



# INNOVATIVE FINANCING FOR WATER, SANITATION AND HYGIENE

New modalities for financing the Sustainable Development  
Goals (SDGs) in Africa

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“Mission: To provide political leadership, policy direction and advocacy in the provision, use and management of water resources for sustainable social and economic development and maintenance of African ecosystems”

## About this Presentation

- Presentation based the first regional meeting on Innovative Financing for WASH in West & Central Africa held in Dakar, Senegal, 15-17 Dec 2015.
- Main purpose: **Explore how domestic financial resources can be mobilized to ensure access and sustainable management of water and sanitation for all**
- Over 150 senior representatives from government, development organisations, banks, financial institutions, private enterprises, and utility companies from 25 countries in Africa

## Challenge of Financing WASH

- The African Development Bank (AfDB) estimated that for Africa to meet MDG targets on WASH, US\$12 billion was required per annum
  - Estimated expenditure for WASH was only US\$7 billion p/a
  - AfDB estimates US\$11 billion is needed p/a to achieve the SDG 6
  - The current funding landscape for the sector is insufficient to meet the financial deficit and, most importantly, achieve SDG 6
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- **A shared regional and international solidarity is required, with a shared vision, strong cooperation between different countries and with strong partnerships, the noble objectives for the reduction of poverty, the SDGs of ensuring that all our populations have access to water and sanitation by 2030 can be realised.**

## Important Facts on Sector Financing

- It is important to emphasise that money is not necessarily the problem for the Sector.
- Finances are available – some times Member States have even challenges to spend when financial resources are made available
- What the WASH sector needs is to promote innovative ways to mobilise domestic resources available
- The sector also needs to learn how to develop bankable projects to attract funding

## Existing Opportunities for WASH Financing

**WASH Microfinance Facility**

**WASH Input Credit Fund**

**WASH Financing Trust Fund**

**WASH Emergency Revolving Fund**

**WASH Common Vision Fund**

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# Opportunities for Innovative financing for WASH

- **Water Banks** – based on domestic resource mobilization (i.e., pension funds, insurance companies) using repayable finance to bridge the financing gap (Netherlands example);
- **A Blue Fund** – Potentially a regionally or globally coordinated initiative to attract and channel funding to the sector;
- **Other mechanisms** include using (i) blended funding, (ii) commercial financing, (iii) private equity, (iv) public financing, and (v) special taxes such as sanitation tax and use of 1% of taxes for WASH;

# Opportunities for innovative financing for WASH

- **National Water/WASH Financing Facility** – Domestic resource mobilization mechanism for the WASH sector with characteristics of pooled investment projects, good governance framework and opportunity for blending private capital with public funding to promote pro-poor policies.
- The role of **extractive industries and private sector** to support the water and sanitation sector needs to be better formulated
- The WASH service deliver can also tap into **Pension Funds**.

# Way forward

1. Advocate for financing SDG6 and push for institutional and policy reforms
2. Develop sector financing plans
3. Design and operationalization of financing mechanisms
4. Build capacity
5. Conduct operational research
6. Start up support
7. Establish a Blue Fund
8. Review mechanism for financing of WASH



***Thank You!!***  
**Merci Beaucoup**  
***Obrigado***  
**Asante Sana**  
**Shukran**



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# Challenges in Financing WSS

- **Weak governance and lack of transparency and accountability creating credibility problems with potential financiers.**
- **Lack of policy and legal frameworks conducive to support investments financing;**
- **Large population of poor in the WSS service areas;**
- **Under pricing of water and sanitation services**
- **Low operational efficiencies, including under collection of revenue, high NRW, and labor inefficiencies,**
- **The high capital costs with low rate of return for water investments relative to other infrastructure;**
- **Conflicts affect the financing of WSS development and in some cases has reversed previous achievements.**
- **High Urbanisation & growth of Slums with 43% living on < \$1 per day**