

## Access to Bank and Operational Finance- Major Barrier to Sanitation SMEs

Participants at the Easy access to banking and operational finance among micro, small, medium and large sanitation enterprises have been identified as one of the leading barriers to their operations in Ghana. Aside, on time payment has also been identified as another barrier affecting the smooth operations of sanitation SMEs. Explaining some of the barriers that militate against the operations of sanitation SMEs in Ghana from a study of sanitation non-market environment for small and medium scale sanitation enterprises in Kumasi and Accra, Dr. Pippa Scottan I-San Associate of the Integrated Sanitation Solutions for Urban Development said the study was to understand the non-market barriers and opportunities facing small & medium scale sanitation (SME) businesses and their impact on the businesses themselves as well as on their ability to reach Low Income Urban Communities (LIUC) with appropriate products and services, while leveraging and encouraging a more substantive role for SMEs in the sector with particular interest in advocating for review of the fiscal, regulatory and policy aspects of the non-market context.

*The 63<sup>rd</sup> NLLAP took place on Tuesday 30<sup>th</sup> May, 2017 on the theme: Creating a Stronger Non-Market Environment for Small and Medium Scale Sanitation Entrepreneurs (SMEs) in Ghana: The Opportunities and Challenges. Dr. Pippa Scott an I-San Associate of the Integrated Sanitation Solutions for Urban Development shared the findings from the studies on the non-market environment for small and medium scale sanitation enterprises in Kumasi and Accra. The Social Business Lead of WSUP Ghana, Faustina Asante took participants through the Opportunity Areas for WASH Sector Actors Intervention and Support for Sanitation SMEs in Ghana. The Country Programme Manager of WSUP Ghana, Mr. Issaka Musah Balima gave an Overview of Activities of WSUP in Ghana. NLLAP 63 was chaired by the Executive Secretary of Water Resources Commission (WRC) Mr. Ben Ampomah.*



Another major impediment to the smooth operations of sanitation SMEs in the researched areas had to do with the tough macro-economic environment resulting in late payments for executed public projects thus diminishing the profit margins coupled with high interest rates, high cost of utility and currency depreciation. The research also revealed that there was no formal associations that acted as the interface between government and the small scale sanitation providers thus making it difficult for actors in the sanitation value chain to influence policy. To ameliorate the situation, Dr. Scott called for concerted interventions to be made by introducing innovative start-up financing schemes through equity financing, guaranteed loans, subsidized credit and microfinance system. To boost the capacity of sanitation SMEs to effectively provide the needed services, Dr. Scott said it was critical to provide business incubation, training and support for sanitation startups.

### Stakeholder Suggestions:

Stakeholders at the end of the session suggested the following actions to be considered in the areas of donors, national

government, local government, and partners:

#### Local Financial Institutions

- To enable sanitation SMEs have information about the availability of financing opportunities and where to access these funds, stakeholders suggested that the banks/financial institutions should intensify their advertisements on such funding opportunities for the sanitation entrepreneurs.
- That, Banks and other financial institutions should create a desk for sanitation SMEs to provide them with technical support in the areas of Book Keeping, Business Proposal Development e.t.c.
- That, Banks should partner donors to raise funds for onward lending to sanitation SMEs at reduced interest rates.
- Stakeholders urged that Bank of Ghana should cap the interest rate on loans for sanitation SMEs at a reduced at to attract more SMEs to participate in order to improve the sanitation situation in the country.
- Corporate Institutions should make sanitation financing a core part of the Corporate Social Responsibilities (CSR).

#### Local Government

- To enable Sanitation SMEs participate in the sanitation business at the local level and in order not to crowd them out of business by the bigger firms, stakeholders suggested that, Metropolitan, Municipal and District Assemblies should soften their tendering processes to enable these sanitations SMEs part take in the bidding process for sanitation contracts.
- That, tender fees should be scrapped or reduced on sanitation tendering for SMEs at that local level.
- Sanitation SMEs should form an association to enable build members capacities to undertake bigger contracts or projects with the required standards.

- Local Government should enhance the interface between sanitation SMEs and the Environmental Health and Sanitation Directorate to build the capacities of the SMEs to execute projects according to the standards and specifications through education.
- That Central government should enforce sanitation byelaws in order to improve the sanitation situation in the country.
- That, the National Sanitation Authority should be established to provide focus and direction for the sanitation sub-sector
- It was also recommended that, sanitation SMEs should be rigorously monitored and evaluated to form the basis for funding them by financial institutions and donors.
- That, donors should relax the Conditionalities to enable sanitation SMEs to access their funding support
- Donors should build the capacities of SMEs and encourage them to form partnerships to attract the needed funding from donors
- Donors should relax their procurement process to enable sanitation SMEs to part take in the bidding process. Donors should increase their annual budget support to central government on sanitation activities

#### Non-Governmental Organisations

- That, NGOs should intensify their advocacy and lobby at the national and local levels for the removal of all barriers impeding sanitation SMEs' access to finance.
- Donors and NGOs should make funding available to financial institutions for onward lending specifically to sanitation SMEs.
- That, NGOs should share research findings on sanitation, especially new technologies with sanitation SMEs to keep them abreast with current technologies on the market.
- That, in all areas of interventions, NGOs should advocate for sanitation to be prioritized at the local and national level
- That, NGOs should also advocate for government to lead in the coordination of all sanitation interventions in the country.
- That, an umbrella union for sanitation SMEs should be established to give them a voice in advocating for policy reforms in the sanitation sector.
- That, the media, academic and research institutions should partnership government by providing the needed research findings, education and awareness creation on sanitation to help government address the sanitation situation

#### Supporting Institutions

- That, the media should partner Government and Financial Institutions to increase awareness on the funding opportunities for sanitation SMEs and where to access the funds.
- It was also suggested that supporting institutions such as equity firms should build the capacities of sanitation SMEs in terms of records keeping, procurement, ICT to make them attractive for funding.
- That, supporting institutions should promote equity financing and investment in sanitation businesses in the country.
- Stakeholders recommended that, competition should be introduced among the sanitation SMEs through prize inducement to motivate them to think outside the box to raise the needed capital and partnerships to scale up their innovations.
- That, supporting institutions should link sanitation SMEs to funding institutions by creating the needed platform for engagement.
- That, supporting institutions should help in strengthening the capacities of sanitation SMEs by assisting them to form consortiums and partnerships.

In her remarks, the Social Business Lead of WSUP Ghana, Madam Faustina Asante urged all sector actors to prioritize sanitation by identifying interventions which were working and scaling them up. Madam Asante said the solutions to Ghana's sanitation situation was multifaceted and required strong partnerships and information sharing to achieve the desired outcomes.

In her wrap up remarks, Dr. Scott called for a broad scale partnership within the various sectors of the Ghanaian economy to ensure that there was a reduction in the interest rates to develop SMEs and entrepreneurs and enable them to part take in the provision of sanitation services. She said it was critical for Government to standardize sanitation specifications as well as support sanitation SMEs with the needed tax incentives to make them more competitive, adding that the only way sanitation could be improved in the country was for Government to align WASH policies with other allied institutional policies and strengthen public private partnership within the sanitation sector.

The Chairman of the event and Executive Secretary of Water Resources Commission, Mr. Ben Ampomah called for effective partnership and collaborations with allied institutions such as the Ministry of Finance, Trade and the Ghana Investment Promotion Centre in order to address some of the crosscutting issues identified as factors affecting the sanitation sector. According to Mr. Ampomah there was the need for the Ministry of Sanitation and Water Resources to take up the coordinating role of ensuring that the key recommendations made were carried through.

*NLLAP is a WASH sector multi stakeholder platform with the overall goal of improving sector learning and dialogue. It is hosted by the Ghana WASH Resource Centre Network (RCN). The platform offers learning and sharing opportunity for sector players as one of the practical approaches to improving sector engagements/sharing with the long term aim of achieving a knowledge driven WASH sector that delivers quality and sustainable services in Ghana. NLLAP meetings take place on the last Thursday of every month and opened to all interested parties. The discussions of each NLLAP meetings can be found on the RCN website [www.washghana.net](http://www.washghana.net).*

If you are interested to propose a topic for a meeting please contact us on,  
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