

# SWA Webinar

Creating a resilient and fit-for-investment WASH sector while targeting the most vulnerable and marginalized

5-6 February 2020

**#2020FMM**



**FINANCE  
MINISTERS'  
MEETING**

Washington, D.C. — April 2020

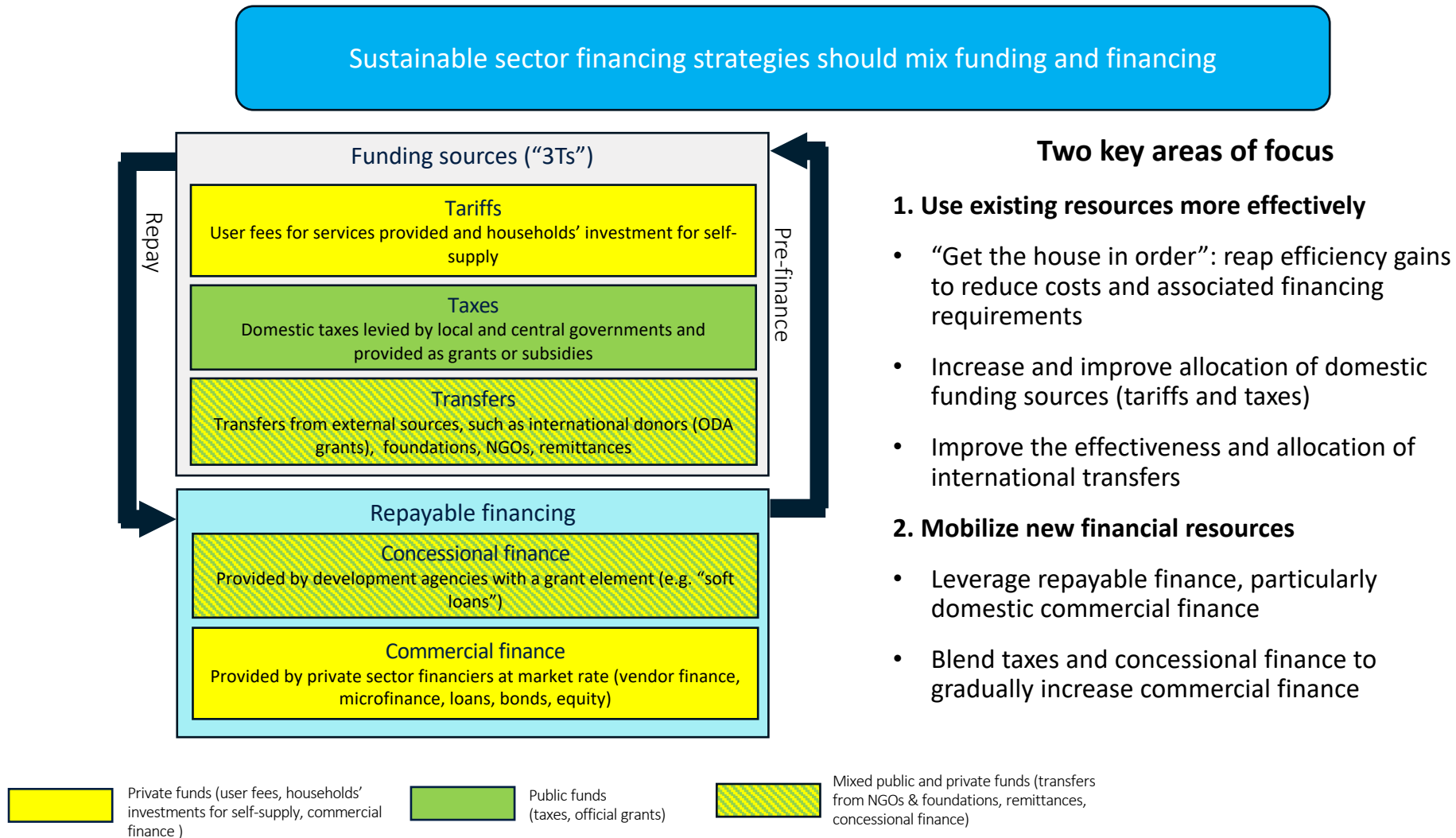
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# Creating a resilient and fit-for-investment WASH sector while targeting the most vulnerable and marginalized

**Presented By: Bill Kingdom**

# How can the sector be sustainably financed?



# All countries, regardless of their state of development, need some form of repayable financing

Water service provider's finances

## Costs

Capital maintenance  
Financial costs  
Operation and maintenance

Investment costs

## Funding

Financing gap

Transfers

Taxes

Tariffs

## REPAYABLE FINANCING

Concessional finance

Commercial finance

Funding

PUBLIC

PRIVATE

Vast majority of repayable finance comes from concessional finance  
= from development finance institutions with a grant element

To meet the SDGs, commercial finance needs to be leveraged with a particular focus on *domestic commercial finance*

# Funding vs Financing

## Funding

- Funding is an amount of money provided by the organization or government (or customers) on the basis of an agreement. It is usually free of charge.
- The 3 “Ts”

## Financing

- Financing, on the other hand, is an amount of capital or the sum of money provided to an organization with the expectation to repay, and organizations are liable to pay back the capital amount along with a certain percentage of interest
- Commercial or concessional

# Basics for a robust and realistic financing strategy

## Service Levels

- What are the targets levels of service to be delivered?

## Capital Costs

- What are future investment needs and timing to meet SDGs?
- What is historic investment in the sector?
- What is absorptive capacity in the sector?

## Operating Costs

- What are future (increasing) operating costs?
- What is current operating cost coverage?
- What are opportunities for efficiency gains?

## Financing Sources

- Central government (taxes, transfers)
- Local government (taxes)
- Customers (tariffs)
- Repayable (market) finance

# Getting more from tariffs, taxes and transfers

## Tariffs

- Level of tariffs – subject to affordability, service quality/willingness to pay, incidence effects
- Structure of tariffs – to improve targeting and price signals
- Cross subsidies from water to sanitation
- Other cross subsidy opportunities

RADEEMA (Marakesh, Morocco) cross subsidizes sanitation from power



# Thinking about tariff structure

Yellow revenue (current): 1.5X

Red revenue (revised): 2.5X

Equal blocks

Volumetric

Tariff

4X

3X

2X

X

6

12

18

24 m3/month

40

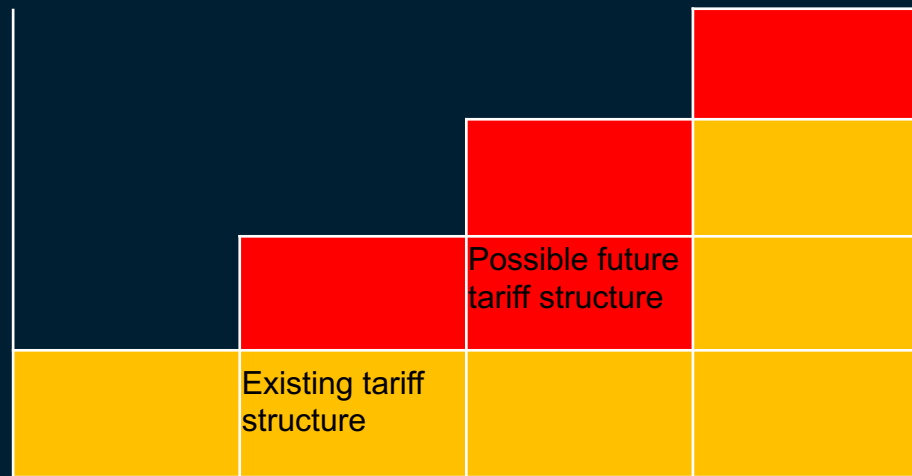
80

120

160 lpcd

Existing tariff  
structure

Possible future  
tariff structure



# Getting more from tariffs, taxes, and transfers

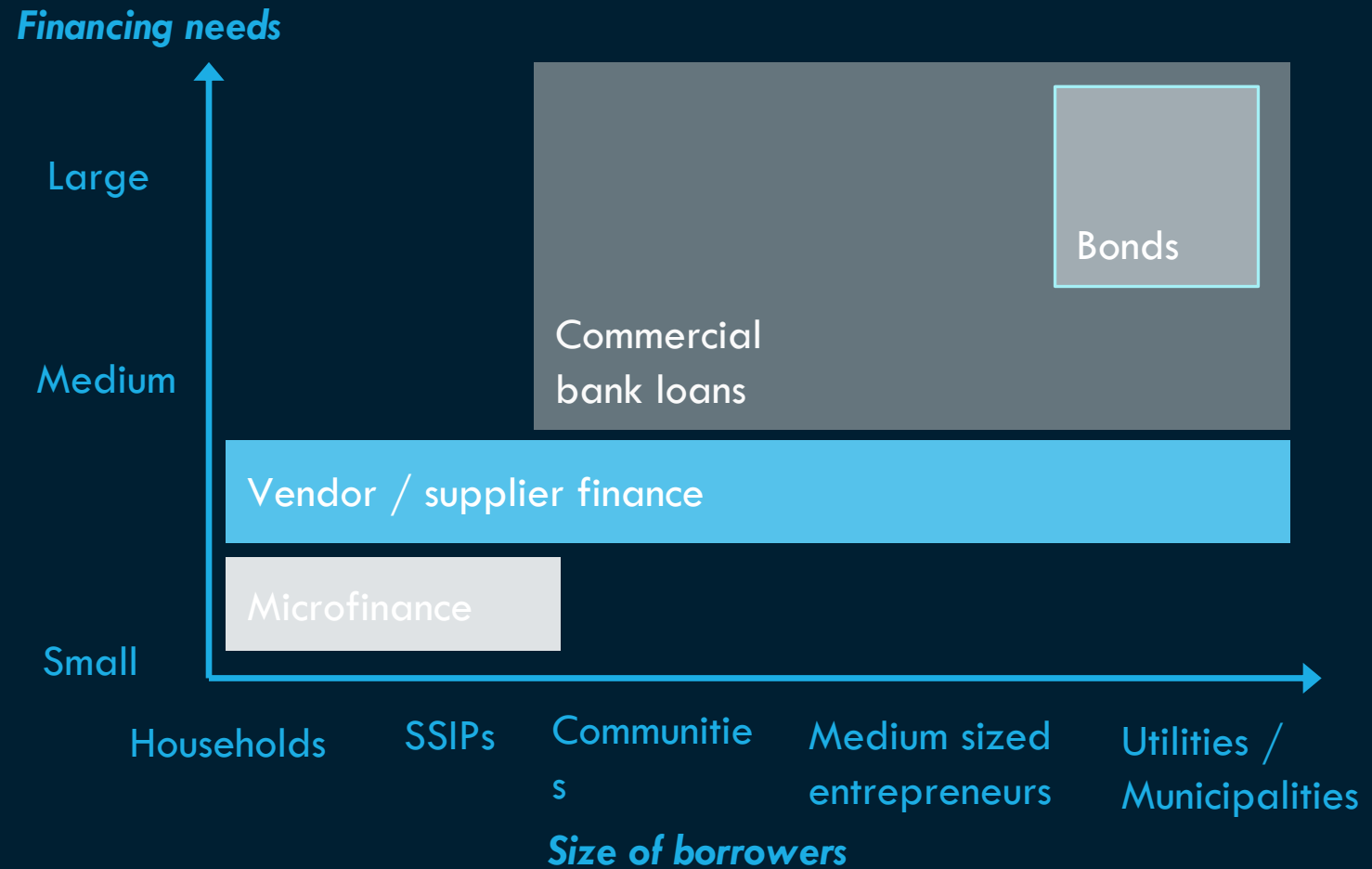
## Taxes

- Better targeting of existing subsidies:  
Viability gap financing for economically beneficial investments (may move subsidy from water to sanitation investments)
- New (hypothecated) taxes – typically to support sanitation  
Swachh Bharat Mission (\$3Bn raised through cess)  
Tourism/environmental taxes
- Increased tax allocations to the sector  
Mali, TrackFin (1.23% in 2017 to 2.62% in 2018)
- Alternative taxes/fees  
Universal access fees in USA, France

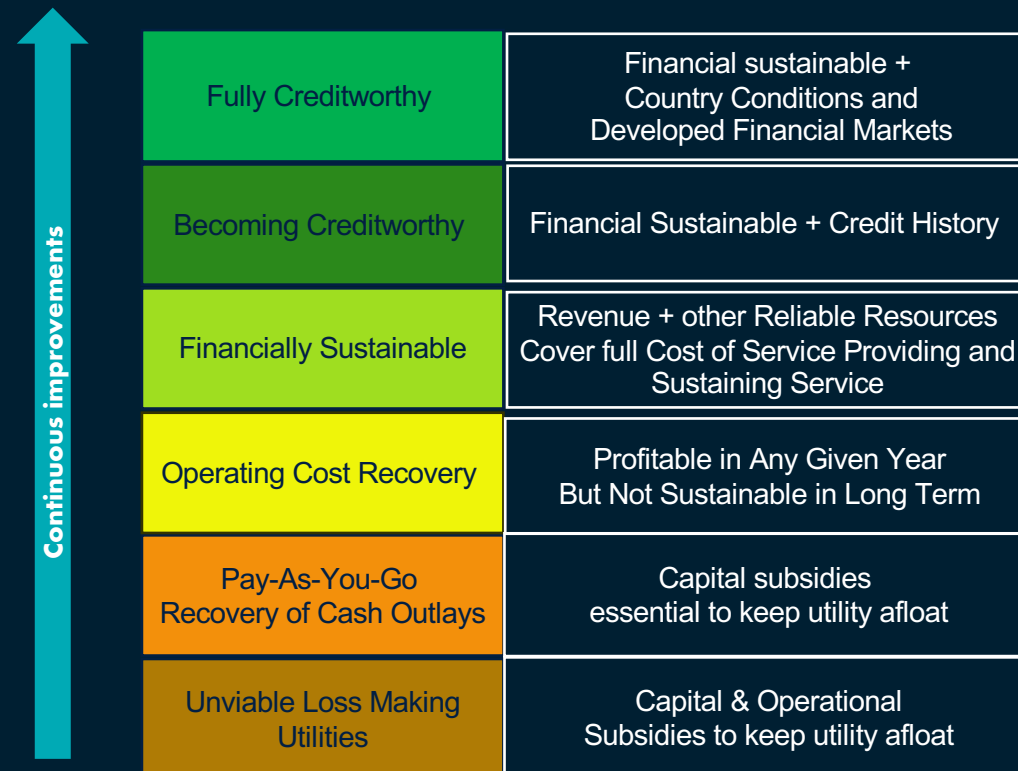
## Getting More from Tariffs, Taxes and Transfers - Green Climate Fund (GCF)

- GCF created to support the efforts of developing countries to limit or reduce their greenhouse gas (GHG) emissions and adapt to climate change.
- Aims to deliver equal amounts of funding to mitigation and adaptation.
- Launched in 2014 (\$9.3 billion) supplemented in 2019 (\$9.78 billion)
- Total approved GCF financing for all projects to date is \$5,210 Bn for 111 projects yet WSS projects only captured \$328 million financing for 8 WSS projects – just under 6% of the total.
- GCF funded WSS projects typically received grants of between 50 and 75% of total investment costs
- Safeguarding water supply and farming conditions in the Simiyu Region of Tanzania. Total investment of \$159m of which \$114m (72%) from GCF grant

# Options for market (repayable) finance

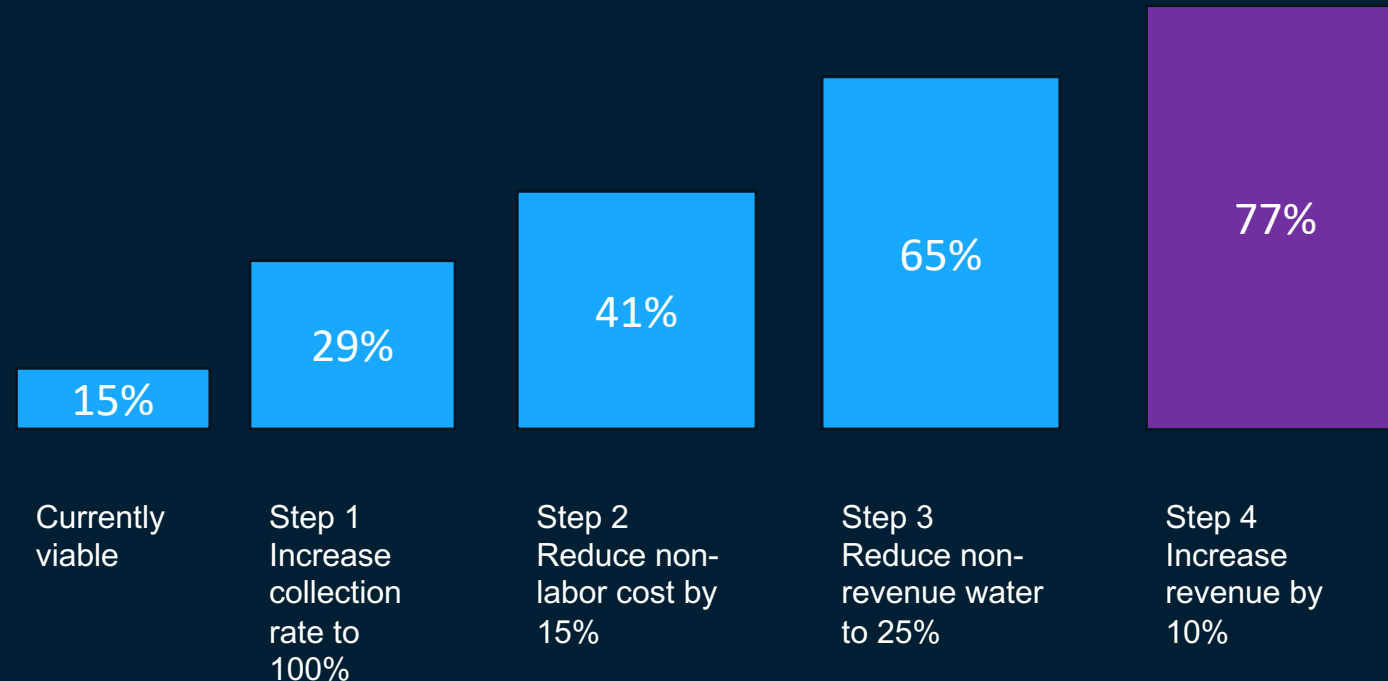


# How service and efficiency improvements can help access market finance



# Improving operational efficiency for financial viability – and thus access to market finance

Operating Cost Coverage Ratio >120% of O&M



# Increasing access to, and amount of, repayable finance

## Results based financing:

- Sanitation OBA in Kenya

## Partnering with the private sector in urban services (repayable finance through long term PPP agreements)

- Hybrid annuity model for WWTP in India
- BOTs for WWTP in China

## Provision of guarantees/transparency to encourage market entry and improve borrowing terms

- Credit ratings for utilities
- Philippines water revolving fund
- K-rep bank Kenya
- Dakar, Senegal, ONAS provides guarantees that enable pit emptiers to buy improved equipment

# Increasing access to, and amount of, repayable finance

- Encouraging market for sanitation microfinance (repayable finance at household level):

Water.org's Water Credit (through partners): \$1.8Bn in total.

Sanitation 58.4%,

Water 31.3%,

WatSan 7.2%, (combined loans)

Water Credit Investment Fund – blend of philanthropic, social and concessional funds using mix of equity, debt and first loss guarantees. Total of \$111million raised.

- New models of service delivery (repayable finance through service fees):

Container based sanitation where financing recovered from user fees

- New sources of finance:

Social impact bonds for blending with non-concessional finance



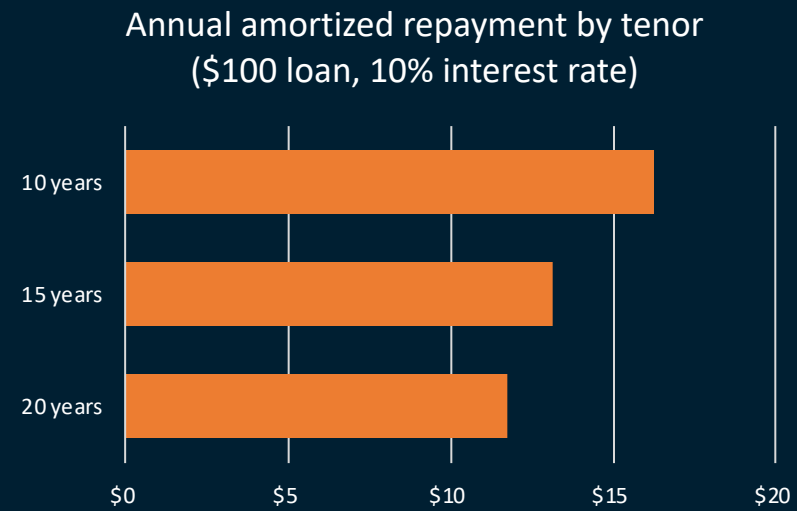
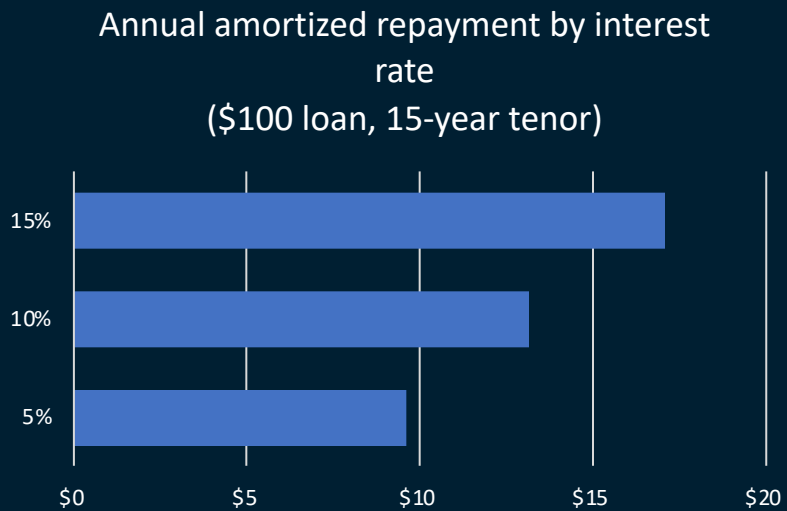


## **Credit Enhancements – To de-risk investments and improve underlying credit (Urban opportunities)**

Can be obtained through various means - Internal (within Utility/Government) or External (creditworthy agencies such as WB):

- A. Escrow Accounts – DSRA, Liquidity Accounts, etc
- B. Government Revenue Intercepts
- C. Asset or Cash Flow collateral
- D. Partial Credit and Risk Guarantees

# Improving affordability through blending (incl. using credit enhancements)



# Thinking particularly about sanitation

- Network sanitation systems are more expensive than network water systems
- Willingness to pay for sanitation lower than for water services
- Externalities from improved sanitation are significant – health, environment, education
- Current investment levels insufficient to meet sanitation SDGs so new sources of funding and financing are urgently needed

⇒ Financial challenges are greater in sanitation than in water supply

⇒ Economic benefits are greater in sanitation than in water supply and need to be explicitly capture

⇒ Overall challenge is greater in sanitation than water but there are fewer established institutional/service delivery arrangements and financial models hence more opportunity to be innovative

# Saving a \$ Easier than Raising a \$

- Use of **capital efficient solutions**:
  - Condominial systems 60% of cost of traditional sewers
  - On site provision – sanitation
  - Off grid provision – water supply
- Use **consumption subsidies differently**:
  - On site service providers
  - Directly to consumers to choose
  - Not just to utilities

# In Summary

## Developing a robust and realistic Financing strategy requires:

- Understand the current situation – OPEX and CAPEX levels and sources of funding/financing
- Set out future levels of service
- Prepare realistic estimates of future funding/financing requirements – both OPEX and CAPEX
- Quantify the gap in OPEX and CAPEX requirements
- Consider realistic sources of funds/finance for future needs – taxes, tariffs, transfers and repayable finance
- Develop a financial model which allows user to make different assumptions both on the cost side (efficiency, timing, level of costs) and the financing side (funding/financing sources, levels, accessibility)
- “Play tunes” on the model to come to a realistic equilibrium that has buy in from all stakeholders – this may mean longer implementation periods
- Write a financing strategy that captures the above!

Q&A

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# Nigerian Sector and Financial Strategies to Deliver SDGs: OPS-WASH

**Dr. Nicholas Igwe**  
OPS-WASH

# Nigerian Sector and Financial Strategies to Deliver SDGs: OPS-WASH

Prepared by Dr. Nicholas Igwe

[opswash.com](http://opswash.com)

 @OPSWASH1





## Nigeria's SDG-6 Vision

# New Developments in WASH Sector Planning



Nigeria has shown strong political commitments toward improving water, sanitation and hygiene by 2025, and 2030 respectively through the following key actions:

1. Launching of the PEWASH Framework 2016
2. Declaration of a State of Emergency by President Muhammadu Buhari 8<sup>th</sup> November 2018
3. Launching of the 'Clean Nigeria: Use the Toilet' Campaign to end open defecation by 2025
4. Presidential signing of Executive Order 009 to end open defecation by 2025

# Unlocking Private Sector Potential Through 'One Body With One Goal'



The private sector in Nigeria is the country's powerhouse. With over 41.5 million in number, Micro, Small and Medium enterprises (MSMEs) make up 96% of businesses; contribute 50% to the national GDP and account for 77% of the national workforce giving jobs to about 60 million people.

- In Partnership with UNICEF and the Federal Ministry of Water Resources OPS-WASH (Organized Private Sector in Water Sanitation and Hygiene created to:
  - Boost 'traditional' private sector engagement
  - Take steps toward broadening traditional perceptions of PS composition
  - Create a collaborative space for all industries and sectors in WASH
  - Show that Private Sector Government collaboration in WASH will bridge financial gaps.



## MORE ON OPS-WASH AND EXPECTED INDUSTRY OUTCOMES IN THE NIGERIAN CONTEXT

The general expectation of impacts is to generate tangible commitment from participants to support the nation-wide campaign through Sanitation Adoption. Sanitation Adoption implies committing to fund the supply of a much-needed toilet infrastructure to segmented low-income households as well as to public spaces in which people do not have access to safely managed toilet facilities.



## Expected Outcomes: Financing Strategies

### Nigerians in Diaspora Commission

2 million Nigerians in Diaspora to adopt households or communities to provide needed toilet/water infrastructure

### Institutional/ Organizational Adoption

Organizations to leverage resources from their Corporate Social Responsibility portfolios.

### Philanthropic Adoption

philanthropic organizations have also in the past, supplied water and toilet facilities to some communities.

### Financial Institutions- Sanitation Financing

Sanitation Financing with Micro-Financing Institutions; Community Savings and Credit Group to provide affordable sanitation loans

### Telecommunications Organizations

Telecommunications businesses to commit to promoting the message of the ***Clean Nigeria: Use Toilet campaign.***

# Using the OPS-WASH structure to assist the Nigerian Government with Financial Strategies in WASH



- Boosting and harnessing the potential of the PS for improved financing and meaningful contributions in the sector
- Leveraging on the efficiency, effectiveness, skills and financial resources of the WASH PS as the driving force for achieving the SDGs
- Creating awareness of the profitability in investing in WASH
- Showcasing and promoting broadened PS models while infusing business language such as profit, revenues, market share in social or environmental perspectives of WASH



unicef  
for every child



**OPS-WASH**  
Organised Private Sector in Water,  
Sanitation and Hygiene

# Thank you!

Prepared by Dr. Nicholas Igwe  
[opswash.com](http://opswash.com)

 @OPSWASH1

# Tanzania

**Ms. Rebecca Budimu**

TAWASANET



# **Tanzania SWA Case Study.**

**05 February 2020**

# CURRENT SITUATION

Progress is below target, not on track to reach SDG 6.

- Basic w/supply **rural** is 64% (2019) V/S a target of 85% by 2020.
- Progress for **urban** w/s is higher but still behind target by 10% in target.
- Safely managed sanitation nationally is 21% v/s target of 40% by 2020/21.
- Resources pledged for WSDP Phase II (2016-2021) are US\$ 1.9 billion v/s requirement of US\$ 3.3 billion.
- Significant **additional investments**, more **efficient utilization** of available sector funds, and **widening of the sector financing base** are needed.

# MEASURES TAKEN 1

## **1. Intensive nation-wide Sanitation and Hygiene BCC Campaign**

- Started with a National Call to Action ('Nipo Tayari' – I'm Ready) where national leaders and thousands of local leaders publicly committed and increased efforts to the Campaign.
- Progressed with a Mass communication component termed: 'Nyumba ni Choo' (A house is not complete without a toilet).
- Has led to:
  - Increased National Funding commitment and expenditure for sanitation & hygiene incl. World Bank PfR Programme
  - Increased commitment and funding at sub-national level.

# MEASURES TAKEN 2

## 2. Establishment of a National Water Investment Fund (NWIF):

- Established since 2017 by the act of parliament, to improve funding for Rural W/s which was lagging behind.
- Acquired through setting aside 50 Tanzania cents from every litre of fuel sold,
- Managed with MOW close supervision

# MEASURES TAKEN 3

## 3. Study on Sector Financing & Equity 2018

**Origin of the Sector Financing Agenda Point:** MoW Management Retreat in July 2017 : “Rethinking our Ways of doing Business

- **Purpose of the study:** to widen the Sector’s financing opportunities and ensure an equitable allocation of resources, for Tanzania to achieve the SDGs 6 targets, leaving no one behind.
- **Six key action areas were identified and agreed upon:** 1.Projects and Contracts Management 2.Institutional Strengthening (esp. RUWASA) 3.Sector Financing and Equity 4.Water Security (quantity and quality) 5.Data availability and reliability 6.Cooperation and coordination internally and externally
- **Study’s approach and its key actors:** Included **a)** Appointment of Ministry’s “Water Sector Financing Team” (WSFT) **b)** Expert support by 2 Consultants **c)** Stakeholder Consultation

### **Study’s deliverables:**

- Geo-equity Matrix
- Funding Landscape
- Funding Compendium
- Equity Guidelines

# MEASURES TAKEN 3 (Cont'd)

## Geo-Equity Matrix – Themes and Indicators

- THEME 1. Water Resources Management
- THEME 2. Water Quality Management
- THEME 3. Water Supply in Urban areas
- THEME 4. Water Supply in Rural areas
- THEME 5. Sanitation in Urban areas
- THEME 6. Sanitation in Rural areas

# OUTCOME OF THE FINANCING STUDY

## **Water Sector Funding Landscape per December 2018**

**i) Current Funding Modalities are:** a) Govt funding (including NWF);  
b) Earmarked (Direct to project) funding; c) Basket (pooled) Funding;  
d) Private sector, e.g. Loans, PPP (PPP Guidelines); e) Innovative funding (e.g. OBA-KfW; Results Based – DFID & World Bank)  
f) Implementing Agencies Own source funding (e.g. Basin Water Boards, Water Supply & Sanitation Authorities, Rural Water Supply Agency (RUWASA), EAs and LGAs).

## **ii) Established a Water Sector Funding Compendium per December 2018:**

- A database of potential financing options for the water sector accessible to Tanzania; Guides on potential funding sources, listed with indication of financing eligibility criteria, application procedures etc.

# Examples of Successful Financing Applications

## A recent success story:

- In 2017, NEMC with support from GLZ-Water was accredited as the national applicant to the Climate Change Adaptation Fund (UNEP)
- The available envelope for Tanzania is \$10M. • NEMC invited implementers to submit project concepts
- In 2018, NEMC Received 96 concept notes, 10 were shortlisted, 3 qualified (Bunda DC (\$1.4m), Kongwa DC (\$1.2m) and SUA (\$1.28m)
- Support to develop project proposals: \$30,000 /beneficiary.



# Next Steps

- Dissemination of the Tools to the users (MoW, DPs & Implementing Agencies)
- Strengthening MoW's "Water Sector Financing Team" (MoW & DP)
- Create a support facility for users of the Tools (MoW & DPs)
- Scheduled updating and upgrading of the Tools
- GIS-based mapping system for Geo-Equity information (MoW & GIZ)

Q&A

5



# Reviewing and reporting on your commitments

The SWA Mutual Accountability Mechanism



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**FINANCE  
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MEETING**

Washington, D.C. — April 2020

# Reviewing commitments at the national level

Commitments made through the Mutual Accountability Mechanism, whether by governments or by other partners will be subject to regular review through multi-stakeholder national review processes, such as the Joint Sector Review, or other national processes.

Using these national review processes, SWA partners review whether commitments have been achieved, share challenges they have encountered and celebrate successes.

This review process is critical to ensuring stronger commitments (and better planning) in the country during subsequent cycles of the national planning and review processes.

Reporting on commitments follows the national timeline

# Reporting on commitments to the global platform

When a partner makes a commitment, it is submitted to the SWA commitments database and presented on the SWA website under the respective country page.

Once a commitment has been reviewed, this should also be submitted to the SWA database, to be presented on the website.

Governments and other partners will receive a link to each commitment that they have made, and will be requested to submit a brief report on progress towards each commitment, based on existing national reviewing and reporting processes. The following slides show the reporting form.

If you have not received the link, or if you have any questions, please let the SWA Secretariat know!

# Reporting form

Provide a progress update on each of your commitments using a link provided by the Secretariat

## Reporting on commitments

This form is for reporting on the achievement of commitments under the SWA Mutual Accountability Mechanism. All responses will be made publicly available on the SWA website.

In the creation and review of commitments, SWA promotes multi-stakeholder debate, and commitments are expected to be made and reviewed through multi-stakeholder processes.

Commitment \*

69 - LS Lesotho Lesotho (le) - - Actions on issues of reducing the open defecation

...

Has the commitment been achieved? \*


- ☒ Yes, fully (100%)
- ☐ Almost fully achieved (75%-99%)
- ☐ Some progress (50% – 74%)
- ☐ Limited progress (25-49%)
- ☐ No progress

# Reporting form

Give a short description of the progress made, including challenges, bottlenecks, successes \*

Please attach the evidence for the level of achievement given above

This can be a report, meeting minutes, data, budget, policy, etc.

 Attach file

 Drop files here

Who has been involved in reviewing the commitment?

Partners who have involved more than three constituencies in the review process are SWA Gold Standard

- ☐ Government
- ☐ Civil Society
- ☐ Private Sector
- ☐ Research and Learning Institutions
- ☐ External Support Agency

When do you next expect to report on this commitment?

yyyy-mm-dd

# Reporting form

- ☐ **University**
- ☐ **Private Sector**
- ☐ **Research and Learning Institutions**
- ☐ **External Support Agency**

When do you next expect to report on this commitment?

Name of reporter \*

SWA requires there to be a contact person who is responsible for reporting on this commitment from the institution holding the commitment.

Organisation \*

Email \*

Submit

Never submit passwords through this form. [Report malicious form](#)



**THANK YOU!**



**#2020FMM**

