

Technical Assistance for Investment Readiness: Accelerating Private Operators' Growth

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**USAID Water, Sanitation, and Hygiene
Finance (WASH-FIN)**



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(WASH-FIN)

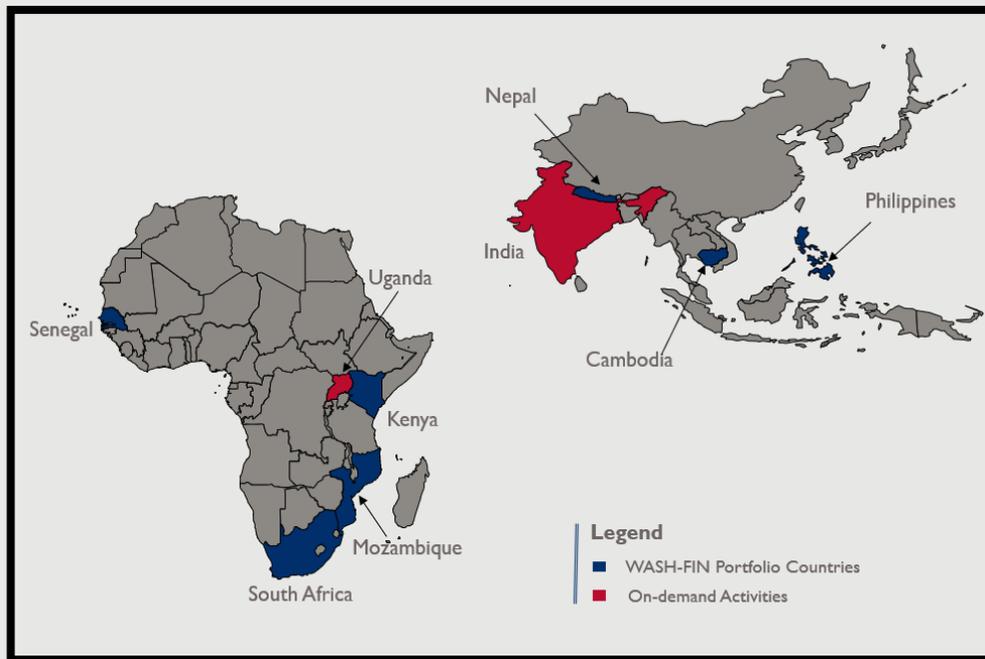


OVERVIEW

1. What is WASH-FIN?
2. WASH-FIN's Support for Sanitation Service Providers' (SSPs') Growth in Senegal
3. Results of the WASH-FIN Support

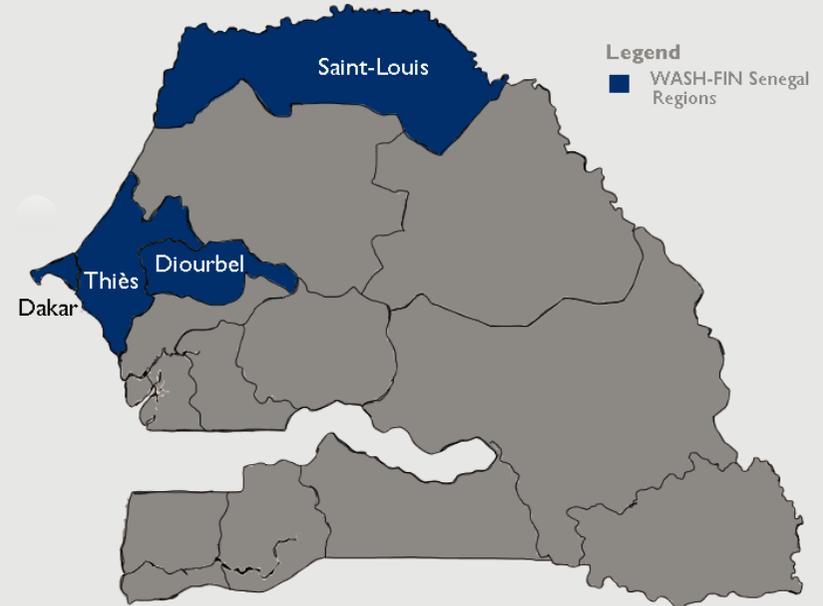
WHAT IS USAID WASH-FIN?

- 5-years: 2016 – 2021
- \$40.2 million budget ceiling
- To work in at least 8 countries in Africa and Asia
- **GOAL:** Close financing gaps to achieve universal access to safe and reliable water and adequate sanitation services.



WASH-FIN SENEGAL ACTIVITY

- Three-year activity (started August 2017)
- **WASH-FIN Senegal Goal:**
Expand access to WASH financing by supporting the design of a “Blue Fund” financing facility, and providing transaction facilitation for private service providers, aimed at increasing investment in WASH service delivery.



USAID WASH-FIN's Support for SSP Growth in Senegal

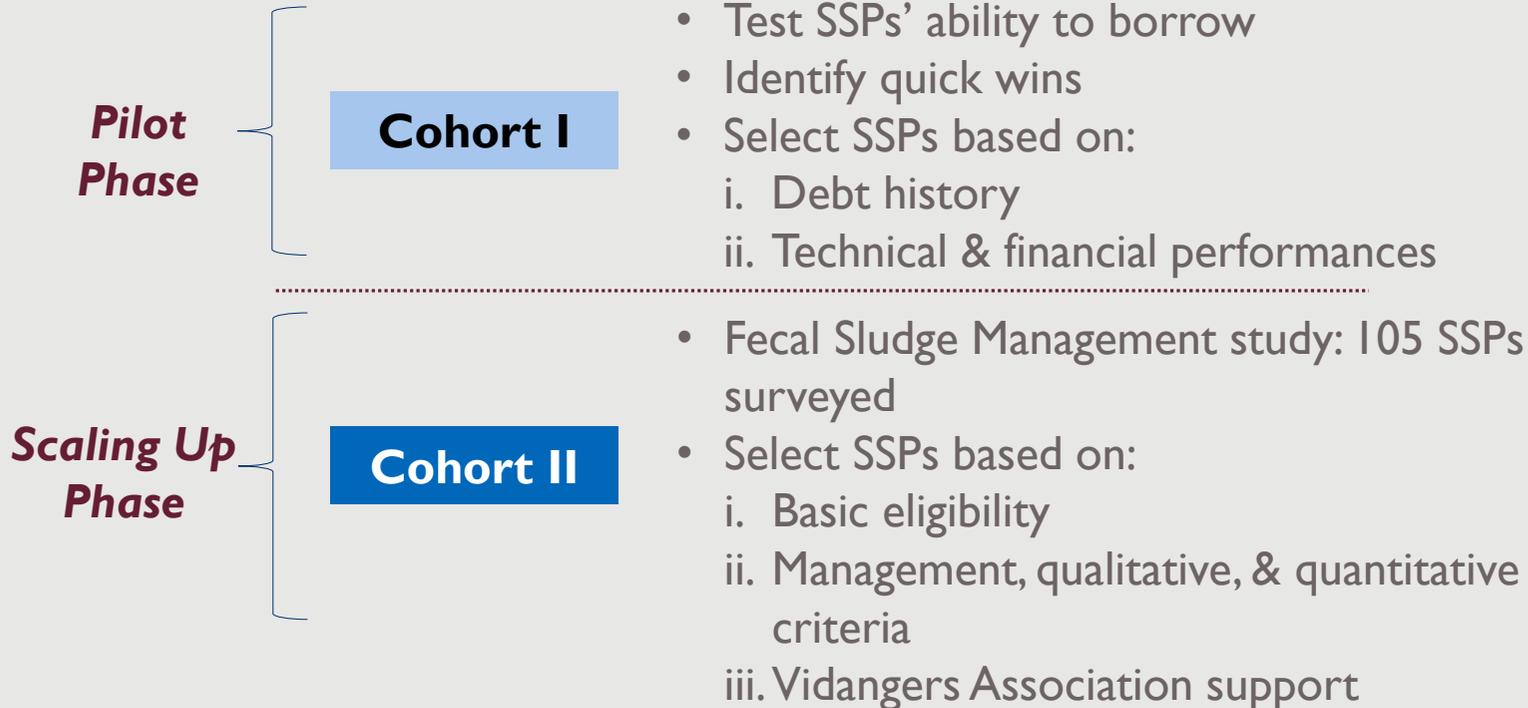


ACCESS TO FINANCE LIMITS SSP GROWTH IN SENEGAL

- ONAS (National Sanitation Office) has a new strategy for private sector engagement (PNDDAA)
- However, SSPs face the following challenges:
 - Inability of SSPs to raise funds from financial institutions
 - 73% have assets for collateral; 31% applied for bank loan; 24% got loan from Gates Foundation/ONAS
 - Inability to develop business plans
 - No public procurement access for smaller SSPs
 - Limited knowledge and involvement of banks in WASH sector

WASH-FIN SUPPORT BEGAN WITH SSP SELECTION

Audit of Fecal Sludge Management (FSM) Sector identified two cohorts:



THEN SHIFTED TO IMPROVING CREDITWORTHINESS



Technical Component

- Technical proposal review
- Project's social and environmental impact assessment
- Studies to enhance financial performance



Financial Component

- Capacity building on finance basics
- Technical diagnostic for each SSP
- Operational performance
- Individualized financial tools
- Individualized capacity building

FINALLY, CREDITWORTHY SSPs RECEIVE TRANSACTION ADVISORY SUPPORT



Financing Sources

- Identification of suitable financial institutions
- Design of a one-page investor teaser
- Roadshow to gauge investor appetite

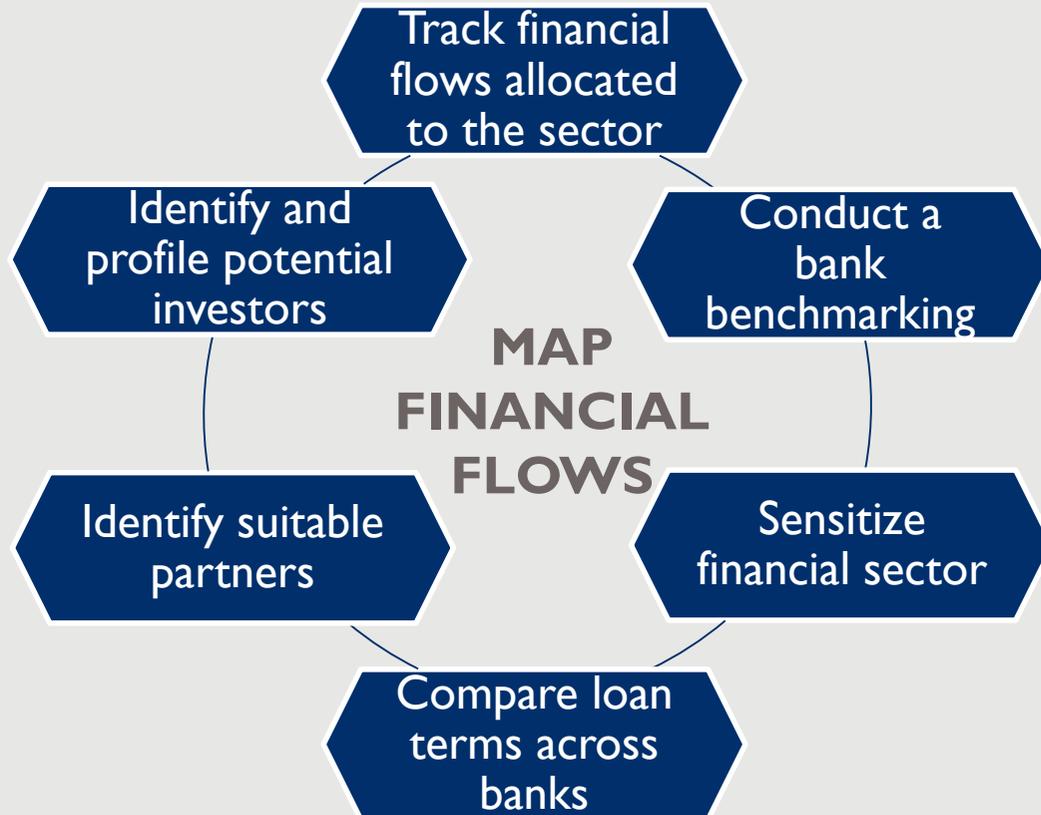


Transaction Advisory

- Transaction structuring
- Preparation and submission of loan request
- Facilitation of financial negotiations
- Financial close



FINANCIAL LANDSCAPE ANALYSIS TO GAUGE SUPPLY SIDE



Results of the WASH-FIN Process



CREDIT: SUSTAINABLE SANITATION ALLIANCE (SUSANA)

RESULTS (I)

**105 SSPs
Categorized; 29
being supported on
Appropriate Growth
Path**

- ✓ **Four** Largest ones ready for transactions
- ✓ **Eight** being prepared for transactions
- ✓ **Seventeen** at business formalization stage

**Greater
Understanding of
FSM Potential by
Financial Institutions**

- ✓ **Financial Landscape Study**
- ✓ **Bank Benchmarking Report**
- ✓ **Training materials on financing basics**
- ✓ **WASH sector awareness raised**
- ✓ **Market Sizing Study**

RESULTS (2)

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- ✓ **Four** technical diagnostics for Cohort I
 - ✓ **Four** financial and creditworthiness assessment reports
 - ✓ **Three** individualized Business Plans and financial models
 - ✓ **Three** individual capacity building plans
 - ✓ **Three** technical memoranda on bankable project financing proposals
 - ✓ **Three** financing teasers
 - ✓ **Seven** banks pitched
- SSPs and Banks Ready for Transactions**
- \$4.3 million** to be raised collectively

LESSONS LEARNED & RECOMMENDATIONS

Lessons Learned

- Even private companies have financial constraints
- DFIs' willingness to support the private sector can make a big difference
- Financial institutions are willing to fund SSPs
- SSPs are ready to work with financial institutions
- Long procurement process, is a barrier to financial access

Recommendations

- Banks need to consider ways to serve new markets
- Reinforce importance of creditworthiness
- Better formalization of SSPs
- Government should prioritize onsite sanitation by increasing the budget allocation for it



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Implementing Partners

