Thank you for joining, the webinar “Financing to eliminate inequalities: Is the sector putting its money where it matters most?”

We will begin shortly.
SWA Webinar
Financing to eliminate inequalities: Is the sector putting its money where it matters most?

24 and 25 July, 2019
Presenters

- Government of Ethiopia- Abiy Girma, National ONE WASH Coordinator
- Government of Malawi- Emma Mbalame, Director of Water Supply and Sanitation
- IRC- Catarina Fonseca, Head Innovation and International Development
- Collaborative Africa Budget Reform Initiative (CABRI)- Neil Cole, Executive Secretary
The SWA Framework

THE GUIDING PRINCIPLES
The values partners have in common and that guide all joint action.

- Multi-stakeholders efforts
- Sustainability of service and actions
- Leaving no-one behind
- Transparency and accountability
- Evidence-based decision-making
- Human rights to water and sanitation
- International collaboration and aid effectiveness

THE COLLABORATIVE BEHAVIOURS
How partners work together to put in place the Building Blocks.

- Enhance government leadership of sector planning processes
- Strengthen and use country systems
- Use one information and mutual accountability platform
- Build sustainable water and sanitation sector financing strategies

THE BUILDING BLOCKS
What partners are jointly putting in place to achieve an effective sector.

- Sector Policy / Strategy
- Institutional arrangements
- Sector Financing
- Planning, monitoring, and review
- Capacity development

THE ACCOUNTABILITY MECHANISM
Joint initiative that grounds the Framework in specific, measurable, attainable, relevant and timely actions.

It re-enforces multi-stakeholder decision-making and mutual accountability among partners at national, regional and global level.
IRC- Catarina Fonseca, Head Innovation and International Development
Inequalities in the WASH sector

Who is being left behind?

Source: DORP, Bangladesh
Inequalities in the WASH sector 2000-17
*Reduction urban-rural, mixed for poorest-richest*

**Water**
- Urban-rural coverage gap reduced 10% points between 2000-17.
- Gap between richest and poorest has been reduced in 35 countries while increasing in 39 countries.

**Sanitation**
- Urban-rural coverage gap decreased 26% percentage points between 2000-17.
- Gap between richest and poorest has been reduced in 52 countries, it has increased in 22 countries.

*Source: https://washdata.org/*
Inequalities in the sector for basic water 2000-17
Gap between richest and poorest quintile

Source: https://washdata.org/
Inequalities in the sector for basic sanitation 2000-17
Gap between richest and poorest quintile

Source: https://washdata.org/
Financing inequalities in the WASH sector

Why is it critical?

Credit: WSP Calendar, 2015

Credit: WSP Calendar, 2004
Financing gap is daunting

Lack of sufficient resources to meet WASH targets in all regions

- Over 80% of countries (n= 70) report insufficient financing (less than 75%) to meet their national WASH targets

Source: GLAAS 2017
Progress too slow mainly in rural coverage

Inequalities are higher in rural areas

- Basic water, rural
- Basic sanitation, rural

Source: https://washdata.org/
Financing was identified as a main challenge by half of the countries which submitted briefs ahead of the SMM – 21 out of 42 countries.

SMM takeaways:

- Data was the most discussed issue around the topic of Leave No One Behind.
- Financing for services which address inequalities must be specifically budgeted and monitored for successful allocation and expenditure of those budgets.
Financing inequalities: 5 top priorities to frame the discussion

1. The need for a consultative and inclusive Financing Strategy
2. Defining who is being left behind and the reasons for lack of, or poor, services
3. Implement efficient mechanisms to reach those being left behind
4. Understanding opportunities with the most important sources of funds in the sector: tariffs and taxes
5. Ensuring the foundations for increasing funds for the sector
1. The need for a consultative and inclusive Financing Strategy

- Achieving the SDG6 needs a common vision
- A vision without a financing strategy will remain a dream
- See Annex for what a financing strategy entails (Source: UNICEF)
2. Defining who is being left behind and the reasons for lack of, or poor, services

- We cannot target those who are not receiving services or who receive poor services if we don’t know who they are, where they are and how many they are.
- A few regulators demand this information from urban utilities and set targets (WASREB Kenya, others?)
- The reasons for lack of access will then inform the financing strategies and the sources of finance.
3. Implement efficient mechanisms to reach those being left behind

Common affordability measures for those which have access to services:

• Government subsidies for infrastructure and operation and maintenance to support affordable tariffs

• Block tariff structures, with a highly subsidized first block (e.g. 0 to 7 cubic meters) to cover basic needs.

• Cross subsidisation between larger urban utilities and other service providers

• Cross subsidisation between sub-sectors (water and sanitation)

• Reduced tariffs for specific population groups (the most efficient, but least used of all mechanisms)

For those without access:

• Capital infrastructure paid for mainly by taxes (and transfers)

• Microfinance solutions for latrine construction or connection to mains
4. Understanding opportunities with the most important sources of funds in the sector: tariffs and taxes

Taxes:

- Reducing poverty requires public finance (taxes and other local resources)
- Fiscal space overall and specifically for WASH underdeveloped (amount of taxes collected and spent in the sector)
4. Tariffs

The impact of business as usual: unfairness

- Main contributors to the sector are by far the users through tariffs and self supply: more than 60% in Ghana, Mali, Senegal (Source: TrackFin, 2018)
- Few countries report that tariffs cover at least 80% of operation and maintenance (Source: GLAAS, 2017)
- In many countries non-revenue water is higher than 40%
- Losses have a high cost, reducing availability of funds for maintenance or further investments.
- Low tariffs + high losses = means maintenance has to be covered by taxes, subsidizing those who already have services. **Unequal and unfair use of public funds.**
5. Ensuring the foundations for increasing funds for the sector

1. Planning and financing strategies for maximizing public and commercial funds to achieve social objectives
2. Effective tariff-setting practices and economic regulation
3. Adequate performance regulation and transparent accountability mechanisms
4. Clarity of mandate and performance obligations of service providers
5. Solid financial and operational management
6. Capacity strengthening for business planning
7. Enhanced autonomy and legal framework
8. Rectifying the mismatch between commercial bank risk profile and WASH sector realities
9. Avoiding mechanisms that create market distortions
10. Targeting development finance for maximum impact

Source: water.org, IRC, WB
Resources

*To read and hear more about these issues*

**Water.org, IRC and World Bank paper** on Mobilising finance for WASH and getting the foundations right (will be available in SP and FR in August)

**CABRI policy brief** focused on how to optimise public investments in WASH services, while improving efficiency in the use of public funds

**IRC and water.org position paper** for the Sanitation and Water for All Finance Ministers Meeting 2017: How to increase funds for the sector while reducing inequalities.

**SWA Tools portal** a compilation of tools on sector financing

**WHO UN-Water TrackFin (tracking financing) initiative** a methodology that tracks financial flows to the WASH sector

**Podcast:** Why is finance the unavoidable building block?

**Podcast:** Addressing the financing gap
A WASH financing strategy is a time-bound plan for sustainable financing of capital investments, operations and maintenance costs in WASH.

It is adopted by a national, regional or local government and embraced by major stakeholders involved in WASH management and operation at each level with a view to achieving national development targets.

A strategy must be focused and effective, equitable, efficient, and must ultimately be achievable. It should clearly set out how to finance the sector investment plan.

Key questions for developing a WASH financing strategy include:

(a) how much do we spend?
(b) how much do we need?
(c) what is the gap?
(d) what are the options for filling the gap?

Also, it is critical to identify how the strategy will be implemented.

Source: UNICEF
Annex WASH Sector Financing Strategy & Implementation Plan: a proposed outline

- **Executive Summary**

- **Introduction**: Purpose of the report; Why financing is central; Framework for assessing the needs and the gap (3 Ts and 6 Cs); Definitions and scope; Key population, health and economic data

- **Foundations for the Strategy** (The following sections will distinguish rural/urban/peri-urban and water/sanitation/hygiene)
  - WASH sector: Vision, goals, laws, policies, strategies, targets, standards; Institutional framework, roles and responsibilities; Service provider models, degree of decentralization and PPP regulation; Programmes
  - WASH sector performance: Outputs: Coverage, equity, quality, service gaps (status versus targets); Value for money: cost per output achieved; Investment case: financial and economic returns to WASH, business case; Processes: Sector bottlenecks
  - Domestic financial sector: degree of development, opportunities and challenges
  - WASH expenditures: Historical / existing expenditure and benefit-incidence (of public subsidies); Predicted evolution in expenditure (GDP and tax base growth)
  - Spending needs (under different development scenarios and demographic change); Capital investment needs; Recurrent expenditure needs; Resource gap per scenario

Source: UNICEF
Annex  WASH Sector Financing Strategy & Implementation Plan: a proposed outline (cont.)

• **The Financing Strategy** (The following sections will distinguish rural/urban/peri-urban and water/sanitation/hygiene, or else there will be separate sections for each sub-sector.)
  
  • Increase efficiency: Sector level (enabling environment); Service provider level (bill collection, NRW, technology choice, production costs)
  
  • Increases resources: Taxes: public treasury and the public investment case, fiscal space; Transfers: donors and charities; Tariffs: service users, & affordability; Potential to engage the private sector – private investment case; Lending: concessional and commercial options (by sector, municipal, service provider)
  
  • Better allocate resources for equity: Geographical targeting; Socio-demographic targeting

• **The Implementation Plan** (The following sections will distinguish rural/urban/peri-urban and water/sanitation/hygiene).
  
  • Summary actions and sequencing, with lead responsible; Institutional set up; Capacity building; Legal framework; Investments; Financing; Social protection measures; Public relations; Monitoring

• Conclusions and recommendations

• References / Glossary / Annexes

Source: UNICEF
Thank you!

Contact: Fonseca@ircwash.org
Twitter: @ircCatarina
Financing to eliminate inequalities
General

- **One WASH National Programme (OWNP):** Main instrument for GoE to achieve the GTP II and SDGs WASH targets.

- The **OWNP has become complex,** with more multi-sector interfaces; a **strategic approach is provided for reaching OWNP objectives** (internal factors and external influences).

- Program’s Development objective is **climate resilient improved WASH access and adoption of good hygiene practices in an equitable and sustainable manner.**

- Supported by DPs and CSOs is a basket funding instrument managed by Gov’t in a consolidated WASH Account (CWA).
Expansion or Elaboration of OWNP- Phase II

• **Sustainable Sanitation & Hygiene** for urban and rural areas is well elaborated emphasize on gender, equity, persons with disabilities and baby WASH

• **Elaboration on cross cutting issues** (water, quality, environmental safeguard, equity in WASH *(gender, refugees, disability and other vulnerable groups)*)

  o Climate resilient WASH is elaborated with
    • **Two pertinent approaches**
      a. Securing water resource and improve sustainability
      b. Management system and supply chain
    • **Three- sub components**
      a. Water resources mapping, planning and monitoring
      b. Climate resilient solutions
      c. Emergency preparedness, early response and recovery
Current Status of WASH Sector Financing in Ethiopia

• Ethiopia requires **US$ 3.4 billion per year** to achieve the WASH SDG targets

• **OWNP Phase II (2018-2020): US$ 6.5 billion** is required of which a total of **US$2.5 billion** is allocated for the CR-WASH (**50% from GoE**) 

• **Significant gap in cost recovery:** partial cost recovery (80 % max) is applied only in urban areas (rural areas pay part of O&M)

• Efforts are underway to **strengthen revolving fund mechanisms** under WRDF (strategy document under preparation)

• **GoE will continue the mutual accountability mechanisms** for proper coordination of stakeholders through JTR and MSF platforms
Cost of the OWN phase II by component

Estimated Total Cost for the short-to-medium term work for the five cost centers is estimated at US$6.5 billion.

Annual expenditure to achieve SDGs (or equivalent Ethiopia standard) by 2030 is estimated at around US$3.4 billion per year.

Cost Sharing by Stakeholders

Program cost sharing in Million USD
USD Million

Note: Community contribution Rural 5% in Cash and 5% in labour and kind
Proposed solutions to narrow financing gaps

• Diversification of financing modalities (3ts – taxes, tariffs, & transfers)
• Tapping climate finance and humanitarian nexus funding including GCF
• Enhance private sector investment through PPP modality (PPP Proclamation is approved in 2018)
• Accessing commercial loan & revolving fund through -- WRDF & MFI
• Apply sanitation levy fund
• Increased local financing mechanism including:
  — Improve tariff & revenue collection: reduce high levels of NRW, poor tariff setting, business plan and operating costs
  — Increase community contribution (in-kind & cash) on capital investment
What has worked & not worked on financing

• OWNP and CWA is functioning well and more DPs are joining in.......
• Due to increased popularity of OWNP, **public financing has doubled in 10 years**
• **WRDF is operating well** in terms of providing access to WASH financing to cities/towns but lacks funding for rural areas
• **Private sector investment and commercial loans are slowly increasing**- challenges are:
  – low tariff in urban water supplies
  – limited capacity to pay of the public
  – Lack of PPPs legal framework
• **Exploring PPP and private sector financing opportunities**
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Thank You!
Government of Malawi- Emma Mbalame, Director of Water Supply and Sanitation
SWA Webinar – Financing to eliminate inequalities
Presentation by Government of Malawi – Emma Mbalame, Director of Water Supply and Sanitation

24 July, 2019
CURRENT SANITATION STATUS

- IHS 4 (2017) 86% of the Population has access to safe drinking water (Rural 71%).
- 44% of the National population use improved sanitation facilities (43% in the rural areas, 48% in urban)
- 37% of rural households have achieved ODF

WHAT WE HAVE DONE

- Borehole Water reticulation systems.
- Complementation of CLTS with sanitation marketing through targeted subsidies
- Focusing on household water access instead of coverage.
- Inclusion of user friendly facilities in public places targeting the physically challenged.
- Assisting the female headed households.
The Affected Groups and the Role of Government in Addressing Inequalities

Role of Government

- Policy for dealing with inequalities
- Ensuring standards of services and enforcing
- Mobilize Financing
- To coordinate all the development players within the sector

The Affected Groups

- Refugees, Female Headed households, internally displaced, mentally ill, Poor communities in peri-urban/low income/ unplanned areas and physically challenged people.
- Some public institutions which don’t have the water, toilets: such as: health centers, markets, primary schools, CBCCC and the surrounding communities.
Financing Mechanisms

• Private Public Partnership
• Direct government funding from the Treasury (1.5% to go towards Sanitation)
• Development partners
• Co-targeting/co-financing (holistic packaging of interventions)
• Joint Funding Mechanism
Challenges and Moving Forward

**Challenges**

- Change of priorities/strategies by donors
- Inadequate govt budget provision for the WASH sector.
- Weak coordination among the WASH sector partners, leading to duplication of efforts inefficiencies.

**MOVING FORWARD**

- National Sanitation Policy Review
- Draw Strategies for elimination of the inequalities
- Lobby government for increased budget provision to reach the minimum of 1.5% of the National budget (e-Thekweni commitment)
Collaborative Africa Budget Reform Initiative (CABRI)- Neil Cole, Executive Secretary
WaSH and Public Finance

1. Common public finance management challenges & WaSH
2. Public finance reforms that can benefit WaSH

SWA 2019 Webinar Series
Financing inequalities: Is the sector putting its money where it matters most?
Common PFM challenges...

- Weak alignment
- Weak conceptualization of projects
- Political interference
- Delays in budget approval

- Reporting challenges in IFMIS
- Limited follow-up on audit finding

- Low absorptive capacity
- Late disbursement of funds
- Procurement delays
- Insufficient contract management
PFM Reforms that can benefit WaSH

**Procurement**
- Improve planning
- Shorten procurement period
- Improve contract management

**Medium-term budgeting**
- Lengthen the funding horizon
- Policy implementation certainty
- Increase affordability
- Accommodate trade-offs

**Program-based budgeting**
- Improve alignment between policies, plans and budgets
- Improve ability to monitor and reward performance

- Ensure adequate capacity, especially when decentralized
- Outer-year estimates must be credible
- Not merely a budget reform, but a program reform
Thank you

www.cabri-sbo.org
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