

Increasing Financial Flows for Urban Sanitation: What ministers and local authorities could do

Be bold, embrace change

Sanitation was one of the worst-performing sectors monitored by the Millennium Development Goals. This must change. We must think differently, we must innovate and we must act. If we are to reach the even more ambitious Sustainable Development Goal (SDG), everyone involved in sanitation has a role to play. The World Water Council calls on the boldness of ministers and authorities to adopt these new policy recommendations. Marginal gains will not be enough to provide sanitation services for an extra 5.5 billion people in the next 12 years. Incremental progress will not cope with continued rapid urbanization. For this reason, a focus on urban rather than rural sanitation services is logical and necessary, for the much higher social and economic returns they promise.



The World Water Council has identified eight case studies worldwide which informed the Increasing Financial Flows for Urban Sanitation report

Improved sanitation must be framed as an investment, not an expenditure. The direct benefits of improved sanitation range from relieving the pressure on health systems, increasing production and economic output by reducing sickness caused by diarrhoeal diseases, to protecting the environment. Add the indirect impacts on development, tourism and international trade, and investment in sanitation deserves to be made a priority and not seen as a problem, and to be considered an opportunity and not a headache for policymakers.

Achieving SDG targets will not come cheap, in fact it is likely to cost up to five times as much as current spending. Politicians grappling with the challenge of bridging the funding gap do however have options, starting with a change in emphasis from sewerage sanitation to on-site and container-based sanitation. A simple strategic switch like this could reduce costs by 50%. A second option yet to be fully exploited would be directly linked to these savings: sanitation services themselves could be made more financially self-sustainable by reducing expenditures and increasing revenues. This would attract a new wave of entrepreneurs and investors, heralding the arrival of new talent, thinking and solutions, and of course new sources of finance. Municipal utilities, private sector companies and NGOs, large or small, all stand to benefit, and that's in addition to citizens themselves.

New approaches to urban sanitation such as this can serve as a tool for social and economic progress and there is a whole range of new and existing financial instruments and mechanisms available to facilitate financial flows. But let's not stop there. By switching from the linear models that have dominated the world of sanitation management to a circular circular economy, converting human excreta from a waste to a resource, strains on funding and pressures on the environment would both be mitigated at once. All kinds of as yet untapped business possibilities await and this new model could make the prospect of reaching SDG targets all the more attainable.

Key messages for improving the financing of urban sanitation:

- **Reduce costs** by focusing on container-based and onsite sanitation instead of sewerage sanitation.
- **Stimulate increased revenues** by facilitating the sale of products made from treated excreta, and quantifying the monetary value of the social and economic benefits of sanitation and paying that amount to the service providers.
- **Attract new money into the sector** by improving the governance conditions and the performance of the service providers.

Detailed policy recommendations

No one actor has the power to achieve sanitation for all by working alone. It is therefore especially important to foster cohesion on a national, regional and local level and this is why the recommendations below directed to national politicians, municipal leaders and regulators all transmit clear messages with specific responsibilities while working towards achieving the same common goals.

Messages to national politicians

- Establish independent statutory bodies to set tariffs and regulations.
- Clearly define the roles of the various institutions and entities, to give investors confidence to support sanitation service providers.
- Legislate that service providers that supply both water and sanitation should keep the finances of the two activities separate.
- Introduce national standards and regulations for the quality and sale of the products made from treated toilet resources (human excreta), to encourage circular economy concepts and activities to flourish.
- Take a strong hand in planning and financing the necessary infrastructure. Adequate sanitation cannot be achieved by the private sector and NGO investment alone, no matter how well intentioned.
- Re-allocate grant funds away from expensive sewered sanitation and treatment plants towards much cheaper decentralized systems, faecal sludge management and the infrastructure for container-based sanitation.
- Recognize the monetary value of sanitation's contribution to public health and the environment and pay that amount of money to service providers to help cover their operational expenses.
- Encourage commercial banks and investors to enter the sector by mitigating the risks and costs for them for example through strong enforcement of contracts, active regulation, minimum revenue guarantees and other forms of blended finance.
- Hold investor forums to attract new investors into the sanitation sector.

Messages to municipal leaders

- Adopt a city-wide inclusive sanitation approach.
- Avoid unrealistic city sanitation plans such as a plan that aims for 80% sewerage in a city that currently has only, say, 10%.
- Try container-based sanitation to serve customers in appropriate parts of the service area.
- Award contracts to entrepreneurs for on-site or container-based sanitation that cover large enough geographical areas to be financially viable.
- Collaborate actively with the government or regulator to review tariffs and implement the revisions proposed by the reviews.
- Maintain good cash flow and revenue collection rates that give lenders confidence in the ability of the municipality to repay loans.
- Introduce local standards and regulations for the quality and sale of the products made from treated toilet resources, to encourage circular economy concepts and activities to flourish, provided that they do not conflict with national standards under national regulation.
- Enforce all regulations and by-laws.
- Hold investor forums to attract new local investors into the sanitation sector.
- Co-invest in new enterprises alongside commercial investors.
- Activate and encourage markets for sanitation products by being a customer for fertilizer, energy and other products generated by circular sanitation economy businesses.

Messages to regulators

- Establish databases of sanitation service providers including their financial information, credit-worthiness etc.
- Allow service providers that supply both water and sanitation to keep the finances for the two operations separate.
- Regularly review tariffs and implement the revisions proposed by the reviews.
- Recognize container-based sanitation as a valid alternative to sewerage or on-site sanitation.
- Enforce national standards and regulations for the quality and sale of the products made from treated toilet resources.

Conclusions

The realization of these policy recommendations by 2030 will signify a huge victory in the economic and business case for seeing and tackling sanitation differently. The hallmarks of this success will include urban sanitation being seen as a service sector, not an infrastructure sector. The safe and economically productive re-use of human excreta as resources will be an integral part of sanitation services. Sewered sanitation, onsite sanitation and container-based sanitation will exist alongside each other. The roles of governments, municipalities, private sector and civil society will play to the strengths of each. They will follow the concept of city-wide inclusive sanitation, in which all organizations concerned with sanitation in a particular city come together and agree how best to serve all the people.

If people of power, goodwill and vision come together boldly in this cause, they can attract the increased finance needed to achieve the sanitation SDG target by 2030 and help create cities in which healthy happy people can lead lives sustainably.

Read the report and case studies



Increasing Financial Flows for Urban Sanitation

WORLD WATER COUNCIL REPORT (2018)

These recommendations are the product of extensive discussions and investigations conducted by the World Water Council including studies of eight cities that typify the complexity of financing urban sanitation today. Get the full story online by reading the eight case studies or the overall report that brings together all the key findings, on the World Water Council website.



World Water Council

The World Water Council is an international multi-stakeholder platform organization, the founder and co-organizer of the World Water Forum. The Council's mission is to mobilize action on critical water issues at all levels, including the highest decision-making level, by engaging people in debate and challenging conventional thinking. The World Water Council, headquartered in Marseille, France, was created in 1996. It brings together over 300 member organizations from more than 50 different countries.

www.worldwatercouncil.org