

Financing Water and Sanitation in East Africa

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Structure of Presentation

- Sector Finance Requirements
- Way Forward
 - Public Policy and Finance
 - Utility/Local Government (LG) Performance
 - Promoting Local Private Sector (LPS) and Small Scale Provider (SSP)
 - In Conclusion

Sector Finance Requirements

- Water investment requirements \$3.3 billion/year in Sub-Saharan Africa (SSA)
- Sanitation investment needs \$3.4 bn/year
- Together - 2.7% of GDP
- Together 5 cents or 3 Kshs/capita/day!
- Current spending in water as a % of GDP is Ethiopia (1.2%), Kenya (1.0%), Uganda (1.7%)
- Sanitation is way beyond (Gandhi: 'sanitation is freedom')

Sector Finance Requirements

- The economic growth picked in EA countries – opportunity to improve investments for WSS
- WSS reforms are underway in EA countries
- Significant sector work is under way – emerging consensus (albeit with limited urgency for action)
- The Banking sector is very liquid and looking for investment homes
- The excess liquidity in banking sector is estimated to be \$1 bn each in Kenya (pension and insurance alone) and Tanzania

Way Forward

- Public Policy and Finance
- Utility/LG Performance
- Promoting LPS/SSP

Public Policy and Finance

- Public expenditure (PE) requirements for WSS are 3% of national PE compared to current 1.6%
- Better value for money (in the hands of community?)
- Demand-driven approach rather supply-driven and input-based (out-put based)
- Donor support – coordinated and enhanced
- Crowding in community/private resources
- Transaction/Reform Support
- Financing Rules as Vehicle for Sector Reforms

Utility/LG Performance

- Financial strength is the capacity to reach scale
- Need for 'bankable' and efficient Utilities/LGs
- User charges for O&M (gradual)
- Rich citizens and poor utilities!
- Partnerships for delivery and finance
- Market based financing (example of 8 small cities in Bangalore region)

Promoting LPS/SSP

- Similarities with micro-finance industry
- Organizing and articulating demand (Slum Dwellers International approach of community organization)
- Vouchers (Output-based Aid)
- Incentives and disincentives (regulation)
- ICICI Bank (India) approach of scaling up and financing of micro-finance (lessons for LPS/SSP)
- “Bottom of Pyramid” approaches

In Conclusion

- Solutions are emerging
- Tremendous innovation is taking place
- Support for project development and reforms (both TA and Credit Enhancements)
- Matter of “Just Doing It”
- Process is an evolution rather than revolution

But, how do we accelerate evolution..... the dream is within our reach.