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Barriers and opportunities for sanitation SMEs: A study of the wider market system in Ghana

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Executive Summary

This Topic Brief presents a study of the wider market barriers and opportunities facing small & medium-sized enterprises (SMEs) in sanitation in Ghana. Conducted by i-San, the study aimed to understand the impact of these factors on the ability of businesses to reach Low-Income Urban Communities (LIUCs) with appropriate products and services.

Interviews were conducted with 18 SMEs along the sanitation value chain, as well as institutional representatives from national and local government, business support institutions, representative associations and SMEs in other sectors in Ghana. The study focused primarily on the fiscal, regulatory and policy aspects of the wider market system.

Barriers to market entry

Major barriers to entry for sanitation start-ups in Ghana are the lack of start-up capital; lack of access to affordable banking services (particularly the cost of borrowing); inadequate public infrastructure; and the high cost of creating partnerships with the public sector.

- While these barriers to entry echo the challenges of start-ups in Ghana more generally, there are some peculiarities to sanitation. For example, accessing start-up capital and banking services is particularly difficult for sanitation businesses relative to businesses operating in other sectors.
- International development efforts in the sanitation sector may impact the market, creating an asymmetry of information for sanitation SMEs, and affecting their perceived (and actual) creditworthiness with respect to financial institutions.
- The high costs of creating partnerships with the public sector arise from the high transaction costs of formalisation (registration, keeping records and operating permits up to date).
- Lack of fair competition with larger firms, coupled with the delayed payments of municipal contracts, effectively prevent smaller companies with limited cash flow from bidding for service contracts.

Barriers to successfully operating a sanitation business

Ghana's challenging macro-economic climate is the primary barrier impacting the viability of sanitation SMEs. This includes high interest rates; limited access to operational finance; currency depreciation; and high cost of utility (mainly electricity).

- In such a stressed macro-economic climate, cash flow and the timeliness of payments become critical.
- There is no one association to provide a coherent voice for sanitation actors in Ghana. This is a major barrier for SMEs in their day-to-day operations as well as their ability to influence policy.
- There is limited regulatory and enforcement capacity at the municipal level. The lack of a clear and transparent policy and regulatory framework undermines the development of a business friendly environment and discourages investment and business development.



Advertisement for FSM service, Accra, Ghana.



Schoolgirls in Kumasi, Ghana.

Opportunities to support sanitation SMEs

The study identified several opportunities to support sanitation SMEs in Ghana, including innovative finance; training and business development support; reinforcement of representative associations; and reinforcing the policy and regulatory environment.

- Innovative finance is required to de-risk sanitation SMEs and address financial constraints. This could include equity finance, government guaranteed loans, subsidised credit, and community/revolving funds to offer accessible and affordable credit to sanitation start-ups.
- Targeted fiscal packages and timely payments would protect the working capital of sanitation SMEs and further boost the sector.
- Non-financial opportunities to support sanitation SMEs include incubation and training, and brokering business development relationships. This support is particularly crucial in the start-up phase as micro and small enterprises establish and grow.
- Representative associations should be created and strengthened to provide a coherent voice and platform for sanitation SMEs to influence policy and national dialogue.
- The policy and regulatory environment for sanitation business in Ghana must be reinforced. Current policies outlining the roles and responsibilities of sanitation could be strengthened to include the development of an enabling environment; a viable industry for distributing sanitation products and services; institutional reforms; and the necessary legal, institutional and regulatory framework standards and guidelines.

The Topic Brief concludes with suggestions of which actors are best placed to support sanitation SMEs to serve LIUCs in Ghana.

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1. Introduction

1.1 Background and scope

In Ghana, as outlined in the 2010 Environmental Sanitation Policy, the bulk of environmental sanitation services are to be provided by the private sector, including NGOs and community based organisations under the supervision of the Metropolitan, Municipal and District Assemblies (MMDAs). Market-based approaches are widely promoted to enable the delivery of sanitation products and services. Over the last ten years, much work has been done on understanding the market dynamics, products, services and costs¹ relating to sanitation, and the private sector's interest in the sector has grown significantly. However, the private sector has not been able to create mass demand for appropriate products and services for low-income urban centres (LIUCs). Challenges to achieving demand at scale from LIUCs are multiple and can be attributed to: i) internal capacity of businesses to grow and operate; ii) the overall business environment; and iii) factors relating to the wider market system. This Topic Brief focuses on the latter, and specifically the challenges and opportunities created by public sector and institutional arrangements. The report is derived from a study conducted in Ghana, the findings of which were validated at a sector workshop in May 2017.

1.2 What is the 'wider market system'?

A market systems approach aims to address the root causes of why markets often fail to meet the needs of low-income customers. Rather than focusing narrowly on individual businesses through a firm-centered approach, a market systems approach focuses on exploring the different roles of other development actors with a critical function in enabling pro-poor business growth in specific sub-sectors. These actors typically include governments, donor agencies and impact investors.²

This study focused on the fiscal, regulatory and policy aspects of the wider market system for sanitation in Ghana. The scope of the study incorporated key actors including national and local government bodies, finance institutions, associations representing business interests, business support institutions, civil society and the sanitation service providers themselves. The scope of the study did not extend to include the interventions of multilateral institutions and international NGOs.

1.3 The important role of SMEs in sanitation provision

While there is no universal definition of an SME, in the context of this research we consider small to mean 6-29 employees; medium to mean 30-99 employees; and large enterprises to have 100+ employees.³ In Ghana, as in many other low- to middle-income-countries, micro-enterprises (i.e. those of 6 employees or less) are common in sanitation service delivery. Micro, small, medium and large enterprises (SMEs) are the engine of growth of the Ghanaian economy, representing 60% of the labour force and 70% of all industry. SMEs contribute about 22% of the Gross Domestic Product (GDP) and account for 92% of

¹ Visit www.sanitationmarketing.com for selected resources

² Visit www.beamexchange.org for more on market systems approaches

³ The National Board for Small Scale Industries (NBSSI). www.nbssi.gov.gh [Accessed 10 April, 2017]



Clean Team sales staff roll out the container-based sanitation service to new customers in Kumasi, Ghana.

businesses in Ghana.⁴

Under the National Environmental Sanitation Strategy and Action Plan (NESSAP) 2010, the bulk of environmental sanitation services are delivered by the private sector along with NGOs and community based organisations.⁵ This sector is fragmented along the sanitation value chain ranging from micro and small to multinational enterprises. In general terms, micro/small enterprises tend to be active in the storage, collection and transport sections of the sanitation value chain - where direct transactions are possible and capital investment is not substantial. Larger domestic and international companies focus on the collection to resource recovery sections of the value chain, where coordination with municipal authorities is often required, services are at a larger scale and activities may require technology investment.⁶

⁴ Abor & Quartey 2010; Ameyaw et al 2016

⁵ MLGRD 2010

⁶ Mason et al 2015

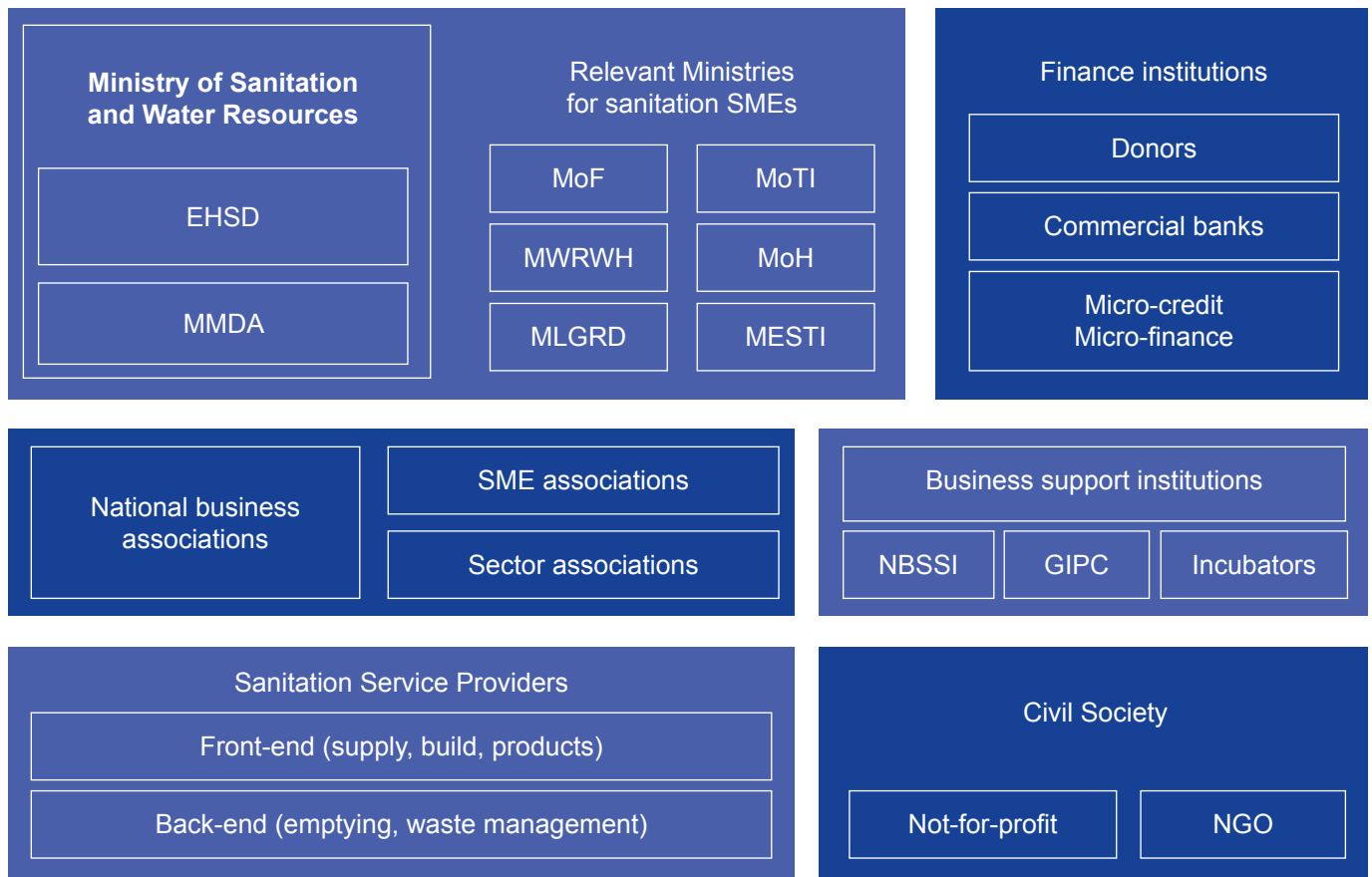
2. The wider market environment for sanitation SMEs in Ghana

Historically there has been a low prioritisation of sanitation in comparison to other subsectors in Ghana. Sanitation in urban Ghana is characterised by the uniquely high prevalence of public (pay-per-use) toilets and toilets shared by a defined number of households (e.g. compound toilets), a situation which has diverse impacts on all aspects of sanitation business (including demand creation for household toilets, construction, transport and treatment). Coverage rates for urban areas remain relatively low with only 20% having access to improved sanitation and 73% using shared facilities.

The roles and primary interests of key actors in the wider market environment for sanitation in Ghana are detailed below. A summary institutional framework for this wider market environment is presented in Figure 1.

2.1 The main actors, their roles and interests

Figure 1: Sanitation SME wider market actors



2.1.1 National and local government bodies

The newly created **Ministry of Sanitation and Water Resources (MSWR)** took over the sanitation duties of the Ministry of Local Government and Rural Development (MLGRD) in January 2017 and will act as the new home to the Environmental Health and Sanitation Directorate (EHSD). The MSWR is responsible for policies and programmes and this dedicated ministry for sanitation is tasked with consolidating the various sanitation policies and programmes into a comprehensive National Sanitation Programme and Action Plan and policy framework.

The focus of the new MSWR encompasses the broad scope of environmental sanitation: public awareness, logistical and infrastructure development with respect to refuse collection systems, engineered landfill sites and sewerage treatment plants, and reinforcing the enforcement of sanitation bye-laws via Environmental Health Officers (EHO) and youth workers. The '*One House One Toilet*' programme (Greater Accra Metropolitan Area) and the National Accelerated Toilet Access programme (rural Northern region) are building limited numbers of toilets (15,000 and 5,000 sanitation units respectively).

The Environmental Health and Sanitation Directorate (EHSD) provides guidance to the MSWR on environmental sanitation sector planning, policy and legislation, as well as technical assistance to the MMDAs and service providers. They are also responsible for regulation of all service providers, both public and private.

Metropolitan, Municipal and District Assemblies (MMDAs) are responsible for providing urban sanitation services (solid and liquid waste) and rural and small-town water and sanitation service delivery through the private sector. They are responsible for preparing District Water and Sanitation Plans and drafting sanitation bye-laws. Their environmental sanitation mandate is broad and covers i) waste management (including regulation of domestic toilets, de-sludging activities, domestic drainage and gutters); ii) public health management (the control of pests and vectors of disease, food hygiene, environmental sanitation education, inspection and enforcement of sanitary regulations, disposal of the dead, control of rearing and straying of animals and port-health services); iii) environmental monitoring and enforcement; iv) sanctioning private sub-contractors for infractions; iv) provision of works related to environmental sanitation facilities; and v) planning, monitoring and public relations.

The Ministry of Finance (MoF) administers all public investments in environmental sanitation including negotiating for grants and loans. The Ministry undertakes economic planning, fiscal policy, national accounting, the national budget, and creating an environment for investment and growth including decisions regarding tax reductions or exemptions.

The Ministry of Health (MoH) and the Ministry of Education (MoE) have responsibilities with respect to sanitation and hygiene education and handwashing. The EHOs are trained by the MoH (but employed by the MSWR).

The Ministry of the Environment, Science, Technology & Innovation (MESTI) is the home of the Environmental Protection Agency, responsible for the

formulation and coordination of policies covering the environment, supporting environmental sanitation in regulation, and provision of technical standards and manuals.

The Ministry of Works and Housing (MWH) is responsible for housing infrastructure development and promoting sanitation at the household level.

The Ministry of Local Government and Rural Development (MLGRD) is the former home of the EHSD and is responsible for policies and programmes for the efficient administration of local government structures.

The Ministry of Trade and Industry (MoTI) is responsible for broad issues of trade, industries and the private sector.

2.1.2 Finance institutions

International donors fund programmes or projects but equally offer technical or capacity assistance to support implementation.

Commercial banks will assess potential borrowers by their creditworthiness i.e. their willingness and ability to pay back the money borrowed.

Microfinance institutions (MFIs) can lend at subsidized rates, providing capital and financial services to those who are excluded from the commercial banking systems.

2.1.3 Sanitation service providers

Private sector sanitation service providers, under the supervision of the MMDAs, are responsible for delivering the bulk of environmental sanitation services (along with NGOs and community based organisations).⁷ It is noteworthy that in Ghana 'sanitation' is largely understood in the broader sense of 'Environmental Sanitation' i.e. excreta, wastewater, solid waste management and drainage systems. Furthermore while the terminology of *sanitation value chain* is commonly used internationally, the primary actors and activities in the sanitation (excreta management) value chain themselves are very diverse and may not identify as part of the same group. It may be helpful to consider the *sanitation value chain* as several sub-sectors or *verticals* (i.e. front/back-end businesses; pre-purchase/purchase & usage/post usage; sales/servicing/waste processing verticals). Depending on the type of sanitation services provider, SMEs may identify more readily with other SMEs in these *verticals* than those operating elsewhere in the value chain.

2.1.4 Associations and business support institutions

Associations provide a collective interface and voice for business towards government agencies, seeking to influence policy, legislation and represent the needs and interests of their members. Key associations include the **Chamber of Commerce**, operating at the national level; and the **Association of Ghanaian Industries (AGI)**, whose mandate is policy advocacy for SME growth and development, influencing legislation, representing members' positions to government, and supporting SME members in their development.

⁷ MLGRD 2010

There are also **thematic associations** representing specific groups of actors at different levels (local, national, international).

2.1.5 Dedicated hubs for investment and business development

There are both government and private bodies dedicated to support business development in Ghana. These include:

Ghana's **National Board for Small Scale Industries (NBSSI)** whose mandate is to promote and develop micro and small businesses, providing non-financial facilitating access to information on government policies and investment opportunities. NBSSI also offers business training and financial loans of GH¢ 3,000 - GH¢ 10,000 for 1-3 years at a 5% interest rate for manufacturing, services and agro processing.⁸

The **Ghana Investment Promotion Centre (GIPC)** promotes foreign direct investment in Ghana. GIPC also drives and coordinates investment policy formulation and monitors active enterprises and technology transfer agreements in Ghana. Utilities (including water and sanitation) are one of ten investment opportunities listed by the GIPC for Ghana.

Private business incubators and accelerators build capacity, train, mentor and help source financial support for entrepreneurs. There are several business incubators and accelerators in Ghana and internationally who support sanitation SMEs. International sanitation incubators include cewas, Aqua for All and The Toilet Accelerator (The Toilet Board Coalition). Ghana-specific incubators include Meltwater Entrepreneurial School of Technology (MEST); Hub Accra; ServLed Accelerator Programme; Impacthub; Mfriday; Growth Mosaic; Fidelity Bank via the P2P: Catalysing WASH from Possible to Profitable project; Reach for Change; Growing Business Together; Invest in Africa; Aspen Network of Development Entrepreneurs (ANDE); and the MDF ENTERWASH Programme.

2.1.6 Civil society

Civil society organisations work to help the vulnerable and marginalised groups of society. In Ghana there are a large number of NGOs working in water and sanitation. These are both international and national not-for-profit, non-partisan non-governmental organizations.

⁸ NBSSI 2017

3. Barriers to sanitation SME start-up in Ghana

3.1 Starting a business in Ghana

Ghana ranks better than the African average in terms of ease of doing and starting business. The situation has improved over the last decade, due to a simplification of procedures for registering a new business: currently the number of procedures involved in starting a business in Ghana is on par with the regional average, but the cost of doing so is significantly lower than in Ghana's regional counterparts (see Table 1)⁹:

Table 1: Ease of doing business in Ghana (Source: www.doingbusiness.org)

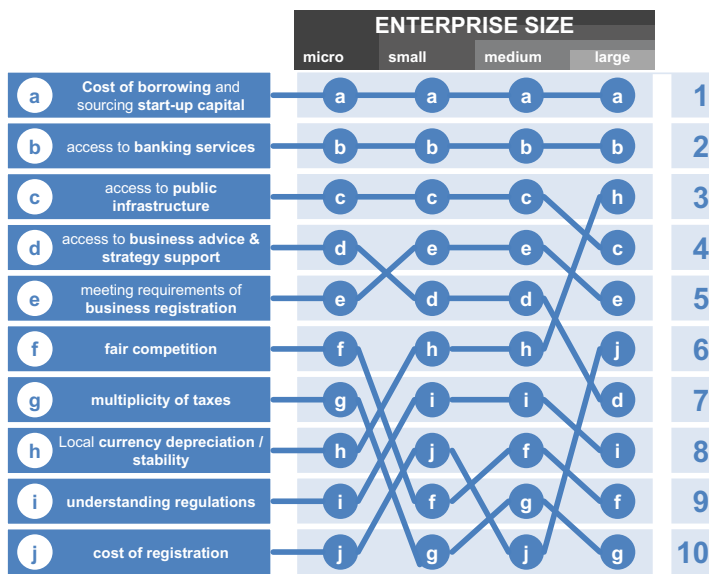
	Ghana	Regional Comparison
Ease of doing business with other economies (<i>rank of 190 countries</i>)	108	-
"Doing business distance to frontier" score	59	Kenya (61), Cote d'Ivoire (52), Mali (53)
Number of procedures to start a business (2007)	12	-
Number of procedures to start a business (2017)	8	Regional Average = 7.8
Number of days to start a business (2007)	81	-
Number of days to start a business (2017)	14	Regional Average = 27
Cost to start a business as % of income/capita (2017)	20%	Regional Average = 54%
Number of tax payments per year	33	South Africa (7), Nigeria (53), Cote D'Ivoire (63)
Ease of paying taxes (<i>rank of 190 countries</i>)	122	19th of African countries
Number of hours annually to prepare, file & pay taxes (<i>hours per annum</i>)	224	Regional Average = 304
TAX RATE (as % of annual profit)	32.7%	South Africa (28.8%), Nigeria (34.3%), Kenya (37.4%), Cote D'Ivoire (51.3%)

⁹ The World Bank, Doing Business. www.doingbusiness.org [Accessed 10 April, 2017]

3.2 Costs and barriers to entry

In this study 18 sanitation SMEs along the sanitation value chain were asked to rank the challenges to starting up a sanitation business in Ghana. The main barriers to entry identified by sanitation businesses echo the more general challenges of doing business in Ghana; nevertheless there are some peculiarities to sanitation that compound these barriers. Key barriers highlighted during the study were as follows:

Figure 2: Ranking of challenges to starting up a business by the sanitation enterprises interviewed in Ghana



3.2.1 Lack of access to start-up capital

The top-ranking challenge for sanitation SMEs identified in the study was lack of access to start-up capital. This barrier to entry is symptomatic of the global SME business environment, but in Ghana the cost of borrowing is prohibitively high. The Ghana Central Bank interest rate is the 3rd highest globally, currently at 22.5% (down from 25.5% in January 2017)¹⁰ which is unsustainable for many businesses, especially SMEs. Commercial banks assess potential borrowers by their creditworthiness i.e. their willingness and ability to pay back the money borrowed: in many developing economies water sector actors have not been able to increase their tariffs to cover their costs, and are supported by a mix of domestic subsidies and international concessional financing which impacts on their ability to demonstrate financial viability, and ultimately their credit worthiness.¹¹ Sanitation, perhaps more so than water, may require public sector financing and support to achieve profitability and a reasonable return on investment. In addition, many smaller enterprises (regardless of sector) often lack audited financial statements and the management experience to deal with the complexities of loan applications, much less meet basic borrowing requirements.

¹⁰ Bank of Ghana 2017

¹¹ Leigland et al 2016

3.2.2 Lack of access to affordable banking services

The above factors combined make it almost impossible for sanitation SMEs to access commercial loans and offer banking services in general.¹² Other finance institutions, such as micro-finance or community banks, may be more supportive to those who are otherwise excluded from the commercial banking systems, for example by offering capital and financial services to small-scale businesses, but their lending rates are not necessarily lower. HFC Bofo have extended their home improvement loan mandate to include loans to households to build toilets, but at a commercial rate of 36%, i.e. the national rate plus their management costs. Other finance institutions offering loans include Sinapi Aba, lending at a subsidised rate of 16%; and Pathway Microfinance lending at 17% in partnership with the SNV/Fidelity Bank under the Possible to Profitable (P2P) initiative.¹³ There are also opportunities with other micro financial institutions such as the Ga Rural Bank, a local community bank supporting small-scale businesses.¹⁴ However, these are isolated pockets and project-based efforts: affordable credit and accessible banking services have not been up-scaled in Ghana.¹⁵

The cost of borrowing is prohibitively high in Ghana

22.5%

Ghana Central Bank's interest rate.

16-36%

Range of interest rates from Microfinance Institutions in Ghana.

3.2.3 Inadequate public infrastructure

Getting access to infrastructure is ranked third for start-up challenges for sanitation SMEs. This encompasses several challenges for the SMEs, from the poor condition of roads for the transportation of goods and services (some routes are inaccessible and others have significant potholes preventing passage or damaging the vehicles); to inaccessibility of dumping sites; to the availability and security of land, where either sourcing or protecting land from encroachment or ownership disputes was reported to be a challenge.

3.3.4 Asymmetry of access to business advice

The study suggested that lack of business knowledge affects SME capacity to source appropriate and alternative start-up funds, manage the business and finances, prioritise spend and expansion appropriately, and de-risk their business. Getting business advice and strategy support is of greater importance for micro and small enterprises than larger ones, which may be a start-up factor for the smaller businesses. 12 of the 18 sanitation SMEs interviewed spoke of some form of business advice or technical training as a key enabling factor in starting their business. The source of this advice ranged from peers via formal or informal apprenticeships to international incubator programmes, presenting an asymmetry of business advice to those SMEs favoured through international development initiatives.

3.2.5 The high cost of partnership

Several aspects define the true costs for SMEs of creating and maintaining partnerships with the public sector, including public-private partnerships (PPPs) for service delivery and contracts with the local MMDA, as per the model specified in the NESSAP. The types of PPP for sanitation in Ghana include management of public toilets, solid waste and liquid management and treatment services. These high costs of partnership include:

¹² Leigland et al 2016

¹³ Figures provided by WSUP Ghana

¹⁴ Mazeau and Wellington 2014

¹⁵ Trémolet et al 2015

Registration costs and requirements: Of the 18 sanitation enterprises interviewed, 10 were registered businesses (7 were not, 1 operated as an NGO). The unregistered companies were all micro or small companies, with a maximum number of 6 employees. While the monetary costs of registering a business in Ghana are relatively low and the time to register a business has been significantly reduced over the last decade (see Table 1), ‘meeting the requirements of business registration’ ranked either 4th or 5th barrier to start-up across the all sanitation enterprises interviewed (depending on size). This may refer to the wider process and transaction costs of maintaining the necessary paperwork required for MMDA procurement. Indeed, several micro and small companies reported they were unable to bid for MMDA service contracts even if they are formally registered businesses, as they may not have the capacity to complete or maintain the paperwork, accounts and permits required.

Lack of fair competition for SMEs: For the micro-sanitation enterprises, fair competition ranked 4th in terms of challenges of starting up a business; this became less important for the larger enterprises, ranking 7th overall (see Figure 2). “Kickbacks” (i.e. bribes) and “illegal practices” to win contracts were mentioned by 12 of the 18 sanitation enterprises interviewed. It is impossible to know the full extent of this practice, but the responses of the small sample of sanitation SMEs in this study suggest there is a strong perception that this is the modus operandi and that patronage and social relations play a strong role in winning and adhering to contract terms.

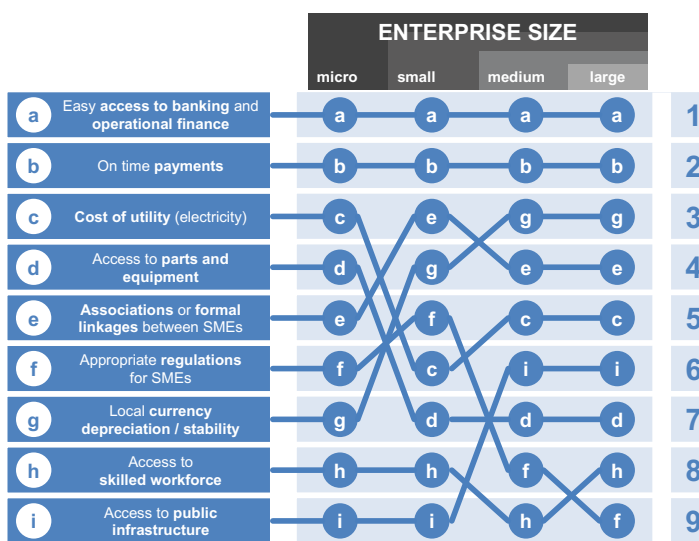
Delayed payments of municipal contracts: 5 of the 18 sanitation businesses interviewed mentioned late payments on municipal contracts as reasons for them not being able to bid for contracts with municipalities. This is not particular to Ghana – in many contexts the bureaucracy of government institutions (and even some larger firms) means payments take a long time to process. Delayed payments are symptomatic of lack of procurement entities’ (including MMDAs) adherence to procurement plans, i.e. budget that has been planned and allocated to one procurement is spent elsewhere.¹⁶ As one example, the NESSAP outlines a MMDA-level ring-fenced Environmental Sanitation Fund to cover Environmental Sanitation activities from the District Assemblies Common Fund (DAF), the largest funding source for the MMDAs, constituting more than 50% of the total transfers to MMDAs. Between 1994 and 2006 the DAF disbursed a total of GH¢435 million to MMDAs, which in practice was used mainly to support the five largest MMDAs who were repeatedly in arrears of payment to solid waste refuse collection contractors.

¹⁶ Development Gateway 2017

4. Barriers to sanitation SME operation in Ghana

Once sanitation SMEs achieve start-up they are likely to be confronted by a further set of challenges. The following barriers were identified by this study as presenting a particular challenge to the growth of sanitation SMEs in the Ghanaian context.

Figure 3: Factors that influence the ability of sanitation businesses to operate effectively



4.1 The macro-economic environment

High interest rates and access to operational finance (detailed in Section 3) compound with currency depreciation and high cost of utilities (e.g. electricity, water) to form a difficult macro-economic environment for any business in Ghana, including sanitation businesses (see Figure 3). In such a stressed macro-economic climate, the timeliness of payments becomes crucial. Currency depreciation is perceived as a lesser challenge for micro-scale sanitation companies compared to their larger counterparts: this is potentially as their exposure to the international market is limited, but also because at the scale of their operations, the macro-economic linkages between the costs of borrowing; cost of utilities and the global currency markets may be less explicit.

4.2 Lack of a strong, unified association to influence public policy

Associations have an important role to play in influencing policy to support small business; they act as an interface between government and small-scale providers, but also provide an umbrella for the very small and micro enterprises that fall outside the formal system to come together. The study found there was clearly no one association that represents the collective voice for businesses in the sanitation value chain, nor parts of it. Almost half of the 18 SMEs interviewed were not members of any association; those that were mentioned eight different associations ranging from local to international (see Table 2). This exemplifies



Compound housing in Kumasi.

the fragmented nature of the sanitation sector, but there are potentially lessons to learn from the concentrations and gaps of these association bodies. Three national associations (Ghana Real Estate Development Association (GREDA), Social Entrepreneurs Ghana (SE Ghana) and The Association of Building and Civil Engineering Contractors of Ghana (ABCECG) were mentioned by businesses ranging from small to large representing front-end sanitation businesses. The micro-company pit emptiers interviewed were either members of a local waste collectors' association or no association at all. The Environmental Service Providers Association (ESPA) claims to be the representative association for solid *and* liquid waste, but their activities are heavily biased towards solid waste management, and ESPA was only acknowledged by one large waste management company contacted during the study. Finally the two international associations mentioned—Toilet Board Coalition (TBC) and the Container Based Sanitation Association (CBSA)—focus their efforts in Ghana on the downstream operations of sanitation including waste collection, treatment and re-use.

Table 2: Associations in the sanitation value chain

	Micro	Small	Medium	Large	No.
Front-end businesses i.e. hardware manufacturer, retailer, installer		SE Ghana	GREDA	GREDA & ABCECG	3 national
Pit emptying	Local associations				2 local
Container-based services			TBC & CBSA		2 international
Treatment; Waste Mgt / re-use	TBC	TBC		ESPA	2 (1 national; 1 international)

Key: GREDA: Ghana Real Estate Developers Association ; TBC: Toilet Board Coalition; CBSA: Container Based Sanitation Association ; SE Ghana: Social Entrepreneur Association of Ghana ; ABCECG: The Association of Building and Civil Engineering Contractors of Ghana.

While it is reasonable that no one association should cover all of the interests and actors of the entire sanitation value chain, the absence of a coherent voice for sanitation actors in Ghana is potentially a major barrier in the ability of

sanitation SMEs to influence policy. Furthermore, we note asymmetries in the sizes of companies and which parts of the sanitation value chain are represented by associations: for example, there are multiple national associations acknowledged by the SMEs providing front-end sanitation services, whereas pit emptiers tend to have a very local level representation, if at all. We also note asymmetries in the interest areas of international associations (one of which also offers business acceleration services) which tend to focus at the back-end (container-based and treatment) components of the sanitation value chain.

4.3 Limited regulatory and enforcement capacity at municipal level

Under the current Environmental Sanitation Policy, enforcement of sanitation bye-laws and regulation falls to the environmental health units within the MMDAs. This had not been effective, as institutional fragmentations has meant EHOs were trained by the MoH and employed by the MLGRD. Further, there is a lack of technical and resource capacity at the municipal level to draft and enforce these byelaws. MMDAs are under-resourced to carry out the full scope of the mandate for sanitation, especially against other competing priorities. The study highlighted a potential (over) simplification by some institutional respondents of the inherent complexities of decentralisation of regulation and enforcement, as well as the need for incentives as part of that enforcement process. This chimes with a lack of consensus among sector actors, highlighted during WSUP's recent sector functionality workshop, on who should be doing regulation in Ghana and the extent to which it is effective, at both ends of the sanitation chain.

It might be more effective to consider how to incorporate approaches that incentivise good behaviour and thus make enforcement more effective; and to identify opportunities for public and private sector actors to better coordinate on enforcement. In a move to tackle this capacity and enforcement more directly, the new MSWR intends to propose a Bill to parliament in 2017 to establish a National Sanitation Authority. The proposed Bill includes a director general at the national level, the regional level, and the district level who will work with the MMDA to coordinate and better manage the sanitation functions across the country.

5. Strengthening sanitation SMEs in Ghana: key opportunities

The study sought to identify practical steps that can overcome the barriers identified to SME involvement in sanitation in Ghana and to exploit potential opportunities. This was achieved by drawing upon examples of possible interventions that could boost the sanitation SME sector in Ghana from 1) other sectors within Ghana, and 2) the WASH sector elsewhere. Possible actions are listed below. Section 6 details the specific contributions key actors can make towards making these measures a reality.

5.1 Finance mechanisms to support sanitation SMEs

5.1.1 Innovative start-up finance

The tough macro-economic environment is likely to continue in Ghana for some time: there is therefore a need to explore alternative financing mechanisms for sanitation service providers to bridge the funding gap. Supporting actors need to de-risk sanitation for investors and broker partnerships. The study found there is already precedence in Ghana to use equity finance within the sanitation supply chain as well as externally. Other known financial mechanisms in Ghana with potential to support SMEs include government guaranteed loans; subsidised credit; and community/revolving funds to offer accessible and affordable credit to sanitation start-ups. Micro-finance institutions and micro-credit can also help to bridge the start-up financing gap for these smaller companies: MFIs already exist in Ghana, but have not yet worked at scale. Subsidised credit or guarantee funds are also present on an ad hoc project basis in Ghana, but there is precedence elsewhere for these to be applied in a more comprehensive manner - for example, Organisation for Economic Co-operation and Development (OECD) governments have extended credit and loan guarantees either by acting as mediator or offering pre-fund agreements for SMEs to obtain guaranteed loans from private banks. Financial mechanisms such as blended finance could help in providing the necessary funding to mobilise larger credit funds and to guarantee and subsidise (where needed) these finance delivery mechanisms (see Table 3).

Table 3: Examples of innovative finance for SMEs

	Experience within Ghana	Experience outside Ghana
Equity financing	Both within and outside the sanitation chain. There is precedence of a sanitation SME securing equity funding from a larger sanitation waste management enterprise, although this was in partnership with the GoG in guaranteeing payments, thus de-risking the investment for the equity financier.	Both within and outside the sanitation chain.
Government guaranteed loans and subsidized credit	1-3 year NBSSI loans of US\$ 3K-10K have been provided at 5% interest to manufacturing, services and agri-processing. Historically SMEs benefited from guaranteed financial start-up loans in the cocoa sector as well as other sectors under the President Special Initiatives.	OECD governments have de-risked SMEs ¹⁷ by extending credit and loan guarantees by: - Acting as credit mediator - Pre-fund agreements for SMEs to obtain guaranteed loans
Interest generated from investment of community funds	Approximately 20 Association of Water and Sanitation Development Boards invested community funds to resource their WASH activities. ¹⁸	
Output-based aid to support SMEs		In Indonesia a revolving fund for SMEs has boosted their working capital – providing payment for each toilet built doubled the rate at which an SME could build toilets. ¹⁹
Microfinancing and microcredit	Microfinance exists in Ghana through banks such as Fidelity bank SME and HFC Boafo among others.	Experience in India suggests that developing effective supply chains for sanitation products and promoting demand is more effective for sanitation uptake than household subsidies . Micro credit can be used for starting up activities to improve the supply chain for sanitation products, such as providing materials for construction, pit emptying and treatment of sludge. ²⁰

5.1.2 Protecting SMEs' working capital with tax incentives and faster payments

The study suggests governments can support SMEs by preventing the depletion of their working capital through several mechanisms:

Tax incentives remain one of the most common mechanisms governments can use to boost a sector of the economy. These have been applied in Ghana to boost selected sectors, notably agriculture, information communication technology (ICT) and more recently, the solid waste management sector. 'Waste management businesses' already fall under an income and import tax exemption umbrella in Ghana under the solid-waste management arm of Environmental Sanitation. If Ghana wishes to boost the sanitation sector there is a logic in extending similar exemptions to liquid waste management. However, the sanitation value chain extends beyond simply waste management activities, and isolating which incentive would boost the sanitation sector and LIUCs specifically is not straightforward. It would be important to find the right incentive package to boost the sector in the right way: for example, several of the smallest sanitation service providers remain outside of the formal system, so broad tax exemptions may not boost the smallest enterprises but would boost the revenues of the

¹⁷ OECD 2009

¹⁸ Tayler & Salifu 2005

¹⁹ Diallo 2015

²⁰ Fonseca 2007

already large and powerful waste management companies. The right fiscal incentive package for the particular needs and challenges of SMEs who serve LIUCs are likely to include fiscal incentives that focus on the micro and smaller companies as well as the low-income customers they serve. Table 4 details how different fiscal incentives could boost Ghana's sanitation SME sector.

Box 1: The impact of VAT exemption for a sanitation SME in Ghana

For business viability at scale, this SME needs to achieve a gross margin of 50%. Their current gross margin is 12%, which has improved significantly from -13% in September 2016 through reducing inefficiencies. A 17.5% VAT exemption would have a 9% impact on gross margin. VAT exemptions alone are not sufficient to make this business viable but would constitute a significant contribution to the gross margin SMEs are able to achieve.

Shortening payment delays for public procurement. Another mechanism government can use to protect the working capital of SMEs is shortening the payment delays for public procurement. In practice, this means timely payments from the Ministry of Finance to MMDAs; however, there is also an important need for MMDAs (as the procurement entity in the case of sanitation service delivery partnerships) to be committed to making payments on time and adhering to procurement processes. This could be supported through improved training on public procurement to bring MMDAs into compliance with the legal framework for procurement,²¹ and potentially by developing a key performance indicator (KPI) around the timeliness of MMDA payments to boost their performance. E-procurement processes could also limit the spending of MMDAs and other procurement bodies outside approved procurement plans and budgets.²² These mechanisms require long term institutional change. As best practice example, the UK has cut government payment times to 10 days. Experience from the ICT sector shows that improved ICT and mobile banking infrastructure can also help SMEs request and cash their payments faster.

²¹ Development Gateway 2017

²² Development Gateway 2017

Table 4. Fiscal incentives and their potential impact on sanitation SMEs

Fiscal incentive	Potential impact for sanitation SMEs
Income tax holiday	<p>Tax holidays are broad concessions that grant income tax exemptions to specified sectors for a chosen period (e.g. 5-7 years). Practically, and dependant on an SME's turnover, this concession works out as 10-25% more operating capital for businesses.</p> <p>Waste processing companies in Ghana (defined as a business where the principal activity is the processing of waste) are one of the sectors who currently receive a 7-year tax holiday. This concession is part of a programme to boost recycling and waste management.</p>
Waived import duties	<p>Import duties are waived for certain items or produce. In practice, import tax concessions translate to a reduction of duties and fees of up to 25% of the product value. Several sectors in Ghana benefit from import tax exemptions, inter alia: machinery, plant apparatus and spare parts for agricultural purposes; agro-chemicals, drugs and feed ingredients; school books, maps, charts, stationary; mineral or chemical fertilisers; oral rehydration salts; ambulances and hearses; fire engines; and concrete mixer lorries.²³</p> <p>The Ministry of Finance will consider tax concessions to sectors which can benefit and fall within the national interest; however, targeting concessions to a particular sector is not always straightforward. For example, fiscal calculations are easier for a specific or dedicated product such as low cost toilet hardware (for example, the pour flush SaToPan) than a more generally used material, such as concrete, that is used widely in many sectors.</p>
Bands of income tax	<p>In Ghana there are thresholds of income tax depending on profits generated. The standard income tax rate for any company earning more than GH¢ 38,880 is taxed at 25% of profit.²⁴ Graduated bands for smaller companies are in place at 5%, 10% and 17.5%.</p> <p>Tax concessions can be made through adjustment of these bands to include or exclude different size companies from paying tax. For example in the Netherlands, all SMEs benefit from a 3-4% income tax reduction.</p>
VAT exemption or refunds	<p>Value-Added Tax (VAT) and the National Health Insurance Levy (NHIL) were introduced on goods and services in 1998. They are currently at 15% and 2.5%, respectively. The threshold for businesses to register for VAT in Ghana is GH¢ 120,000 (US\$ 33,300) per year.</p> <p>The introduction of VAT pushed the operating costs of SMEs higher. For example (estimating a 70% material cost) a US\$ 1000 toilet pre-VAT would cost US\$ 1225 at the current VAT+NHIL rate. These costs are often transferred to the customer.</p> <p>VAT exemptions or refunds are mechanisms that can target specific segments of industry, for example the segments of the sanitation value chain that are dominated by the smaller companies; those specifically serving LIUCs; or those working with pro-poor products. These exemptions can have significant impact on achieving business viability for SMEs (see Box 1). Examples of refunding VAT payments to boost SME working capital are the Czech Republic, France and Spain.</p> <p>N.B. lower costs to the customers would only be realised if the companies were incentivised to transfer any VAT exemption or refund to their customer base.</p>
Location incentives	<p>A rebate is granted to manufacturing companies located outside Accra and Tema. This is 25% of the standard tax rate for other regional capitals and 50% everywhere else. For sanitation, these location tax rebates are incentives to set up businesses outside of the Accra / Tema corridor.</p>

²³ MOFEP 2007²⁴ GRA 2017



Vacuum tanker for emptying and transporting faecal sludge, Kumasi, Ghana.

5.1.3 Non-financial support to de-risk sanitation SMEs

In addition to the financial mechanisms to support SMEs, other non-financial interventions include:

Incubation, acceleration, training and identifying business opportunities in the sector. Study findings suggest that incubation and acceleration can not only help SMEs source alternative forms of start-up finance, but also equip the businesses with the necessary information and skills to develop and grow. Experience in Ghana's ICT sector has shown a progressive ICT policy lay the foundations for a number of dedicated ICT incubators and other supporting institutions including the GIPC to attract foreign direct investment. The ICT sector growth has occurred without a strong association of ICT, but it is these business support institutions that have provided an interface between government policies and the small enterprises. International incubators of sanitation businesses—such as the Toilet Board Coalition and Aqua for All—are working on the proof of concept and project viability for sanitation businesses, and incubators in Ghana are supporting sanitation start-ups, notably Growth Mosaic who seeks equity financing for their start-up rather than borrowing at a high interest rate. Apprenticeships (whether informal or formal) are another mechanism that enable and encourage people to join the sector and should be recognised and supported as a way to develop sector capacity.

Facilitating the creation of a sanitation association. We have seen that there is no common association for sanitation SMEs in Ghana, and thus no coherent body representing the interests of actors along the sanitation value chain. Experience both within and outside Ghana suggests that associations of SMEs have a role to play in influencing policy and engaging with government institutions. In Ghana, experience from the Plastic Waste Collection Association and the ESPA would suggest that an association who represents actors in liquid waste/sanitation would give better visibility to the sector and its component parts, help influence policy and secure contract agreements, improve the advocacy potential of SMEs in the sector towards government and help SMEs access funds. In Zambia, the Water and Sanitation Association of Zambia (WASAZA) has played a similar role, acting as a hub for business development opportunities and leveraging partnerships with international incubators; offering training and networking opportunities for government, utilities, educational institutions, NGOs,

donors and SMEs; and streamlining efforts in the sector.

Creating a more supportive policy and regulatory environment. In Ghana, the NESSAP outlines the policy and regulatory framework in the delivery of sanitation services and the roles and responsibilities of specific actors. However, weak institutional arrangements between the numerous Ministries charged with different aspects of sanitation and systematic low investment have severely limited the operationalisation of these plans. It will fall to the MSWR to better coordinate and manage the sanitation functions across the country going forward.

Looking to other sectors in Ghana, both the ICT and plastic waste management sectors may offer cross-sectional learning for explicit focus on the role of SMEs in policy and regulation. The ICT sector offers a good benchmark for a comprehensive policy document (ICT4AD) that includes the development of an enabling environment; a viable industry for distributing products and services including SMEs; the modernisation of the civil and public service through institutional reforms; in addition to the necessary legal, institutional and regulatory framework and structures; and the necessary standards, good practices and guidelines – all of which are fundamental for the sanitation sector. The ICT4AD policy has enabled SMEs to better i) cash their earnings; ii) access credit, iii) advertise their services, iv) receive improved training and v) enlarge their customer base. More generally, ICT4AD has improved national communications; banking automation; distance learning; networking; community information centres and radio stations and telemedicine services especially in rural areas.²⁵

Lessons could also be drawn from the plastic waste management sector in Ghana: in 2006, the MoTI established the National Plastic Waste Management Task Force as it sought to place value on plastic waste as a commodity and reduce plastic waste. Elements of the programme include i) a public sensitisation campaign titled “Resource not Waste”; ii) encouraging entrepreneurs to enter the business of waste collection; iii) the establishment of a Plastic Waste Collectors Association (5000 members in Accra and Tema); iv) business growth support through business registration and the opening of bank accounts; and v) access to larger capital and tax incentives.

In India, the broader policy environment for small-scale enterprises (not specifically for sanitation) is generally very favorable. While economic reforms initiated in 1991 have led to the removal of numerous protection measures regarding Indian industry in general, a number of measures have been retained specifically to protect the small-scale sector. Many items are reserved for exclusive production by SMEs (almost 800 individual products in 2001). SMEs are entitled to special excise concessions, simplified tax procedures, priority sector lending and concessional credit, preferential purchase by central and state government organisation, assistance for technology development and modernisation, incentives for ISO 9000 certification and various export incentives.

Incentivising innovation. Linked to strengthening the policy and regulatory environment is the need to encourage innovation around affordable and desirable sanitation products in Ghana. Limited incentives to innovate did not feature strongly in the barriers identified by interviewees in this study (although this may be reflective of the SME sample). Nonetheless, it is important to consider if the regulatory environment in Ghana – which has relatively strict

²⁵ Boateng 2012

guidelines around what products and technologies are acceptable – may be acting as an undue disincentive to innovate on products.

Political prioritisation of sanitation. In Ghana, the newly elected government has shown encouraging signs by focusing on both sanitation and enabling business: sanitation is one of several new priorities for the new government. Again, the ICT and waste management sectors may offer encouraging precedents. Both were identified at the top level as areas requiring change, and revitalized policies and fiscal incentives were introduced as a package of mechanisms to help achieve that.

Past President Special Initiatives (PSI) in Ghana focused on four selected strategic sectors and achieved limited success.²⁶ Their slow progress is largely explained by the failure to take the whole value chain into account and the need to use and strengthen the existing mechanism that was already in place, rather than attempt to carve new ones. There are potential lessons from the PSIs for political prioritisation of sanitation with respect to the need to consider the entire value and supply chain rather than one component. Outside of Ghana, India offers some lessons on putting sanitation high on the political agenda: the 5-year Swachh Bharat (or Clean India) campaign still has a long way to go and is struggling to meet many of the ambitious targets, but has already spurred huge political and financial investment in sanitation and the drafting of new policy documents for urban sanitation. India is evidentially a very different context: sanitation is a state responsibility with centralised decision making which is in sharp contrast to Ghana's decentralised institutional environment. This said, the pace of change and public awareness that has been created from prioritisation of sanitation at the highest level from Swachh Bharat is noteworthy.

It is clear that no one intervention will succeed alone and political prioritisation must seek to target a package of interventions along the service delivery chain. Fiscal incentives and the political spotlight must compliment other interventions such as the provision of capacity packages in terms of financial, technical and marketing aspects, more compliance and enforcement of existing legislation and better market regulations.

²⁶ Palm oil; cassava; garment and textiles; salt

6. Strengthening sanitation SMEs in Ghana: the role of key actors

This section outlines study recommendations for key actors in strengthening sanitation SMEs in Ghana.

6.1 National government

The role of governments vis a vis creating a business climate is to create an enabling environment for business to thrive. Specifically, we suggest the following:

6.1.1 Government support and prioritisation

The newly created MSWR is a significant first step in prioritising sanitation in Ghana. However as a new Ministry, it will need to call upon some allies for support. We suggest that there is a real need for the MSWR to engage with and lever more established Ministries such as the MoF, MoTI, MoH and MoE who are potential allies and have more capacity and influence to deliver effective solutions. There is widespread recognition that SMEs are the engine of growth in Ghana but specific measures need to be put in place to ensure any interventions with respect to sanitation enterprises specifically target SMEs, so that they are not dwarfed by larger companies. Such measures might include fiscal incentives to specifically support SMEs; ring-fencing funds or activities only for SMEs; and supporting the development of an association for sanitation (liquid waste) SMEs, such that MMDAs can better liaise with these service providers.

6.1.2 Creating the right package of financial arrangements

Certain fiscal arrangements will benefit some actors over others (see Table 5). There is an argument for the entire sanitation sector to be considered for fiscal incentives given the parallels with the waste management sector who already benefit from fiscal concessions. However, for financial arrangements to benefit SMEs serving LIUCs rather than the larger waste management companies, specific arrangements are likely to be needed. These may include: access to credit and business planning support for sanitation SMEs; fiscal exemptions capped at a certain income level; fiscal exemptions of sanitation products that are better suited to LIUCs (i.e. pour flush technologies such as the SaToPan, or container based solutions); VAT refunds for selected sanitation businesses or sectors; and faster MMDA procurement payments for SMEs in general. These packages should also be attentive to how these interventions will both 1) boost the sanitation SMEs and 2) transfer real cost savings to customers in LIUCs.

- **Mobilise funding and resources**, specifically for sanitation: for example, the National Sanitation Fund and dedicated Environment and Sanitation Agency promised in the 2017 Budget.²⁷
- **Strengthen the legal and regulatory framework**. A clear and transparent policy and regulatory framework helps to ensure a stable and business friendly environment that can encourage investment in the sanitation sector. It would be productive for the national government to work with the other

²⁷ GoG 2017

actors—including local government and implementing agencies, supporting institutions, civil society organisations, service providers and international donors—to ensure that any future reforms encourage investment and do not hinder development. This is particularly relevant for some of the more innovative sanitation products and services.

- **Create easier tendering and procurement procedures and policies**, such as developing PPP agreements that are specifically tailored to SMEs; improve procurement processes and training of procurement bodies to ensure funds are transferred in a timely manner.

6.2 Local government and MMDAs

Local government can support the participation of SMEs in the sanitation sector in the following ways:

- **Improve accountability and performance management of public procurement and payment at MMDA level**, including KPIs i.e. monitor MMDA effectiveness around on-time payment and efficient procurement of SME services.
- **Develop the legal framework and enforcement mechanisms of bye-laws that incentivise good behaviour**, thus making MMDA-level enforcement more effective.

6.3 Business support institutions

Here we group several supporting institutions such as the NBSSI and GIPC but also sector and representative associations such as the Coalition of NGOs in Water and Sanitation (CONIWAS), ESPA and private incubators or accelerators. Each has a specific role to play through the life cycle of SMEs:

- **Identify new business opportunities** and areas for investment (incubators, NBSSI, GIPC, representative associations).
- **Provide incubation and acceleration support** for new SME businesses.
- **Provide an interface** between the different actors and coordinating efforts within the sector, to identify and **broker business opportunities and potential partnerships**. Micro and smaller SMEs in particular may lack the necessary skills to develop these partnerships and are likely to require support to fulfil this role.
- **De-risk sanitation businesses** in Ghana, by working through the actual and perceived risks of investing in sanitation and connecting potential partners. This is seen as one of the roles of the Toilet Board Coalition.²⁸

6.4 International donors

The international donor community can play a strong role in supporting national actors to strengthen sanitation SMEs, specifically around developing an enabling environment for PPPs. These measures include:

- Provide capacity support to the MSWR, such as support with **financial forecasting** and raising awareness within the Ministry of PPP opportunities for sanitation.
- Provide capacity support to SME private operators in the **bidding process** and in their own **financial management**.
- **Raise awareness and provide incentive mechanisms (guarantees) to**

²⁸ The Toilet Board Coalition 2016

local banks and finance institutions to de-risk loans to SMEs in sanitation.

- **Adopt innovative investment mechanisms** for sanitation infrastructure including blended finance and output based financial support to SME private operators.

In partnership with implementation agencies (i.e. MFIs, commercial banks for SMEs) and the national government, support the **creation of a fund** to offer more accessible loans and business support training to sanitation service providers serving LIUCs.

6.5 Finance institutions

The key role for the finance institutions is to work with partners (for example donors, government and funding agencies) to **provide banking and affordable credit services** to SMEs in sanitation. This includes both micro-finance institutions and commercial banks and should be supported with appropriate training and business development support packages to the businesses accessing loans.

6.6 NGOs and civil society organisations

Here we list areas of action for NGOs and civil society organisations, including potential advocacy activities to encourage SMEs to target LIUCs:

- **Advocate for the availability of pro-poor products and services in LIUCs** in any future revisions of sanitation policy, regulatory or fiscal strategy. Products which specifically address the needs and interests of the poor, as well as the buying power of the poor, are usually not well known or understood.
- **Articulate the similarities and differences between sanitation and solid waste management in Ghana** to help align sanitation with environmental groups who are better organised and receive tax exemptions.
- **Articulate the need for business support for SMEs in sanitation.** Specifically, businesses need to get advice and support on how to de-risk their business towards financiers – potentially through geographical mandates (e.g. concession contracts for constructing toilets).
- **Engage and support local government.** This is already an area where WSUP is leading some efforts in Kumasi Metropolitan Area (KMA) and Ga West. WSUP has supported the review and update of MMDA bye-laws to include compound sanitation, instituted sanitation court days, implemented a moratorium for sanitary offenders, and trained EHOs and prosecutors. The next steps would be to expand these efforts to other MMDAs, and to share these leanings more widely.
- **Engage with the national and policy debate** around feasible and appropriate fiscal concessions for the sanitation sector (MSWR); maintain a dialogue re pro-LIUC policy and regulations, especially with respect to innovative technologies such as container based sanitation services, how and where they might be a viable temporary solution and how any real or perceived risks can be managed; engage with national SMEs policy dialogue, specifically the MoTI cross-sector SME policy (2017).
- **Engage and broker partnerships** between existing incubators and accelerators who can extend their services to sanitation SMEs; with existing national structures—specifically the ESPA and the NBSSI—to identify any capacity and resource gaps regarding association representation to

sanitation (excreta management) enterprises (the NBSSI could also help associations draft byelaws that are in the interest of its members); and with actors who can bring alternative and innovative financing models to sanitation enterprises in Ghana.

Table 5: Practical interventions to support sanitation SMEs

	Donors	National government	Local government	Local financial	Supporting institutions	NGOs
Start-up finance	Work to de-risk sanitation through guaranteed loans; subsidise interest rates. Mobilise funding for sanitation				Broker partnerships between SMEs and available capital and relevant initiatives	
			Provide or channel affordable access to credit			
Fiscal incentives	Support national governments on financial planning	Create fiscal incentives for SMEs and LIUCs				Articulate the sanitation need; engage with the national dialogue; advocate on behalf of LIUC and SMEs
Timely payments	Support national and local governments on procurement procedures and systems	Improve procurement processes and ensure timely payments		Use ICT for faster payments		
Incubation training and support	Develop SME capacity for PPP tendering	Easier tendering for PPPs		Provide training and business support for start-ups and SMEs		Broker partnerships between SMEs and incubators; accelerators
Representative association		Support the creation of a dedicated association for sanitation SMEs	Work with SMEs and their representative associations to update and develop byelaws		Support the creation of a dedicated association for sanitation SMEs	
Supportive policy and regulatory environment	Support national governments on PPP opportunities	Ensure a clear and transparent policy and regulatory environment to encourage business	Develop legal framework and enforcement mechanisms to incentivise good behaviour		Work with SMEs and their representative associations to update and develop bye-laws (for example NBSSI)	
Making sanitation a political priority	Support national government with new Ministry of Sanitation and Water Resources	Engage with and leverage other Ministries with shared priorities	Support to MSWR in new Ministry		Articulate the sanitation need; engage with the national dialogue; advocate on behalf of LIUCs; support under-resourced actors	

Key:

Dark blue = financial mechanism; Light blue = non-financial mechanism

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