

## 28<sup>th</sup> AGUASAN Workshop (2012): Briefing Note

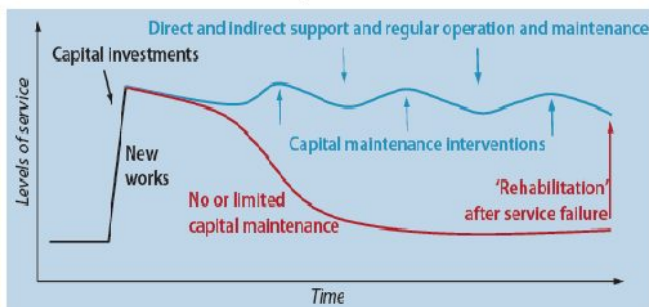
### FINANCIAL SUSTAINABILITY OF WASH SERVICES

#### *About mindset change and an eye for the future*

#### Topic

Although in recent years considerable effort has been directed towards scaling-up the spatial coverage of WASH services and reaching targets, it remains crucial and vital to ensure that the services are sustained in the long-term and current approaches need to be re-considered with that requirement in mind. Supplying water as well as providing sanitation and hygiene services have an inherent financial cost not only with regards to capital investments but also during the operation and maintenance, rehabilitation, upgrading and expansion phases. Therefore, financial sustainability focuses on how the governments, donors, civil society and private sector responsible for WASH services ensure revenue streams to cover those costs.

The investments needed to deliver sustainable WASH services meeting current and future social and environmental expectations are huge. Yet, most services are underfunded with dire consequences for the users, especially the poorest. This occurs despite that people in developing countries spend a significant portion of their income on WASH services through contributions in cash/kind for capital expenditures, connection fees, tariff payment or investments in improving their individual water system (self-supply) and in installing on-site sanitation. Hence people continue to face unacceptable problems with systems that fail prematurely, leading to wasted resources. Studies from various countries indicate that 30-40% of all WASH systems either do not function or operate significantly below design expectations.



Providing sustainable WASH services requires sound strategic financial planning to ensure that existing and prospective resources are commensurate with investment needs as well as the costs of operating and maintaining services. One issue is that in the current way of thinking and working, accounting for the capital maintenance, direct and indirect support costs in the life-cycle of services is often "forgotten" and the mechanisms and institutional changes catering for them left unaddressed. Another issue is that in most cases those responsible for WASH services enabling, developing and sustaining have basic knowledge of financial systems and mechanisms only. Still, there is a wide range of experiences with approaches to financial sustainability of WASH services, including established practices and recently developed innovative mechanisms. Finally, improving the financial sustainability of operations of systems in place is crucial and practitioners are experimenting with new models and enabling approaches to either increase revenues or decrease operating costs.

#### Process

Against this backdrop, an international group of 43 water and sanitation practitioners and wider development specialists from both humanitarian aid and development cooperation gathered in Gwatt, Switzerland from 18 to 22 June, 2012 within the framework of the 28<sup>th</sup> AGUASAN Workshop. The event was dedicated to the key question of "What kind of change in

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