

## Document Administration

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# The Sanitation and Hygiene Fund Eligibility and Transition Policy

This Eligibility and Transition Policy complements the following and related SHF policies which, taken together, 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. Allocation and Prioritization 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

This policy describes how the Sanitation and Hygiene Fund (SHF) uses established criteria to determine which countries are eligible to receive an allocation and apply for funding from the SHF. The purpose of the Eligibility and Transition policy is to ensure that the available SHF donor resources are allocated to and invested in those countries that have both the highest burden of below basic sanitation<sup>1</sup> and the least financial means to respond. It also describes how the SHF supports countries to prepare for successful transitions from SHF funding once they are no longer eligible for SHF support.

For each "Call for Applications" issued by the SHF Board, the SHF will allocate the available funds across the list of eligible countries. Based on their national policies, strategies, costed plans and resource gaps, country-led committees will develop their applications for the funding amount allocated.

If the SHF Board decides it has insufficient funds to allocate to the entire list of SHF eligible countries, a process of prioritization will be needed to rank a sub-set of the eligible countries to fund first. This is addressed in the **SHF Allocation and Prioritization policy**.

## 2 Defining SHF Eligibility

Eligibility to receive an allocation for funding<sup>2</sup> from the SHF is determined by a country's **income level** and its **sanitation burden**, both of which are further described below:

### 2.1 Country income level classification

Country income level classification is established by the Atlas Method<sup>3</sup> and is published annually by the World Bank (updated each July). The SHF will take the last three-year average of a country's GNI per capita and then determine its classification based on published World Bank categories and thresholds for the year in which the determinations are made. The averaging

aims to moderate the potential for abrupt changes in a country's SHF eligibility status from year to year due to fluctuations in GNI per capita classifications. If all three years of income level data is not available, the SHF will use the available data from that three-year period in question. If no data is available, the SHF will refer to the United Nations (UN) estimates of GNI per capita<sup>4</sup>.

In line with the SHF Strategy, to be eligible for SHF support, countries must fall into one of two categories: low income countries or a defined sub-set of lower middle-income countries that fall under the **SHF income eligibility threshold**<sup>5</sup> and meet minimum **sanitation burden criteria** as described in 2.2 and defined further in **Annex 1**.

## 2.2 Sanitation Burden

Sanitation burden is calculated in two different ways. The first measure is based on the share of the population living without access to at least basic sanitation services. The second measure is the absolute number of people in the country who lack access to at least basic sanitation services. All data on sanitation burden is taken from the most recent Joint Monitoring Program report published by WHO/UNICEF available at <https://washdata.org/>

## 3 Eligibility Determinations

Eligibility determinations for countries to receive allocations from SHF will be made each year by combining these two factors in the following way:

- All **low-income countries** are eligible, regardless of sanitation burden.
- A subset of **lower middle-income countries** is eligible with certain restrictions. To be eligible, countries must fall under two different GNI per capita thresholds levels (Tier 1 or Tier 2) stipulated by the SHF Board<sup>6</sup> and must meet additional burden criteria:
  - For a **first tier of lower middle-income countries**, eligible countries must have a below basic burden

share higher than a certain population percentage or have more than an absolute number of people living below basic sanitation.

- For a **second tier of lower middle-income countries**, eligible countries must have a below basic burden share higher than a certain population percentage.
- Lower-middle income countries with GNI per capita higher than the upper threshold for the second tier of LMIs are not eligible to apply.
- **Upper middle income and high-income countries** are not eligible to apply.

Table 1: Overview of SHF Eligibility Criteria

| WB Income category                                   | Ability to pay            | Burden Criteria  |
|--|---------------------------|--|
| <b>Lower income Countries (LIs)</b>                  | GNI < \$ X                | World Bank LI threshold  |
| <b>Lower middle-income countries (LMIs) -Tier 1</b>  | GNI < \$ Y                | SHF income eligibility threshold Tier 1  |
|  |                           | <ul style="list-style-type: none"> <li>• Irrespective of burden</li> </ul>   |
|  |                           | <b>OR</b>  |
|  |                           | <ul style="list-style-type: none"> <li>• Below Basic<sup>7</sup> &gt; Tier 1 SHF burden threshold established</li> </ul>   |
| <b>Lower middle-income countries (LMIs) - Tier 2</b> | GNI > \$ Y and GNI < \$ Z | SHF income eligibility threshold Tier 2  |
|  |                           | <ul style="list-style-type: none"> <li>• Population Below Basic<sup>8</sup> &gt; Threshold established by SHF of absolute numbers of people</li> <li>• Below Basic &gt; Tier 2 SHF burden threshold established</li> </ul> |

## 4 Communicating the SHF Eligibility List

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The SHF will make eligibility determinations each year based on publicly available estimates of the criteria described above. It will publish the eligibility list at the start of the calendar

year on its website. This list will remain valid for that entire calendar year.

## 5 Changes in Eligibility Status and Transition

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Regardless of a country's income-level and SHF eligibility status, advance planning that considers the long-term sustainability of sanitation and hygiene programs is a critical part of sound national strategy development. It requires up-front investment in the capacity and tools to manage a progressive path towards leveraging sufficient domestic resources and to enable a smooth transition from donor support. This section outlines how SHF will support changes in eligibility status and facilitate transition to ensure countries will be ready for the time when they are no longer eligible to receive SHF financing.

### 5.1 Within an allocation period

A country's eligibility status remains valid during the allocation period established by the SHF Board. While a country's income level status could change during that allocation period,

no country will become ineligible to receive SHF funding during that specific timeframe. However, and on a country-by-country basis, the Secretariat will engage with those countries to ensure adequate provisions and support are in place for eventual transition from SHF financing.

### 5.2 In a subsequent allocation period

Countries may experience a change in their eligibility status in a subsequent allocation period. To help mitigate the impact this may have on a country<sup>9</sup>, SHF will fund that country for up to one additional allocation period following the change of status to an ineligibility classification (see 6.5 **Transition funding**). The Secretariat, based on country context and existing portfolio considerations, will determine the appropriate 'grace period' and amount of funding for these priority transition needs.

## 6 Transition support and requirements

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In its funding approach, the SHF takes into account the long-term sustainability needs of all countries regardless of where they are situated along the SHF eligibility spectrum. The support aims to achieve successful progression for countries moving from donor-supported projects to domestically-funded sanitation and hygiene systems. The following are illustrative examples of the ways the SHF will focus on transition planning from the very early stages of country engagement.

### 6.1 Early engagement and communication

Based on available data and projections for changes in income-level and sanitation burden, the SHF will strive to provide sufficient notice to countries as they approach changes in eligibility status and transition from SHF funding. Once a country's World Bank reported income level over the past three years is above the Tier 1 SHF eligibility threshold, SHF will inform the country that it will enter Tier 2 effective 1 January of the next calendar year, unless the burden criteria (section 3 of this policy) are met.

### 6.2 Application requirements<sup>9</sup>

As part of the application development process, the SHF will require inclusive and participatory country-led processes

to ensure appropriate ownership and sustainability of SHF-supported programs. This may include a requirement for application endorsement across different government actors, including the Finance Ministry in addition to the relevant Ministry for Sanitation and Hygiene affairs.

### 6.3 Co-financing requirements<sup>11</sup>

SHF investments will be made on condition that certain requirements are met by all SHF-funded countries. These co-financing requirements will ensure, in a first phase, that countries develop the capacity to collect, track and report financial data, disaggregating water supply from sanitation and hygiene; and in a second phase, that countries meet a minimal match contribution from their domestic resources in order to receive the SHF investment.

### 6.4 Transition assessments and plans

SHF will support countries as they are projected to reach income and burden levels above the SHF eligibility thresholds. This targeted support will be specific to each country context and informed, where possible, by transition assessments conducted to help understand the particular challenges and assistance needs to secure a smooth transition.

## 6.5 Transition funding

For countries receiving SHF funding during the 'grace period' once they become ineligible to receive an additional allocation, the SHF investments must be targeted to those priority activities regarded essential for successful transition.

## 6.6 Extenuating situations

In recognition that extenuating circumstances (e.g., fragile situations) may make eligibility transition particularly difficult for some countries, the SHF Board may be requested to approve adaptations to apply transition requirements in certain cases.

## 7 Effective date and review of policy

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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 –Eligibility Parameters for SHF’s 2020 Call for Applications

| WB Income category                                 | Ability to pay            |                                  | Burden Criteria  |
|--|---------------------------|----------------------------------|--|
| <b>Lower income Countries (LIs)</b>                | GNI< \$1025               | World Bank LIC threshold         | Irrespective of burden   |
| <b>Lower middle-income countries (LMIs) Tier 1</b> | GNI< \$1750               | SHF eligibility threshold Tier 1 | Below Basic> 50%<br>or<br>Population Below Basic > 20 million people |
| <b>Lower middle-income countries (LMIs) Tier 2</b> | GNI> \$1750<br>GNI<\$2650 | SHF eligibility threshold Tier 2 | Below Basic> 60%   |

## End notes

1. 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>.
2. This eligibility determination is distinct from requirements that must be met in the application and grant-making processes of the fund. These are further detailed in the SHF Application Guidelines and the SHF Operations Manual.
3. Gross national income (GNI) is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad. GNI per capita is GNI divided by mid-year population. In USD, this is converted using the World Bank Atlas method which applies a three-year rolling average, price-adjusted conversion factor.
4. <http://data.un.org/Data.aspx?d=SNAAMA&f=grID:103;currID:USD;pcFlag:1>.
5. The SHF income eligibility thresholds and burden criteria needed to implement this policy will be determined in line with the SHF strategy at the start of each allocation period and presented in an Annex.
6. Currently the Water Supply and Sanitation Collaborative Council Steering Committee.
7. See footnote 1.
8. See footnote 1.
9. The Co-financing Policy as well as the Fragility Policy provide more information on the potential flexibilities to support countries to address their specific needs during a transition period.
10. See SHF Application Guidance.
11. See SHF Co-financing Policy.