



Developing Water, Sanitation and Hygiene (WASH) Finance Strategies: A Guide.

A national finance strategy for water, sanitation and hygiene (WASH) is key for accelerating progress towards national and international WASH targets.

Many governments and development partners are now committing to support the development of national and subnational WASH finance strategies as one way to strengthen system performance, make better use of existing funding and attract new investments. This Guide supports governments and development partners in promoting and facilitating the development of WASH finance strategies.

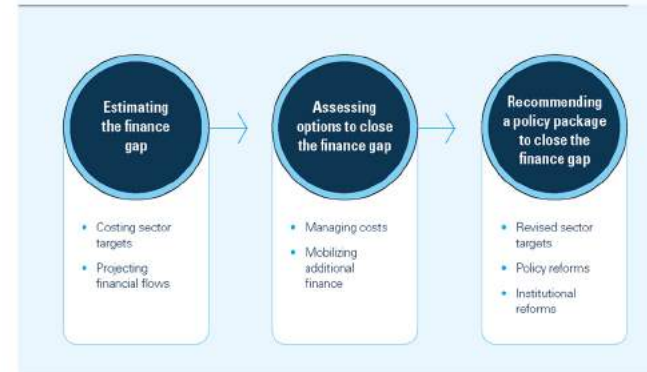
What is a WASH finance strategy?

A WASH finance strategy is a strategic document that helps to guide WASH sector decisions to ensure the financial sustainability of the sector.

A WASH finance strategy is also a process that promotes policy dialogue and facilitates consensus building. The scope of a WASH finance strategy is case-specific and will need to be clearly set out at the start of the process. Some common elements of a WASH finance strategy will be to:

- (i) assess the WASH sector finance gap over a long planning period,
- (ii) identify options to close the finance gap (see next page)
- (iii) recommend a combination of policy measures that would close the finance gap (see Figure A).

Figure A. Elements of a WASH finance strategy



The benefits of developing a WASH finance strategy are outlined in Figure B. To develop a WASH finance strategy, the following are needed:

- Government leadership, including champions, with the strong engagement of the Ministry of Finance, Planning or Economy.
- Committed supporters and engaged of strategic stakeholders, representing different groups and perspectives, including agencies that play a regulatory role and associations of municipalities, utilities, private sector representatives, community and non-governmental organizations, consumer groups and technical and financial partners.

- A platform for policy dialogue where the strategic stakeholders can be represented.
- Time and money. The time and money needed to develop a WASH finance strategy will vary according to its scope and the country context. The development of a full WASH finance strategy is likely to take between 9 and 18 months and cost in excess of USD 150,000.

Figure B. Benefits of developing a WASH finance strategy



When and how should a WASH finance strategy be developed?

The process of developing a WASH finance strategy involves three different phases, shown in Figure C.

It is important to identify the window(s) of opportunity that may favour the initiation of a WASH finance strategy, most importantly integration with and building on government policy and budget processes. If a country is not ready for a full WASH finance strategy, it is worth considering a phased or modular approach, picking low-hanging fruit and building support for a full finance strategy.

Figure C. Phases of the WASH finance strategy process



What is contained in a WASH finance strategy?

The WASH finance strategy document will cover the following four areas:

- **Objectives and context of the WASH finance strategy.**
 - (i) the rationale, objectives and scope of the WASH finance strategy,
 - (ii) the WASH governance, policy and finance context, including any gaps and
 - (iii) an up-to-date overview of sector performance.

- **The WASH finance gap.**

Estimating the finance gap has three steps:

- (i) estimating the cost of achieving the WASH targets,
- (ii) projecting the likely sector revenues under a business-as-usual scenario, and
- (iii) comparing projected sector costs with projected sector revenues. The 'finance gap' is a policy concept and depends on policy definitions and decisions.

- **Closing the WASH finance gap.**

This section presents options to close the finance gap and quantify their potential impacts. It will compare options to reduce the cost of achieving WASH sector targets by a combination of improving the efficiency of WASH expenditures and reducing the ambition of WASH targets. It will analyse options to increase financial resources to pay for WASH expenditures (see box).

- ✓ Increasing user contributions
- ✓ Increasing allocations from public budgets
- ✓ Increasing grants from development partners
- ✓ Increasing the use of repayable finance (loans, bonds and equity investments)

- **Recommended policy package and implementation arrangements.**

A WASH finance strategy document will conclude by presenting a combination of policy actions that, together as a package, aim to ensure the financial sustainability of the WASH sector. An implementation road map and monitoring are vital to its success.



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The full report provides further details and acknowledgements:

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