

**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
- Zambia National Water Supply and Sanitation Council- Chola Kasoma Mbilima, Senior Inspector, Financial and Commercial Management
- 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

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# Inequalities in the WASH sector

## *Who is being left behind?*



# Inequalities in the WASH sector 2000-17

*Reduction urban-rural, mixed for poorest-richest*



## Water

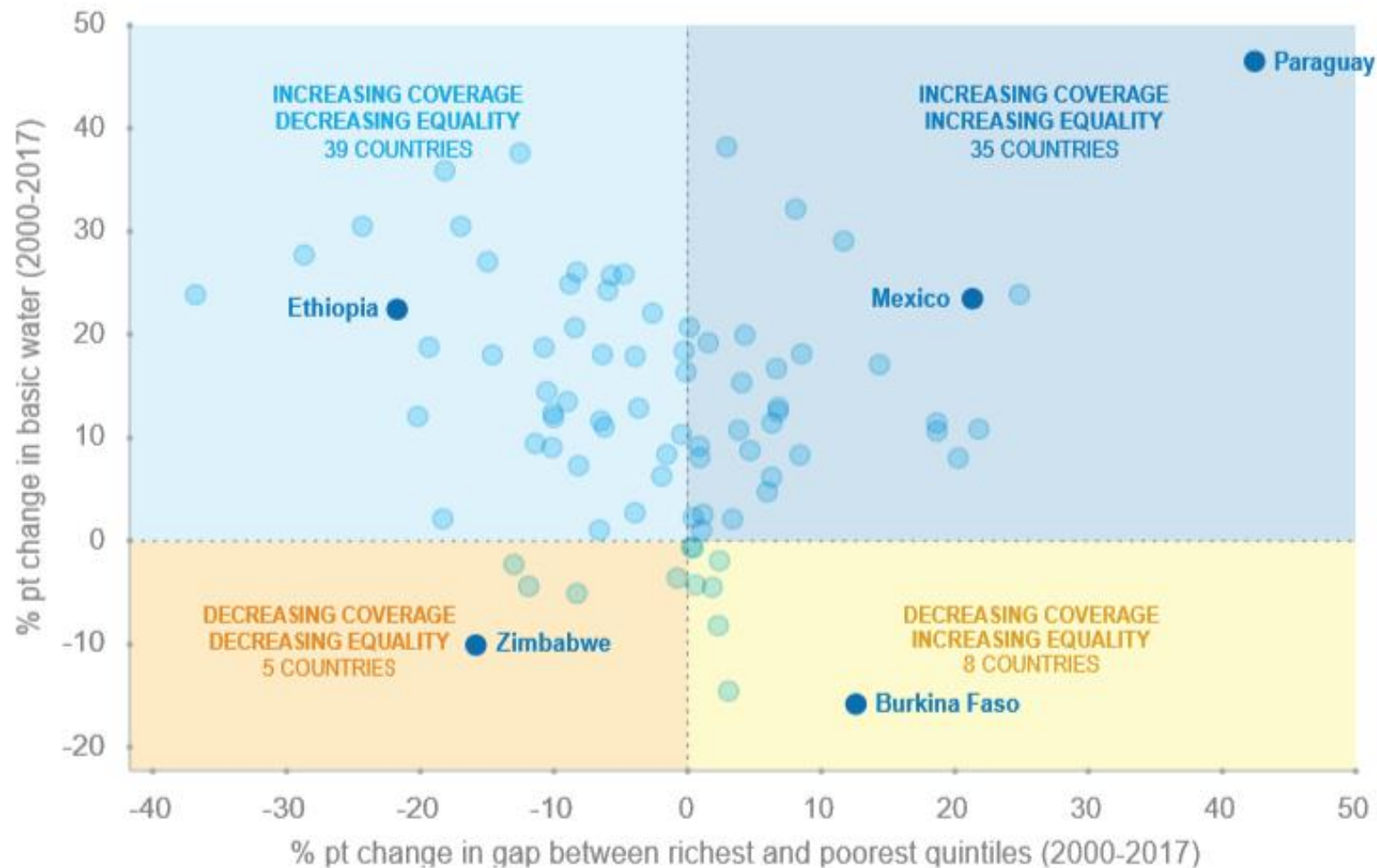
- Urban-rural coverage gap reduced 10% points between 2000-17.
- Gap between richest and poorest has been reduced in 35 countries while increasing in 39 countries.

## 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.

# Inequalities in the sector for basic water 2000-17

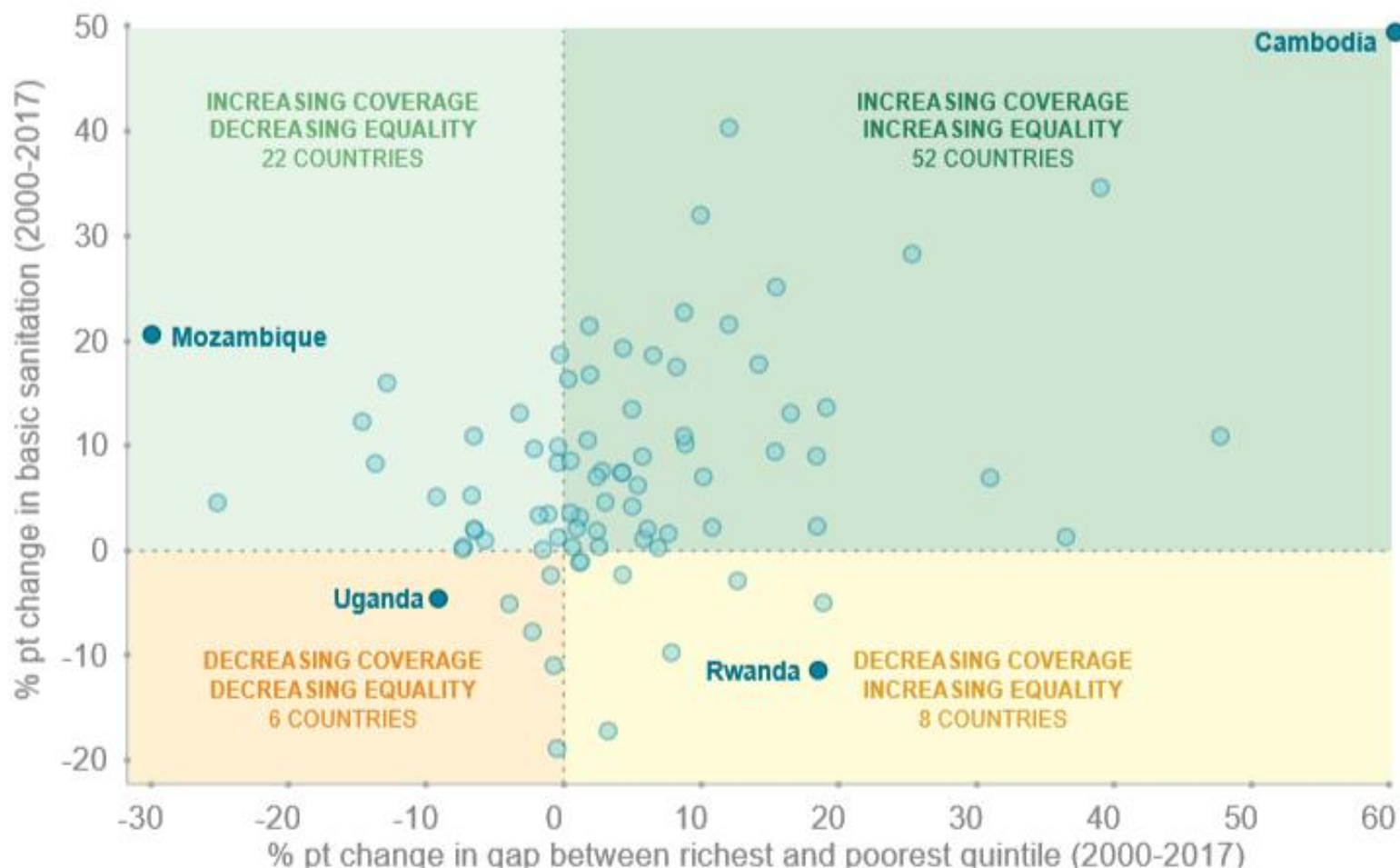
## *Gap between richest and poorest quintile*





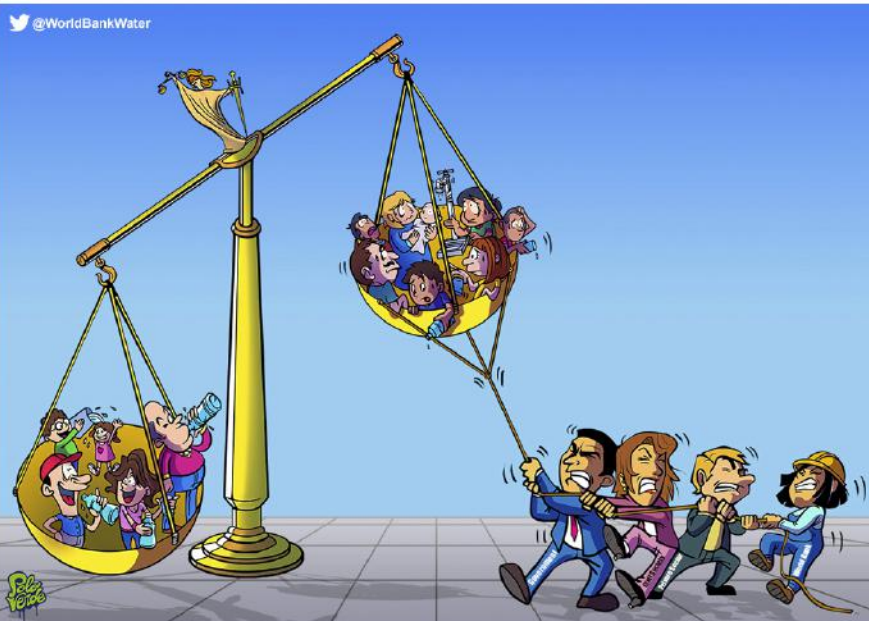
# Inequalities in the sector for basic sanitation 2000-17

## *Gap between richest and poorest quintile*



# Financing inequalities in the WASH sector

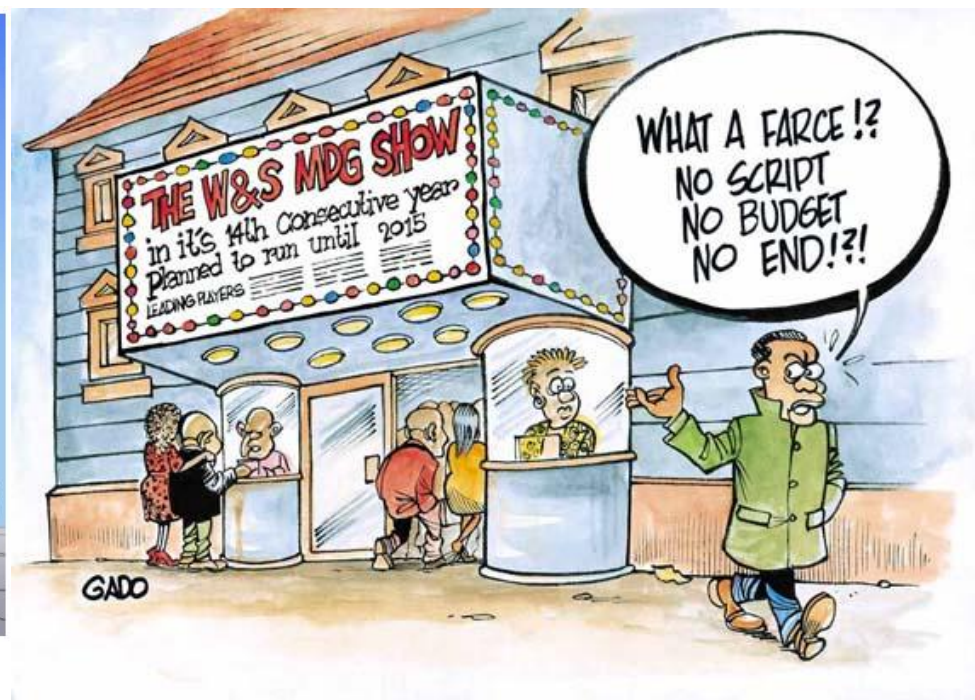
## *Why is it critical?*



 WORLD BANK GROUP



Averages hide inequalities. In Bolivia, while 96% of people from urban areas have access to piped water, 43% of the people in rural areas don't.



Credit: WSP Calendar, 2004

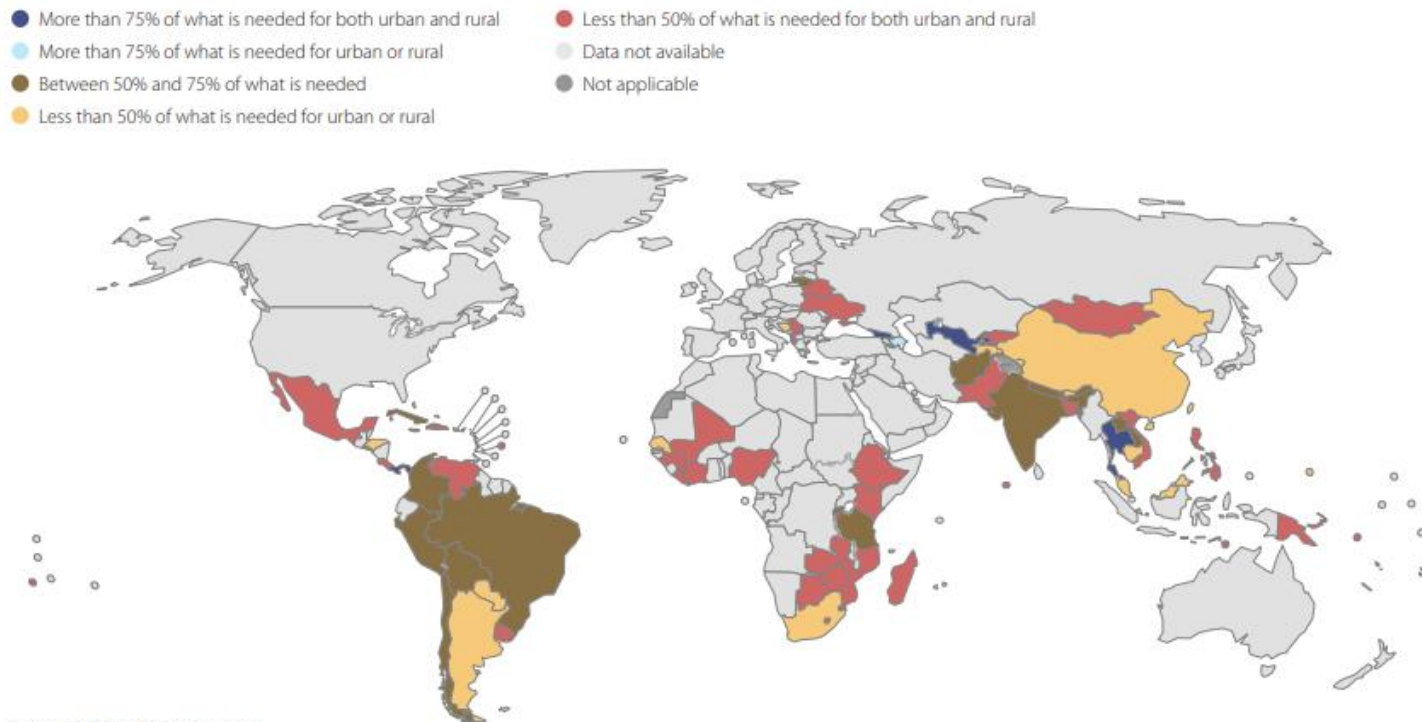
Credit: WSP Calendar, 2015

# 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



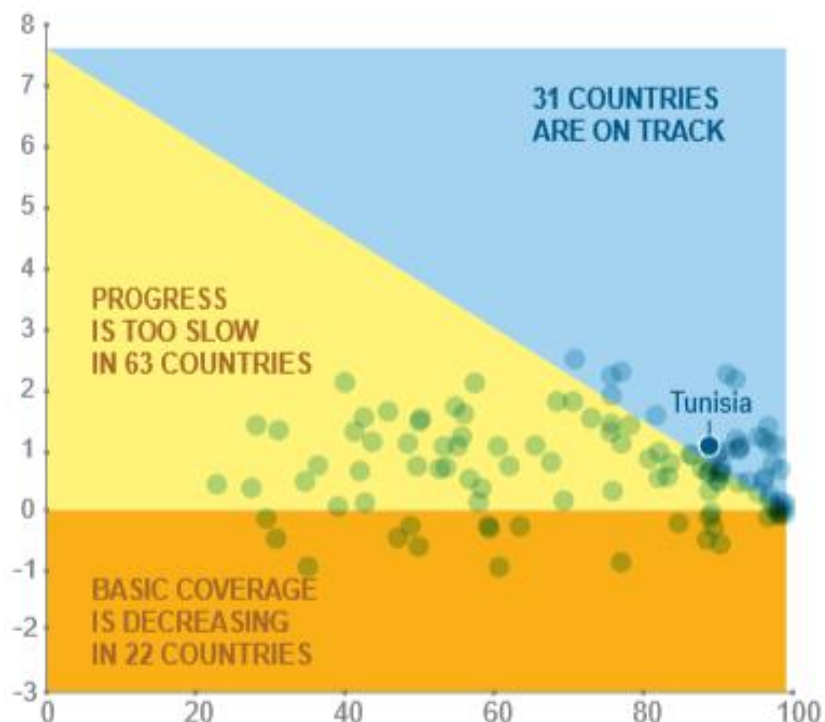
Source: GLAAS 2016/2017 country survey.

# Progress too slow mainly in rural coverage

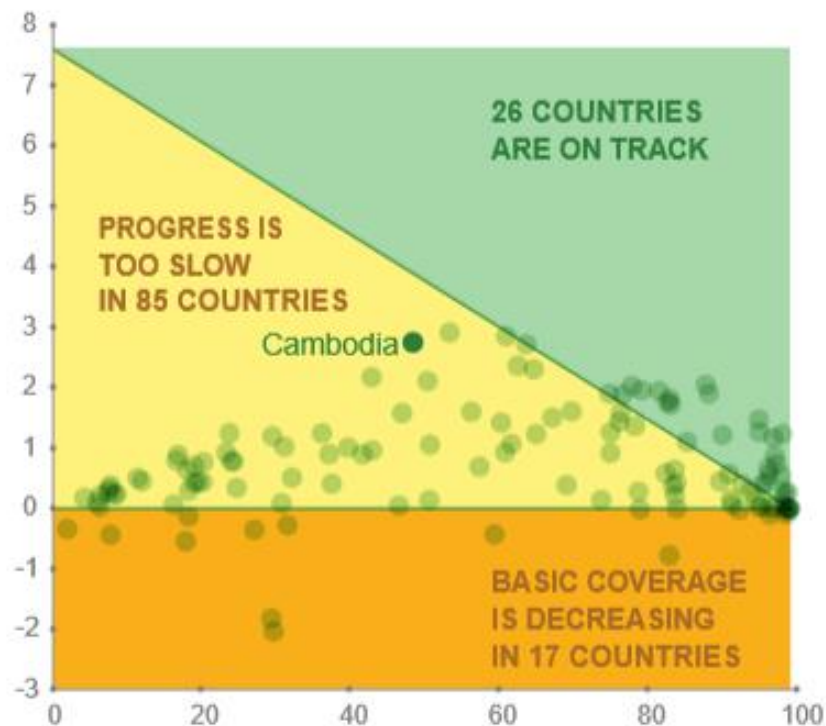
*Inequalities are higher in rural areas*



- Basic water, rural



- Basic sanitation, rural





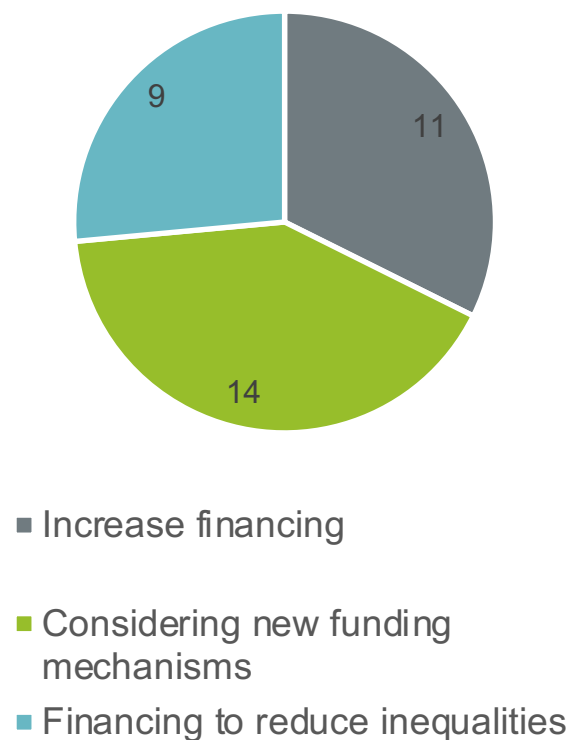
# 2019 Sector Ministers' Meeting

## *Financing as THE challenge for 21 countries*



- 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

Commitments focusing on Financing





## Financing inequalities: 5 top priorities to frame the discussion



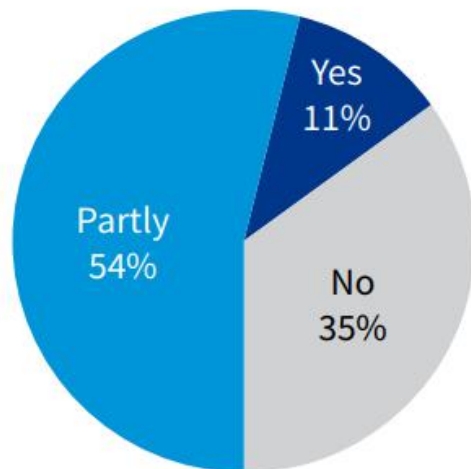
1. The need for a consultative and inclusive Financing Strategy
2. Defining who is being left behind and the reasons for lack of, or poor, services
3. Implement efficient mechanisms to reach those being left behind
4. Understanding opportunities with the most important sources of funds in the sector: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

# 1. The need for a consultative and inclusive Financing Strategy

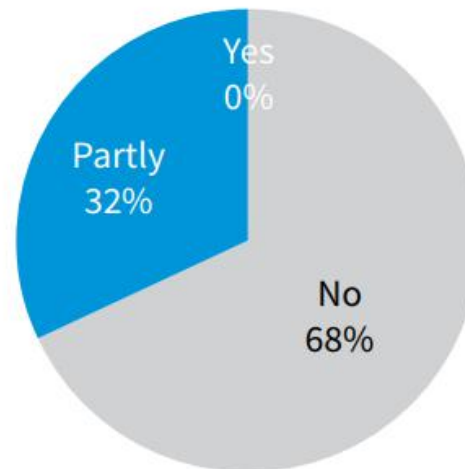


- Achieving the SDG6 needs a common vision
- A vision without a financing strategy will remain a dream
- See Annex for what a financing strategy entails (Source: UNICEF)

Sector finance plan exists?



WASH government expenditure data available?



## 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:

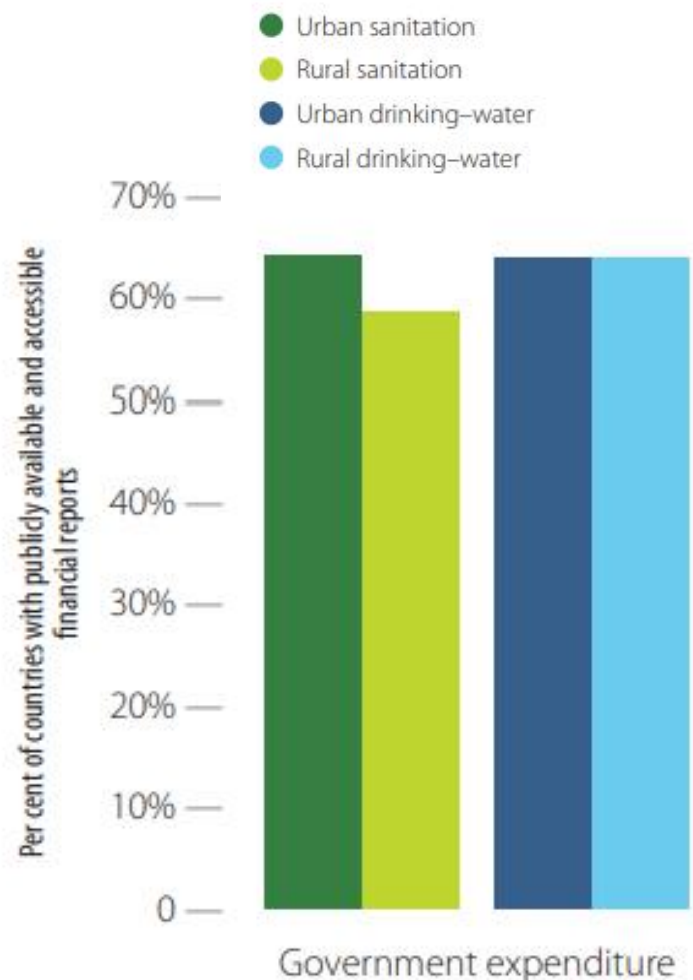
- Capital infrastructure paid for mainly by taxes (and transfers)
- Microfinance solutions for latrine construction or connection to mains

## 4. Understanding opportunities with the most important sources of funds in the sector: tariffs and taxes



### Taxes:

- Difficulties in tracking public spending in the sector (GLAAS, 2017, n=73).
- 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)





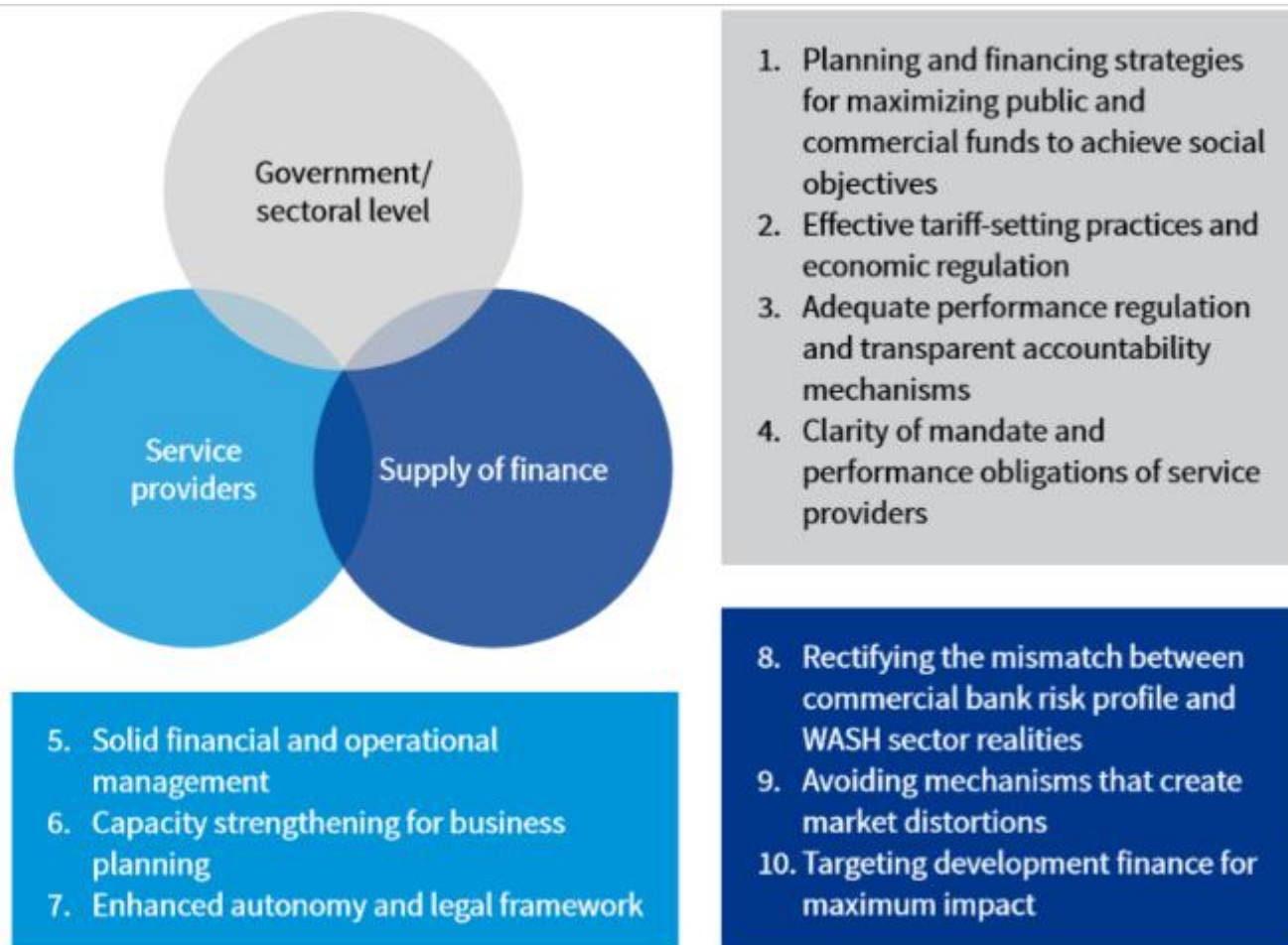
## 4. Tariffs

### *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



## 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

## Annex: What does a “WASH Sector Financing Strategy & Implementation Plan” Look Like?



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.

# 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



# 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

# Thank you!



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**SANITATION AND WATER FOR ALL**



FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

# ONE WASH NATIONAL PROGRAMME

A Multi-Sectoral SWAp

***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 OOWNP 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).

## Program Components

Rural and Pastoralist WASH

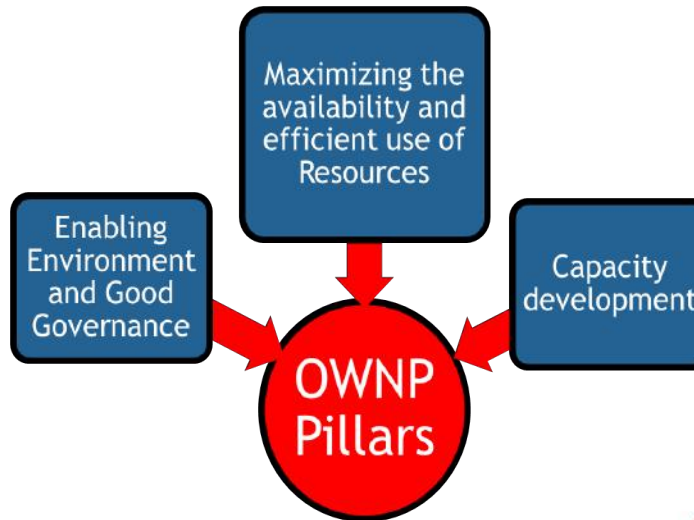
Urban WASH

Institutional WASH

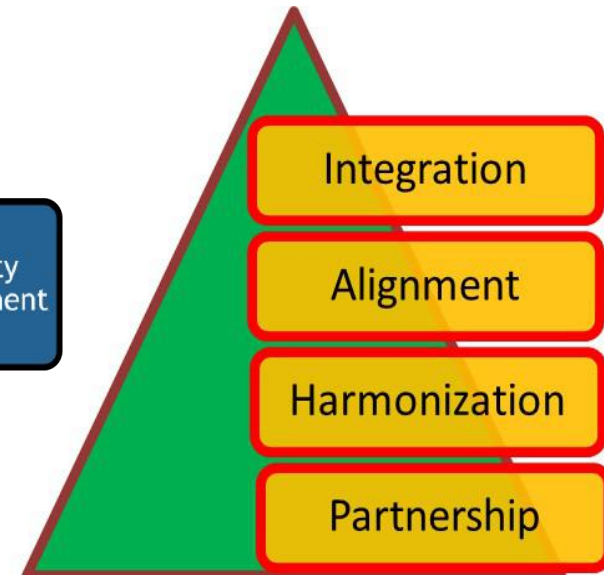
Climate Resilient WASH

Program Management and Capacity Building

## Program Pillars



## Guiding principles





## 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))
- **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

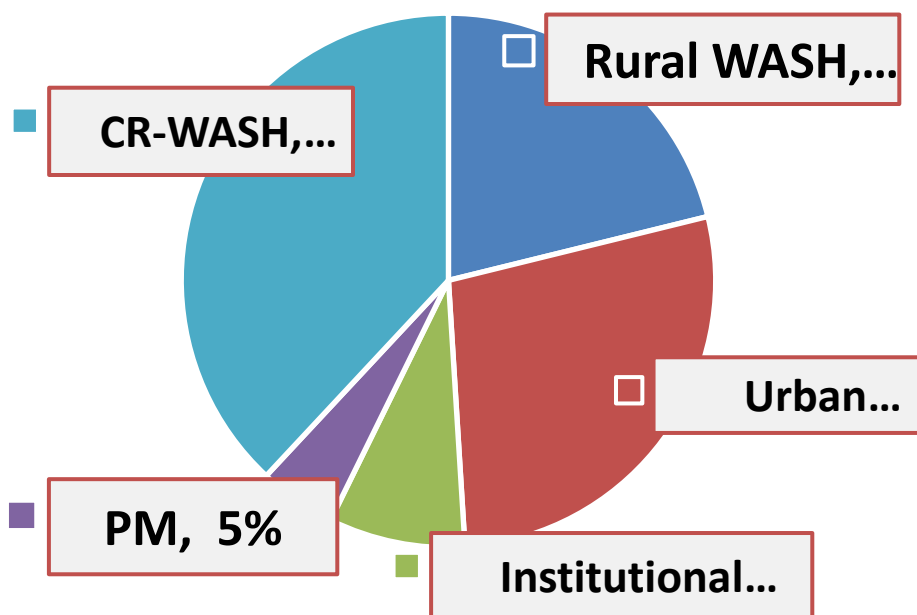


## ***Current Status of WASH Sector Financing in Ethiopia***

- 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 OWNP phase II by component

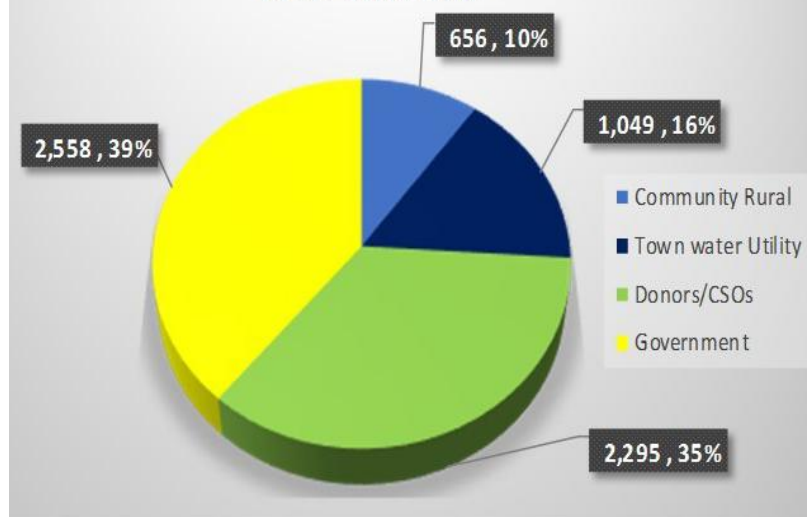
Estimated Total Cost for the **short-to-medium term** work for the five cost centers is estimated at **US\$6.5 billion**.



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 OOWNP, **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**

## OWNP –CWA Phase II components and % Allocation

No	Major Components	%
1	R - WASH	24%
2	U - WASH	18%
3	I - WASH	14%
4	CR-WASH	31%
5	PM	8%
6	Unallocated/allocate for best performed	6%
	<b>Total Cost</b>	<b>100%</b>





***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



# Malawi WASH SECTOR

## WHAT HAVE DONE



### 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

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# 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?

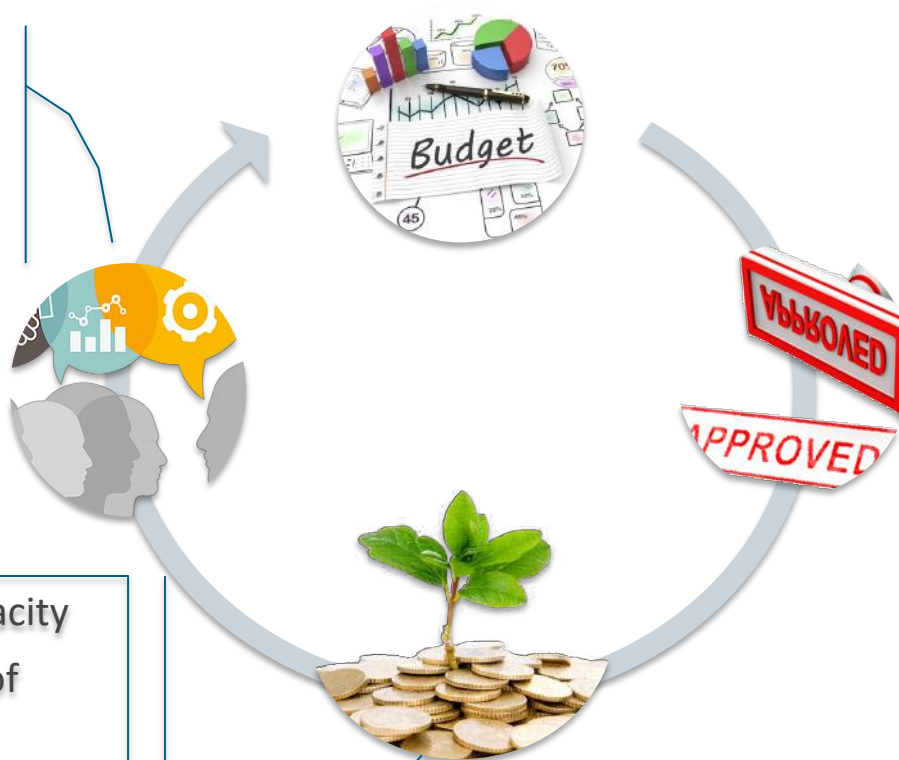
# Common PFM challenges...

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

- Low absorptive capacity
- Late disbursement of funds
- Procurement delays
- Insufficient contract management

- Weak alignment
- Weak conceptualization of projects

- Political interference
- Delays in budget approval





# PFM Reforms that can benefit WaSH

## Procurement

- Improve planning
- Shorten procurement period
- Improve contract management

Ensure adequate capacity, especially when decentralized

## Medium-term budgeting

- Lengthen the funding horizon
- Policy implementation certainty
- Increase affordability
- Accommodate trade-offs

Outer-year estimates must be credible

## Program-based budgeting

- Improve alignment between policies, plans and budgets
- Improve ability to monitor and reward performance

Not merely a budget reform, but a program reform



# Thank you

[www.cabri-sbo.org](http://www.cabri-sbo.org)

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