Build Forward Better – economic opportunities offered by WASH

2020 FMM Preparatory Process Webinar





Ms. Valerie Traore

Founder and Executive Director, Niyel



Mr. Bill Kingdom

Senior Adviser to SWA



The Basic Question:

WHY INVEST IN WATER,
SANITATION AND HYGIENE?

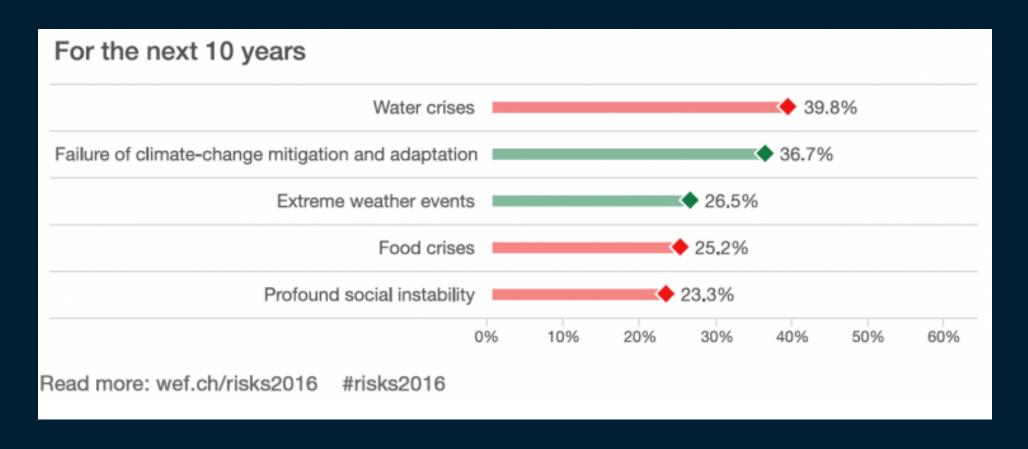
Economic, Equity, & Financial Considerations

- 5,500 people (Including 700 children under 5) die every day due to inadequate WASH
- Poor sanitation and diarrhea 2nd and 3rd risk factors for stunting – an intergenerational loss of human capital
- Women with poor sanitation and water had 1.75 times odds of maternal mortality compared to those with better WSS
- Increase in access to piped water was associated with a 11% increase in school attendance by 7-17 year olds
- An estimated 90 % of all wastewater in developing countries is discharged untreated directly into rivers, lakes or the oceans (UN Water, 2008).

Economic, Equity & Financial Considerations

- \$1 invested in water & sanitation delivers \$4.3 of benefits (WHO)
- Results from WASH Poverty Diagnostic Study:
 - <u>Guatemala</u> only 33% of indigenous populations have access to improved sanitation compared to 70% for non-indigenous
 - <u>Ethiopia</u> wealthier households 4 times more likely to have piped water on premises than poorer households
- Estimated cost of subsidies \$310-380 Bn per year or 0.48 0.58 percent of total gross domestic product (GDP)
- Average of 56% of subsidies reach the wealthiest quintile of the population, while a mere 6% reach the poorest quintile (10 country study)

Global Risks of Highest Concern (2016) - World Economic Forum



And then add COVID 19 (Figures from 9/18/20)

- Number of infections world-wide > 30 million
- Number of deaths world-wide ~ 1 million
- Affecting 213 countries and territories
- A public health issue with massive impacts on economies
 on employment

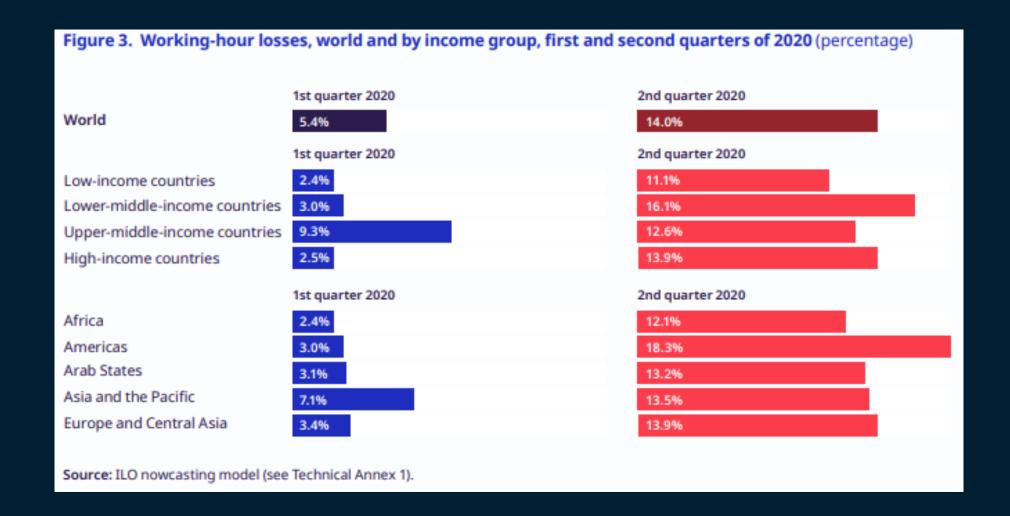
COVID and the Economy

- East Asia and the Pacific will grow by a scant 0.5%.
- South Asia will contract by 2.7%,
- Sub-Saharan Africa by 2.8%,
- Middle East and North Africa by 4.2%,
- Europe and Central Asia by 4.7%,
- Latin America by 7.2%.
- These downturns are expected to reverse years of progress toward development goals and tip tens of millions of people back into extreme poverty.

https://www.worldbank.org/en/news/feature/2020/06/08/the-global-economic-outlook-during-the-covid-19-pandemic-a-changed-world



COVID and Employment



Themes for Finance Minister's Meeting

- Respond ensure continuity of service provision and expand service to help control spread of COVID
- Recovery build towards universal access, provide employment opportunities through WASH programs, continue incomplete sector reforms, and mobilize new sources of finance (Catarina Fonseca)
- Revitalize inject creativity and innovation into the sector to facilitate more rapid achievement of universal access (technical and financial)

Respond: Ensuring Service Continuity - Financial Impacts of COVID on providers

- Water company (Zambia): Revenues are down at least 20% in first 3 months of Covid.
- Water Company (South Africa) Revenue collection rate fell from 91% precovid to 68%
- Countries (Latin America) i) Public utilities owed around \$60 million from the government due to tariff freezes ii) Revenues reduced by 28%.
- National Association of Clean Water Agencies (USA) suspending shutoffs, restoring delinquent accounts, and reductions in non-residential use could result in a 20% – or a \$12.5 billion – loss in utility revenues
- Thames Water (UK) bad debt provision up by £15.3 million to £73.9 million.
- Widespread postponement of capital projects

Respond: Ensuring Service Continuity

- Timely payments by government for initiatives on payment holidays, reductions, postponements
- Establish national liquidity facility as loan or grant for all providers to cover COVID cash shortfalls
- Enhance supplier credit terms power, chemicals and others through guarantees or direct payment
- Guarantees on non-performing loans of providers
- Formalize relationships between utility and non-utility providers e.g. as paid sub-contractors
- Technical leadership sharing good practices

Respond: Prevention better than cure

- WASH an essential preventative element "The pre-vaccine, vaccine"
- Governments can build on existing WASH initiatives:
 - Outreach on WASH, including Hygiene promotion
 - Expand network access in areas with under utilized production
- A hospital ventilator costs around \$40k in capex
- Rural and urban water schemes cost around \$150-300/head
- Avoiding the need for a ventilator could provide water systems to between 130 and 260 people whilst creating employment opportunities and a 20-year stream of health and economic benefits.

Respond: Prevention better than cure

Which one would you choose?





RECOVERY

- Invest to expand access to:
 - Create jobs
 - Provide long term health benefits
 - Capture long term economic benefits
 - Enhance dignity and reduce drudgery
- Invest in short term "no regret" opportunities:
 - Improve energy efficiency reducing costs and greening sector
 - Reduce NRW reduce costs, improve revenues, and increase resilience to climate change
 - Expand networks and house connections to use spare production capacity
- Continue incomplete reform process by incentivizing sector to improve governance, enhance efficiency, move to creditworthiness and thus:
 - Reduce burden on public funds
 - Generate tax revenues
 - Access alternative sources of financing
 - Provide better, and universal, services

Recovery: Labor Intensive Investment Programs



Recovery: New Employment Opportunities – Universal WASH (the business case)

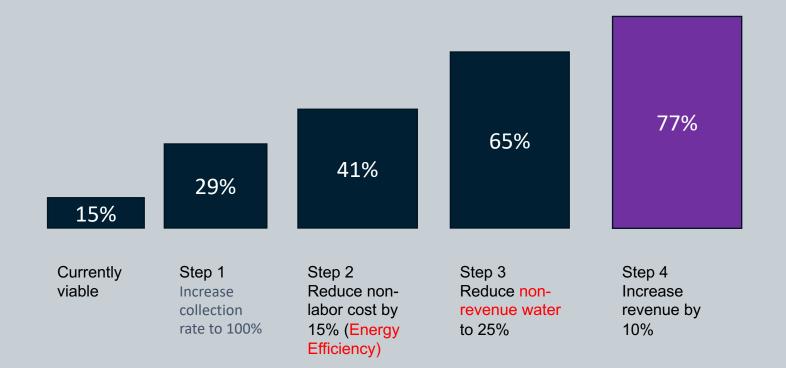
- \$1Bn investment in water supply and sanitation network expansion in LAC would create 100,000 direct jobs (2013)
- US Dept of Commerce determined that each job in local water and wastewater industry creates 3.68 indirect jobs
- Pacific Institute estimated that traditional water infrastructure creates 10-26 jobs of direct, indirect and induced jobs per \$1million invested (USA 2013)
- In India labour costs can make up to 35% of total costs in rural, urban, peri-urban schemes. More if focus is only on pipe networks.
- In South Africa it has been estimated that 100,000 jobs could be created to build and maintain 5 million VIP on-site toilets

Recovery: New Employment Opportunities (possible case studies)

- Benin USAID supported project to create sustainable sanitation services to urban poor leading to creation of 650 sanitation businesses
- Cote d'Ivoire \$10m rural school sanitation program created ~850 jobs
- Peru Executing Nucleus program ~\$300m over six years employed 34,000 FTE
- Argentina HACE program initiated in 2004 to reinvigorate the economy created some 15,000 jobs for WASH in peri urban areas of Buenos Aires focus on community management and use of un- or underemployed youth
- India Swaatch Bharat Mission to eliminate open defecation created total of 7.6 million FTE jobs flowing from Rs935Bn (\$12.7 Bn) investment or \$1671/FTE (\$1million = 600 jobs)

Recovery: Invest in credit enhancing, no regret, opportunities

Operating Cost Coverage Ratio >120% of O&M



Recovery: Example of Energy Efficiency

	Energy efficiency measures	Annual savings		Investment	Simple
		Energy (kWh, millions)	Costs (US\$, thousands)	needed (US\$, thousands)	payback (years)
Short-term	Optimize distribution-side voltage Optimize pump operation Operate pumps in off-peak hours Avoid throttling of pumps Replace delivery pipe Operate lower capacity pump	2.7	100.5	23.8	0.2
Medium-term	Pump replacement Energy-efficient lighting Install lower head pump Shift pumping operations	6.4	183.1	269.2	1.5
Long-term	Reduce transformer losses Install capacitor banks Install variable speed drives Motor replacement	1.4	7.9	32.8	4.1
	Totals	10.5	291.5	325.8	1.1

Recovery: Performance Based Leakage Contract

Results from HoChiMinh City, Vietnam

What:

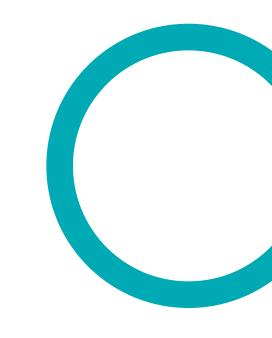
- Service population of ~ 1 million people
- Number of connections 140,811
- Length of distribution system 662,063m

Result:

- Volume of water saved = 92,000 m3/d (~ sufficient for 500,000 people)
- Leakage reduced from 54% to 29%

How:

- Number of DMAs created: 114
- <1% of distribution system replaced (3422m/662063m)</p>
- 8535 connections replaced = 6%
- 12,000 leaks fixed in 662km of pipe = one every 50m
- Performance based payment fixed + variable per m3/d saved



Revitalize: Reimagined Off-Grid Water Supplies to Improve COVID Resiliancy and meet SDG6



- Off grid customers are growing in number as piped coverage decreases
- Estimated to reach 1Bn people by 2030 and predominantly poor
- Zero Subsidy



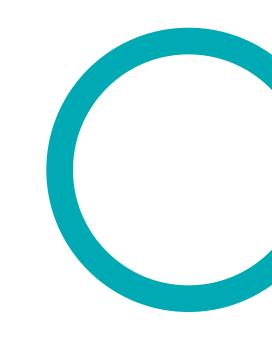
Revitalize: New sources of Finance and Funding

New Sources of funding and financing

- Hypothecated taxes
- Mobilizing domestic finance
- Access green finance
- Access social impact financing

Continuing incomplete sector reforms

- Improving governance
- Improving creditworthiness



Revitalize: Sector not short on Technical and Institutional Solutions

- Governance increased financial/managerial autonomy; internal/ external accountability; customer orientation; efficiency/incentives
- Finance improving creditworthiness, mobilizing domestic finance;
 more effective subsidies; results based financing
- Technical performance leakage reduction; energy efficiency;
 commercial efficiency; utility turnaround framework
- Capacity building twinning; GWOPA; WaterWorx
- Incentives staff incentives; payment for results; OBA
- Capital efficiency use proven lower cost solutions for same outcome.

Revitalize: A New Dynamic, Achieving total sanitation within a generation (WaterAid)

- High level political leadership was critical and complemented by ongoing engagement during implementation
- 2. Well coordinated multi-sector approach was adopted
- 3. The vision of total sanitation came before national wealth

Respond, Recover, Revitalize The Role of Finance Ministers

- Seize the opportunity to invest in WASH to:
 - Prevent the spread of COVID
 - Provide the foundation for long term health, economic and employment benefits
- o By:
 - Ensuring continuity of service provision with targeted financial support
 - Investing in systems to expand service, provide employment opportunities, improve efficiency
- Continue to support sector reform by incentivizing providers to:
 - Improve governance
 - Improve creditworthiness
 - Expand sources and amounts of sector funding and repayable finance
 - Reduce burden on public finances

Thank you



#2020FMM

Increasing funding for WASH: Where to start?

INSIGHTS FROM THE HANDBOOK FOR FINANCE MINISTERS

Dr. Catarina Fonseca

Senior Adviser on Finance, SWA

The Handbook

A global multi-stakeholder effort

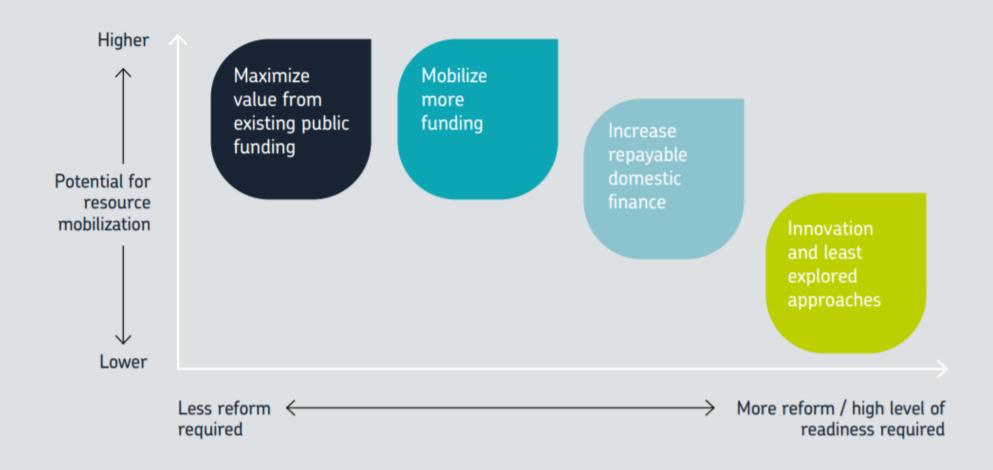
A tool on how to better use public funding and mobilize new finance

Inspirational case studies and forward-looking sector perspectives

A call to action for ministers of finance and line ministers

Content of the Handbook

FOUR CRITICAL INTERVENTION AREAS WITH THE POTENTIAL TO MOBILISE MORE RESOURCES





Content of the Handbook

Maximize value from existing public funding

Incentives to sector performance Indonesia, Peru

Improving subsidy targeting Chile, Colombia

Sector financing planning Cambodia, Mozambique

Mobilize more funding

Tariff reforms **Burkina Faso**

Increase allocations to the sector

Mali

Earmarked taxes
South Korea, India, Costa
Rica

Cross subsidies, solidarity charges **Argentina**

Increase repayable domestic finance

Mobilise private domestic finance
The Philippines

Service providers credit worthiness Indonesia, Kenya

Private sponsors India, Rwanda

Municipal and revolving funds

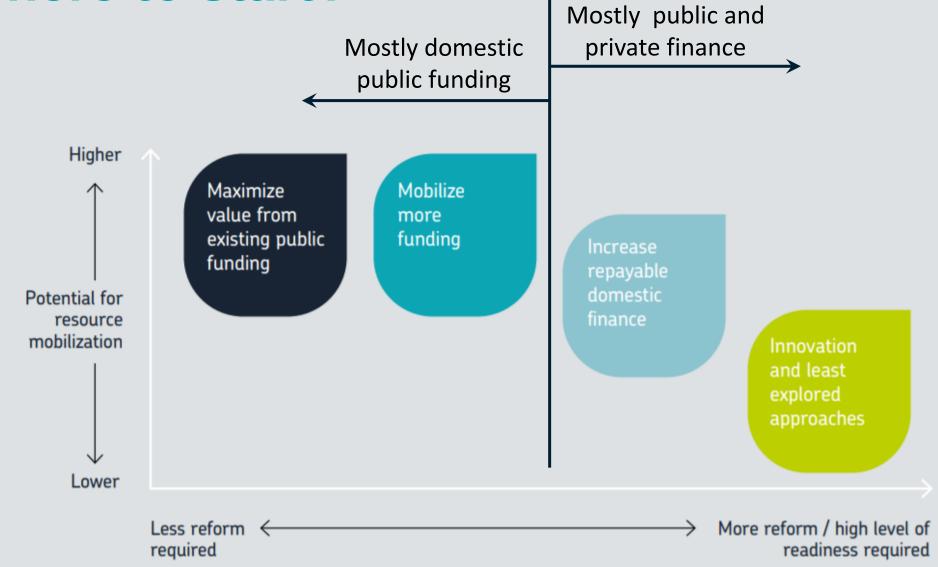
Czech Republic, Bulgaria

Innovation and least explored approaches

Accessing climate funds **Kiribati**

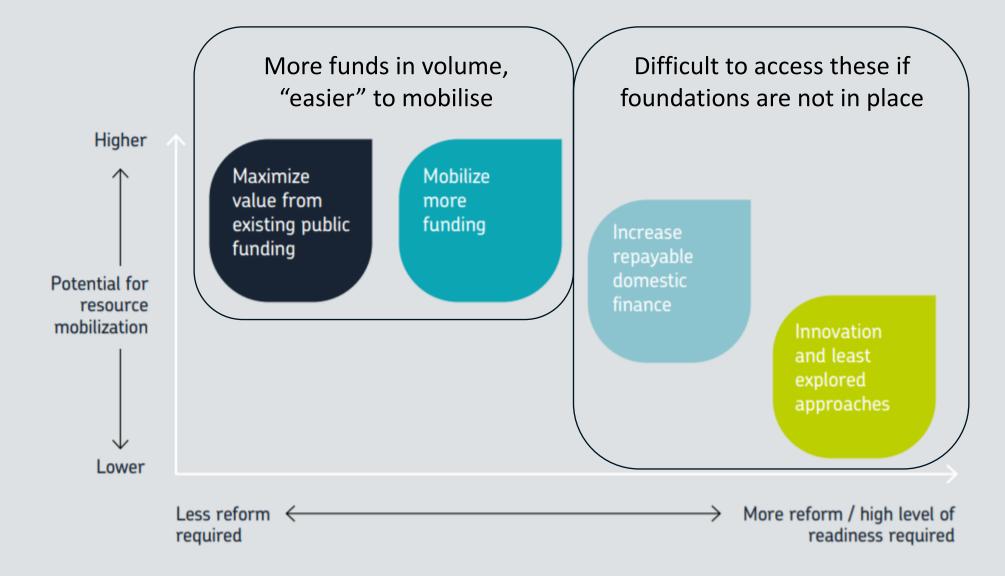
Social impact bonds Cambodia

Where to start?





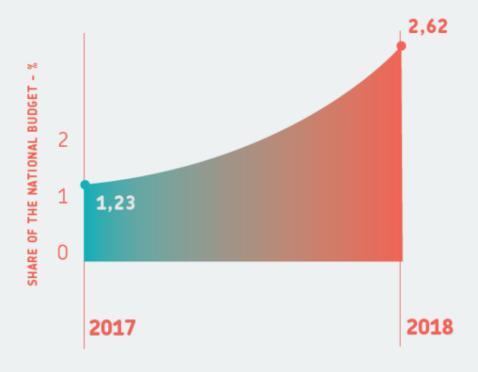
Where to start?





Some investments made around the world







Some investments made around the world







Heard frequently: Where to start? ⇒ Low absorption of existing funds ⇒ Too large backlog on rehabilitation ⇒ Leaving no one behind More funds in volume, "easier" to mobilise Where do we really start? Higher Maximize Mobilize value from more existing public funding Increase funding repayable domestic Potential for finance resource mobilization Innovation and least explored approaches Lower Less reform ← More reform / high level of

required



readiness required

Examples of first steps that require collaboration with Ministry of Finance

- Low absorption of existing funds
- ⇒ Find real causes which can include <u>public financial management</u>, or the type of funds (balance between salaries, capital expenditure, maintenance), or the <u>lack of accountability mechanisms</u>, <u>or too many funds flowing off budget</u>

Examples of first steps that require collaboration with Ministry of Finance

Low absorption of existing funds

⇒ Find real causes which can include <u>public financial management</u>, or the type of funds (balance between salaries, capital expenditure, maintenance), or the <u>lack of accountability mechanisms</u>, <u>or too many funds flowing off budget</u>

Too large backlog on rehabilitation

⇒ Find real causes which can include lack of asset registry, lack of asset management plans, lack of budget lines for preventive maintenance, unclarity of mandates for large maintenance

Examples of first steps that require collaboration with Ministry of Finance

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Leaving no one behind

=> Needs a sector strategy for decreasing inequalities, <u>collaboration with other sectors (who are the marginalised, who is being left behind)</u>, what measures are the <u>most effective</u>, <u>which are not?</u>



Goals without a financial plan are just wishes.



What happens next?

- Use the Handbook as advocacy tool (<u>Communications Toolkit</u>)
- Complementary tool: <u>Costing Tool</u>
- SWA "Systems and Finance Working Group"
 - Support to influencing strategies (national / regional)
 - Support to <u>Finance Ministers' Meeting</u> preparatory process (demand based)
 - Matching technical assistance from the partnership (demand based)

Thank you!

For more information <u>www.sanitationandwaterforall.org</u>

Contact <u>sfwg@sanitationandwaterforall.org</u>



Making the investment case for WASH: from costing to investing

Mr. Guy Hutton

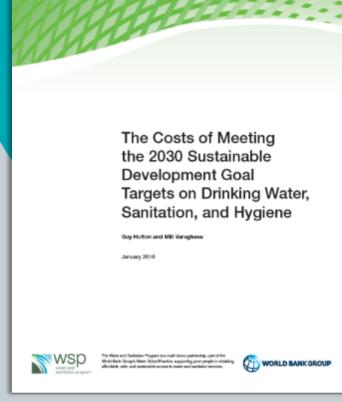
Senior Adviser, WASH, UNICEF NYHQ

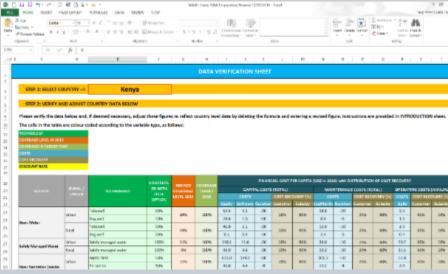
Introduction

Since the SWA Finance Ministers Meeting in 2017, >40 countries have used the SWA WASH SDG Costing Tool, developed by UNICEF and World Bank, and based on the World Bank 2016 study and report

It is a simple, excel-based model that

- Focuses on new infrastructure to serve the unserved
- Includes household WASH ODF, 'Basic', 'Safely managed'
- Provides these service levels to the unserved population in 15 equal tranches from 2016-2030
- Includes capital, software and O&M costs
- Draws unit costs of WASH services from studies





Structure and user interface

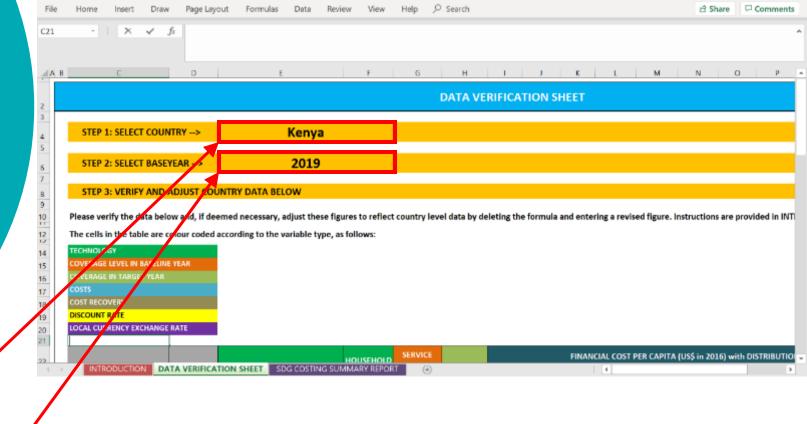
SWA Tool downloadable in EN, FR, SP from SWA Tools Portal

- Save excel file with country name to desktop
- Contains three simple sheets
 - User guide (3 pages, printable)
 - Data verification sheet: default values checked and updated
 - SDG Costing Summary report: results viewed
- Calculation sheets are hidden (can be viewed)
- Guideline available online
- Global helpdesk



Data Verification Sheet: User can adjust many model inputs to customise for the country

- ✓ Country (default values)
- ✓ Baseline year (new feature)
- √ Technology choice
- ✓ Coverage in baseline year
- ✓ Target coverage in 2030
- ✓ Duration of hardware



- ✓ Capital costs per service
- ✓ Recurrent costs per service
- ✓ Cost recovery rates (tariff vs public)
- ✓ Current financing
- ✓ Discount rate for future values
- ✓ Preferred currency / exchange rate

Technology choices are the basis for the estimates

SERVICE	RURAL / URBAN	TECHNOLOGY	HOUSEHOLDS WITH TECH. OPTION	SERVICE COVERAGE LEVEL BASELINE YEAR	COVERAGE TARGET 2030
Basic Water	Urban	Tubewell	50%	56%	100%
	Orban	Duz well	50%	30%	
	Dunal	Tubewell	50%	490/	100%
	Rural	Dug well	50%	48%	
Safely Managed Water	Urban	Safely managed water	100%	13%	100%
	Kural	Safely managed water	100%	0%	180%
	1			-	

These options can be edited but cannot increase beyond 2 technologies per rural/urban area

In some cases, only 1 option for achieving a service level

This should be adjusted to reflect how widespread each technology is

Extract from national statistics for the latest year

In the case of modeling national costs of reaching 'basic' service, only the minimum required level is costed.

Unit costs and cost recovery

SERVICE		FINANCIAL COST PER CAPITA (US\$ in 2016) with DISTRIBUTION OF COST RECOVERY							
	RURAL /	CAPITAL COSTS (TOTAL)				OPERATING COSTS (ANNUAL)			
	URBAN	COSTS		COST RECOVERY (%)		COSTS	COST RECOVERY (%)		
		CapEx	Software	Duration	Customer	Subsidy	OpEx	Customer	Subsidy
Basic Water	II-b	30.2	1.5	-20	20%	80%	1.1	80%	20%
	Urban	7	0.4	-10			0.1		
	Dural	19.0	0.9	-20	20%	80%	1.0	80%	20%
	Rural	11.8	0.6	-10			0.6		
Safely Managed Water	Urban	215.0	21.5	-20	20%	80%	5.4	80%	20%
	Rural	77.0	7.7	-20	20%	80%	4.0	80%	20%
				-	•				

Unit costs reflect the annual cost to operate the service, per capita

Unit costs reflect the full cost of the capital items, per capita

How long capital item is expected to last

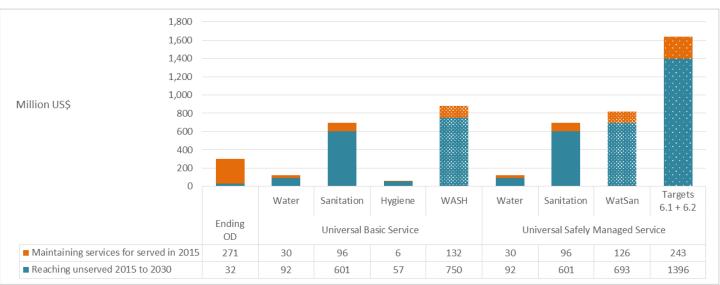
How cost is shared between customers and public (as final financiers – hence no private included here)

Findings presented in excel sheet: SDG Costing Summary Report

1. Select preferred currency

2. View automatically generated results



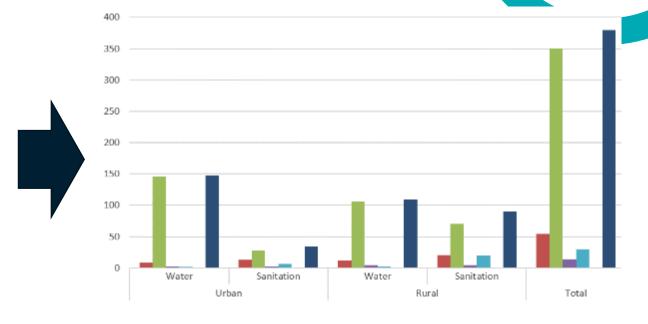


The user can experiment with different cost sharing scenarios, different targets and service levels – to see how the financing can be sufficient to cover the targets

Tables / graphs of results can be copied to another worksheet and saved each time

Funding estimates and cost recovery rates allow assessment of financial gap to be filled

Location and sub-sector		United States Dollars (US\$) in 2016 Prices VALUE OF EXPENDITURE / BUDGET					
SUB-SECTOR	RURAL/ URBAN	NATIONAL BUDGETS SPENT	SUB- NATIONAL BUDGETS SPENT	CURRENT ODA (loans or repayable financing)	CURRENT ODA (grants and voluntary transfers)		
Water supply	Urban						
water supply	Rural						
Sanitation and hygiene	Urban						
Samtation and Hygiene	Rural						
WASH spending, not	Urban						
disaggregated	Rural						
Total	Urban	0	0	0	0		
TOLAT	Rural	0	0	0	0		



Interpretation

- The analysis is only as strong as its weakest data point
- 2. The numbers from this tool are 'ballpark'
- 3. The main objective of this costing tool is to stimulate dialogue on national financing and motivate a more detailed (and preferably decentralized) investment plan, with better cost data
- 4. It is better to know investment needs in major categories to inform the search for financing solutions

Example of a costing exercise from Myanmar

U Khant Zaw, Director General,

Department of Rural Development,

Ministry of Agriculture, Livestock and Irrigation





CONTEXT – Myanmar 2015

- Limitation on data availability
- Limited commercial financing for WASH
- Low taxes & tariffs
- WASH responsibilities split across multiple ministries

OPPORTUNTIES

- Regulatory reforms for business and transparency
- Country increasingly open to investment.
- Federalization agenda
- High investment interest



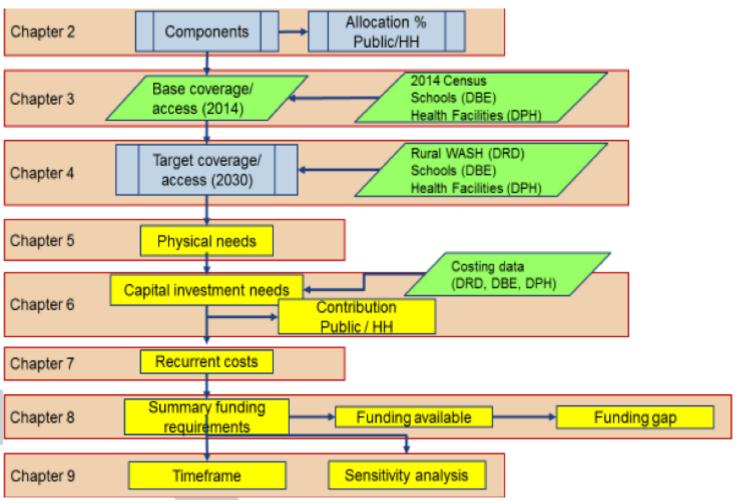
SCOPE OF PLAN

- Defines costs of achieving and sustaining National WASH Strategy objectives 2016-2030
- Includes rural areas, schools, healthcare facilities and emergency preparedness
- Estimates funding requirements for capital and recurrent costs.
- Reviews potential funding sources; govt, donors and users.

CHALLENGES IN IMPLEMENTATION

- Non standardized data sources
- Multiple ministries/levels of govt to coordinate
- No priority in WASH
- Evolving political transition, conflict, natural disasters (major floods in 2015 when work started)





METHODOLOGY

- 1. Establish physical needs
- 2. Translate into capital & recurrent costs
- 3. Sensitivity analysis
- 4. Review available financing sources
- 5. Draft Financing strategy

RESULTS

- A detailed costed plan!
- Better coordination/understanding between Ministries on roles/responsibilities
- Strengthened understanding of data needs for effective estimates

WHATS NEXT

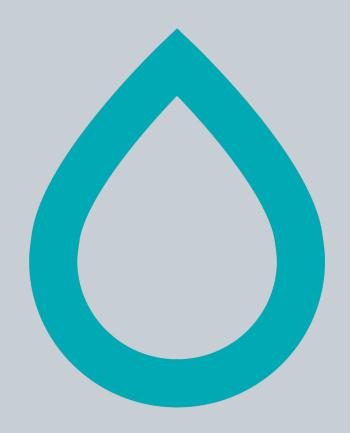
- Strengthened M & E / MIS systems to provide better costing
- WASH financing laboratory to explore PPP for WASH in Myanmar
- Ongoing mainstreaming of environmental, social & governance considerations
- Regulation reforms to encourage business and banking opportunities



Thank you!

For more information https://sanitationandwaterforall.org/tools-portal/sector-financing

Contact ghutton@unicef.org



#2020FMM

Preparatory Process – 2020 Finance Ministers' Meetings

Mr. Muyatwa Sitali

SWA Secretariat

Milestones of the preparatory process

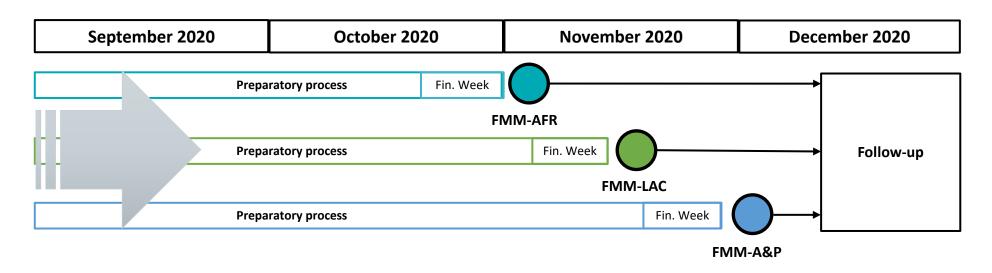
National Regional/Global Guidance document received Guidance document read Invitations received Invitation received if needed Confirmation sent Confirmation sent Commitments made Multi-stakeholders engaged /reviewed Support to national actors Country overview prepared mobilized and made available Use available channels to Commitments share information about the made/reviewed meeting **WASH Finance Week WASH Finance Week** Attend/view FMM Attend/view FMM

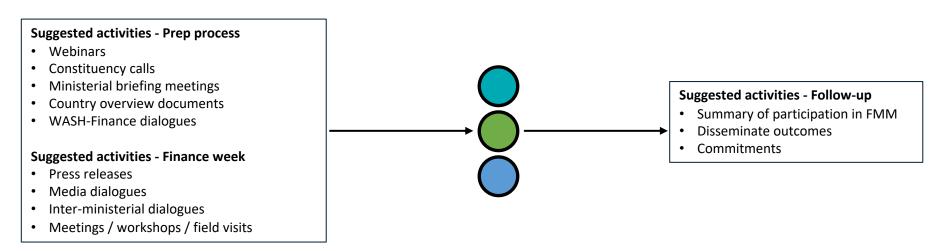


Proposed activities to help prepare ministers

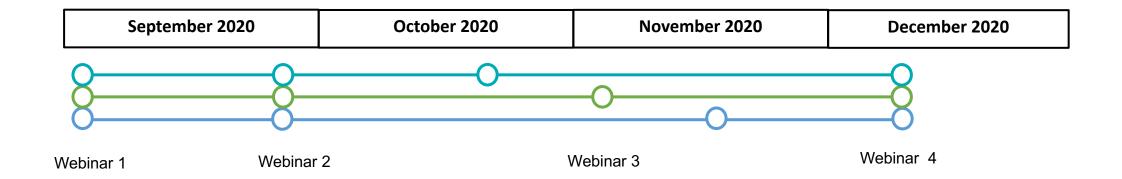


Timeline for FMM preparations





Secretariat support for Preparations – Webinars



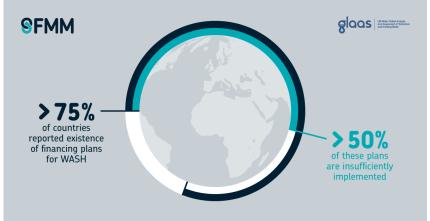
- 1. Launch of Finance Handbook & FMM preparatory process 3 September
- 2. Build Forward Better economic opportunities offered by WASH 24 September 2020
- 3. Smart partnerships with finance ministers & FMM final information TBA region specific
- 4. FMM follow-up webinar way forward, follow-up activities, monitoring progress

Communications around the FMM: ideas and support

- Communications toolkit: post templates, animated GIFs, infographics, short videos, etc.
 Ready on SWA's website in early October
- Share content about WASH finance (prep process news, blogs, short interviews), send to Secretariat, we'll amplify
- Some funding available to support natinal communications activities around WASH finance (e.g. radio/TV shows, printing, press conferences, media workshops, etc.)
- Engage with national journalist around topic using FMM as hook (SWA CEO available depending on her schedule)

#2020FMM #SWAinAction





The Mutual Accountability Mechanism

Making new commitments, reviewing and reporting on previous commitments





Who has made commitments for the Mutual Accountability Mechanism?

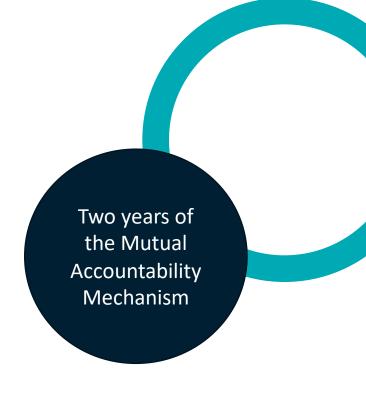




The latest on the Mutual Accountability Mechanism

Over 300 commitments from over 100 partners, including 55 government ministries:

- 29 commitments on financing strategies, including 13 from governments and 6 from ESAs
- 13 commitments to increase financing, including 10 from governments
- 12 financing commitments had 2020 target dates, but only two governments have provided a report





Examples of financing commitments

- Tanzania: 'Review National Water Policy and the National Water Sector Development Strategy to guide financing priorities for the SDGs...' > Reported 50% achieved
- Sudan: 'The Government commits to the rolling-out and fund the National Roadmap to make Sudan Open Defecation Free that targeting the elimination of open defecation by 2022' > Reported 50% achieved
- Malawi CSOs: WESNET commits to identify sanitation technologies and financing approaches through its membership that will facilitate increased access to basic sanitation, in poorest and hardest to reach areas and marginalized groups of people by December 2024.

Two years of the Mutual Accountability Mechanism



The latest on the Mutual Accountability Mechanism

- R & L constituency is leading on research critical to the future development of the Mutual Accountability Mechanism
- Plan to create a think-tank through the Steering Committee
- Global Report 2021 for the Sector Ministers Meeting

Looking to the future of the Mutual Accountability Mechanism



Actions in preparation of the FMM

This year's virtual Finance Ministers Meetings provide an opportunity for multistakeholder engagement with the Mutual Accountability Mechanism

- Make new commitments, ensuring they are SMART (Specific, Measurable, Achievable, Relevant and Time-bound)
- Review commitments at the national level
- Report on commitments to the global platform to showcase your work

Consider making commitments relating to financing!



SWA webpage on the Mutual Accountability Mechanism



https://sanitationandwaterforall.org/about/our-work/mutualtaccountability-mechanism

night-level Meetings

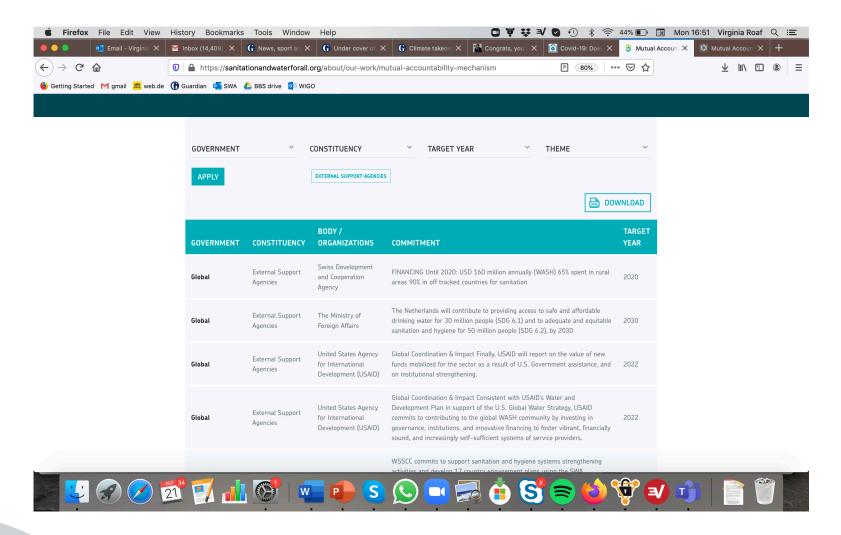
The SWA Framework

Knowledge Exchange

SWA's Mutual Accountability Mechanism is designed to respond to these obligations of participation and accountability. It reflects the vision, principles, obligations, requirements and challenges set by the SDGs, as well as incorporating the SWA Framework of Guiding Principles, Collaborative Behaviours and Building

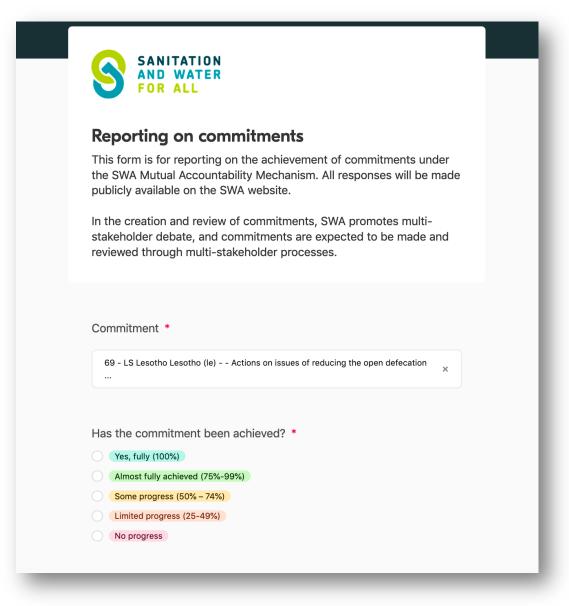


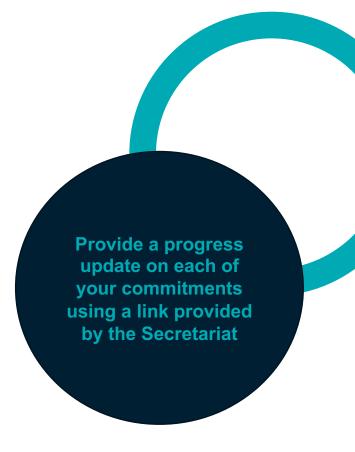
SWA webpage on the MAM





Reporting form





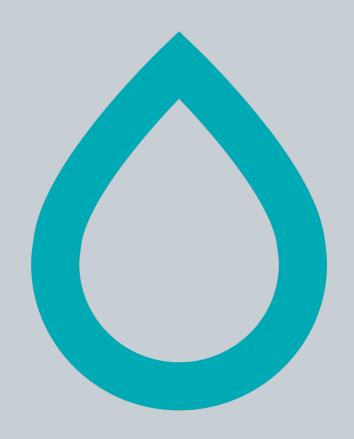


THANK YOU

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