

# Overview of Sanitation Financing

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In cooperation with:



- **SDGs – Global goals and indicators, prevailing sanitation situation**
- Financing requirements to meet SDG goals
- Important role of public finance, and other sources of finance

# Sustainable Development Goals (SDG) – were agreed in 2015

The image displays the 17 Sustainable Development Goals (SDG) in a grid format. Each goal is represented by a colored square with a white icon and text. Goal 6, 'CLEAN WATER AND SANITATION', is highlighted with a red dashed border. The center of the grid features the 'THE GLOBAL GOALS' logo, which is a circular arrangement of all 17 goal colors, with the text 'THE GLOBAL GOALS' and 'For Sustainable Development' below it.

<b>1</b> NO POVERTY 	<b>2</b> ZERO HUNGER 	<b>3</b> GOOD HEALTH AND WELL-BEING 	<b>4</b> QUALITY EDUCATION 	<b>5</b> GENDER EQUALITY 	<b>6</b> CLEAN WATER AND SANITATION 	<b>7</b> AFFORDABLE AND CLEAN ENERGY 
<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	<b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE 	<b>10</b> REDUCED INEQUALITIES 	<b>11</b> SUSTAINABLE CITIES AND COMMUNITIES 	 <b>THE GLOBAL GOALS</b> For Sustainable Development		<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 
<b>13</b> CLIMATE ACTION 	<b>14</b> LIFE BELOW WATER 	<b>15</b> LIFE ON LAND 	<b>16</b> PEACE AND JUSTICE STRONG INSTITUTIONS 			<b>17</b> PARTNERSHIPS FOR THE GOALS 
<b>1</b> NO POVERTY 	<b>2</b> ZERO HUNGER 	<b>3</b> GOOD HEALTH AND WELL-BEING 	<b>4</b> QUALITY EDUCATION 	<b>5</b> GENDER EQUALITY 	<b>6</b> CLEAN WATER AND SANITATION 	<b>7</b> AFFORDABLE AND CLEAN ENERGY 



# SDG 6 – Focus on 6.2

“Ensure availability and sustainable management of water and sanitation for all”

“By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations”  
(JMP 2017, p.2)

6.4  
Water  
use and  
scarcity

6.5  
Integrated  
resources  
management

6.6  
Water-  
related  
eco-  
systems

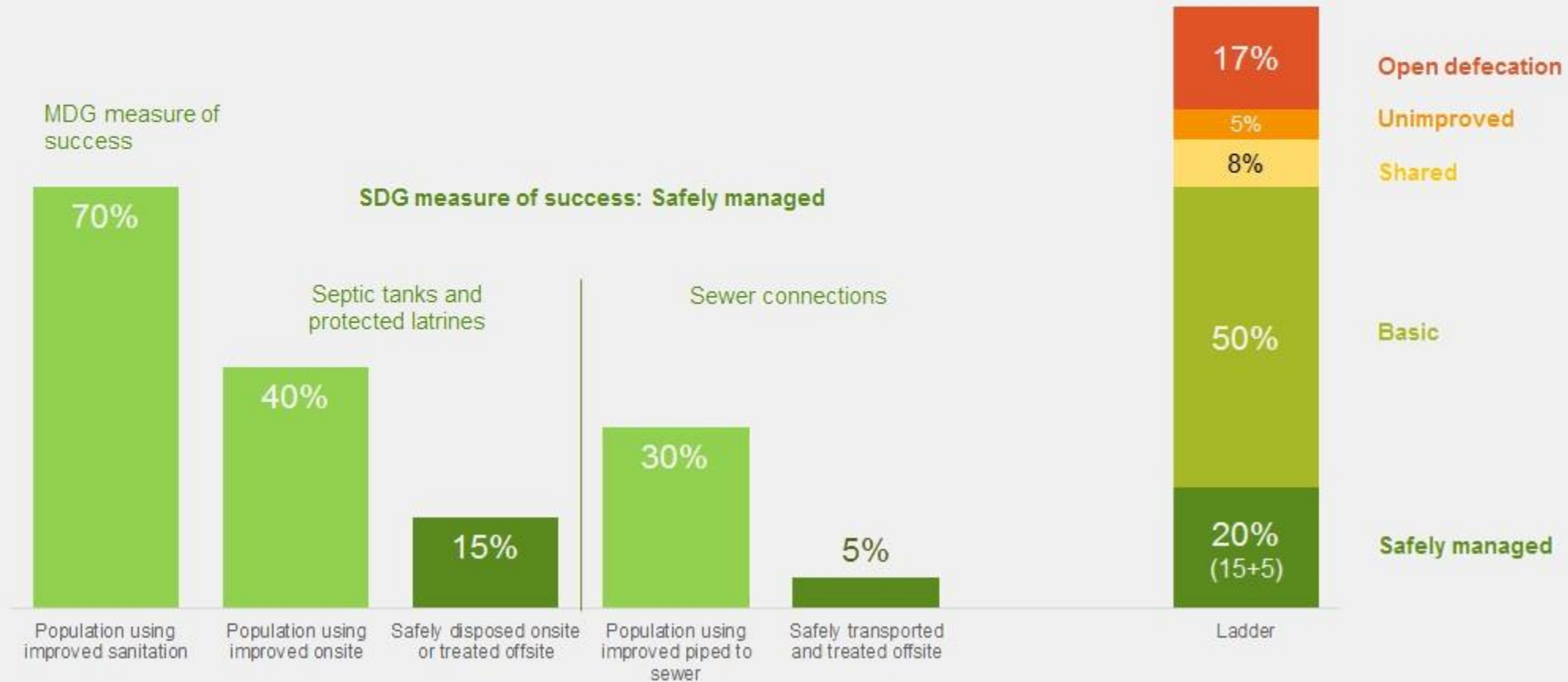
6.a and 6.b  
Cooperation  
and  
participation

6.1  
Drinking  
water

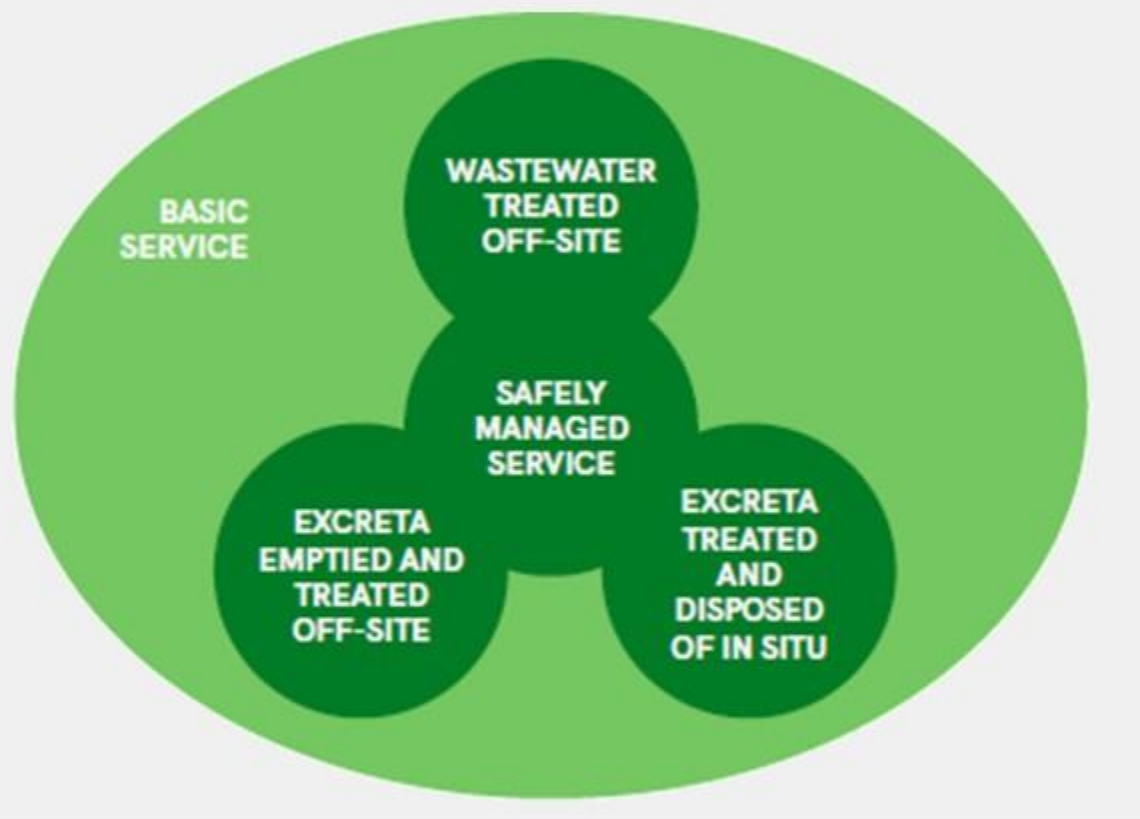
6.2  
Sanitation  
and  
hygiene

# Sanitation – From MDGs to SDGs

Share of the population with each level of access to sanitation  
Hypothetical country example



# JMP Sanitation Ladder for SDGs Monitoring by JMP 1/2



[Video](#) by JMP on sanitation information for SDGs

## JMP Ladder for Sanitation



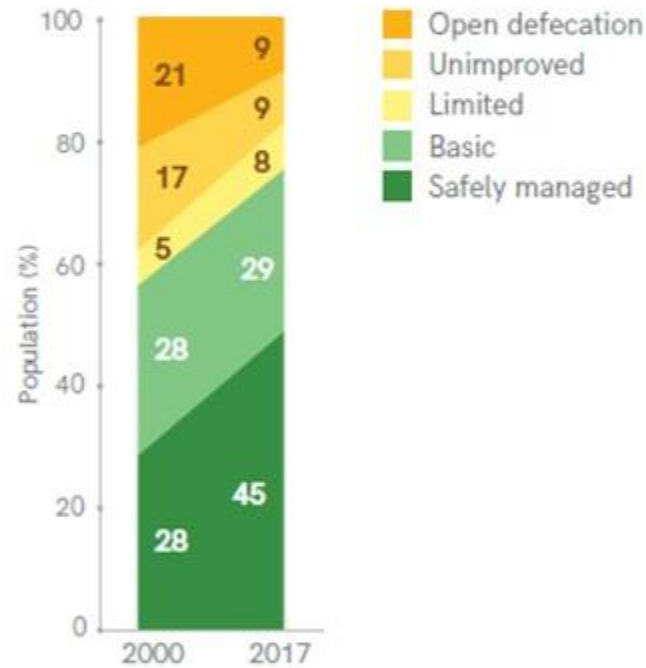
# JMP Sanitation Ladder for SDGs Monitoring by JMP – 2/2



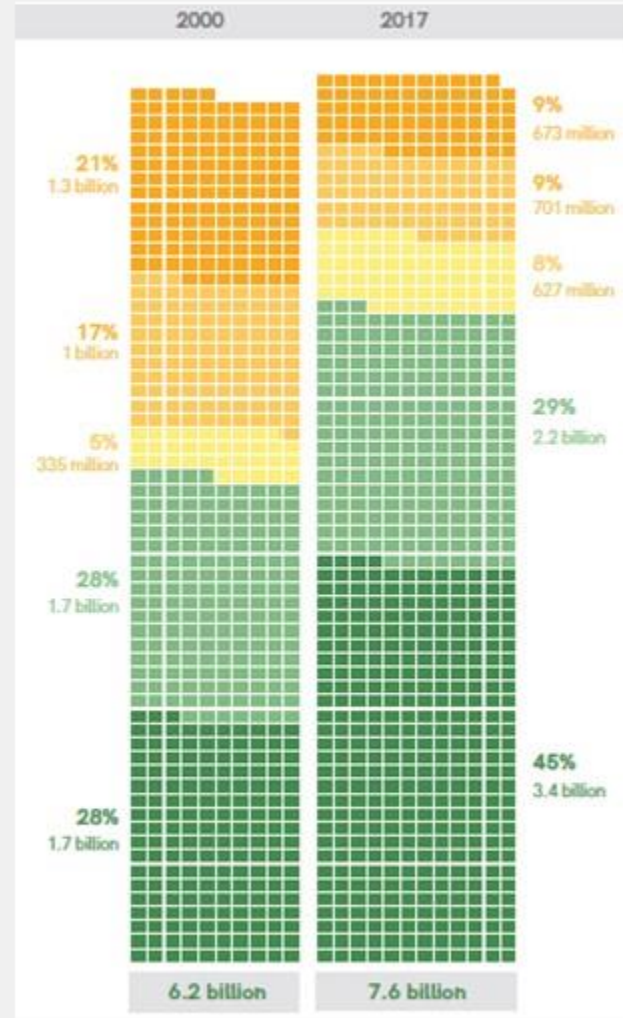
JMP Ladder for Sanitation

# Increase in access to Sanitation Services between 2000 and 2017

Four out of ten people used safely managed sanitation services in 2017



**FIGURE 4** Global sanitation coverage, 2000-2017 (%)



- In 2017, 45% of the global population (3.4 billion people) used safely managed sanitation services
- Coverage was higher in urban (47%) than in rural (43%) areas, and two thirds of the population using safely managed services lived in urban areas.
- Between 2000 and 2017, 1.7 billion people gained access to safely managed sanitation services.
- 436 million gained access to basic sanitation services.



# Current Sanitation Situation - Elimination of Open Defecation

Since 2000, 16 countries have reduced open defecation by more than 20 percentage points. There was a **net reduction** in the global population practicing open defecation of **647 million** between 2000 and 2017.

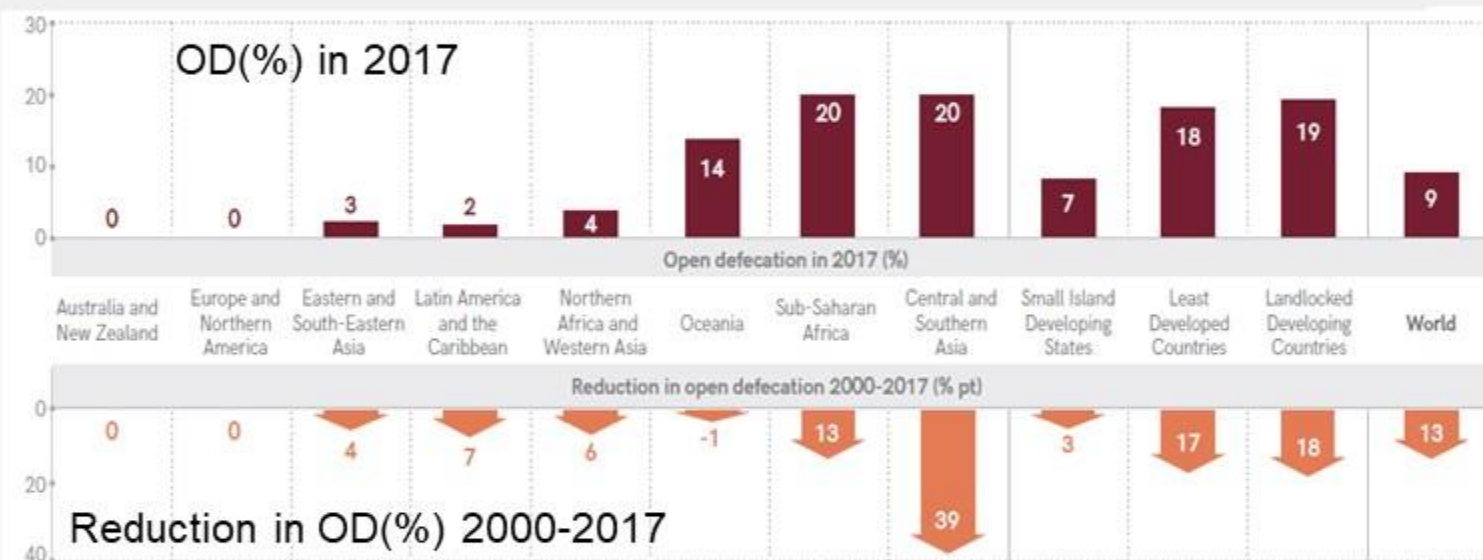
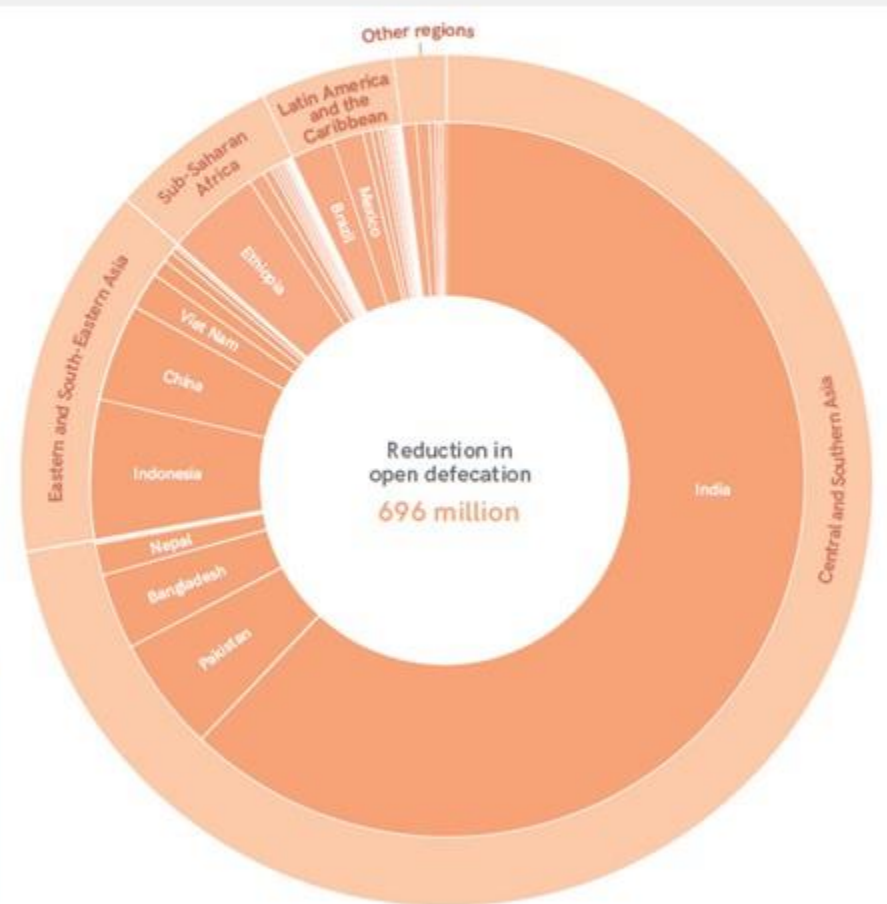


FIGURE 10 Proportion of population practising open defecation in 2017, and percentage point change, 2000-2017 (%)

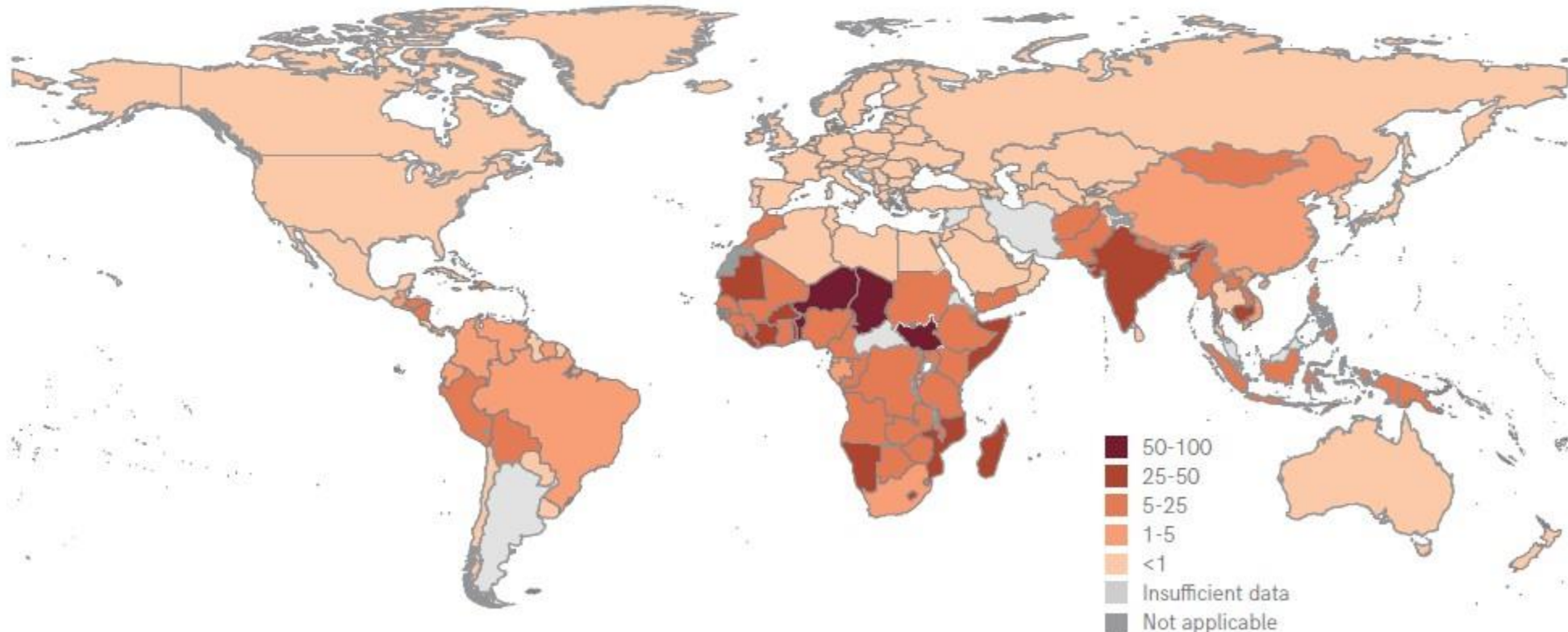


Since 2000, the global rate of open defecation has decreased from 21% to 9% (0.7 percentage points per year) but further reduction may be more difficult.

# Current Sanitation Situation- Elimination of Open Defecation

The **673 million people still practising open defecation in 2017** were increasingly concentrated in a small number of countries, and these will need to be the primary focus of efforts to end open defecation by 2030.

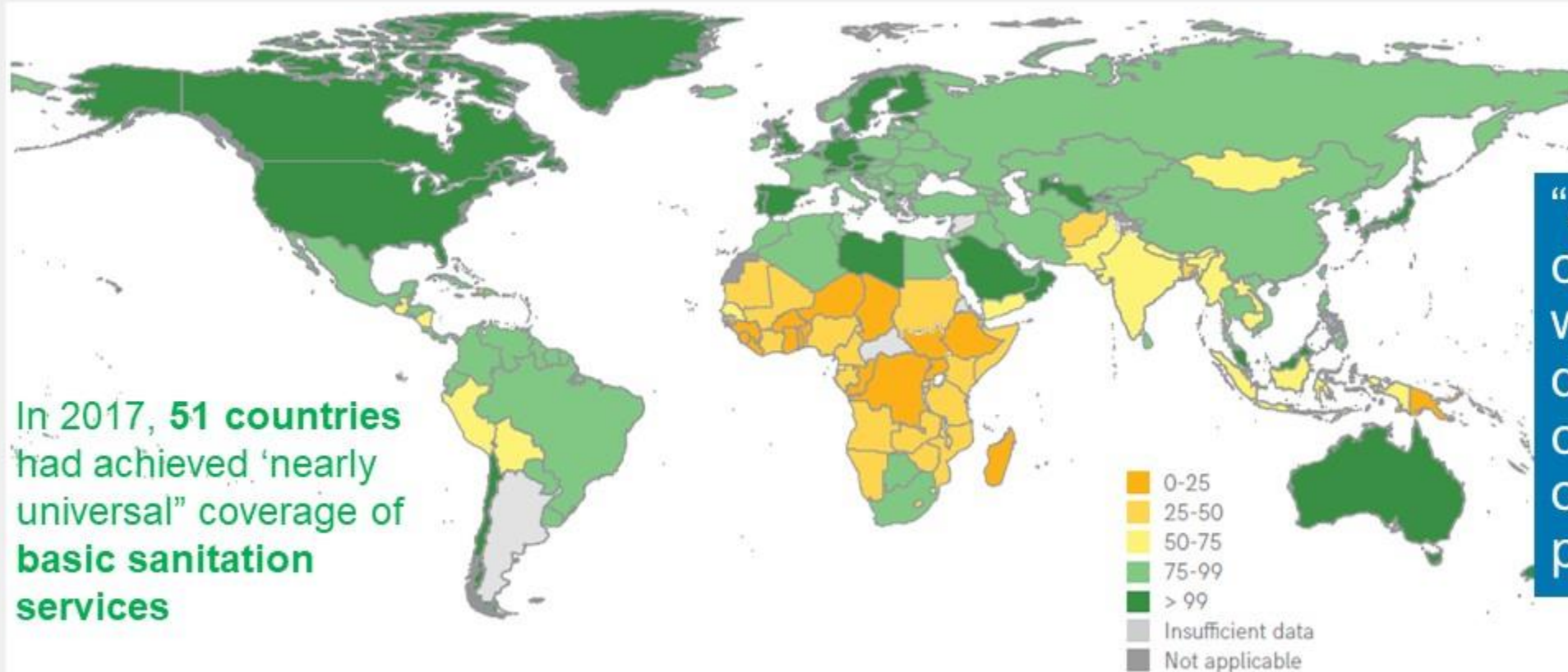
In 61 high burden countries more than 5% of the population practised open defecation in 2017





# Current Sanitation Situation- basic sanitation services

In 2017, **74% of the world's population** (5.5 billion people) used at least **basic sanitation services**, compared with **56% (3.4 billion people)** in 2000.



In 2017, **51 countries** had achieved 'nearly universal' coverage of **basic sanitation services**

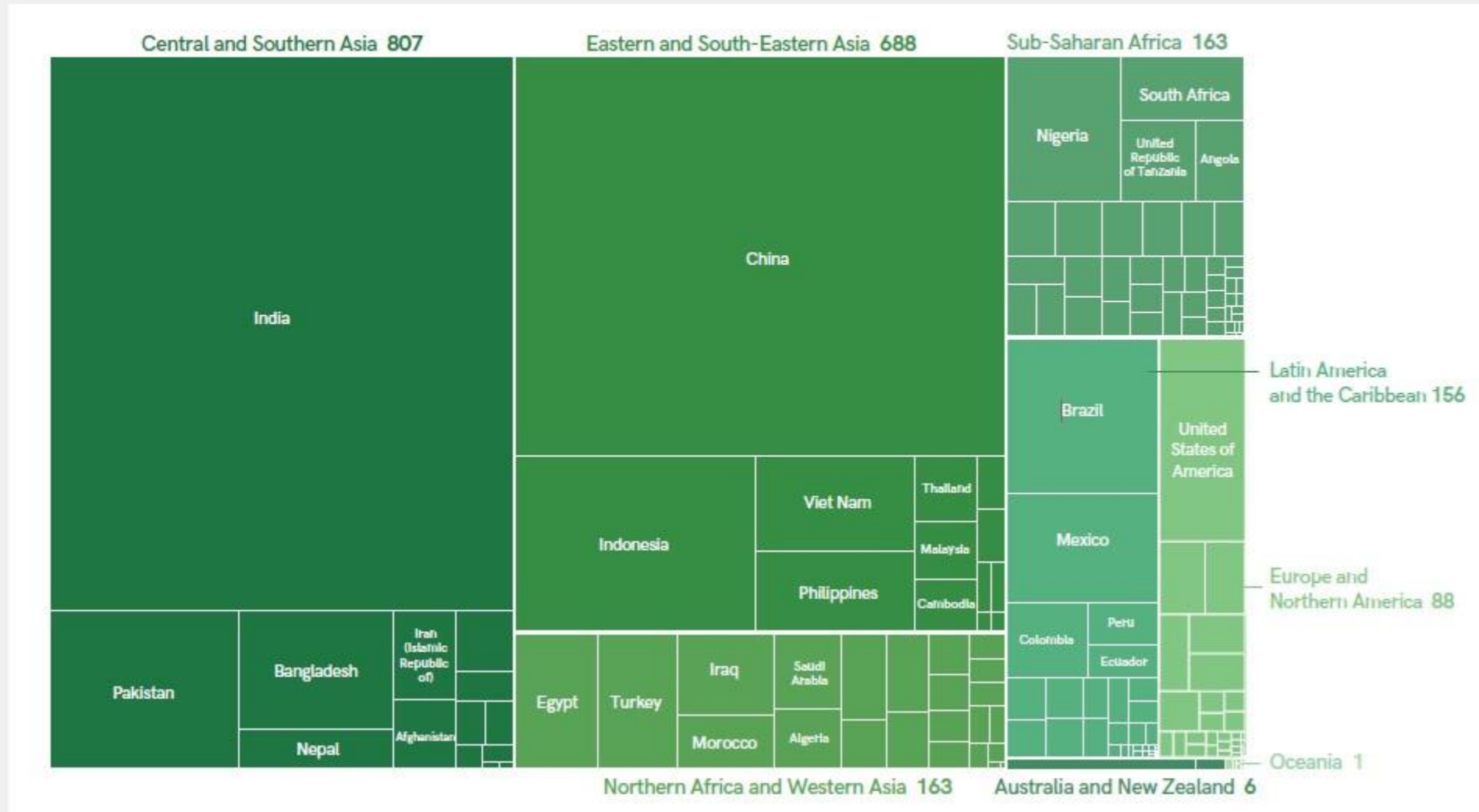
“Achieving universal coverage by 2030 will require a doubling of the current annual rate of increase of 1% per annum”

FIGURE 31 ► Proportion of population using at least basic sanitation services, 2017 (%)



# Current Sanitation Situation- basic sanitation services

2.1 billion people gained basic sanitation services between 2000 and 2017.

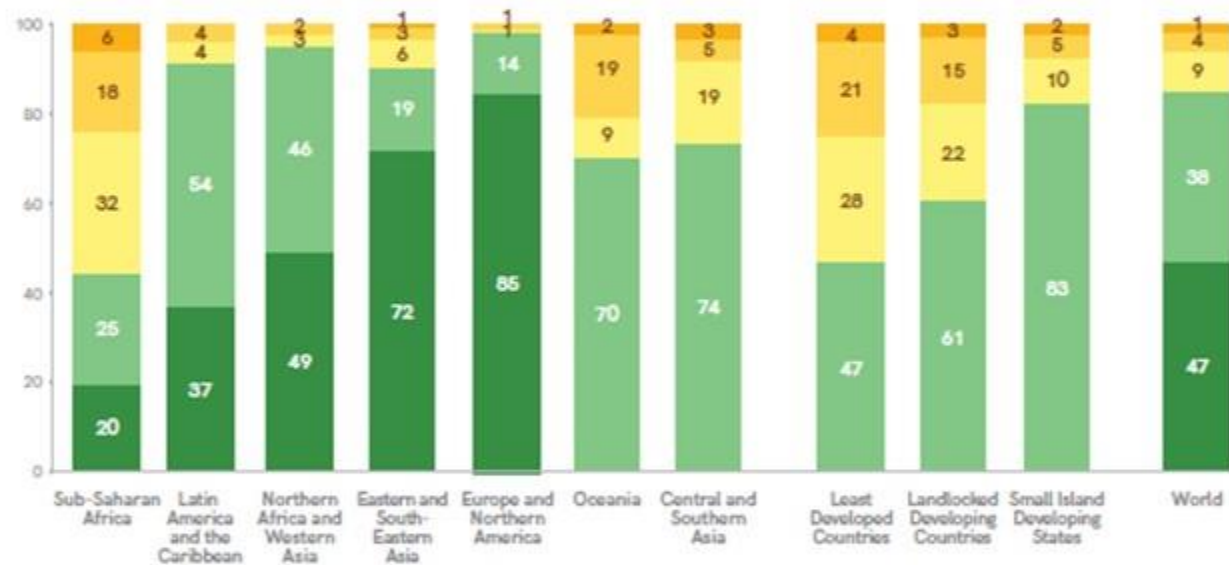


Source: JMP report on Progress on Household Drinking Water, Sanitation and Hygiene, 2000-2017, p.33

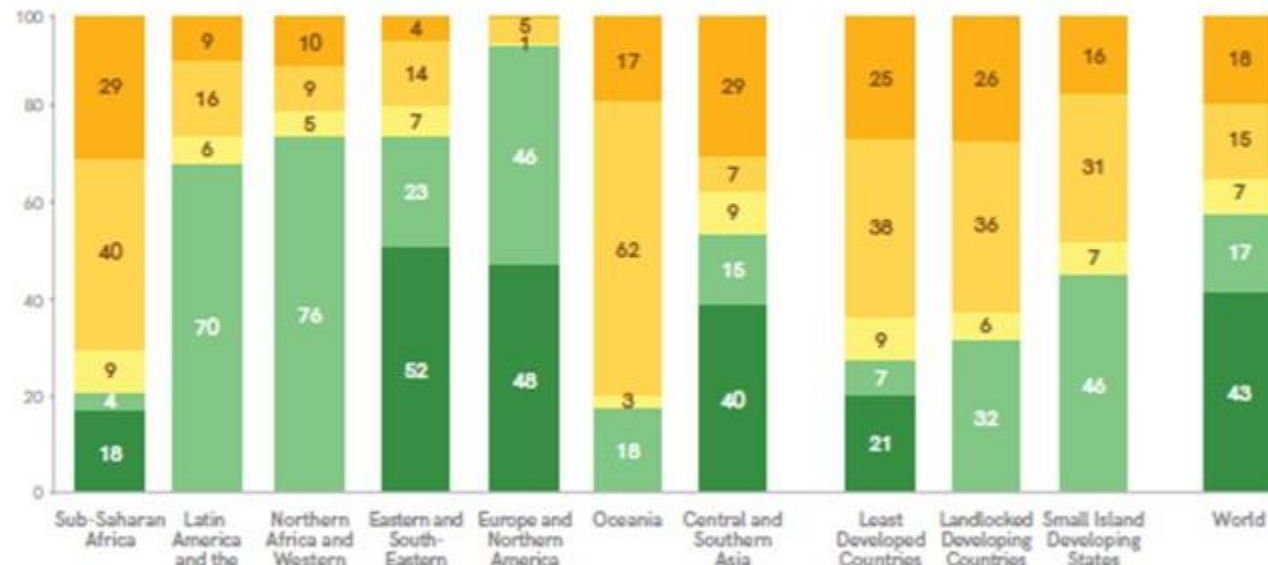
# Current Sanitation Situation- Safely managed sanitation services

In 2017, **45% of the global population** (3.4 billion people) used **safely managed sanitation services** compared with **28% of population** (1.7 billion people) in 2000.

Urban sanitation ladders



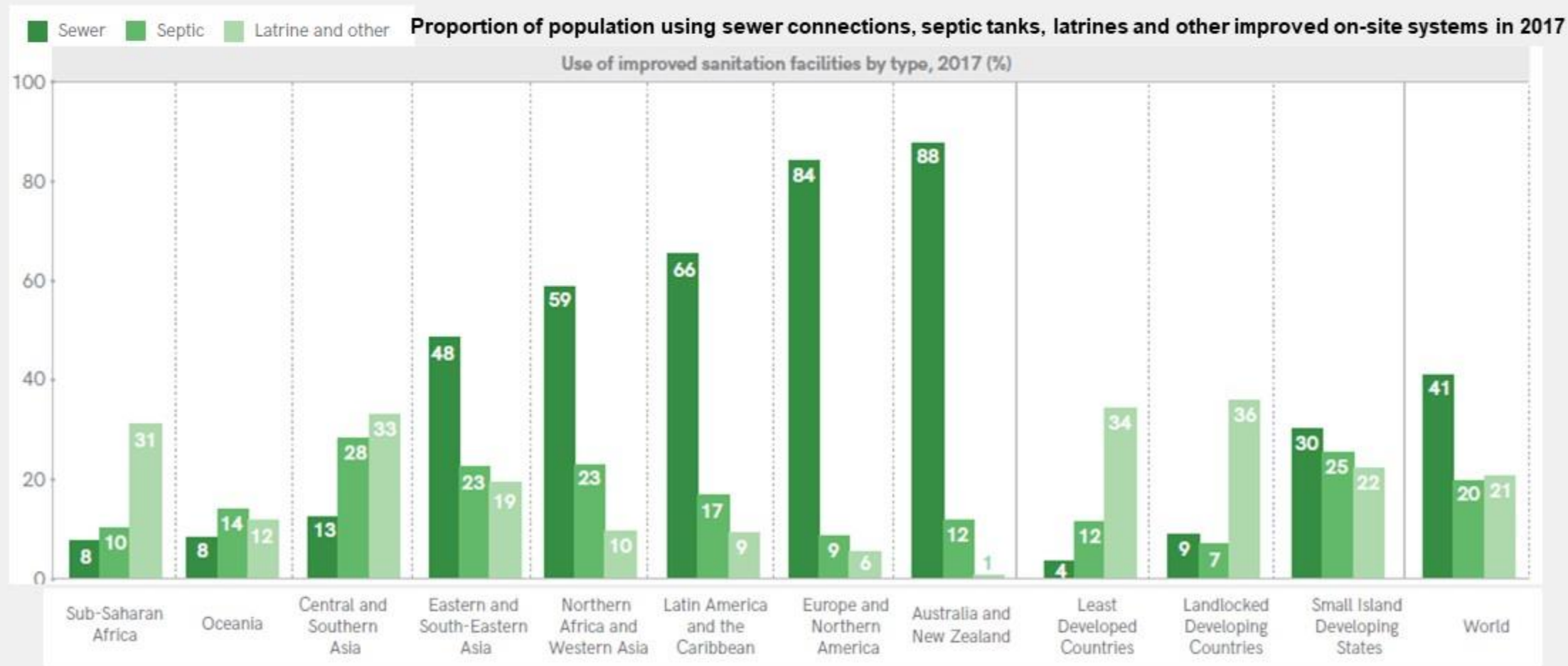
Rural sanitation ladders



- Open defecation
- Unimproved
- Limited
- Basic
- Safely managed

## Current Sanitation Situation- Sewer and onsite sanitation systems

In 2017, 6.2 billion people worldwide used improved sanitation facilities (including those shared with other households) with 3.1 billion population using sewer connections

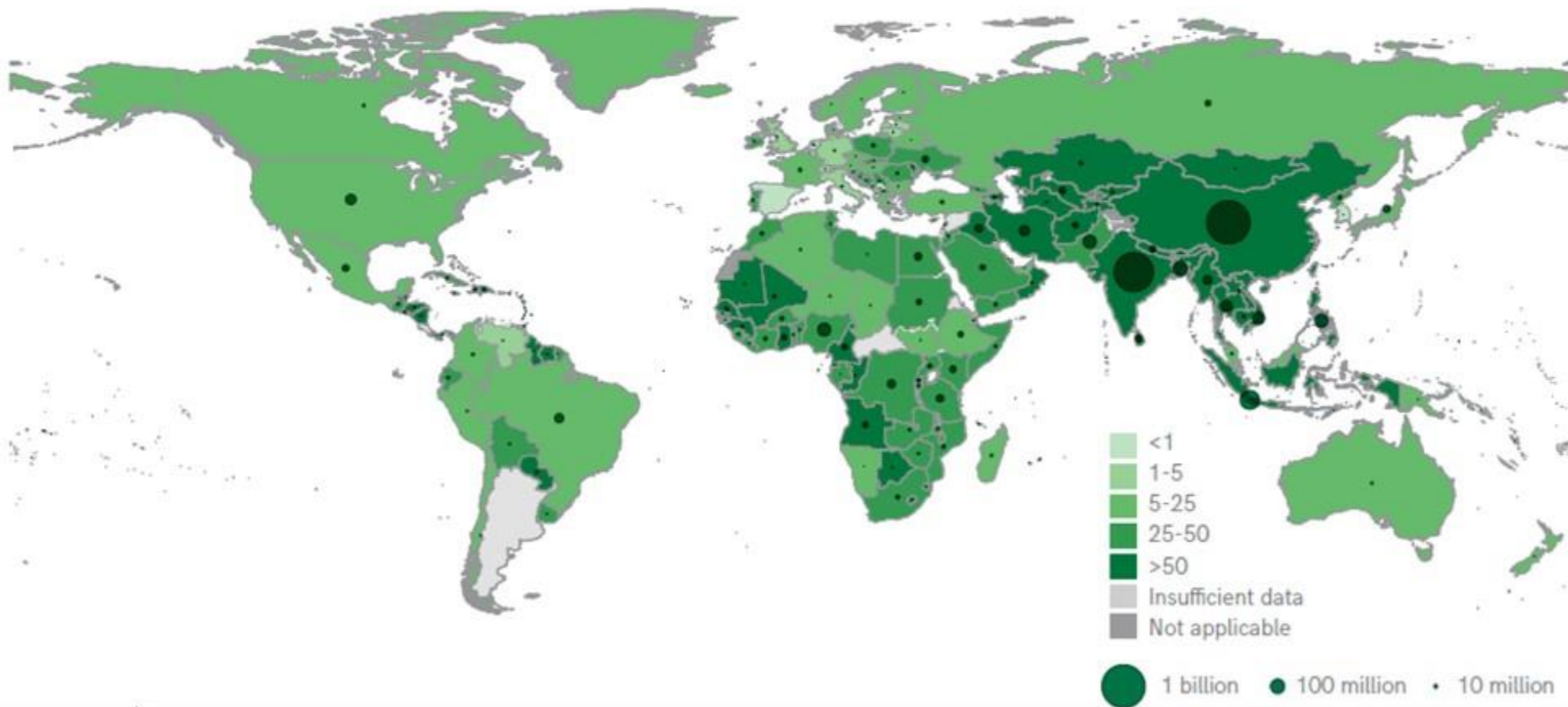




# Current Sanitation Situation- Sewer and onsite sanitation systems

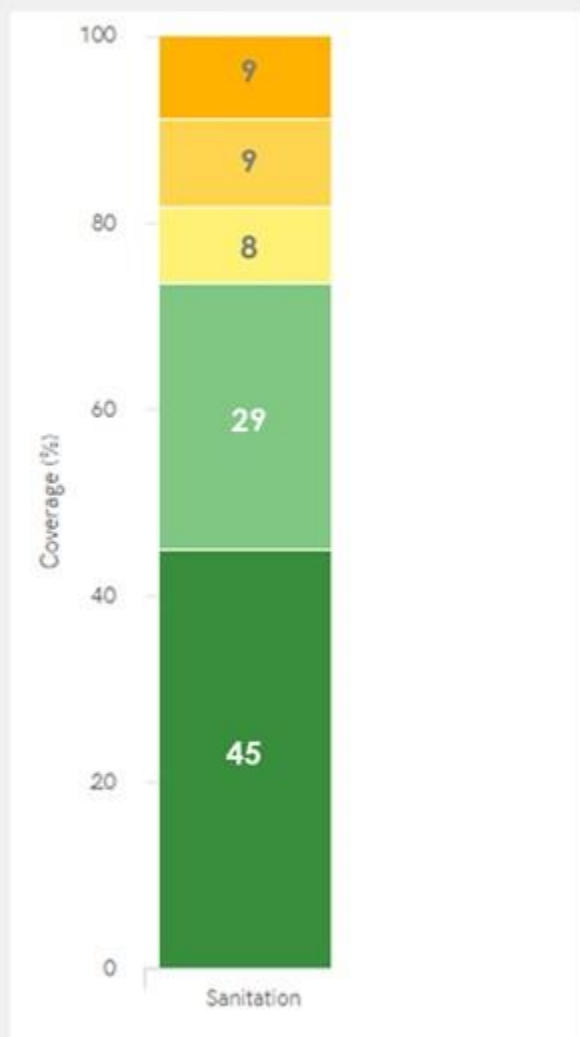
Among the **3.1 billion people** around the world who used improved on-site sanitation facilities in 2017, **1.5 billion used septic tanks** and **1.6 billion used latrines and other improved facilities**.

Significant numbers of people use on-site sanitation facilities in all SDG regions



51% of the world's rural population and 32% of the urban population reports using improved sanitation facilities with on-site storage, such as flush or pour-flush toilets connected to a septic tank, and dry or wet pit latrines (including facilities shared with other households).

# Current Sanitation Situation- Summary



World Service level in 2017  
Households (%)

- “45% of the global population (3.4 billion people) used a **safely managed sanitation service**; that is, excreta safely disposed of in situ or treated off-site”. Data available only for 92 countries
- **82%** of the global population (6.2 billion people) world wide used **improved sanitation facilities** (including those shared with other households) with this **population split evenly** into those using **sewer connections and those using on-site facilities**.
- **3.1 billion people** (41% of global population) around the world used **improved on-site sanitation facilities** in 2017, 1.5 billion using septic tanks and 1.6 billion using latrines and other improved facilities.

- SDGs – Global goals and indicators, prevailing sanitation situation
- **Financing requirements to meet SDG sanitation goals**
- Important role of public finance, and Other sources of finance

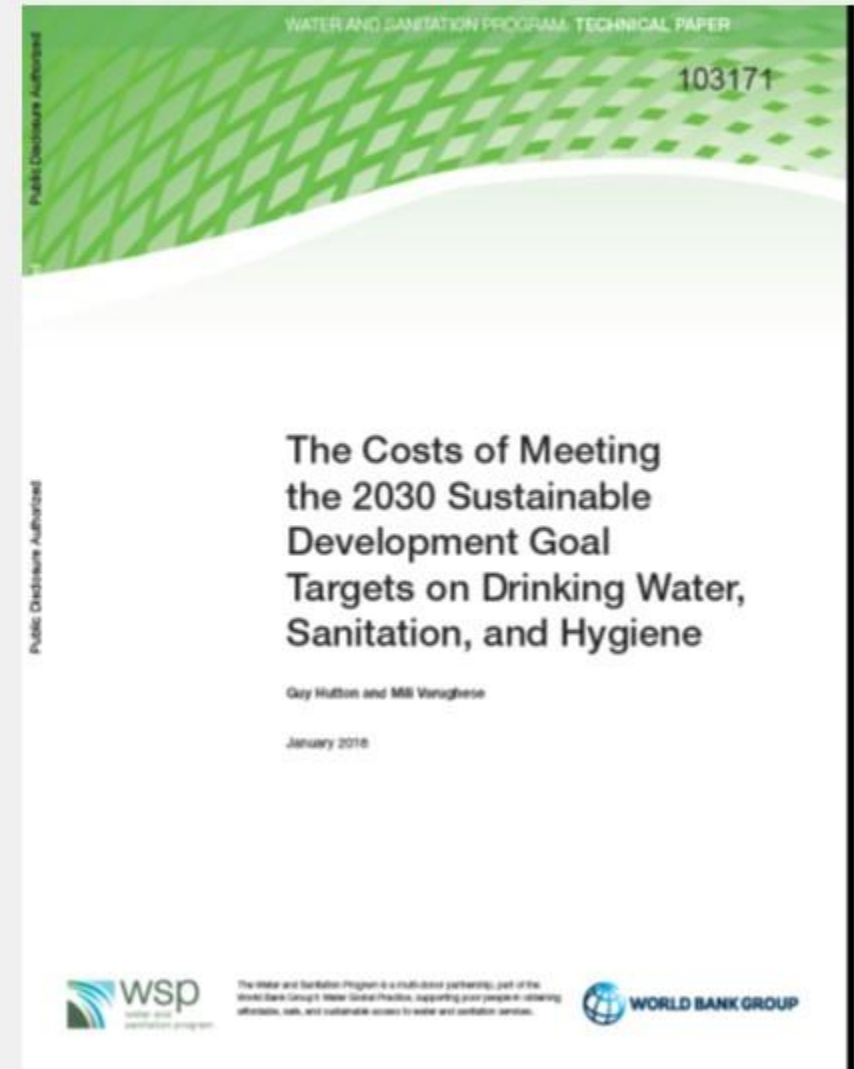


# Assessing Costs of Meeting Sanitation SDGs - Approach

- A major study to assess costs of meeting WASH SDGs through collaborative effort by the World Bank, the UNICEF, the WHO and a range of other partners.

## Approach:

- **Estimates of populations** to be served in rural and urban areas by **2030** are based on **coverage estimates of WASH services for 2015** (as the baseline year), taking into account **population growth and internal migration**.
- The majority of the world's low- and middle-income countries are included, and selected high-income countries that have low coverage of basic WASH services. The **140 countries included represent 85 percent of the world's population**.
- The costs estimated are for **capital investment, program delivery, operations, and major capital maintenance** to sustain the life span of the infrastructure created. A range is presented on all calculated costs to reflect variations in the selected parameters.



# Global Investment Required to Meet SDG targets 6.1 and 6.2

## US\$ 114 billion per year

untill 2030 is needed to meet SDG targets for  
**sanitation, water and hygiene**

...this does not include **Operating and Maintenance costs**



**3x** the current  
investment levels

### Which means...

**0.6%**

of the USA  
2015 GDP



**0.15%**

of the combined  
gross domestic  
product of  
high-income  
countries  
(2015)

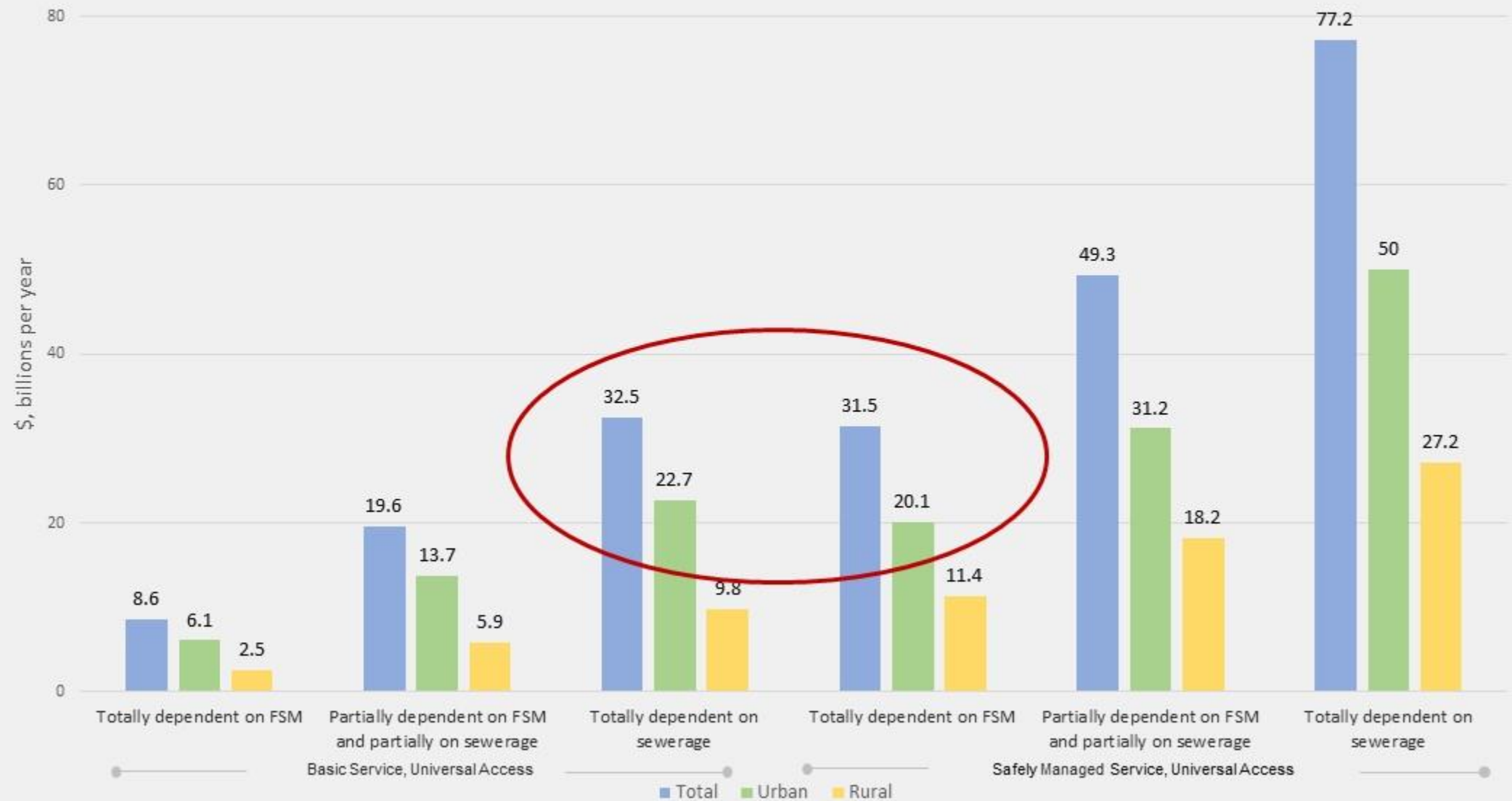
**0.39%**

of the combined annual national income of  
the 140 low-and middle-income countries

### ... How do we bridge this financing gap?



# Cost of Meeting SDG Goals



Computed from the data given in Guy Hutton and Mili Varughese (2016), "The costs of Meeting the 2030 SDG targets of Drinking water, sanitation and hygiene", Water and Sanitation Program, 2016, p.ix



# Estimated SDG Financing Gap to Meet the WASH SDGs

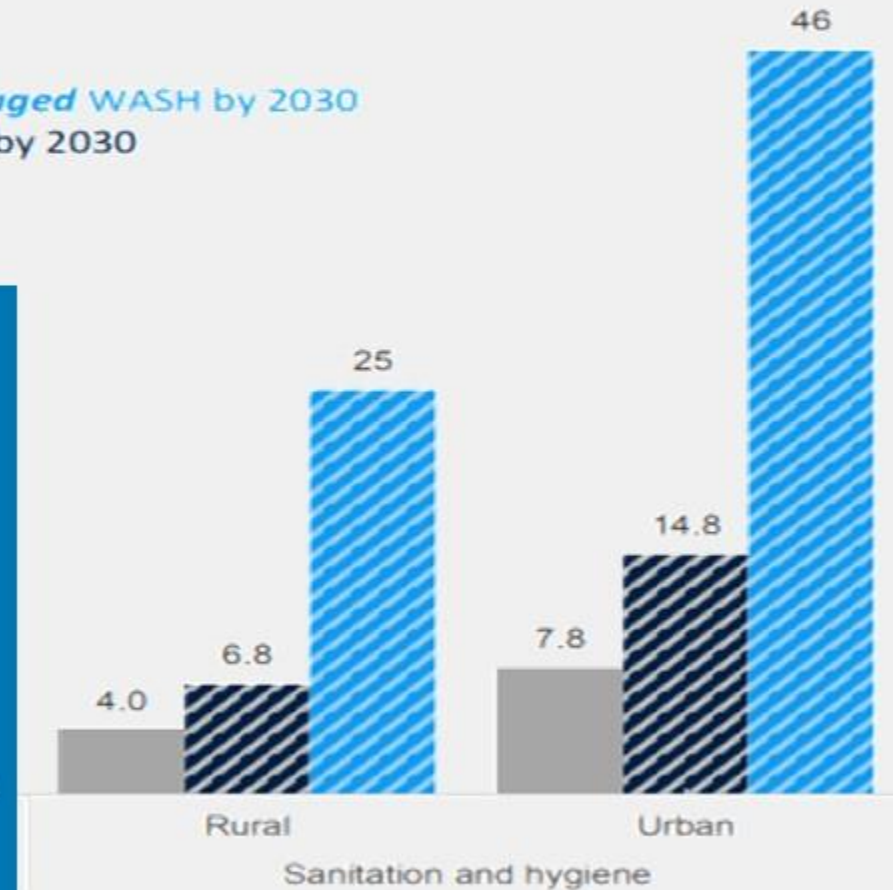
Expenditures (\$ billion)

Annual requirements to meet *safely managed* WASH by 2030

Annual requirement to meet *basic* WASH by 2030

Annual spending, 2000-2015

- Requirements for urban sanitation are twice that of rural sanitation
- Requirements for safely managed sanitation are 3 times those for basic sanitation
- The cost of meeting safely managed sanitation are nearly 6 times average annual spending during the past 15 years



# Constant Financing Needs – Capital Costs versus O&M Costs

As Investment Needs to Extend Services Decline, O&M financing Goes Up

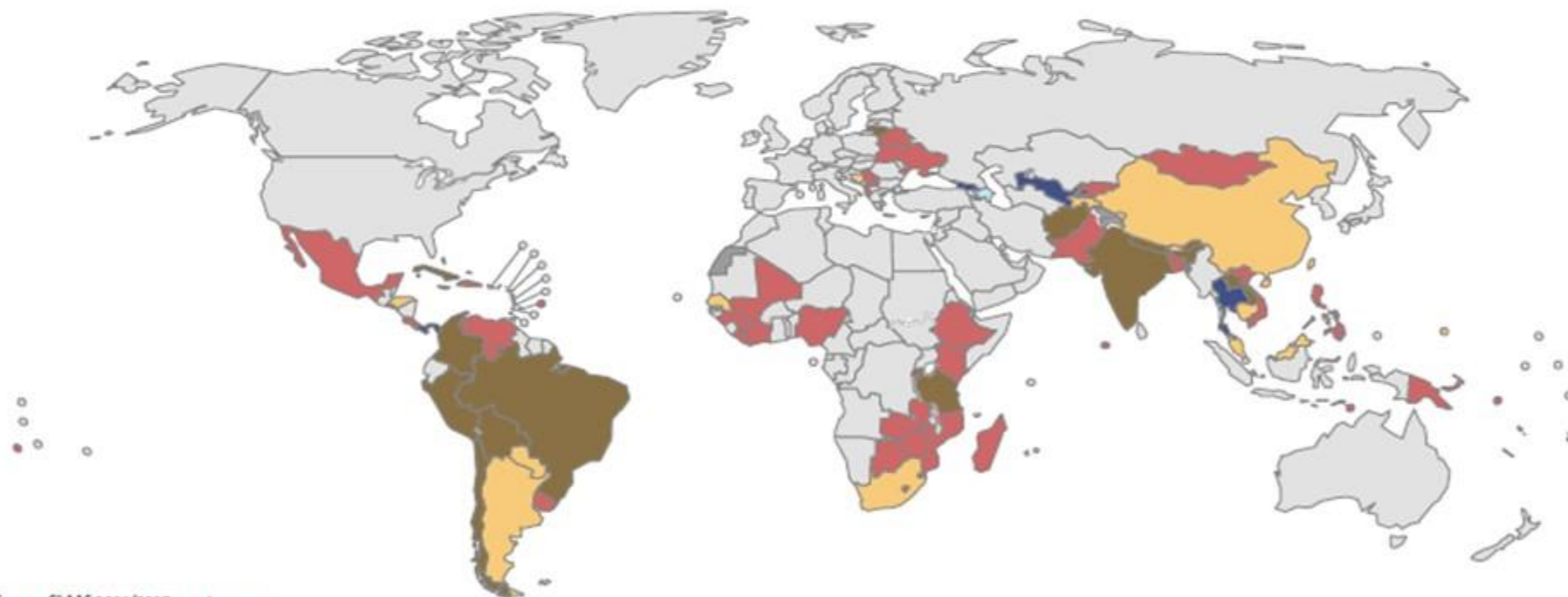


# Preparedness to meet financial requirements of national sanitation targets

## Level of sufficiency of financial resources allocated to sanitation to meet national targets

Is financing allocated to sanitation improvements sufficient to meet national targets?

- More than 75% of what is needed for both urban and rural
- More than 75% of what is needed for urban or rural
- Between 50% and 75% of what is needed
- Less than 50% of what is needed for urban or rural
- Less than 50% of what is needed for both urban and rural
- Data not available
- Not applicable

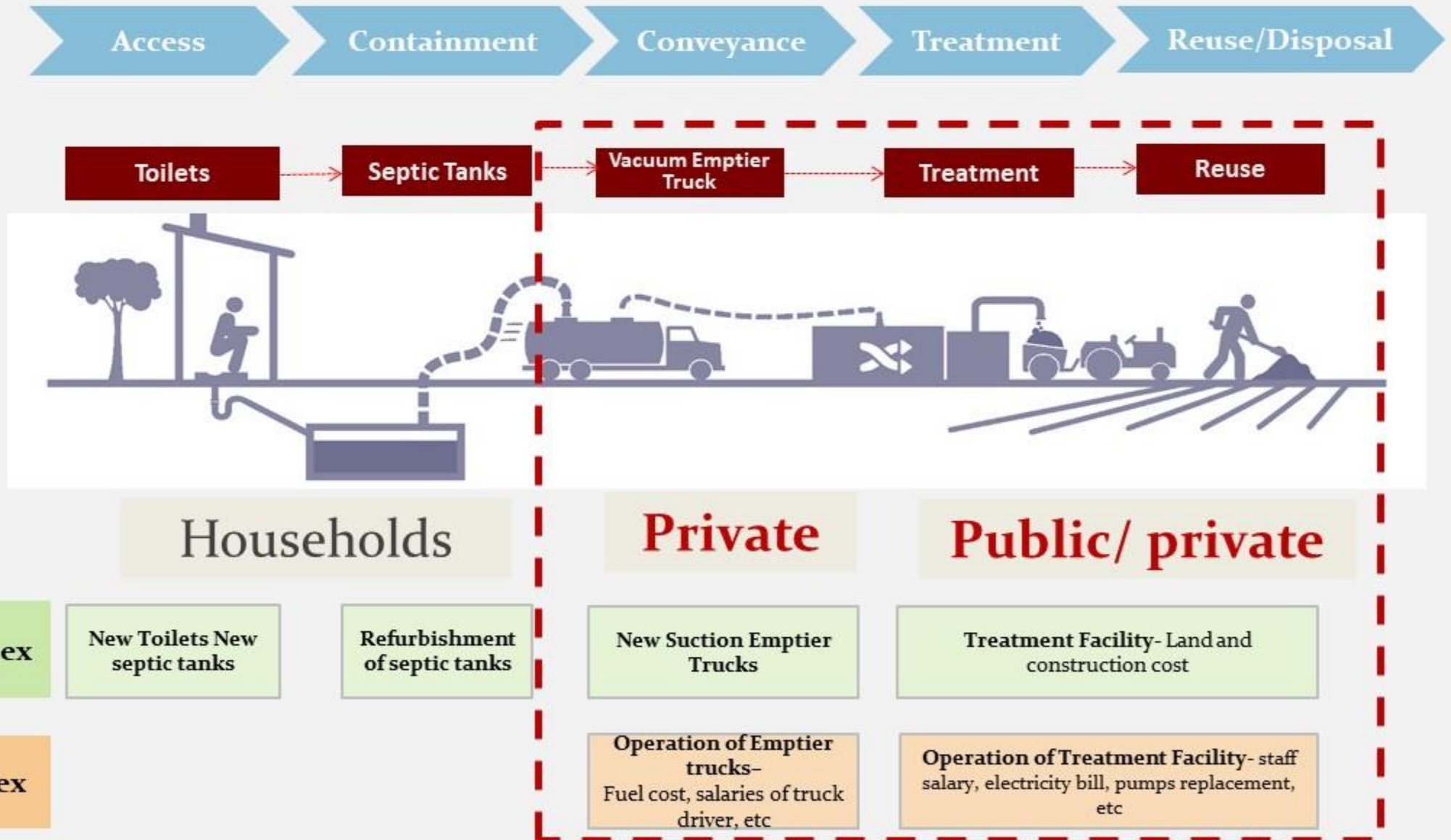


Source: GLAAS 2016/2017 country survey.

“Over 80% of countries report insufficient financing to meet national WASH targets”



# Financing FSSM services for safely managed sanitation systems



Fecal Sludge and Septage management

Financial Requirements

- SDGs – Global goals and indicators, prevailing sanitation situation
- Financing requirements to meet SDG sanitation goals
- **Important role of public finance, and other sources of finance**

# Key Reports: Thinking on Financing SDGs and WASH SDGs

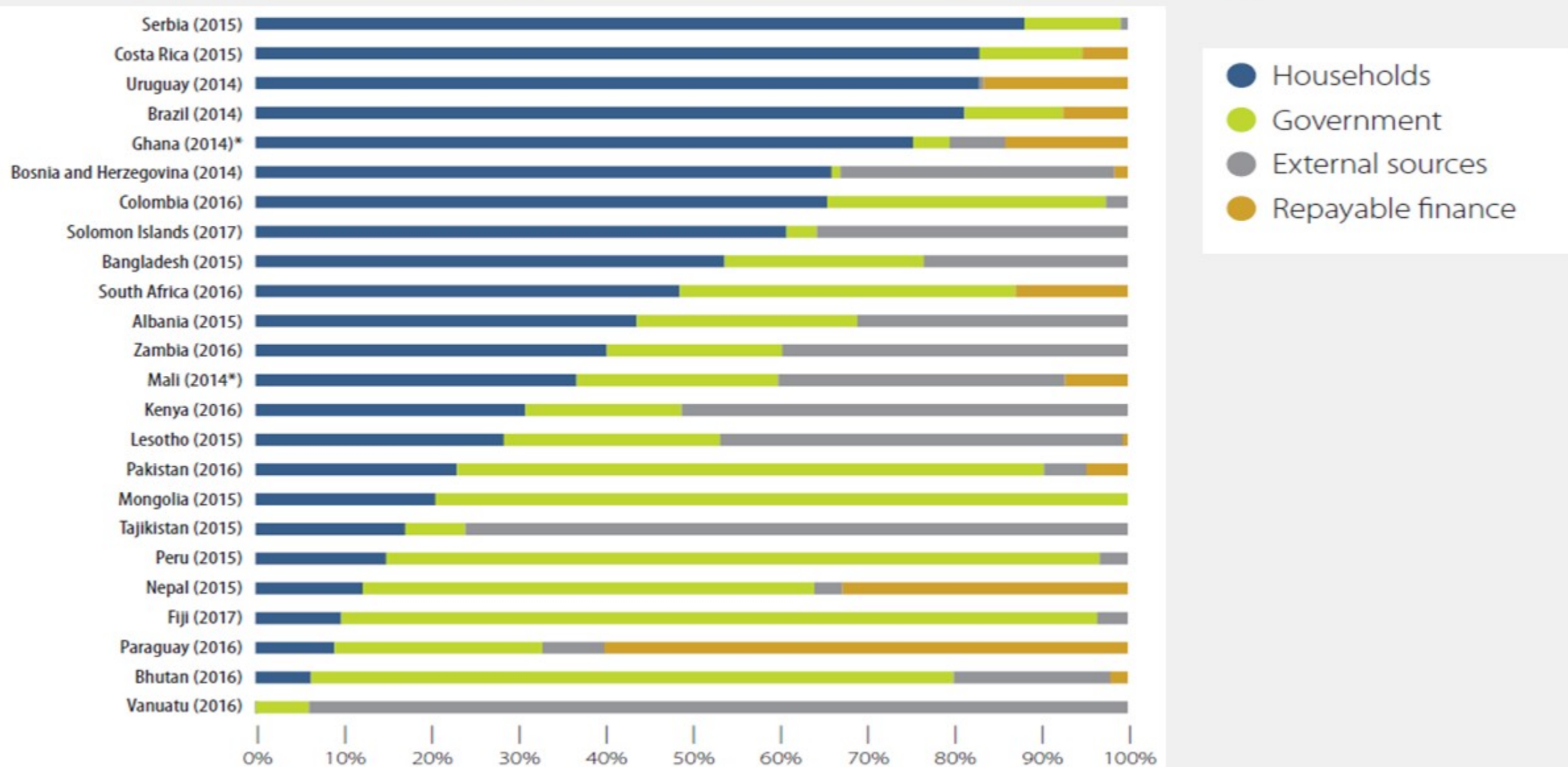
- United Nations, 2017 Report for the Interagency Task Force on 'Financing for Development (FfD)'
- Sanitation and Water for All, March 2017: 'How can the financing gap be filled?'
- UN Water GLAAS 2017 Report on 'Financing universal WASH under the SDGs', WHO.
- 2015 Joint report by Multilateral Development Banks, "From Billions to Trillions: Transforming Development Finance post 2015, Financing for Development: Multilateral Development Finance"
- World Bank Group, 2016 "Achieving universal access to water and sanitation by 2030, The role of blended finance", August
- Pories, L., Fonseca, C. and Delmon V, 2019. "Mobilising Finance for WASH: getting the foundation right". Water.org, IRC and The World Bank.



# Potential sources of finance to achieve sanitation SDGs

- Domestic resource mobilization
  - Households
  - Government – importance of priority (political advocacy, economic benefits, )
  - Need to use funds more efficiently and effectively
  - Importance of sub-national finance, Inter-governmental Transfers (IGT)
- International flows and innovative finance
  - Overseas Development Assistance (ODA), Multilateral Development Banks (MDB)
  - Blended finance for leveraging private and commercial finance, notion of repayable finance
  - Foundations, social investors and results based funding

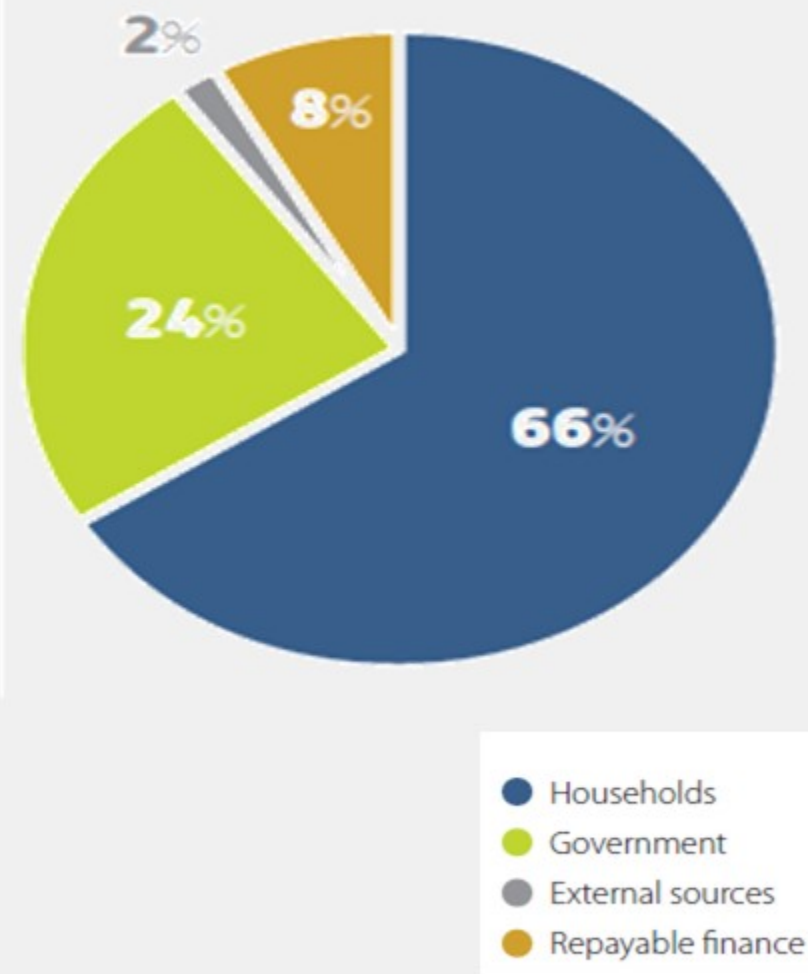
# Sources of Financing Can Vary Widely by Country



## Household Contributions

- Household contributions – includes household tariffs and fees paid to service providers as well as household investment in self-supply household level sanitation (e.g. private toilets and septic tanks).
- Meaning Households arrange for their water and sanitation in the community or at the household level
- The GLAAS 2016/2017 country survey reports that 66% of WASH financing originates from household sources, based on the responses from 25 countries, representing US\$ 43 billion in annual expenditure for WASH

Household contributions

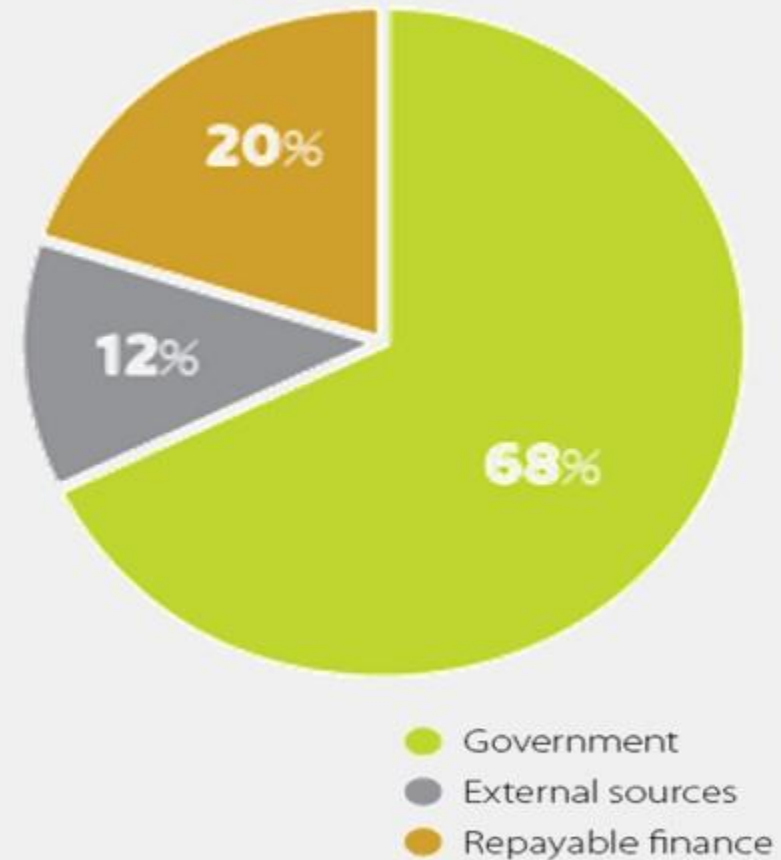




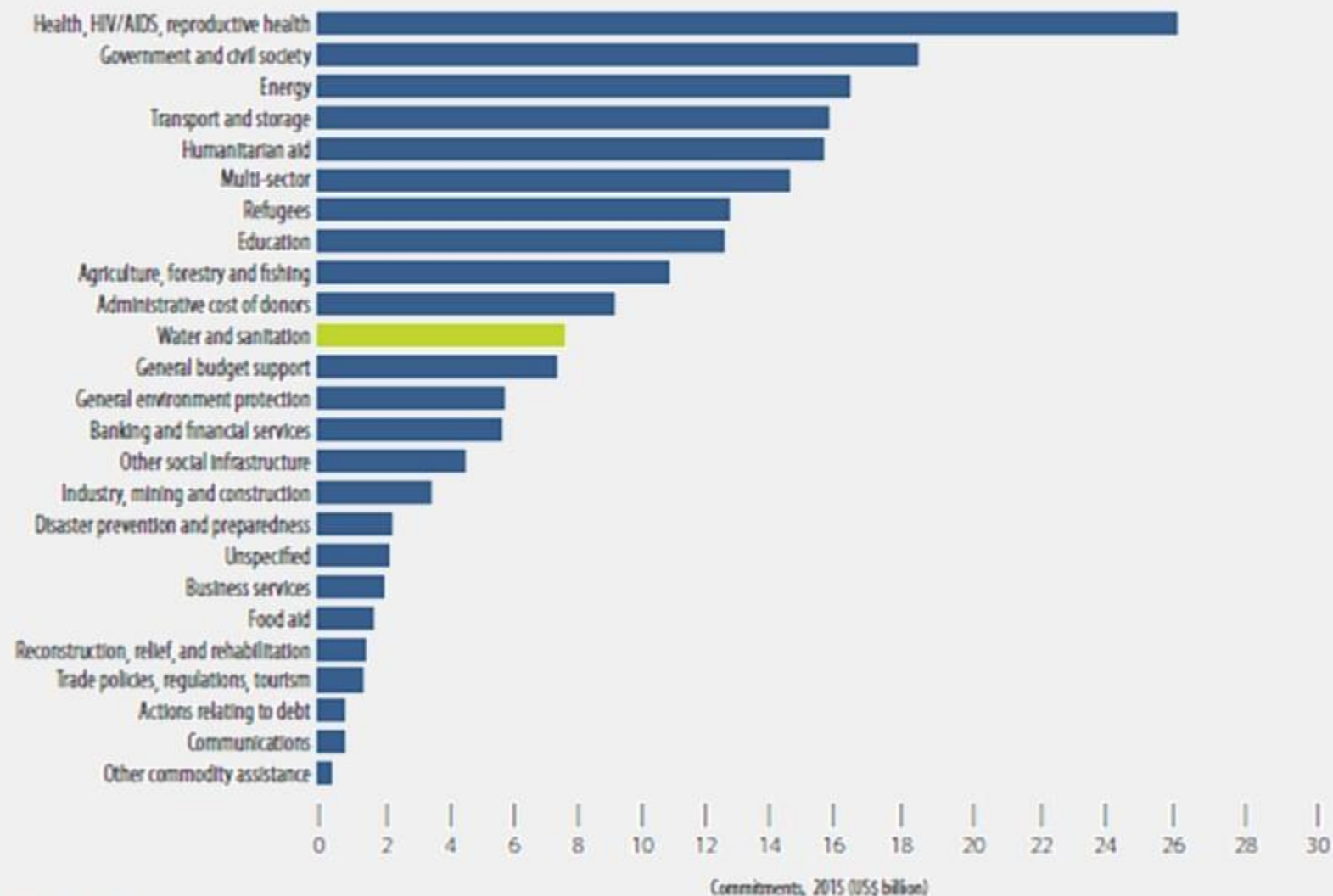
# Government Financing

- Government financing includes funds originating from domestic taxes that are channeled to the sector by central, regional and local governments, and repayable finance borrowed by governments other than ODA.
- The second most important source is government funding from taxes or repayable loans.
- Government financing (taxes) comprises nearly 70% of non-household WASH revenue sources for 42 countries.

Breakdown of Non-Household Sources of WASH finance (42 countries, US \$ 24 billion)



# WASH is Not Prominent in External Aid Flows



Source: OECD-CRS, 2016.

Compared to other sectors like health and education, water and sanitation receive far less external funding

## Further Likely Decline in External Sources

Third most important source of financing for WASH is transfers from external sources like overseas development assistance (ODA) and charitable funds

	Aid commitment (US\$ billions, constant 2014 US\$)		
	2012	2015	Change
Total ODA	171.8	214.6	24%
Water and sanitation ODA	10.4	8.2	-21%

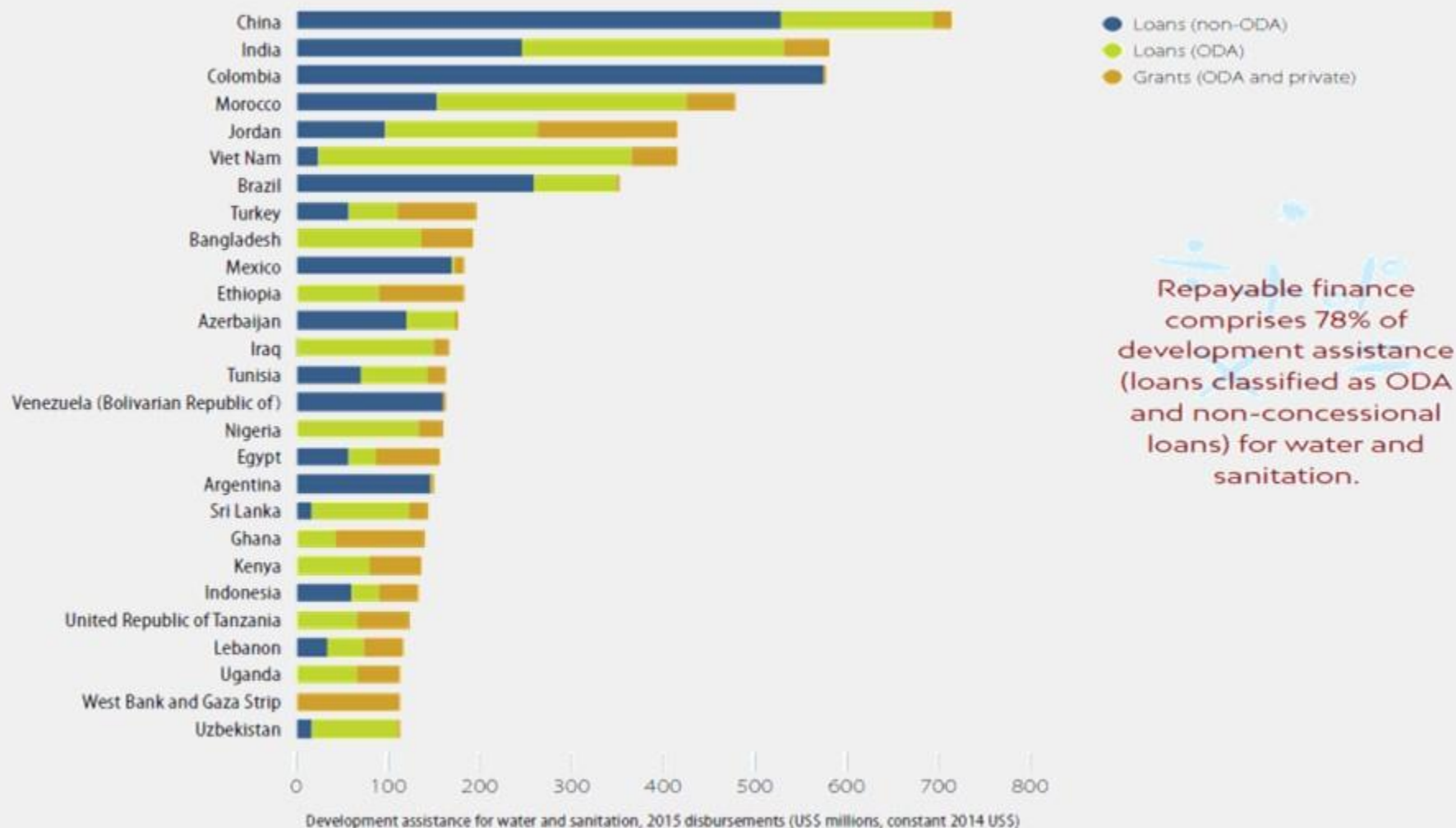
Source: OECD-CRS, 2016.

From 2012 to 2015, overall **development aid commitments increased**  
by over US\$ 40 billion

while **aid commitments for water and sanitation have decreased**  
by US\$ 2.2 billion



# Repayable Financing is Important in External Financing

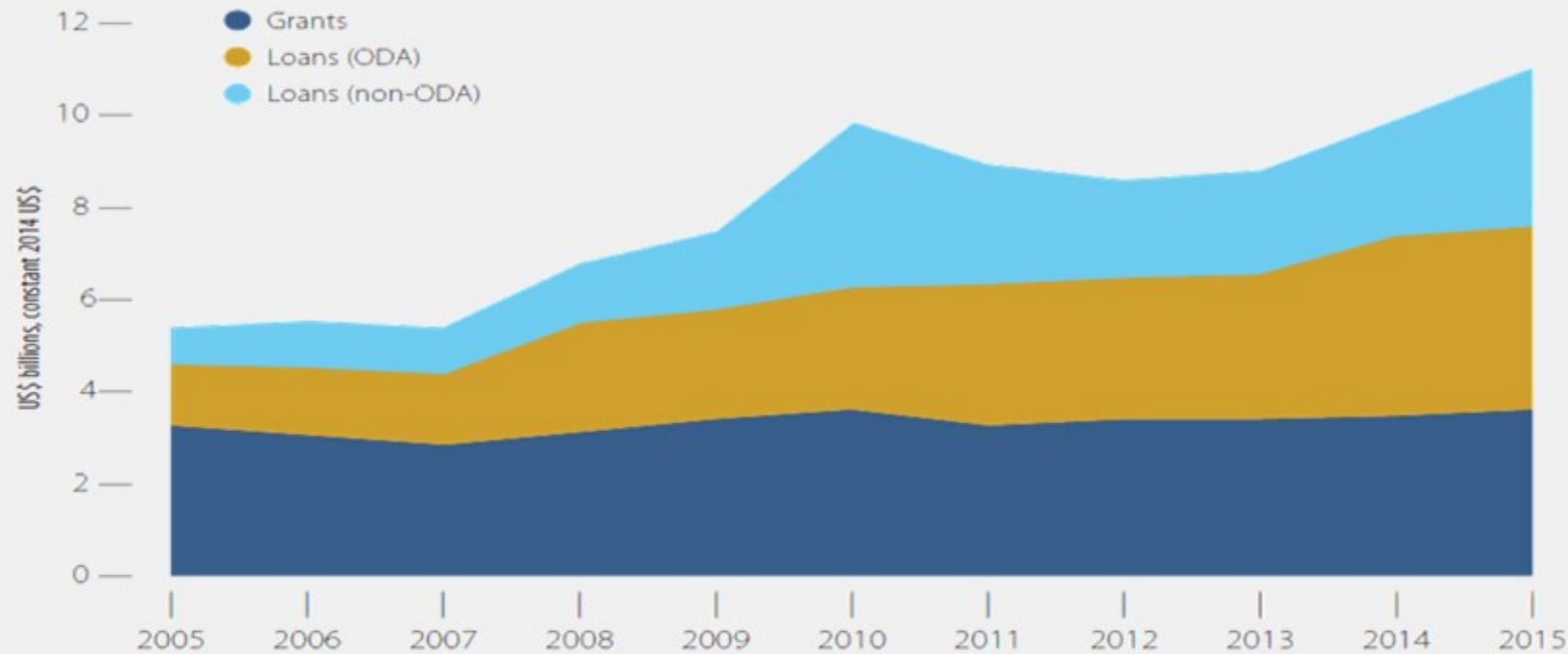


Source: OECD-CRS, 2016.

Repayable finance comprises 78% of development assistance (loans classified as ODA and non-concessional loans) for water and sanitation.

External support includes the use of repayable finance, primarily concessional loans classified as ODA and non-concessional loans from bilateral donors and multilateral development banks.

# Share of Repayable Financing in ODA is increasing



Source: OECD-CRS, 2016.

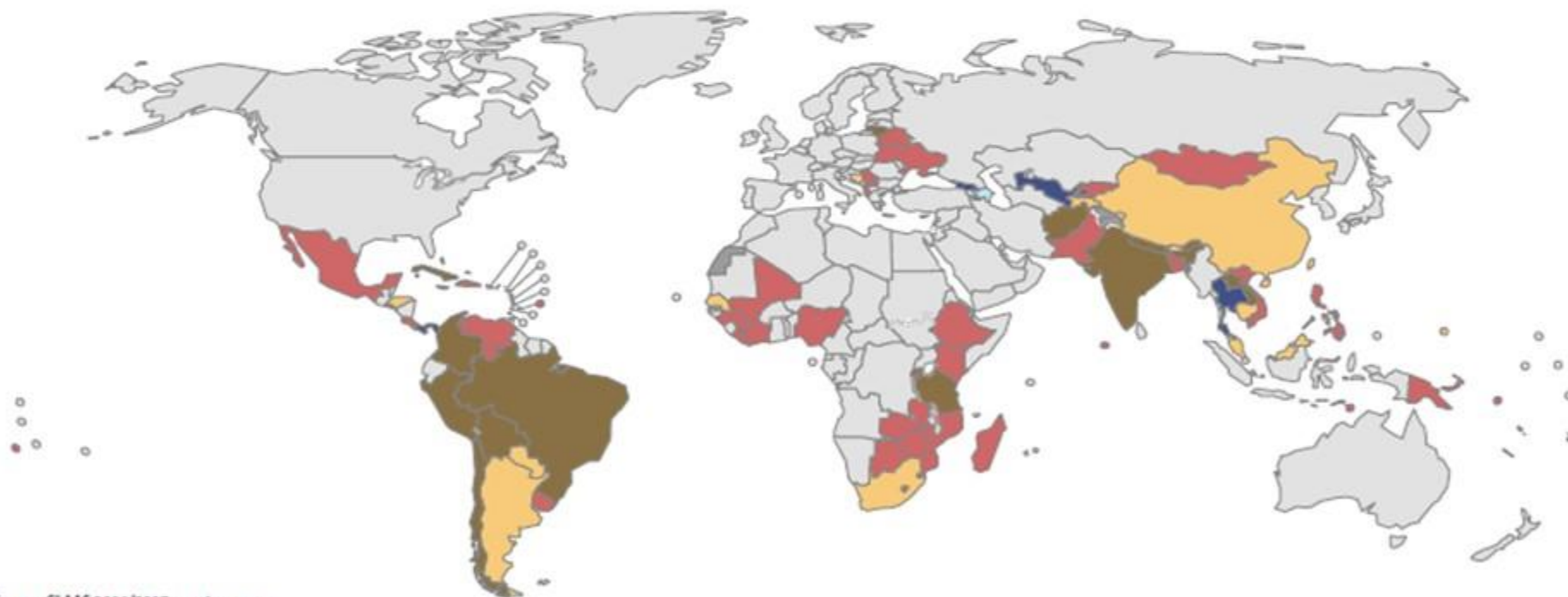
Repayable finance allows governments and utility borrowers to distribute payments for capital infrastructure investment over time and finance repayment through future taxes, fees and tariff revenue.

# Public Finance is Critical for Achieving SDGs, BUT....

## Level of sufficiency of financial resources allocated to sanitation to meet national targets

Is financing allocated to sanitation improvements sufficient to meet national targets?

- More than 75% of what is needed for both urban and rural
- More than 75% of what is needed for urban or rural
- Between 50% and 75% of what is needed
- Less than 50% of what is needed for urban or rural
- Less than 50% of what is needed for both urban and rural
- Data not available
- Not applicable



Source: GLAAS 2016/2017 country survey.

“Over 80% of countries report insufficient financing to meet national WASH targets”



A peek back at the past...

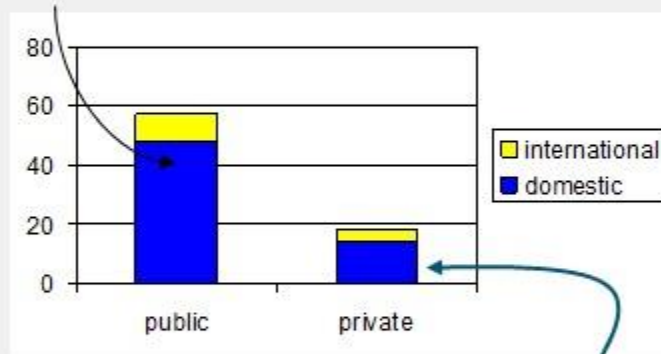
In the 1990s... there was the Hope...

- Large infrastructure investment needs
- Limited – or even declining public resources
- Limited share of international aid
  
- Worldwide interest from private sector in cross border infrastructure investments
  
- *So... the private sector will “fill the gaps”...*

# The Realities have been different ...!!!

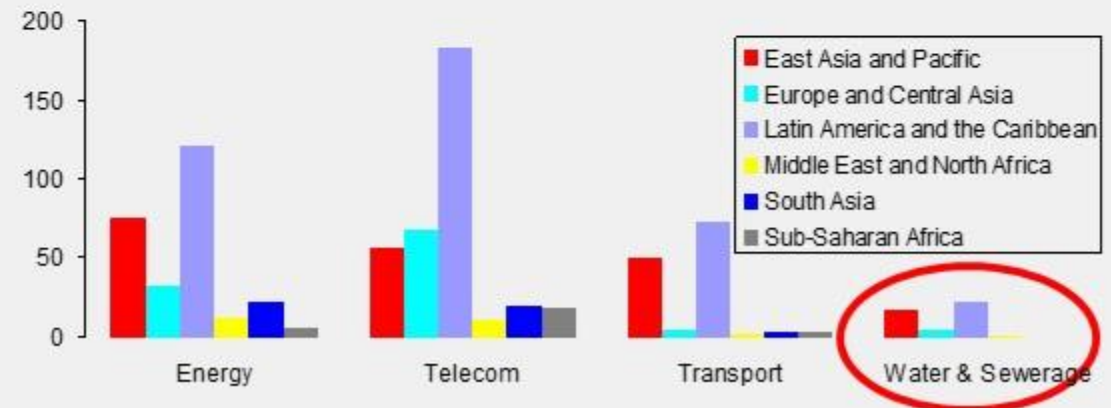
Financing flows into water in 2000...

Public is dominant ~85%



Domestic is dominant ~85%

Total (international) private investment in infrastructure in 1990-2002 - sector and region



## In the new millennium – 2000s: A Plea for Aid Resources, and Risk Mitigation for the MDGs!!!

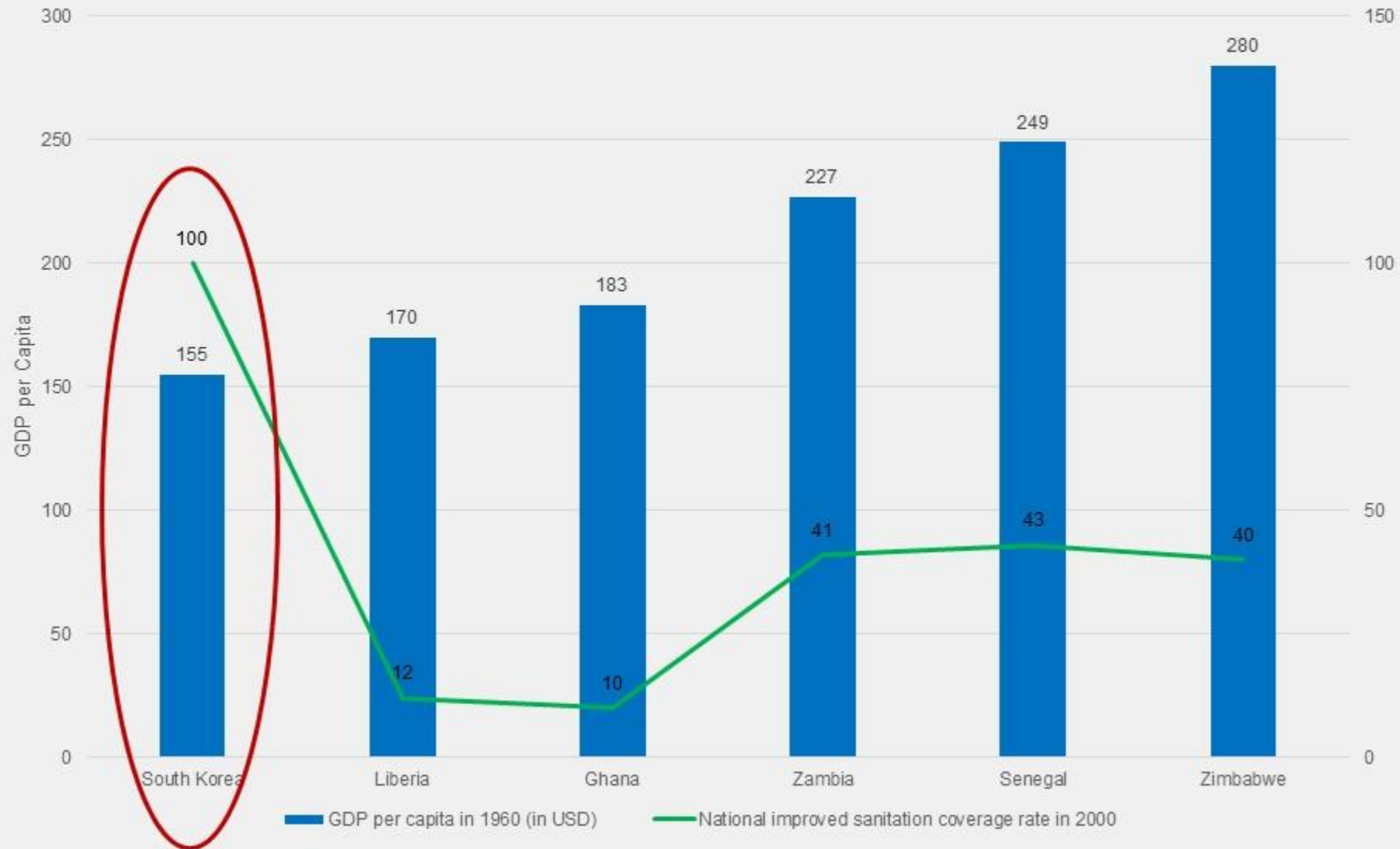
- Camdessus Panel Report
  - *“There is widespread agreement that the flow of funds for water infrastructure has to roughly double...”*
  - *Also places emphasis on risk mitigation measures for private sector investments*
- Sachs Report - UN Millennium Project
  - *“The report says the MDGs can be achieved if total annual development assistance is doubled to \$135 billion—or 0.44 percent of donors’ GNP—in 2006, and rises to 0.54 percent of donors’ GNP by 2015. “(The Economist)”*



## How Did the Successful East Asian Countries Finance Sanitation?

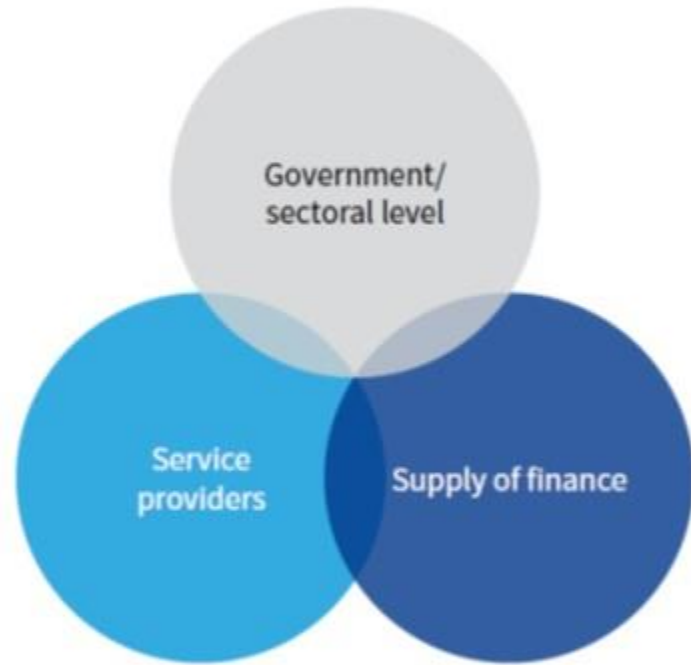
*“The composition of finance in providing sanitation infrastructure for poorer communities was made up largely from official sources of finance, principally from government revenues but also from bilateral and multilateral grants and loans, and user fees or public housing rents. It is not the focus of this study, but it would be worth analysing whether today’s proliferation of vertical funds and the increasing preference of many bilateral donors for channelling Official Development Assistance through results-based and performance-based allocations would make the financing strategies of East Asian developmental states of the 1960s possible today.” (p. 10)*

# Political priority was critical, and not the economic ability!!!



# Mobilising finance for WASH: Getting the Foundation right

Figure 1: Foundational issues for mobilising finance for WASH



1. Planning and financing strategies for maximizing public and commercial funds to achieve social objectives
2. Effective tariff-setting practices and economic regulation
3. Adequate performance regulation and transparent accountability mechanisms
4. Clarity of mandate and performance obligations of service providers

5. Solid financial and operational management
6. Capacity strengthening for business planning
7. Enhanced autonomy and legal framework

8. Rectifying the mismatch between commercial bank risk profile and WASH sector realities
9. Avoiding mechanisms that create market distortions
10. Targeting development finance for maximum impact

- **Government / sectoral levels:** using public funds for social impacts, tariff and regulation, performance mandate assessment and regulation
- **Supply of finance:** commercial risk vs WASH sector, avoid market distortions, impacts
- **Service providers:** capacity, autonomy and legal framework



## Importance of domestic public finance

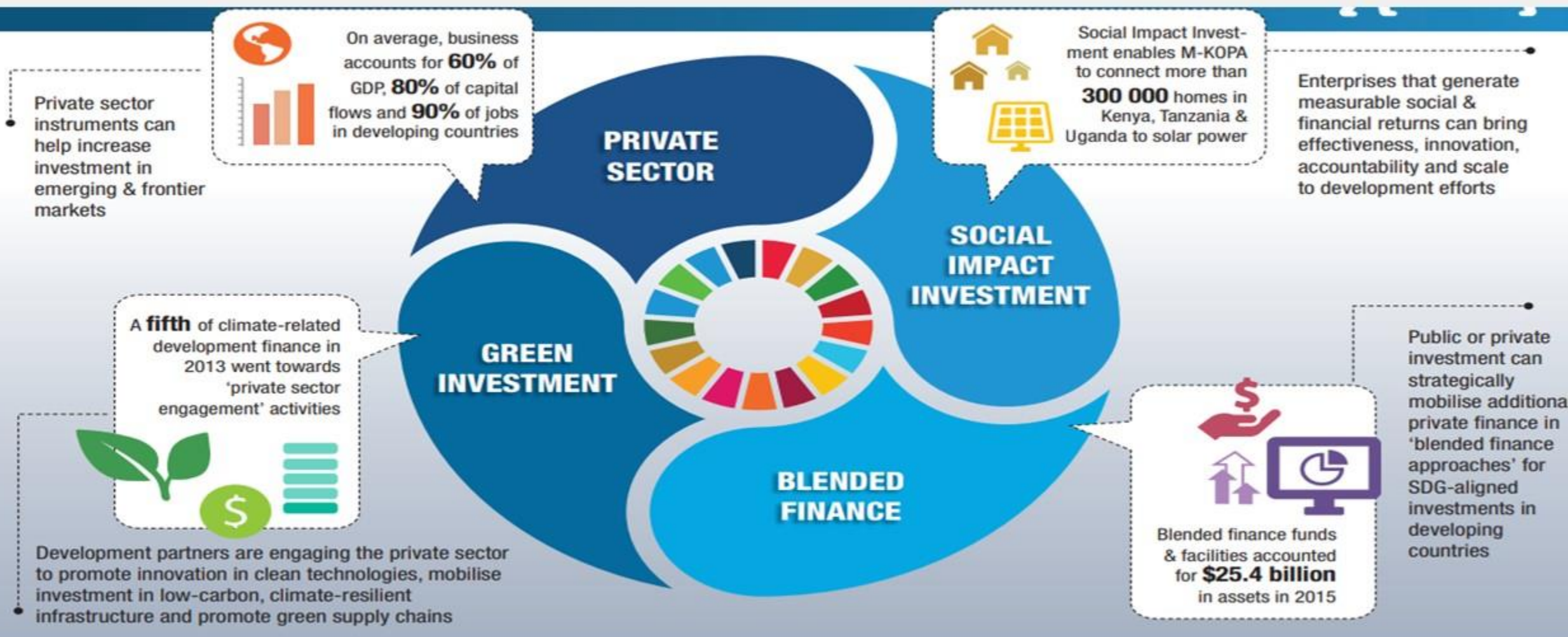
- Need to recognize the continued importance of public finance..
- This means looking at priorities as reflected in budget allocations.... And ways to improve effectiveness and efficiency in the use of these resources
- For sanitation – need to also look at funding of sub-national and local governments, and sanitation and property taxes
- While we also explore other innovative sources and methods that can be explored ...

## Key importance of local government finance

- In most countries, local government are required to operate and maintain FSSM infrastructure and services.
- Hence it is important to assess local government financial capacity to sustain operation and maintenance costs of all infrastructure.
- Strengthening of local government finances is important – especially to enhance their own sources of revenue and reduce their dependence on grants and transfers from state and national governments.



# New Approaches for Innovative Finance for WASH





# Overview of Sanitation Financing

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