

# Accessing climate finance for sustainable water, sanitation and hygiene services in Madagascar

## Key findings and recommendations

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WaterAid/ Ernest Randriarimalala

"I am in charge of our water supply, from the water source and the reservoir to the four fountains and the school toilet and taps." Portrait of Léon Pascal Rabearinoro, local technician and president of the water users association, at the water tank of Imerimandroso village, Analamanga region. Madagascar.

## Overview

This report summarises the main findings and recommendations of recent research into the barriers to accessing climate finance for sustainable water, sanitation and hygiene (WASH) services in Madagascar.

WaterAid commissioned this analysis by the Overseas Development Institute (ODI) in 2016 as part of the WaterAid Climate Finance Initiative, which aims to identify the changes needed to ensure that a share of climate finance is spent on increasing the water security and climate resilience of people living in WASH poverty. ODI conducted field research and interviews in Madagascar and two other Least Developed Countries: Mozambique and Timor-Leste.

WaterAid is working in Madagascar with partners across government, civil society, international and community organisations, and the private sector to translate these findings into action. Our aim is to increase decision-makers' recognition of WASH as a vital building block in adapting to climate change and increase the resilience of communities. We welcome new partners interested in supporting this mission by contributing technical expertise, research capabilities, capacity building or financing. For more information, please contact Lovy Rasolofomanana at [lovyrasolofomanana@wateraid.org](mailto:lovyrasolofomanana@wateraid.org)

## Why is climate finance needed to support water, sanitation and hygiene in Madagascar?

As a Least Developed Country (LDC), Madagascar is extremely vulnerable to the impacts of natural hazards and climate change. It is currently ranked as the 20<sup>th</sup> most vulnerable country in the world.<sup>1</sup> With over 25% of the population affected by weather-related events each year,<sup>2</sup> impacts such as rising temperatures, flooding, landslides, droughts and cyclones threaten to undermine the country's development progress.

Madagascar has one of the highest poverty rates in Africa. Over 80% of the country's predominantly rural population lives under the international poverty threshold of \$1.25 per day.<sup>3</sup> Progress on extending access to safe water and sanitation has been slow, particularly in rural areas, where access to at least basic water (50.6%) and at least basic sanitation (9.7%)<sup>4</sup> leave most of the population exposed to climate risk.

Climate change could reverse many of the crucial gains achieved in increasing access to WASH services in Madagascar to date, especially among the poorest and most vulnerable communities. Sustainable WASH services are an essential feature of resilient communities, so it is critical that governments and their development partners integrate climate risk in WASH policies, programmes and projects – not only to make WASH services truly sustainable, but also as a foundation for achieving many of the Sustainable Development Goals (SDGs).

In 2009, at the 15th UN Framework Convention on Climate Change (UNFCCC) meeting in Copenhagen, industrialised countries committed to jointly mobilising US\$100 billion a year by 2020 to help developing countries address the risks posed by climate change; in Paris in 2015, they extended this commitment to 2025. Yet, while climate finance is growing, there is concern among the international development community that the most vulnerable countries are not ‘climate finance ready’ and need considerable institutional support to effectively access, spend and manage funds.

There is major potential to invest the increasing flows of international climate finance in sustainable WASH services as a fundamental adaptation and resilience-building measure. Climate finance flows to LDCs are expected to increase in the coming years – for example, half of the international funding provided by one of the major global climate funds, the Green Climate Fund, is earmarked for supporting adaptation in particularly vulnerable countries. However, to date, many of the poorest countries have found it difficult to access finance for climate change adaptation activities due to the challenges of navigating new funding arrangements and approval processes.

Recent political instability has also led to specific problems for Madagascar in securing aid. From 2009-2014 the IMF suspended loans to Madagascar due to concerns over this instability, and other donors followed suit. However, a new loan issued in 2014 suggests renewed confidence by the IMF. Overall, Madagascar has seen a positive trend in access to climate finance, with commitments of US\$88.9 million since 2004<sup>i</sup> from different climate funds for adaptation and mitigation. This puts Madagascar as the tenth highest LDC recipient of climate finance for adaptation since 2004.<sup>5</sup> That being said, it should be noted that the majority of this climate finance has been allocated to the energy and agricultural sectors. WASH has not been prioritised and as of 2016, there had been only one climate-financed project, to date that included climate-resilient pro-poor WASH as a priority, and disbursement of funds had been significantly delayed.<sup>ii</sup>

### What are the major enabling factors and barriers in Madagascar?

There are some important building blocks already in place to support increased access to climate finance in Madagascar. In addition to its existing experience in securing climate finance, the government has demonstrated political will to act on climate change, has integrated climate concerns into many national policies and plans, and has systems in place to help mainstream climate policy across government.

<sup>i</sup> Six climate funds considered in the analysis: Adaptation for Smallholder Agriculture Programme (ASAP); Adaptation Fund (AF); Forest Carbon Partnership Facility (FCPF); Global Environment Facility (GEF 5); Green Climate Fund (GCF); and the Least Developed Countries Fund (LDCF). The focus of this analysis on designated climate funds excludes other sources of climate-related development finance from multi- and bi-lateral sources; the total volume of climate finance committed to Madagascar may therefore be higher.

<sup>ii</sup>Project title: *‘Enhancing the adaptation capacities and resilience to climate change in rural communities in Analamanga, Atsinanana, Androy, Anosy and Atsimo Andrefana in Madagascar*

However, there are still major obstacles impeding Madagascar's access to and use of international climate funds, especially for WASH. This research examined Madagascar's national policy context and institutional and financial management settings to identify actions that both government and non-government actors could take to access and apply climate finance for sustainable WASH policies and interventions.

## National policy context

Madagascar's status as an international biodiversity hotspot and climate vulnerable country has reinforced political commitment on climate change and led to active engagement with the international climate policy process. The government ratified the Paris Agreement in September 2016, an early move intended to underline its commitment. However, despite positive engagement at international level, further work is needed to translate global commitments into delivering national policies.

In 2010 the government introduced its National Climate Change Policy aimed at reducing climate vulnerability and greenhouse gas emissions. Climate change is also embedded in the overarching national strategy<sup>6</sup> – the General State Programme, implemented through the National Development Plan. This plan frames drinking water access and sustainable water resources management as essential to Madagascar's development priorities. Madagascar also submitted a National Adaptation Programme of Action (NAPA) in 2006 and its Intended National Determined Contribution (INDC) in 2015. A National Adaptation Plan (NAP) and National Action Plan to Combat Climate Change are under preparation – with the latter set to include both technical and institutional components.

Access to drinking water remains a key priority for Madagascar, which did not reach its Millennium Development Goal for drinking water by 2015 (in that year only 50.6% of the population had access to “at least basic” water).<sup>7</sup> Notably, the NAPA and INDC both link water security with climate impacts. The government has acknowledged the need to improve performance in water resources management – as this is an important constraint on the delivery of drinking water – and intends to prepare and implement a National Strategy for Integrated Water Resources Management by 2020.<sup>8</sup>

Sanitation is not prioritised to the same extent in national policies, despite the fact that access to sanitation is recognised as a human right in Madagascar (WHO, 2014). In 2015 only 9.7% of the population has access to “at least basic” sanitation<sup>9</sup> and UNDP has observed that “existing water and sanitation infrastructure has not been designed and built to withstand extreme weather events.”<sup>10</sup> A study conducted in 2011 indicated that poor sanitation and hygiene cost the national economy over US\$100 million a year, equivalent to around 1% of GDP.<sup>11</sup>

While the integration of climate change considerations is considered a priority for the WASH sector, progress has been slow. Several other ministries, such as the agriculture ministry, have developed specific sectoral policies on climate change, yet the ministry responsible for water is yet to do so.

Civil society organisations are engaged in climate change and environmental policy discussions through a variety of networks and technical committees. For example, the Thematic Climate Change Group (GT-CC) is an especially active knowledge sharing platform. Comprising 48 member institutions drawn from national ministries, municipal authorities, NGOs, and financial institutions, the GT-CC supports policy drafting and stakeholder consultation and represents Madagascar in international fora.<sup>12</sup> While development finance was suspended from 2009 to 2014, these groups played an important role maintaining dialogue and engagement with donors.

### **Institutional effectiveness**

Created in 2015, MoEEF's Directorate of Climate Change (DCC) is responsible for coordinating all government action on climate change, and represents Madagascar in international negotiations. The DCC has submitted a proposal to the GCF to become Madagascar's first accredited national institution.

The ministry with formal responsibility for water in Madagascar is still working to establish itself in areas outside of delivering drinking water, so leadership and action in Madagascar's water sector is somewhat fragmented. This situation is exacerbated by a lack of clarity on legal responsibilities, with different departments claiming responsibility over different areas of WASH and Water Resource Management policy. At present this serves to deprioritise climate change adaptation, with the ministry allocating a large share of resources to extending drinking water coverage while devoting lower priority to other areas where adaptation measures could be readily integrated.

However, mechanisms for cross-ministerial collaboration exist and each ministry hosts a Climate Change Cell linked with the MoEEF's National Office for Climate Change Coordination. These cells are responsible for the mainstreaming of environmental objectives, providing training on climate and environment issues and aiming to ensure coherence between sectoral policy decisions and the environmental legal framework. Different ministries accord the cells varying degrees of priority and resources, and as a consequence, their performance to date has been mixed. The cell for WASH is well equipped to provide technical support on WASH-related issues but has had limited engagement in cross-government meetings on climate change to date. The cells are a key institutional link between ministries for facilitating access to climate funds.

At present, climate finance for the water sector often bypasses the relevant ministry; in some cases, adaptation projects with water components have directed funding to local institutions separately from ministry budgets.

Political instability has limited the effectiveness of Madagascar's government institutions in recent years, with ministries subject to changes of government, constraints on planning time frames, and regular staff turnover. As a result, continuity and dialogue have been more firmly rooted in individuals and networks than organisations. 'Climate champions' have stayed involved in platforms like the GT-CC regardless of whether they have been reassigned by the government. They have played a key role in supporting the government agenda.



## National public finance management

As outlined above, political instability since 2009 has significantly affected national public finances and development partners' confidence is still recovering. Since that time many donors have shied away from Madagascar, however since 2014 a new IMF loan has signalled increasing donor confidence, supported by progress toward a stronger public finance management system. The 2014 Public Expenditure and Financial Accountability Assessment reports that levels of transparency and system capacity have been growing.<sup>13</sup> Budget classification systems adopt international norms and the annual budget law is considered sound.

However, significant challenges remain, including limited public access to financial information, high staff turnover affecting financial management continuity, and a high rate of extra-budgetary expenditure, including the underuse of the public finance management system by international development projects. This latter issue is especially clear in the WASH sector, where most financing comes from external funders and bypasses government systems, reflecting the high level of financial risk perceived by donors. This in turn limits government ownership of financing. Furthermore, off-budget projects are inconsistently tracked, which further inhibits financial transparency.

A positive step has been the creation of the Permanent Secretariat for Aid Cooperation (STP-CA) – an independent secretariat of the Prime Minister's office tasked with tracking and reporting external financial assistance for both on-budget and off-budget projects and programmes. There is however no specific tracking of climate projects at this time.

### What are the next steps?

Overall, Madagascar's policy landscape, institutions are broadly conducive to attracting further climate finance, however it appears unlikely that the public financial management system will improve in the short term, with limited government ownership of climate finance remaining a key barrier. A major coordinated effort is needed to ensure funds are used to support sustainable WASH and prioritise poorer and more vulnerable regions and groups. As a starting point, stakeholders should develop a common understanding of the principal risks to WASH, particularly for poorer populations, and how they can be addressed in ways that cohere and resonate with both climate fund priorities and broader sustainable development aims.

To increase the likelihood of securing international climate finance for WASH-related activities, **the Government of Madagascar could consider:**

- **Developing a WASH sector policy on climate change (a WASH 'roadmap' for adaptation and resilience)**, drawing on lessons learned and potential policy interest resulting from the recent extreme weather events, especially cyclone-related flooding. WASH. This would serve to demonstrate to financiers the government's commitment to mainstreaming climate change issues across all ministries. Such a policy could also inform the forthcoming

NAP and National Action Plan to Combat Climate Change, as well as the planned National Strategy for Integrated Water Resources Management.

- **Incentivising cross-ministerial cooperation on climate change and WASH issues.** Stronger Climate Change Cells could help consolidate cooperation and the development of a WASH sectoral climate change policy could be led by the ministry responsible for WASH, which would in turn strengthen its political and institutional visibility and legitimacy. Madagascar is well placed to develop and implement a strategic framework for climate adaptation in WASH, with a clear willingness from government to support the integration of climate and WASH.
- **Strengthening systems for public finance management, particularly in the WASH sector, to improve the performance of WASH more broadly,** and to help meet the 'readiness' criteria set by international climate funds such as the GCF. For example, the adoption of a tagging system could allow the government to categorise future finance as climate-relevant, though this system could be technically demanding and its development and implementation would likely require external support.
- **Prioritising the development of funding proposals that address WASH and climate change and meet the strict criteria set by international climate funds.** Again, a WASH sector roadmap on climate change could support the creation of 'bankable' proposals. It is critical for proposals to align with Madagascar's existing national strategies and plans on climate change and sustainable development, and to prioritise support for poor and marginalised populations.

In parallel, there are **clear opportunities for WaterAid and other organisations involved in WASH and climate change** to work together to strengthen technical expertise and advocacy on climate-resilient WASH in Madagascar. Priorities could include:

- **Consolidating knowledge, advice and advocacy on the links between WASH and climate change.** Partners could help by clearly articulating what climate-resilient WASH approaches look like and synthesising lessons learned about the implications of climate extremes for the distribution and evolution of impacts on WASH systems. Partners could also work with established 'climate champions' within ministries and multi-stakeholder platforms (such as the GT-CC) to advocate for the government and donors to consider the risks to WASH, and the role of WASH in strengthening resilience, in designing future cross-sectoral climate change strategies.
- **Supporting the formation of climate-resilient WASH policies and programmes,** such as within the new NAP, as part of the work plans of collaborative platforms such as the GT-CC, and potentially through the WASH sector roadmap on climate change proposed above.

- **Supporting government efforts to develop WASH-related funding proposals that meet climate financing criteria.** Non-government organisations and development partners are well placed to create clear connections between proposals and broader national strategies, as well as with the SDGs and global climate change action agenda.

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