

Fact Sheet

Title of the proposed Joint Programme Innovative financing to rapidly improve sustainable basic sanitation and waste management in Ghana

UNCT Ghana

Date Tue, 03/31/2020 - 12:00

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Relevant UNDAF Outcome/s and Output/s

UNSDP 2018-2022 outputs 2.5, 6.1, and 6.4.

Relevant objective/s from national strategic document/s

The proposal directly contributes to UNSDP Result Area 3, 'Protected and Safe Environment'; The Water and sanitation Sector

SDG targets on which the progress will be accelerated (includes targets from a range of SDGs and development pillars)

Goal 1: End Poverty 1.4

Goal 2: Zero Hunger

Goal 3: Good Health and Well-Being

Goal 4: Quality Education

Goal 5: Gender Equality

Goal 6: Clean Water and Sanitation 6.2
6.3
6.a
6.b

Goal 7: Affordable and Clean Energy

Goal 8: Decent Work and Economic Growth 8.2
8.3
8.4
8.5

Goal 9: Industry, Innovation and Infrastructure

Goal 10: Reduced Inequalities

Goal 11: Sustainable Cities and Communities 11.6

Goal 12: Responsible Production and Consumption 12.5
12.a

Goal 13: Climate Action

Goal 14: Life Below Water

Goal 15: Life On Land

Goal 16: Peace, Justice and Strong Institutions

Goal 17: Partnerships for the Goals

Self-Assessment

The proposal reflects the integrated nature of the SDGs Yes

The proposal is based on an inter-agency approach (two or more UN entities involved), with RC coordinating Joint Programme preparation and implementation Yes

The proposed results are part of the UNDAF and aligned with national SDG priorities Yes

The proposed Joint Programme will be led by government and include key national stakeholders Yes

The proposal is based on country level consultations, as explained in the Concept note, and endorsed by the government (the letter of endorsement) Yes

The proposal is based on the standard template for Concept Notes, it is complete, and it includes: Yes

- Theory of Change demonstrating contribution to SDG acceleration and transformation to implement the 2030 Agenda and awareness of relevant financial policy efforts at regional or national level,
 - Results-oriented partnerships, including a strategy to engage and partner with IFIs/MDBs,
 - “Quick wins” and substantive outcome-level results, and
 - Initial risk assessment and mitigation measures.
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The proposal is expected to leverage resources for the SDGs at scale Yes

Proposal for Joint Programme

1. Summary of the Joint Programme

Purpose: The purpose of the Joint Programme (JP) is to catalyze investments in sustainable basic sanitation and waste management in Ghana, especially by unblocking private finance flows. This will contribute to accelerate the achievement of SDG6 and SDG11. The focus will be to strengthen and scale up the Basic Sanitation Fund (BSF) - a revolving fund that provides access to affordable finance to increase access to basic sanitation - while reinforcing an ecosystem of incentives to reduce barriers to public and private investments.

Problems: Only 21% of Ghana's estimated 31 million population have access to basic sanitation and 22% still defecate in the open. Ghana's recent economic growth has been accompanied by increased generation of waste. Solid waste and wastewater pose major challenges in most cities in Ghana.

Local government institutions have the responsibility but lack capacity to effectively plan for and implement sustainable waste management solutions. Sanitation and waste management has been a low priority within the national budget. At the current stage, Ghana is likely to miss the SDG targets on sanitation. The constrained fiscal space is compounded by depleting donor resources to the sector. Access to private capital is limited for both households and businesses and there is no system in place to promote the creation of partnerships that could bring sanitation and waste management to scale.

Expected results: a) increased access to micro-finance through a strengthened BSF; b) increased private sector engagement and investments in waste management through the circular economy approach; and c) enhanced demand and supply chain, improved governance and market shaping.

Description: The JP will strengthen the governance and scale-up the potential of the BSF in Ghana. Catalytic funding is required to demonstrate BSF's full reach potential through market-shaping, community behavior change, and supply chain strengthening. The enhancement of the BSF will be coupled by mechanisms that address both the demand and supply side of sustainable basic sanitation and waste management.

Current stage:

Since its launch, the UNICEF-supported BSF has provided 322 loans in three Metropolitan, Municipal and District Assemblies (MMDAs) at 12% interest rate (the lowest in the market). Collaboration with Financial Service Providers (FSPs) enables loans to be effectively distributed and investments refunded.

UNDP has supported SMEs in testing/scaling innovative solutions for waste recovery mobilizing \$600,000 in public and private financings through the Waste Recovery Platform. UNCDF has already mobilized public and private finance for resilient local government investments and SMEs.

2. Thesis and theory of change of the Joint Programme

Envisaged changes: Accelerated access to basic sanitation (SDG6) enabling Ghana reach targets of equitable and universal access by 2025 and improved waste management. Closely linked to this, the initiative will improve safety and sustainability of cities (SDG11), including by reducing health risks and environmental pollution. These envisaged changes directly support the Ghana UNSDP 2018-

2022 outputs 2.5, 6.1, and 6.4.

Rationale: Improved access to financing and a supportive enabling environment for business is critical to catalyze investments in basic sanitation and waste management considering financing gap, and limited government capacity.

The theory: Increased access to affordable finance (BSF), in partnership with the public and private sector, supported by the National Urban Sanitation Strategy (NUSS), will accelerate access to basic sanitation and sustainably managed waste in Ghana. The NUSS comprises three sub-specific waste strategies, namely: 1) Liquid Waste Management Strategy, 2) Solid Waste Management Strategy, and 3) Medical/Hazardous Waste Management Strategy. Both solid and liquid waste strategies have five components: a) Sanitation demand creation and behavior change communication, b) Sanitation technology option, c) Supply chain, business development and financing, d) WASH Governance and enabling environment, and e) Monitoring and evaluation.

Anchored by the following preconditions, an adequately resourced program combining three agencies' expertise will catalyze the envisaged changes, leading through increased public and private investments.

If the reach of the BSF in terms of Households and SME is increased thanks to better repayment programs lowering the cost of loans, and

If scalable strategies (demonstrated) for sanitation and waste behavior change are implemented, generating demand for household sanitation, and

If more durable, climate resilient and sustainable market-based sanitation and waste products (technology) services are identified for households (include flood prone & clustered settlement), and

If scalable strategies on sanitation and waste business development and marketing are implemented and supply chain strengthened, generating more SMEs in sanitation and waste, and

if existing municipal capacities are strengthened in planning, governance, finance, monitoring and regulation, to enabling better enforcement in basic sanitation waste management, and

If FSPs can establish a sustainable business case to provide financial services to households and SMEs for the acquisition and construction of toilets and the development of innovative waste management solutions, and

Then, there will be a boost in sanitation and waste business (sale) reinforcing the business model, especially for public and private sector investment, subsequently leading to increased access to sanitation and safely managed waste, contributing to the 2030 development agenda.

3. What are the expected results of the proposed Joint Programme?

Goal: Accelerate access to sustainable basic sanitation (SDG6) and waste management (SDG11) in Ghana by catalyzing additional public and private investments in sustainable basic sanitation and waste management.

Programme Outcome (Medium- to long-term):

- 160,000 women and children have access to improved sanitation through construction of more than 26,000 toilets.
- Hundreds of sanitation products and services sold
- Waste management platform strengthened to support learning and innovation.
- Increased efficiency of FSPs
- Communities in 3 MMDAs, representing est. 150,000 people, empowered to engaged in the selection, implementation and monitoring of waste and sanitation.
- Improved capacity at MMDAs and central level authorities for planning, financing, and executing bankable projects in the field of basic sanitation and waste management.

Quick wins (shorter term):

- 10 sanitation and 10 waste management business established and operational.
- 10 mutual savings and loan associations (MSLAs) operational.
- Number of financial service providers (FSPs) engaged in BSF increased from 5 to 10 rural banks with increased outreach from 3 to 7 municipalities.
- 8 businesses supported in preparing tailored investment pitches on sustainable, innovative waste management solutions.
- 3 financial services developed by FSPs.
- 3 MMDAs capacitated to implement and monitor public-private investments in a participatory, gender and risk informed manner.

Programme outputs:

- 100 sanitation demand generation initiatives conducted.
- 30 artisans trained on sanitation technology and 20 officials trained in wastewater treatment.
- 50 relevant stakeholders trained on sanitation business development, marketing and public-private partnership (PPP) models.
- 50 municipal environmental health and rural bank officials trained on sanitation financing.
- 3 MMDAs benefit from Performance-Based Climate Resilience Grants (PBCRGs).

National SDG priorities:

The proposal directly contributes to UNSDP Result Area 3, 'Protected and Safe Environment'. It is aligned to:

- UNICEF Global Strategy for Water, Sanitation and Hygiene 2016-2030.
- The Water and sanitation Sector Development Plan of Ghana, equitable and universal access to WASH by 2025.
- Ghana Beyond AID Charter 2019.

Cross-cutting issues: Accessing basic sanitation is a matter of equity and gender equality. There is an acute wealth disparity in access to basic sanitation, with the wealthy nearly twice as likely to have access than the poor. Women and girls are most affected by poor access to sanitation. As users and maintainers of hygiene in the home, their views on sanitation products and services are not known or accommodated. Girls and women will therefore benefit greatly from improved sanitation and waste management through a safer environment and enhanced economic opportunities (SDG).

4. Describe the innovative nature of the Joint Programme

The combination of catalytic strategic investments presents an innovation that will contribute to transform the sector away from high dependence on donor assistance towards engaging new investors and building sustainable capacity within the sector to ensure wider access to sanitation and waste management. The approach builds an integrated ecosystem, supported by the following complementary solutions:

Through the BSF, blended finance from IFIs and investments from international private sector and high net worth individual are attracted and catalyzed: the revolving nature of the BSF ensures return on investments and allows for the leveraging of investment finance many times over, thereby amplifying results and effectiveness. The scheme is up to three times more effective than the traditional modality of sanitation financing based on grants and/or subsidies.

By providing 12% interest rate (compared to the current market rate of 25%) and flexible lending and repayment conditions, this approach has demonstrated its effectiveness in addressing gaps in health-centered demand-driven and/or subsidy-based approaches. The BSF either provides loans or guarantees directly to the FSPs to incentivize broadening the scope, volume and quality of the loan portfolio to better leverage the funds. Finally, it is supported by and it fits within the 'market-based sanitation' approach which generates demand for sanitation loans.

The BSF is the first revolving micro-financing scheme implemented within the sanitation sector and through the UN system.

Through the Innovation Challenge, businesses receive catalytic funding to test or scale innovating solutions on waste management (e.g. recycling); receive business advisory services to strengthen their business plans and management; are connected to other partners in the value chain (including research institutions and investors) through the network of the Waste Recovery Platform; have access to knowledge and technologies tested in other parts of the world and shared through UNDP's Global Policy Network. By receiving this comprehensive support, businesses will have the opportunity to attract additional capital and investments from the private sector and venture capital partners to scale up their solutions.

The institutionalization of performance-based climate resilience grants (PBCRGs) will promote climate change–resilient communities and local economies for climate sensitive sectors, focusing on waste and sanitation. PBCRGs will be delivered in line with a standard, internationally recognized mechanism (Local climate adaptive living facility), whose guidelines were approved by the UNFCCC in 2019 as supplementary materials to the NAP technical guidelines.

5. Expected added value of the UN and the Joint SDG Fund

In accordance with UN reform principles, three agencies will collaborate (UNICEF, UNDP and UNCDF). They are all going to strengthen the BSF with their unique tools and expertise and their strong presence in the country, creating an integrated ecosystem able to catalyzing strategic investment by increasing basic sanitation behavior change, increase the affordability of sanitation and waste management technology options, building capacity of local authorities and enhancing inclusive financial markets that allow vulnerable households to access to basic sanitation.

The SDG fund will strengthen the BSF by improving loan recovery and blending finance to off-set depreciation. The prospective of returning on investment will increase the interest of private sector in investing in the BSF increasing the fiscal space for sanitation

interventions and waste management and at the same time minimizing risk of limited financing for SDGs due to decreased bilateral and multilateral aid through enhanced engagement of institutional and commercial investors.

The catalytic results of the JP, supported by the global presence of the UN, will attract sector lead agencies and key players to scale up the model beyond Ghana as a tool to catalyze investments to improve access to basic sanitation and waste management.

6. Leadership and implementation of the Joint Programme

1. UNICEF is manager of and will lead technical assistance on the BSF. UNICEF has a strong track record in supporting institutional strengthening across the WASH sector and multi-sector programmatic support in Ghana and plays a lead role in sector coordination. UNICEF also has solid technical capacities in market-based sanitation and sector SME development. It provides technical knowledge on hardware and software in WASH. UNICEF is the lead PUNO and will convene stakeholder sessions, lead reporting and support coordination in partnership with the Resident Coordinators Office.

2. UNDP has a strong track record in supporting innovative sustainable waste management and climate action in Ghana. UNDP has capacities and experience in enabling MSMEs, supporting engagement on waste management and circular economy. As a sector leader in circular economy and sustainable waste management, UNDP will provide technical assistance on the enabling environment, supporting innovation, collaboration and learning through the Waste Platform.

3. UNCDF has a strong track record in innovative development finance and in unlocking private and public finance for the achievement of the SDGs. UNCDF has global experience on leveraging additional capital for development. As the UN agency with the mandate and capacity to issue guarantees and loans, they will provide performance grants for leveraging local public investment; build capacity of FSPs to deliver sanitation and waste management financial products; and provide technical support to strengthen the BSF.

Key partners

- The Ministry of Sanitation and Water Resources
 - The Ministry of Finance
 - The Ministry of Environment, Science, Technology and Innovation
 - The Ministry of Local Government and Rural Development
 - The Coalition of NGOs in Water and Sanitation
 - Ministry of Trade and Industry
 - Private Enterprise Federation
 - National Board for Small Scale Industries
 - Local Civil Society Organizations
 - Regional Coordination Councils
 - Participating MMDAs
 - International Water Management Institute
 - Kwame Nkrumah University of
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7. Expected period of implementation

Implementation Period

The expected period for implementation of the JP is four years, including the initial pilot period of six months. This period is intended to include a two-year extension of the current pilot phase of the BSF, and a second stage to structure the fund for scale-up by attracting as many sources of blended finance as possible.

Key Milestones:

Conduct due diligence of FSPs to be selected by year one.

Develop and test financial services for sanitation and waste management by year one.

Delivery of 5,000 sanitation loans to households under the BSF by year two.

10 Small-Scale Enterprises /Businesses equipped to take advantage of waste collection and recycling/resources recovery opportunities by year two.

Delivery of PBCRGs to MMDAs by year two, and annually for three cycles of investments.

8. Cost, co-funding, and co-financing of Joint Programme

Overall cost of JP: USD 10,765,780 (Joint SDG Fund and co-funding by PUNOs).

Percentage requested from Joint SDG Fund: The amount requested from the Joint SDG Fund is USD 6,854,235. This is 63,6% of the overall JP cost and 9,7% of the available Component 2 funding window (USD 70 million).

Expected co-finance leverage: Co-funding by PUNOs amounts to USD 3,911,545 (i.e. 36% of overall JP cost).

Funding Allocation:

UNICEF:

Joint SDF Fund: USD 3,417,144

UNICEF co-funding: USD 2,080,556 Source of co-funding: EKN

Total: USD 5,497,700

Output budget:

o Municipality demand generation activities to increase access to household toilet and reduce open defecation: USD 993,492 (USD 800,492 from Joint SDG Fund, USD 193,000 co-funding).

o Enhanced technical capacity of MMDAs on sanitation technology: USD 149,000 (USD 110,000 Joint SDG Fund, USD 39,000 co-funding).

o Improved supply chain and service delivery USD 275,000 (USD 200,000 Joint SDG Fund, USD 75,000 co-funding).

o Strengthened and expanded sanitation financing schemes in 8 MMAs: USD 1,814,000 (USD 1,235,000 Joint SDG Fund, USD

579,000 UNICEF co-funding).

- o Enhanced capacity of regional and local governments to deliver sanitation initiatives: USD 452,000 (USD 310,000 Joint SDG Fund, USD 142,000 co-funding).
- o Improved national systems to contribute in delivering and sustaining sanitation services: USD 110,000 (USD 65,000 Joint SDG Fund, USD 45,000 co-funding).
- o Improved Sector Knowledge Management and Sector Dialogue: USD 116,500 (USD 55,000 Joint SDG Fund, USD 61,500 co-funding).
- o Program coordination, monitoring and evaluation: USD 346,456 (USD 119,000 Joint SDG Fund, USD 227,456 co-funding).

UNDP:

Joint SDG Fund: USD 1,100,000.

UNDP co-funding: USD 340,000. Waste Recovery Platform

Total: USD 1,440,000.

Output budget:

- o Inclusive and sustainable solutions adopted to increase waste management in 3MMDAs: USD 1,440,000, consisting of USD 1,100,000 from Joint SDG Fund and USD 340,000 UNDP co-funding.

UNCDF:

Joint SDG Fund: USD 2,337,091?

UNCDF co-funding: USD 1,490,989 Source of co-funding: EU

Total: USD 3,828,080

Overhead: USD 380,942 (USD 173,118 Joint SDG Fund, USD 207,824 co-funding).

Output budget:

- o Financial services developed by FSPs: USD 2,023,371 (USD 1,203,000 Joint SDG Fund, USD 820,371 co-funding).
- o 3 MMDAs with improved fiscal space in waste and sanitation: USD 1,423,767 (USD 960,973 joint SDG Fund, USD 462,794 co-funding).

9. Risk assessment

1. Risk of loan default due to poor credit risk assessment by Financial Service Providers. Risk level: medium.

Mitigation: UNCDF will provide technical assistance to improve lending processes undertaken by FSPs. FSPs are also encouraged to lend to Savings and Loans Associations (SLAs) whose members tend to exhibit low risk of default.

2. Environmental and reputational risk from newly constructed toilets polluting groundwater sources either through leakage or upon

disposal of fecal sludge. Risk level: medium.

Prevention and mitigation: Through sanitation marketing, technical support, monitoring and certification process and capacity building of local government staff, UNICEF will support the selection of sites and toilet technologies to prevent pollution. UNDP and UNICEF technical assistance and promotion of innovation will also mitigate risks from improper liquid waste management. UNICEF will also UNCDF will provide climate risk indexes at the level of MMDAs to inform the investments with climate information including downscaled projections for the water sector.

3. Financial risk of misallocation of low-interest loans into other uses besides the construction of toilets. Risk level: medium

Prevention: Under the BSF model, funds are not given to households directly, but instead to service providers/artisans upon verification of completed toilets.

4. A risk of low uptake of loans by households and SMEs. Risk level: medium to high.

Mitigation: The market based urban sanitation approach will support an enabling environment for demand creation. Performance grants will also be in place to incentivize local government authorities to build a regulatory environment for sanitation and waste management.

5. Mission drift: Capacity development technical assistance packages are not effective at first, required focused attention and resource re-direction. Risk level: Low to medium.

Mitigation: Systematic tracking of outputs and outcomes of individual technical assistance and capacity development events. Regular communication.

6. Reputational: Irregular, fruitless and wasteful procurement of key inputs, notably external contractors (institutions, consultants). Risk level: Low to medium.

Mitigation: Regular financial reports, especially highlighting key procurement items, scrutinized, in view for known risks, where necessary flagged for follow-up, corrective measures.

7. The JP's approach as informed by the problem statement and expected results as informed by the Theory of Change, are flawed / misinformed / not aligned to Government of Ghana priorities. Risk level: Low to medium.

Mitigation: Continuous communication with key stakeholders during the Project Document development to ensure coherency.

10. Convening the private sector and engaging IFIs/DFIs

The JP will develop partnerships with various stakeholders with a focus on market-led engagement to stimulate demand for private sector services while strengthening the offer, for the acceleration of the SDGs in Ghana.

The following partners will be involved:

- Bank of Ghana
- Local private sector SMEs
- Ministry of Finance
- Ministry of Local Governments and Rural Development
- Ministry of Environment, Science, Technology and Innovation
- Development Finance Institutions
- Ministry of Business Development
- International Climate Funds such as GCF
- The International Water Management Institute (IWMI)

A private sector engagement strategy that maps landscape of actors in the waste and WASH sector, their investment needs, risks and financing gaps will be developed.

Activities such as training of masons on technology options and about formalizing ideas into businesses will be supported. A minimum of one national business investment matching making event would be organized to present scoped business ideas to potential investors and attracting private and public investments.

IFIs and DFIs would be profiled and invited into formal partnerships. In this context, UNCDF will support working groups focusing on access to finance with various relevant country stakeholders, private and public, who can be further engaged

11. Leverage and catalytic function

The theory of change suggests that an increase in demand supplemented with an affordable technology and business development initiatives, provide huge opportunities for a market economy. Therefore, complementary activities such as demand generation, innovative technologies, business development and de-risking investment initiatives are expected to amplify current gains.

In terms of private finance leverage, the SDG fund will strengthen the BSF:

? by improving loan recovery and blending finance to off-set depreciation. This will encourage public and private investment generating a leverage of USD5 million in 4 years. International and Multilateral Development Banks would be stimulated to invest in the BSF to protect private investments from exchange volatility and proactively promoting the fund among their networks. Maximizing the effort of different stakeholders to ensure financial investments de-risking would allow to raise new investments and scaling up the BSF at national level.

Some International and Multilateral Development Banks have already expressed interest in the BSF model, with quick queries on utilization capacity of investments in millions (3-5 million) and associated risks.

There are at least four million households in Ghana including millions living in urban slums, some estimate it to be up to 7 million people, without proper access to household sanitation, and growing fast due to urbanization. Adding the customers in rural areas, sanitation financing is a big market opportunity in Ghana.

? by applying a market systems development approach for strengthening the financial system while using digital finance as an

accelerator of the process. The private finance leverage will depend on the structuring of the financing solutions. As illustration, if out of the USD 2.5 million budgeted USD 1.25 million is used for a 50% risk coverage guarantee, then the JP will unlock USD 2.5 million in loans. To this end UNCDF will benefit from its on-balance sheet capacities and third-party managed investments funds.

? by leveraging public finance for climate resilient investments, further attracting private finance for climate resilient sanitation and waste solutions, offering blended structured project finance solutions for SMEs in the last mile.

In terms of co-finance leverage, the Challenge Grant is expected to support and trigger private sector investments in waste recovery particularly in collection, treatment and re-use, through technical assistance and seed fund.

The results of the JP will attract key players to scale up the model beyond Ghana to catalyze investments to improve access to basic sanitation and waste management.

12. Technical support and seed funding

The total funding required in drafting the joint programme is 20% of the total SDG Fund translating to an amount of USD 1.370.847.

The seed financing will be used to conduct the following preparatory activities:

- carrying out inception workshops;
- reviewing the Environmental Sanitation Strategy and Action Plan of the participating MMDAs to enable planning and costing to achieve municipality-wide open defecation free (ODF);
- reviewing and assessing FSPs financial services supply-side;
- mapping landscape of actors in the waste sector, their investment needs, risks and financing gaps;
- conducting monitoring and evaluation and documenting key learnings to further deploy the PBCRGs to MMDAs, to strengthen FSPs capacity and accompany them to develop new products as well as to support SMEs to prepare and accessing to additional private finance.

Signatures

Signed Signature Form

[2020 -Signature page.pdf](#) 228.57 KB

Government Endorsement

Letter of Endorsement

[UNCT NOTE IN LIEU OF GOVERNMENT ENDORSEMENT LETTER – COMPONENT 2.pdf](#) 106.39 KB