

Equitable and Sustainable WASH services in Bangladesh Delta Plan Hotspots

Alternative Finance for WASH



The Equitable and Sustainable WASH services in Bangladesh Delta Plan Hotspots Project implemented by BRAC aims to enhance WASH services in four climate hotspots, covering 45 sub-districts across 14 districts. The project has incorporated innovative approaches and strategies to reach about one million people with access to safe water and sanitation in communities and schools in climate-vulnerable hard-to-reach areas. The overarching goal of the project is to promote and deliver safe water and sanitation services by increasing access to finance (repayable finance and grants), introducing sustainable and climate-resilient technologies and service delivery models, and by strengthening local institutions. The Project is expected to not only serve the people of the four climatic hotspots but also to generate substantial knowledge for similar other efforts.

The Project, implemented by BRAC with the support from IRC WASH, is funded by the Embassy of the Kingdom of the Netherlands in Bangladesh. It runs from November 2022 till October 2026.

Important points

Existing situation

- ➔ Government: Declining allocation of funds for WASH in the national budget. Hard-to-reach areas receive only 1% of WASH budget
- ➔ Households: Poorest spend 3 times more than richest on WASH services
- ➔ Local government: Weak and inefficient public budget expenditure capacity

Way forward to increase access to finance:

- ➔ NGOs and Private Sector: Identify and promote alternative finance options to strengthen existing efforts
- ➔ Government Agencies: Align WASH with climate-finance windows in development projects
- ➔ WASH Sector: Prioritise finance to achieve safe and resilient services

1. Background

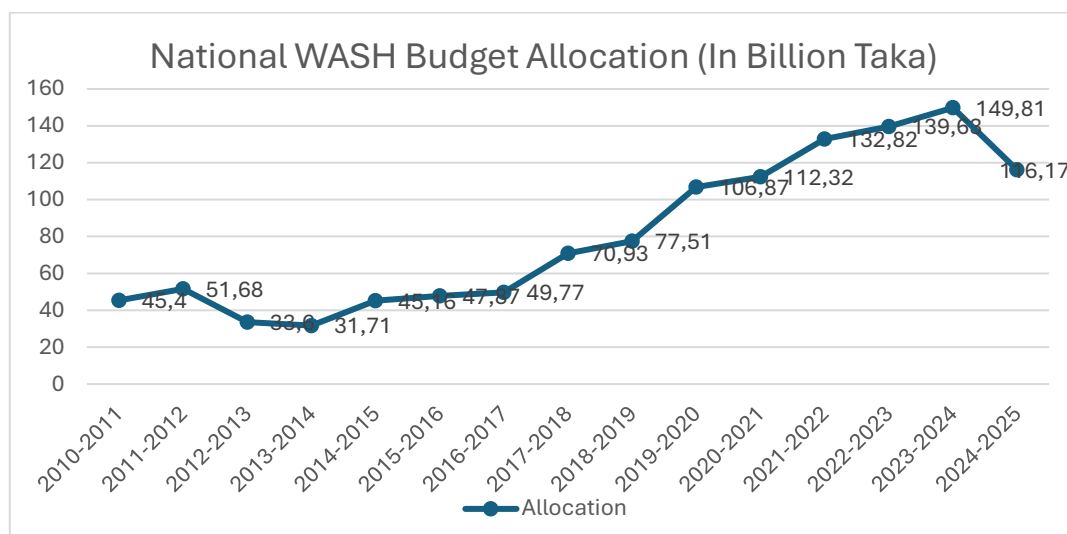
Bangladesh's WASH sector is navigating through rising climate vulnerability, tightening public budgets, and persistent inequities in access to safely managed services. As a part of the *Equitable and Sustainable WASH Service Delivery in Delta Plan Hotspots* project, BRAC, IRC and the Embassy of the Kingdom of the Netherlands convened a high-level dialogue to explore financing mechanisms beyond traditional grants—such as microfinance, climate finance, blended models, and private-sector engagement. The dialogue brought together representatives from academia, commercial banks, development partners, government agencies, microfinance institutes, practitioners and private sector actors to collectively assess opportunities for strengthening WASH financing systems in Bangladesh.

The purpose of the discussion was to explore adequate and equitable WASH financing amid growing needs and fiscal constraints, and to clarify the roles of government, development partners, financial institutions, and the private sector. This document summarises the discussion and provides recommendations on how to meet the financing gap for WASH in Bangladesh.

2. Context Setting

As per JMP 2024, 70 million people in Bangladesh lack access to safely managed water services: coverage stands at 37% in rural and 46% in urban areas. In terms of sanitation, 108 million people lack access to safely managed services; coverage stands at 58% in rural and 69% in urban areas.

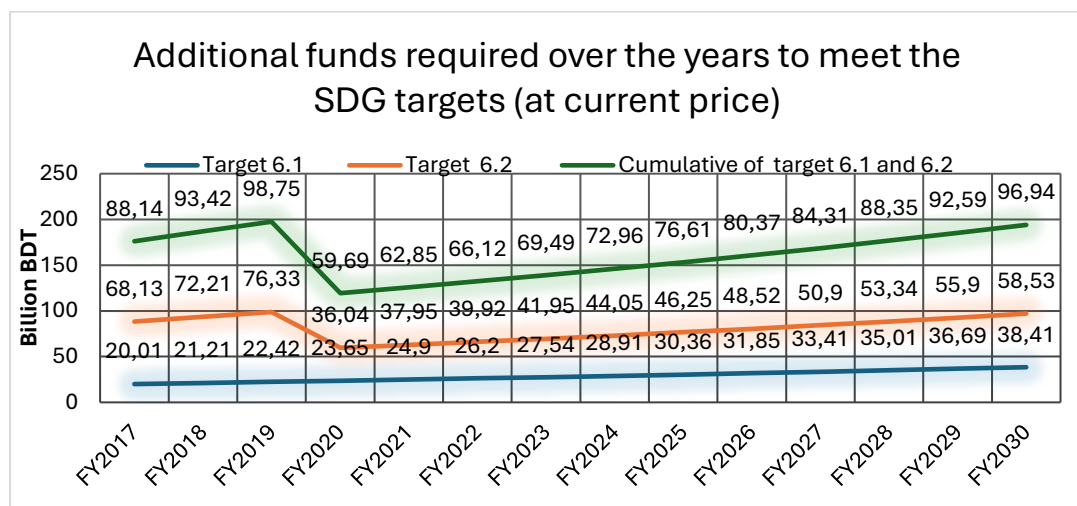
Despite that the fact that certain areas still have a long way to go to meet the SDGs, national WASH financial allocations in the country have already begun to decline (after years of growth).



Moreover, climate vulnerability remains high - Bangladesh ranks 13th among countries most affected by climate change.¹ It faces significant challenges from extreme climatic events such as droughts, floods, sea-level rise, cyclonic disturbances, and storm surges, which disproportionately impact the poorest and the marginalised people in the country.

Also, inequities persist between rural and urban areas as well as mainland and hard-to-reach regions. Urban areas receive the bulk of the WASH budget; hard-to-reach areas, which are often in rural areas, on average receive only one percent of the WASH budget.² Out-of-pocket expenditure dominates, particularly among the poorest households, who spend three times more than the richest on WASH services.³

Despite an improved policy framework, weak implementation continues to limit progress. There is a need for institutional strengthening for effective implementation of these policies. Additionally, WASH account data should be used to inform targeted investments, such that the geographic and socio-economic inequities are addressed. To meet SDG 6, it is argued, there is a need to increase public investment in WASH gradually.



Together, declining public investment, high climate exposure, and persistent inequities underscore the urgency of diversifying and reforming WASH financing in Bangladesh.

3. Microfinance and Market-Based Approaches

Historically, self-financing by households has been a major source of funding for WASH, wherein microfinance has and continues to play a significant role, especially for low-income households. BRAC, Water.org, and Palli-Karma Sahayak Foundation (PKSF) are the key actors in providing microfinance for WASH, with an average loan size ranging

¹ <https://www.germanwatch.org/en/cri>

² https://www.ircwash.org/sites/default/files/financing_for_wash_in_bangladesh_macro_to_micro_perspective_final_on_25082024.pdf

³ https://www.sks-bd.org/images/WASH_Financial_Report.pdf

⁴ SDGs Financing Strategy-Bangladesh Perspective, LGD,2017



from USD 300 to 550.⁵ Microfinance for WASH has supported resilience, reach, and strong repayment records. Yet there remain challenges. Loan fungibility⁶ persists, as households use the loan for purposes other than WASH. Loans are often used for capital or capital maintenance expenditure, without allocating funds for regular operation and maintenance or repairs, making services prone to slippage. There is limited technical capacity among local entrepreneurs to provide safely managed services. And there is limited support from microfinance institutions (MFIs) to generate demand for or supply safely managed services.

For microfinance to be effective, loans should be accompanied by behaviour change and communication interventions, to create awareness and generate demand for safely managed services and to promote saving mechanisms for O&M and repairs. Building capacity of local entrepreneurs and providing them with access to capital is equally important to meet the demand. To prevent loan fungibility, tailored and ring-fenced loan products should be provided.

4. Private Sector Engagement and Incentives

In addition to MFIs, there have been other forms of private-sector engagement in WASH financing, and it is expanding, as demonstrated by BRAC Bank's rapidly growing WASH-related Small and Medium Enterprise (SME) portfolio. Bangladesh's WASH ecosystem comprises around 15,000 SMEs, including sanitation-infrastructure component producers, sanitary napkin manufacturers, water-bottling companies, water and sewage treatment providers, climate-resilient water-technology innovators, soap manufacturers, manufacturers of plastic WASH products.⁷ Commercial banks recognise WASH as a viable market; however, they are often reluctant to fund small-size loans, while larger loans require collateral and assets that SMEs often do not possess. In addition, SMEs receive limited incubation support and few incentives. Weak accounting and documentation practices further limit their investment attractiveness.



⁵https://www.ircwash.org/sites/default/files/financing_for_wash_in_bangladesh_macro_to_micro_perspective_final_on_25082024.pdf

⁶ Loan fungibility refers to the ability to replace a specific loan or financial asset with an identical one. This means that a specific loan can be used for other purposes, rendering to the specific loan being ineffective.

⁷ [Role of SMEs in Sustainable WASH outcomes: prospects and challenges in Bangladesh and India | Sankalp Forum](#)



Public-private partnerships (PPPs) are another mechanism through which private financing for WASH is mobilised. PPPs have gained momentum in Bangladesh as a strategic model to bridge the infrastructure gap, supported by a robust regulatory framework and incentives for investors. While PPPs are promising, the current models focus primarily on large-scale projects and do not cater to rural or the most disadvantaged communities. According to a January 2023 report, of the 77 PPP projects in Bangladesh, only four pertained to the WASH sector.⁸ Incentives such as tax waivers and credit guarantees can improve private

engagement in the WASH sector. Additionally, partnerships between MFIs, banks and development partners can provide the resources needed to cater to both the supply and demand side of safely managed WASH services. For instance, these resources could also be used to build the capacities of SMEs in bookkeeping, business planning and regulatory compliance. In addition, integrating WASH within Corporate Social Responsibility can increase private investments.

5. Other Sources of Finance

Green Finance

Additional sources, such as green finance, need to be explored to help bridge the funding gap in Bangladesh's WASH sector. Green finance refers to all financial activities that support environmental sustainability. Bangladesh Bank defines green finance as a subset of its broader sustainable finance framework, which supports financial activities that reduce carbon emissions and minimise ecological harm. Bangladesh Bank has outlined twelve core categories for green finance, including liquid waste management, solid waste management, recycling and recyclable product manufacturing, and more. As a policymaker, Bangladesh Bank promotes lending through its financial institutions but also promoting refinance and risk management guidance.



Climate Finance

Climate finance refers specifically to financial resources targeted at addressing climate change, which can be considered as a subset of green finance. Globally, climate finance

⁸ [Bangladesh_Mr.%20Md.%20Abul%20Bashar%E2%80%8B.pdf](#)



targeting basic (and climate-resilient) water supply and sanitation specifically, accounts for just 0.3% of global climate finance investments.⁹ In 2010, Bangladesh launched the Climate Change Trust Fund (CCTF) to utilise its revenue budget for climate change. Twenty-five ministries in the country implemented projects using budget received from both from the Annual Development Programme and CCTF, but only 13 had undertaken water, sanitation, waste management and drainage development activities in FY 2024-25.¹⁰ From 2020-21 to 2023-24, the WASH budget within climate

funds increased steadily, with WASH accounting for 4-5 % of climate allocations. The proposed 2024-25 budget raised this to 15%.

Climate finance remains underutilised in the WASH sector despite its potential. There is a need to embed WASH within national climate strategies and build proposal-development capacity to access funds such as the Green Climate Fund (GCF). In order to be able to access GCF or other climate funds, a national framework linking WASH to climate and green finance needs to be drawn up. There is also a need to build capacity to develop bankable proposals to apply for climate funds. Additionally, transparency in use of funds needs to be maintained. There is a need to enhance understanding of how to access other forms of climate finance, such as carbon credits. For WASH actors, accessing climate finance also requires reframing service delivery as a climate-adaptation investment.

Municipal Bonds and Sukuk Bonds

Tools such as municipal bonds and Sukuk bonds offer promise, but governance

challenges and institutional capacity gaps impede implementation. A municipal bond is a loan raised by a city/municipal corporation to fund critical public infrastructure projects such as roads, buildings, water and sanitation, hospitals etc., within the city.

Bondholders/investors (the creditors in this case) are paid interest on their principal, which is repaid at maturity. Because they are often exempt from taxes, municipal bonds attract investors in higher income tax brackets. A municipal bond could be a green bond i.e. a loan raised for climate and environmental projects and are typically asset-linked. (Climate bonds are an



⁹ Climate finance: Checklist: KEY POINTS | WASH Systems Academy

¹⁰ https://www.pprc-bd.org/wp-content/uploads/2024/06/2024-WASH-Post-budget-policy-brief_13-June-2024.pdf



extension of green bonds, issued to raise finance for investments in emission reduction or climate-change adaptation.)

For municipal bonds to thrive, several conditions are essential: strong municipal creditworthiness; staff capacity to understand and manage bond issuance; fiscal autonomy of the municipal body; stable political environment; and the absence of abundant state funds, grants or concessional loans that might otherwise crowd out bond financing. These instruments also require robust regulatory frameworks and transparent operational systems. Smaller municipal bodies often find it difficult to raise money through municipal bonds

because of the aforementioned reasons.

The Dhaka North City Corporation (DNCC)'s attempt at launching a municipal bond highlighted the need for clear mandates, decision-making authority, and stronger municipal financial management. There is an additional need for risk-sharing mechanisms to support subnational financing by national government.

In December 2020, the Government of Bangladesh introduced Islamic Shariah-compliant Sukuk bonds to raise Tk 80 billion for the national clean water supply scheme. Unlike conventional bonds that pay interest, Sukuk provide the bondholder with ownership in tangible assets and a share of the profits generated by the underlying project. The Sukuk issued for the clean water supply scheme was oversubscribed nearly four times. Sukuk bonds have also been successful in both Malaysia and Dubai. In Bangladesh, the government is incentivising it by granting income tax exemption to individual subscribers. Sukuk bonds can be a valuable instrument for large projects, however, for this market to thrive, Bangladesh needs to build the necessary institutional capacity and regulatory framework.¹¹

6. Finance Connecting Service Quality

The dialogue emphasised that financing must be tied to appropriate WASH

technologies. According to the new Multiple Indicator Cluster Survey report 2025, only 0.5% of faecal sludge is being safely treated in Bangladesh, indicating gaps in safely managed sanitation. Poor technological choices undermine investments, especially where microfinance or public subsidies are used.

Building on this, participants underscored the need to ensure systematic monitoring of construction quality, usage, and waste management, and strengthen the capacity of municipalities to plan for and deliver safely



¹¹ [\(PDF\) Prospects of Sukuk Bonds in Bangladesh](#)

managed WASH services. This implies that subsidies, loans, and climate funds should be tied to compliance with approved technology standards and verified service performance.

7. Conclusion

The dialogue concluded that weak coordination and limited institutional capacity are systemic barriers. Across MFIs, SMEs and municipalities, capacity gaps hinder effective financing and service delivery. While the market offers some options to finance the WASH gap, inclusive financing models are needed for those households that are unable to repay loans. Nevertheless, structured coordination, communication and engagement mechanisms must be present between the different stakeholders, particularly between technical actors and local communities and representatives. Based on this dialogue, four key action points for the sector were identified. They are:

- Position WASH strategically within national climate and development finance agendas
- Promote incentives for private sector and MFIs to invest in WASH service delivery
- Ensure financing is tied to safely managed and climate-resilient technologies
- Strengthen long-term sustainability systems beyond project timelines



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Annex 1: Session Plan

A Dialogue on Alternative Financing for WASH		
Date: 25 November 2025 Time: 10:00 AM to 01:00 PM Venue: The Auditorium, BRAC Center Inn, 75 Mohakhali, Dhaka		
Time	Agenda Item	Speaker
10:00–11:00	Keynote Presentation: WASH finance landscape in general Microfinance for WASH contributing to SDG 6.1 and 6.2	Hossain I. Adib, Senior Director, Poverty Alleviation, WASH and Social Innovation Lab, BRAC Partha Hefaz Shaikh, Director, Programme and Policy Advocacy. WaterAid Bangladesh
11:15–13:15	Panel Discussion on Alternate Finance for WASH	Moderator: Ruchika Shiva, Director, Asia Regional Programme, IRC Panellists: • Chowdhury Liakat Ali, Bangladesh Bank • Dr. Tariq Bin Yousuf, Ex- Former Additional Chief Engineer, Dhaka North City Corporation. • Mostafizur Rahman – Senior Programme Officer – Climate & Environment at Embassy of Sweden • MA Matin, General Manager, Palli Karma-Sahayak Foundation (PKSF) • Abu Aslam, Portfolio Lead, Water.org • Mohammad Jakirul Islam, Head of SME Strategy, Innovation and New Business, BRAC Bank PLC
13:15–13:25	Summary/Reflection	Dr. Md. Shibly Sadik, Senior Water Resources Policy Advisor, Embassy of the Kingdom of the Netherlands in Bangladesh
13:25–13:30	Vote of Thanks & Closing	Mohammad Ali, Programme Head -WASH, BRAC

Annex2: Organisations participated

ASA
Bangladesh Bank
BRAC
BRAC Bank PLC
DASCOH
Embassy of Sweden in Bangladesh
Embassy of the Kingdom of the Netherlands in Bangladesh
Global Sanitation Graduate School
Helvetas
Independent Consultants
IRC WASH
ITN-BUET
LIXIL
Max Tapwater
PKSF
RedOrange Communication
SIMAVI
SNV
TETRA
UNICEF
VEI
Water Integrity Network
Water.org
WaterAid
World Vision
WSUP