

Sustainable Water, Sanitation and Hygiene Services: Fit for Finance

The Civil Society Organisations represented at the SWA Ministerial Meeting reconfirm their commitment to the implementation of the SWA strategy and collaborative behaviours:



Source: SWA, 2015

Call for Action

The latest World Bank estimates say that to achieve universal coverage in the water and sanitation sector by 2030 will cost between US\$ 14 and US\$ 47 billion per year (to extend WASH services to the unserved only). This amounts to three times the current investment levels. The recurrent costs for maintaining existing services should be at the same level as capital expenditure per year.

As Civil Society Organisations we call for:

- **Governments to clearly identify required budgets and sources of funding for water, sanitation and hygiene services to achieve the SDGs.** Basic services will need to be provided by domestic institutions through a combination of public, private and household finance.
- **Governments to put in place transparent mechanisms to track finance to water, sanitation and hygiene, linking expenditure with the services provided (value for money assessments).** Overall data on financing flows to WASH are still difficult to access.
- **Governments to spend at least 90% of their annual water and sanitation budget.** A sector review found that between 2000 and 2008, African countries spent, on average, only 63 percent of WASH budgets.
- **Governments to target institutional strengthening to support the management of existing infrastructure and services,** including asset management and support of large scale maintenance (these costs are rarely covered by tariffs in rural areas).
- **Governments to allocate funds which ensure the reduction of inequalities in service access while tracking affordability.** The benefit to the bottom of the pyramid is not proportional to the increased investment in WASH systems. Tariffs for water and sanitation services should be structured to encourage solidarity pricing to enable cross-subsidising poor consumers, and not exceed 5% of the household expenditure (or alternatively 5% of the poverty line).
- **Governments to ring-fence a percentage of tax for water and sanitation and seek innovative forms of taxation such as financial transaction and pollution taxes.** Services for the poor require substantial funding derived from progressive (i.e. redistributive) domestic taxation. In rich countries throughout the world, historically and today, water and sanitation services have been dependent on public finance.

The Civil Society Call for Action is underlined by the following facts

Inability to track commitments. It is increasingly clear that information on successful approaches, costs of implementation and needs are vital to reduce inequalities and achieve universal access by 2030. The 2014 GLAAS report found that many governments are unable to determine whether funding is reaching areas of greatest need and whether they are meeting funding allocation targets, such as the EThekweni declaration and the SWA-High Level Panel commitments. The latest SWA-HLP progress report finds that financial commitments to tracking and allocation have made very slow progress. Sustainability of existing infrastructure and services is a problem. Coverage levels of new infrastructure and services are increasing at the same speed as the existing infrastructure are becoming non-functional or service levels are declining.

Inadequate financing and accountability in the context of decentralised services. Inequality in WASH services has not decreased since the 1990s. With the notable exceptions of Bangladesh and Thailand, most countries still face striking inequalities, driven by failure to allocate funds to meet demand. In many cities, piped water systems are poorly governed. High connection fees prevent the poor and disadvantaged from accessing the service, and high subsidies for those who are already connected benefit those who are already better off. Residents of slums and informal settlements typically lack access to basic public services

Domestic public finance is an untapped and critical source of funding for the sector. In almost all countries with universal water and sanitation coverage, major infrastructure has historically been financed by the State. In most wealthy countries, water and sanitation services remain to some extent publicly owned and publicly financed. In these countries, services are extended to all members of society on the principle that it's a social responsibility of the State to provide public services and goods essential for collective well-being. It is also important to improve the mechanisms for the transfer of revenues along the implementation chain (notably from national to local governments) and ensure that public funds are spent in an efficient and equitable manner. Budget transparency is critical at all stages along this chain.

Financing innovations needed but dependent on requirements. Many utilities in low- and middle-income countries have difficulty accessing loans to make long-term investments because banks and other debt providers consider the financing too risky. The result is either no lending or high interest rates (above 14%) or short payback periods (three to seven years). The loans are considered risky because the utilities do not have an appropriate credit rating or track record of borrowing and can provide only limited guarantees that the debt service (interest and loan repayment) can be paid back over a long period of time.

Reduction in aid to the sector. Between 2011 and 2013 aid for water and sanitation grew by only 2.5%, falling behind the pace of overall aid, which grew by 10.7%. In line with these trends, the share of aid going to water and sanitation decreased between 2012 and 2013. In 2013, the share of aid to the sector dropped to only 3.9% of overall aid, falling below 4% for the first time since 2009. Donor countries are increasingly using Overseas Development Assistance as a tool to pursue their own financial and political interests, with historical and strategic interests influencing aid allocation. Aid effectiveness and harmonisation have lost traction on the international agenda.

Contact: info@endwaterpoverty.org heloisechicou@endwaterpoverty.org