

Financing universal access to sanitation and hygiene by 2030 in South Asia

SACOSAN VII paper | March 2018

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Background

The **Seventh South Asian Conference on Sanitation**, SACOSAN-VII, will take place from April 9-12 2018 in Islamabad, Pakistan. The Conference presents an important opportunity for member countries to reaffirm their obligations to fulfil the human rights to sanitation and water and their commitments under Sustainable Development Goal (SDG) 6. It is also an important opportunity to close the gap in the resources needed to achieve universal access to sanitation and hygiene and address the equity and sustainability challenges facing the sector.

This paper draws significant inputs and builds on the thematic Sector Financing WASH paper prepared by the Secretariat for SACOSAN VII, Ministry of Climate Change, Government of Pakistan. The paper identifies some of the main barriers to financing universal access to sanitation and hygiene and considers the rationale for enhancing domestic resource mobilisation and Official Development Assistance (ODA) to address existing financing gaps and considers the transparency and inequality of financing. Finally, it recommends key actions for member countries and their cooperating partners.

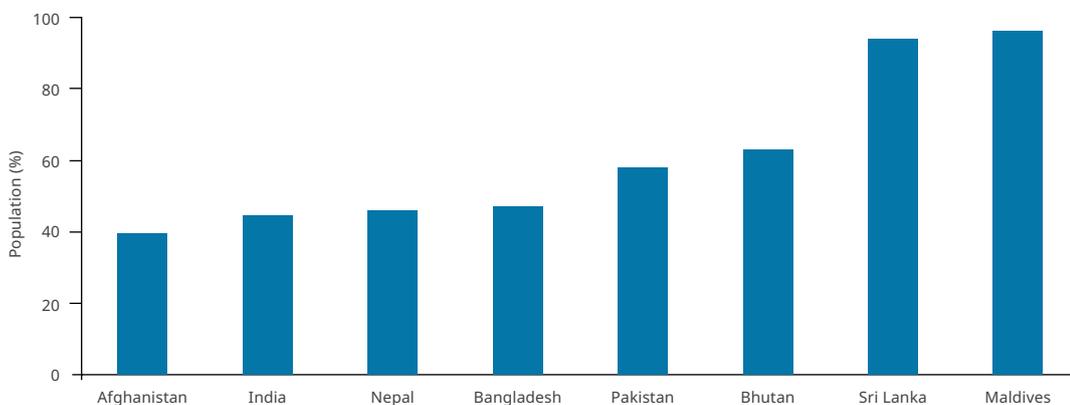


Laxmi Maya Bal, 52, and Harkar Bahadur Bal, 54, with their newly-built toilet at their home in Khareltok, Kavre, Nepal, April 2016.

Access to sanitation and hygiene

Figure 1 illustrates the scale of the challenge faced by the region to ensure universal access to sanitation, with coverage only at 46% in 2015 (Note: coverage data throughout this paper are JMP data from 2015, and

therefore does not capture progress made since then¹). 933 million people lacked access to basic sanitation², of whom 558 million practised open defecation.



Basic National

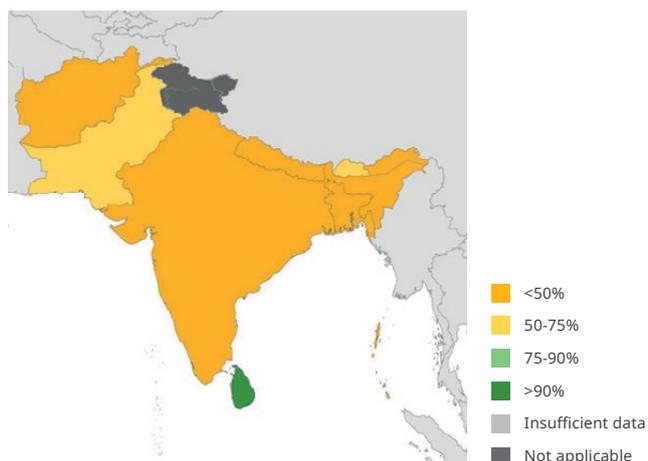


Figure 1. Access to at least basic sanitation in 2015 by country

Source: Joint Monitoring Programme Report 2017 [A]

¹ Government of India recently published the findings of the National Annual Rural Sanitation Survey (NARSS) 2017-18, conducted by an Independent Verification Agency under the World Bank support project to the Swachh Bharat Mission Rural. Survey findings are available at: <http://admin.indiaenvironmentportal.org.in/files/file/NARSS-2017-18-Provisional-Summary-Results-Report.pdf>

² Basic sanitation - Use of improved facilities that are not shared with other households

| Country | Population (millions) | At least basic sanitation (%) | At least basic drinking water (%) | Diarrhoea deaths due to poor WASH: children under 5 | Diarrhoea deaths (per 100,000 live births) |
|-----------------------|-----------------------|-------------------------------|-----------------------------------|---|--|
| Afghanistan | 34 | 39 | 63 | 8,697 | 175.5 |
| Bangladesh | 165 | 47 | 97 | 4,582 | 30.1 |
| Bhutan | 0.8 | 63 | 98 | 27 | 37.7 |
| India | 1343 | 44 | 88 | 87,125 | 71.7 |
| Maldives | 0.4 | 96 | 98 | 1 | 1.6 |
| Nepal | 29.2 | 46 | 88 | 982 | 32.7 |
| Pakistan | 197 | 58 | 89 | 24,561 | 114.4 |
| Sri Lanka | 20 | 94 | 92 | 705 | ... |
| S. Asia Region | 1,789 | 46 | 88 | 126,680 | |

Table 1. Access to sanitation and water in 2015 and related diarrhoea deaths

Source: GLAAS Report 2017 [B], Joint Monitoring Programme Report 2017 [A]

Table 1 shows the unacceptable cost of this crisis: over 126,000 children die each year in the region as a result of diarrhoea from poor water, sanitation and hygiene (WASH). The table also indicates that most countries have

historically allocated a higher priority to water supply than to sanitation, with access to at least basic water³ significantly higher than access to at least basic sanitation.

³ Basic water - Drinking water from an improved source, provided collection time is not more than 30 minutes for a round trip, including queuing

⁴ Safely managed sanitation - Use of improved facilities that are not shared with other households and where excreta are safely disposed of in situ or transported and treated offsite

Furthermore, SDG target 6.2 requires universal access to safely managed sanitation⁴, including a handwashing facility with soap and water. Baseline data is not available for South Asia, but those without access to safely managed sanitation will be well above a billion people, based on current numbers. **Figure 2** illustrates the lack of data, with estimates for safely managed sanitation available only for rural areas in two countries (India and Bangladesh).

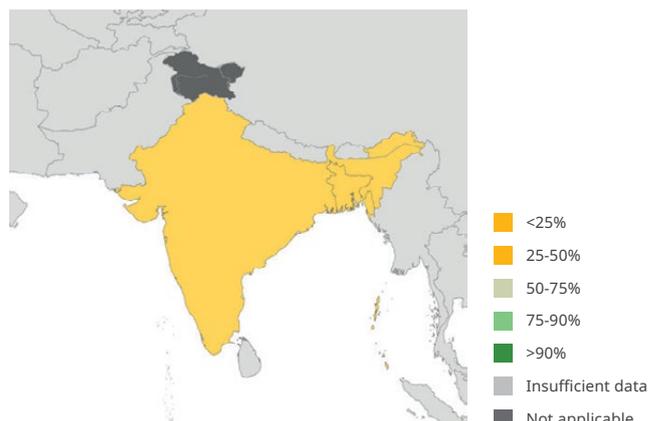


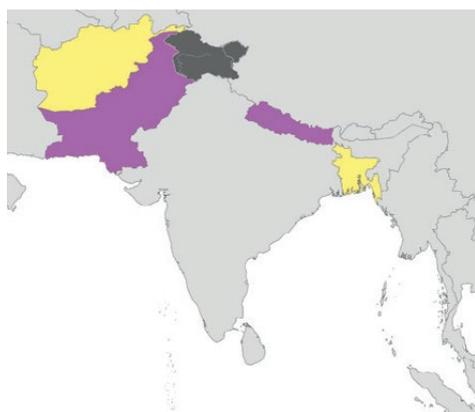
Figure 2. Access to safely managed sanitation in 2015 in rural areas

Source: Joint Monitoring Programme Report 2017 [A]

The challenges in increasing handwashing across the region are also substantial. The available data shows that in 2015 urban coverage of basic handwashing facilities⁵ exceeded 50% in only four countries:

Afghanistan, Nepal, Pakistan and Bangladesh. Rural coverage exceeds 50% in only one country: Nepal, as illustrated graphically in **Figure 3** below.

Basic Urban



Basic Rural

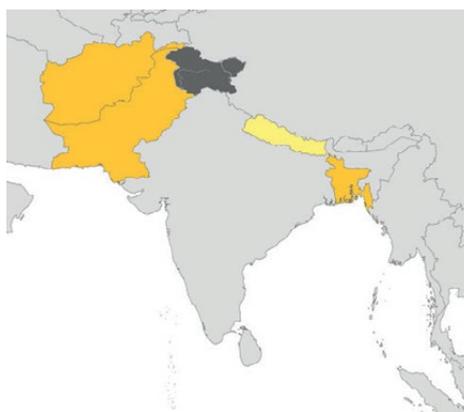


Figure 3. Access to basic handwashing facilities in 2015

Source: Joint Monitoring Programme Report 2017 [A]

⁵ Basic handwashing - Availability of a handwashing facility on premises with soap and water

Financing the WASH sector

The Addis Ababa Action Agenda placed a strong emphasis on the importance of domestic resource mobilisation for eradicating poverty and achieving the SDGs. Effective domestic resource mobilisation is essential for delivering the infrastructure and services needed for universal access to sanitation

and hygiene. It is encouraging to see that SACOSAN governments have increased resource mobilisation for the WASH sector over recent years. **Table 2** shows that Government WASH expenditure—a core part of domestic resource mobilisation—has seen a marked increase across all countries.

| Country | Year | WASH expenditure (US\$ million) | Year | WASH expenditure (US\$ million) | Increase/decrease |
|--------------------|---------|---------------------------------|------|---------------------------------|-------------------|
| Afghanistan | 2012 | 29 | 2015 | 170 | 5-6 times higher |
| Bangladesh | 2012/13 | 473 | 2015 | 794 | 68% increase |
| Bhutan | 2012/13 | 9 | 2016 | 13 | 44% increase |
| India | 2012 | 3,650 | 2016 | 5,514 | 51% increase |
| Maldives | ... | ... | ... | ... | ... |
| Nepal | 2012 | 134 | 2015 | 174 | 30% increase |
| Pakistan | 2011/12 | 544 | 2016 | 916 | 68% increase |
| Sri Lanka | 2012 | 204 | 2015 | 286 | 40% increase |
| Total | | 5,043 | | 7,867 | 56% increase |

Table 2. Trends in WASH expenditure

Source: GLAAS Report 2017 [B] and 2014 [C], and Sector Financing WASH paper SACOSAN 2018 [D]

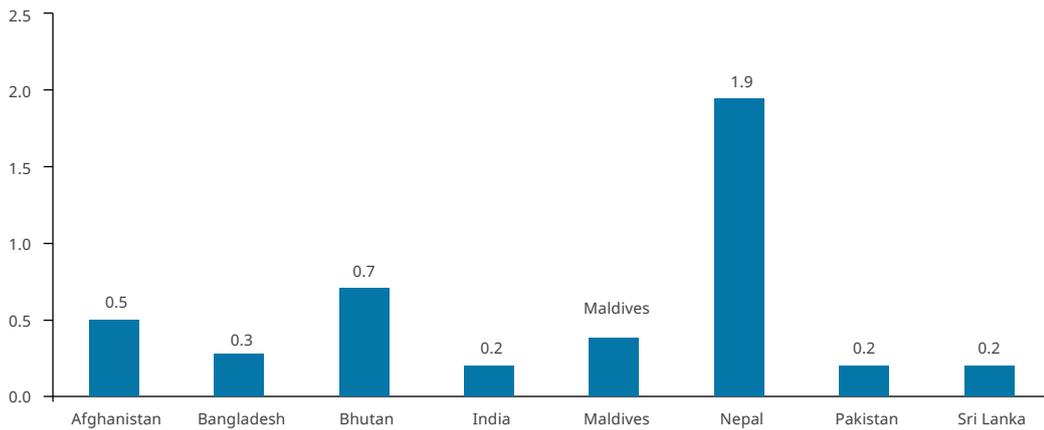


Figure 4. WASH allocations as a percentage of GDP

Source: Sector Financing WASH working paper SACOSAN 2018 [D]

Existing data on WASH allocations as a percentage of Gross Domestic Product (GDP) are illustrated in **Figure 4**. The figure shows that there

is significant variance ranging from 1.9% of GDP in Nepal to 0.2% of GDP in India, Pakistan and Sri Lanka.



WaterAid/ H&M Foundation/ GMB Akash/ Pano

Roton Chandra Das, 41, in front of their only toilet which is used daily by thirty people, Gojaria Para, Gazipur, Bangladesh, April 2017

Official Development Assistance trends

Cooperating partners have an important role in financing progress towards the SDGs. **Table 3** shows Official Development Assistance (ODA) disbursements made by cooperating partners to SACOSAN countries during the period 2014-2016. India has been the largest recipient of ODA for water and sanitation over the last few years, receiving an annual average of US\$363 million, followed by Bangladesh (US\$193 million) and Sri Lanka (US\$116 million). The largest overall donor to the water and sanitation sector in SACOSAN countries is the Japanese government, providing annual average ODA of US\$328, followed by the International Development Association (IDA) of the World Bank providing US\$183 million, the Asian Development Bank (ADB) Special Fund (US\$138 million), Germany (US\$33 million) and the USA (US\$24 million). Financing provided by the largest donors —Japan, IDA and ADB— is principally in the form of concessional loans, rather than grants. This can undermine the sustainability of financing. UNICEF is one of the most consistent donors

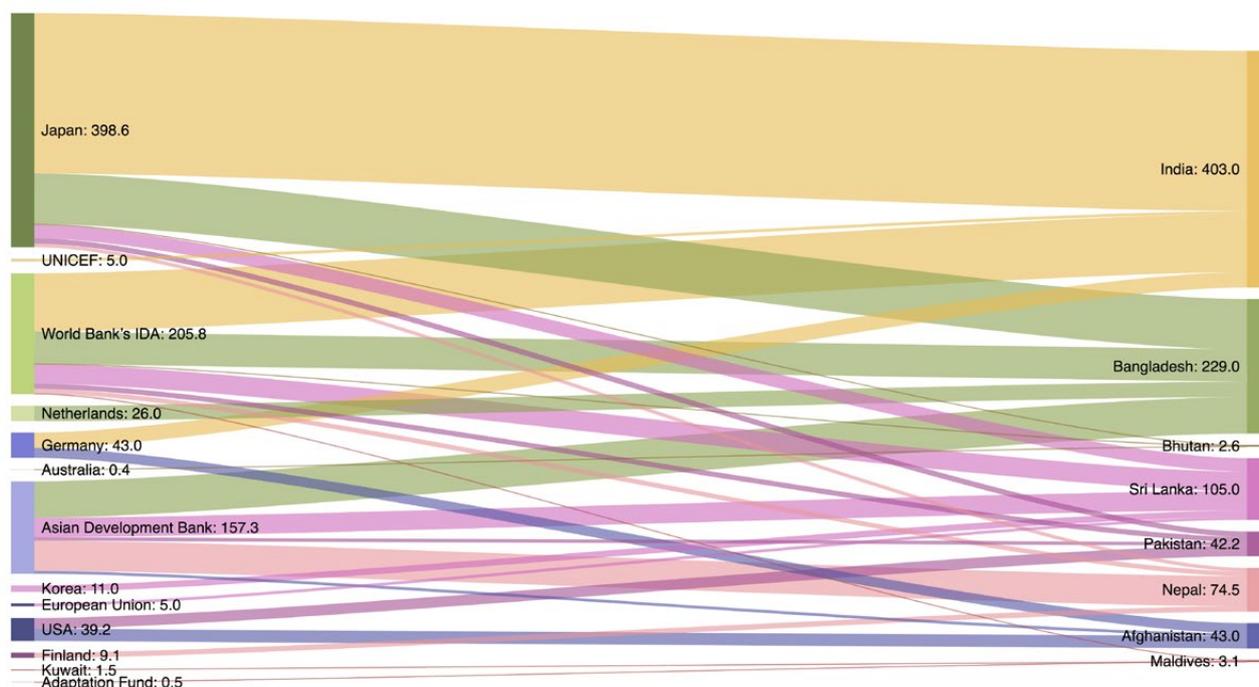
to the sector in the region, providing ODA to most countries in most years, averaging US\$12.7 million to the region each year, 2014-16.

There are also emerging opportunities of innovative funding for the WASH sector. Maldives have been successful in attracting climate finance from institutions such as the Adaptation Fund, the Global Environment Facility and the Green Climate Fund. These represent important and new opportunities to finance adaptation to the unavoidable impacts of climate change.

| Country | ODA disbursements 2014 (US\$ million) | ODA disbursements 2015 (US\$ million) | ODA disbursements 2016 (US\$ million) | Largest ODA providers (2016) (US\$ million) |
|--------------------|---------------------------------------|---------------------------------------|---------------------------------------|--|
| Afghanistan | 58 | 34 | 57 | USA (21), Germany (17), ADB (5) |
| Bangladesh | 161 | 185 | 232 | Japan (86), ADB special fund (62), IDA (55) |
| Bhutan | 4 | 1 | 3 | Japan (1.4), IDA (0.8), Australia (0.4) |
| India | 356 | 316 | 417 | Japan (273), IDA (99), Germany (26) |
| Maldives | 4 | 7 | 4 | Kuwait (1.5), IDA (1.1), Adaptation Fund (0.5) |
| Nepal | 65 | 73 | 84 | ADB (51.3), Finland (9.1), IDA (8.1) |
| Pakistan | 45 | 55 | 55 | USA (18.2), Japan (9.2), IDA (8.8) |
| Sri Lanka | 114 | 126 | 109 | IDA (33), ADB Special Fund (33), Japan (23) |

Table 3. Water and sanitation ODA to SACOSAN countries

Source: OECD CRS [E]



Water and sanitation ODA flows to SACOSAN countries (2016), with three major donors for each, and any flow above \$5million

Source: OECD CRS [E]

Financing requirements

While there is a promising trend of increasing budgets in the region from both Governments and donors, the financing requirements for achieving universal access to sanitation and hygiene are substantial. In 2016, the World Bank conducted a global study of the costs of achieving the SDG targets. **Table 4** illustrates these estimates and compares them with the latest available figures for Government WASH budgets and expenditure across SACOSAN

member countries.

Although other sources of finance—from households, lending institutions, cooperating partners—are all vital for improving access levels, the financing gaps indicated in Table 3 suggest that governments and partners need to give much greater priority to resourcing sanitation and hygiene if the SDG 6 targets are to be achieved by 2030.

| Country | Ending Open Defecation | [1] Universal basic sanitation and hygiene (% GDP) | [2] Targets 6.1 and 6.2 (% GDP) | [3] Latest WASH budget (% GDP) | [4] Targets 6.1 and 6.2 requirements (million US\$) | [5] Latest WASH expenditure (million US\$) | [6] x-fold increase in expenditure required [4/5] |
|--------------------|------------------------|--|---------------------------------|--------------------------------|---|--|---|
| Afghanistan | 0.02 | 0.23 | 2.5 | 0.5 | 561 | 170 | 3.3 |
| Bangladesh | 0.0 | 0.24 | 2.17 | 0.3 | 3,170 | 794 | 4.0 |
| Bhutan | 0.0 | 0.17 | 1.18 | 0.7 | 24 | 13 | 1.8 |
| India | 0.04 | 0.18 | 0.98 | 0.2 | 20,171 | 5514 | 3.7 |
| Maldives | 0.0 | 0.07 | 0.47 | 0.4 | 12 | ... | ... |
| Nepal | 0.04 | 0.36 | 2.02 | 1.9 | 420 | 174 | 2.4 |
| Pakistan | 0.01 | 0.16 | 1.63 | 0.2 | 4,331 | 916 | 4.7 |
| Sri Lanka | 0.0% | 0.04% | 0.55 | 0.2 | 442 | 286 | 1.5 |

Table 4. Annual cost estimates of reaching targets

Source: The Costs of Meeting the 2030 Sustainable Development Goal Targets on Drinking Water, Sanitation, and Hygiene [F]

Sustainability and sufficiency of available financing

The challenges faced by the region in securing enough sustainable finance to meet national targets are set out in **Table 5** below. Tariffs cover less than 50% of operation and maintenance (O&M) costs for urban sanitation in all countries, and less than 50% of O&M costs for rural sanitation in Afghanistan, Bhutan and the Maldives. Nepal shows good performance in terms of sustainability relative to

other countries in the region, with over 80% of costs covered by tariffs in rural sanitation and urban water and sanitation. The table also confirms that current levels of financing available for urban sanitation fall short of what is needed to meet national targets. For rural sanitation, only India and Nepal have more than 75% of what is required to finance national targets.

| Country | Operating and basic maintenance costs are covered by tariffs | | | | Sufficiency of financing to reach national targets | | | |
|-------------|--|-------|----------------|-------|--|-------|----------------|-------|
| | Sanitation | | Drinking Water | | Sanitation | | Drinking Water | |
| | Urban | Rural | Urban | Rural | Urban | Rural | Urban | Rural |
| Afghanistan | × | × | × | × | • | • | • | • |
| Bangladesh | × | ... | ✓ | ... | × | × | • | • |
| Bhutan | × | × | × | × | • | × | • | ✓ |
| India | × | ... | • | × | • | ✓ | × | × |
| Maldives | × | × | • | • | × | × | × | × |
| Nepal | × | ✓ | ✓ | ✓ | × | ✓ | • | • |
| Pakistan | × | ✓ | × | ✓ | × | × | × | × |
| | ✓ Covers 80% of costs. • Covers between 50-80% of costs. X Covers less than 50% of costs | | | | ✓ More than 75% of what is needed. • Between 50-75% of what is needed. X Less than 50% of what is needed | | | |

Table 5. Sustainability and sufficiency of financing

Source: GLAAS Report 2017 [B]

Financing transparency

The WASH sector also needs increased transparency and improved reporting. For all countries except for Bhutan, reporting and transparency of government and donor finance is not sufficiently comprehensive. **Table 6** below summarises the availability of public expenditure reports. The

UN Water/WHO TrackFin initiative has successfully increased the transparency of financial flows to the WASH sector in its pilot countries, including the first phase countries of Brazil, Ghana and Morocco. It is a very promising initiative, which could also benefit SACOSAN countries.

| Country | Operating and basic maintenance costs are covered by tariffs | | | |
|-------------|---|-------|----------------|-------|
| | Sanitation | | Drinking Water | |
| | Urban | Rural | Urban | Rural |
| Afghanistan | • | • | ... | • |
| Bangladesh | • | • | • | • |
| Bhutan | ✓ | ✓ | ✓ | ✓ |
| India | • | • | • | • |
| Maldives | • | • | • | • |
| Nepal | • | • | • | • |
| Pakistan | • | • | • | • |
| | ✓ Government, ODA and non-ODA expenditure reports are available. • Some reports available. X Expenditure reports are not available. | | | |

Table 6. Transparency of public expenditure

Source: GLAAS Report 2017 [B]

Equity in financing sanitation

There are significant differences in the approaches to address inequality in the sanitation subsector, as shown in **Table 7**. India has specific measures in its financing plan to target vulnerable populations, including poor people, remote communities, people living

with disabilities, women, those living in informal settlements or slums, populations with a high burden of disease and indigenous populations. In Nepal and Afghanistan however, there are few if any measures in financing plans to target vulnerable populations.

| Country | Equity in the sanitation subsector | | | | | | |
|-------------|---|-------------------------|---------------------------------|-------|-------------------------------|--|------------------------|
| | Specific measures in financing plans to target vulnerable populations | | | | | | |
| | Poor populations | Remote or hard to reach | People living with disabilities | Women | Informal settlements or slums | Population with high burden of disease | Indigenous populations |
| Afghanistan | × | × | × | × | × | ✓ | × |
| Bangladesh | ✓ | • | • | • | • | ✓ | ✓ |
| Bhutan | • | • | • | ✓ | • | × | • |
| India | ✓ | ✓ | ✓ | ✓ | • | ✓ | ✓ |
| Maldives | ... | ... | ... | ... | ... | ... | ... |
| Nepal | × | × | × | × | × | × | × |
| Pakistan | • | • | × | × | • | ✓ | • |
| | ✓ Government, ODA and non-ODA expenditure reports are available. • Some reports available. X Expenditure reports are not available. | | | | | | |

Table 7. Targeting finance to vulnerable populations

Source: GLAAS Report 2017 [B]

Key issues in financing universal access

There remain significant barriers to financing and achieving universal access to sanitation and hygiene in the region. The table below summarises

some of the major challenges faced by countries in the region, as seen through the perspective of WaterAid Country Programmes.

| Country | Issues |
|-------------------|---|
| Bangladesh | <ul style="list-style-type: none"> • Projects and financing commitments, although made, are often not implemented. This is particularly the case for remote, or hard-to-reach areas and those affected by climate change; • Investments in Faecal Sludge Management and mechanisms to implement the Institutional Regulatory framework will be critical for progress; • There will be significant benefits from improving and disaggregating data on WASH, including through programmes such as TrackFin. |
| India | <ul style="list-style-type: none"> • Need for improved data, transparency, disaggregation and reporting. TrackFin can make a major contribution in these areas; • Sustainability and equity of services are two key challenges facing the sector—current levels and targeting of budget allocations are not sufficient to address them; • Policy statements concerning effective institutions are in place, but provisions for institutional strengthening and processes are almost absent. |
| Nepal | <ul style="list-style-type: none"> • Requirement for improved, disaggregated SDG-related baseline data; also for improved financing tracking mechanisms to capture overall WASH expenditure (budget, off-budget, national, local); • Higher priority needed for total sanitation, effective utilisation and equity measures; • Renewed efforts required to address the financing gap for SDG targets, through domestic resource mobilisation, including the private sector, as well as external resources; • Low awareness of citizens and local government leaders of sanitation opportunities and technologies holds back investment in (second-generation) sanitation interventions. |
| Pakistan | <ul style="list-style-type: none"> • Insufficient data and limited evidence base for WASH financing leads to gaps in sector financing at all levels; • Most of the WASH budget is managed at provincial level, however weak technical capacity means that the available budget is not always fully used; • Policy makers prioritise financing water supply at the expense of sanitation and hygiene, which are relatively neglected. |

Table 8. Barriers holding back progress in WaterAid countries

Conclusions and recommendations

SACOSAN countries have made significant progress in extending access to sanitation and hygiene during the Millennium Development Goal (MDG) period. The Maldives, Sri Lanka and Pakistan all met the MDG sanitation target and Bangladesh, Bhutan and Nepal were all judged by the WHO/UNICEF Joint Monitoring Programme (JMP) to have made good progress. Nevertheless, for most countries in the region a step-change in approach is needed if SDG targets are to be achieved by 2030. Global trends including demographic change, escalating water demand, rapid urbanisation and climate change reinforce and exacerbate the challenges facing policy makers. A step-change in approach needs to include an equivalent step-change in the financing of the sector.

South Asian countries meeting in April 2018 at SACOSAN VII have a golden opportunity to begin the necessary changes to place the region on a path to universal access to sanitation and hygiene. As countries determine their commitments for SACOSAN VII, WaterAid recommends a focus on four critical areas of policy and financing, set out below:

1. Transparency and Governance

There are a number of steps that SACOSAN governments can take to improve transparency and governance of the sector. These include working with WHO/UNICEF JMP to establish accurate baselines for access levels to safely managed services in all countries, and providing comprehensive disaggregated budget and spending data for sanitation and hygiene. The UN Water WHO TrackFin initiative, which tracks and disaggregates all spending, public, private, domestic and international, could make a substantial contribution to improving transparency and governance. Improving transparency would also enable improved monitoring of progress by civil society.

2. Increased Finance

Governments and donors must mobilise substantially increased levels of finance for sanitation and hygiene, consistent with a path to universal access to sanitation and hygiene by 2030. This will require a doubling, trebling or even a quadrupling of current expenditure levels, which will need increased domestic resource mobilisation. In addition, financing from donors must be sustained and

place greater emphasis on grants rather than loans, and new funding sources such as climate funds have to be tapped into.

3. Equity

Governments, donors, NGOs and service providers have to place a renewed focus on addressing the equity challenges faced by the sanitation and hygiene subsectors. Governments need to take specific measures in its financing plans to ensure sanitation services for marginalised and vulnerable populations. Budget data need to be disaggregated by those groups.

4. Sustainable Services

Countries should seek to establish genuinely sustainable sanitation and hygiene services. This has several dimensions, but a critical one is for national, sub-national and local government and utilities to assess and adjust tariffs and subsidies in a way that ensures affordable and sustainable access to sanitation and hygiene for all. Right-holders, including the most marginalised, should be engaged in the planning, monitoring and accountability processes to ensure effective implementation of services at the local level.

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