

Joint SDG Fund – Component 2 – SDG Financing

Template for the Joint Programme Final Progress Report (preparatory funding)

Purpose: to provide the UN Joint SDG Fund’s donors with evidence that preparatory funding provides good value for money - so that we can continue allocate resources to your programming.

Instructions: be succinct and to the point; emphasize only results and issues that you want to bring to the attention of the Fund; do not go over the max number of pages.

Deadline: January 31st, 2021

Cover page

Reporting period: June 30 – December 30, 2020

Country: Ghana

Joint Programme (JP) title: Catalysing investment to rapidly improve sustainable basic sanitation and waste management in Ghana

Short title: Basic Sanitation Fund Phase 2 (BSF II)

List of PUNOs: UNICEF, UNCDF, UNDP

RC (name): Charles Abani

Representative of Lead PUNO (name and agency): Anne-Claire Dufay, UNICEF

Government JP Focal Point (name and ministry/agency): Marian Kpakpah, Ministry of Planning

RCO JP Focal Point (name): Peter Aidoo E-mail: peter.aidoo@un.org

Lead Agency JP Focal Point (name): Fiachra McAsey E-mail: fmcasey@unicef.org

Budget (Joint SDG Fund contribution): USD200,000.00

Budget Expenditures: USD194,659.80

Delivery Rate 97.3% - Prep Funding Rate (%) = $\frac{\text{Expenditures PUNO}}{\text{Total transferred funds Jan 2020 to December 2020}}$:

Short Description of the Joint Programme (1 paragraph for each section)

Financial leverage (estimated target in US\$): **6,745,765**

Challenge:

There are several critical demand and supply constraints undermining the financing of sanitation and waste management services in Ghana. On the supply side, these factors fall into two broad categories: (i) limited perceived market opportunities for sanitation and waste management service providers; and (ii) commercial finance is rarely available for sanitation waste management investments as there is a limited appetite for sanitation lending and a high risk perceived by financial service providers, especially when targeting lower-income/higher-risk clients. On the demand side, access to affordable and appropriate basic sanitation technologies is a major constraint, followed by limited willingness to pay, high cost of capital on loans, acceptance of unsanitary behaviours, and a limited public understanding of the importance of improved sanitation behaviours. Weak law enforcement and limited public investment in sanitation and waste management do not support the necessary behavioural change among the population to stimulate demand generation and making prioritized investment in sanitation and waste management while waste recovery continues to not have sufficient market opportunities. Other constraints that may particularly impact on women include issues of land ownership, administrative burdens, and the limited influence of women over household decision making and prioritization of spend. The joint project, BSF II, brings together several financing mechanisms to mobilise the funding and financing of sanitation across all stages of the value chain as part of a systemic approach to addressing the challenge.

Innovation (financial instrument/mechanism/approach):

Through its four workstreams, the joint project is designed to consider the overall system and barriers to accessing quality and reliable services, looking both at the demand and supply side and putting the focus on addressing the root causes of the lack of access to basic sanitation and waste management. First, the Core financing' stream is the first revolving financing scheme within the sanitation sector through the UN system. Its aim is to scale up the revolving fund model called Basic Sanitation Fund (BSF I), launched in December 2018 in collaboration with MSWR and three urban Metropolitan Municipal and District Assemblies. The core stream scheme addresses liquidity challenges among informal, low-income households by providing a 12% interest rate and relaxed lending and flexible repayment conditions. The approach is expected to be three times more cost-effective than the prevalent modality of basic sanitation financing driven by subsidies. Second, through the Innovation stream', the JP supports the development of tailored integrated financial services leveraging digital solutions aimed at encouraging new FSPs to the market and support them innovate their business toward sanitation-related investments. Third, the core aim of the innovation grants is to drive innovation in the nascent waste recovery sector, addressing critical and widespread waste and sanitation challenges. The last stream, the performance based grant looks at expanding the municipal fiscal space, while aiming at building capacities at the local level in sanitation and waste management, to leverage private financing for catalytic investments. The JP seeks to move beyond existing initiatives focusing on subsidizing access to sanitation facilities, by expanding the range of technologies, financing options, and service delivery options for these programmes. It will also demonstrate proof-of-concept for the use of a systemic initiatives to deliver sanitation and Sustainable Waste Management services at scale to those who are often left behind.

SDG Impact:

This joint project seeks to make a transformational and long-term impact on the policies and mechanisms of sanitation financing in Ghana. Critically the JP addresses sanitation financing challenges across the entire sanitation value chain tackling known constraints at household, community and meso levels. It seeks to embed proven approaches and mechanisms for long-term financial support which addresses a fundamental and long-

term sanitation, environmental and public health crisis in the country. Through its TOC, the JP's impact is envisaged on the back of attaining the following outcomes:

- Additional 160,000 people including women, children and those marginalised have access to improved sanitation through construction of more than 26,000 household toilets,
- Improved national and local systems and capacity in delivering and sustaining market-based sanitation services in urban areas,
- Financial service providers, beyond rural community banks, have developed tailored sanitation loans and are providing these to households,
- Improved MMDAs capacity from a climate change perspective to plan, budget and implement activities within the WASH/Waste Management sector and access public and private finance for investing in WASH and Waste Management in 3 MMDAs, and
- Increased private sector participation and investment in sustainable waste management through access to innovative financing and technology in 3 MMDAs.

Partners:

1. Ministry of Local Government and Rural Development (MLGRD)
2. Ministry of Sanitation and Water Resources (MSWR)
3. Ministry of Environment, Science, Technology and Innovation (MESTI)
4. ARP Apex Bank and Rural Community Banks (RCBs)

Final Progress Report (MAX 3 PAGES)

1.1. Progress achieved

The JP proposal preparation took a number of steps to ensure the rapid mobilisation of project activities once the award has been made.

Background research and analysis: the knowledge and experience gained in implementing the first phase of BSF have laid the foundation for what forms the 'core stream' of the BSF II. To inform the design of BSF II, the JP supported an independent social and financial impact assessment to capture the lessons and experience gained in the implementation of two ongoing revolving fund schemes: the Basic Sanitation Fund (BSF) and District Sanitation Financing (DFS). Overall, the assessment found that the BSF management structures and processes were well designed to maximise low-income households' capacity to access toilets on more affordable finance. Fund control measures were generally strong, and initial disbursement delays were successfully overcome. The assessment found that at least 12-month loan tenors and systematic loan follow-up, were important in improving repayment rates. Indeed, one of the Tamale banks has achieved full recovery of loans, through more rigorous follow-up and tailored loans. The performance of other RCBs was more variable, but improved over time and as loan lending terms were nuanced. At the outcome/service delivery level, the assessment found that MMDA verification procedures should be strengthened and more integrated with toilet construction activities to safeguard and harmonise construction quality.

Alongside this social and financial assessment, a rapid market assessment of baseline sanitation and Sustainable Waste Management conditions, as well as service provider capacities, was conducted in each targeted MMDAs in October 2020. This was intended to help the full design and workplan development of the JP during the mobilisation phase. In addition, a market assessment of FSPs was also conducted in September 2020, focusing on a mapping of experience with sanitation-related loans and the type of market assessments. Learnings from these market assessments, which would normally be conducted in an inception phase, were incorporated into the BSF II design to enable a rapid start to the programme.

1.2. Challenges faced

A major challenge encountered was the development of a coherent financing mechanism for the joint project. Building on the success of and using the BSF as a pivotal catalytic and innovative financing and investment initiative, the UNCT struggled initially to align other equally catalytic initiatives that wielded the potential to boost the JP's financial leverage. This significantly delayed the build-up to the JP's theory of change and the JP finalisation. Through the use of recruitment of innovative financing and WASH expert, problem-driven iterative adaptation principles, the UNCT used flexible and adaptive approaches, to engage fluidly and iterate through consistent analysis to streamline the initiatives. As reflected in the JP ToC, the BSF II seeks to address financing constraints rights across the sanitation value chain to improve the management of faecal and solid waste right from generation to treatment, disposal or reuse, an improvement in scope over BSF I. This was made possible through the three participating UN agencies uniquely coming together to deliver this proposal effectively and in a manner that leverages the respective expertise of each PUNO to deliver results.

Additionally, Covid-19 restrictions represented a serious challenge in finalizing the market assessment due to significant limitations in planning face to face meeting with relevant stakeholders

1.3 Partnerships leveraged

Did you leverage new partnerships during the preparatory phase (e.g. government, private investors, IFIs, bilateral/multilateral banks, etc.)?

- Yes
 No

At government level, the Ministry of Planning and the Ministry of Finance of the Government of Ghana have successfully endorsed the JP

A new strategic partnership with a bilateral donor, the Danish Embassy in Ghana, has been signed to contribute strengthening the core financing stream by supporting a combined set of de-risking activities such as:

- Promoting behavioral change through social norms campaigns,
- supporting the identification of new technical solutions,
- facilitating access to households to latrine products and supplies
- enhancing law-enforcement at local level

1.4. Co-funding mobilized

Did you secure additional funding or in kind support for the proposal during the preparatory phase?

- Yes
 No

If yes, please include amounts committed during the prep-phase.

| Source of funding | Yes | No | Type? (\$ or in kind support) | Name of organization | Amount (USD) | Comments |
|-------------------|-------------------------------------|--------------------------|-------------------------------|--------------------------------|--------------|---|
| Government | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <i>in kind support</i> | <i>All government partners</i> | | <i>Technical officers from the government partners joined the technical team in the development of the proposal</i> |
| Donors/IFIs | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <i>in kind support</i> | <i>World Bank, IMF, IFC</i> | | <i>Technical contribution to the JP development</i> |
| Donors/IFIs | | <input type="checkbox"/> | | | | |
| Private sector | | | | | | |
| UN/PUNOs | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <i>in kind support</i> | <i>UN ECA</i> | | <i>Technical contribution to the JP development</i> |
| Other partners | <input type="checkbox"/> | <input type="checkbox"/> | | | | |

1.5. Budget changes (if relevant)

If there were changes in the actual budget from the one shared as part of the Fund Transfer Request, please briefly justify these changes.

Please, explain briefly:

No Change to Budget