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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USAID Water, Sanitation, and Hygiene Finance (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:
  o Inability of SSPs to raise funds from financial institutions
  o 73% have assets for collateral; 31% applied for bank loan; 24% got loan from Gates Foundation/ONAS
  o Inability to develop business plans
  o No public procurement access for smaller SSPs
  o 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:

**Pilot Phase**
- **Cohort I**
  - Test SSPs’ ability to borrow
  - Identify quick wins
  - Select SSPs based on:
    i. Debt history
    ii. Technical & financial performances

**Scaling Up Phase**
- **Cohort II**
  - Fecal Sludge Management study: 105 SSPs surveyed
  - Select SSPs based on:
    i. Basic eligibility
    ii. Management, qualitative, & quantitative criteria
    iii. Vidangers Association support
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

- Track financial flows allocated to the sector
- Identify and profile potential investors
- Conduct a bank benchmarking
- Identify suitable partners
- Sensitize financial sector
- Compare loan terms across banks

MAP FINANCIAL FLOWS
Results of the WASH-FIN Process

CREDIT: SUSTAINABLE SANITATION ALLIANCE (SUSANA)
RESULTS (1)

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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<tr>
<th>SSPs and Banks Ready for Transactions</th>
<th>$4.3 million to be raised collectively</th>
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<tbody>
<tr>
<td>Four technical diagnostics for Cohort 1</td>
<td>Three individualized Business Plans and financial models</td>
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<tr>
<td>Four financial and creditworthiness assessment reports</td>
<td>Three individual capacity building plans</td>
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<td>Three technical memoranda on bankable project financing proposals</td>
<td>Three financing teasers</td>
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<td>Three banks pitched</td>
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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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