

Document Administration

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The Sanitation and Hygiene Fund (SHF) Allocation and Prioritization Policy

This Allocation and Prioritization Policy complements the following and related SHF policies which, taken together, are key pillars to the successful implementation of the SHF 2021-2025 Strategy as they describe how the SHF engages with countries and invests funding to scale up sanitation and hygiene services for those most in need:

- a. Funding Policy
- b. Eligibility and Transition Policy
- c. Co-financing Policy
- d. Fragility Policy

Included as part of a “Call for Applications,” the SHF **Application Guidelines** provide support and instructions on how to best prepare a funding request for review and approval.

1 Purpose

The Allocation and Prioritization policy describes the methodology taken by the Sanitation and Hygiene Fund (SHF) to determine the amount of funding that each SHF eligible country may receive during a given allocation period. It summarizes the technical parameters of the allocation formula and provides information on the prioritization process that may be needed should total available resources for an allocation period be sufficient only to fund a subset of SHF eligible countries.

By embodying the ‘Leave No One Behind’ strategic vision of the Fund, the purpose of the SHF allocation and prioritization

approach is to align funding available to those countries hardest hit by sanitation and hygiene challenges and with least economic capacity. The SHF allocation and prioritization policy ensures that the available resources are distributed across countries in a transparent and rational manner; and, if circumstances warrant, are funding a subset of those eligible countries that represent the highest priority of need, based on an agreed-upon prioritization rating scheme. An allocation-based approach also improves the predictability of SHF funding for countries.

2 Definitions

2.1 Total funding available

Is the amount of funds that the SHF Board¹ approves to be allocated for each allocation period. It will be determined per the SHF Funding Policy.

2.2 Allocation period

Is the multi-year period decided by the SHF Board that sets the time period over which SHF eligible countries are allocated funding amounts for which they submit applications for funding approval.

2.3 Allocation methodology

Is the mathematical formula that is approved by the SHF Board and applied to the total funding available to derive an initial country allocation. The allocation methodology adopted for each allocation period will be presented as an Annex to this policy.

2.4 Country allocation

Is calculated first by applying the allocation method to arrive at the initial (formula-derived) allocation of funding. This may be further adjusted to take into account other qualitative factors. The resulting amount of funding, the country allocation, will be made available to an SHF eligible country.

2.5 Technical parameters

Are those included in the allocation formula (methodology) and may include such metrics as Below Basic Population, Below Basic Percentage, Country Economic Capacity, Minimum and Maximum shares. These will be approved by the SHF Board at the start of each allocation and presented in an Annex to this policy.

2.6 Qualitative factors

Are the additional considerations, once approved by the SHF Board, that are taken into account to complement the allocation amounts derived by the allocation methodology. These are country contextual or programmatic factors that cannot be captured in the formula, such as absorptive capacity, past performance, potential for impact or risk factors.

3 Allocation period and funding duration

The country allocation is calculated once per allocation period and must be accessed by the country through the associated “Call for Applications” for that same period. Grant approvals must take place prior to the end of the allocation period, while grant implementation aligns with the appropriate

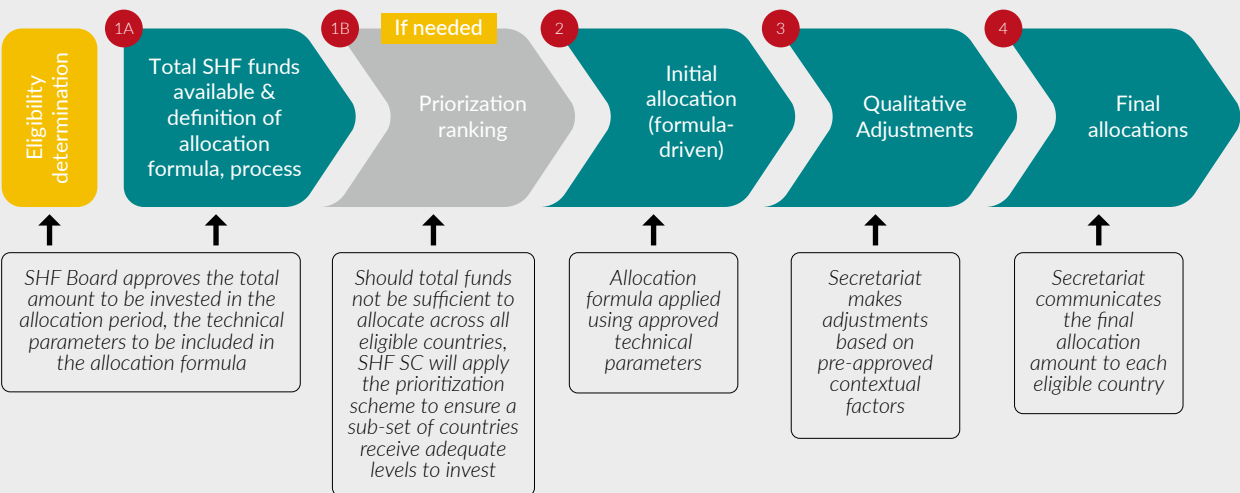
country planning cycles. Grant funding that remains from a previous allocation period could impact the amount allocated to the country in the subsequent allocation period (see 4.2, initial allocations).

4 Allocation determination and methodology

The following steps describe how SHF will determine the amount of funding available for any country eligible to receive a grant from SHF during an allocation period:

Table 1: Overview of allocation determination process

At the start of each allocation period, the following steps will apply:



4.1 Total investment and methodology approvals

The SHF Board first approves the total amount of SHF funds available to invest in new grants over an allocation period. The total available depends on the funds mobilised by SHF through its fundraising efforts. It then approves the allocation methodology (i.e. mathematical formula) and the qualitative factors (see 4.3) as proposed by the Secretariat at the start of each allocation period. Any needed decisions on prioritization of funding will be taken at this time and on the basis of the total SHF funds available.

4.2 Initial Allocations generated by the formula

The Secretariat will apply the approved formula to the total available funds to derive the share of available funds for each initial country-specific allocation. The design of the formula aims to ensure that a number of key indicators are reflected in a mathematically sound technique systematically addressing some or all of the following possible technical parameters (see Annex 1 for those that are approved in the methodology for the given allocation period):

- **Below Basic Population**² – using the absolute number of a country's population without access to at least basic level of sanitation.
- **Country's economic capacity (CEC) Index** – using a country's Gross National Income (GNI) per capita³ as a proxy for economic capacity, this indicator has a weighting effect according to a graph which plots a CEC score against a country's GNI per capita and works to distribute relatively more funding to countries with lower capacity to finance their national programs.

- **Minimum shares**⁴ – a 'floor' per country may be included so that no one country receives less than a certain funding amount.
- **Maximum shares** – a 'cap' per country is included so that no one country receives more than a maximum percentage of the total available funding.
- **Prior SHF funding** – received in a previous allocation period⁵

4.3 Adjustments through qualitative factors

Recognizing that a formula-driven methodology may not reflect all factors for appropriate distribution of available resources across eligible countries, SHF may make refinements (both increases or decreases) to the initial allocation amounts to account for country contextual or programmatic factors. At the start of each allocation period and upon SHF Board agreement of the allocation formula, the Secretariat will define additional qualitative factors to be considered⁶ and a transparent process for their application for approval by the SHF Board. Any adjustments made will result in a zero-net change to the total funding allocated for any particular allocation period. Should the process result in any individual country adjustment greater than 15%, these cases shall be reported to the SHF Board.

4.4 Final allocations

Once the qualitative adjustments are taken on a country-by-country basis, a final allocation amount will be determined. This is the amount to be communicated to each country and is not subject to an appeal.

5 Communication to countries

The SHF Secretariat will ensure timely and transparent notification to each individual country detailing the final allocation amount of funding and the expectations for accessing this through compliance with all relevant funding

requirements (including terms for co-financing and multi-stakeholder engagement). This communication will also provide links to additional guidance material and resources available to support a country's application submission.

6 Prioritization

A prioritization approach will be required in cases where there are insufficient funds in a particular allocation period to allocate sufficient levels across countries. In such cases, the SHF Board will apply the prioritization methodology to ensure that allocation levels represent a meaningful minimum amount for each individual country to be supported with SHF investments, even if this means fewer number of eligible countries will receive funding. The following steps will apply:

6.1 Decision to adopt a prioritization approach

A decision to adopt a prioritization approach will be made by the SHF Board at the start of the allocation period and at the same time it approves the total amount of funding to be available.

6.2 Approval of prioritization methodology

The Secretariat will propose how to apply the model to rank all eligible countries to determine the appropriate number of countries to receive an allocation during the allocation

period. The following will form part of the algorithm/model/rating scheme:

- **Sanitation burden** – using the % of a country's population without access to at least basic level of sanitation
- **Country's economic capacity (CEC) Index**

7 Effective date and review of policy

The effective date of this policy is 1 July 2020 as approved by the WSSCC Steering Committee on 6 May 2020. This policy will be reviewed and updated as and when required. Any amendments are subject to SHF Board approval.

ANNEX 1- Technical Parameters for the Allocation & Prioritization Methodology for SHF's 2020 Call for Applications

1 Specifications included in the allocation formula

Initial Allocation Country A =
$$\frac{\text{Funds Available to allocate} \times \text{Below Basic population of country A} \times \text{CEC of A}}{\sum (\text{Below Basic population} \times \text{CEC}) \text{ all countries}}$$

Element	Specification	Data Source
Country Economic Capacity (CEC) Index	A country's GNI per capita, weighting along a curve where the value decreases as GNI per capita increases. ⁷	Latest GNI pc per World Bank classifications; unless not available, in which case UN data is used.
Below Basic Population	Country population that lives without access to at least basic sanitation.	WHO/UNICEF Joint Monitoring Program https://washdata.org/
Maximum share	No country to receive an allocation greater than 15% of the total amount allocated.	
Minimum share	No country to receive an allocation less than 3% of the total amount allocated.	

2 Definition of Qualitative Factors

Element	Specification
Potential for impact	Likelihood of delivering results
Absorptive capacity	Considering other donor investments
Past performance	Under the Global Sanitation Fund
Fragility and risk	As per Fragility Policy

3 Technical Parameters for Prioritization

Element	Specification	Source
Country Economic Capacity Index	As above	Latest GNI pc per World Bank classifications; unless not available, in which case UN data is used.
Sanitation Burden (BB %)	% of the total country population that lives without access to at least basic sanitation.	WHO/UNICEF Joint Monitoring Program https://washdata.org/

End notes

1. Currently the Water Supply and Sanitation Collaborative Council Steering Committee
2. Below basic sanitation comprises the bottom three steps on the WHO/UNICEF Joint Monitoring Program sanitation ladder: LIMITED: Use of improved facilities shared between two or more households; UNIMPROVED: Use of pit latrines without a slab or platform, hanging latrines or bucket latrines; OPEN DEFECATION: Disposal of human feces in fields, forests, bushes, open bodies of water, beaches and other open spaces or with solid waste. Source: <https://washdata.org/monitoring/sanitation>
3. In this indicator, the GNI per capita is taken from the most recent year as published by the World Bank. Source: <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>
4. For a first allocation period, this element may not apply.
5. In the first round of SHF allocations, this parameter will not be included.
6. The complete list of qualitative factors for each allocation period will be provided as an Annex to this policy, and may include considerations such as past programmatic performance, absorptive capacity, risk, sustainability and transition.
7. The effect of the CEC weighting is to ensure that should two countries have the same sanitation burden, yet one has a very much higher GNIpc than the other, the country with the higher GNIpc would receive a lower allocation than the one with the much lower GNIpc.