Financing Change

Meeting Software and Hardware costs for Sanitation

Nat Mason, Research Assistant, WaterAid
Sanitation Community of Practice, BPD, Wednesday 29 April
Overview

1. Introduction
   i. What we’re doing
   ii. What others are doing
   iii. Where we need your help: linking financing mechanisms to cost components

2. Group activity: using (and testing) a framework for sanitation financing

3. Feedback, comments and questions
Effective sanitation is a chain or network of components, all of which carry costs.

WaterAid is working to understand how those costs can best be met.
What we’re doing

How are sanitation financing decisions made?

Experience:
under-used, over-designed facilities

Ideology:
eg sanitation as a right;
sanitation as an (economic) public or private good
What we’re doing

WaterAid sanitation financing study

• Scoping Phase (now)
  – Theory and ideology
  – Mapping sanitation financing arrangements
  – Identifying useful case studies and key questions

• Main Phase (Summer 09 onwards)
  – Case studies to be undertaken by consultants across WaterAid country programmes, investigating potentials and pitfalls of sanitation financing arrangements
<table>
<thead>
<tr>
<th>What others are doing</th>
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<tr>
<td>IRC’s WASHCost project</td>
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<tr>
<td>• Disaggregated life-cycle costs of WASH service</td>
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<td>• Rural and peri-urban focus</td>
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<td>• Costing tool to be developed- for given population density, infrastructure level, terrain etc, technology “A” will cost US$&quot;X”</td>
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<td>pS-Eau’s Decision making guide for sanitation financing in Africa</td>
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<td>• Producing a guide for local governments and communities for financing sanitation</td>
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<td>• Case studies across four countries</td>
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<td>• Focus on ‘on-site’ systems, but cognisant also of ‘downstream’ costs</td>
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<tr>
<td>WSP Sanitation Financing Study</td>
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<td>• Two phases: on-site and networked systems.</td>
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<td>• Phase 1 (on-site) in progress, uncertain about phase 2</td>
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<td>• Detailed empirical data obtained: number served, facilities built per year, cost components, leverage ratio, cost recovery</td>
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There are several pieces to the sanitation financing puzzle:

- Sources of financing (e.g., donors, households)
- Recipients of financing - the ones who spend the money on sanitation services (e.g., households, service providers)
- Mechanisms for financing (e.g., revolving loans, user fees)
- Cost components, both software (e.g., hygiene education) and hardware (e.g., recurrent transport costs)
- Approaches (e.g., CLTS, component sharing)
- Technologies (e.g., pour-flush latrines)
Where we need your help

Putting these pieces together in a conceptual framework will help us…

… understand financing gaps

&

identify appropriate case studies
Where we need your help

Sanitation Costs

<table>
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<th>Financing Mechanisms</th>
<th>'Software' Costs</th>
<th>'Hardware' Costs</th>
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<tbody>
<tr>
<td></td>
<td>Institutional Development</td>
<td>Sanitation Marketing</td>
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<td></td>
<td>Containment</td>
<td>Collection and transport</td>
</tr>
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<td></td>
<td>Capital</td>
<td>Recurrent</td>
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- **Subsidies to households**: Support in the form of sanitation expenses, either in the form of reduced cost goods and services, or means-tested income support.
- **Sector Budget Support**: Aid transferred from donor government to developing country governments for expenditure on the WASH sector.
- **OH-budget project aid**: Aid from INGOs on specific sanitation projects; funds are spent in partnership with local communities.

(Thick lines indicate specific mechanisms and costs.)
1. Each group receives a framework with three financing mechanisms against the various sanitation costs. Your framework will tell you: Which THREE financing mechanisms you are dealing with. These will be EITHER ‘private’, ie originating from users or private investors, OR ‘public’, ie originating from donor governments, national governments or NGOs.

2. Run through the framework in your groups (working across is probably easiest). Add post-it notes where your feel a financing source is appropriate for a particular sanitation cost - you can always move them later!

3. Add comments if you think further explanation is required
Possible Comments

- Which kind of sanitation system you are dealing with (one of three)
  - On-site: waste collected in a pit which is filled and capped or composted by the household (no service provider to ‘deal with’ waste)
  - Semi-networked: waste collected in pits/ septic tanks emptied manually or mechanically, and transported elsewhere for treatment and/ or disposal
  - Networked: waste collected and transported by a sewerage system, potentially for further treatment

- If it makes a difference whether the money is repayable (eg a loan) or a not (eg a grant)

- If it makes a difference if you are thinking in terms of a particular ‘approach’ to sanitation, eg CLTS, Ecosan

Don’t worry too much about other groups! Try to limit yourselves to thinking about the financing mechanisms and sanitation system specific to your group
Feedback

Some questions for you to think about

• Were there any obvious gaps in your framework (eg none of your mechanisms should be used to meet a sanitation cost)?

• Did you identify any problems with the framework?

• Can you recommend any interesting case studies to explore the potentials and pitfalls of using particular sanitation financing mechanisms?
The results will be collated and analysed, turned into a coherent note (!) and sent out to participants.

If there are no objections, they may also be used to inform the scoping phase of WaterAid’s sanitation financing study.

Thanks!
Questioning assumptions and prejudices

Where can WaterAid add value?

• **Focus on Public finance and responsibility?**
  eThekwini declaration, 2008:
  “To establish specific public sector budget allocations for sanitation and hygiene programs. Our aspiration is that these allocations should be a minimum of 0.5% of GDP for sanitation and hygiene”

• **Focus on Urban/ networked systems?**
Ideology or experience?

• Does ideology play an important role in deciding what parts of the sanitation chain get funded?

• *Should* it play such a role?

• Do we need a coherent theoretical position on what components of the sanitation chain merit *public*, as opposed to household, financing (e.g., à la Mark Ellery: It’s the government’s responsibility to ensure the public good aspect of an excreta free environment)?