

Issue 96 | April 12, 2013 | Focus on Financing WASH Services

This issue contains 2012 and 2013 studies and resources about financing. Implementing water and sanitation financing solutions that reach the poor remains a key challenge in low-income countries, in both rural and urban contexts. Nonetheless, effective solutions exist: some are well known and widely used while others are more recent and innovative. Resources in this issue include the recent launch of a finance portal, project descriptions from USAID Kenya, and country studies from Bangladesh, El Salvador, Indonesia, and other countries.

EVENTS

- **March 2013 – Akvopedia WASH Finance Portal Launched by Akvo and IRC.**

[\(Link\)](#)

A new free and open source knowledge portal has been launched by Akvo and the IRC International Water and Sanitation Centre. It is designed to help water, sanitation, and hygiene (WASH) teams achieve sustainable financing throughout the entire life cycle of WASH services.

- **April 24–26, 2013 – 3rd International IWA Conference on Water Economics, Statistics and Finance.** [\(Link\)](#)

This international conference will provide specialists interested in economics, statistics, and financing of water and sanitation a forum to debate how utilities are financed, their various water tariff structures, national and regional water industry statistics, water facts, water consumption, and charging figures.

REPORTS

- **Assessing the Role of Women in Microfinance for Water Supply and Sanitation Services, 2012.** A Waldorf. [\(Link\)](#)

As microfinance institutions and development agencies consider the efficacy and scalability of microfinance in the water and sanitation field, these entities must recognize the interplay among microfinance, women, and water and sanitation services. The success and scalability of microfinance as a funding source for water and

sanitation services rests on a variety of factors including gender sensitivity, degree of community outreach and educational programming, and structure of the lending institution.

- **Designing Effective Contracts for Small-Scale Service Providers in Urban Water and Sanitation**, 2013. Water and Sanitation for the Urban Poor (WSUP). [\(Link\)](#)

Extending water and sanitation services to the urban poor will often involve contractual relationships between small-scale entrepreneurs and municipalities or utilities. The expectation is that poor communities are more likely to receive improved services when delivery is formalized under contractual agreements that provide clarity to all parties, as well as systems for enforcement of contractual obligations. This topic brief gives practical guidance for program managers on how to make contracts of this type more effective and more enforceable.

- **Expanding Access to Improved Water Sources through Watercredit**, India Water Portal, Mar 2013. U Shankar, Water.org. [\(Blog post\)](#)

Water.org organized a one-day session on the challenges faced in accessing water and improved water sources through water credit initiatives. Gary White of Water.org set the tone of the seminar by explaining his organization's vision of "getting safe water" for everyone. He explained the concept of water credit, which is a microfinance-based initiative that sees rural people as citizens and customers and offers them the financial power to access safe drinking water and basic sanitation services.

- **Financing Capital Maintenance of Rural Water Supply Systems: Current Practices and Future Options**, 2013. Catarina Fonseca, IRC International Water & Sanitation Centre. [\(Link\)](#)

This working paper provides case-study evidence on current practices related to funding capital maintenance, including the levels of funding provided and the resulting impact on services. In addition, it seeks to quantify the range of capital maintenance expenditure required to provide a basic level of service. It also reviews potential approaches to improve the way in which the financing of capital maintenance of rural water supplies is organized. The approaches reviewed in this working paper include: regional pooled funds, insurance, and pooled front-loaded and end-loaded external contributions. Case studies and examples are drawn from Latin America, Africa, and Asia.

- **Financing Water and Sanitation for the Poor: Six Key Solutions**, 2012. IRC International Water and Sanitation Centre (IRC); Water & Sanitation for the Urban Poor (WSUP). [\(Link\)](#)

Financing solutions that are both pro-poor and sustainable do exist, and this report urges key actors—including international financing institutions, national and local governments, and water and sanitation utilities—to introduce real change in their

policies and procedures, so that these solutions can be widely adopted.

- **Focus on Financing.** *WASHplus Weekly, May 2011.* ([Link](#))

This issue contains studies and reports from 2010 and 2011 that discuss various aspects of financing for WASH programs. Topics include microfinance, cost recovery, water pricing, a review of donor and national sector investments, and other issues.

- **Sanitation Markets: Using Economics to Improve the Delivery of Services Along the Sanitation Value Chain,** 2012. S Trémolet, SHARE. ([Link](#))

Despite accumulating evidence on the benefits of investing in sanitation, the sector does not attract sufficient resources. Funding for both water and sanitation comes from tariffs, taxes, and transfers. Whereas the provision of taxes and transfers can be influenced by arguments based on economic benefits, private investments are usually driven by financial returns or perceptions of economic benefits. This is an issue for the sector as a whole because the largest investors in sanitation are households themselves.

- **Small-Scale Finance for Water and Sanitation,** 2012. S Trémolet. ([Link](#))

Limited access to financing is a key obstacle for small-scale finance recipients to deliver sustainable services. This is, of course, not the only constraint, but it is a significant one, alongside informality, lack of business skills, and affordability constraints. Both microfinance and mesofinance present market potential to provide services to the poor. Sanitation is potentially the subsector where needs are greatest and that holds great potential for the application of microfinance.

- **What Do Toilets Have to Do With Microfinance?** *Center for Financial Inclusion Blog, Mar 2013.* D Piskadlo. ([Blog post](#))

Through Ikotoilets, Ecotact is growing inclusive markets and positively impacting financial inclusion. These facilities are known as Toilet Malls—kiosks with toilets that also serve as retail outlets for basics such as airtime, snacks, and shoe shine services. Ecotact hires physically challenged staff to operate and clean the units after each use.

- **What Does It Take to Scale Up Rural Sanitation?** 2012. E Perez, Water and Sanitation Program. ([Link](#))

Financial arrangements probably shape the success or failure of sanitation projects more than any other factor. Answers to the basic questions of finance determine the extent to which projects can replicate, expand sanitation, and meet household needs. Projects with financial designs that match local needs and capacities can take off, while projects with poor or unrealistic financial designs will stall at the end of the project cycle. Sanitation finance is thus a key element of project design, yet one that often lags because of the paucity of information, options, and sound analysis rooted in local conditions.

COUNTRY STUDIES

- **Bangladesh – Innovation Forward and Backward: BRAC Adapts Its Microcredit Model to Water, Sanitation and Hygiene.** *NextBillion.net*, Mar 2013.

B Kabir. ([Blog post](#))

In the 1970s, BRAC began helping women in poor communities form village organizations for microcredit to ensure access to savings and loans in hard-to-reach places. It took a similar approach in the WASH program, establishing Village WASH Committees to help make key decisions about program work.

- **El Salvador – Estimating Willingness-to-Pay and Financial Feasibility in Small Water Projects in El Salvador.** *Journal of Business Research*, Feb 2013. F Perez-Pineda. ([Abstract](#), [Author Email](#))

This research uses a nonmarket evaluation technique—the contingent valuation method—to estimate the economic value that people in four semi-rural communities in El Salvador place on improved water quality and sanitation. The findings suggest that access to potable water and sanitation was a high priority for people living in those communities. The study shows that designing financially feasible projects that have a positive impact on the social conditions in poor communities is possible.

- **India – Urban Water Sector Reforms in India: Financing Infrastructure Development through Market-Based Financing and Private-Public Partnerships,** 2012. S Hoque. ([Link](#))

This paper aims to explore water sector reform in India and uses examples from the states of Karnataka and Tamil Nadu to highlight the use of private-public partnerships and pooled financing mechanisms to augment water supply.

- **India – Savings, Loans and Toilets: Grameen Koota’s Quest to Respond to Customer Demand.** *Microfinance Gateway*, Feb 2013. J Oleck. ([Blog post](#))

When customers requested it, Grameen Koota focused on the water and sanitation needs of their clients, including...toilets. Surveys showed that over 90 percent of customers would be interested in toilet construction if Grameen Koota extended credit.

- **Kenya – Can Water Meters Ease Kenya’s Supply Woes?** *Frontlines*, Mar/Apr 2013. ([Link](#))

USAID is supporting a Kenyan utility company and a private-sector lender to pilot low-cost water meters that provide safe, reliable, and affordable water solutions for the urban poor.

- **Lao PDR – Findings from Hygiene and Sanitation Financing Study in Lao PDR,** 2012. J Colin, Water and Sanitation Program. ([Link](#))

This study found that household financing accounted for more than half of total expenditure on domestic sanitation in 2008/09; only 18 percent of new construction was subsidized by the government or donors. The sanitation subsector is heavily dependent on donor support, but there is no mechanism in place for coordinating government and donor resources. The cost of building an improved latrine is currently

high, making it unaffordable to most low-income households.

- **Nigeria – Financing Water Supply and Sanitation Services in Lagos State, Nigeria**, 2013. WASH Media Network. ([Link to audio](#))

This radio program reviewed the financial mechanism for funding the water supply and sanitation sector in Lagos state and advocated for improved sectoral funding for better service delivery. "Access to WASH" is a weekly radio program that focuses on the challenges of urban residents in Lagos state, Nigeria, in accessing safe drinking water and sanitation services and how all stakeholders can work together to overcome these challenges.

- **Vietnam – Water Supply or 'Beautiful Latrines'? Microcredit for Rural Water Supply and Sanitation in the Mekong Delta, Vietnam**. *Austrian Journal of South-East Asian Studies*, 5(1), 2012. N Reis. ([Link](#))

This paper analyzes the contradictory results of a microcredit program for rural water supply and sanitation in the Mekong Delta, Vietnam, through a qualitative study primarily based on semi-structured interviews in rural communes of Can Tho City. It comes to the conclusion that the program has a positive effect regarding the safer disposal of human excreta as well as surface water quality, but a marginal impact on poverty reduction as it only reaches better-off households that already have access to clean water.

WEBSITES

- **IRC WASH Finance News** – ([Link to website](#)): This blog contains news related to the financing of 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.
- **USAID Sustainable Water and Sanitation in Africa (SUWASA)** – ([Link to website](#)): SUWASA is a regional USAID initiative with a mission of fostering the transformation of water and sanitation delivery services in Africa to achieve long-term financial sustainability through the application of market-based principles.
- **USAID Water Finance Site** – ([Link to website](#)): Use this website as 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.
- **WaterCredit** – ([Link to website](#)): WaterCredit is an initiative of Water.org that puts microfinance tools to use in the 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 & 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 WASH services to rural and peri-urban communities in Ghana, Burkina-Faso, Mozambique, and India (Andhra Pradesh).
- **WASHfund**ers – ([Link to website](#)): With seed funding from the Conrad N. Hilton Foundation, and additional support from the Bill & Melinda Gates Foundation, the Rockefeller Foundation, and the Howard G. Buffett Foundation, the Foundation Center has developed WASHfund.org as a “one-stop shop” for funding and needs-related data and information for donors, policymakers, and other stakeholders interested in WASH.

Each WASHplus Weekly highlights topics such as Urban WASH, Indoor Air Pollution, Innovation, Household Water Treatment and Storage, Hand Washing, 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@fhi360.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 delivering high-impact interventions in water, sanitation, hygiene (WASH) and indoor air pollution (IAP). 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 or email: contact@washplus.org.

Please let WASHplus know at any time if you have resources to share for future issues of WASHplus Weekly or if you have suggestions for future topics. An [archive](#) of past Weekly issues is available on the WASHplus website.

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