Annex 9E. Intervention Financing

Supplemental material for: Hutton, G. and C. Chase. 2017. "Water Supply, Sanitation, and Hygiene." In *Disease Control Priorities* (third edition): Volume 7, *Injury Prevention and Environmental Health*, edited by C.N. Mock, R. Nugent, O. Kobusingye, and K.R. Smith. Washington, DC: World Bank.

Assessment of intervention financing covers the sources of financing for existing as well as extension of WASH services, the affordability and sustainability of these financing sources.

The main sources of financing are the three 'T's – transfers, taxes and tariffs (OECD 2009). These sources not only need to expand coverage to meet global and national targets, but also need to maintain existing coverage, including maintenance, rehabilitation and where necessary, replacement. While the estimates of global investment needs for water supply and sanitation are available (e.g see Table 9.5 in the chapter), the global estimates of current financing are unavailable (World Health Organization 2012). First, it is largely unknown how much households are spending. Second, few developing country governments routinely provide breakdown between different line items to enable separation of water and sanitation in budgets and expenditure at both central and decentralized levels (World Health Organization 2012). Third, overall official development assistance (ODA) amounted to US$ 10.9 billion in 2012, or 6.1 percent of reported ODA (UN-Water 2014). Some donors are increasingly reporting annual disaggregated disbursement on water and sanitation projects, but many transfers are excluded such as from non-governmental organizations. A decade ago, a landmark report from the Report of the World Panel on Financing Water Infrastructure chaired by Michael Camdessus ventured that current financing needs to double to meet the MDG targets for water supply and sanitation (Camdessus 2003). Given how far short the world is from meeting the sanitation MDG target, financing has clearly not kept up with needs. A more recent paper from the World Bank proposes four main ways of making up the financing deficit: more efficient operations of service providers, increase tariffs towards full cost recovery, more public resources allocated, and government and donors leveraging investments from municipal bonds and the private sector (Rodriguez, van den Berg et al. 2012). Furthermore, spending should be directed towards poor people and rural areas of the poorest countries with the greatest WASH challenges. A long-term vision with a solid strategy based on solid data is considered as key for moving forward (Mehta, Fugelsnes et al. 2005). The OECD has defined a methodology and software tool called FEASIBLE tool, that has been implemented in many countries (OECD 2007).

Financing mechanisms can also be used to achieve greater value for money. For example, output-based aid and more specifically, results-based financing, has been used in water supply and sanitation as well as other sectors (Winpenny 2013). While there are various routes through which services are expected to be delivered more cost-effectively, there are insufficient robust impact assessments to conclude on their overall success.

What is the right level of financing will also determine what coverage targets should be set as well as what types of service are provided. The right level of financing is a function of what is realistically available from the three 'T's – that is, what can be afforded by households, from government taxes and by transfer from donors and charitable organizations. The 'right' or maximum levels of financing have been variously debated. Affordability is a critical issue for poorer people, hence any affordability standards should be applied to them rather than the population as a whole (Smets 2012). Benchmarks of international organizations vary between 3 and 5 perecent of household income (or expenditure) – however, the ability to capture the full costs of WASH services is limited from existing household surveys or other data sources (Hutton 2012b). A benchmark for government expenditure was proposed at 1 percent of GDP on water supply and sanitation capital expenditures (UNDP (United Nations Development Program) 2006). However, current public spending in a sample of 15 African countries is 0.32 percent of GDP (van Ginneken, Netterstrom and others. 2011).

References

Camdessus, M. 2003. "Financing Water for All. Report of the World Panel on Financing Water Infrastructure." World Water Council, Global Water Partnership, Stockholm.

Hutton, G. 2012. Monitoring "Affordability" of Water and Sanitation Services After 2015: Review of Global Indicator Options. United Nations Office of the High Commissioner for Human Rights, Geneva.

Mehta, M., T. Fugelsnes, and K. Virjee. 2005. "Financing the Millennium Development Goals for water and sanitation: what will it take?" *Water Resources Development.* 21(2): 239–252.

OECD. 2007. Feasible Financing Strategies for Water Supply and Sanitation, Organisation for Economic Cooperation and Development, Paris.

OECD. 2009. *Strategic Financial Planning for Water Supply and Sanitation*. Paris, Organisation for Economic Cooperation and Development, Paris.

Rodriguez, D., C. van den Berg, and A. McMahon. 2012. *Investing in Water Infrastructure: Capital, Operations and Maintenance*. Water Papers, Water Partnership Program. Washington DC: World Bank.

Smets, H. 2012." Quantifying the Affordability Standard." *The Human Right to Water: Theory, Practice and Prospects*. Cambridge: Cambridge University Press.

UN-Water. 2014. "Investing in Water and Sanitation: Increasing Access, Reducing Inequalities. Special Report for the Sanitation and Water for All (SWA)". High Level Meeting, Global-Level Analysis and Assessment of Sanitation and Drinking-Water (GLAAS). Geneva: World Health Organization.

UNDP (United Nations Development Program). 2006. Human Development Report. Beyond Scarcity: Power, Poverty and the Global Water Crisis. New York, UNDP, New York.

van Ginneken, M., U. Netterstrom, and A. Bennett. 2011. "More, Better, or Different Spending? Trends in Public Expenditure on Water and Sanitation in Sub-Saharan Africa." Public Expenditure Review (PER); Water papers. Washington, DC: World Bank.

Winpenny, J. 2013. The Evidence Base for Payment by Results in Water, Sanitation and Hygiene, Department for International Development (DFID), London.

World Health Organization. 2012. "UN-Water Global analysis and assessment of sanitation and drinking-water. The challenge of extending and sustaining services". Geneva: WHO.