SuSanA thematic discussion series
Urban Sanitation Finance

September 4, 2015
SuSanA discussion 23 June- 21 July 2015

- **Theme 1: Public Finance**
  - **Topic 1:** Public Finance at National Level, Catarina Fonseca - IRC
  - **Topic 2:** Public Finance at Local Level, Guy Norman - WSUP

- **Theme 2: Microfinance. Sophie Trémolet, Goufane Mansour – Trémolet consulting**

- **Theme 3: City Level Sustainable Cost Recovery, Kumi Abeysuriya –ISF/UTS, Antoinette Kome -SNV**
Theme 1, Public finance at the national and local level (Domestic public finance)

- Taxes: not linked to a service, e.g. municipal tax, sanitation surcharge on water or property, general tax
- Why taxes?
- Challenges
- Benefits
Theme 2: Microfinance

- Why micro-finance?
- Micro-finance goes beyond loans.
- Beyond MFI’s and NGO-MFI’s.
- Blending options...
Theme 3: City Level Sustainable Cost Recovery

3 dimensions of sustainable full cost recovery:

1. For the entire sanitation value chain
2. For the entire geographical area
3. For the entire life cycle
4. ... for all different social groups
Over time...

Initial costs to construct and to keep sanitation services functioning are ‘lumpy’...

<table>
<thead>
<tr>
<th>Cost</th>
<th>initial investment</th>
<th>intermittent maintenance</th>
<th>asset renewal</th>
<th>operations</th>
</tr>
</thead>
<tbody>
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And revenues from tariffs, taxes and trade are uncertain and take time to develop.
Blended finance - Tamil Nadu water and sanitation pooled fund

USAID provides guarantee of 50% of the WSPF bond principal

Government of Tamil Nadu (GoTN)

Initial debt service reserve contribution

Water and Sanitation Pooled Fund (WSPF) - Trust

Issues bonds to investors

Commercial investors

USAID provides partial debt guarantee

Implementing Entities - Urban Local Bodies (ULBs)

Taxes

Contingency contributions

Tariffs

Repayable finance

Dashed line = repayments

End Users

User fees

Government of Tamil Nadu (GoTN)

Issues bonds to investors

Commercial investors

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End Users

User fees
An overall service model that includes solutions for different parts of the city

<table>
<thead>
<tr>
<th>example</th>
<th>User interface</th>
<th>containment</th>
<th>Emptying----- Transport</th>
<th>Treatment</th>
<th>Disposal – and/or re-use</th>
</tr>
</thead>
<tbody>
<tr>
<td>City centre</td>
<td>HHs</td>
<td></td>
<td>Sewerage Utility</td>
<td></td>
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<tr>
<td>On-site sanitation in low income areas</td>
<td>households</td>
<td></td>
<td>Private emptiers bring to transfer station</td>
<td>City trucks</td>
<td>Treatment site management concessionaire?</td>
</tr>
<tr>
<td>Areas with DEWATS</td>
<td>HHs</td>
<td>DEWATS committee</td>
<td>City trucks?</td>
<td></td>
<td>Treatment site management concessionaire?</td>
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<tr>
<td>Market</td>
<td>Public toilet care taker?</td>
<td></td>
<td>City trucks?</td>
<td></td>
<td>Treatment site management concessionaire?</td>
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<td>Areas with community toilets</td>
<td>Community management committee</td>
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Connecting People's Capacities

SNV
Final reflections

- The usual suspects: governance, capacity, leadership, political will

But also:
- The chicken and egg problem
- Only tailor made
- Limited financial literacy at all levels