

# *“Leaving No One Behind: Sustainable WASH Services in Rapidly Changing Context”*

## **Innovative Financing in WASH**

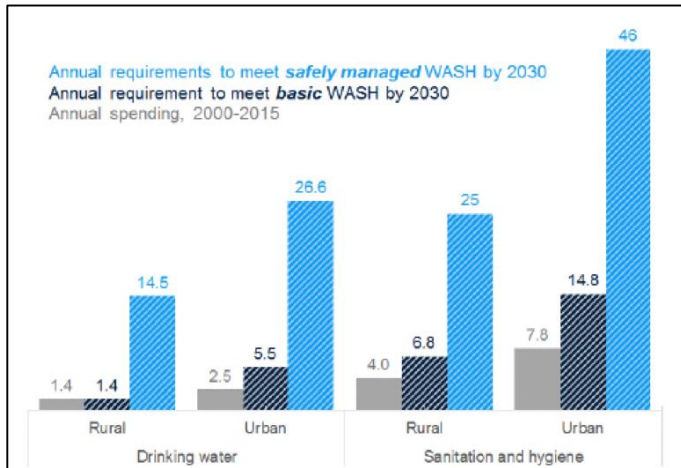
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UNICEF EAPRO, Bangkok



**Marina Barrage**

# The WASH Financing Challenge

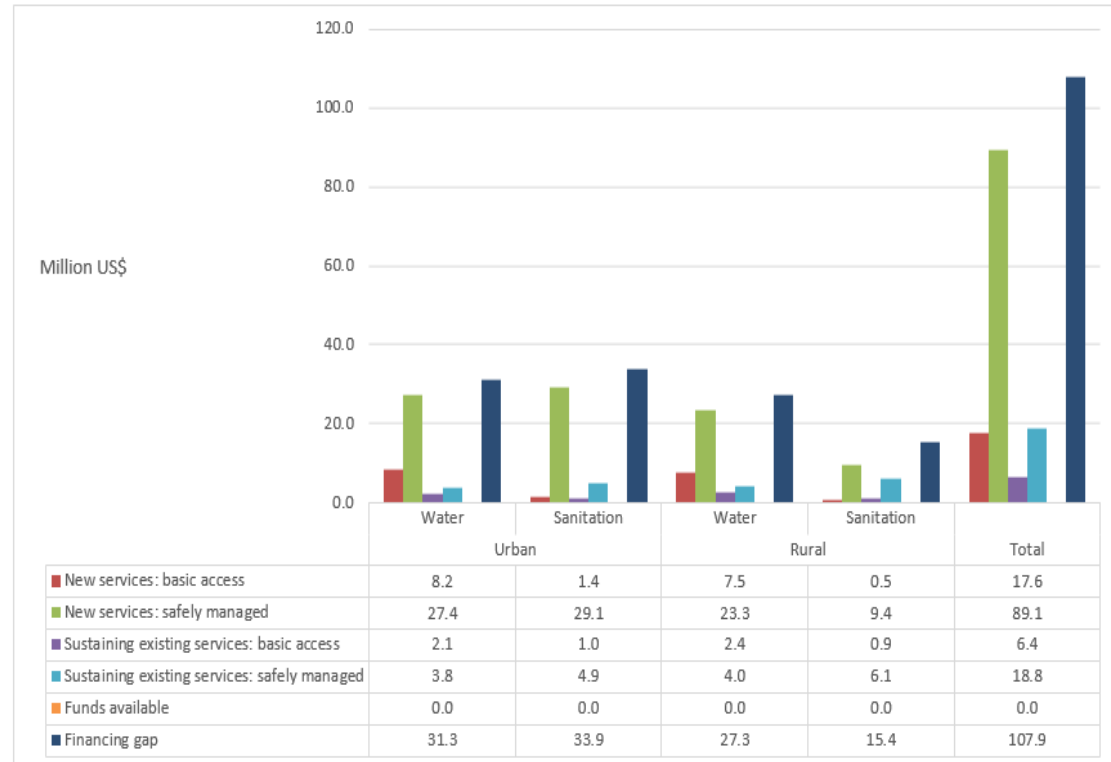
*SDGs carry vastly higher price tag than MDGs*



*Source: Hutton & Varughese (2016)*

Some countries will have to increase their investment in the water and sanitation sectors by up to **four times**

*Challenges in EAPRO – SDG cost calculation in Lao PDR*



# Why invest in WASH?

Access to water and sanitation is a human right – UNICEF's mandate for children.

Why should governments invest in WASH?

## Water:

- Water is essential for life. Access to water should not be left to the market due to risk that water prices will exclude the poor and vulnerable. There is an obligation for governments to intervene.

## Sanitation:

- Sanitation is a private good that offers public benefits. The use of public finance to support sanitation is justified because it provides benefits for society, not just the individual.

**In general the use of public finance is justified:**

- When the spending provides public goods, or
- When the intervention addresses externalities

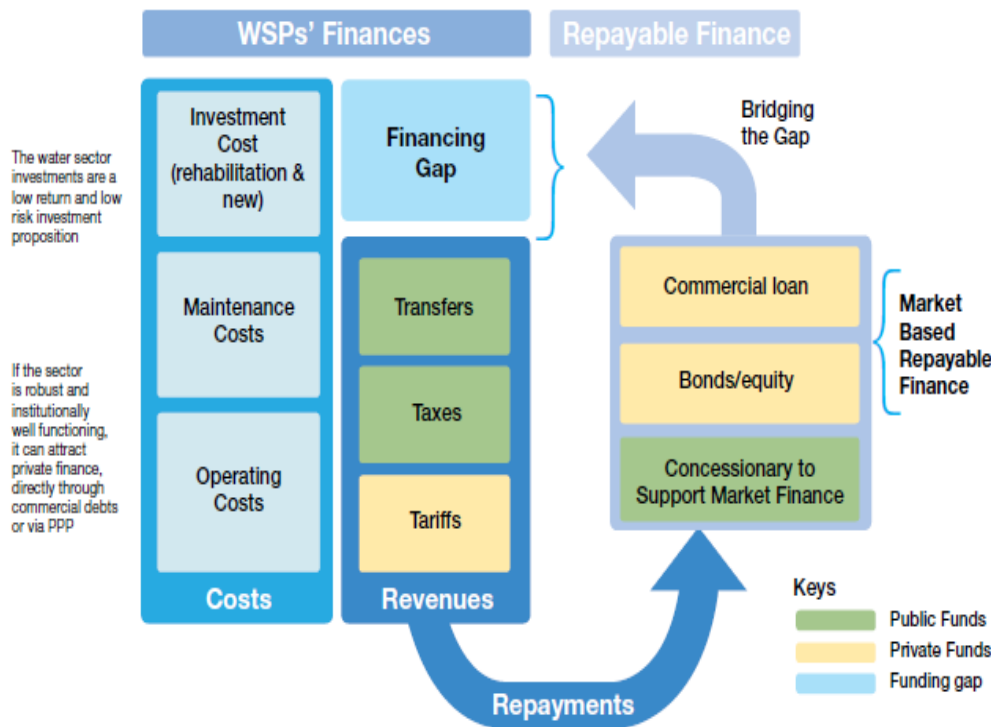
## Cross-sectoral benefits:

- Investments in WASH also contribute to nutrition, health, education, poverty and economic growth, urban services, gender equality, resilience and climate change.

# Strong case for public funding of WASH, but compared to health/education, harder to get government support...

- Types of expenditure required;
  - High upfront capital investment costs for expansion of services;
  - Ongoing operations and maintenance;
- Expectation of user fees (tariffs)
  - Equity issues
  - Services can continue without government support
- Complexity of the WASH sector
  - Needs, strategies and options differ across sub sectors
  - Service provision by government and private sector providers
  - National and sub-national government roles
  - Multiple government agencies
  - Coordination with other sectors – health, nutrition, education

# Closing the financing gap (OECD 2010)



Closing the financing gap requires financing from a variety of sources:

- reducing costs
- increasing tariffs, taxes and transfers
- mobilizing repayable finance (loans, bonds and equity)

*Tariffs are key, but public budgets and ODA has a role to play, too*

# Opportunity in EAPRO – Strong Economic Growth

	2017	2018	2019
Cambodia	6.9	6.9	6.8
China	6.9	6.6	6.4
Fiji	3.8	3.5	3.4
Indonesia	5.1	5.3	5.5
Lao P.D.R.	6.8	6.8	7.0
Mongolia	5.1	5.0	6.3
Myanmar	6.7	6.9	7.0
Philippines	6.7	6.7	6.8
Thailand	3.9	3.9	3.8
Timor-Leste	-0.5	2.8	5.7
Vietnam	6.8	6.6	6.5

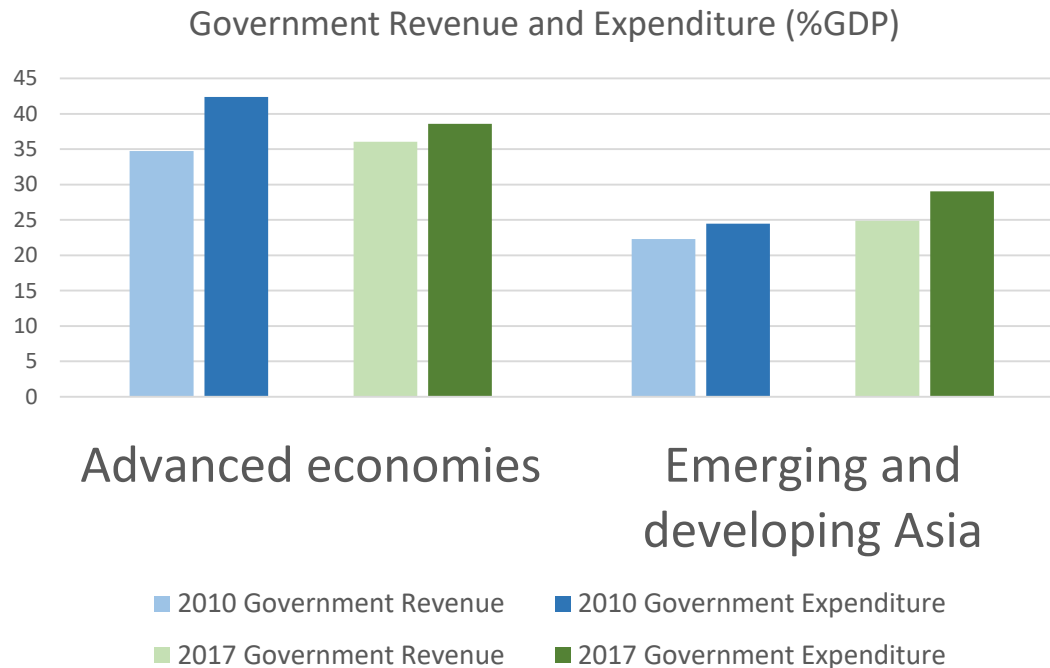
Increasing fiscal space

Budgets are increasing

Opportunity to advocate for public investment in WASH

[IMF: World Economic Outlook Database, April 2018](#)

# Opportunity in EAPRO – Government expenditure is increasing



Increasing fiscal space

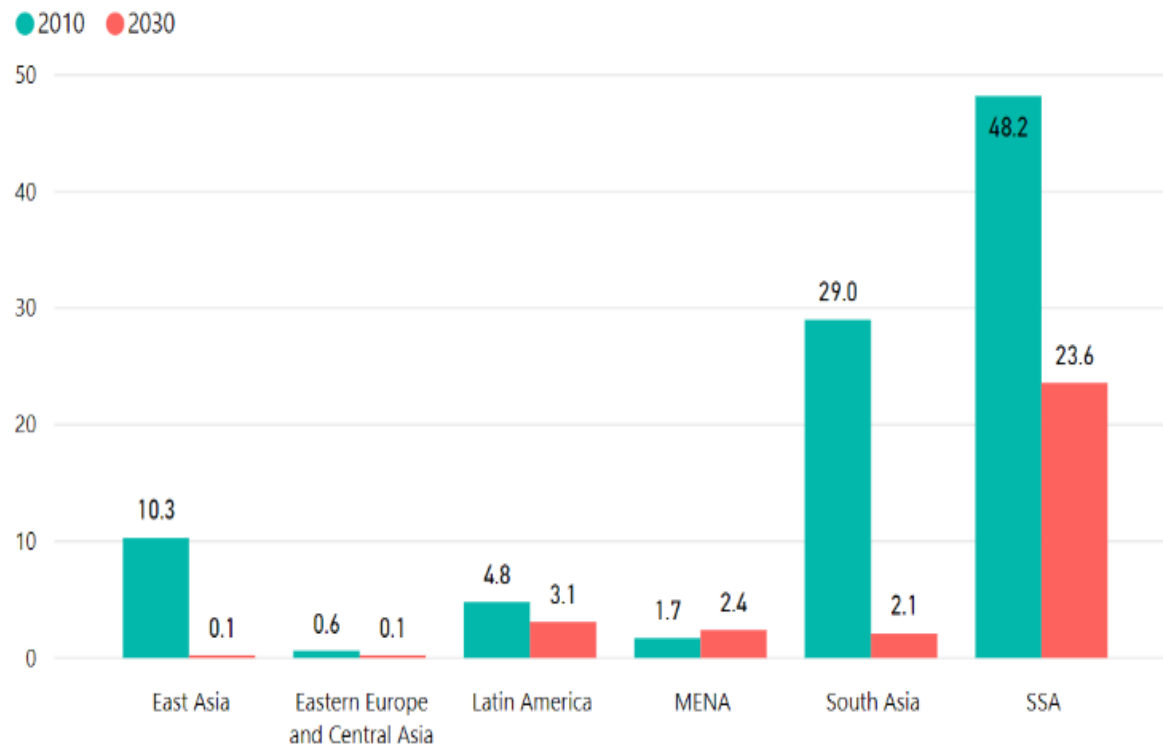
Budgets are increasing

Opportunity to advocate for public investment in WASH

[IMF: World Economic Outlook Database, April 2018](#)

# Opportunity in EAPRO – reduction in poverty

Extreme poverty by region - share of population below \$1.25 a day (2005 ppp)



Region	2010	2030	X times decrease
East Asia	10.30	0.10	103.00
Eastern Europe and Central Asia	0.60	0.10	6.00
Latin America	4.80	3.10	1.55
MENA	1.70	2.40	0.71
South Asia	29.00	2.10	13.81
SSA	48.20	23.60	2.04
Total	94.60	31.40	

Increased prosperity =  
expectations are  
increasing.

Increased demand for  
more and better services  
from government



# PF4C issues in our problem statements:

## ***Lao PDR:***

Government does not prioritise WASH (if ODA increase, domestic allocation decreases). No separate budget line for WASH in the national Treasury systems

## ***Philippines:***

How to make a case for national government agencies to increase their financing support to household sanitation, which is implemented by local governments?

## ***Indonesia:***

How to improve the efficiency and effectiveness of village level expenditure?

## ***Mongolia:***

Government funding allocation to Wash in Schools is not targeted to achieve equity.

## ***Myanmar:***

Government funding is not transparent, interest in participatory budgeting and social audits

# Public finance is only one element in responding to the financing gap

*Eg.*

## ***Cambodia:***

Financing gap for rural sanitation.

(includes issues of transparency and equity)

## ***China:***

Financing gap for desludging service for rural communities  
(public funds are insufficient)

## ***Indonesia:***

Opportunities to target Zakat funds

## ***Myanmar:***

Regulatory reform to incentivize private sector investment  
(contract enforcement)

# PF4C Framework - supporting the best use of public budgets

*What are  
common  
types of  
PFM  
obstacles to  
results?*

- Key stakeholders and decision makers do not recognize the investment need (**low budget priority**);
- **Insufficient allocations** – can't meet the true costs of implementing plans
- **Inefficient expenditure** – funds are not available when needed, do not reach intended recipients, or expenditure is inefficient or slow;
- **Ineffective expenditure** – resources go to interventions which are high-cost, low impact or uncoordinated;
- **Inequitable allocations** – decisions do not consider the needs of the disadvantaged;
- Weak financial **accountability**, budget **transparency**, or citizen participation

# PF4C issues in our problem statements:

*Lao PDR:* Government does not **prioritise** WASH

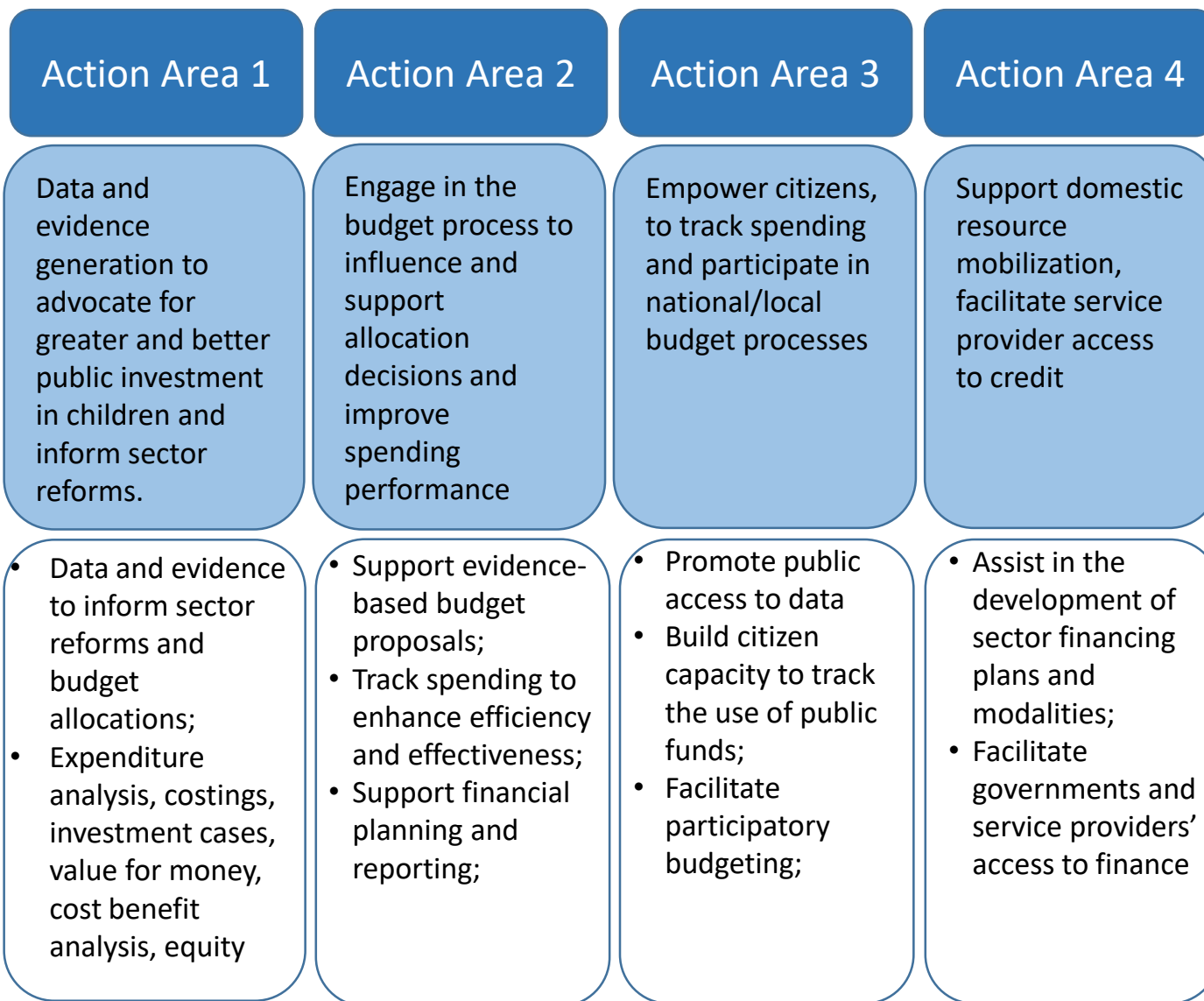
*Philippines:* **Insufficient allocations** from national government to local government to meet costs

*Indonesia:* **Efficiency** and **effectiveness** of village level expenditure?

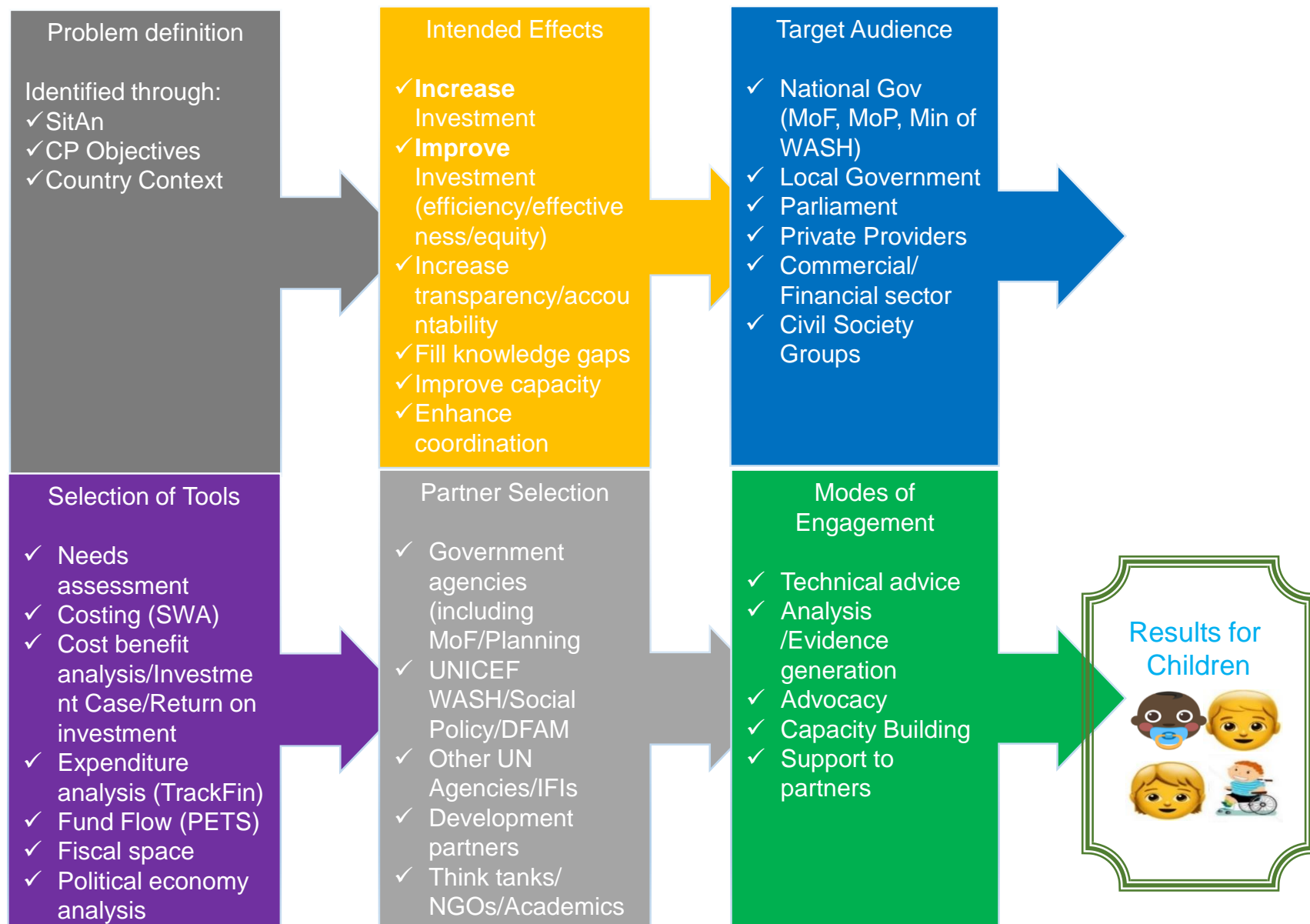
*Mongolia:* Government funding to Wash in Schools is **inequitable**.

*Myanmar:* **Transparency** issues

# PF4C Framework - supporting the best use of public budgets



# Strategy to achieve results through PF4C



# Complementary Social Policy & Sector Roles



## Activities led by Social Policy Staff/teams

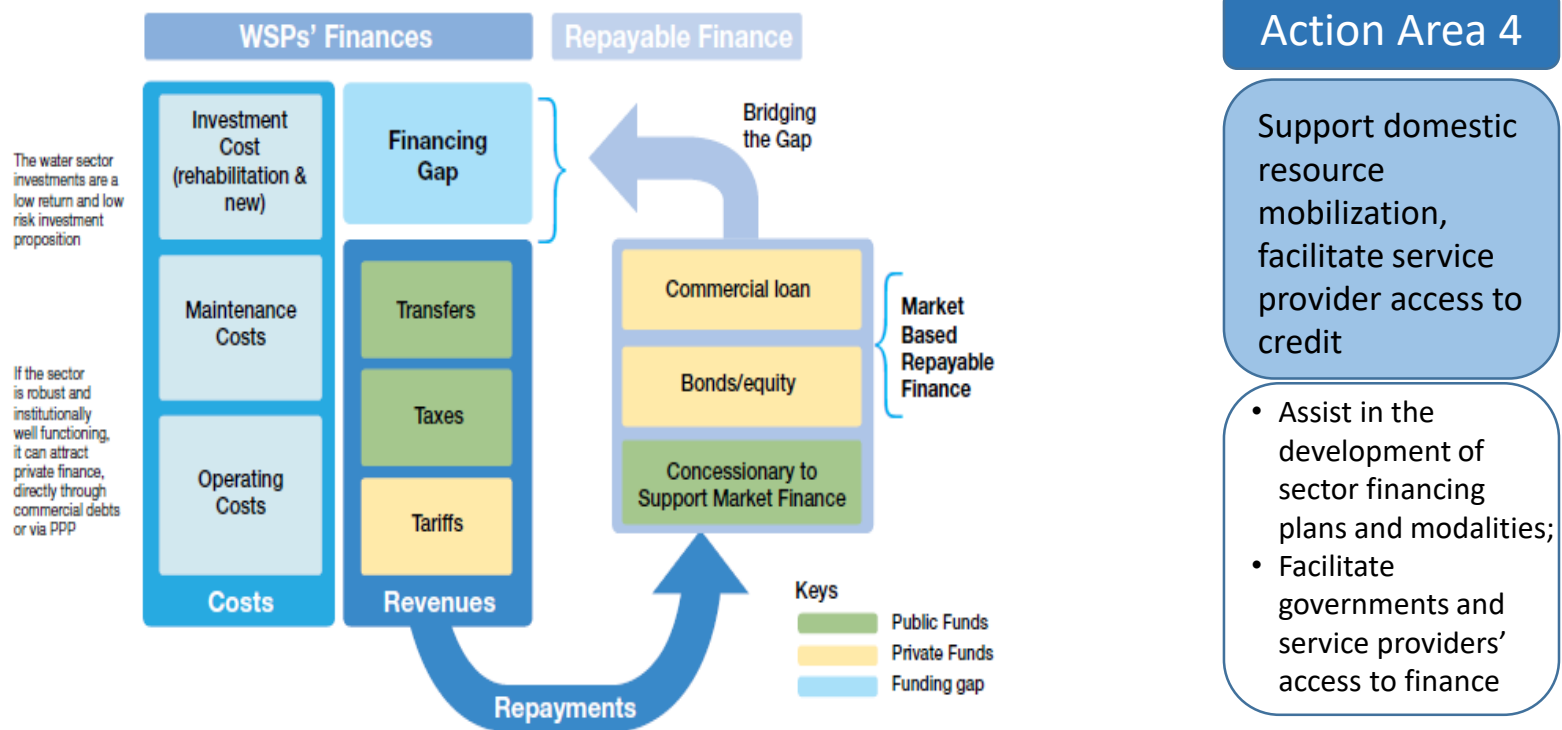
- Understand budget cycle and inform planning PF4C activities (with whom, when, on what)
- Policy dialogue around investments in children, fiscal space and fiscal reforms (e.g. MTEF, fiscal decentralization...)
- Evidence generation on public investments in children, resource gaps and linking them to outcomes
- Develop and support budget guidelines and M&E for the national budget process



## Activities led by other Sectors (with support from SP)

- Support line ministries' budgeting and in budget submissions that include cost effective, high impact programs
- Support to sector reforms, including sector expenditure reviews and gap analysis
- Develop sector investment cases, cost benefit analysis, and costed action plans
- Develop sector investment strategies
- Develop and support budgeting guidelines and M&E within sector ministries

# Responding to the WASH financing gap will take more than public financing: public budget and ODA play a role, but **tariffs** are key





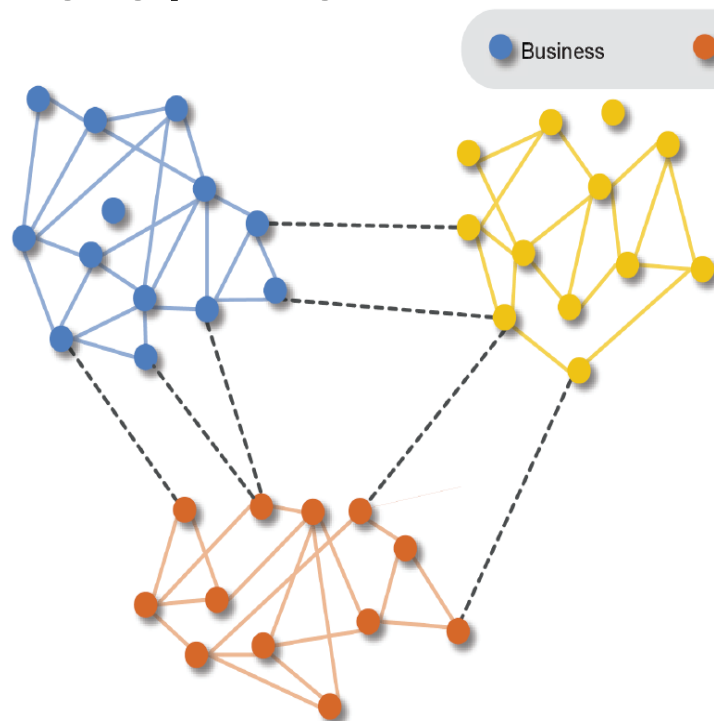
# SDG Means of Implementation is > Finance

SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development

- Finance
- Technology
- Trade
- Capacity building
- Other systemic issues
  - Policy reform and institution building
  - Partnerships, including with local communities
  - Data, monitoring and accountability

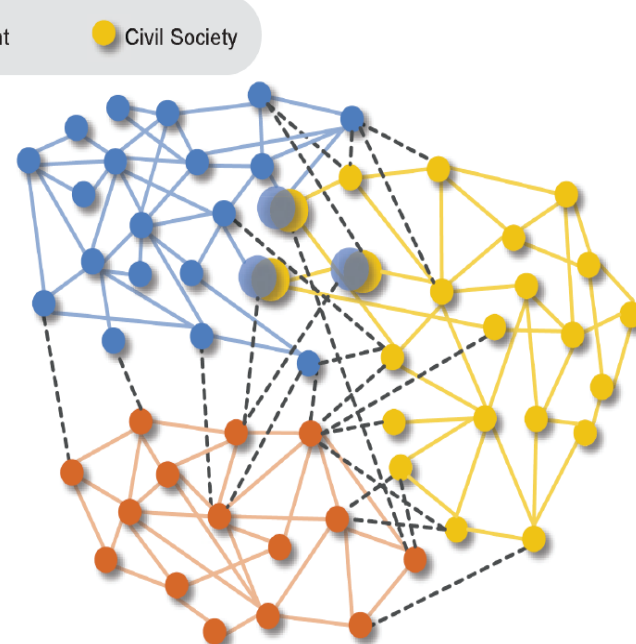
# Major Trends

## Changing paradigms for sector roles



### Old Paradigm

- Government, Civil Society and Business each acting primarily within their own spheres
- Some degree of interaction, but limited—each sector acting independently to influence the other
- Independently-defined roles of each sector



### New Paradigm

- Greater degree of activity to address societal challenges within each sector and more integration across a shared space
- New frameworks for collaboration, partnership and innovation resulting from increased intersections
- Increased blurring of traditional roles
- Evidence of hybrid organizations emerging (e.g. business with social purpose and civil society as market actors)

# UNICEF Study on Innovative financing

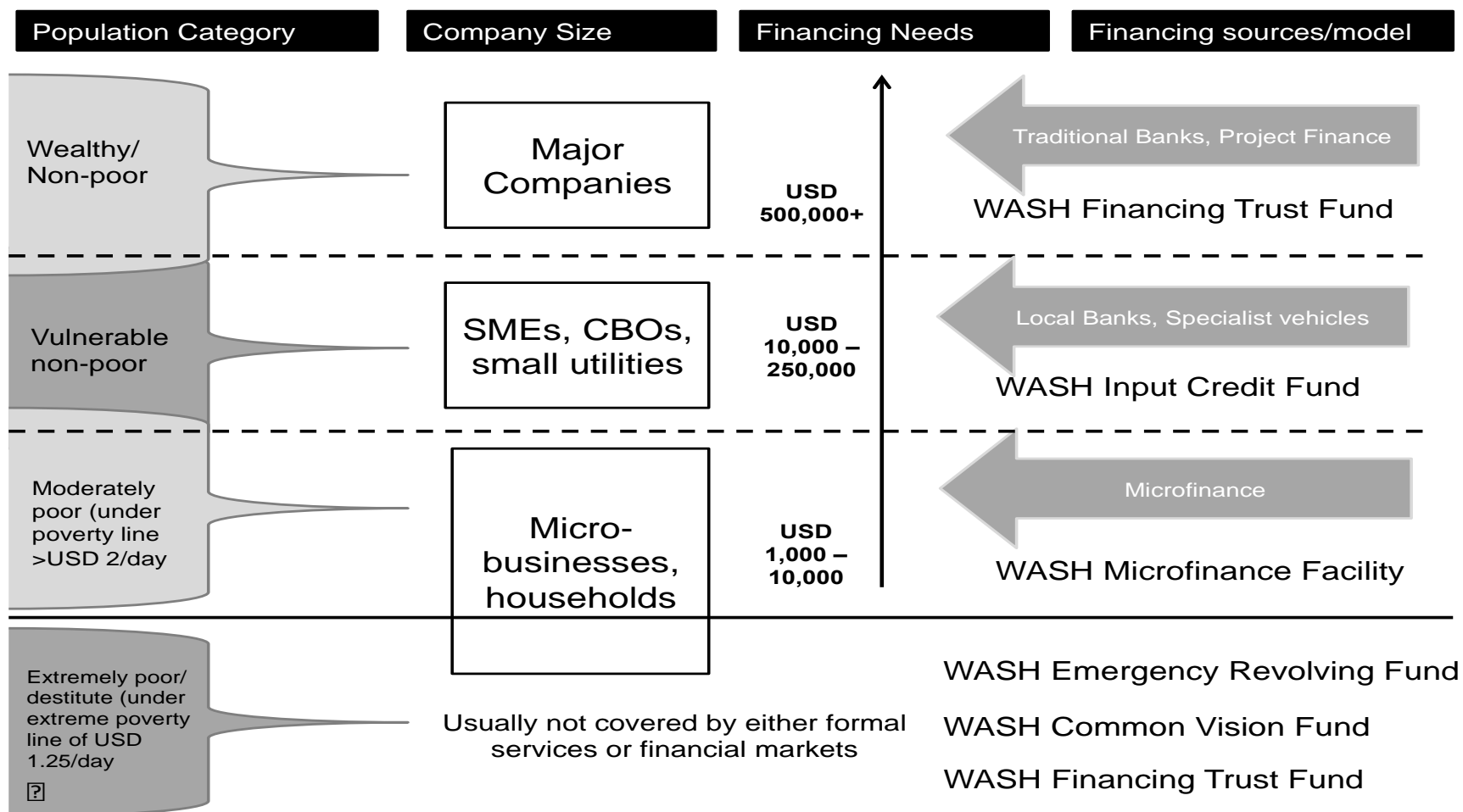
**Innovative finance mechanism exist for WASH but limited in scope/scale**

Voluntary Contributions

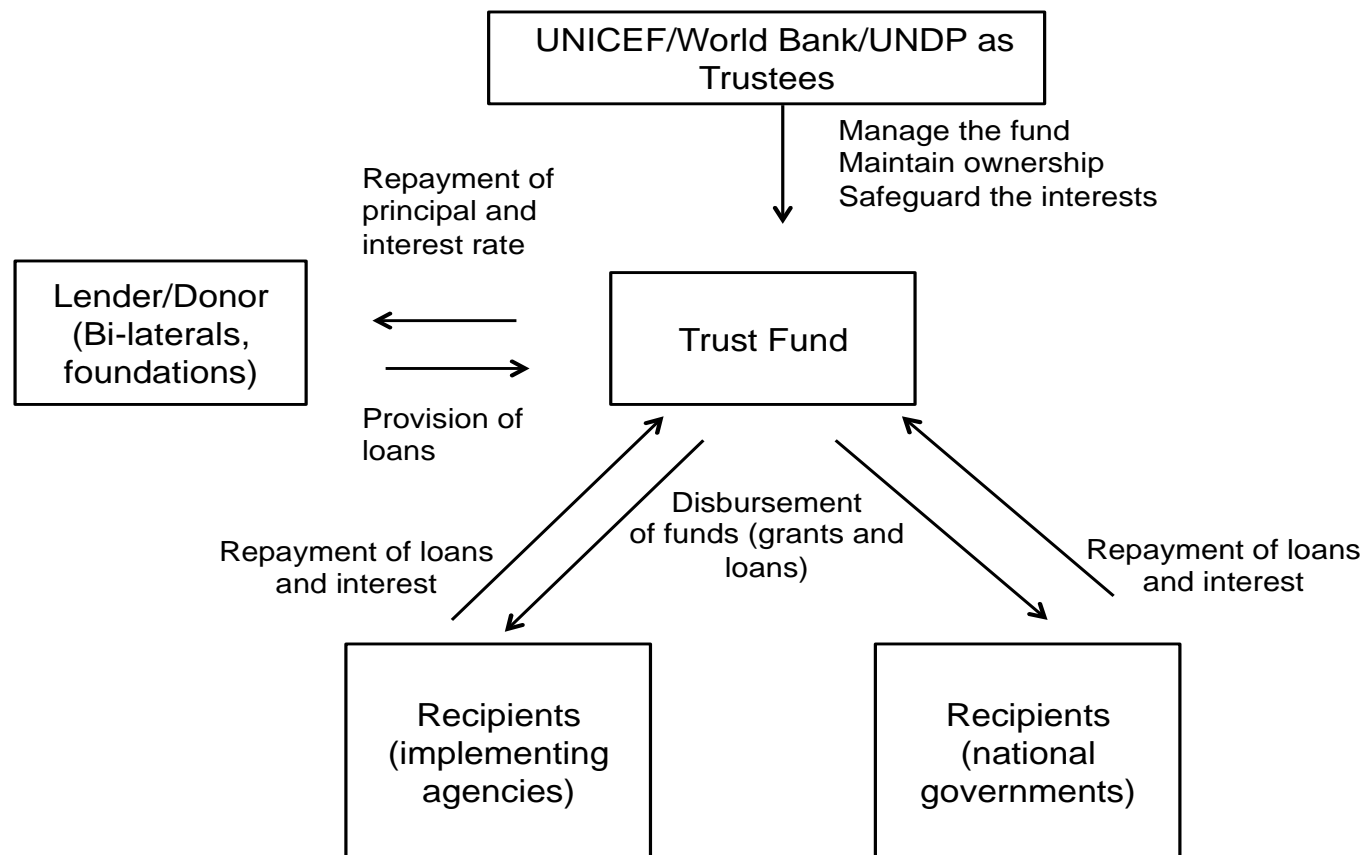
Taxes/Levies

Financial Instruments

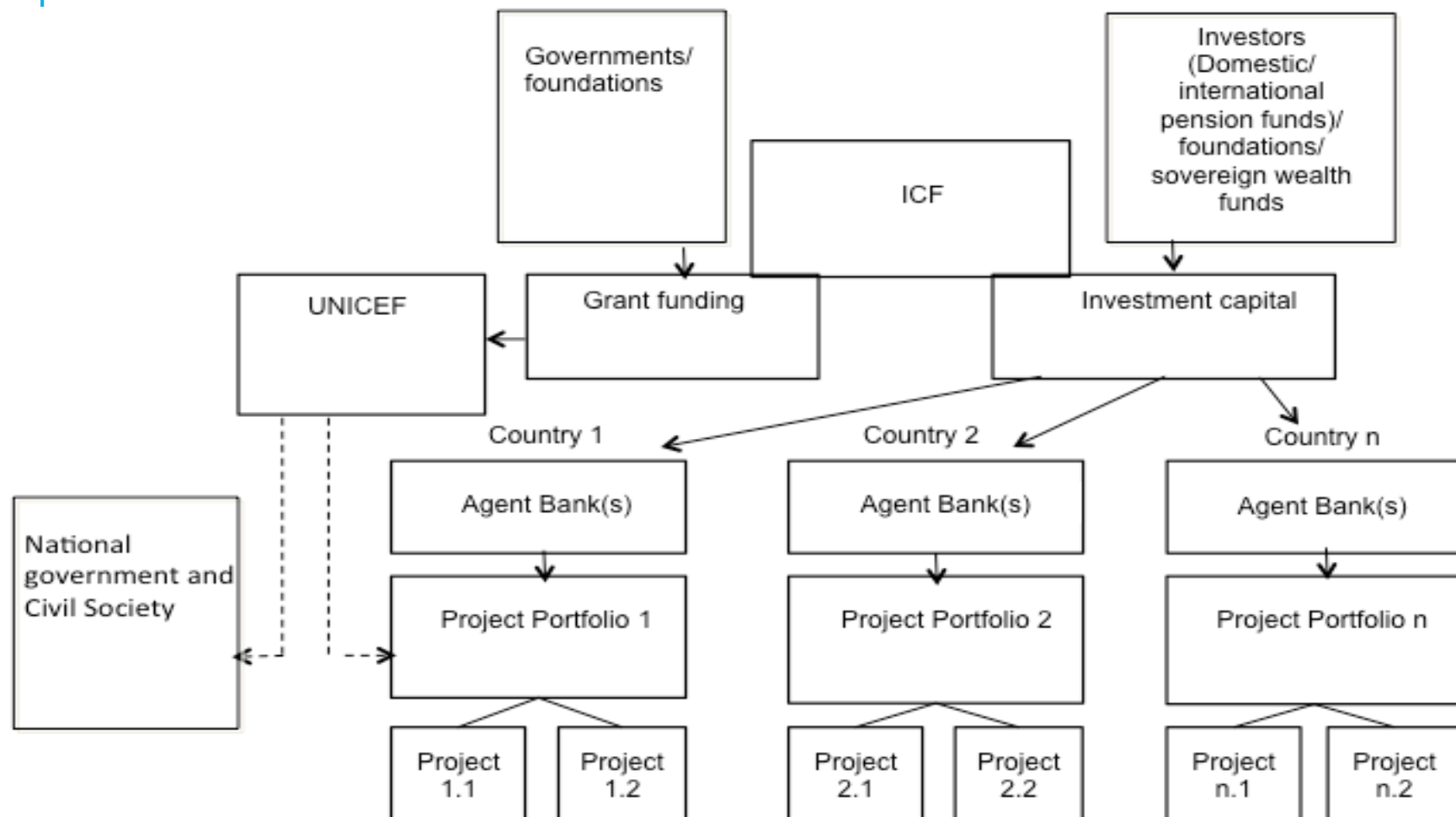
# Financing Solutions to Address Needs- Blended financing



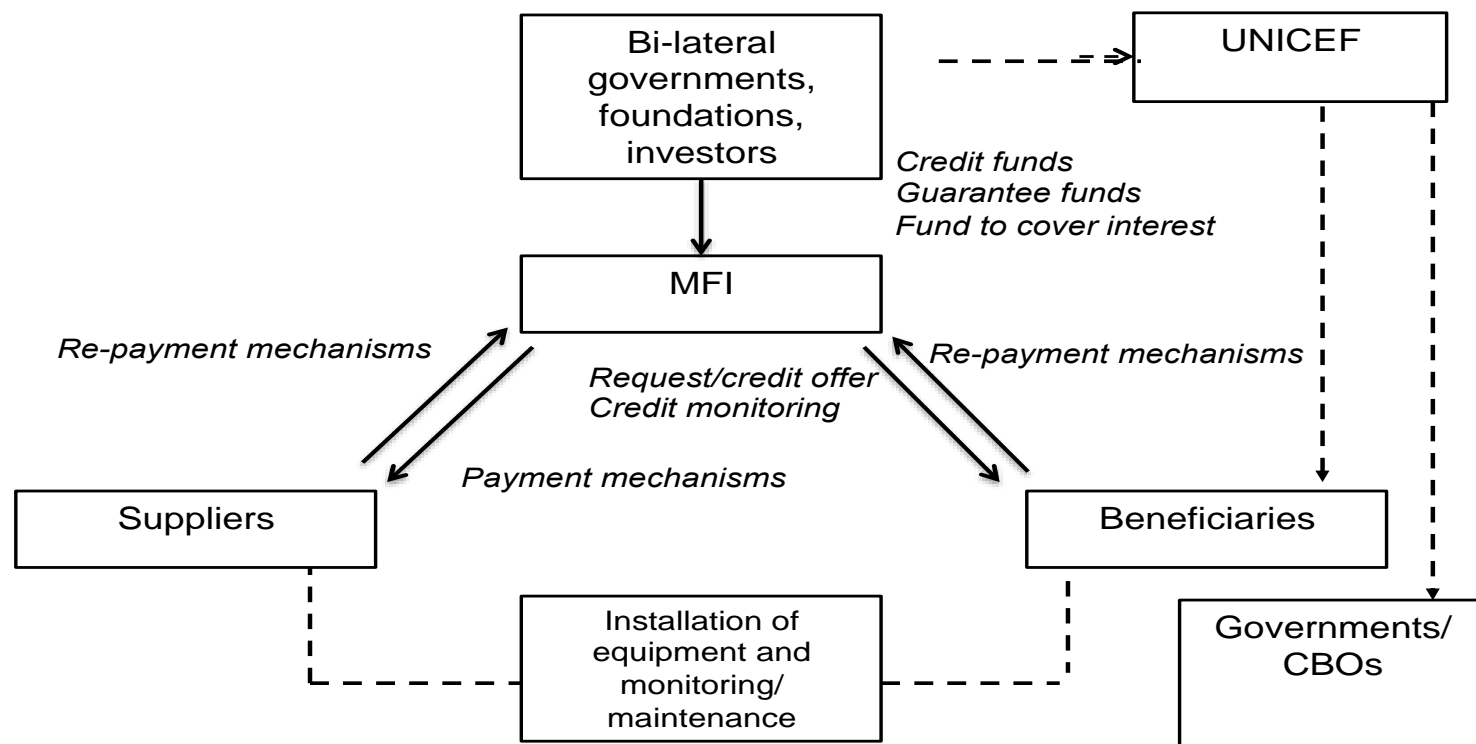
# WASH Financing Trust Fund



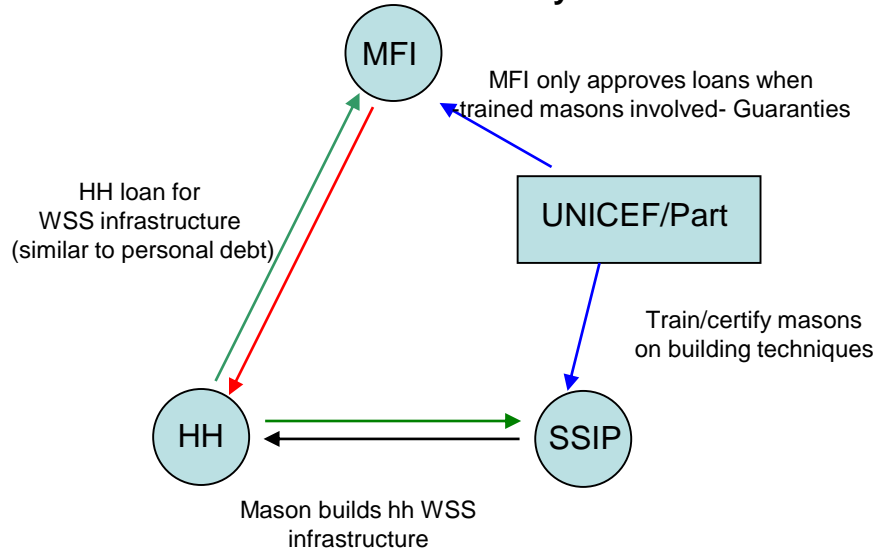
# WASH Input Credit Fund



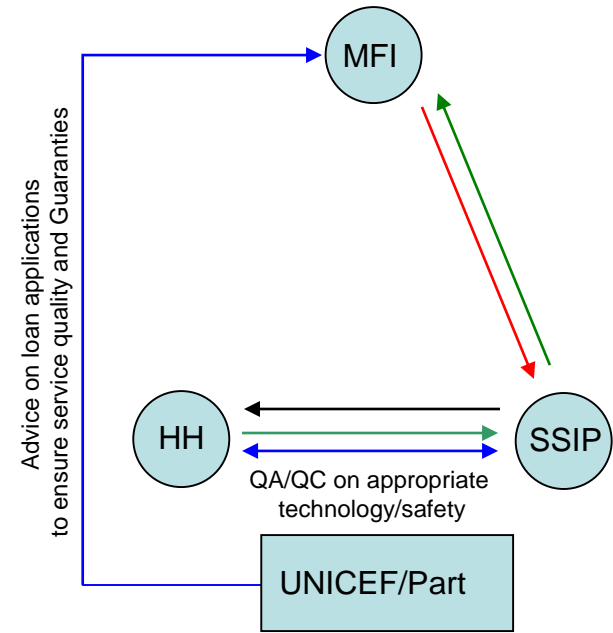
# WASH Microfinance Facility



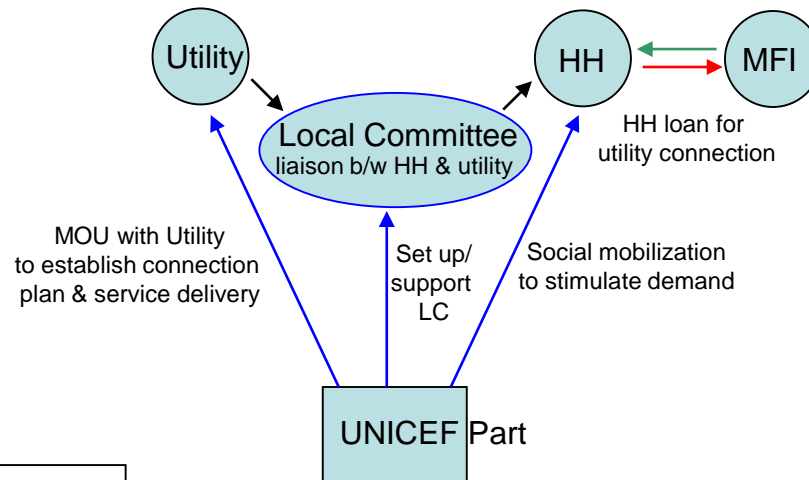
### Model 1: SSIP not constrained by finance



### Model 2: HH not constrained by finance

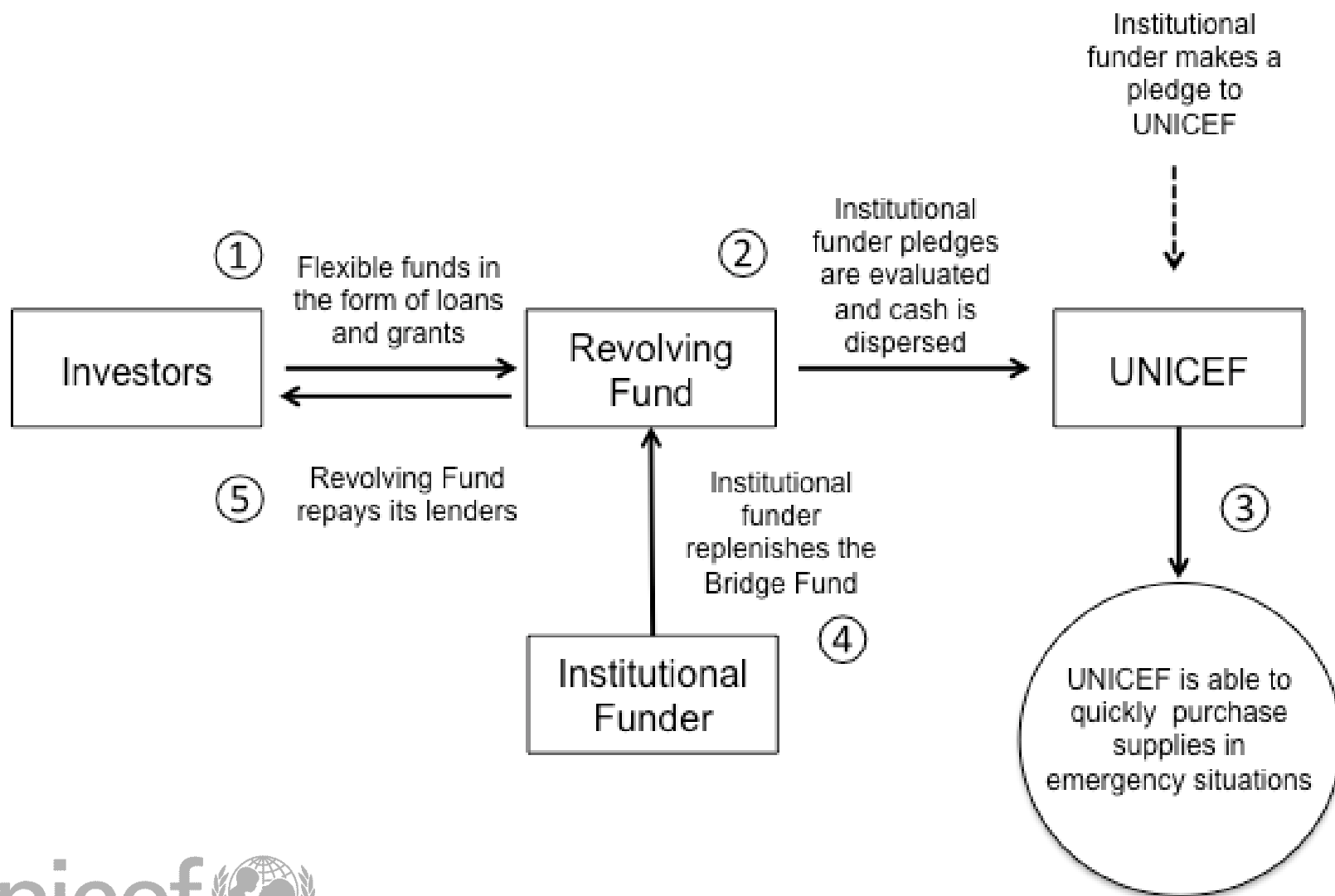


### Model 3: HH constrained by finance





# WASH Emergency Revolving Fund



# Horizon programming

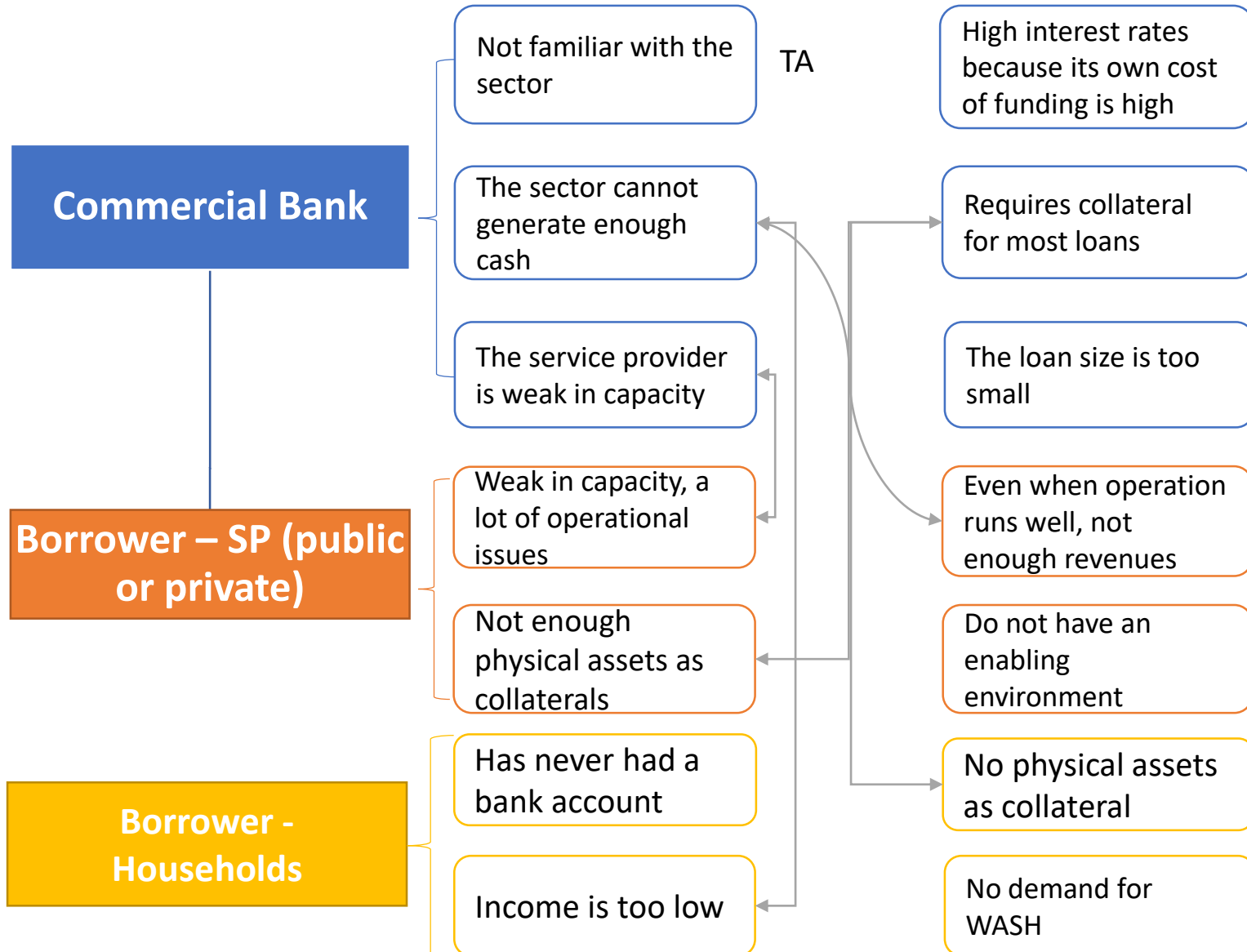
*UNICEF WASH strategy 2016 - 2030*



**Urban service delivery:** “Primarily in emergencies – but also whenever no one else is addressing the need – UNICEF will directly engage with **[urban] service delivery**”

**Financing:** “UNICEF will utilize its own resources to leverage financing for children working with partners on **innovative financing modalities** for WASH, with a focus on **domestic financing**.”

# Why aren't simple loans happening more in our sector?



# Cost recovery options

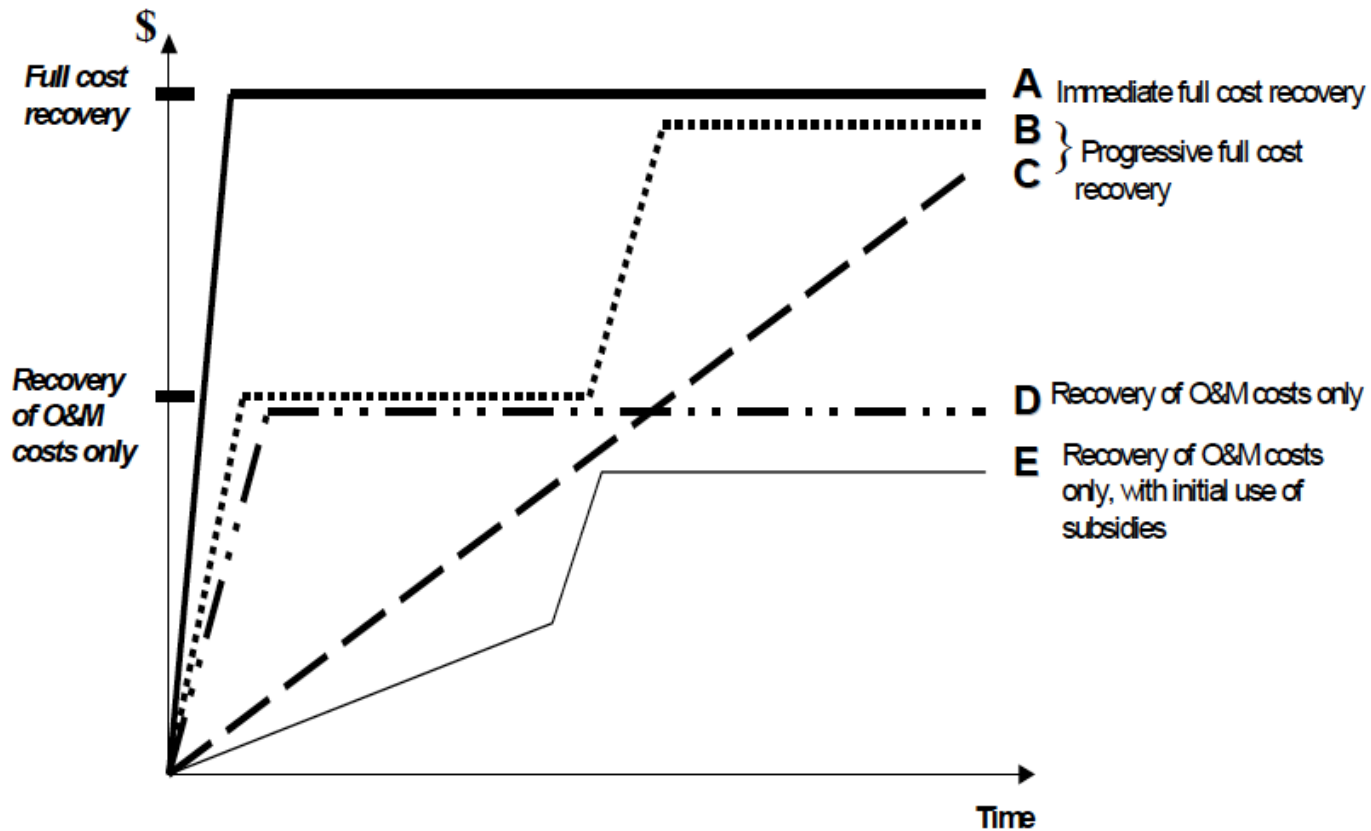


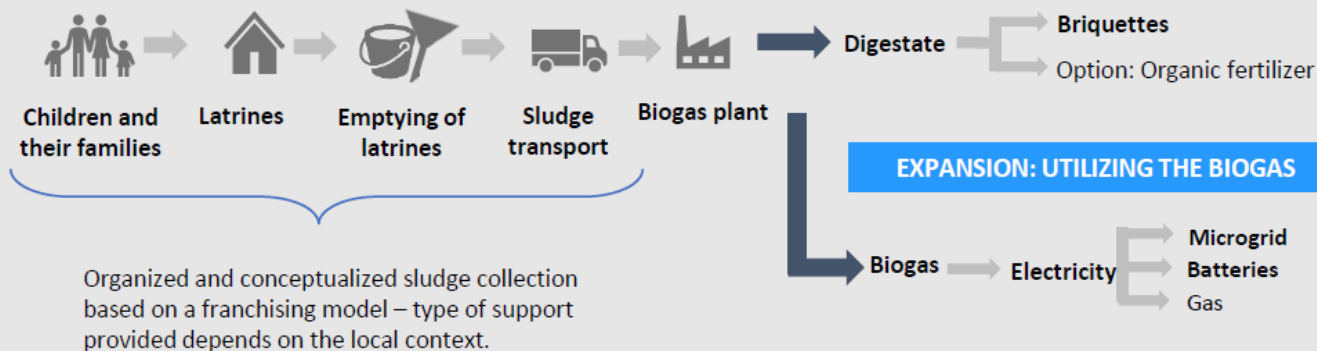
Figure 1: Cost recovery options

# **Financing Modalities and Conditions of Success**

# Financing Sanitation Chain

**SANITATION SERVICE CHAIN** that combines collection and transportation of sludge, biogas production and impact investing

## BASE CASE: UTILIZING THE DIGESTATE



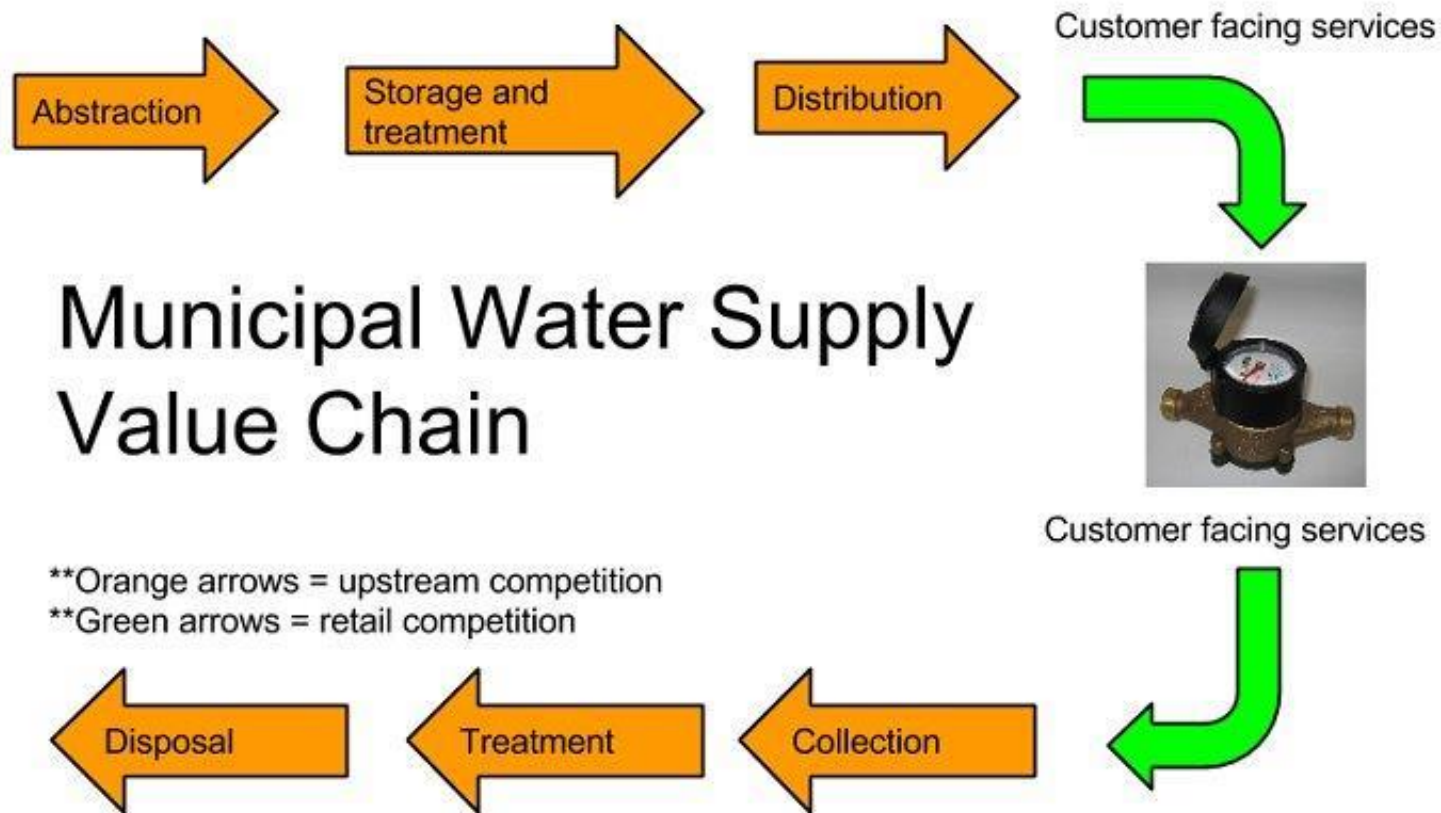
## EXPANSION: UTILIZING THE BIOGAS

DIB

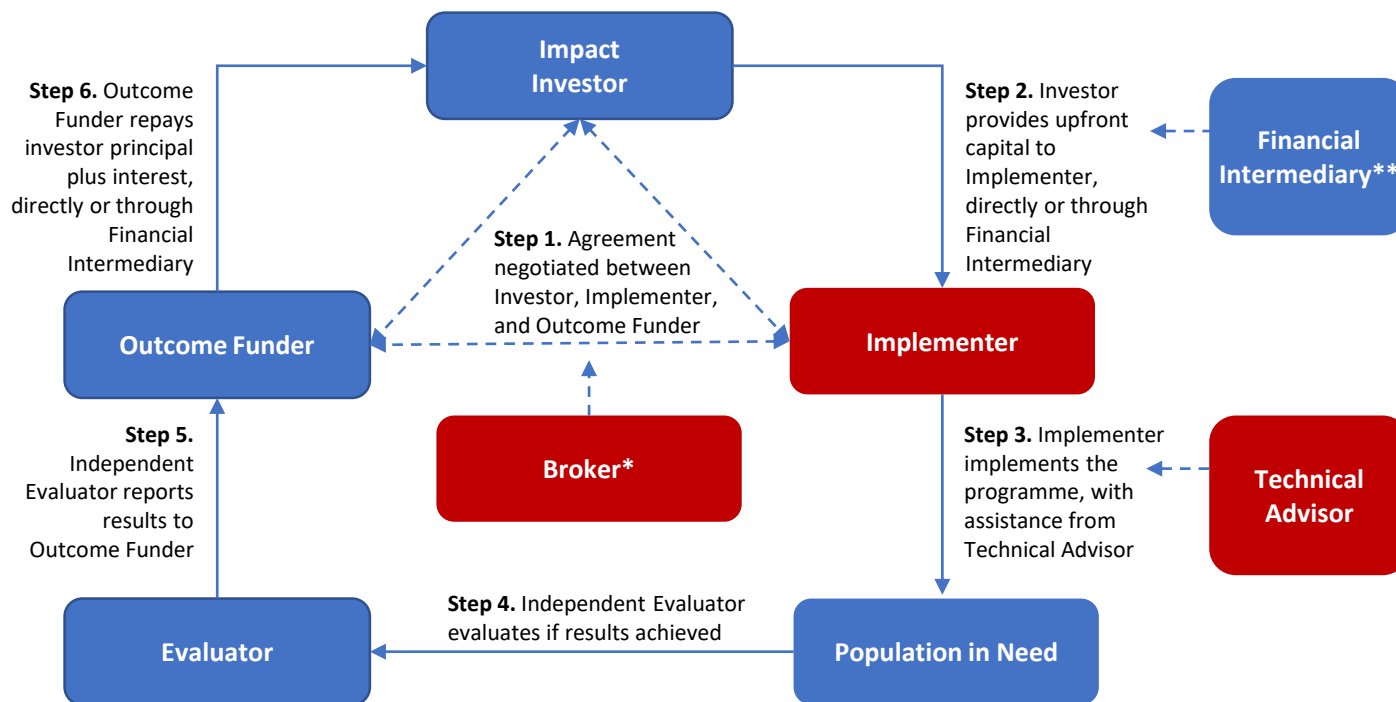
Microfinance

Credit Fund

# Water Supply Chain



# ODF Impact Bonds



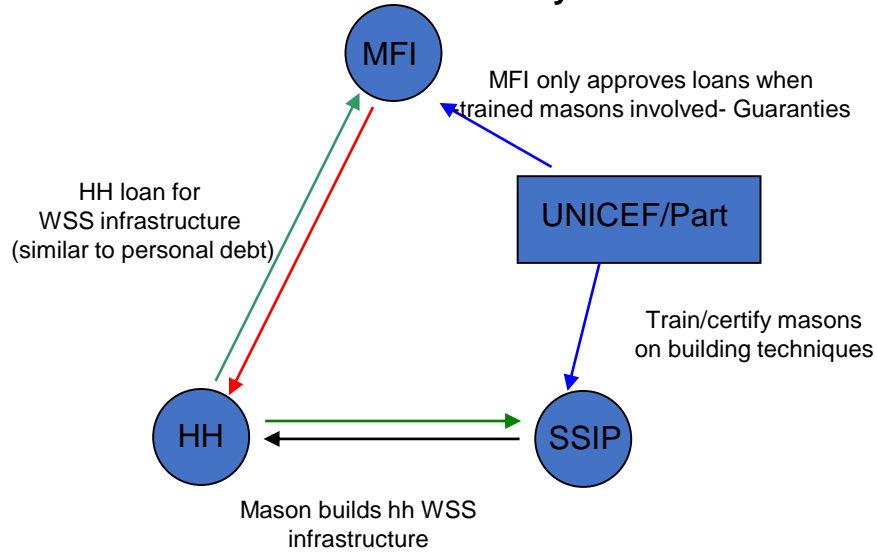
## Notes

\*A Broker may facilitate agreements.

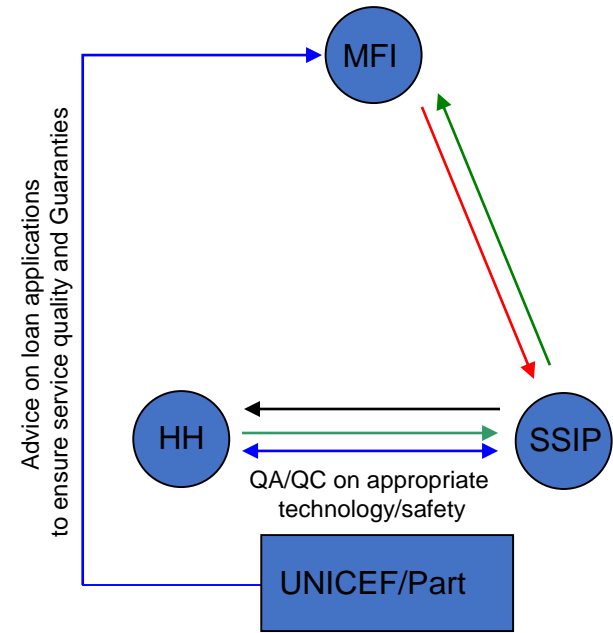
\*\*A Financial Intermediary receives the upfront capital from the Investor, distributes the funds to the Implementer, and repays Investors using funds received from the Outcome Funder



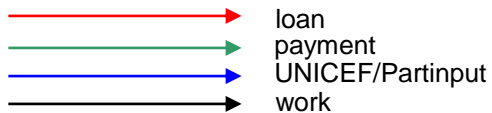
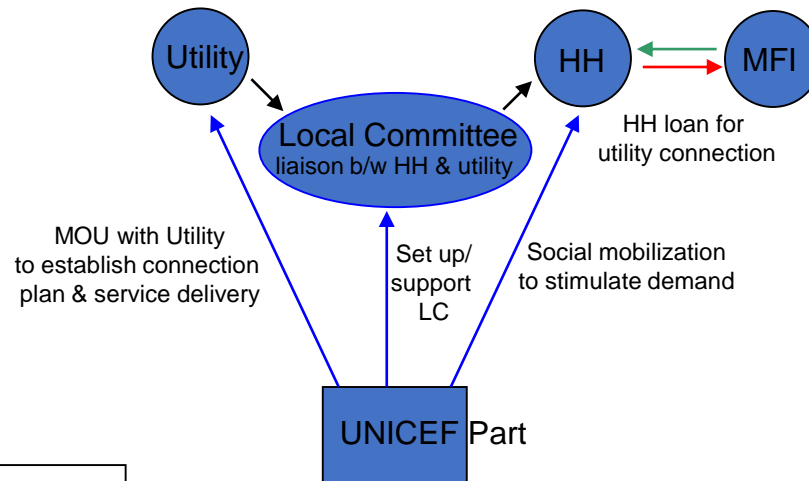
### Model 1: SSIP not constrained by finance



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### Model 3: HH constrained by finance



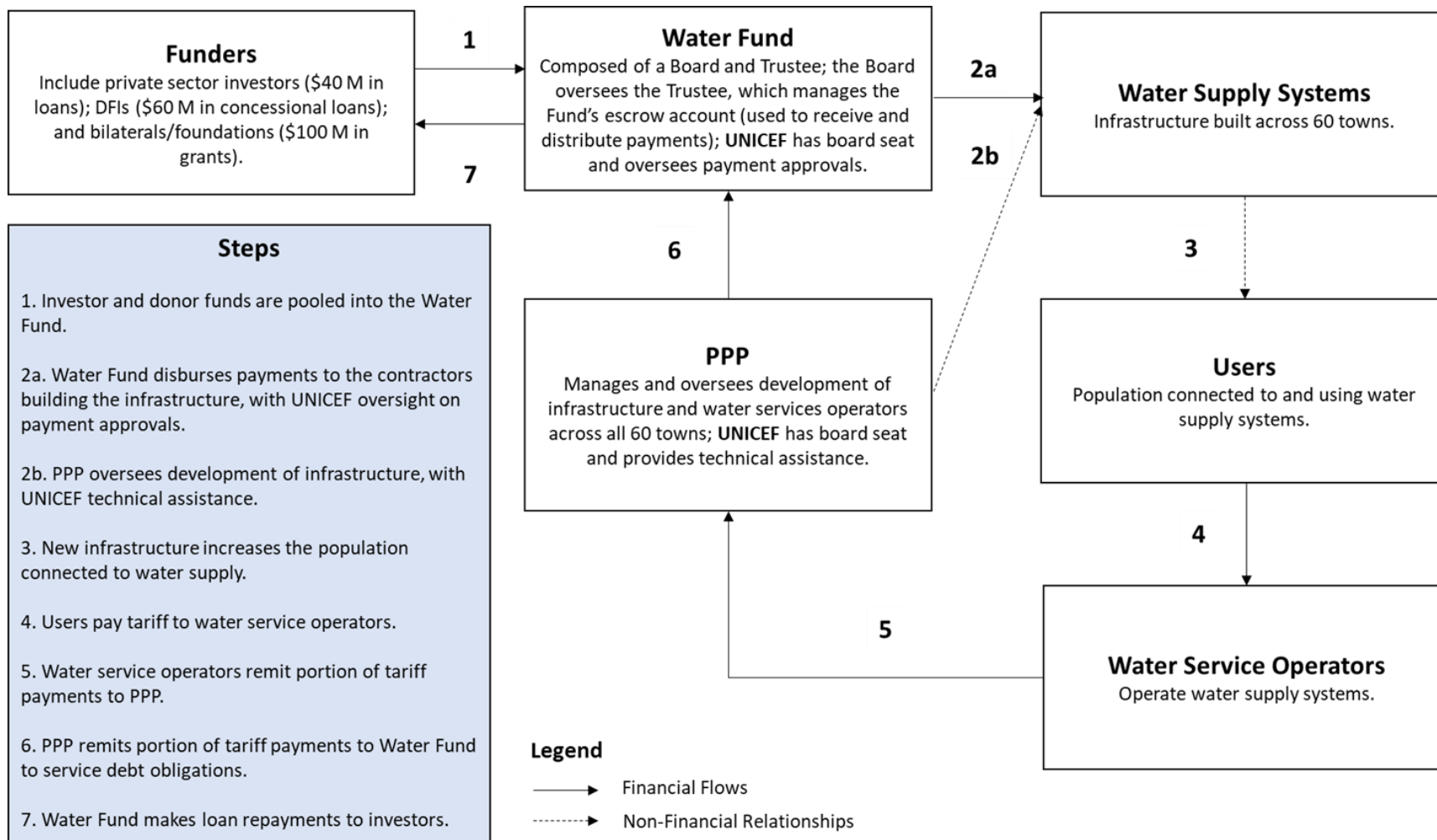
# Case Studies

# Mobile banking – another financial inclusion & payment tool

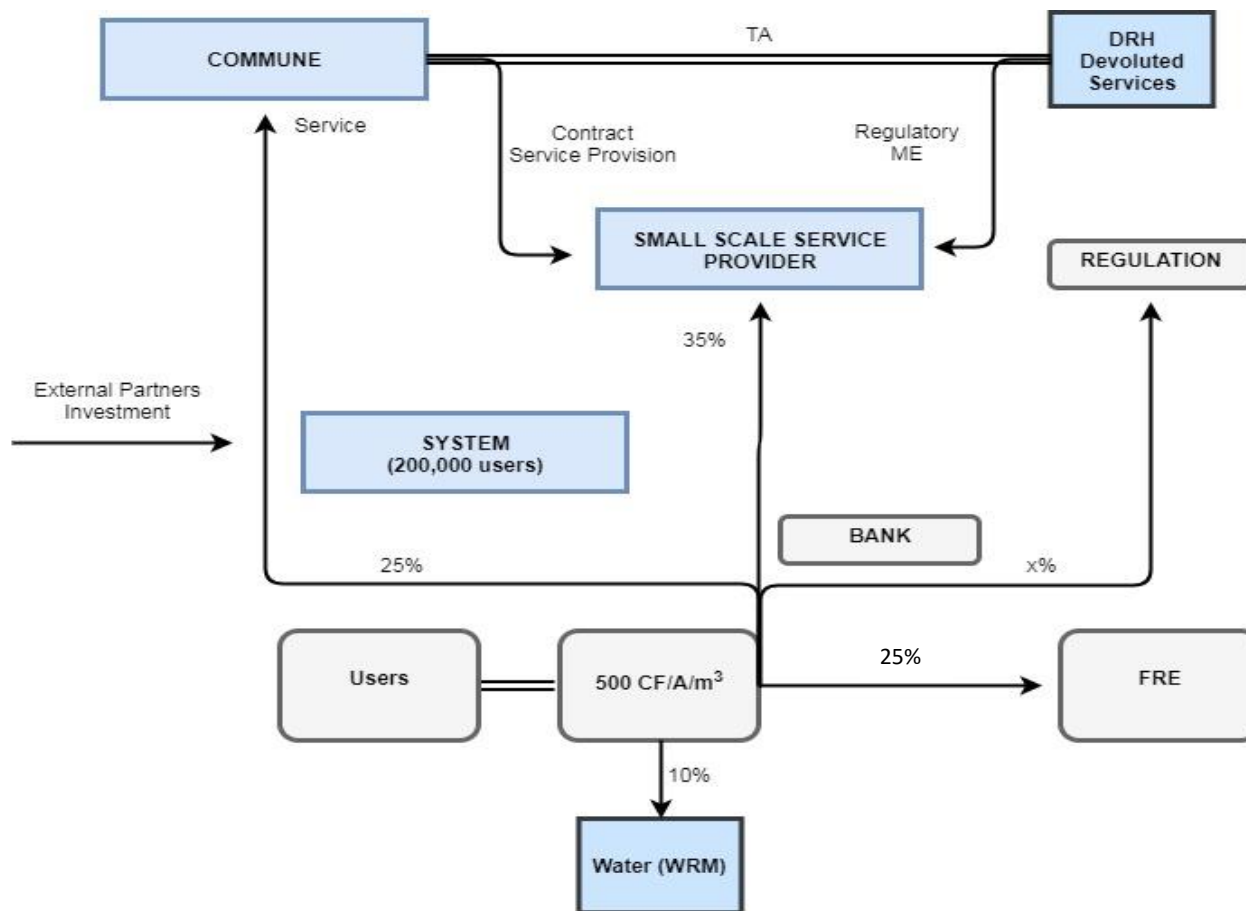
- What is mobile banking?
  - Provides cost-effective finance “infrastructure”
  - Often includes low-cost payment services
  - Microfinance services
- How is it used in WASH?
- Example: d’Inclusion Sociale in Senegal



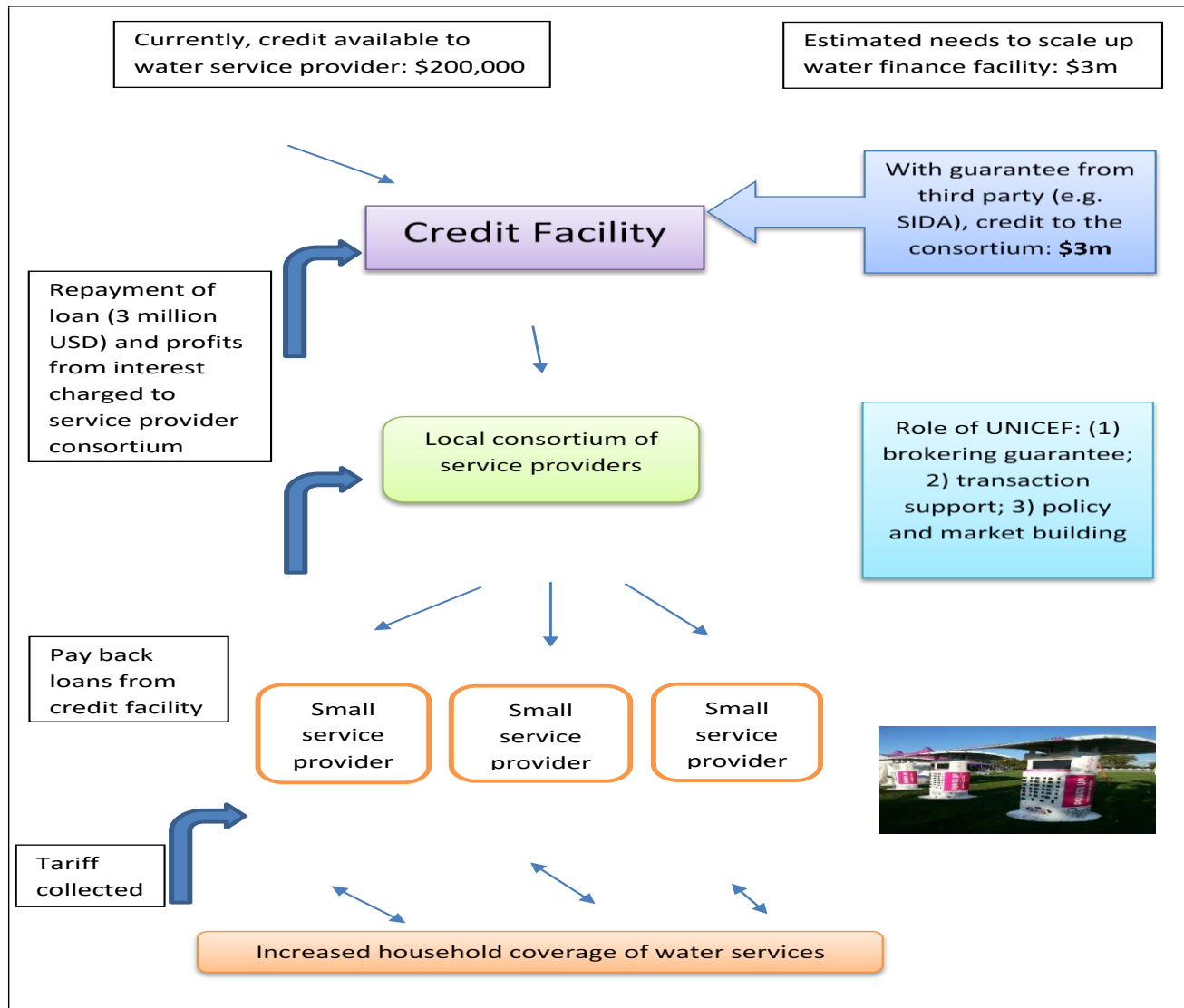
# Mozambique



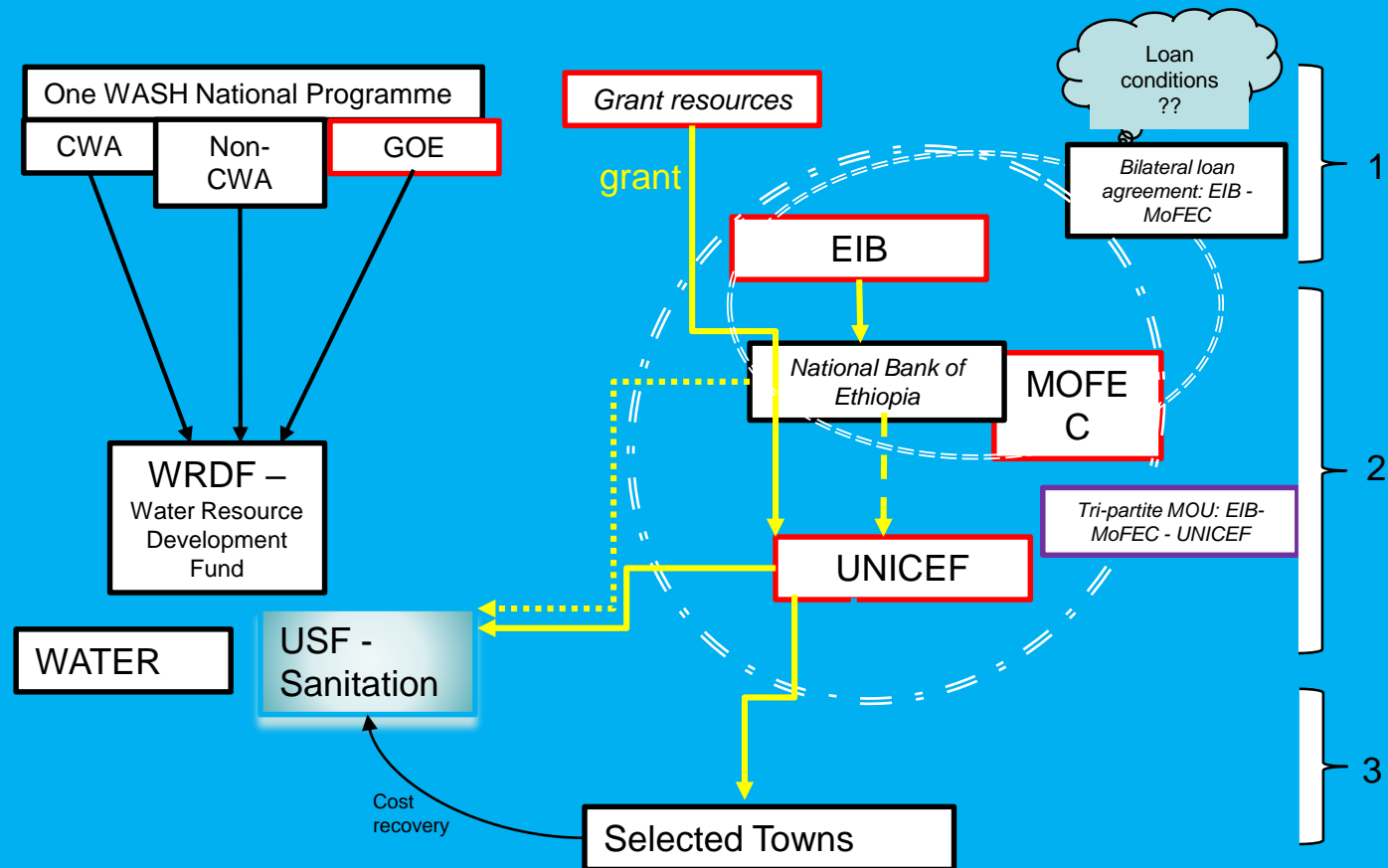
# Niger



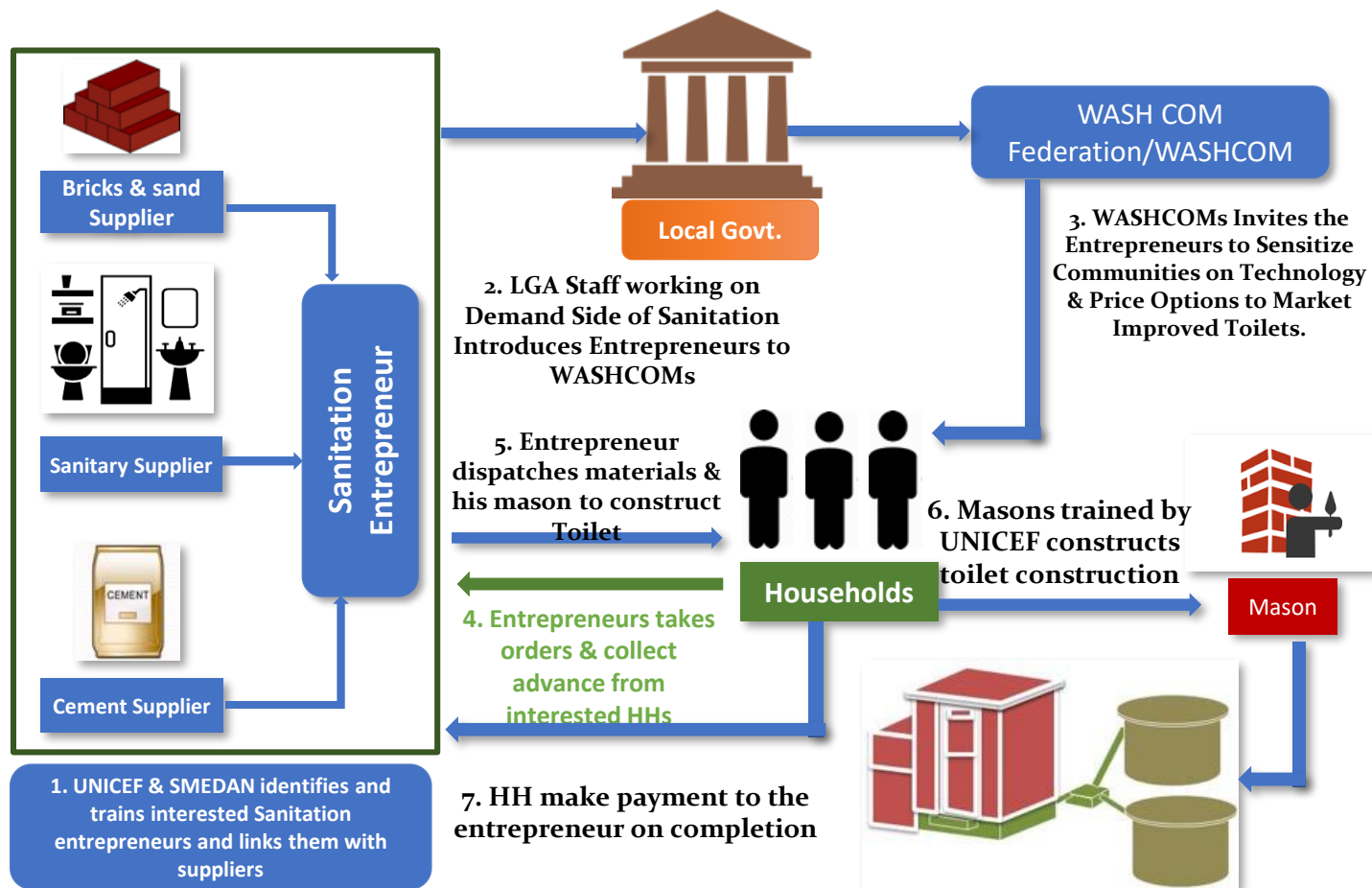
# Burkina Faso



# Ethiopia - Blended Financing

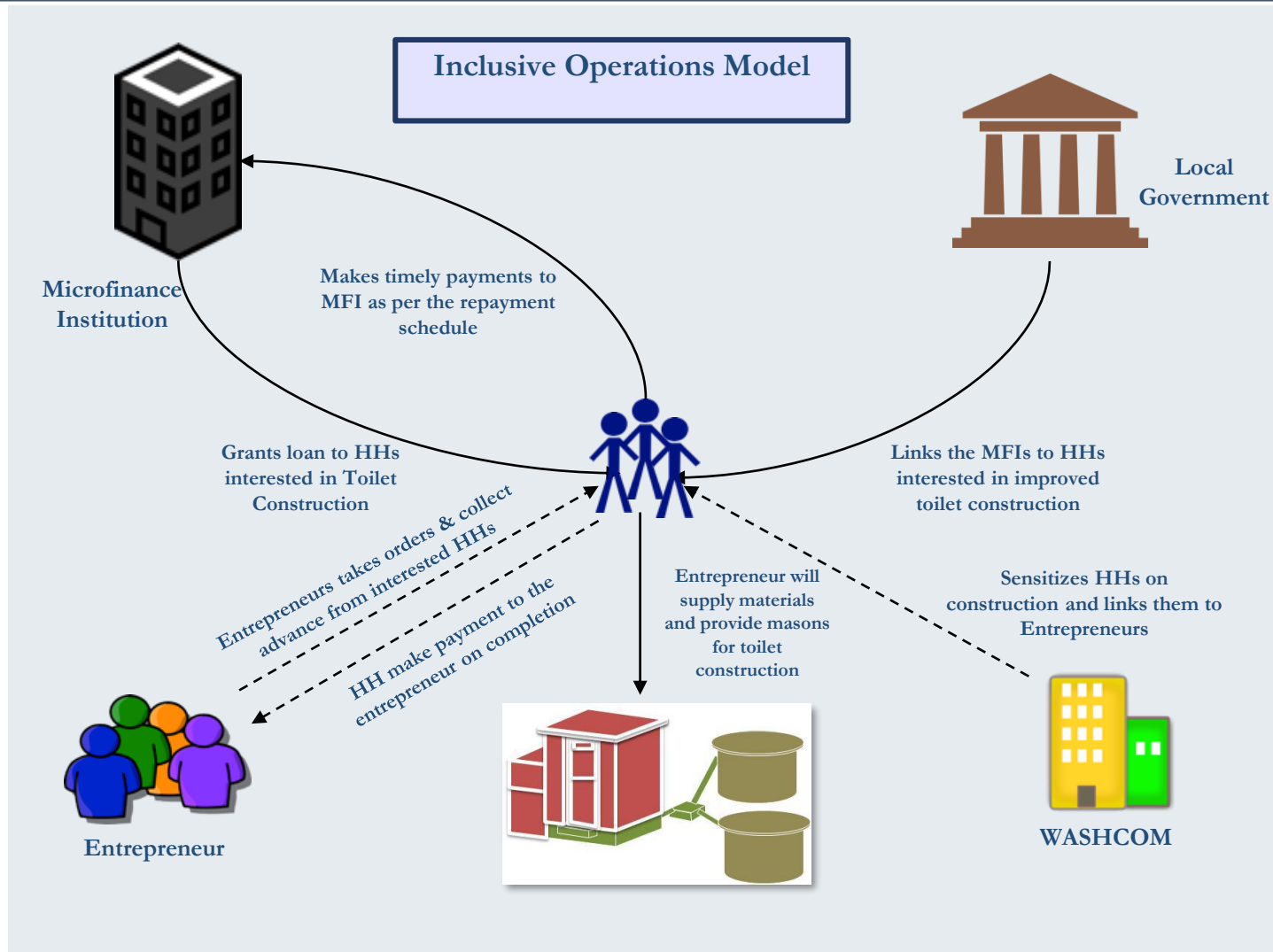


## Nigeria: The SanMark Model

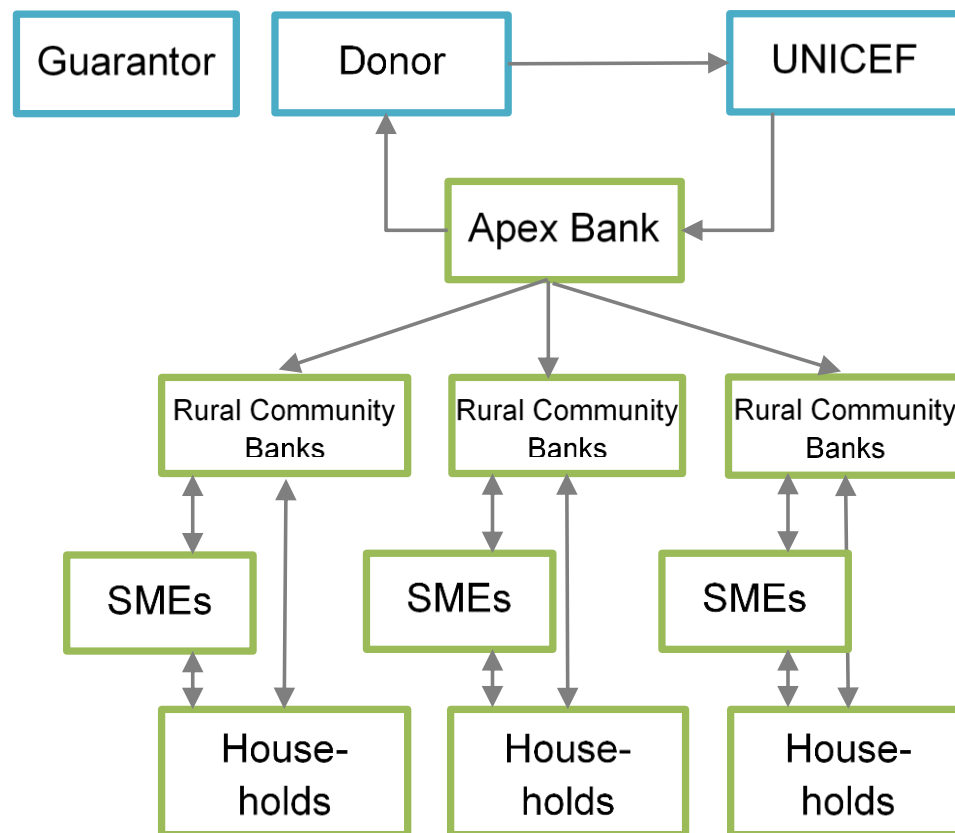




# Nigeria



# Ghana



## Roles of UNICEF, FMWR and Financing Institution

### Financing Institution

- Providing loans to the individuals who are interested in construction of improved toilets.
- Group formation process that leverages on demand generation of UNICEF
- Strict implementation of loan recovery mechanisms
- Render monthly report through to FMWR and UNICEF
- Submit quarterly disaggregated data through to UNICEF

### UNICEF

- Providing support for organizing technical workshops, conducting exposure visits and creating awareness campaigns
- Provide the geographical locations where the demand generation is created for construction of sanitation facilities
- Participation in quarterly meetings and review the progress and work done under sanitation financing initiatives
- In consultation with FMWR, further the discussion on the emerging opportunities for collaboration as specified under PEWASH.

### FMWR (Federal Ministry of Water Resources)

- Coordinate with UNICEF, and ensuring quality technical assistance to party two
- Facilitating smooth enabling of UNICEF's role in programme implementation through circulars/ memos as required from time to time.
- Providing the participants list for the training programs and ensuring their participation
- FMWR to facilitate declaration / announcement of construction of improved toilets

# Thank You



*Marina Barrage*