

A Framework for Supporting Innovative Financing for Improving Urban Sanitation in Ghana

Jonathan Parkinson

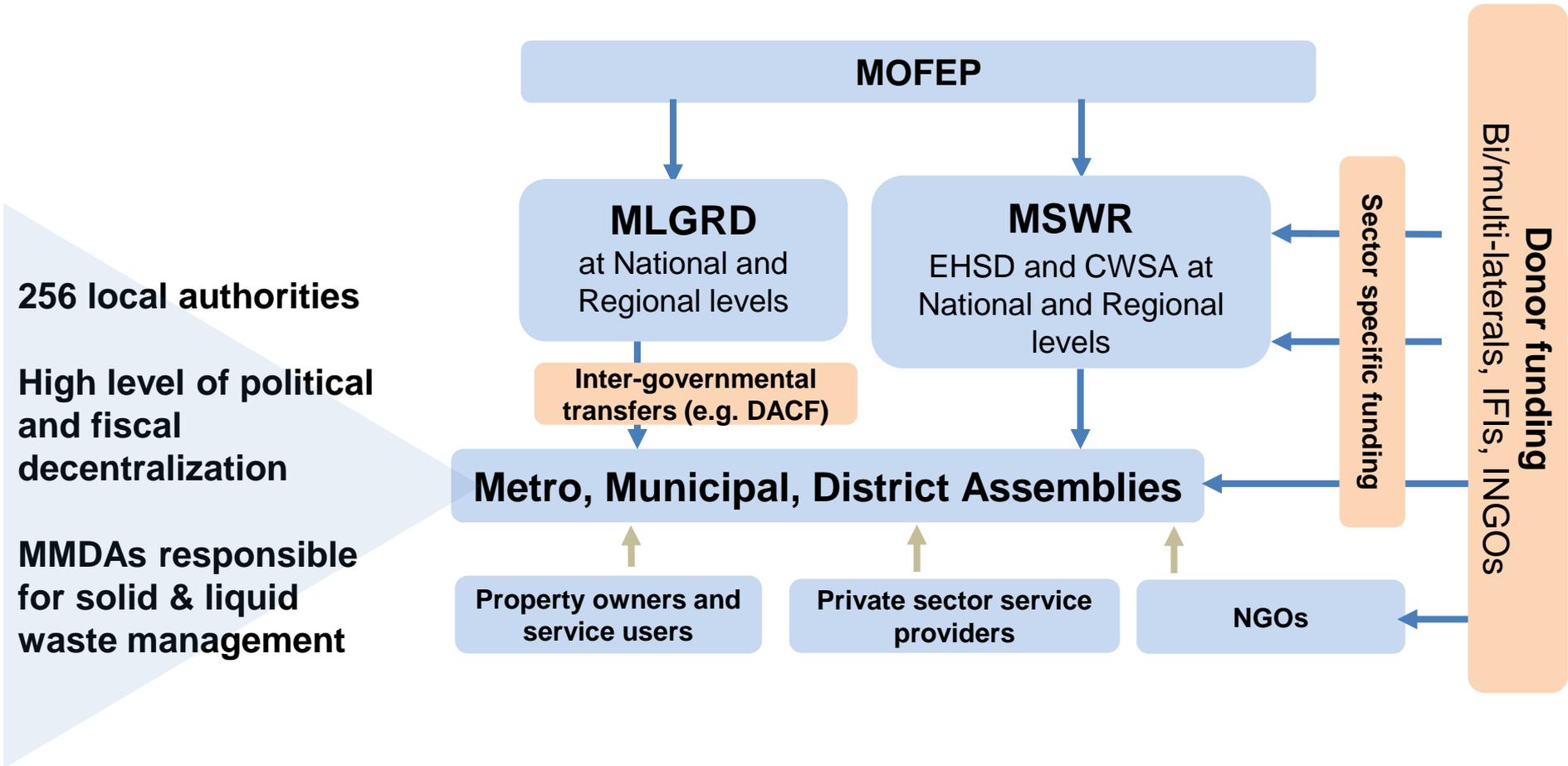
Associate Director – Cities and Resilient Development



Acknowledgements:

UCL (James Parsons, Luiza Campos, Priti Parikh), i-San (Prit Salian), Maple (Nii Odai Laryea, Mawuena Dotse), WSUP (Azzika Tanko, Sam Drabble), Aquaconsult (Goufrane Mansour), UNICEF (Niall Boot)

Financing for sanitation at MMDA level in Ghana



Expenditure by MMDA's on sanitation

- Estimated that the central and local governments combined allocation to liquid waste sanitation only USD 11.3 M in 2014 (0.04% of GDP) (Source: TrackFin)
- Expenditure significantly less than the 15% allocation from DACF on WASH expected by National Government. No allocation of funds to liquid waste sanitation from internal revenues (IGFs) (Source: Aguaconsult/UNICEF)
- Majority of the public expenditure is for staff deployed by the government to oversee sanitation activities at district level, and, for capital investments, most funding is for public facilities (Source: UNICEF)
- Bulk of the investment consists of small-scale private investment from households themselves (Source: TrackFin)
- Other investment are made by private sector service providers (e.g. Zoom Lion) but many (esp. smaller ones) struggle to secure source loans due to high interest rates and stringent borrowing requirements (Source: RVO, 2018)

Sanitation Challenge for Ghana (SC4Gh)

- *Ideas to Impact* (launched by DFID in 2014) to stimulate innovative pro-poor solutions for challenges in i) climate change adaptation, ii) access to energy, iii) water supply and iv) sanitation
- **Aim of SC4Gh**
To incentivise MMDAs to instigate transformational changes to city-wide sanitation (liquid waste) services in urban centres
- **How?**
Honorary awards (political prestige) and Monetary prizes (£1.28M to be awarded in July 2019) for MMDAs judged to have improved their liquid sanitation the most since 2014 as a result of the SC4Gh).



SC4Gh: some successes to date



Institutional / regulatory

- Stakeholder engagement in Med-term Development Plans
- Public-private partnerships for construction of public toilets.
- Updating Assembly's bye-laws

Community / social

- School sanitation clubs with students as 'ambassadors'
- Community-based register of latrine construction
- Community participation and radio promotion campaigns

Treatment / environmental

- Allocation of land for fecal sludge treatment
- Settling tanks and drying beds to improve the treatment capacity
- Biogas for energy recovery

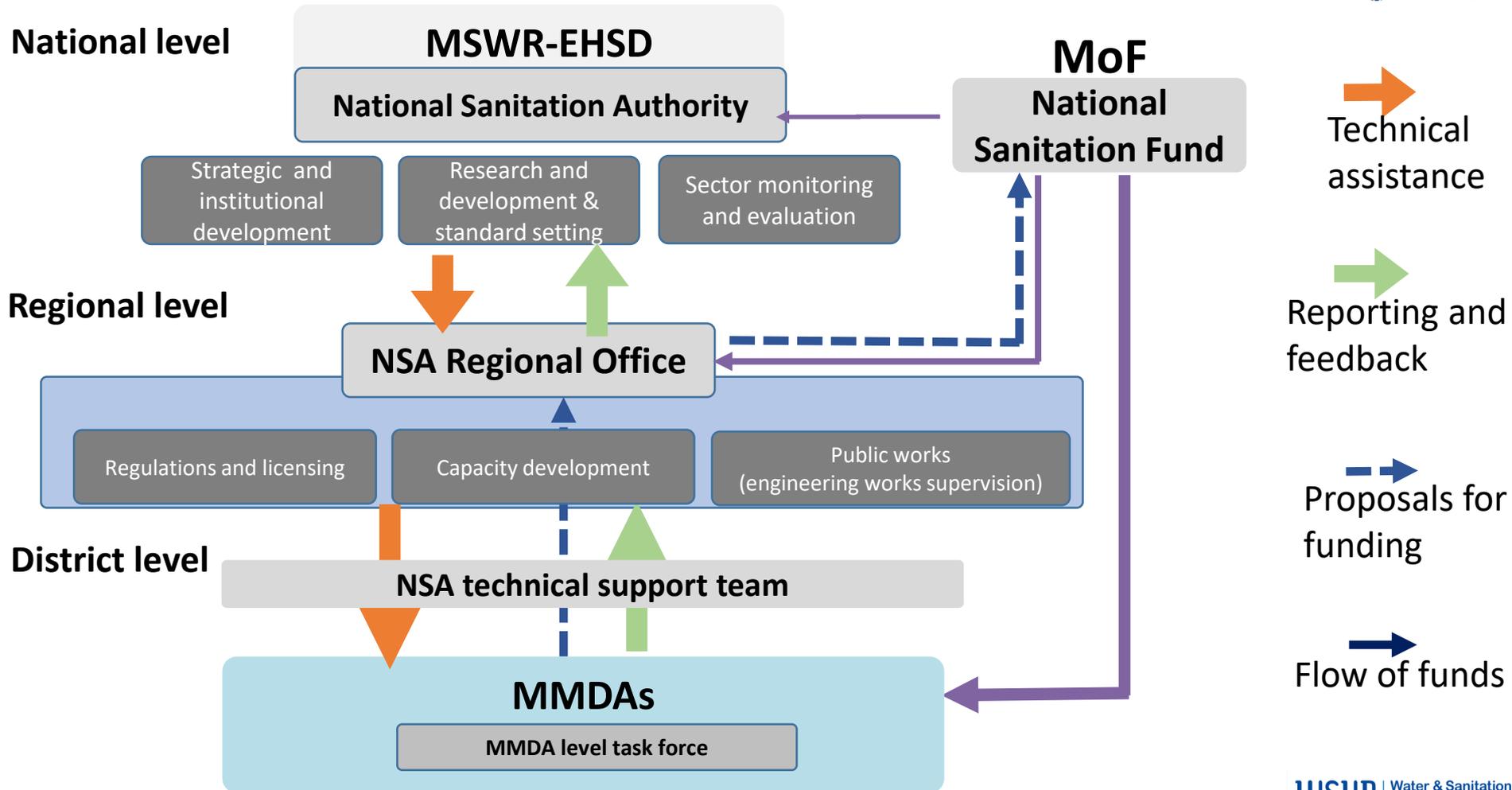
11 MMDA's allocated specific budgets for the implementation of activities related to the SC4G projects. Based on **12** of the MMDA's reports, in **2017** they have allocated to SC4G activities a **> 1 M USD**. In 2018, this increased to **> 1.5M USD**, representing a **45% increase** in budget allocation

Proposed National Sanitation Authority (NSA)

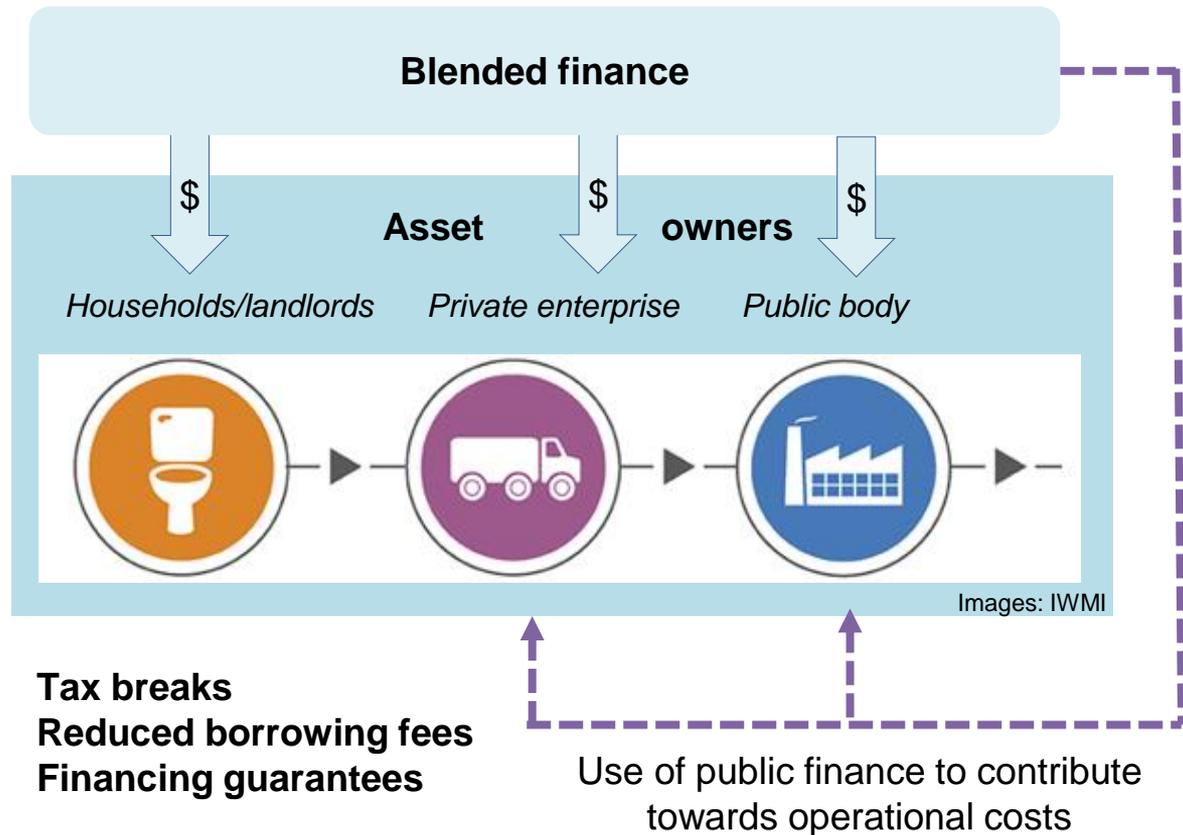


MINISTRY OF SANITATION AND
WATER RESOURCES

- In 2017, the MSWR requested support from WSUP under the DFID funded *Urban Sanitation Research Initiative* to assist in decision-making related to the establishment of a NSA
- **Proposed purpose of the NSA** to ensure effective implementation of the Environmental Sanitation Policy (2010) in the *provision of sustainable pro-poor sanitation services* throughout the country.
- Applied research involving review of institutional models in 15 countries and a stakeholder consultation process involving sanitation sector and government representatives.



Blended finance: using public finance to mobilise private investment and incentivise private sector service providers



Micro-finance and subsidy for household sanitation

Example: UNICEF/GNWP programme in Ashaiman, Ho and Tamale.

Easy-access loans at favourable rates (12%) to households offered by “Rural” banks responsible for agreements and loan recovery working in partnership with Revolving Fund manager (APEX Bank)



Support to SMEs for FSM collection services

Example: Dakar Senegal, Guarantee fund from BMGF

Access to credit for renewal of their emptying fleet trucks and /or acquisition of spare parts. To formalize the sector, truck owner (privates companies) belong to the Association of emptier (AAAS) to participate in the scheme.



Public private partnerships for fecal sludge treatment

Example: Tema Municipality: Joint venture between Jekora Ventures Ltd.

Private investment >USD 90,000 in working capital, including staff and electricity on the basis that they were have secured income from customers directly. Contribution from municipality sector consisted of



Financing gap

Tariffs

Taxes

Transfers (ODA)

Meeting the financing gap



Commercial finance provided by private sector lenders

Managed by Financing Facility

Concessional finance / grants provided by development agencies

Key elements of financing framework

- Sanitation improvements led at MMDA level based on plans with stakeholder buy-in and political leadership.
- Public-private partnerships at local level are the key to successful planning, implementation and financing.
- A diversity of financing instruments are needed for actors in the sanitation value chain using a combination of public and private finance
- National level facility is required to manage/co-ordinate funds and fund disbursement and financing disbursed incrementally to reward performance and incentivize further action.