of 6.5 (*)</b>											
6.6 Comments:											

N.B. (1) 6.1 minus 6.2, (2) 6.3 multiplied by 6.4 (\*) Write the figures of line 6.5 (total) in column 2.4 of table II.

STAT  
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**PART III**

**EXPLANATORY NOTES**

**TABLE I**  
**EXPLANATORY NOTES**

- 1.1 This consists of the reference number used by the administration of the country where the project is established.
- 1.2 Write the usual project name; e.g. Mopti fishing project.
- 1.4 Administrative region (e.g. Department of Dosso) or geographic region (e.g. South-West region).
- 1.5 Specify if it consists principally of:
  - a. rainfed crops
  - b. irrigated crops
  - c. cattle raising
  - d. rural water supply
  - e. fishing
  - f. forestry
  - g. transport infrastructure
  - h. education
  - i. health
  - j. urban infrastructure
  - k. other (specify)
- 1.7 Detail the objectives (e.g. in the case of a forestry project, providing fuel-wood and controlling desertification). Quantify if possible (e.g. production of 3 tons of paddy per hectare per year in dry farming; to vaccinate 45,000 animals in one year).
- 1.8 Briefly detail the human and technical procedures which will be or are being put into effect for the implementation of the project and the type of resources which will be or are being used.



- 1.9 The starting date is that which corresponds to the beginning of the establishment work (or investment, or construction).
- 1.10 b. The useful life of a project can be considered as finished when a major rehabilitation is called for.
- 1.11 If it consists of a rehabilitation project, mark b.
- 1.13 This refers to foreign public funding agencies (multilateral or bilateral) and private (including non-governmental) organizations. Do not restrict yourself to giving the country of origin of the funds (e.g. France) but identify, if possible, the financing organization concerned (e.g. in the case of France, C.C.C.E., FAC).
- 1.14 There is a commitment by foreign funding agencies if a financial agreement has been signed by the two parties.
- 1.15 Make all comments on the project description that you consider relevant and which you were not able to integrate in 1.1 to 1.14.
- 1.16 Name, surname, title or occupation, office address, telephone number.

**TABLE II**  
**EXPLANATORY NOTES**

- 2.2 Before filling in 2.2, complete Table III which provides details on establishment costs.
- 2.3 Before filling in 2.3, complete table IV which provides details on O & M costs.
- 2.4 Before filling in 2.4, complete table VI which provides details on production input purchase subsidies.
- 2.6 In 2.6 b the rate of inflation is the average annual rate of price increase used in the project file. Specify if different rates of inflation were used for different inputs: e.g. local goods and services, imported goods and services. The answer(s) should be expressed in %.
- 2.7 Make all comments on the elements of table II that you consider relevant and which you were not able to integrate in 2.1 to 2.6.

**TABLE III**  
**EXPLANATORY NOTES**

- 3.2 Gross fixed capital formation includes the value of construction put into place by the project as well as the purchase of equipment, machines and vehicles for the project.
- 3.3 This refers to the cost of technical assistance, including indemnities, housing, etc. for which the national administration is responsible.
- 3.4 This refers to the cost of training personnel in the country for the operation of the project (e.g. teachers, health workers, maintenance personnel, extension workers) and of eventual costs for the training of personnel abroad (scholarships, training course costs).
- 3.5 Calculate the purchase of goods and services as well as salary payments related to the establishment of the project other than those included in 3.2, 3.3 and 3.4.
- The costs recorded in 3.2, 3.3, 3.4 and 3.5 should be expressed at user price (or purchaser price) i.e. all taxes, transport and marketing margins included.
- 3.7 The breakdown required in sub-table 3.7 applies to the establishment cost totalled over the establishment period.
- 3.7 a Included in the establishment costs financed by the government operating budget are the salaries of public works engineers assigned to the construction of infrastructures, indemnities to technical assistants paid by the government, etc.
- 3.7 b For example, road fund, forestry fund, etc... If the special fund has, in addition to local financial resources (such as fiscal earmarked receipts) a foreign financing, include the latter in 3.7 c.
- 3.8 Make all comments that you consider relevant concerning 3.1 to 3.7.

**TABLE IV**  
**EXPLANATORY NOTES**

The costs recorded in Table IV correspond to all those necessary for the successful operation of the project and for adequate maintenance of its infrastructures and equipment, whoever carries out the work (administration, project beneficiaries, public and private enterprises).

**Excludes**

- i the maintenance cost of works or equipment which are owned by project beneficiaries independently of this project (small agricultural equipment individually owned, family housing pre-existing the project, etc...);
- ii costs related to directly productive tasks (cultivation, watching over herds, etc ...) and consequently, the purchase of production inputs directly used by the producers;
- iii debt service.

**Includes** the imputed values of the volunteer time by the beneficiaries devoted to the O & M of the project: cleaning out tertiary canals of the irrigation network by farmers, surveillance of wells by villagers, etc. (see table IV, 4.5.f and table V, 5.3).

Table IV covers a 10 year period beginning the year 1 of the project of table II. Certain projects give rise to operating costs the first year: vaccination programs, food distribution in the schools. Other projects, consisting of establishing the same kind of small units (e.g. boreholes) can simultaneously give rise to establishment costs, included in table III (the construction of new boreholes) and maintenance costs included in table IV (maintenance of the first boreholes constructed).

The person in charge of completing table IV will note, in many cases, that after a given year (e.g. year 7) the O & M costs remain constant in real terms from one year to another. It is then sufficient to stop filling in the table at the pertinent year (here, year 7).

- 4.1 The purchase of goods and services should be included at their user price (or purchaser price) i.e. all taxes, transportation and marketing margins included. The services referred to here are the O & M services bought from public or private enterprises.
- 4.2 a To calculate the cost of local personnel you are asked to complete table V given below, for a normal operating year.
- 4.2 b This refers to the cost of foreign personnel (idemnities included) employed for the project O & M (doctors, engineers, professors, etc ...).
- 4.2 c This refers to the cost related to the training of personnel who directly participate in the achievement of the project objectives.
- 4.3 Fill only the line "sub-total 4.3". The cost of equipment amortization concerns only the machines and vehicles necessary for O & M excluding the infrastructures (large constructions with a very long economic life). If one works at constant prices, the cost is equal for a given type of machine to its purchase value divided by the number of years it is used in the project.
- 4.5 b Note remark concerning 3.7.b.
- 4.5 c Does not apply except to directly productive projects: sale of fuel-wood, of rice, etc... .
- 4.5 d Water tax, slaughtering tax.
- 4.5 f Include the imputed value of volunteer time devoted by project beneficiaries to the project O & M (See table V, 5.3).
- 4.5 g Corresponds to the percentage of O & M costs which do not have financing (in many cases that will be the 100% for equipment amortization costs).
- 4.6 Make all comments you feel relevant on 4.1 to 4.5.

**TABLE V**  
**EXPLANATORY NOTES**

- 5.1 Give details (e.g. in the case of Niger, categories A, B, C, and auxiliaries).
- 5.2 Give details.
- 5.3 This refers to direct beneficiaries of the project doing volunteer work on project O & M.
- 5.6 The unit cost (per person and by unit of time) includes, in the case of personnel paid by the administration (central or of the project):
- i gross salary;
  - ii social contributions paid by the employer;
  - iii the advantages and premiums in cash paid by the employer:  
(transportation and housing indemnities, etc...);
  - iv the imputed value of advantages in kind provided by the employer (free housing and food, etc...).

In the case of volunteer personnel, value the unit cost at the gross salary of the category of the least qualified personnel paid by the administration (in the case of Niger, the auxiliaries).

- 5.8 Make all comments on 5.1 to 5.7 that you judge relevant.

**TABLE VI**  
**EXPLANATORY NOTES**

Table VI only applies to inputs (current goods and services) used in production activities of directly productive sectors (agriculture, cattle raising, forestry, fishing) and to the extent that these inputs are sold to project beneficiaries at a price inferior to the purchaser price charged to buyers outside the project.

Among the inputs most frequently subsidized are seeds, water, electricity, agricultural treatment products and petroleum products.

- 6.1 The non-subsidized purchase price is the purchaser price including all taxes, transportation and marketing margins as charged to the buyers outside the project. If an official non-subsidized purchaser price and a corresponding free or parallel market price exist, use the official price.
- 6.2 The subsidized purchaser price is the price charged to the project beneficiary. It is nil if the input is supplied free of charge.
- 6.3 Equal to 6.1 minus 6.2. If the input is supplied free of charge, then 6.3 equals 6.1.
- 6.5 Equal to 6.3 multiplied by 6.4.
- 6.6 Make all comments you feel relevant on 6.1 to 6.5.

**FROM NATIONAL ACCOUNTING CONCEPTS  
TO RECURRENT COST CONCEPTS**

Type of expenditures	National accounting concept	Financial concept	
		Classical view	Recurrent view
A. Construction (including physical infrastructure) and equipment (machines, vehicles)	Gross fixed capital formation (A)	Establishment costs ("minimal view")	Establishment costs ("maximal view")
B. Expenditures other than A, linked to the establishment of the project: technical assistance, training, supervision, etc.	Current expenditures  (B + C + D)	(A + B)	(A + B + share of C)
C. Operating costs which are bound to disappear when the project reaches its normal operational level: certain subsidies, certain technical assistance salaries		Operating and maintenance costs	
D. Operating and maintenance costs which take place year after year during the period of the project's normal operation		(C + D)	Recurrent costs (D + share of C)

Source: Table designed by Yves Garneau (Club du Sahel) and Clive Gray (Harvard Institute for International Development).