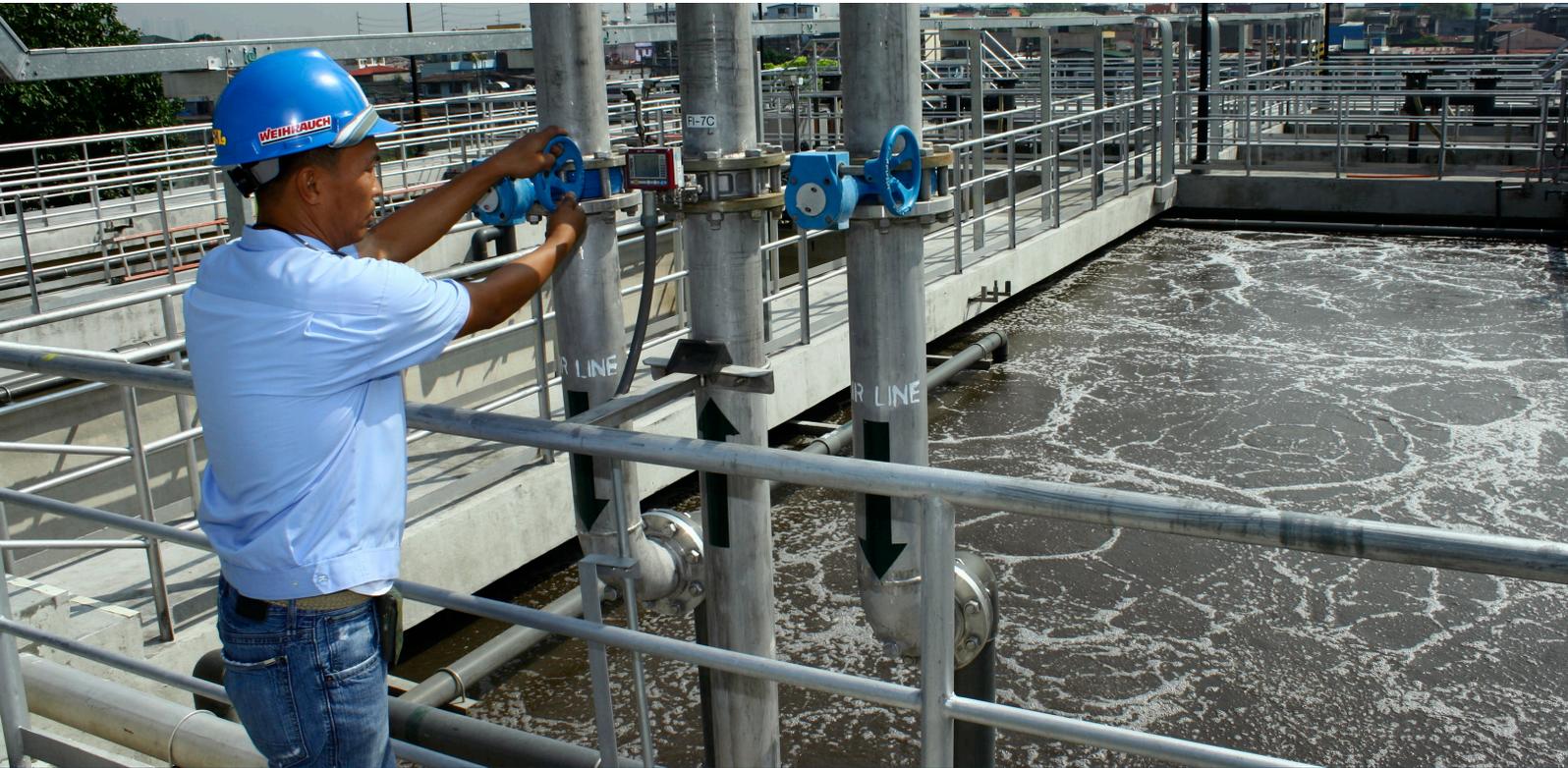


INCREASING FINANCIAL FLOWS FOR SANITATION

A WORLD WATER COUNCIL PROGRAMME



Worker at waste water treatment facility. Philippines. Photo: Danilo Pinzon / World Bank

SETTING THE SCENE

Since the Millennium Development Goals (MDGs) were established in 2000, concerted global efforts have been made to improve sustainable access to safe drinking water and basic sanitation.

The water MDG target was achieved, while the sanitation target was not: one third of the world's people still lack basic sanitation. Now that the MDGs have been superseded by the Sustainable Development Goals, the definition of adequate sanitation is being tightened and so the figures will look even worse.

Despite the fact that the economic and health benefits of access to basic sanitation have been extensively researched and acknowledged, the issue is often low on politicians' priorities.

The number of people lacking access to adequate sanitation is still higher in rural areas, but due to

migration and rapid urban population growth the situation is becoming more acute in urban areas.

From the technical viewpoint, urban sanitation is also more difficult than rural. It is traditionally considered as an add-on to water which consists of sewers and waste water treatment plants: these are a nineteenth century solution that costs a lot of money and needs a lot of water.

Because it is difficult to provide and finance good sanitation services, many cities have done nothing, leaving citizens to improve their own sanitation often on an ad hoc and unregulated basis.



THE APPROACH

The programme on increasing financial flows for sanitation aims to identify and publicise appropriate innovative financial mechanisms that could help to accelerate sanitation services in cities around the world.

For this project, sanitation is defined as the management, treatment and re-use of human excreta and wastewater; it does not include solid waste management. The work programme is about financing sanitation, not about sanitation itself: only basic information about the technicalities of sanitation is required in order to help the analysis about financing it. The project focuses on urban sanitation, with brief comments and analysis about rural sanitation to help understand the overall picture.



Initial studies reveal that some people feel that the main obstacles are financial (i.e. that the costs for implementing sanitation projects and for maintaining infrastructure are unaffordable for developing countries) while other people feel that countries need to carry out the sanitation work in different and more affordable ways that will reduce costs and generate more revenues. This work programme aims to review both of those aspects.

The project targets political authorities at all levels who are the key people who can intervene to resolve these factors.

FINDINGS TO DATE

Emerging innovative financing mechanisms fall broadly into two main groups:

- **New revenue streams** based on the concept of a circular economy, i.e. that the materials resulting from human sanitation services are not waste to be thrown away but resources to be sold as inputs to other industries or processes.
- **New financial instruments** e.g. blending concessionary and commercial loans, shifting grants from water to sanitation, optimising the financial structures of public private partnerships and concessions.

Although very few examples of such mechanisms are actually being put into practice, there is plenty of interest among city leaders to try these new mechanisms. Some of the main factors hindering them are:

- Sanitation is usually managed as an adjunct to water, without its own ring-fenced revenue stream.
- Water tariffs are often inadequate to cover the water supply element, let alone the sanitation element.
- Municipalities' ability to raise loan finance for sanitation is hampered by public sector finance regulations.
- So public sector sanitation work is chronically underfunded, both for capital expenditure and for operating expenditure.
- Private sector companies have not been attracted into providing sanitation services because the revenue streams are uncertain and weak and the roles of the various parties are not clearly defined.
- Banks are hesitant to lend to either public or private sector for sanitation due to poorly-defined institutional roles, poor regulation, bad track record in setting and collecting adequate tariffs to generate revenues for repayment.
- Circular economy concepts remain virtually unknown in many countries, so there are not yet regulations in place for the quality, or the sale, of these products.

CASE STUDIES

Cities are selected on the basis of their expressed interest and their readiness to try out innovative financing mechanisms.



1. Baguio, Philippines

2. Blumenau, Brazil

3. Jodhpur, India

4. Marrakesh, Morocco

5. Nairobi, Kenya

6. Durban, South Africa

7. Dakar, Senegal

8. Bogotá, Colombia



The City of Jodhpur, India. Photo: CreativeCommons/strudelt



Housing in Philippines. Photo: Danilo Pinzon/ World Bank

PLAN AND TIMELINE

The work programme has the following main elements:

1. **Case studies of selected cities**, which will include background on the country and on the study city, detailed information about sanitation financing in the study city, and analysis;
2. Production of an **overall report** on the applicability of identified financial mechanisms to the sanitation sector of the study countries, complete with **policy recommendations** and **guidelines** targeting ministers and local authorities in those and other countries;
3. The report will be launched in Brazil during a panel at the **8th World Water Forum** in March 2018.

APRIL 2017



Initiation of the project

NOVEMBER 2017



Case studies completed

MARCH 2018



Report and policy recommendations released

Further activity

8th World Water Forum
Brasilia, Brazil
18-23 March



INVITATION TO COLLABORATE OR HELP

The World Water Council wants this work to be open, collaborative and fully acknowledging the contributions and intellectual properties of others.

Any organisation that wants to participate in this work programme, or to give advice or information to it, is invited to contact the World Water Council.



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