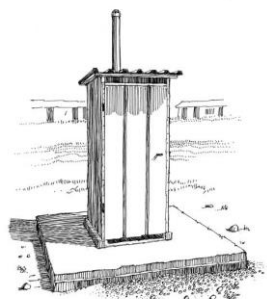


**Options & Guidelines for
Sanitation Financing:
Presented at the National
Basic Sanitation Forum 5**

10th July 2017



Presented by CDC Consult/RUFINLIT
info@cdconsult.org

BACKGROUND TO THE NEED FOR FINANCING

1.21 million*

...households (19.3% of households) in Ghana are without household latrines. –JMP (UNICEF) 2015, adjusted for population growth

970,559*

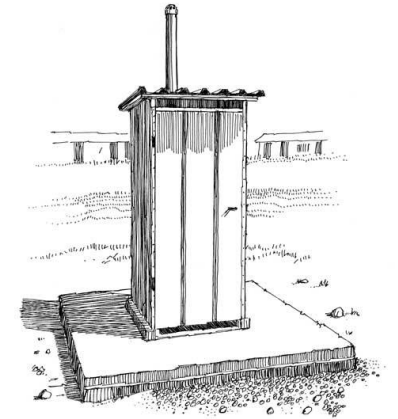
...households will need some form of financing to acquire household latrines based on 80% of those interviewed who said they cannot afford one-off payment.

GHS 3,787

...is the average annual income of households interviewed (Sanitation Market Assessment).

GHS485 million

...is the amount households in need of financing will require, on the assumption that a basic improved latrine costs **GHS500**.

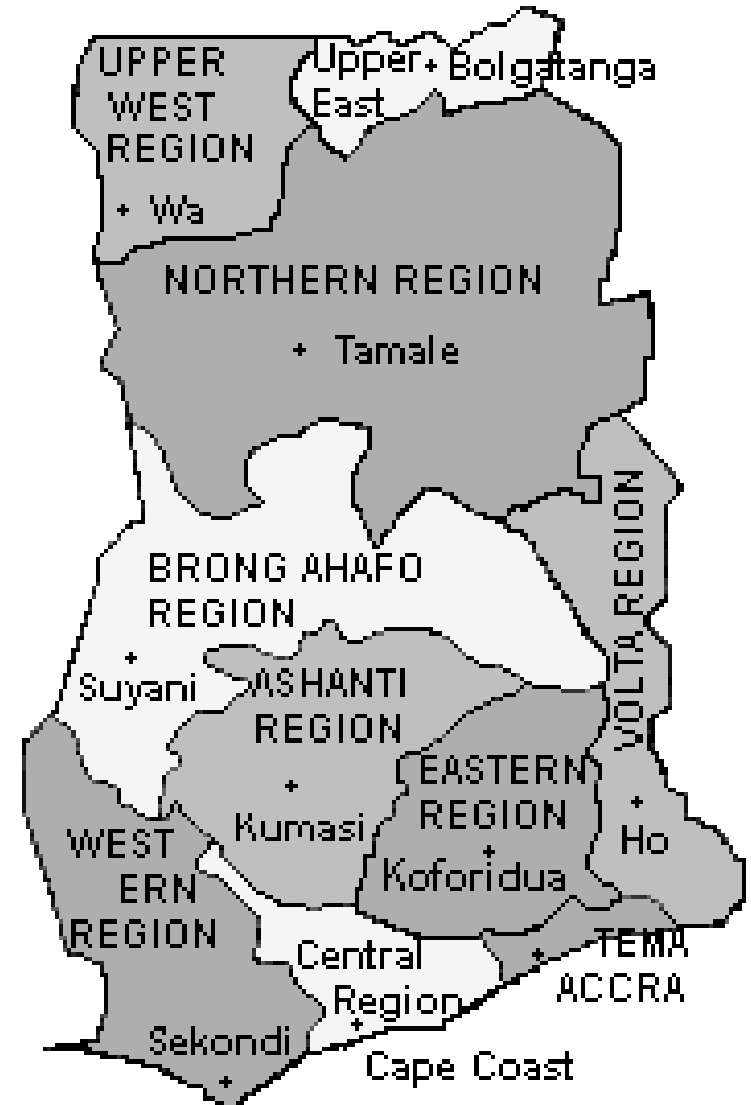


Need for financing

***The household numbers are undergoing revision**

BACKGROUND TO THE NEED FOR FINANCING

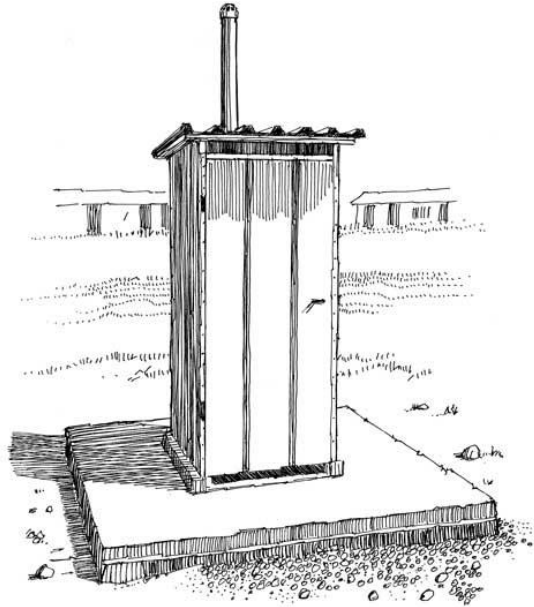
- Almost half of Ghana's population remains without access to basic financial services (i.e. not even using informal financial mechanisms), particularly in rural areas and by women.
- If the financing challenge is not addressed, most households will not have access to safe, improved and durable household toilets and the fight to achieve ODF status may never be fully realised.



- Need for **transparent** and **sustainable** source of **subsidies** – **if this can ever be achieved**;
- **Money should not be used as a disincentive to the collective change.** This is to ensure that we do not undermine what has been already achieved;
- There cannot be one solution, instead a **basket of solutions**;
- Ensure that the **social norm change is not undermined**;

FACTORS TO CONSIDER IN SEARCH OF FINANCING

- Ensure there is no creation of **dependencies** that affect overall development;
- Ensure that the approach does not result in latrines being built but not used;
- Ensure that subsidies work for the poorest (and not just anybody at all);
- Introduce mechanisms to handle complexities of the environment (unstable soils etc.) that impact on householder ability to build latrines;
- Support government to acquire more public financing for Sanitation (making a **strong business/investment case**).



OPERATIONAL DEFINITION: SANITATION FINANCING

“Households having access to regular use of a range of formal and informal financial services including savings, credit remittances and other community based financing schemes which meet their needs and are affordable for the acquisition and maintenance of improved, durable and safe toilets”

Households need to be enabled to make choices with respect to a mix of financing sources including personal savings, remittances, credit facilities and well-designed subsidy schemes that will facilitate the installation and maintenance of their preferred household latrines.

ASSESSMENT OF SANITATION FINANCING IN GHANA

Sanitation financing with a focus on household and community latrine provision has received attention over the years.

National Environmental Sanitation Strategy and Action Plan (NESSAP): 2010-2015

The NESSAP recognises the need for sustainable financing and cost recovery strategies as well as the provision of appropriate incentives that gives investor-confidence to induce injection of capital by the private sector in improving services such as provision of public toilets, refuse collection, cesspit-emptying vehicles, construction of treatment and disposal facilities.

Strategic Environmental Sanitation Investment Plan (SESIP):2010-2015

The Strategic Environmental Sanitation Investment Plan (SESIP) is described as the document that made the first attempt at providing a financing plan for environmental sanitation services in Ghana. As part of strategies for financing the various implementation packages captured in the plan, the document proposed the Establishment of Revolving Fund specifically for the provision of household toilets. This was in response to the NESSAP target of delivering the equivalent of 50,000 household toilets per annum from 2011 to 2015 nationwide.

The Rural Sanitation Model and Strategy (RSMS)

In the area of financing toilets for households, the RSMS had what may be described as three levels of financing proposals. The first proposal envisages the MLGRD seeking cabinet's approval to allocate 2% of District Assemblies Common Fund for sanitation promotion. The second proposal is based on the financing strategies proposed in the SESIP (also based on NESSAP) which requires MLGRD to establish a revolving fund for sanitation promotion. Thirdly, communities will be encouraged to use their own systems of mutual savings.

- Financing has remained a key gap in facilitating uptake of latrines for households;
- Households have to cultivate the culture of paying for the installation and maintenance of household latrines;
- Government (and by extension its development partners) will need to provide support for the set-up of wholesale funds targeted at financing latrines for households and service providers;



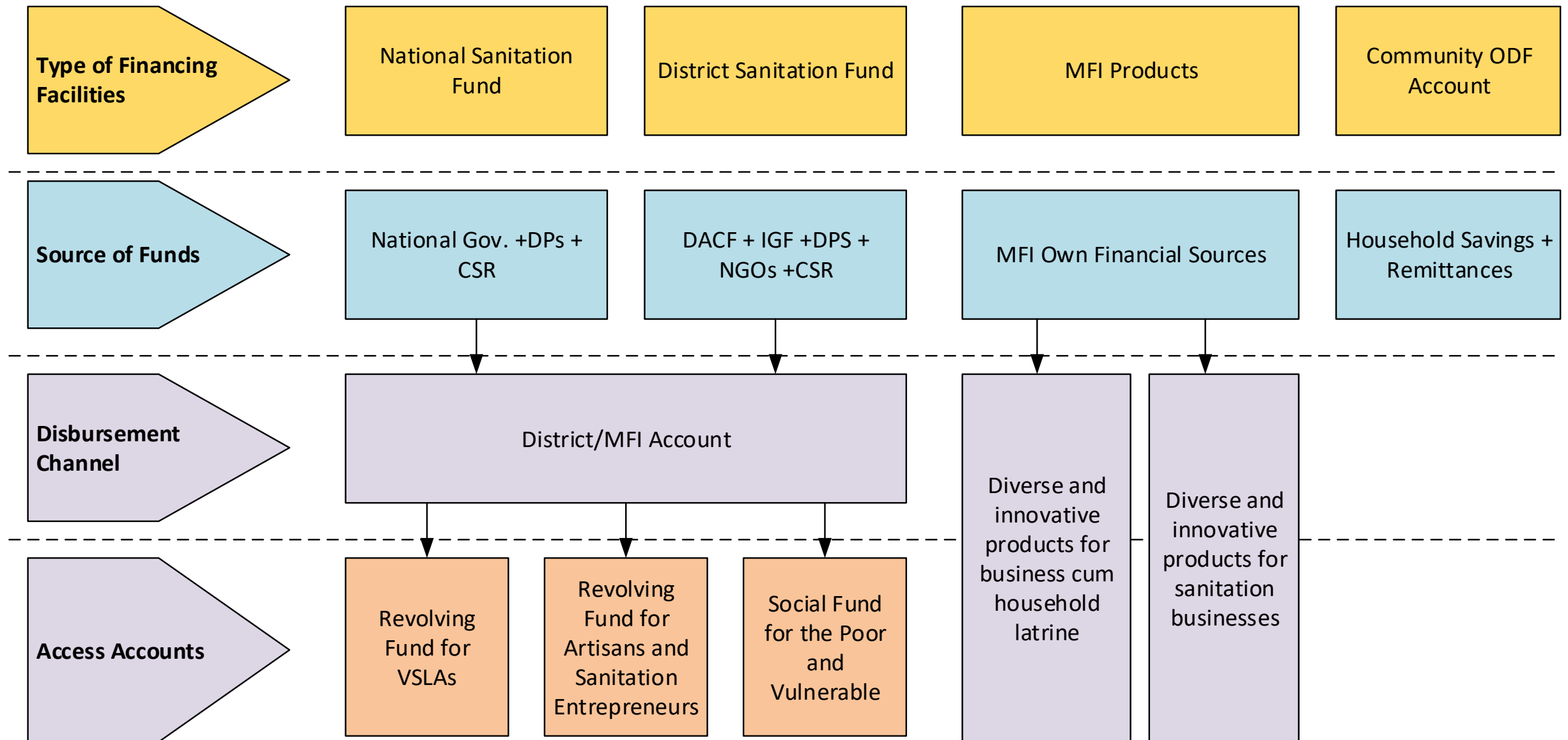
ASSESSMENT OF SANITATION FINANCING IN GHANA

KEY ISSUES FROM THE POLICY DOCUMENTS (NESSAP, SESIP & RSMS)

- Interest rates on loans for financing toilets for households should not necessarily be at market/commercial rate so as to serve as incentive for promoting acquisition of household latrine installation;
- Community based financing schemes constitute a key source of financing household latrines to be leveraged on.



FRAMEWORK FOR FINANCING



FRAMEWORK FOR FINANCING

TYPES OF FINANCING FACILITIES	DESCRIPTION
National Sanitation Fund	A pool of funds that provides capital for establishment of a revolving fund for financial institutions that are interested in lending to households and artisans and serve as source for funding a proposed Social Fund targeted at qualifying poor and vulnerable households.
District Sanitation Fund	This financing facility will provide district specific attention to financing the acquisition/installation of latrines by households.
Community ODF Account	These are specialised financing facilities created at the community level to support sanitation financing.
MFI Products	Products developed by microfinance businesses targeted at sanitation financing.

FRAMEWORK FOR FINANCING

COMPONENTS OF THE FRAMEWORK	DESCRIPTION
Sources of Funds	Government funding, Development Partner funding, private sector funding mainly through their Corporate Social Responsibility (CSR) budget, the District Assemblies Common Fund (DACF), Internally Generated Fund (IGF) of the districts, Non-Governmental Organisations (NGOs) and loanable funds from the MFIs.
Distribution Channels	Distribution channels describe the available routes through which the funds will be sent to the respective access accounts. These are the district accounts and MFI accounts.
Access Accounts	The proposed access accounts are Revolving Fund for VSLAs; Revolving Fund for Artisans and Sanitation Entrepreneurs; Social Fund for the Poor and Vulnerable.

The envisaged Social Fund is to support identified and certified poor and vulnerable households with financial and non-financial support to acquire household latrines. The Social Fund will be designed to receive funding from the District Sanitation Fund, National Wholesale Fund (when it is established), Development Partners and Corporate bodies.

The specific aims of the Social Fund are:

- Reach the poor and vulnerable with financial and non-financial support to ensure that the poor and other vulnerable households are not deprived of improved household latrines;
- Communities with difficult terrains such as soil and rock areas are reached with support to ensure that the difficult terrains do not become disincentives.

The sanitation revolving fund is critical for financing households and artisans through microfinance institutions. A detailed toolkit on the management of the district sanitation fund (and revolving fund will be developed).

Management of the District Sanitation Fund and its revolving fund will be at three (3) levels:

1. Oversight management team at the District Assembly Level that will receive half yearly reports on the targets and performance of the Fund;
2. Fund administrator who will have responsibility for ensuring the allocation of the Funds to microfinance institutions that will use the fund for on-lending to households
3. Microfinance institutions that will have direct responsibility for on-lending to households.

ARTISAN FINANCING UNDER REVOLVING FUND

- The revolving Fund as envisaged will not serve as seed capital for “asset financing” of artisans such as providing loans to artisans for the acquisition of tools and equipment.
- The fund shall consider latrine construction financing under “purchase order financing”.
- Under the purchase order financing, an artisan who has received orders from households to construct latrines financed under either the revolving fund disbursed by an MFI or the Social Fund would receive financing needed to install the household latrines.




Proposals and Guidelines address the issues of subsidy at various levels as follows:

1 **Subsidised interest rate for all households accessing financing:** the provision of credit at subsidized rates (15% instead of the market average rate of 45% quoted by microfinance institutions) provides significant subsidy that otherwise would not have been available to interested households.

2 **Support for the vulnerable:** The vulnerable are described as individuals/households which either by household or environmental characteristics would need support to acquire household latrines.

3 **Support for the poorest:** The poorest, defined as households that are not on income and those that currently receive support under LEAP as selected by the community as truly poor will be supported through the social fund.

TARGETS TO FINANCE



TARGETS	BENEFICIARY SEGMENTS			
	1	2	3	4
 <p>Households</p>	<p>Gainfully engaged on monthly salary or engaged in consistent income generating activities</p>	<p>Gainfully engaged in a mix of income generating activities along well defined patterns that can be substantiated.</p>	<p>Seasonal income derived mainly from one source</p>	<p>Poor households (Without any economic activity due to various factors such as old age, ill health, physical disability, etc.)</p>
 <p>Artisans</p>	<p>Start-up (Individual artisans and micro businesses)</p>	<p>Micro Businesses (Established artisans and sanitation businesses that operate on a micro basis)</p>	<p>Small Businesses (Established artisans and sanitation businesses operating vibrant businesses with established relationships FSPs)</p>	
 <p>Financial Service Providers</p>	<p>Financial NGOs (Social mission driven financial services providers)</p>	<p>Other Microfinance Institutions/Providers (Range of providers that provide microfinance services)</p>	<p>Universal/Commercial Banks</p>	

SOLUTION SETS (SPECIFIC FINANCING SOLUTION SETS)



1. Community Based Financing Schemes for acquisition of household latrines;
2. Community Based Financing Schemes linked to Formal Financial Institutions to fast track latrine acquisition and reduce turnaround time (funded with revolving fund for VSLAs);
3. Use of dedicated partner MFIs that are willing to use own funds/products for financing households and artisans(Technical Assistance only);
4. Use of partner MFIs in need of both Funding and Technical Assistance Support(funded with Revolving fund for VSLAs and Artisans);
5. Use of Social Fund to address the needs of the poor and vulnerable.





MAPPING OF BENEFICIARY SEGMENTS ON SOLUTION SETS

TARGETS	SOLUTION SETS			
	1	2	3	4
 <p>Households Segments</p>	<p>Gainfully engaged on monthly salary or engaged in consistent income generating activities</p>	<p>Gainfully engaged in a mix of income generating activities along well defined patterns that can be substantiated.</p>	<p>Seasonal income derived mainly from one source</p>	<p>Poor households (Without any economic activity due to various factors such as old age, ill health, physical disability, etc.)</p>
 <p>Solution Sets for Financing</p>	<ul style="list-style-type: none"> Community Based Financing Schemes Community Based Financing Schemes linked to Formal Financial Institutions Use of dedicated partner MFIs (Technical Assistance only) 	<ul style="list-style-type: none"> Community Based Financing Schemes Community Based Financing Schemes linked to Formal Financial Institutions 	<ul style="list-style-type: none"> Community Based Financing Schemes Community Based Financing Schemes linked to Formal Financial Institutions 	<ul style="list-style-type: none"> Use of Social Fund

MAPPING OF BENEFICIARY SEGMENTS ON SOLUTION SETS

TARGETS	SOLUTION SETS		
	1	2	3
 <p>Artisans Segments</p>	<p>Start-up (Individual artisans and micro businesses)</p>	<p>Micro Businesses (Established artisans and sanitation businesses that operate on a micro basis)</p>	<p>Small Businesses (Established artisans and sanitation businesses operating vibrant businesses with established relationships with FSPs)</p>
 <p>Solution Sets for Financing</p>	<ul style="list-style-type: none"> • Use of partner MFIs (Funding and Technical Assistance Support) 	<ul style="list-style-type: none"> • Use of dedicated partner MFIs (Technical Assistance only) • Use of partner MFIs (Funding and Technical Assistance Support) 	<ul style="list-style-type: none"> • Use of partner MFIs (Funding and Technical Assistance Support) • Use of dedicated partner MFIs (Technical Assistance only)

MAPPING OF BENEFICIARY SEGMENTS ON SOLUTION SETS

TARGETS	SOLUTION SETS		
	1	2	3
 <p>Financial Service Provider Segments</p>	<p>Financial NGOs (Social mission driven financial services providers)</p>	<p>Other Microfinance Institutions/Providers (Range of providers that offering microfinance services)</p>	<p>Universal/Commercial Banks</p>
 <p>Solution Sets for Financing</p>	<p>Revolving Fund for VSLAs and Artisans (Funding and Technical Assistance Support)</p>	<p>Revolving Fund (Funding and Technical Assistance Support)</p>	<p>Use of own Funds (Technical Assistance Support)</p>

FINANCING THE POOR

The poor and very poor households are highly vulnerable to shocks, have limited capacity and resources, limited mobility and freedom, suffer from social exclusion and lack of empowerment. These are mostly households in the bottom half below the national poverty line or who earn less than US\$1.25 per day.

- In financing the poor and vulnerable there is need to adopt the use of results based financing – supported by the Community and Assembly.
- Activities that can be undertaken by the household (or on its behalf by other community members) should be costed and presented as the contribution of the beneficiary household on execution of the pre agreed activities.
- Payment due for services/activities undertaken could be used to pay for the parts that could not have been undertaken directly due to one form of vulnerability or another.



- Given that support to these households have to be **performance-based**, the District Assembly would have to ensure that any support provided to the poor and or vulnerable is based on performance of pre-agreed set of actions.
- To avoid a situation of abuse and reversal of potential gains under the market concept, the household of the poor (or other community members) should **commit to tasks** such as digging the pit, providing labour, fetching water and related actions that are evidenced based as a basis for receiving funding for household latrine construction.



Sanitation financing options need to continuously consider how technology can be deployed effectively to enhance cost effectiveness in sanitation financing.

The use of technology especially mobile phone technology would be enabled in the following ways:

- Promotion of savings targeted at latrine acquisition by interested households;
- Use of mobile phone platform to pay Artisans for verified work done for households;
- Facilitate remittances towards household income accumulation towards latrine acquisition;
- Use of mobile phone technology to make periodic and small repayments on loans
- Use of digital platform to aggregate data on households with and without improved latrine as well as for tracking changes in the status of households.