



Supportive Environments for Healthy Communities

### Issue 9 May 20, 2011 | Focus on Financing

This *WASHplus Update* contains recently published studies and reports that discuss various aspects of financing for water, sanitation and hygiene (WASH) programs. Topics include microfinance, cost recovery, water pricing, a review of donor and national sector investments and other issues. Also included are links to websites that focus on financing for the WASH sector.

#### REPORTS

- **Attempting the Production of Public Goods through Microfinance: The Case of Water and Sanitation**, 2011. Philip Mader . Max Planck Institute for the Study of Societies. ([Link to full-text](#))

This paper evaluates the attempt to create public goods via microfinance loans. Microfinance loans in the production of goods with public goods characteristics signify an emergent micro-privatization. As a case study, the production of water and sanitation resources via microfinance loans is examined in India and Vietnam. It is found that microfinance projects for water and sanitation, which are based on individualism and a cost-recovery paradigm, ignore important collective action aspects and underlying distributional problems.

- **Case Studies in Microfinance in Peru**, 2010. Hygiene Improvement Project (HIP), Water and Sanitation Program (WSP). ([Link to full-text](#))

This brief examines two promising project activities in the micro-finance sector under the Creating Sanitation Market Initiative (CSMI), a multi-stakeholder initiative led by the Water and Sanitation Program (WSP) of the World Bank in Peru: 1) in Cusco, activities with the Caja Municipal de Ahorro y Crédito del Cusco (CMAC Cusco) a Municipal Savings and Loan Fund owned by the municipal government of Cusco; and 2) in Cajamarca, activities to establish Village Banks that administer loans for household sanitation improvements. The brief was prepared with support from the USAID-funded Hygiene Improvement Project, a CSMI partner.

- **Cost Recovery, Equity, and Efficiency in Water Tariffs: Evidence from African Utilities**, 2010. S. Banerjee, World Bank. ([Link to full-text](#))

For many households, standposts managed by utilities, donors, or private operators have emerged as an alternative to piped water. Those managed by utilities or that supply utility water are expected to use the formal utility tariffs, which are kept low to make water affordable for low-income households. The price for water that is resold through informal channels, however, is much more expensive than piped water.

- **Effective Public Finance for Household Sanitation: A Study for WaterAid**, 2010. S. Tremolet, WaterAid. ([Link to full-text](#))

The study evaluated public finance for sanitation on the basis of three key criteria, including comprehensiveness (whether funding is allocated so that all segments of the sanitation value chain function effectively), equity (whether funds are adequately targeted to reach the poor and disadvantaged groups) and leveraging (whether public funds are used in a way that effectively leverages other forms of finance). The study found wide differences in approaches to providing public funding for sanitation services and resulting outcomes.

- **Financing Communal Toilets: The Tchemulane Project in Maputo**, 2011. Water and Sanitation for the Urban Poor, WSUP. ([Link to full-text](#))

This report examines the financing of communal toilets in Maputo, Mozambique and argues that in high density, low income communities, communal toilets serving small groups of families can be an effective sanitation solution. The big challenge is to achieve regular payment from users, and effective community management of this revenue.

- **Financing for Water and Sanitation: A Primer for Practitioners and Students in Developing Countries**, 2011. EU Water Initiative Finance Working Group (EUWI-FWG). ([Link to full-text](#))

This guide is for practitioners in developing countries – politicians, officials, professionals, private business people, members of civil society organizations and laypersons – involved in different ways in providing the infrastructure and services for water and sanitation. It is also aimed at students needing a compact introduction to this topic.

- **Financing On-Site Sanitation for the Poor. A Six Country Comparative Review and Analysis**, 2010. World Bank Water and Sanitation Program. ([Link to full-text](#))

This research seeks to identify the best performing approaches and the relevant factors and issues to consider in designing a sanitation financing strategy. The report offers guidance to sector professionals developing on-site sanitation projects and programs, which play a leading role in providing access to sanitation. The study compares alternative financing approaches based on a set of common indicators, including in

terms of the effectiveness in the use of public funds and targeting. The report also shows that households are key investors in on-site sanitation, and careful project design and implementation can maximize their involvement, satisfaction, and financial investment. The study covers six cases from Bangladesh, Ecuador, India, Mozambique, Senegal and Vietnam.

- **Guidelines for User Fees and Cost Recovery for Rural, Non-networked, Water and Sanitation Delivery**, 2010. African Development Bank. ([Link to full-text](#))

These guidelines have been prepared to assist member countries and investors working in project formulation and appraisal, sector and policy analysis in the water supply, sanitation, irrigation and related agricultural projects. The guidelines acknowledge the widely held view that water is both a social and economic good and have been designed to assist all stakeholders in the implementation of sustainable services which support all consumers and users of water.

- **Happiness on Tap: Piped Water Adoption in Urban Morocco**, 2011. F. Devoto, IRES. ([Link to full-text](#))

This report discusses the demand for household water connections in urban Morocco, and the effect of such connections on household welfare. In the northern city of Tangiers, among homeowners without a private connection to the city's water grid, a random subset was offered a simplified procedure to purchase a household connection on credit (at a zero percent interest rate). Take-up was high, at 69%. The study found that households are willing to pay a substantial amount of money to have a private tap at home. Being connected generates important time gains, which are used for leisure and social activities, rather than productive activities. Because water is often a source of tension between households, household connections improve social integration and reduce conflict. Results suggest that facilitating access to credit for households to can significantly increase welfare, even if those investments do not result in income or health gains.

- **Output-based Aid for Sustainable Sanitation**, 2010. S. Tremolet, World Bank. ([Link to full-text](#))

This paper is a review of the experience to date in applying output-based and other results-oriented financing aid formats to the delivery of sanitation services and goods in developing countries. The paper looks at the theoretical underpinnings which justify output-based subsidies in sanitation, reviews a selection of output-based aid projects and then proposes some new approaches which could help to make financing in sanitation more effective and accountable.

- **Sanitation Costs Analysis in Burkina Faso**, 2010. Klutse, A. CREPA. ([Link to full-text](#))

This report compares the capital expenditure and the operational and maintenance expenditure for sanitation facilities in rural and peri-urban areas in Burkina Faso. It presents the magnitude of the relative cost of different types of sanitation

infrastructures such as the VIP toilet, the Ecosan urine diverting toilet, the pour-flush toilet and the traditional pit latrine.

## WEBSITES

- **IRC WASH Finance News-** ([Link to website](#)): This blog contains news related to the financing of water supply, sanitation and hygiene (WASH) services in developing countries, collected by Cor Dietvorst, the editor of *SOURCE Weekly*.
- **Kiva-** ([Link to website](#)): Kiva works with microfinance institutions on five continents to provide loans to people without access to traditional banking systems.
- **WaterCredit-** ([Link to website](#)): WaterCredit is an initiative of Water.org that puts microfinance tools to use in the water and sanitation (WASH) sector. It is the only comprehensive, multi-country program of its kind that connects the microfinance and WASH communities to scale up access to credit and capital for individual- and household-based water and sanitation needs.
- **WASHCost-** ([Link to website](#)): WASHCost, a five-year initiative funded by the Bill and Melinda Gates Foundation, is focused on exploring and sharing an understanding of the true costs of sustainable services. Since 2008, WASHCost has developed new methodologies to better understand and use the costs of providing water, sanitation and hygiene services to rural and peri-urban communities in Ghana, Burkina-Faso, Mozambique and India (Andhra Pradesh).
- **USAID Water Finance Site-** ([Link to website](#)): The Water Finance Website is a resource to help design a financing component for USAID programs that are intended to respond to the Paul Simon Water for the Poor Act of 2005. The website will also be useful to development professionals outside of USAID who are promoting pro-poor water and sanitation services worldwide.

*WASHplus Updates* will highlight topics such as Urban WASH, Indoor Air Quality, Innovation, Household Water Treatment and Storage, Handwashing, Integration, and more. If you would like to feature your organization's materials in upcoming issues, please send them to Dan Campbell, WASHplus Knowledge Resources Specialist, at [dacampbell@aed.org](mailto:dacampbell@aed.org).



**About WASHplus** - WASHplus, a five-year project funded through USAID's Bureau for Global Health, creates supportive environments for healthy households and communities by

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delivering high-impact interventions in water, sanitation, hygiene (WASH) and indoor air quality (IAQ). WASHplus uses proven, at-scale interventions to reduce diarrheal diseases and acute respiratory infections, the two top killers of children under five years of age globally. For information, visit [www.washplus.org](http://www.washplus.org) or contact: [washplus@aed.org](mailto:washplus@aed.org).

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