

Innovative finance for Container Based Sanitation



Why do we need innovative finance for sanitation?

Safe sanitation services are unaffordable

Cost: The CACTUS project has shown that safe sanitation services cost overall \$250 to \$500 per household per year - whoever pays. doi.org/10.1021/acs.est.3c05731

Revenue: An affordable water tariff of 3 to 5% of household income can cover barely 10% to 15% of this, for families near the poverty line.

Selling by-products from faecal waste can bring maybe \$5 per user per year, i.e. another 10% to 15%. doi.org/10.3390/su12208334

Total cost of delivering safe sanitation services



How do you solve this funding gap?

Historically: Most countries that have already achieved near universal coverage have used significant public funding (from general or local taxation, cross-subsidies, aid, or wealth from colonies), including for recurring expenditure, until enough people can afford higher tariffs.

But what typically happens now? If you insist on “bankability”, you can choose:

- Provide **unsafe** services (e.g. leave residents to employ manual pit emptiers);
- Only serve **higher-income** areas;
- Or provide a safe and affordable service to low-income residents, and **cheat**, by using philanthropic funds and additional business lines to cover the funding gap. Like most CBS providers!



Aerial view of Kibera, Kenya



Informal settlements in Indonesia



CBS collection service in Lima. Credit: Sanima

For real though, what can we do?

What we hope will happen: Governments able to devote public funding to sanitation with appropriate tariffs, cross-subsidies and national campaigns; development funders allocating concessionary and grant funding to support services in low-income areas.

And in the meantime? We can prepare the way by:

- **Helping sanitation SMEs** be efficient, inclusive and realistic; and supporting them to graduate towards contracts with government.
- Establishing interim funding mechanisms that 1) **mimic more mature funding mechanisms**, and 2) bring in **additional funding sources** not already in WASH.

OK, so what's new?

Carbon credits

with:



Insect-based animal feed derived from waste. Credit: Sanergy

What is it? If you produce fewer emissions in your project (because you empty toilets very often and treat waste aerobically) than what would usually happen (pits that are rarely emptied and produce methane), you can sell your emission reductions to people or companies who want to offset their emissions.

What has happened: Following a CBSA feasibility study and 2 years of efforts, **Sanergy has obtained more than 6,000 credits from Verra**, the largest standard, with 30,000 in the pipeline.

Why it matters

While not “solving” the whole funding gap, carbon credits provide a **new source of funds** for well-managed WASH services, help focus efforts on **climate-resilient sanitation**, and pave the way for larger funding from climate funds and the compliance carbon market.

Can it scale? At the moment, entry barriers are high (consultants' fees are in six figures), restricting this to organisations collecting enough waste; and the methodology is complex to use. Both barriers are evolving, and public utilities could make use of compliance markets.

What's next: The CBSA is looking at ways to **aggregate smaller providers** in a single project, to make credits more accessible. We are working with emerging standards and **new methodologies** to further reduce barriers to entry.

Learn more: cbsa.global/carboncredits

Outcomes-based funding

with:



Collection service in Cap-Haitien. Credit: SOIL

What is it? Instead of typical grants that pay for specific activities, outcomes-based funding pays for what you achieve: you monetise the impacts of sanitation.

What has happened: Two CBSA members, SOIL in Haiti and Fresh Life in Kenya, have launched outcomes-based funding facilities. They have brought on board bilateral and multilateral funders, set clear targets to expand services and reduce the funding gap, and closely involved authorities.

Why it matters

Reliable outcomes at a known cost can **attract payers** from beyond the WASH and aid sectors. This funding is effectively structured like a **performance-based contract**, showing the CBS operators' maturity to deliver essential services at scale. This will help include CBS as part of development bank-funded projects.

Can it scale? The success of Uptime loba for water and the growth of outcomes-based funding generally are encouraging. A big question to solve is: which outcomes can both make sense to incentivise safe sanitation, and attract payers beyond WASH?

What's next: The CBSA is looking at ways to create a **pooled funding mechanism** to reduce risk to both operators and payers. To prepare for this, we are supporting other CBS providers prepare for such funding.

Learn more: cbsa.global/outcomesfunding