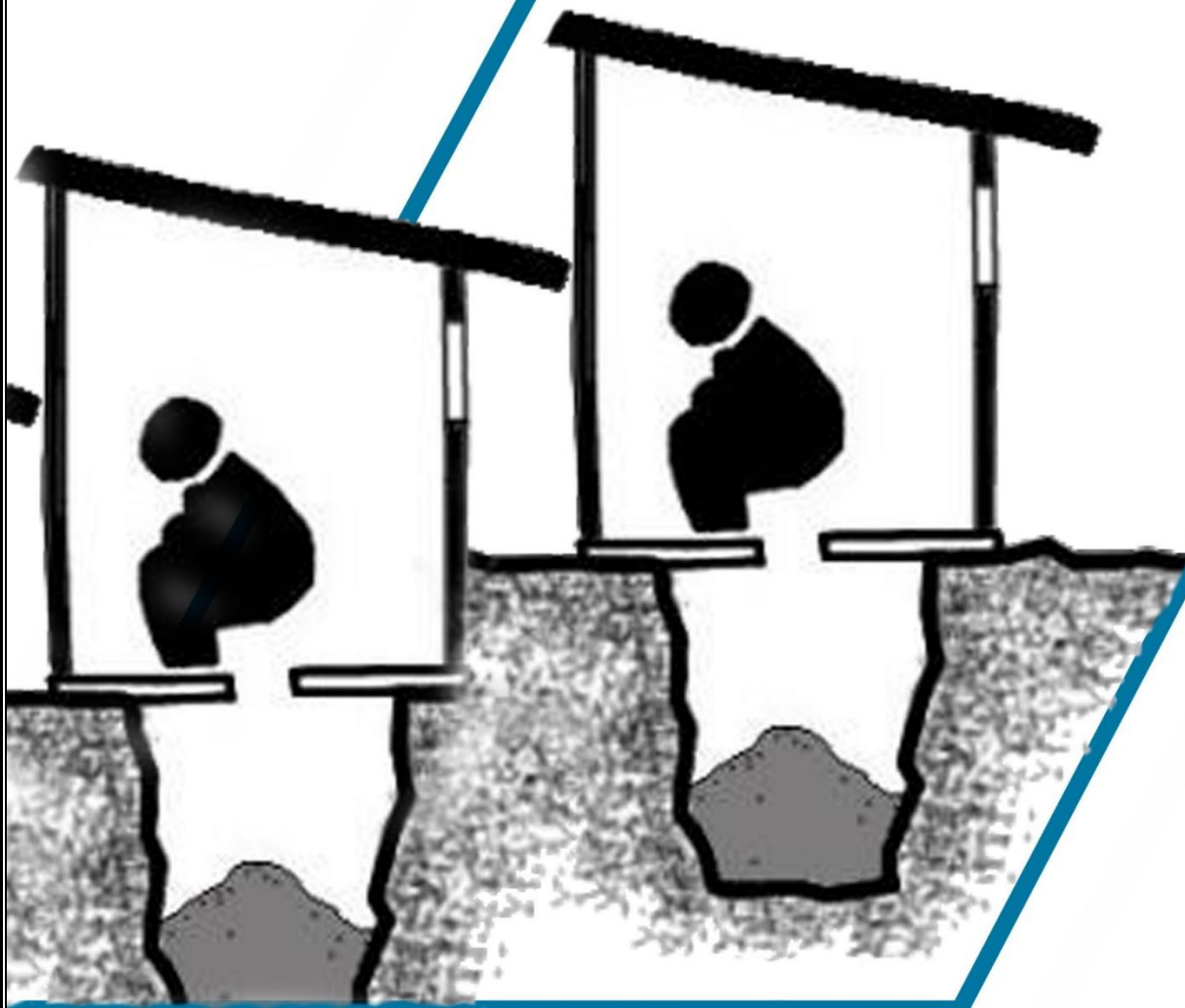


DISTRICT SANITATION FUND



TOOLKIT

TABLE OF CONTENTS

SECTION 1.0: THE DISTRICT SANITATION FUND (DSF)	5
1.1 OVERVIEW	5
1.2 PURPOSE OF THE TOOLKIT	5
1.3 ORGANISATION OF THE TOOLKIT	6
SECTION 2.0: ESTABLISHMENT AND OPERATIONALISATION OF DSF	7
2.1 INTRODUCTION	7
2.2 COMPONENTS OF THE DSF	7
2.3 ESTABLISHING THE DSF	7
2.4 LEGAL STATUS	7
2.5 SOURCE AND MANAGEMENT OF FUNDS	7
2.6 SUSTENANCE AND BUILD-UP OF FUNDS	8
2.7 MONITORING AND REPORTING	12
SECTION 3.0: CONCEPT OF A 'REVOLVING' FUND AND ITS MODALITIES	13
3.1 DEFINITION	13
3.2 ESTABLISHING THE SANITATION REVOLVING FUND (SRF)	13
3.3 BENEFICIARIES	13
3.4 USES OF THE FUND	14
3.5 BUILDING UP THE SRF FOR SELF-SUFFICIENCY	14
3.6 MANAGEMENT AND ADMINISTRATION OF THE SRF	14
SECTION 4.0: OPERATIONALIZING THE SRF	15
4.1 OVERVIEW	15
STAGE 1: APPOINT THE FUND MANAGER	15
STAGE 2: DEVELOP THE BUDGET AND FINANCIAL PROJECTIONS	16
STAGE 3: FACILITATE ENGAGEMENT WITH ON-LENDING INSTITUTIONS	16
STAGE 4: MONITOR AND EVALUATE THE DISTRICT SANITATION REVOLVING FUND	18
SECTION 5.0: MANAGING RISKS OF THE REVOLVING FUND	19
5.1 INTRODUCTION	19
5.2 SCHEDULE OF RISKS AND THEIR MITIGATING ACTIONS	19
APPENDIX	21
APPENDIX 1: QUESTIONNAIRE TEMPLATE	22
APPENDIX 2: ACTION PLAN TEMPLATE	24
APPENDIX 3: MANDATE TEMPLATE	25
APPENDIX 4: TERMS OF REFERENCE TEMPLATE	27
APPENDIX 5: PERFORMANCE CONTRACT TEMPLATE	28
APPENDIX 6: FUND MANAGER ASSESSMENT CHECKLIST	30

APPENDIX 7: BUDGET TEMPLATES	31
APPENDIX 8: FUND MONITORING TEMPLATES	33
APPENDIX 9: DISTRICT SANITATION FUND (DSF) MANAGER REPORTING TEMPLATE	34
APPENDIX 10: COMPOSITION, QUALITIES AND SKILLS OF THE BOARD OF TRUSTEES	35

GLOSSARY

Agreement	A contract or promise
Allocation	To set apart or assign funds for a particular purpose
Artisans	People who do skilled work with their hands
Capital	The total amount of money or wealth used to start-up a project or business
Disbursement	To pay out a sum of money from a fund
Donor	An organizations or body that donates money at less or zero rate
External financing	Money obtained from outside the domain of district assemblies and is typically donor-sourced
Fund	A sum of money on which an enterprise is founded or on which the expenses of a project are supported
Fund Manager	A microfinance, rural bank or financial institution tasked to manage a fund upon agreeing to underlying terms
Household	The people who live together in a house, making up a family or domestic establishment
Inflation	A general increase in the level of prices accompanied by a fall in the purchasing power of money
Interest	This is the charge for the privilege of accessing money from a fund
Latrine	Household toilet facility
Liabilities	A debt or obligation
Modalities	The way or mode in which something exists or is done
Obligations	A duty or legal commitment
Operationalization	Able or ready to work and perform an intended function
Partners	The organizations or people who are jointly implementing or run a project or business together
Portfolio	A list of the investments or securities held by financial institutions
Premiums	An extra sum added to interest
Sanitation	Measures taken to promote and preserve the usage of standard household or public latrines
Stewardship	The task of managing another organization's property and affairs
Sustainability	Is the property of a revolving fund to remain diverse and productive indefinitely
Trustees	A group of people who manage money or property for someone else
Vulnerable	Household easily hurt or harmed physically by poor hygiene and sanitation practices.

SECTION 1.0: THE DISTRICT SANITATION FUND (DSF)

1.1 Overview

An estimated 19% practice open defecation in Ghana¹. The application of this proportion on the estimated 5,467,136 households comes to **1,038,755** households without household latrines. The problem is, a number of these households do not earn enough money to make one-off investments in the acquisition of household latrines. As a result, many of them will continue to openly defecate and or turn to the use of unsafe toilet facilities.

Due to the high borrowing and lending rates in Ghana coupled with a generally poor portfolio quality of the microfinance environment, financial service providers (who are best poised to facilitate investment in sanitation) are reluctant to go into sanitation financing without direct government and development partner interventions. Meanwhile microfinance institutions are the main source of funding for many households, artisans and other small businesses in Ghana.

To overcome this challenge, the government of Ghana, UNICEF, and other stakeholders are introducing alternative sources of funding including the District Sanitation Fund and Community Based Financing Schemes to support households to construct latrines as well as the facilitation of savings goals towards the building of latrines.

The District Sanitation Fund (DSF) is a type of sanitation financing facility established by the District Assemblies Common Fund Act 455, which is aimed at providing financial support for the construction of household latrines in targeted districts. This financial support is divided into two (2) sub funds; the Revolving Fund and the Social Fund. The Revolving Fund provides capital for financial institutions that are interested in lending to households and artisans in the acquisition and building of household latrines. The Social Fund serves as a source of funding targeted at the vulnerable and qualifying poor households in the acquisition of household latrines.

1.2 Purpose of the Toolkit

This toolkit has been designed to be used by representatives of the District Assemblies (DAs), Business Development Partners (BDP), Microfinance Institutions (MFIs), NGOs and other interested parties. The accompanying guidelines are focused on establishing and operationalization of a District Sanitation Fund (DSF) with particular focus on the Sanitation Revolving Fund (SRF). For the operationalisation of the Social Fund (SF) please refer to the Social Fund Toolkit.

The toolkit presents user-friendly instructions on how to operationalize a District Sanitation Fund (DSF), to keep it effective and sustainable. It contains sample templates and tools to be used for the administration of the fund. The tool also serves as a reference document for Implementing Partners in monitoring the impact of the DSF.

While this toolkit may apply to other situations, it is specifically designed for Ghanaian circumstances and may have to be adapted to fit different locations. As policies and the regulatory framework in the country evolve, this toolkit should be updated to accommodate the new conditions.

¹ WHO/UNICEF JMP, 2015

1.3 Organisation of the Toolkit

The toolkit is organised into five (5) sections. **Section 1** presents an overview of the District Sanitation Fund. **Section 2** describes the establishment of the District Sanitation Fund (DSF) operating as a Sanitation Revolving Fund (SRF) and provides the background on which the SRF would be established. **Section 3** highlights the Concept of a Revolving Fund and its Modalities. **Section 4** presents the steps involved in Operationalizing a SRF. **Section 5** presents risk factors associated with operating a SRF. The **Appendices** presents templates to be used in Operationalizing the SRF.

SECTION 2.0: ESTABLISHMENT AND OPERATIONALISATION OF DSF

2.1 Definition

The District Sanitation Fund (DSF) is a type of sanitation financing facility established by the District Assemblies Common Fund Act 455, which is aimed at providing financial support for the construction of household latrines in targeted districts.

Sub-section 4 of section 1 of the Act indicates that Parliament shall approve the formula for the disbursement of the funds to the districts. Disbursements from the fund targeted at social intervention programmes are referred to as indirect transfers. Sanitation is among the programmes supported by indirect transfers².

The establishment of the District Sanitation Fund (DSF) is timely in providing sanitation funding options for households and individuals in targeted districts through financial service providers.

2.2 Components of the DSF

The DSF comprises two (2) types of funds based on their respective purpose and functions. These are: The Sanitation Revolving Fund and The Social Fund.

- a. **The Sanitation Revolving Fund (SRF):** The Sanitation Revolving Fund will be created out of the DSF for on-lending to households and artisans towards the constructing of household latrines in targeted districts.
- b. **The Social Fund (SF):** The specific aim of the Social Fund (SF) is to reach the poor and vulnerable households with financial and non-financial support to ensure that these households are not deprived of the acquisition and use of improved household latrines.

2.3 Establishing the DSF

The establishment of the DSF will begin with the formation of the Interim District Sanitation Fund Committee (IDSFC) through to the appointment and handing over to members of the Board of Trustees (BoT). The BoT is envisaged to be a body of selected members who will jointly oversee the activities of the DSF and would play a critical role of guarding the appropriate management, protection, and maintenance of the core purpose of the fund. Appendix 10 presents the expected composition, qualities and skills of the BoT. The processes leading to the establishment of the fund are discussed in sub-section 2.8

2.4 Legal Status

The fund will draw its legal backing from the District Assembly's Common Fund Act 455 and The Ghana Social Protection Policy (SPP) that serves as a framework for the LEAP programme.

2.5 Source and Management of Funds

The main source of funding for the District Sanitation Fund (DSF) will be the allocation of 2% of the District Assemblies Common Fund (DACF). Additional contributions to the fund include: Internally

² <http://www.commonfund.gov.gh>

Generated Fund (IGF) of the District Assemblies, Corporate Bodies and Development Partners. A Board of Trustees, made up of representatives from the Assembly, CONIWAS, MFIs and other development partners, will manage the fund.

2.6 Sustenance and Build-up of Funds

With the background of two (2) distinct funds, building up the funds in the DSF will require the following approaches:

1. Capital injection by the government through the District Assembly's Common Fund (DACF) and support from donor agencies, NGOs and investors.
2. Growth of the fund through the accumulation of interest charged on loans. This approach is targeted at subscribers of the RF.

The DSF is expected to be self-sufficient and self-sustaining after an initial period of operationalization. Its capital is expected to achieve and remain at a constant average without the need for any further external financing. The SRF will be the main driver towards self-sufficiency through the accumulation of interest and other administrative charges.

Identified factors envisaged to affect the operation of the RF will be: Interest rates (for lending and/or borrowing); premiums; administrative expenses; payments/repayments (and failure to make them); inflation and liabilities.

To ensure that the SRF is self-sufficient and sustainable, appropriate measures would be required to appraise and monitor these factors effectively.

2.7 Stages in Establishing and Operationalising the DSF

This sub-section presents key activities to be undertaken at each stage of the formation and operationalisation of the DSF.

Stage 1: Form the interim District Sanitation Fund Committee (IDSFC)

Stage 2: Collect Data on Targeted Beneficiaries

Stage 3: Engage with the District Executive Committee (DEC)

stage 4: Establish the DSF

Stage 5: Form the Board of Trustees (BoT)

Stage 1: Form the interim District Sanitation Fund Committee (IDSFC)

The formation of the Interim District Sanitation Fund Committee is the first initiative towards the establishment of the DSF. The IDSFC will act as the body to kick-start the process of identifying the targeted population of beneficiaries within the district. They will also be in charge of orienting the District Executive Committee (DEC) on the concept and establishment of District Sanitation Funds to obtain their buy-in. Finally they will form, inaugurate and hand over to the Board of Trustees (The Board). Implementing Partners shall lead the process of forming the Interim District Sanitation Fund Committee.

The detailed formation process, led by the implementing partners, are discussed below:

STEPS	ACTIVITIES TO BE UNDERTAKEN	REQUIRED TEMPLATE/ CONSIDERATIONS
Step 1	REVIEW the composition of the IDSFC and contact the potential members of the committee.	Ideally, members of the committee should be composed of representatives from the following departments/organizations: • Business Advisory committee (BAC)/NBSSI; • Environmental Health and Sanitation Department; • Social Welfare Department; • Works Department; and • Representative of Financial Institutions/NGO
Step 2	HOLD a one-(1)-day session to orient the IDSFC by introducing the concept of the DSRF to the committee and orient them on their core mandate	The mandate of the IDSFC include: • To identify beneficiaries of the fund and orient the District Executive Committee (DEC) to obtain their buy-in on the need for the establishment of the District Sanitation Fund. • Form, inaugurate and orient the Board of Trustees (BoT).

Stage 2: Collect Data on Targeted Beneficiaries

Data collection of the target beneficiaries is very crucial in the engagement process for the following reasons:

- To identify the targeted beneficiaries;
- To categorise them into groups for targeted support;
- To unravel the cost of construction of a household latrine in the various communities.

The IDSFC must engage a consultant to undertake the following activities:

STEPS	THINGS TO DO	REQUIRED TEMPLATE/ CONSIDERATIONS
Step 1	DEVELOP questionnaires to assess the financial status of targeted communities.	• Questionnaire Template

Step 2	IDENTIFY ODF and ODF basic communities to administer the questionnaires	NOTE that, the assessment is not meant to be an extensive survey but a quick exercise to provide the committee with a general understanding of potential households within the communities for the intervention
Step 3	Administer the questionnaire to SHGs and households ORGANIZE a Focus Group for the discussions as well as undertake key informant interviews with opinion leaders that are carefully selected for balance. LIAISE with key contacts in the community to assist in getting into contact with respondents for the Focus Group.	Each focus group discussion will take 45 to 60 minutes. Plan to conduct multiple assessments to ensure a good sampling of communities
Step 4	ANALYSE and select area of intervention	Once the assessment is completed, the IDSFC will analyse the data and select specific communities, households and self-help groups for intervention

Stage 3: Engage with the District Executive Committee (DEC)

Engagement of the DEC to obtain their buy-in is very critical in the fund establishment process. The IDSFC should undertake the following:

STEPS	THINGS TO DO	REQUIRED TEMPLATE/ CONSIDERATIONS
Step 1	HOLD a meeting with the DEC and present the background and purpose of the proposed DSRF.	- The presentation should highlight the following: - The importance and benefits of the DSF - The role of the DEC in providing oversight for the fund.

Stage 4: Establish the DSF

The committee is expected to identify potential contributors and invited them to contribute to the fund. The following steps should be undertaken.

STEPS	THINGS TO DO	REQUIRED TEMPLATE/CONSIDERATIONS
Step 1	LIST all potential contributors to the fund	The District Assembly's Common Fund (DACF); a percentage of the Internally Generated Funds (IGF); Development Partners (DPs); NGOs and Private Corporate Institutions and Individuals
Step 2	SEND invitation letters to the potential contributors to a half day sensitisation session	ENSURE the Assembly's contribution to the fund has been set aside. This will encourage potential contributors to participate.
Step 3	SET-UP a bank account for the fund and deposit the Assembly's contribution in it. The chairman of the interim committee, the District Coordinating Director and the District Finance Officer should be the signatories to the account	
Step 4	FACILITATE the sensitisation session and explain the functions of the fund to the potential contributors.	Explain the importance of an ODF district and the benefits they each will derive from it. Explain to them how much money the Assembly is expecting to raise and how much the Assembly has been able to raise. Set a timeframe within which you will contact them for their feedback.
Step 5	SEND reminders to the potential contributors a week before the set time	Chairman of the interim committee should always ensure that the
Step 6	DEPOSIT all funds received into the bank account	

Stage 5: Form the Board of Trustees

The purpose of the Board of Trustees (BoT) is to provide oversight and ensure that the fund fulfils its objectives and remains viable for the future. The Board is to comprise representatives of government (from the district), Development Partners and Corporate Institutions. The following steps should be taken in forming the Board:

STEPS	THINGS TO DO	REQUIRED TEMPLATE/CONSIDERATIONS
Step 1	SELECT and appoint individuals to serve as members of the "Board of Trustees" from respective stakeholder groups (government represented by MLGRD, DP representation, private sector representation,	Board of Trustees Mandate

	non-governmental organizations working in WASH) to have responsibility for ensuring the mandate of the DSF is adhered to.	
Step 2	SENSITIZE the Board on the DSRF.	The Interim District Sanitation Fund Committee (IDSFC) shall facilitate the sensitisation session.
Step 3	HAND-OVER the oversight responsibility of the DSF to the Board.	Terms of Reference for Board Members.

2.8 Monitoring and Reporting

The DSF has financial relationships with the financiers and the users of the fund which entails obligations to make payments or repayments and to submit reports. The financial reports shall include Profit or Loss and Cash Flow statement, with a detailed Portfolio Report. These reports shall indicate an overview of sources, applications of funds and a Balance Sheet approved by the Board of Trustees (BoT) and an external auditor. The reports shall be presented on a quarterly basis and the annual reports presented within three (3) months of the end of the financial year.

SECTION 3.0: CONCEPT OF A 'REVOLVING' FUND AND ITS MODALITIES

3.1 Definition

'Revolving Fund' is a term used to describe capital (funds) raised for a specific purpose, made available to the same users more than once. The term 'Revolving' stresses a critical feature of the fund: the fund's resources circulate between the Fund and its Users. Revolving funds are established with the intention that they would be self-sufficient and sustainable³. The Sanitation Revolving Fund (SRF) as indicated in the previous section applies the concept of a Revolving Fund, by making funds (loans at low interest rate) available to households and artisans towards the uptake of household latrines.

3.2 Establishing the Sanitation Revolving Fund (SRF)

The SRF is established in order to promote the acquisition of household latrines in targeted districts through the provision of low-interest loans to groups of households and artisans. The fund is a component of the District Sanitation Fund (DSF), established by Act 455 of the Assemblies Common Fund Act. The following factors give credence for the operation of the RF:

- Money circulates constantly in the fund;
- Loans are used purposely for the construction and maintenance of latrines;
- The fund is sustained through interest/service charges on loans disbursed to clients;
- The RF account is maintained separately from the component of the DSF fund (i.e. the Social Fund);
- The RF has outlined criteria for qualifying applications to use the fund;
- On-lending interest rates are controlled to ensure the objectives of promoting sanitation in the district is not defeated;
- The SRF has a clearly defined management structure.

3.3 Beneficiaries

The two (2) main beneficiaries of the SRF are households and artisans.

Households: Individual households that will demonstrate their ability to repay the facility; and Self Help Groups (SHGs) consisting of members from households needing assistance for constructing household latrines will be created. The selected financial institution will on-lend loans from the SRF to the households; and SHGs which in turn lends (based on locally agreed principles for lending and recovery) to individual applicants (representatives of households). The maximum amount to be received by each applicant would be determined and reviewed periodically. The financial institution has the responsibility of ensuring that the individual households repay the loan advanced to them. The SHG has the responsibility of ensuring that the recipients of the fund return the loan amount for further disbursement to newly motivated households.

Artisans: The SRF will **not** serve as seed capital for "asset financing" of artisans such as providing loans to artisans for the acquisition of tools and equipment. However, the fund shall consider latrine construction financing under "**purchase order financing**". Under the purchase order financing, an artisan who has received orders from households to construct latrines financed under either the SRF

³ Guidelines on Revolving Funds for community managed water supply schemes and construction of household toilets in urban slums in Madhya Pradesh, India

disbursed by an MFI or the Social Fund would receive financing needed to install the household latrines.

3.4 Uses of the Fund

1. The fund shall be used to finance the construction and maintenance of household latrines in targeted communities;
2. The fund shall not be used to refinance existing debt;
3. The fund shall not be used for investment in agriculture or any income generating activity.

3.5 Building up the SRF for Self-sufficiency

The SRF is the main driver of the DSF towards sustainability. It therefore survives on the policies surrounding the building of the DSF which is through capital injection from the DACF and other donors; and interest from loans disbursed.

3.6 Management and Administration of the SRF

Management of the SRF will be at three (3) levels:

1. Board of Trustees (BoT) at the District Assembly Level that will receive quarterly reports on the targets and performance of the Fund;
2. Fund Manager who will have responsibility for ensuring the allocation of the funds to microfinance institutions, will receive monthly reports on the performance of the fund;
3. Financial Service Providers (FSPs) that will have direct responsibility for on-lending to households and artisans.

It is envisaged that in some instances the Fund Manager could also be the same institution providing direct lending to the qualifying households and artisans.

SECTION 4.0: OPERATIONALIZING THE SRF

4.1 Overview

This section presents the key steps to take in establishing and operationalizing a Sanitation Revolving Fund (SRF). The steps can be summarized under a 4-stage model presented below:

Stage 1: Appoint the Fund Manager

Stage 2: Develop the Budget and Financial Projections

Stage 3: Facilitate Engagement with On-Lending Institutions

Stage 4: Monitor and Evaluate the District Sanitation Revolving Fund

Stage 1: Appoint the Fund Manager

The following steps should be taken by the BoT in selecting a Fund Manager for the SRF:

STEPS	ACTIVITIES TO BE UNDERTAKEN	REQUIRED TEMPLATE/ CONSIDERATIONS
Step 1	DEVELOP a Fund mandate to spell out the general management and administration of the RF.	Mandate Template (Appendix 3)
Step 2	INVITE tenders from Fund Managers through the Advertisement of an Expression of Interest (Eoi).	- The Expression of Interest (Eoi) shall be advertised in at least one national daily newspaper and all other effective communication channels. - Tender documents and requirements
Step 3	REVIEW submitted tenders after the deadline indicated in the Eoi to decide on the Fund Manager.	The BoT shall shortlist the Fund Manager based on the benchmark provided in the Fund Manager Assessment Checklist (Appendix 6).
Step 4	INTERVIEW shortlisted Fund Managers	The BoT should constitute an interview panel. The panel should include experienced fund managers and financial experts.

Step 5	APPOINT a Fund Manager to have direct responsibility for the management of the SRF.	Terms of Reference Template (Appendix 4)
Step 6	CONDUCT an orientation session for the Fund Manager on the Purpose of the SRF.	The SanMark Intervention Objectives

Stage 2: Develop the Budget and Financial Projections

The Fund Manager should adopt the following steps towards the development of the budget and financial projections for financing household latrine projects under the SRF:

STEPS	ACTIVITIES TO BE UNDERTAKEN	REQUIRED TEMPLATE/ CONSIDERATIONS
Step 1	QUANTIFY the number of households without latrines and develop projections in support of the Sanitation Revolving Fund (SRF) showing growth and sustainability trends for at least 3 years.	- Household Analyses - Financial Model Template
Step 2	DEVELOP budget on the amount to be made available to the SRF.	Budget Template (Appendix 7)

Stage 3: Facilitate Engagement with On-Lending Institutions

All the activities to be undertaken at this stage will be done with support from the BoT. There is the need to select financial institutions operating in the districts, that will be provided with on-lending funds. In performing a facilitative role, the following activities should be undertaken:

STEPS	ACTIVITIES TO BE UNDERTAKEN	REQUIRED TEMPLATE/ CONSIDERATIONS
Step 1	IDENTIFY existing MFIs in each of the Districts.	
Step 2	INVITE AND CONDUCT introductory/orientation sessions for identified Financial Service Providers (FSPs) in the respective districts on the potential for supporting them with funding and technical assistance to support sanitation financing.	Investment Case (Sanitation Financing)
Step 3	GENERATE a list of interested MFIs that are willing to partner with District Assemblies to facilitate sanitation financing on the terms of reaching a predetermined number of households.	
Step 4	INVITE, ASSESS AND/OR APPRAISE AND SELECT interested FSPs and shortlist those that qualify for the on-lending facility.	- The BoT shall develop terms and conditions that will be used for beneficiaries for on-lending. The criteria will focus on the following: - Type of Latrine

		○ Amount required by household; ○ Loan duration; ○ Repayment frequency (for clients) ○ Applicable interest rates. ○ Conditions for Default (defaulting penalties) • Invite interested MFIs through an Expression of Interest (EoI) to participate. • Assess applications received and shortlist qualified MFIs. • Invite shortlisted MFIs for a short interview. • Select MFIs, especially those with a social mission to serve as partner MFIs.
Step 5	ENGAGE with <i>interested</i> MFIs/FSPs through the signing of Memorandum of Understanding (MoU) on the funding and technical assistance partnership.	• Memorandum of Understanding (MoU) • The agreement should include terms and conditions for assessing on-lending funds, including performance and exit conditions.
Step 6	DEVELOP training materials to be used to train financial service providers.	• The training materials that shall be used in training financial services providers shall be developed to address the sanitation needs identified in the district. • As part of mechanisms for quality control, the BoT will ensure the content is consistent with existing sanitation conditions. • The BoT will engage a consultant to provide capacity building to the selected FSPs, in line with predetermined requirements.
Step 7	PROVIDE series of technical assistance interventions – training and hands on support for product development, appraisals and monitoring focused on financing household latrine acquisition, latrine improvements, repairs and incremental latrine construction.	• The training roll-out shall be implemented taking into consideration the busy schedules of the selected FSPs. • Each institution, (based on their staff strength) shall present three (3) officers for the training sessions. This is to ensure that the resignation of an officer does not impact negatively on the intervention. • A training evaluation shall be conducted at the end of each training and the findings used in refining the training materials for subsequent training programmes.

Step 8	PROVIDE partner FSPs with support to develop an action plan to roll out sanitation financing in their targeted communities/districts.	Action Plan Template (Appendix 2)
Step 9	PROVIDE partner FSPs with support to develop projections on number of households to reach and projected loan sizes using customized template.	Financial Projection Template
Step 10	CONSOLIDATE the required amount and determine consolidated funding requirement.	Financial Projection Template
Step 11	RECEIVE AND PROCESS funding request from various on-lending FSPs.	Funding Request Form
Step 12	DISBURSE funds based on actual projections received from partner FSPs on number and value of disbursement.	- Fund Manager should ensure that funding provided through the revolving funds by FSPs for VSLAs and Artisans are charged at a rate above zero but lower than the prevailing interest rate. - Specific regulations should cover the operation of the fund with respect to on lending to households and sanitation businesses. This shall include (not exhaustive): - criteria for selection of beneficiaries, - loan limits, - service charge, - duration of the repayment period, - Percentage contribution to the fund from the loan recovery. - Defaulting penalties

Stage 4: Monitor and Evaluate the District Sanitation Revolving Fund

Continuous monitoring shall be undertaken by the BoT to ensure that the Fund remains sustainable.

The following activities present a step-by-step approach to the monitoring process:

STEPS	ACTIVITIES TO BE UNDERTAKEN	REQUIRED TEMPLATE/ CONSIDERATIONS
Step 1	MAINTAIN a performance contract with the Fund Managers and ensure periodic reports are submitted to the BoT.	Performance Contract Template (Appendix 5)
Step 2	LINK fees of Fund Manager to the performance of SRF.	Set Fund managers fee in relation to performance of the Fund.
Step 4	REVIEW quarterly and annual report to be generated by the Fund	District Sanitation Fund Reporting Template (Appendix 9)

	Manager on fund utilization for Board and other contributors.	• Ensure annual audit of the operations of the Fund • Hold periodic review meetings (quarterly is proposed) to review the variances in the budget and indicators in the Report Template.
Step 5	TRACK the number of households that assessed the facility through the partner FSPs to ensure the funds were put to the right use.	• Fund Monitoring Template (Appendix 8). This should be used by the BoT to track the performance of the Fund Manager and the impact of the SRF on beneficiaries. • Monitor implementation of action plan. • Provide continuous support in line with action plans developed by partner FSPs.

SECTION 5.0: MANAGING RISKS OF THE REVOLVING FUND

5.1 Introduction

It is common to encounter risks in the operationalization of a revolving fund. Table 1 presents envisaged risks in operationalising the Sanitation Revolving Fund and mitigating measures in their occurrences.

5.2 Schedule of Risks and their Mitigating Actions

Table 1: Risk Management of the Sanitation Revolving Fund

Risk	Mitigating Action
• Since the SRF provides access to a flexible source of affordable financing, operating costs may exceed operating income, resulting in the erosion of the fund's capital base.	In order to sustain and grow the funds, the Fund Manager must ensure that the financial institution charges rates that would ensure appreciable margins on loans. They must also ensure financial discipline by means of operating a controlled budget.
• Inflation may contribute to capital base erosion.	The interest rates should be set so that the possible effect of inflation erosion is eliminated or reduced.
• Too many long-term loans could result in fewer new loans, slowing down the revolving mechanism and straining the fund.	There should be a balance in the loan terms to ensure regular inflows from repayment to cater for new loan application.
• The DSF will draw its funds from the contributions of the District Assemblies Common Fund, Internally Generated Fund of the DAs, Corporate Bodies and NGOs. It would, therefore, be challenging to attribute the results of the SRF to a particular contributor.	All contributors to the fund will all be recognized in the success of the fund.
• Risk of political interference in the approval of funds to SHGs and individual households, especially if the demand on the fund is high.	Ensure that the agreed criteria for accessing the funds is compiled and strictly adhered to by all stakeholders. There should be unannounced monitoring by the BoT to ensure compliance.

• Delays in disbursement of funds to beneficiaries due to a long approval process may slow down the uptake of latrine construction or acquisition.	The purpose of the intervention should be incorporated into the development of simple procedures and an efficient credit appraisal system. The requirements should be communicated to the intended beneficiaries when the fund is being advertised
•	
•	
• The fund could cease to exist after all households in the district have acquired latrines	In the event of a 100% latrine coverage in the district, the following may happen to the DSF • A portion/percentage of the fund shall be used for maintenance on latrines; • Donors as part of their commitment can channel part of their contribution into other social interventions.

APPENDIX

APPENDIX 1: QUESTIONNAIRE TEMPLATE

1.	District					2.	Community			
3.	Respondents Name:					4.	Sex (Please circle) 1. Male 2. Female			
5.	Respondents Telephone Number									
6.	House Number			7.	Is this community OD/F?		1.= Yes 2.= No			
8.	What is the sex of the household Head?			1.= Male 2.= Female						
9.	Age of head of household (years)									
10	Question		Response						Answer	
11	What is your main type of work?		1.= Wage employment/employee 2.= Self-employed with employees 3.= Self-employed without employees 4.= Contributing family worker 5.= Domestic employee 6.= Apprentice 7.= Casual worker 8.= Other (specify)_____							
12	Which employment sector are you employed in?		1.= Government (Public/Civil service) 2.= Semi-public/parastatal 3.= Private Formal 4.= Private Informal 5.= NGO/International organisation 6.= Others (specify)_____							
13	What is the main economic sector you are engaged in		1.= Agriculture and fishing 2.= Services 3.= Trading 4.= Building and construction 5.= Manufacturing 6.= Other (specify)_____							
14	Estimate monthly household income ? <i>Household income refers to income received either in cash (monetary income) or in kind (non-monetary income) by all the residents in a household. This includes not only wages and salaries but also all the income generated by other sources such as agricultural and non-agricultural activities, other monetary receipts such as pension, rental income, remittance received and returns from businesses or investments and any other irregular gains such as compensations, lotteries, etc.</i>									
	a. Wage									
	b. Salary									
	c. Remittances									
	d. Social Security									
	e. LEAP									
	f. Other									
	g. TOTAL									
15	Estimate monthly household expenses ? <i>Preferably ask expenditures per week if typical for that week (food, communication) or per month (electricity; interest payment, rent); Others per year. Double check whether it includes expenditures of all members of the household in particular respondent and</i>									

DISTRICT SANITATION FUND (DSF) TOOLKIT

	<i>spouse. Make assessment if needed for expenditures of spouse. Multiply weekly expenditures by 4 and divide yearly expenditures by 12 to make it monthly expenditures.</i>	
a.	Food and non-alcoholic beverage	
b.	Alcoholic beverage and tobacco	
c.	Clothing and Footwear	
d.	Housing (rent, including repairs and maintenance)	
e.	Water	
f.	Electricity	
g.	Candles	
h.	Firewood	
i.	Charcoal	
j.	Kerosene	
k.	Dry cell batteries	
l.	Health	
m.	Education (school fees, uniforms, books)	
n.	Transportation (incl. bus and taxi, fuel for vehicle)	
o.	Communication (mobile phones/internet)	
p.	Religious and social affairs/leisure activities	
q.	Gifts/Donation/Funeral	
r.	Misc./other expenses	
s.	TOTAL	

APPENDIX 2: ACTION PLAN TEMPLATE

[illegible]

APPENDIX 3: MANDATE TEMPLATE**1. Basic Team Information**

A. Name:	
B. Purpose:	
C. Type:	
D. Duration:	
E. Authority:	

2. Goals & Measures

Identify the goals, tactics and measures for the team. The measures should be “SMART” (Specific, Measurable, Achievable, Realistic, Time-bound.)

A. Goals: <i>What are the high level goals for the work group?</i>	B. Tactics: <i>What actions or tactics will be used to accomplish the goals?</i>	C. Measures: <i>What measures will be used to determine if the goals were met?</i>
E.g. Disburse fund appropriately		
E.g. supervise the work of		

3. Group Membership & Resources

A. How many members are necessary?	 members
B. What is the term (length of time) for serving in the team?	
C. What skills, experience, or expertise is desired?	
D. Board Liaison:	
E. Other Board members (if any):	
F. Group Chair:	
G. Group Secretary:	
H. Other members:	
I. What other resources are needed for the group?	

4. Communications:

How will community input be gathered?	How will other people learn about the efforts of the board?

General Framework for Operational Efficiency:

I. Frame the issue(s) clearly – *e.g. always keep the Purpose and Rationale in mind as your team conducts its business.*

Mandate presented for review and approval on (Date): _____

By (Name): _____ On behalf of _____ **District Sanitation Revolving Fund Oversight Board**

Title/Role (if any): _____

Approved by (Name): _____ Date: _____

APPENDIX 4: TERMS OF REFERENCE TEMPLATE

This template is designed to help you develop terms of reference for the Board of Trustees (BoT) at the District Assembly Level. The suggested headings and questions are not prescriptive but as a guide.

Name of group:

Title: Terms of reference (followed by date terms of reference written/revised)

Purpose/role of the group: for example

- What is the broad purpose/role of the group?
- When was the group established and by whom?
- What are the aims/responsibilities of the group?

Membership: for example

- Who is membership of the group open to?
- Are there any restrictions on numbers?
- How long is the period of membership and can it be extended?
- How is membership constituted?

Accountability: for example

- Are individual group members responsible for reporting back on activities of the group and if so to whom?
- Who is the group accountable to?

Review: for example

- How often will the group review the relevance and value of its work and the terms of reference?

Working methods/ways of working: for example

- What method/approach to working will you adopt (for example a shared learning approach)?
- Will any sub-groups be convened?
- What will your chosen working method involve in practical terms, for example with reference to:

Meetings for example

- How many meetings will be held each year and where will they be held?
- Who will organize and chair the meetings?
- How will topics for the agenda be generated?
- How and when will meeting papers be circulated?
- What will the format of meetings be, for example will they include small group discussions?
- Will non-members be invited to group meetings and if so, under what circumstances?
- Who will provide secretariat for the group?

Sharing of information and resources (including confidential materials) for example

- How will group members share information and resources?
- How will confidential materials and copyright issues be identified and dealt with?
- Will there be a web space for the group and if so, will it be password protected and who will be responsible for facilitating it?

Definition of terms

- Provide definitions of any key terms.

APPENDIX 5: PERFORMANCE CONTRACT TEMPLATE

This performance agreement is made this day of 20.....

Between: *Board of Trustees of the Sanitation Revolving Fund (Client)*

.....
(Full Address)

And **(Fund Manager)**, a registered Ghanaian financial institution, with its head office at

.....
[Name and full address]

In consideration of all mutual covenants contained in this agreement, the parties agree as follows:

1. **The fund manager.** Client hereby retains the fund manager and the fund manager hereby agrees to provide funds management services with respect financial asset of the Client in accordance with the terms and conditions hereinafter set forth.
2. **Client Authority:** The Client agrees to deliver to the fund manager all account forms and corporate resolutions or similar documentation evidencing the undersigned's authority to execute and deliver this Agreement. The Client also agrees to deliver such organizational documents and other documents, including the written statement of the Client investment objectives, policies and restrictions as the Advisor shall reasonably require. The Client further agrees to promptly deliver all amendments or supplements to the foregoing documents, and agrees that the fund manager will not be liable for any losses, costs or claims suffered or arising out of the Client's failure to provide the Advisor with any documents required to be furnished hereunder. The Client warrants and represents that it owns all property deposited in the Account and that no restrictions on disposition exist as to any such property.
3. **Fund Manager Authority:** The Manager will manage the Account with complete discretion, in accordance with the investment policy statement dated _____, which, among other things, outlines the Client's funds management needs and objectives, financial circumstances and risk tolerance, and any amendments thereto that have been acknowledged in writing by both the Manager and the Client. Without limiting the authority granted above, the Manager is authorized with respect to managing the Account to:
 - a. Unless otherwise instructed by the client, extend loan facility to accredited latrine artisans and entrepreneurs and households for the sole purpose of latrine construction, maintenance or improvement at an agreed up interest rate;
 - b. Recover all loans and interest appropriately at the set times or apply the right penalty to defaulters;
 - c. invest, reinvest, maintain in cash or cash equivalents, acquire, dispose of and otherwise manage, all or any part of the assets in the Account;
 - d. unless otherwise instructed by the Client, select and place orders with dealers and brokers to purchase, sell and otherwise trade in or deal with assets in the Account and negotiate the applicable terms, commissions and charges with such dealers and brokers;
 - e. perform any and all other acts as may be in its judgment necessary or appropriate for the management of the Account, or are necessary to enable the Manager to carry out its obligations under this Agreement without obtaining the prior approval or direction of the Client.
4. **Custody of funds:** Fund managers shall be required to keep custody of all funds provided and make necessary disclosures to client where necessary to facilitate decision making.

5. **Expenses:** All expenses related to the management of the sanitation fund including any costs of safe keeping, charges and transport shall be paid by the client.

6. **Non-exclusivity:** The services provided by the fund manager to the target individuals and groups are not deemed exclusive. Nothing in this Agreement shall in any way restrict the right of the Manager to provide financial services for any other person or entity.

7. **Reliance of Information.** The Client understands that the Fund Manager, in the performance of its obligations and duties under the Agreement, is entitled to rely upon the accuracy of information furnished by the Client or on its behalf, without further investigation.

8. **The Fund Manager** shall treat all information provided to it by the Client regarding the Client and the Account as confidential, and will not disclose such information to third parties unless the Client has provided written permission to the Manager to do so, or unless the Manager is, by law, required or permitted to do so. The Client shall keep confidential any information that it receives from the Manager regarding the Manager's investment strategies and trading practices, except as approved in writing by the Manager, or required by law.

9. **Termination:** This Agreement may be terminated by either party upon days' written notice; where a party is in breach, in which circumstance the other party may terminate the Agreement.

We hereby agree to the foregoing terms as of the day of

For the client/Rep

For the fund manager/Rep

.....
Authorized Signature

.....
Authorized Signature

.....
Print name and title

.....
Print name and title

APPENDIX 6: FUND MANAGER ASSESSMENT CHECKLIST⁴

The following are key questions to consider when selecting a Fund Manager for the DSF:

	Questions to Consider
☐	How long has the firm been in business?
☐	Does the firm have all the necessary licenses from the regulator?
☐	How many clients does the firm have?
☐	Is the firm public or private?
☐	Who are the majority shareholders?
☐	Does the firm belong to a professional association?
☐	What types of products does the firm invest in?
☐	What services are offered and what is the minimum account size the firm requires?
☐	How will the firm help the BoT in reaching the DSF's goals?
☐	What is the firm's philosophy with respect to risk? Are risks being measured?
☐	What is the background and experience level of people on the investment team?
☐	How often are representatives of the firm available to meet and how does the firm define service standards?
☐	How are fees charged? On what basis are fund management fees calculated? How frequently are they charged and what choices does the client have in paying them?
☐	How does the firm compare with others?
☐	Are benchmarks used to measure performance?

⁴ Adapted from PMAC: Selecting a Portfolio Manager (Source: <http://www.portfoliomanagement.org/wp-content/uploads/2011/04/Selecting-a-Portfolio-Manager-and-Due-Diligence-Checklist.pdf>)

APPENDIX 7: BUDGET TEMPLATES

Community Budget Sheet -

District				Community	
No.	Name of Household Head	Contact	Amount Required		Comments/Remarks
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
Total from Community					

DISTRICT SANITATION FUND (DSF) TOOLKIT

District Budget Consolidation Sheet -

Region				District	
No.	Name of Community	Contact (community leader)	Amount Required (Total from Community)	Comments/Remarks	
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
Total from District					

APPENDIX 8: FUND MONITORING TEMPLATES

Monitoring the Performance of Fund Manager		
How many people have accessed loan from the SRF?		
Number of households that have invested their loans in constructing latrines		
How many loan beneficiaries have repaid their loan in part?		
How many loan beneficiaries have repaid their loan in full?		
How many loans are overdue?		
Category of people accessing loans	Salaried workers	
	Farmer/Fishermen	
	Traders	
	Males	
	Females	
What is the average loan amount disbursed for latrine construction?		
What are the success factors in administering the fund?		
What have been the challenges so far?		
What can help improve the operation of the fund?		

Assessing the Satisfaction of Beneficiaries	
Have you accessed loan from the SRF?	
How much did you borrow?	
What did you use the money for?	
Was the amount you borrowed enough for the constructing the latrine?	
What are the challenges in accessing the loan?	
What modification will you recommend in the administration of the fund?	

APPENDIX 9: DISTRICT SANITATION FUND (DSF) MANAGER REPORTING TEMPLATE

- 1.0 Introduction
 - 1.1 Provide a summary description of the intervention
 - 1.2 Mention the overall goal of the intervention
- 2.0 Objective
 - 2.1 State the specific objective of the report
- 3.0 Period Overview
 - 3.1 Outline the methods of administering the sanitation fund to beneficiaries
 - 3.2 Discuss the beneficiary category who have access the facility
 - 3.3 Discuss the period's total funds requested and the total disbursed
 - 3.4 Discuss any trend the possible/known reasons for any trend observed
- 4.0 Challenges
 - 4.1 State the challenges encountered during the reporting period
 - 4.2 Suggest measures you will adopt to overcome the challenges
- 5.0 Plans and Projection
 - 5.1 Outline the projection for the next period
 - 5.2 Indicate plan to be implemented to achieve projections
 - 5.3 Indicate external support that is needed (if any) achieve projections
- 6.0 CONCLUSION, RECOMMENDATIONS AND NEXT STEPS
 - 6.1 Conclusion
 - 6.2 Recommendation
 - 6.3 Next steps

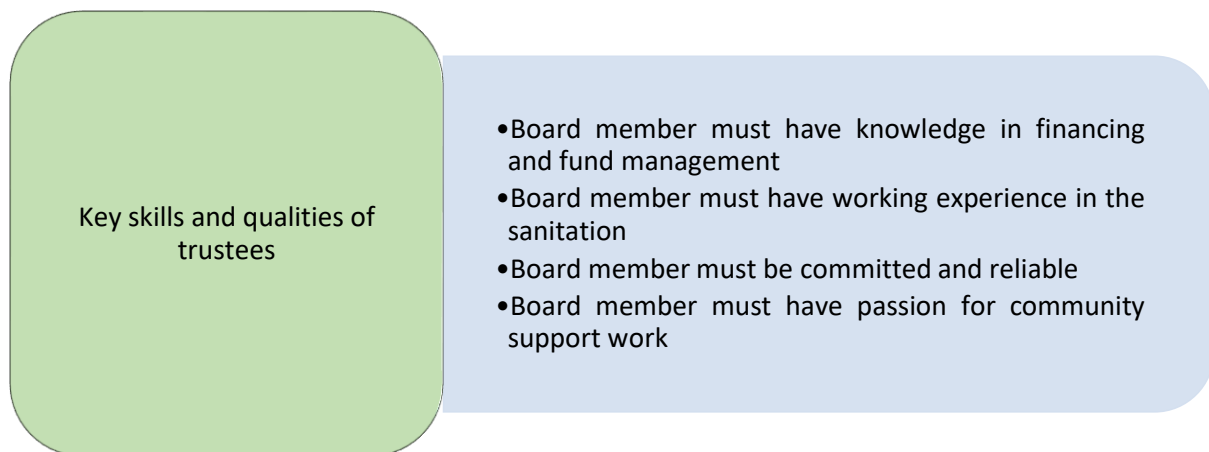
APPENDIX 10: COMPOSITION, QUALITIES AND SKILLS OF THE BOARD OF TRUSTEES

A Board of Trustees (BoT) is a body of elected or appointed members who jointly oversee the activities of a not for profit company or organization. In this case, the BoT of District Sanitation Fund (comprising the Social Fund) will play a critical role of guarding the appropriate management, protection, and maintenance of the core purpose of the fund. As a collective body, the trustees are responsible for ensuring that the fund is specifically used for the intended purpose. Finding the right composition of the Board of Trustees is key to the survival of this well-intentioned pro-poor innovative model. It shall be a well-balanced board that collectively represent the interest of all who contribute to the fund.

Given these interest parties, the five-member board will comprise:

- Representative of District/Municipal/Metropolitan Assemblies;
- Representative of CONIWAS (Coalition of NGOs in WASH);
- Representative of Civil Society Group in WASH;
- Representative of MFIs and
- A representative of other development partners.

Essential qualities and skills that will guide the selection of these representatives include the following:



It is recommended that the appropriate authorities in each of the bodies with representation on the board, lead (or be a part) of the process of selecting the representative. This will enhance the trust and confidence among the trustees.