

# Reaching 100 percent sanitation access in Ethiopia – Can it be done?

Published on: 04/01/2022



**[Monte Achenbach](#)**

Guest Blogger: Chief of Party, USAID Transform WASH | PSI

## A combination of public and private sector actions can help Ethiopia achieve its ambitious 2030 sanitation targets

Ethiopia has set ambitious targets for water, sanitation, and hygiene (WASH). Launched in 2019, the "[Total Sanitation to End Open Defecation and Urination](#)" (TSEDU) campaign aims to make Ethiopia open defecation free (ODF) by 2024. Ethiopia also wants to meet Sustainable Development Goal (SDG) 6.2 for sanitation. This includes 100 percent access to '[safely managed sanitation by 2030](#)' (currently such access is only 7 percent) ([World Bank](#)) with an interim target of 60 percent of the population with basic sanitation by 2025 ([FMoH, 2021](#)).

There is good reason to believe that these goals can be achieved. Between 2000 and 2020, Ethiopia reduced open defecation from around 80 to 20 percent. However, much of this progress involved installation of unimproved household toilets. As a result, diarrheal diseases are still the second leading cause of under-five illness and death in Ethiopia after pneumonia ([Negesse, et al., 2021](#)).

Meeting the sanitation challenge with government-led efforts alone will not be possible, so the government has called for active participation by non-governmental organizations (NGOs) and the private sector. The USAID [Transform WASH project](#), in partnership with the Federal Ministry of Health (FMoH) and others, is helping to firmly establish market-based sanitation in Ethiopia. Transform WASH is active in 63

woredas (districts) in all regions of the country and will soon begin the final year of its six-year lifespan.

Transform WASH spoke to a wide range of experts in Ethiopia and elsewhere about how to develop and expand the private WASH sector; the [USAID WASHPaLS project](#) also provided valuable insights. The discussion that follows is largely based on these experts' reflections on the challenges faced and actions needed to overcome them.

## Key challenges for WASH businesses

**Infrastructure**: Ethiopia faces geographical and logistical challenges related to its road and transport, electricity, water, sanitation, telephony, and internet systems and services. This makes access to markets difficult for many businesses, increases the cost of imports and exports, and reduces the country's global competitiveness.

**Imports**: Importing equipment or supplies can take many months, which is especially hard on manufacturers. As a consequence, manufacturers often produce only well-known items that require little or no marketing, rather than taking a risk on new WASH products designed for affordable, simple functionality, such as the [SATO pan](#).

**Foreign exchange**: To purchase and import items into Ethiopia, Ethiopian Birr (ETB) must be converted to a foreign exchange currency (Forex). Forex is in very high demand, and most is earmarked for fossil fuels, agricultural inputs, pharmaceuticals, and major infrastructure projects. Other Forex requests are considered 'non-essential' and may require a long wait often for only part of the requested amount.

**Taxes and tariffs**: These include customs duties, value-added tax (VAT), surtax, excise tax, and withholding tax. Together they may comprise up to 50 percent of the final retail price. For example, the SATO pan is imported for about 150 ETB from Kenya. With tariffs and taxes (plus profit margin), its retail price would reach nearly 500 ETB (Kebede, 2019).

**Start-up requirements**: Starting a business in Ethiopia involves several administrative, financial, and legal steps. Smaller businesses often struggle with the large investment of time and money required.

**Workforce capacity and related limitations**: Ethiopia lacks an experienced manufacturing workforce as well as certain other types of skilled labour. Low workforce productivity and high turnover rates can deter investment and growth.

**Political stability:** Political and security issues in various parts of Ethiopia are not new, but these ongoing problems impact not only communities and individuals, but negatively impact the investment climate.

**Financing for businesses:** WASH businesses often find it difficult to access loans, partly because banks, microfinance institutions (MFIs), and Savings and Credit Cooperatives (SACCOs) have little experience working with the WASH sector. Some may believe WASH products are highly subsidized, and therefore not very profitable.

**Financing for consumers:** Nearly a quarter of Ethiopia lies below the national poverty line, so installing an 'improved' pit toilet is a major expense for them. Affordability issues are believed to be one of the main reasons for limited demand for sanitation products and services.

## Proposed way forward

With only nine percent of Ethiopian households accessing basic sanitation services, reaching 100 percent by 2030 will require a multi-pronged approach. The graphic below shows a range of regulatory and policy actions and how they could be sequenced (with some concurrence possible) to increase access while maintaining public revenue and minimizing market distortions.

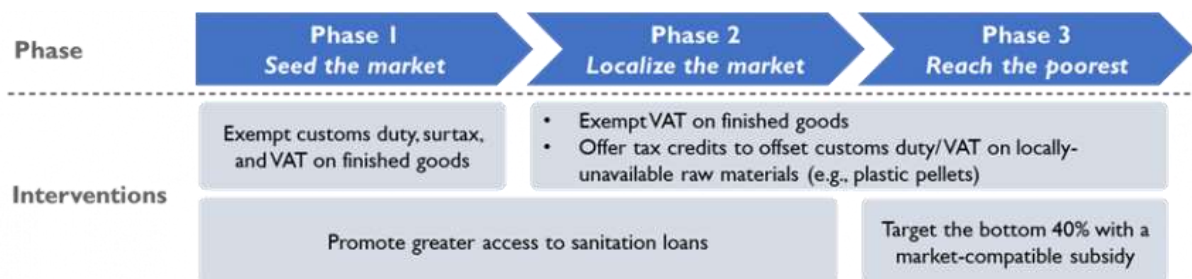


Figure 1: Recommendations to strengthen the private sanitation market (adapted from WASHPaLS 2021).

## Taxes and tariffs

Reducing tariffs and taxes on WASH products can help keep prices low, which increases demand and expands access. The primary consequence of tax breaks is some potential for reduced government revenue. Therefore, proposed tax cuts should be analysed to assess their costs and benefits.

Findings from WASHPaLS research shows that tax and tariff reductions could result in a 13-percentage point increase in rural sanitation access with the projected benefits of this policy far outweighing the cost of foregone government revenue.

During Phase 1, to promote consumer demand and uptake in the nascent WASH market, exemption of finished sanitation products from customs duties, surtax, and VAT is recommended. During Phases 2 and 3, as local manufacturing is being promoted, tax exemptions should be extended to importation of manufacturing equipment and the raw materials needed to produce finished goods locally.

## Sanitation loans

Businesses and consumers alike find it difficult to obtain loans for production or purchase of WASH products and services. Consumers need loans because even an improved household toilet can be a significant investment for them. Key recommendations include:

**Prioritize WASH-related loans:** Encourage the Ministry of Finance to prioritize WASH for development financing, especially sanitation. Support the National Bank of Ethiopia, the Federal Cooperative Agency, commercial banks, SACCOs, and MFIs to develop loans tailored for businesses that offer WASH products and services and for households that wish to purchase them. Share evidence demonstrating that Ethiopian businesses serving the WASH sector have solid loan repayment records (Aboma and Osterwalder, 2020).

**Increase financing available to the WASH sector:** Encourage the Development Bank of Ethiopia to set a target percentage of its rural financing for low-interest sanitation loans. Other strategies include working with Ethiopia's regional governments and with programs seeking to strengthen MFIs, such as the International Fund for Agricultural Development's Rural Finance Intermediation Program.

## Sanitation subsidies

In the third phase, it is recommended to provide subsidies to households in the lowest economic strata so they can afford to invest in sanitation. The need for this could be substantial given the large number of households living below the poverty line. Evidence suggests that economically vulnerable households are more likely to construct toilets that do not meet the 'basic' service level and/or revert to open defecation. This results in the poor having lower access to sanitation and increases overall public health risk.

Sanitation subsidies must be properly designed and targeted so they do not distort the market, and they complement Ethiopia's TSEDU and community-led total sanitation and hygiene (CLTSH) campaigns. This means subsidies should be part of a coordinated government approach, guided by FMOH but involving other relevant agencies and partners. It is recommended to channel the subsidies through the

Ministry of Agriculture's Productive Safety Net Program (PSNP) as this operates in roughly half of the country's woredas, including those with chronic food insecurity and poverty issues. It also may be advisable to establish a national sanitation fund to galvanize support and mobilize finances to cover the costs of sanitation subsidies.

## Other interventions

To encourage expansion of the private sanitation sector, it also is recommended to:

- Reform the Forex allocation process so that sanitation businesses can more easily import needed supplies and equipment and make payments to external investors and IP rights holders;
- Encourage businesses serving the WASH market to seek needed land or space allocation at industrial parks under government programs;
- Clarify and reform rules governing [intellectual property protection](#) and [royalty payments](#);
- Support the expansion of distribution and marketing channels for WASH products and services; and
- Encourage the growth of the MSE sector offering households WASH products and services.

## Combined effect of proposed policies

Ethiopia's private sector already offers some WASH products and services, but support is required to reach the large population in need. If the policies and actions discussed above are implemented in a targeted and phased manner, we believe they will provide the needed momentum to reach national goals, including 100 percent access to basic sanitation services and ODF status. The figure below shows how this might be accomplished.

Estimated Percentage Point Increase		Total Coverage
	Population currently with access to basic sanitation services	9 PP
+1 PP	With demand, households who can afford at fully taxed prices	10 PP
+13 PP	Impact of tax exemption on improved sanitation coverage	23 PP
+37 PP	Impact of sanitation loans on improved sanitation coverage	60 PP
+40 pp	Impact of sanitation subsidies on improved sanitation coverage	100 PP

*Figure 2. Projected effects of policy actions to achieve 100% sanitation access*

As Transform WASH is now in its sixth and final year, our focus will be to carry these initiatives forward and build support for them within government, with One WASH National Programme partners, and with our business partners. In addition, we'll be sharing our lessons learned to pave the way toward a strong and healthy future for Ethiopia's private WASH sector – and for achieving the country's ambitious 2030 WASH targets!