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# USAID'S WATER, SANITATION, AND HYGIENE FINANCE (WASH-FIN), SOUTHERN AFRICA

Closing financing gaps for universal water and sanitation access through sustainable and transparent business models, increased public funding, and expanded market finance for infrastructure investment.

In Southern Africa, 77 million people lack basic access to drinking water and 119 million people lack basic access to a sanitation facility. The world has set ambitious targets for universal access to water and sanitation by the year 2030 but an unprecedented mobilization of funding will be required to meet this goal. In South Africa alone, the infrastructure investment gap is projected to grow at 2.23% annually, reaching USD \$6 billion by 2030 with the water sector comprising 11% of this total annual investment gap, or USD \$660 million.

## APPROACH TO CLOSING THE FINANCING GAP

USAID WASH-FIN provides technical assistance as a transaction facilitator and independent advisor, helping national government, local government, and private sector service providers to assess all available forms of finance. It achieves its goals by playing an active role in project preparation, offering engineering and financial advisory services in the early stages of infrastructure development to ensure technical, economic and environmental sustainability, and through identifying and advising in the negotiation of financial transactions. The USAID WASH-FIN team facilitates relationships between financial institutions interested in lending for WASH investments and government or private-sector borrowers.

## ACTIVITIES

There are limited public resources available to achieve the ambitious universal WASH access targets. In response, WASH-FIN works with South African national agencies, provincial governments, and municipalities to support greater leveraging of repayable finance to fund urgently needed capital investment in the sector. Examples of technical assistance include:

**MUNICIPAL CREDITWORTHINESS.** WASH-FIN seeks to assist municipalities with improving their creditworthiness to access financing from commercial lenders and capital markets. For example, by conducting a credit rating for Polokwane Municipality; the results will be used to develop an action plan to address areas of identified credit weakness.

**MUNICIPAL FINANCIAL PLANNING.** The project also seeks to assist municipalities in developing and refining long-term financial models to understand the costs and revenues from investment in WASH infrastructure. More accurate financial planning can help municipalities better understand the availability of their own revenues to fund further infrastructure investment. In the City of Cape Town, for example, WASH-FIN has developed a financial model to assist the municipality in setting its water, sanitation, and stormwater tariffs.

**PROJECT PREPARATION.** Provide technical assistance to municipalities in preparation of bankable feasibility studies. For example, WASH-FIN is assisting the City of Tshwane to refine the project feasibility study for a proposed project aimed at reducing non-revenue water loss. Other activities include providing specialist engineering input for a proposed municipal water reuse project in the City of Cape Town which will improve the City's resiliency to drought.

**TRANSACTION ADVISORY SERVICES.** Where municipalities or private service providers demonstrate creditworthiness, sustainable financial planning, and bankable project feasibility, WASH-FIN provides technical assistance in identifying, structuring, assessing and securing financial transactions. In the City of eThekweni, this includes assisting an entrepreneur with securing commercial financing to scale a fecal sludge treatment technology that has been previously piloted in the municipality. WASH-FIN is also playing a critical role in the development, validation and implementation of innovative pooled financing mechanisms for intermediary cities that will, through collective bond issuances in the domestic capital markets, provide access to new and previously untapped institutional investors.

**KNOWLEDGE MANAGEMENT.** WASH-FIN is dedicated to targeted capacity building using participatory and peer-learning approaches for the dissemination and replication of knowledge. To achieve this, workshops are organized for municipalities and other government partners on creditworthiness, capital investment planning, water scarcity, and effluent reuse. There is also active engagement and knowledge sharing with the financial community about compelling investment opportunities in the WASH sector.

## PROJECT DETAILS

The 2.5-year, \$1.8 million WASH-FIN Southern Africa activity is funded by the United States Agency for International Development (USAID) and began in July 2017. Implementation is led by Tetra Tech with support from Open Capital Advisors, Segura Consulting, and Global Credit Ratings. For more details, visit <https://www.globalwaters.org/WASH-FIN>.

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