POLICY BRIEF

WASH Finance in Africa!

Where we are and how to move forward

Introduction

To effectively finance WASH, it is important that the extent and coverage of funding and financing interventions is articulated in plans as these are important for resource mobilisation but also help with the assessment of progress made. Without clear national policies that are translated into implementation plans and later costed, finance for WASH will take longer than 2030 to facilitate the achievement of SDG 6.

Investing in WASH can have a beneficial impact across several issues covered by the SDGs including health and education. For example, it has been estimated, through expert opinion, that 26% of childhood deaths and 25% of the total disease burden in children under five could be prevented through the reduction of environmental risks, including by reducing unsafe water, improving sanitation, and hygiene. Specifically, diarrhoeal diseases are among the main contributors to global child mortality, causing about 10% of all deaths in children under five years.[1] Moreover, improved WASH in health care facilities leads to a reduction in maternal mortality, as well as increased use of health centres and facilities, and WASH in schools leads to increased attendance for girls. Investing in WASH provides benefits that expand beyond the water and sanitation sector (WHO 2017)

For all of Africa, the benefit-cost ratios for investments in sanitation and water have been estimated at 5.5 and 2.4, respectively, but the ratios vary widely across the continent, with that for sanitation, for example, exceeding 10 in one region and in seven countries.

OVERVIEW OF THE PROBLEM

The need for adequate finance for WASH has been articulated critically in various fora and articles. Indeed the 1st step to adequate finance is acknowledging the need in relation to the available financial resources. This then helps rationalisation of meagre domestic resources and the extent of external support needed.

WASH finance strategies then come through as the urgent tools for countries to have and use to mobilise both domestic and external financial resources for adequate

[1] WHO (2017) Don't pollute my future! The impact of the environment on children's health. Geneva: World Health Organization. Available at: http://apps.who.int/iris/bitstream/10665/254678/1/WHO-FWC-IHE-17.01-eng. pdf?ua=1 [Accessed 15 March 2017].

provision of WASH services. The finance strategies are critical reference document for finance ministers when rationalising domestic resources but also, the strategies can be used by non-state actors as accountability tools to (national and local) governments and service providers over a period. Nevertheless, several challenges have braced countries in their attempt to plan for and priorities WASH interventions.

Too often there is a vast disconnect between sector policies and targets, and sectoral budgetary allocations. Few countries in the region have clear budgeting processes that link sector targets, coverage, and equity considerations to final budget allocations. Financial management systems, including budget formulation and expenditure management frameworks, are a key part of sector governance, and their strength has a significant bearing on the implementation of financing strategies and plans. Medium-term expenditure frameworks (MTEFs) and the medium-term budget frameworks (MTBFs) and medium-term fiscal frameworks (MTFFs) that precede them have become common tools to strengthen policy and spending linkages in macro-level expenditure planning. However, many African countries lack the capacity to implement them effectively.

Weak incentives for WASH investments by governments. In many contexts, developing governments' capabilities to design, procure and oversee water and sanitation services, with adequate incentives, is critical to ensuring sustainable services. Indeed, some countries have devolved the responsibility for service provision to decentralised municipalities, but this devolution has not necessarily been accompanied by comprehensive training and assistance to support local governments in their new responsibilities. Investments in regulatory institutions and instruments for the drinking water sub-sector are also lacking, especially in rural areas**.**

The lack of regulatory instruments with institutional mandates to enforce them, such as performance and reporting standards for water utilities, disincentivises operators from providing services that would meet the expectations of governments and the general population.

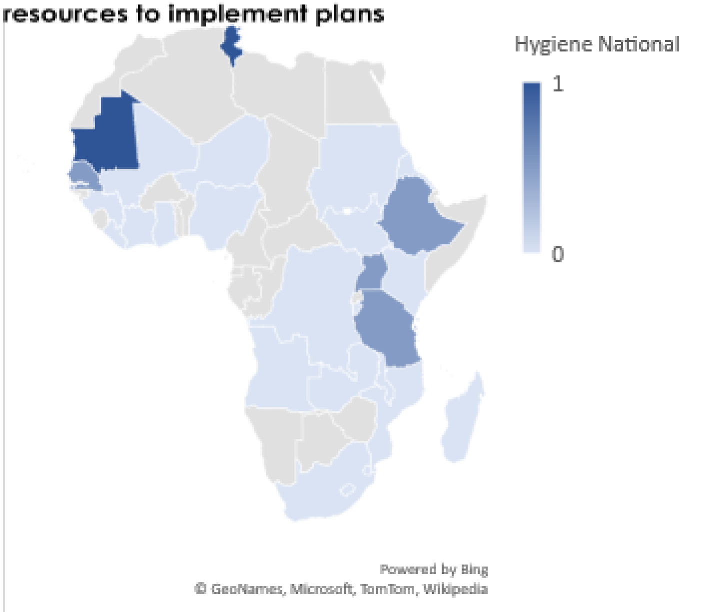
In the above context, this brief examined the current finance for WASH, the status of countries with plans for funding and financing WASH priorities but also discusses what finance ministers and CSOs can do to work towards closing the finance gap.

EXAMINATION OF THE FINDINGS

According to the GLAAS 2019 report data, 60% of the 40 African Countries have formally approved national drinking water policies for both rural and urban areas, 55% for sanitation, and 45% for hygiene.

Cote d'Ivoire, Chad and Morocco had no National WASH policy specific to hygiene. 17.5% of those with formally approved drinking water policies had them approved and fully implemented. Zimbabwe, Togo and Botswana, have no costed implementation plans for any of the dimensions of WASH (drinking water, sanitation and hygiene). Uganda, Morocco, and Botswana are the only countries that were indicated to have more than 75% of the financial resources needed to implement the WASH implementation plans. The majority had less than 50% of what is needed.

Figure SEQ Figure * ARABIC 1: Sufficient financial resources to implement plans

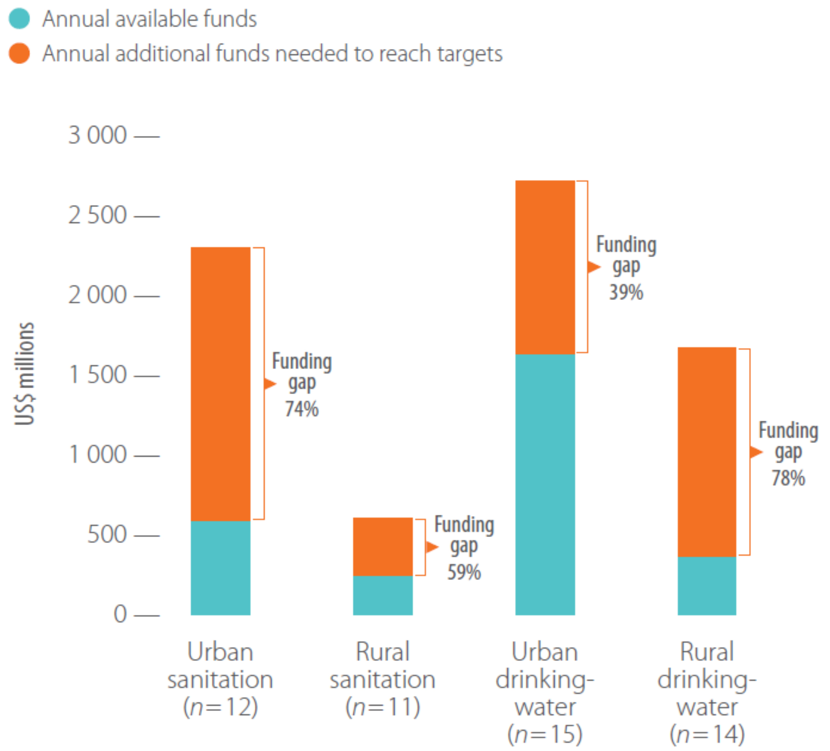


Source: GLAAS 2019 report data and authors compilation

When countries prioritize the areas of action for WASH, develop polices and implementation plans, the financial gap for support is clear. This is because the plans often indicate the total need and the proportion of the need that can be covered by the country's domestic financial resource.

From figure 2 below, urban and rural sanitation and rural drinking water had financing gaps above 55%. Urban sanitation and rural drinking water however had gaps at 74% and 78% respectively.

Figure 2: Available funds versus funds needed to reach national targets (per year)



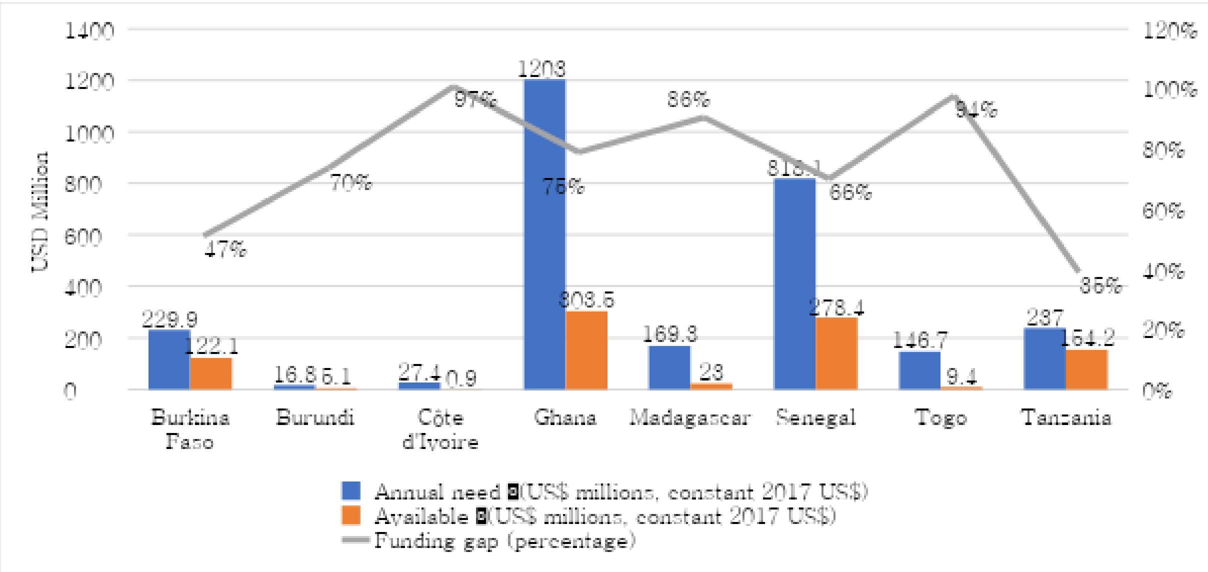
Source: GLAAS 2018/2019 country survey.

The analysis of the sources of existing funds shows that 47% of all the funds in this period were spent by government, up to USD 5.7 billion, households, USD 4.337 billion, external, USD 0.848 billion, and repayable, USD 1.358 billion.

With 35% of WASH expenditure dependent on HH income, in many countries, the level of income can potentially impede access to WASH services. In South Africa, out of the USD 8.099 billion USD spent on WASH in 2018, 42% was out of pocket expenditure by households. In West Africa, Mali and Burkina Faso had household expenditure on WASH in relation to total WASH expenditure at 78% and 70% respectively. Household expenditure accounted for 50% and 46% in Senegal and Kenya, respectively. The WASH financing modalities for these countries can better transmit to the user through increased subsidies for private sector WASH service providers and increased public investments.

Cote d'Ivoire and Togo had the highest WASH funding gap of 97% and 94% respectively. However, the funding gap for Togo could be grossly under stated since it was one of the countries that was noted not to have any costed implementation plans for urban and rural drinking water but also sanitation. They even did not have a national hygiene costed implementation plan.

Figure 4: Funding gap to reach national targets (US$ millions, constant 2017 US$)



Source: Author compilation and computation of GLAAS report 2019, data.

This means that the gap could be wider and less likely lower than is stated – given the social economic conditions in Togo. In nominal terms, Ghana had the highest gap of USD 899.2 million, a gap that was higher than any of the listed countries total need.

CONCLUDING SECTION THAT EXPLAINS THE POLICY RECOMMENDATIONS AND IMPLICATIONS OF THE RESEARCH

Ministers of finance and/or Heads of State have a key role to play in making sure that governments allocate the financial resources necessary to accelerating progress in achieving vital WASH services for all. Ministers of finance are in a unique position to make a substantive contribution that goes well beyond that of a financial gatekeeper. A few examples of what finance ministers can do follow, but much more specific actions and explanations can be found in the "Handbook for Finance Ministers" published by Sanitation and Water for All.

Know what is at stake by assessing the economic return and financial cost of increasing investments in WASH in the context of their country. National studies are needed to adequately account for the range of benefits that can realistically be expected, as well as the local costs of providing WASH services. Finance Ministers can specifically push for;-

- Encourage and support the development of information systems and capacity to track financial flows and progress in the WASH sector. Uganda has a dedicated website; www.budget.go.ug that is used to provide budget information for all expenditure programs including WASH. The water sector also has a dedicated digital atlas that shows the status of the progress in the WASH sub sector; http://wsdb.mwe.go.ug/ . These are areas other countries can use to effectively track financial flows and progress in the WASH subsector.

- Collaborate with sector ministers to ensure that WASH investment plans and finance strategies are realistic and effective for achieving national targets. A multi sectoral approach to finance WASH interventions is a wholistic option that aids the attainment of national targets. Access to clean and safe water in schools is often planned for and budgeted under the education sector, while community assess to safe and clean water is under the water sector. This collaboration can be done through organising WASH annual performance review forums with multi sectoral representation.

- Work with sector ministers and regulators, to establish equitable tariff structures that seek cost recovery while maintaining affordability for the poor and avoiding subsidized services for the rich. To effectively establish equitable tariff structures, the ministers need to consult the private sector. In many jurisdictions, governments leave investments for water access in urban and peri urban areas to the private sector. The governments tend to invest in rural areas. The dwellers then are at a risk of acquiring WASH deficiency accelerated conditions and diseases like cholera and typhoid.

- Help make sure that funds budgeted for WASH are spent on WASH by limiting budget transfers, fighting corruption, and facilitating the timely flow of funds to local authorities and service providers. The ministers should work closely with the internal audit functions in the respective votes that have the mandate to deliver on WASH. This can also be buttressed by the ministers calling on Supreme Audit Institutions (SAIs) to conduct Value for Money Audits on WASH projects and programs. The reduced wasted because of these audits increases fiscal space for WASH interventions.

- Establish transparent systems at national, sub-national and local levels, making it mandatory for voluntary public disclosure of all information related to financial allocation and utilization, especially for those left behind. The local government can use the existing public information display infrastructure like notice boards and village boards to display period financial information on allocation and utilisation of resources. These periods depend on the fiscal calendar of the different jurisdictions/countries.

- Ensure compliance for government ministries in paying their water utility bills to ensure the costs are not passed to the customer. The installation of prepaid water metering systems is a good resource to have this operationalised. However, the ministers of finance have to ensure strict adherence to the budget release instructions on what expenditure takes first call on available resources.

Recommendations on for CSOs on working with finance and budget ministries

- Mobilise and organise communities to make intentional contributions to the maintenance of water points provided by either government or development partners. Support to these groups in relation to keeping records could increase the longevity of the water facilities. Caution need be exercised to ensure that contributions not made are not used as a barrier to accessing clean and safe water.
- Use evidence-based advocacy to lobby government agencies to meet national and international commitments on budget allocations for the WASH sector, including those made under the eThekwini declaration and the Addis Ababa Financing for Development Agreement.
- Map and engage with potential donor sources that have not traditionally supported WASH activities, including climate funds, philanthropic foundations, and private sector corporate social responsibility entities.
- Engage in efforts to strengthen sector regulation to help enable service providers, particularly water utilities, to reach financial autonomy and become creditworthy to enable them to access repayable finance.
- Work with national governments and sector partners to improve the enabling environment for commercial investment in WASH services, including putting in place effective policies and establishing frameworks for PPP investment in the sector
- Support commercial investors to understand the WASH sector better, including sensitizing them to opportunities to invest in water service providers.

Increasing the efficiency of existing financial resources and mobilizing additional ones in the form of domestic public finance and domestic and international finance (ODA, loans, grants, etc.) are necessary. Domestic and public finance can be leveraged to increase the role of private financing, through promoting innovative financing streams such as blended finance and microfinance. Targeted public finance and reforms are necessary to improve the performance of existing services, increase cost recovery and financial security, and make the sector more attractive to private investment. This can lead to a virtuous circle of improved service levels, attracting further investment until services are financially sustainable.

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