

FINANCING MECHANISM FOR THE SANITATION INDUSTRY



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Outline

1. Main Constraining Factors
2. AfDB Response
3. Opportunity to promote Sanitation and Environmental Health
4. Financing Opportunities
5. Financing Trends for Sanitation at the Bank
6. The Africa Sanitation Investment Fund
7. Key consideration in project financing
8. Conclusion



MAIN CONSTRAINING FACTORS

Rapid Urban Growth

- **Urban Pop Growth @ 3.3% highest globally**
- **Changing lifestyle & Consumption Patens**

Inadequate Governance

- Inadequate Policies & Strategies
- Institutional Weaknesses, Fragmented
- **Low urban development planning**

Low Investments

- Lack of ready Investment Projects
- Lack of adequate financing
- **Low cost recovery**

Poor Approaches

- Financing Mechanism (Tariffs, Cost Recovery)
- Private Sector Involvement
- Technology choices
- Inequalities –Urban poor excluded



OPPORTUNITIES FOR TRANSFORMATION

2 AfDB'S Response

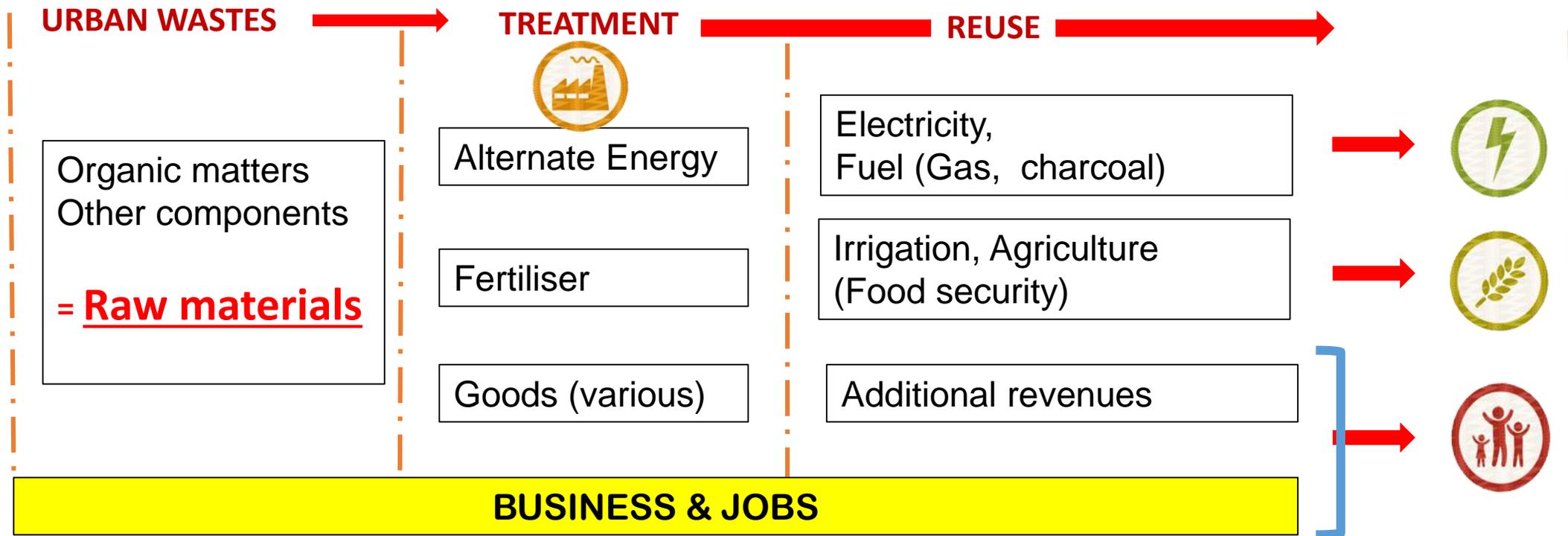
Policies and Strategies

- **Urban development Strategy** (2011) with the objective to transform Africa's cities and towns into Engines of economic growth and social development.
- **Water Policy : Water Security and Sanitation** (2019 Draft)
- **Long Term Strategy 2013 – 2022** (2012) with the objectives to achieve growth that is more inclusive and transitioning towards green growth.
- **Five Goals –“High 5's”-**, (2015) to scale up and accelerate the delivery and developmental impacts of the **Bank's Ten Year Strategy**



CALLS FOR PARTNERSHIPS

The High 5 : An Opportunity to Promote Sanitation & Environment Health in African Cities



IMPROVING SANITATION A GAME CHANGER

The Water Development & Sanitation Department

(At HQ - Abidjan)

Coordinates Bank's water development and sanitation-related activities to **enhance synergies** and **support achievement of the High 5**

1

**WATER COORDINATION
AND PARTNERSHIPS**

2

**WATER SECURITY & SANITATION
BEST PRACTICE AND INNOVATIONS**

3

**AFRICAN WATER FACILITY
PROJECT PREPARATION
RESOURCE MOBILISATION**

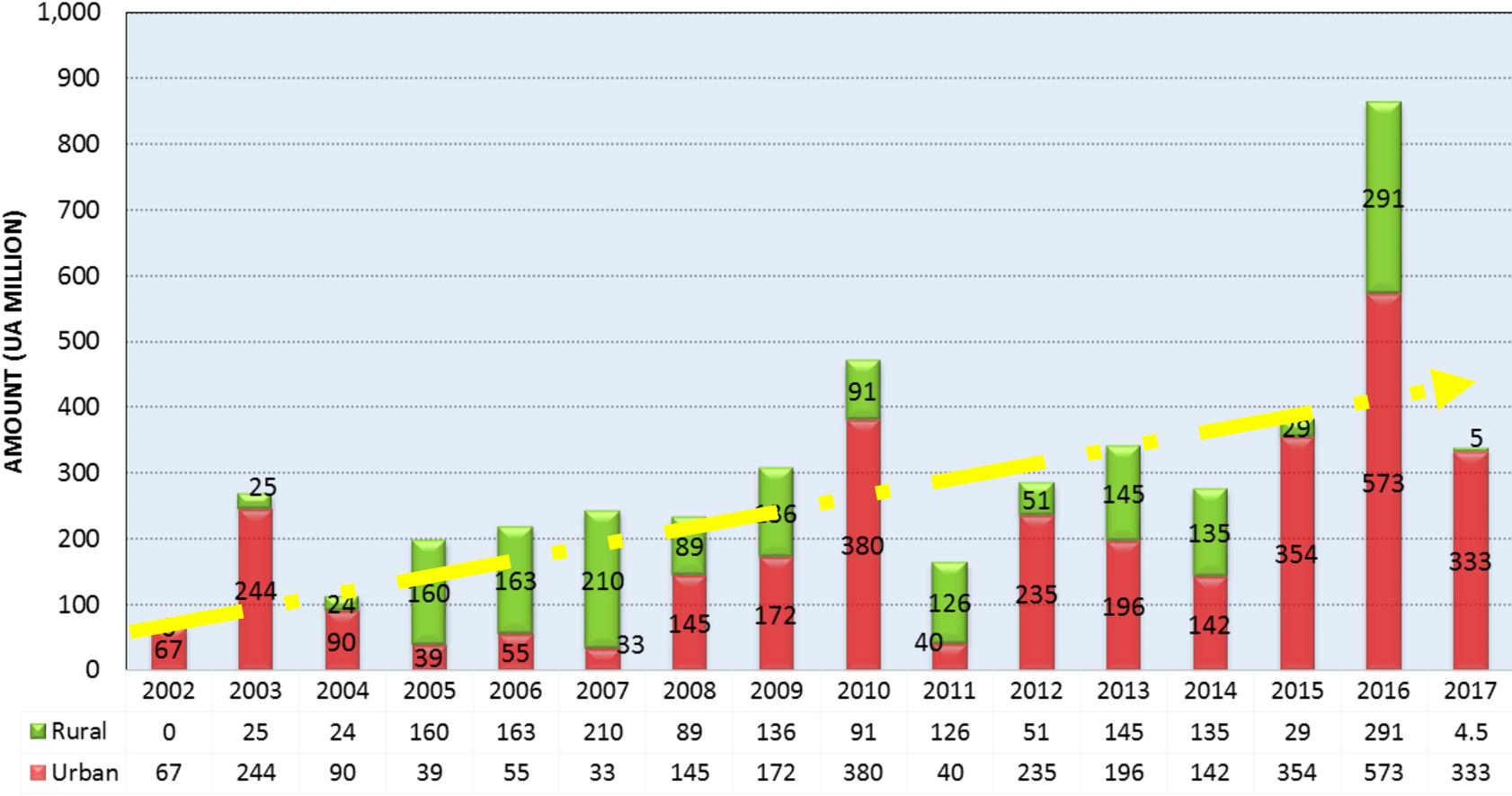


Delivery and Business Development Model

Decentralisation: 5 Regions



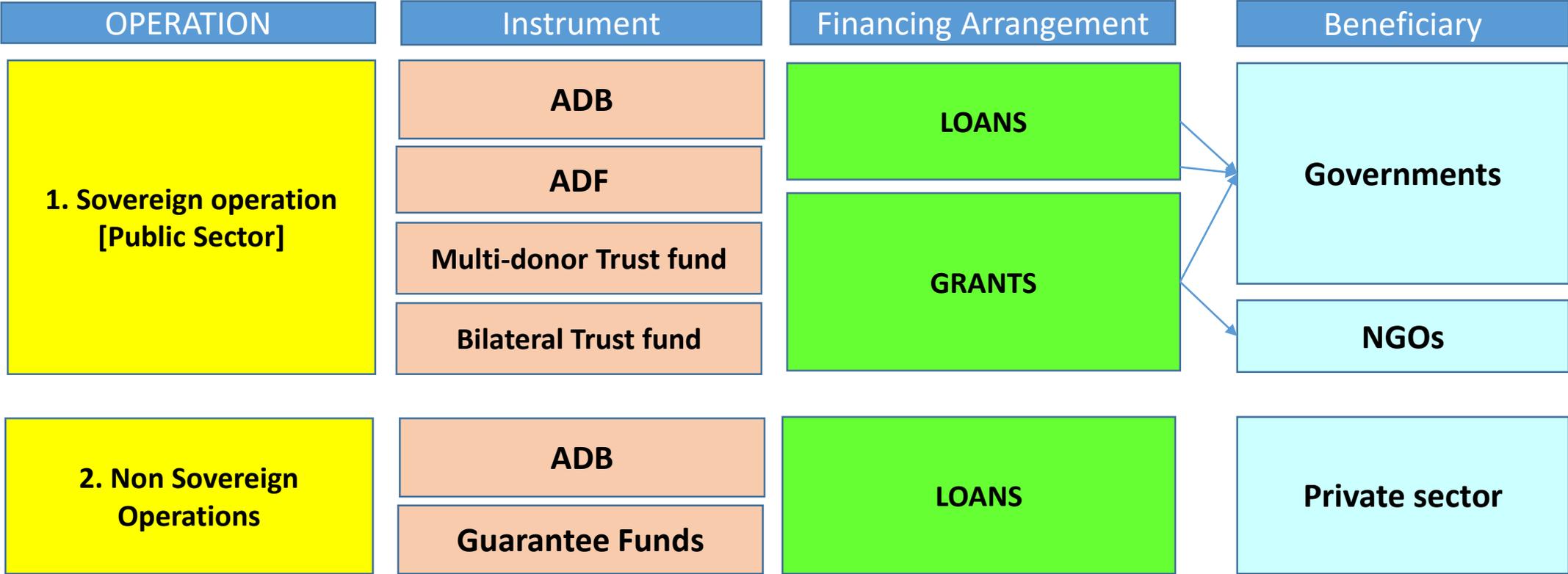
Increasing Financing Trends



**Significant Sanitation Focus:
In 2017, over 60% of the financing was for sanitation**



3 Financing Opportunities in the AfDB



Operations should be in line with

- **Country Strategy Paper (CSP)**
- **Trust Fund's policy/strategy**



Financing Opportunities in the AfDB

1. Public Sector Operations

- Target = Governments
- Agreed in Country Strategy Paper x3yrs
- Project or Budget Support
- Financial windows : Concessional, Non & Grants
- Financial instruments: Lending, Grant,
- Green & Climate Funds –Various sources

2. Non- Sovereign Operations

- For Private sector & Autonomous Semi Governmental bodies
- Financing windows : Non- Concessional
- Financial instruments : Loans, Guarantee, Equity, Risk management
- Funding structuring : Debt (75% max)+ Equity (25% min).
AfDB up to 33% other Financing Institutions remaining 42%
For Corporate Loans 50% on Balance Sheet

Blended Financing & Leverage other
Sources of Financing

The Africa Sanitation Investment Programme 2018 - 2022

Objective

To establish the **Africa Sanitation Investment Fund** to mobilise funds from a variety of donors: **traditional development partners** and the **private sector**. **Prepare studies: an initial pipeline** of CWIS projects for the Africa Sanitation Investment Fund

Principal Components

- **Preparation and Establishment of the Africa Sanitation Investment Fund** - promotion of investment opportunities and leverage additional financing from the private sector and donors.
- **Promoting Project Preparation for downstream investment.** 6 – 7 urban city-wide sanitation projects [feasibility studies and designs that validate and develop a project concept to an investment ready stage].
- **Supporting pilot innovative /Catalytic Projects -Attracting additional funding** will enable sub-project owners to implement innovative-projects.



OPENING UP FINANCING OPPORTUNITIES

Key Considerations in Project Financing

Compelling Viable Project:

- Financial/Economic Case –High Returns
- Enabling environment (institutional, financial mechanism, socio-economy etc.)
- State of readiness –Studies & Designs
- Gender considerations
- Mixed-Innovative solutions along the Sanitation Value Chain,
- Reuse/recycle aiming at reducing extensive transportation and to generate additional revenues
- Private sector/Community Based Entrepreneurs involvement

Business Case /Theory of Change

CONCLUSION

1. Many Challenges but concerted effort and Partnership will win
2. **Engagement** in upstream preparatory work –Ready pipeline;
3. AfDB –Leveraging & Partnerships to secure Resources
4. Promote Innovation and **New thinking** for sanitation solutions:
All inclusive agenda
5. Make strong business case
6. Political Willingness & Good **Governance** major drivers;



THANK YOU FOR YOUR ATTENTION!



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