



MSF 10

**Accelerating Inclusive, Sustainable and Quality WASH
service provision towards the SDGs**

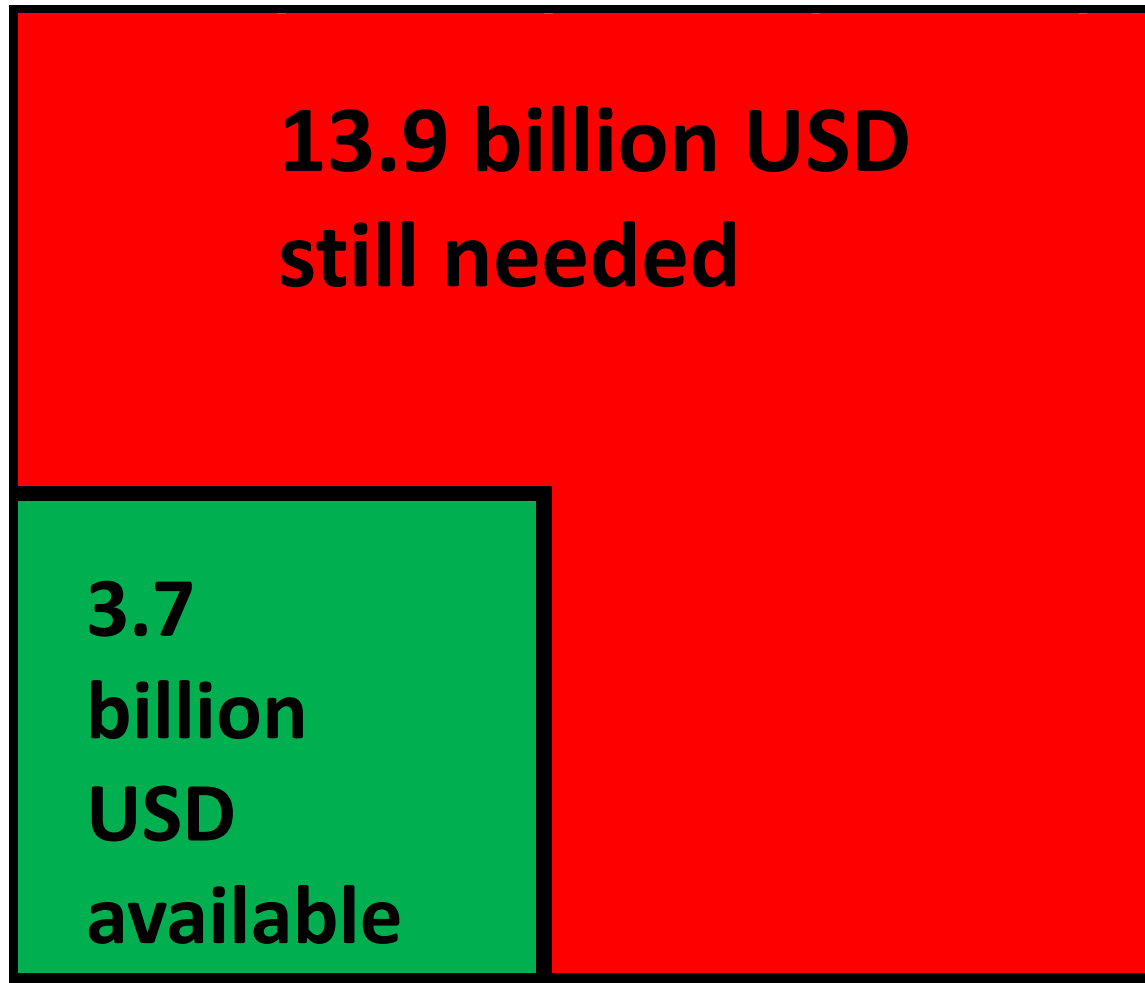
Financing to meet the SDGs for WASH

**Presented by Tedla Mulatu, Country Director,
Ethiopia Millennium Water Alliance
On behalf of the WASH Financing Working Group
November 26, 2019
Addis Ababa**

Introduction – The Finance Gap

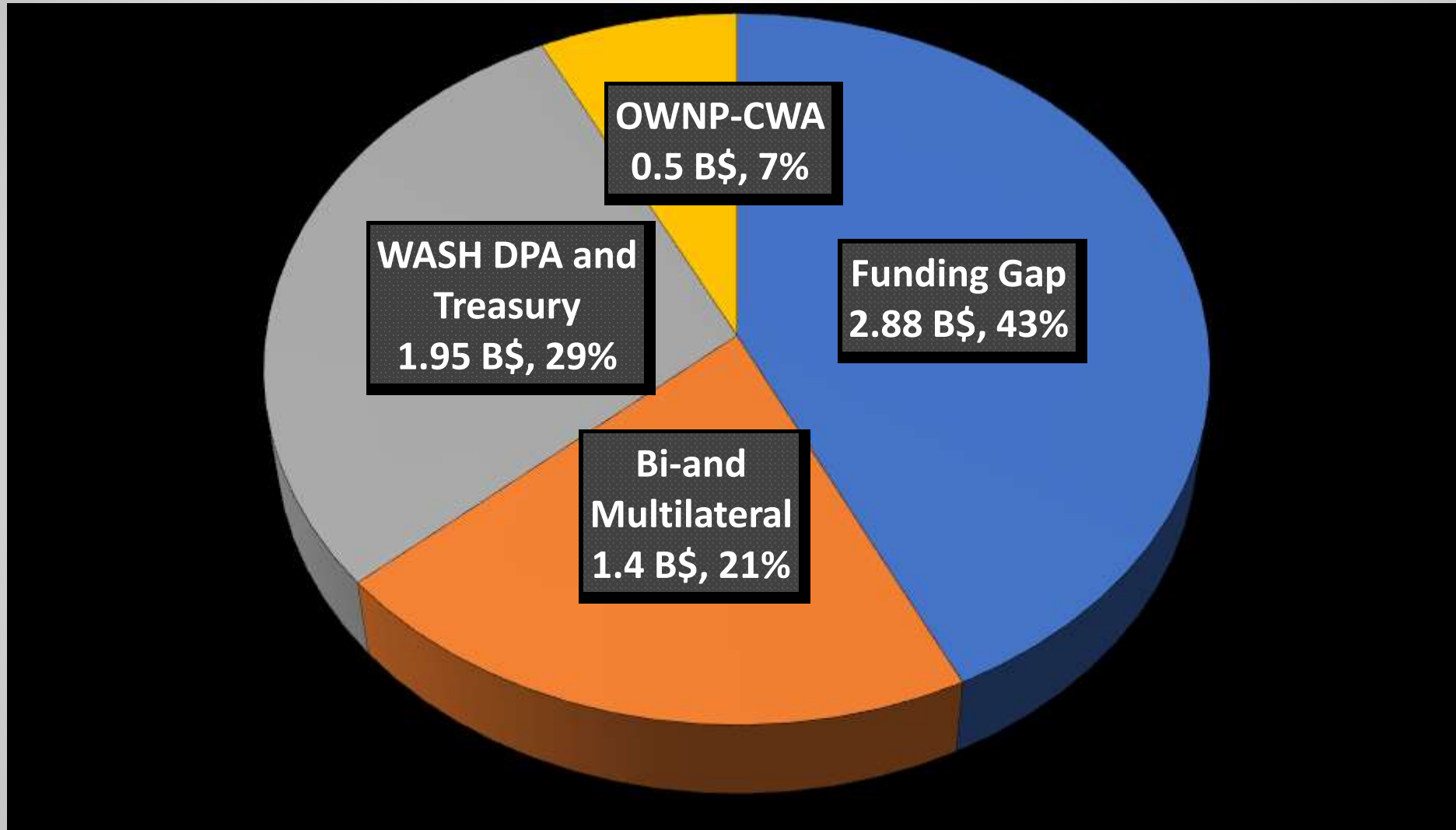
- As part of achieving WASH SDGs, Ethiopia requires 17.6 billion USD during 2021-2030
- **OWNP II (2019 - 2024)** demands 6.7 Billion USD, with a **funding gap of 2.88 Billion USD**
- OWP II identified various sources of funding: government, external financiers, NGOs, private sector, community, water utility earning, sanitation levy fund, micro-finance institutions, etc.
- The potential for diversified sources is huge - however, the use of these opportunities is minimal to date
- The lessons from some NGO-financed projects reveal both the feasibility and sustainability of alternative financing – whereby MFIs provide loans for household and town water utilities for the construction and management of water and sanitation facilities
- This presentation is based on the desk assessment of WASH financing working group and the JTR mission findings for MSF10
- The focus is on how MFIs could contribute to WASH and the ODF Campaign for both consumers and businesses

Total funding gap for the achievement of SDGs

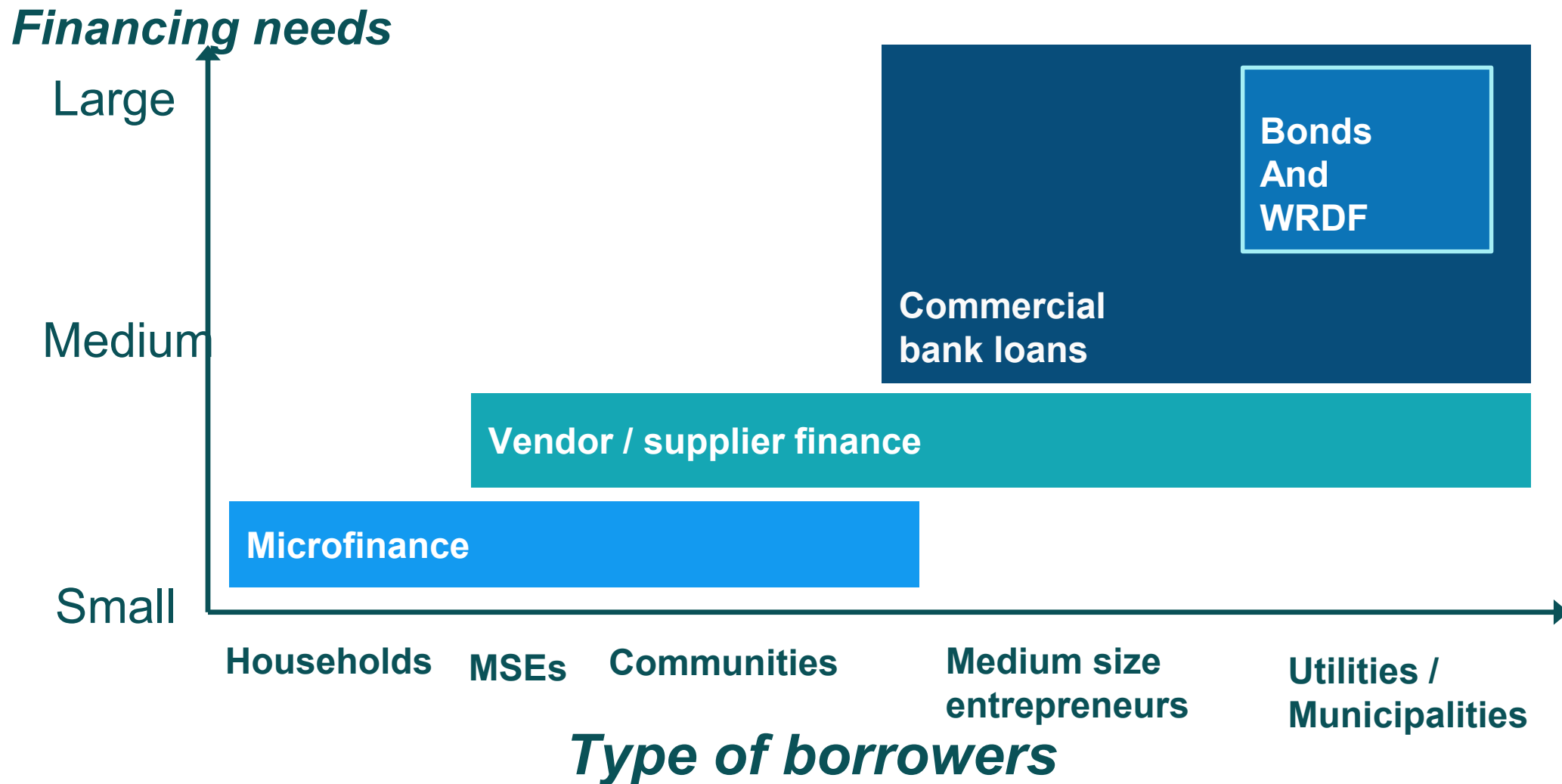




OWNP II Funding Sources (%) and the GAP



Scale and scope of alternative financing





Challenges observed by JTR Field Mission - 1

Oromia

- Budget not allocated for operation and maintenance
- Using MFIs and Commercial Banks as alternate finance source for WASH is not familiarised yet and is an area of focus to be dealt with
- More focus needed on linking Micro and Medium level Entrepreneurs with financing institutions as a market opportunity and harnessing sustainable source of revolving local resources



Challenges observed by JTR Field Mission - 2

Tigray

- There is no finance source available to the Micro and Small Entrepreneurs, WASHCOs and households to engage in WASH financing
- There is no MFI in the region that engages in providing loans for WASH
- The low water tariffs are not helping to cover costs and/or expand the water and sanitation facilities
- Schemes that use diesel powered generators find costs very high - this is draining their income

Summary of Challenges

There is lack of loanable funds for water and sanitation services to which other sectors – for example energy and agriculture – have access

Problem

**Inadequate
finance**

Root Causes

**Low involvement of
financing institutions
Lack of appropriate tariffs
Incomplete Policy
Guidance**

**WASH is not a
familiar business for
MFIs
Tariff setting not
related to cost
Lifecycle costing not
practiced routinely**

Practical Lessons in Ethiopia

Organizations that are facilitating the provision of loans for water and sanitation services to enterprises and households through MFIs, for example:

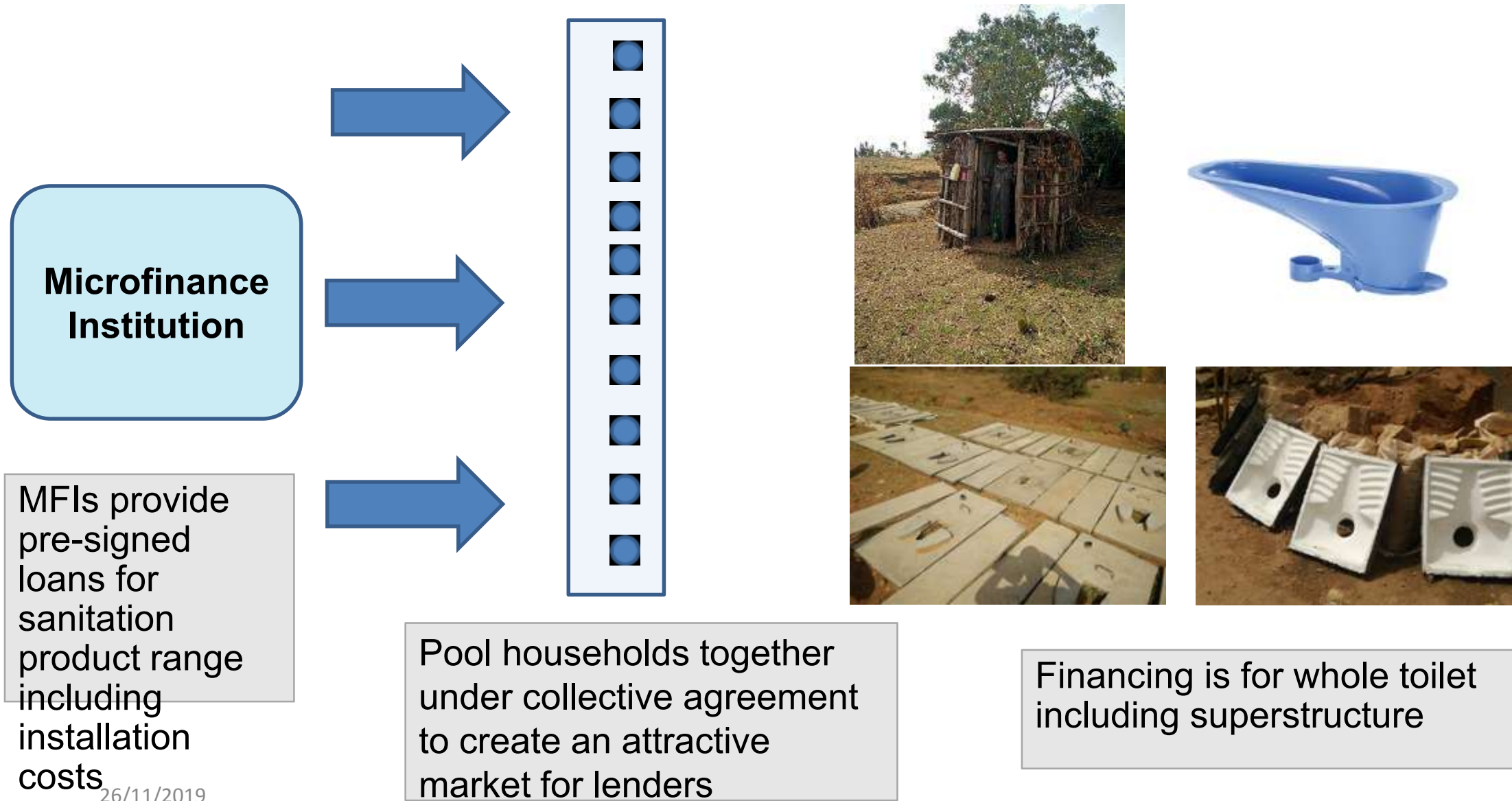
Water.org: three Private MFIs with the help of Water.org have mobilized Birr 44,806,334 (USD 1,545,046) and reached 59,859 people.

USAID Transform WASH: is currently supporting Omo Microfinance, ACSI and VSLAs to reach sanitation businesses and consumers

Red Cross: rainwater harvesting financing facility which has mobilized US\$10M in foreign capital for water loans.



One potential Household Finance Model



Microfinance Institution

MFIs provide pre-signed loans for sanitation product range including installation costs

Pool households together under collective agreement to create an attractive market for lenders

Financing is for whole toilet including superstructure



Proposed Solutions

- Needs a policy guideline and prioritization of WASH by the government
- If ALL financial and service sector orgs (18 Banks, 89,496 primary Cooperatives, 38 MFIs) in Ethiopia could allocate (not donate but lend) 10% of their lending portfolio to WASH, then the WASH sector gets 166.3 Billion Birr (**USD 5.9 Billion**)
- This only needs a directive from the policy makers to the NATIONAL Bank of Ethiopia
- Policy change to allow foreign investors to inject capital into MFIs for WASH loans, specifically could be one good option
- Thus, alternative financing for WASH needs to be supported by policy level incentives through tax exemption, interest rate reduction, adjusting tariff, etc.

Next Steps

- WASH Financing Working Group will develop a draft guideline to inform the government on possible scenarios to encourage alternative financing for WASH
- MFIs and other finance institutions like banks will be encouraged to prioritize loans for Water and Sanitation service delivery
- Non-governmental organizations need to scale up best practices to encourage alternative financing for WASH
- Financing the ODF campaign will require a concerted effort through tax exemption/reduction, raising awareness of the private sector to upscale engagement

On behalf of the WASH
Financing Working Group

Thank You!!

