



Implemented by



Optimising Service Costs with STCAT

The Service Total Cost Analysis Tool (STCAT) is a tool that assists Local Government Units (LGUs) in analysing the costs of providing different municipal services, such as solid waste, piped water and waste management. Decision-makers are informed on how to optimise costs and thereby decrease their financial burden. The tool allows benchmarking and comparison with other LGUs, as well as the linkage of financial data to operational data within the LGU.

STCAT was piloted in three municipalities and is currently under implementation in three Joint Service Councils and one Water Utility that represents more than 90 LGUs.

One of those locations is the municipality of Gaza City. The financial manager Mohammad is responsible for advising the decision-makers of the municipality on how to optimise the costs of services and about the tariffs that should be set for the services.

Mohammad regularly participates in the management meetings of the municipality of Gaza City. Usually, together with the management, they would discuss the financial situation and available resources. It has come to the management's attention that there are high expenses in the service of solid waste management, and Mohammad has been confronted with the question on how to improve this. He could not give an answer.

Mohammad had a very vague picture of how much it costs to provide the service of solid waste, for example, to collect and dispose of the waste. He could not identify the causes for the high cost of providing the service.

To improve the work of the financial managers and the cost analysis of services, the STCAT was developed by the Local Governance Reform Programme II (LGRP II) in cooperation with the Ministry of Local Government (MoLG). LGRP II provided technical advice, steered the overall process of the development of the STCAT and brought in experts for the creation and the piloting of the tool.

STCAT at a glance

STCAT is a web-based software application that assists local authorities to analyse the cost of providing municipal services.

The tool analyses data and provides a categorisation of costs such as activity-based costing, direct and indirect costs, costs for each mode of operation, and an analysis based on cost drivers.

STCAT benchmarks and compares cost data with other LGUs to assess their performance.

It links the financial to operational data of LGUs and thereby guides decision-makers in implementing appropriate operational changes.



Solid waste collection truck

Development

The creation of the tool started by identifying the needs, functions, and requirements to be met. This was followed by an extensive analysis of the diverse aspects affecting the costs of services. Based on that, a demo was created, followed by the creation of the first version of the tool. In Beit Lahia and Gaza City, the tool was tested. This testing identified valuable recommendations for further improvement, which have been reflected in an updated version of the tool.

The review of the recommendations for further improvement and their integration into the updated version of the tool was embedded into an intensive review and consultation with various of the involved stakeholders.

Currently, three Joint Service Councils and one Water Utility that represents more than 90 LGUs are in the process of implementing the tool.

For the initial phase, parameters for three services (solid waste, piped water and wastewater) have been defined. However, it is envisioned to expand the scope to other municipal services in the future.

Application

With the help of a financial expert involved in the development of STCAT, the tool was applied at Gaza Municipality.

The financial manager went through the following steps:

- 1) Set up the tool with the information describing how the service is being provided by the municipality.
- 2) Insert financial data according to the forms provided by the tool.
- 3) Insert operational data according to the forms provided by the tool.
- 4) Extract the various reports provided by the tool.

Mohammad reports: **“When we saw the cost analysis report, we noticed that the indirect cost for the primary collection was significantly high. We asked ourselves why. Then, we got into the details of other reports provided by the tool and found a problem that was in a complete blind spot for us.”**

After applying the tool, Mohammad finally had answers to the questions he received from the management. He had a clear picture of the cost of providing the service, including exact and accurate figures on the costs of each activity in the service (primary collection, secondary collection, intermediate transfer, and disposal). Before, he could not know, in accurate detail, the cost of each cost driver or the cost per ton for each mode of operation in the primary and secondary collection.

The analysis provided by the tool has informed Mohammad to take the right decisions: **“The tool provided us with analyses that helped us take the right decisions. By this, the cost of primary waste collection per ton decreased by 18 per cent.”**



STCAT allows inter-LGU comparability of financial data



Relevance

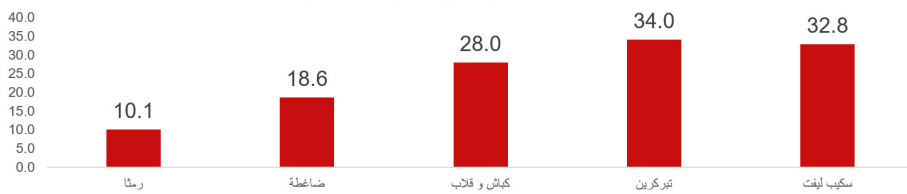
STCAT fills a gap in the local financial management systems of LGUs in Palestine. The provision of services depends on the available resources, and the data helps to take good and efficient decisions. So far, financial managers lack a chart of accounts that involves a proper cost analysis, and the financial management system does not provide detailed cost analysis information. This is where STCAT comes in.

The tool provides the information necessary for decision-makers in local authorities who wish to optimise the cost of services and improve the quality of the service without increasing the cost.

Implementing the tool in an LGU, utility or Joint Service Council, and unfolding its full potential takes time and requires a relatively high capacity of personnel and sensitisation of decision-makers. However, after some adaptation based on the institutional and legal frameworks in a country, the tool could be successfully applied in other countries, too.

تحليل التكلفة بناءً على طرق تنفيذ النشاط (مثال الجمع الثانوي)

تكلفة الطن الواحد في الجمع الثانوي (شيكل/طن)



Example:
Cost analysis of different waste collection trucks



Published by **Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH**

Registered offices **Bonn and Eschborn, Germany**
Yvonne Mueller | Head of Programme
VIP 3, Al Bireh, Palestine
LGRP_Palestine@giz.de
<https://www.giz.de/en/worldwide/18104.html>

As of **February 2023**

Photo credits **GIZ (2022)**
Text **GIZ/LGRP II Team**

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On behalf of **Federal Ministry for Economic
Cooperation and Development (BMZ)**