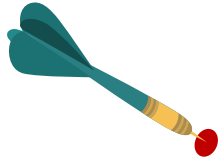


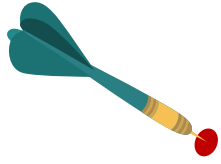
Part 2 – Sanitation Solutions

2.3 Funding Urban Sanitation

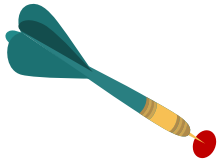
Inclusive urban sanitation – Capacity development for consultants



Identify what and who needs funding



Explain why a government should invest in non-sewered sanitation



List different sources of finance and describe how they can be combined to share costs between customers and government

Funding

- What and who needs funding
- Why non-sewered options need funding
- How to close the funding gap
- Possible mixes of funding

s

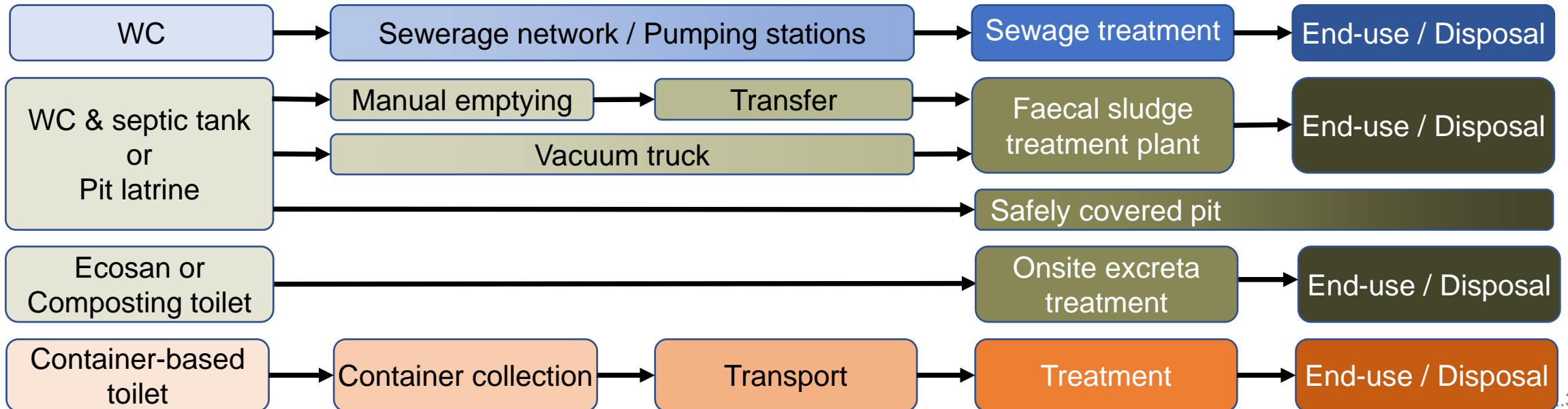
What needs funding?



Services

- Toilet construction
- Public toilets
- Hardware Supply
- Pit & tank emptying
- Sewer connections
- Container services
- Faecal sludge haulage
- Sewerage operation
- Container services
- Treatment plant operation
- Re-use product marketing

Plus community consultation, sanitation and hygiene promotion and services marketing for all services



What needs funding?



Services

- Toilet construction
- Public toilets
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Plus community consultation, sanitation and hygiene promotion and services marketing for all services

Service providers

- Households
- Masons
- Suppliers
- Utilities
- Manual emptiers
- Truck operators
- Utilities (sewers)
- Container services
- Truck operators
- Utilities (sewers)
- Container services
- Local Government
- Utilities
- Independent operators
- Independent operators
- NGOs
- Farmers etc.

- Infrastructure and equipment
- Operating costs and working capital
- Capacity building and technical assistance

Funding needs

How to fund it?



Services

- Toilet construction
- Public toilets
- Hardware Supply
- Pit & tank emptying
- Sewer connections
- Container services
- Faecal sludge haulage
- Sewerage operation
- Container services
- Treatment plant operation
- Re-use product marketing

Plus community consultation, sanitation and hygiene promotion and services marketing for all services

Individual Services

*Provided to individual users...
but with public benefits*

- User payments
- Subsidies – to ensure:
 - ❑ Full coverage
 - ❑ Integration with service chain

Shared Services

Provided at community/public level

- Taxes and tariffs
 - ❑ Must be dependable and ring-fenced
- Grants
 - ❑ From government or international agencies
- Revenues from re-use products
 - ❑ Based on realistic market assessments



Discussion

Public expenditure on sanitation is often used mostly for sewerage systems.

- **Should more public funding be used for non-sewered sanitation?**
- **Why or why not?**

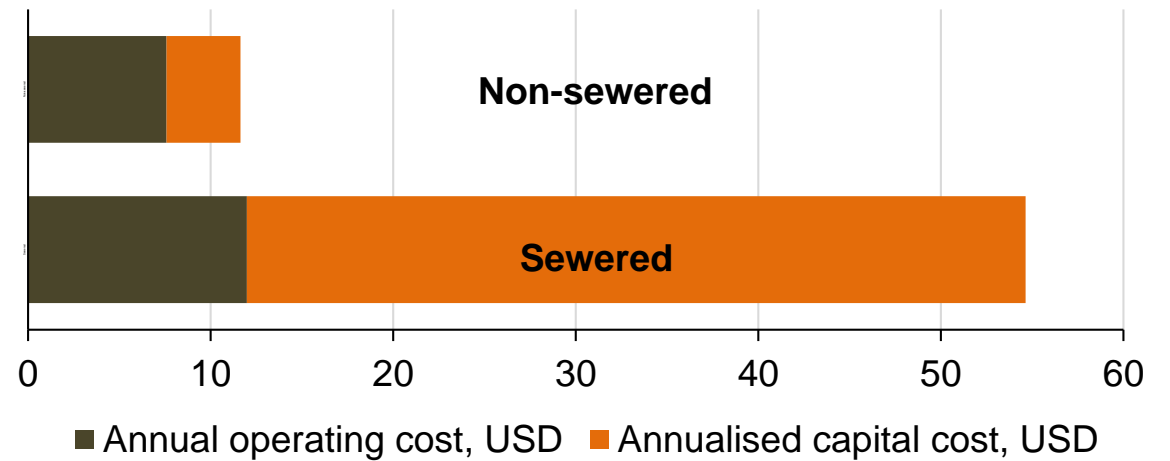
3 mins



Spending public funds on sanitation

1. Non-sewered sanitation is often more **cost-effective** than sewered

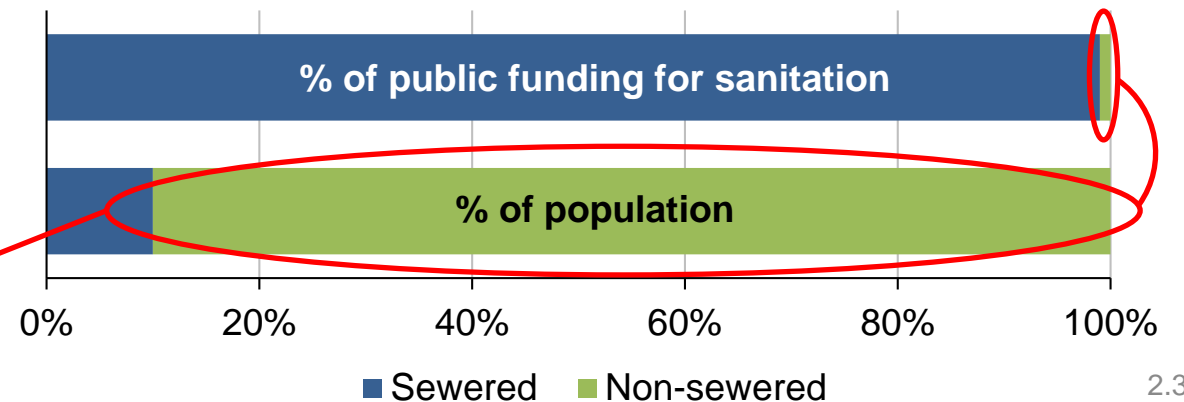
Annualised costs, Dakar, 2012



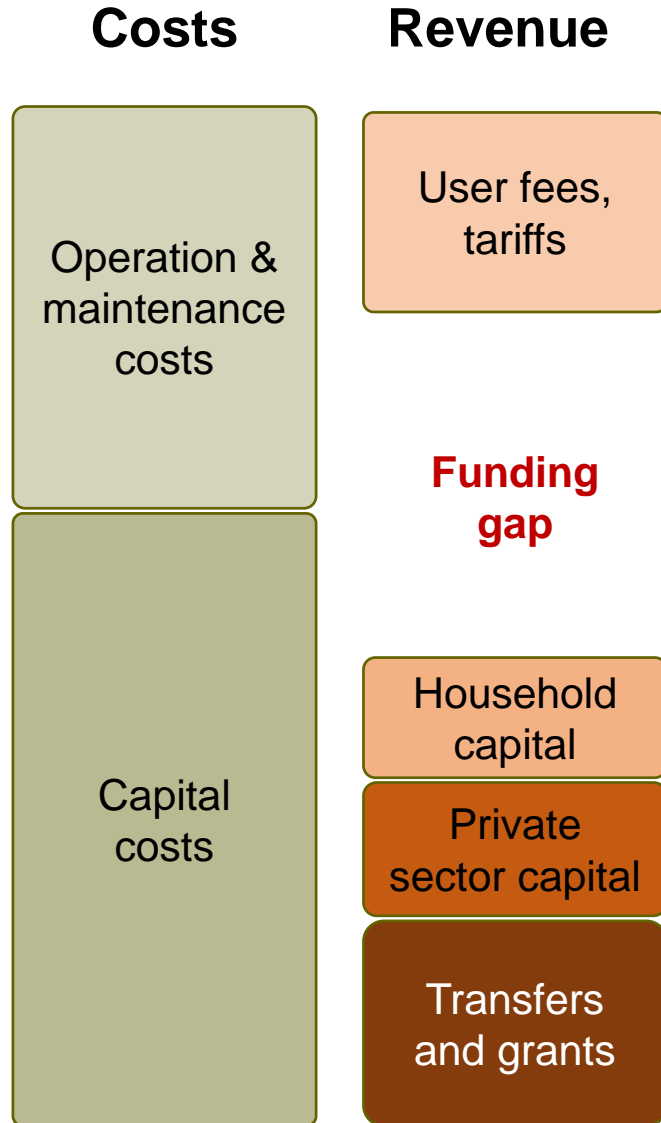
2. **Equity:** poor people are less able to pay, but often cover all costs, while sewer users are subsidised

1,000 times **less** per person for non-sewered sanitation!

Sanitation funding, Dar es Salaam, 2012

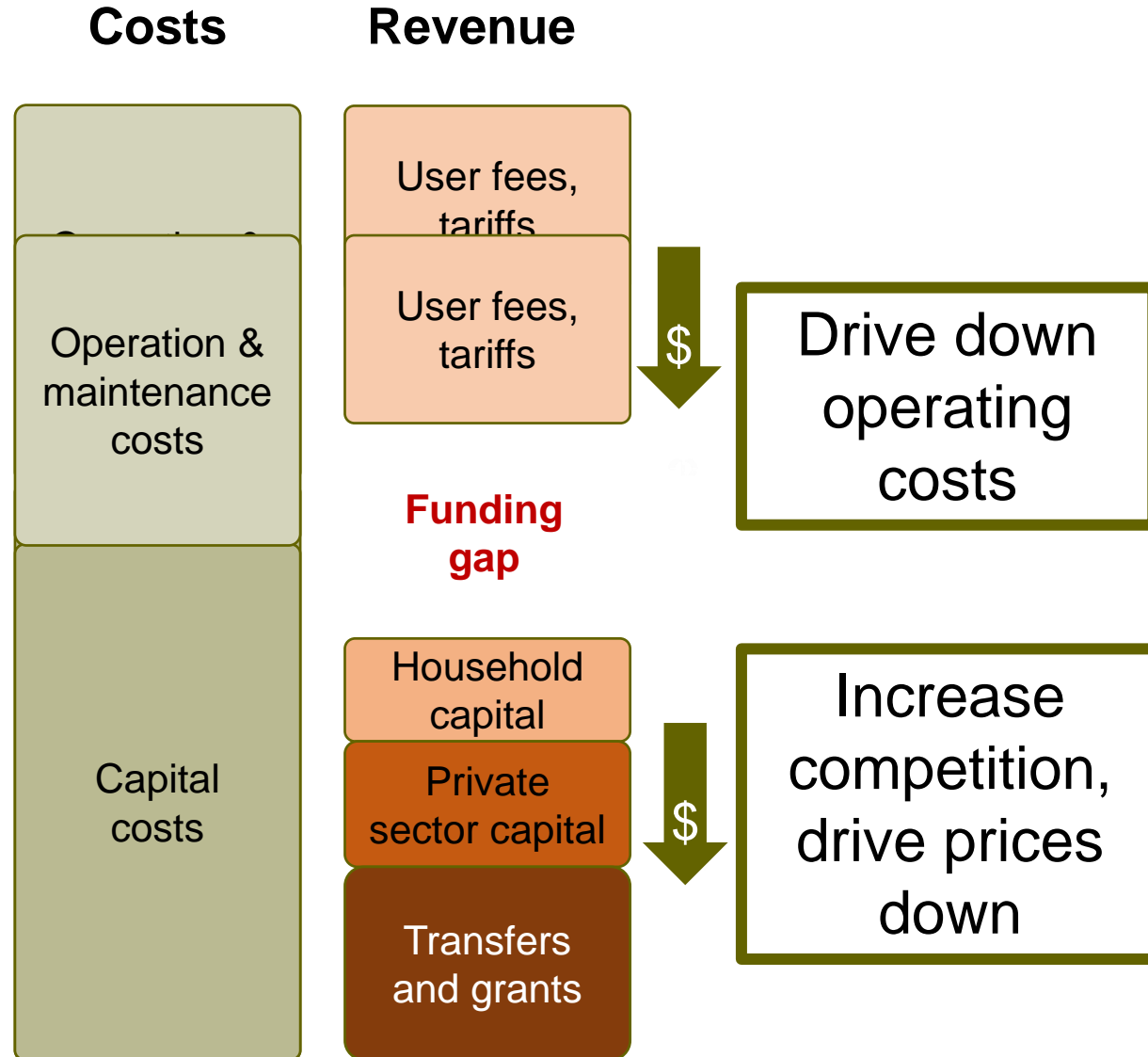


Closing the funding gap



- Different breakdowns for sewerred and non-sewerred sanitation
- Failure to meet maintenance costs can destroy capital assets

Closing the funding gap



(1) Cost-reduction options

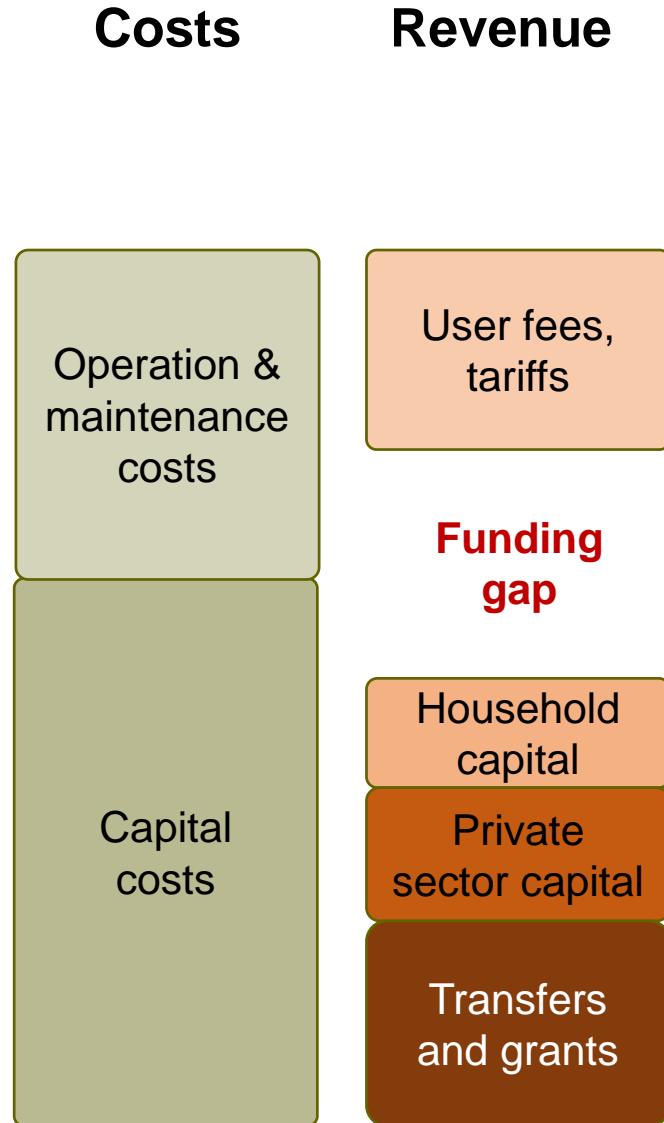
Technical interventions

- Improved technology
- Newer equipment (e.g. tankers)
- Improved procedures (e.g. scheduled desludging)
- Upgrade technical and business skills

Market interventions

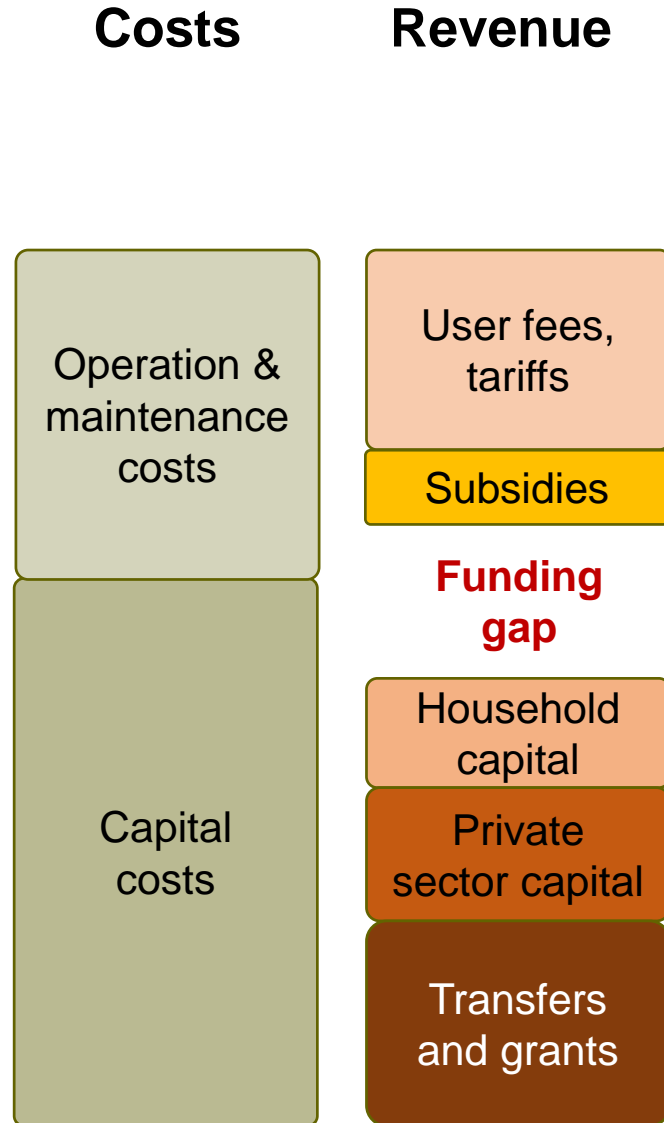
- One-stop shop for toilets
- Advance market commitments

etc...



(2) Microfinance, supplier credit

- Increases customer ability to pay
- May not be affordable by poorest people
- Tailored sanitation loans often more suitable
- Include major costs in regular service tariff
- Mobile platform can reduce administration costs
- But subsidies also usually needed



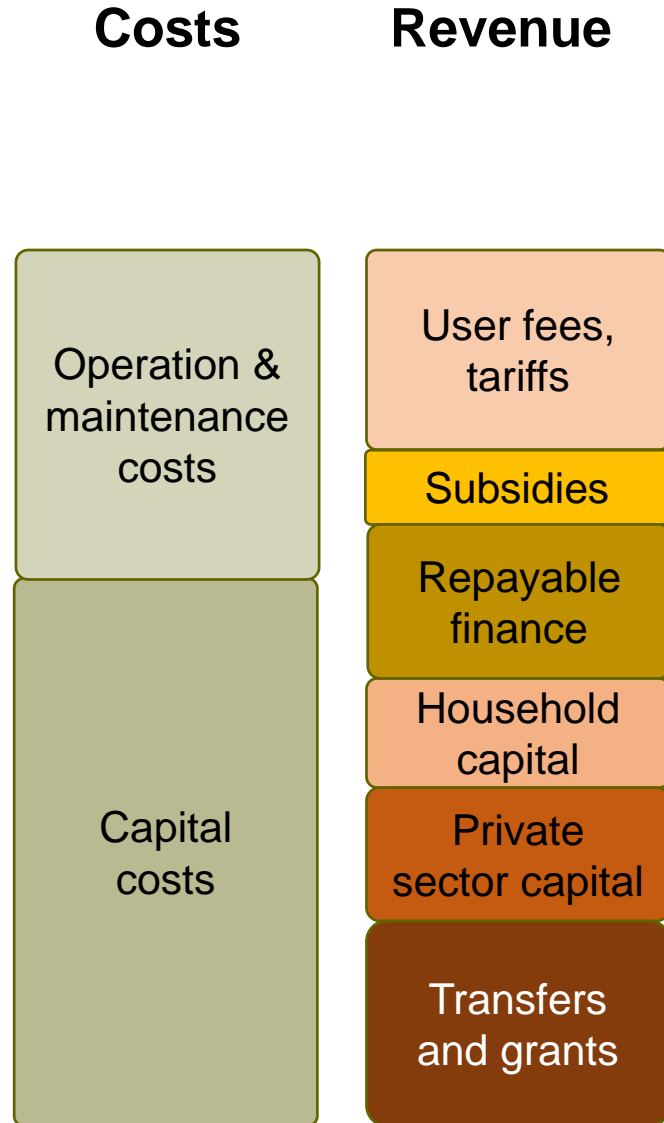
(3) Subsidy options

– Targeting

- minimum service level
- area
- poverty indicators

– Source of subsidies

- cross-subsidy
- sanitation levy and taxes
- grants and conditional cash transfers
- sale of treated sludge products
- phased/regular payments to increase affordability



(4) Repayable finance

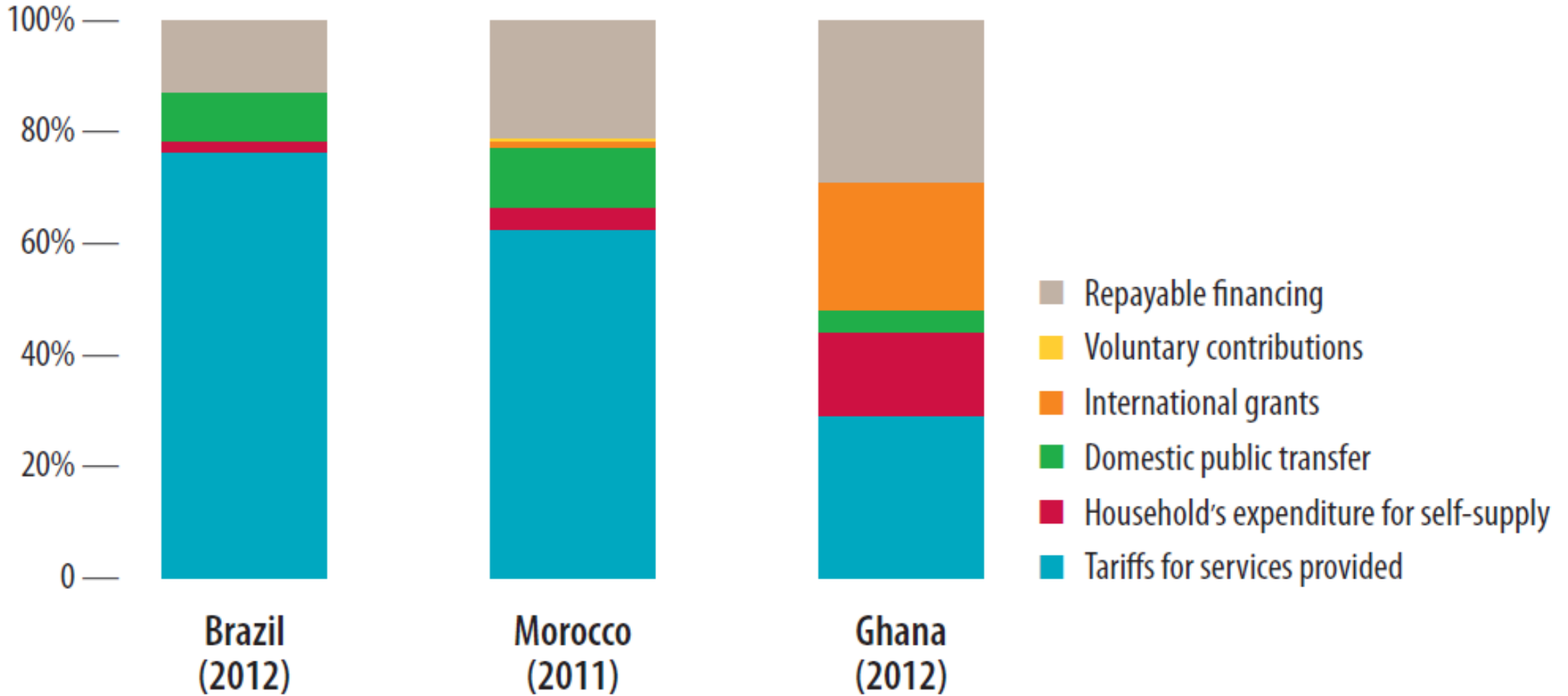
– Credit

- soft and commercial loans

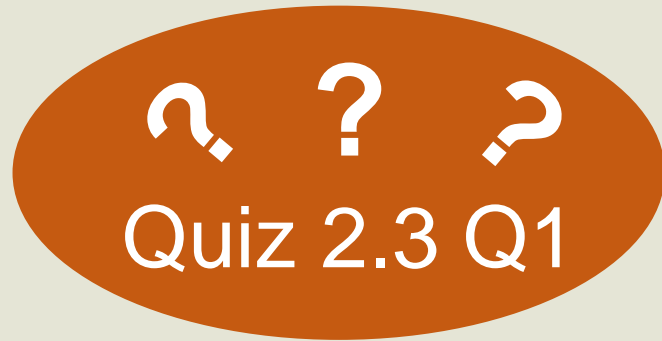
– Facilitation with financial institutions

- introductions
- guarantee funds
- revolving funds
- results-based financing
- blended finance

Sanitation funding mix: Some examples



Quiz 2.3: Question 1



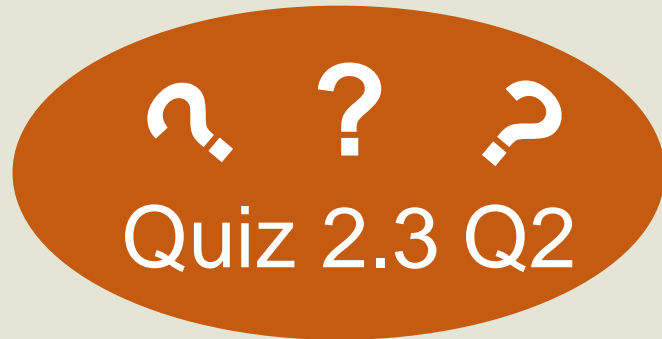
For each of the following investments [a to e], which of these would typically invest?

(1) users, (2) public funding, (3) project funding, (4) private sector, or (5) other :

- a) toilet construction
- b) community consultation
- c) sanitation and hygiene promotion
- d) marketing of the new services
- e) capital costs of equipment

3 mins





Some ways to close the funding gap are to:

- a) Find ways to reduce capital and operating costs
- b) Develop funding mechanisms that facilitate customers to pay for services
- c) Avoid subsidies because they establish a precedent that might not be followed
- d) Use loans (repayable finance)

There may be more than one answer.

3 mins



Summary – Financial frameworks



- **Fund not only infrastructure but also service providers and marketing**
- **Fund non-sewered sanitation because it:**
 - is cost-effective in many circumstances
 - contributes to equity in service provision
 - is flexible and adaptable
- **Close the funding gap by:**
 - cost reduction and microfinance
 - subsidies and repayable finance
- **Use a mix of options**
- **Have a finance specialist in your team**

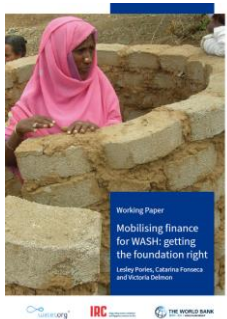
See ConCaD Online Module 2.8 for more information

Further reading



Trémolet, S.; Mansour, G. Evaluating the effectiveness of public finance for household sanitation – a synthesis of three case studies. (2013) 48 pp.

https://assets.publishing.service.gov.uk/media/57a08a55ed915d622c0006a1/Sanitationpublicfinancingsynthesisreport_1.pdf



Pories, L.; Fonseca, C.; Delmon, V. Mobilising finance for WASH: getting the foundation right. (2019) 37 pp.

https://www.ircwash.org/sites/default/files/mobilising_finance_for_wash_w eb.pdf

CWIS costing and planning tool (beta version)

<http://cwiscostingtool.com>