

WATER SECTOR TRUST FUND

Private Financing to water services under the new normal; challenges and opportunities

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Date & Venue
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United Nations Strategic Development Goals (SDG)

Goal 6: Clean water and sanitation. The Global status of Water and Sanitation



5.2 billion

71 percent of the global population, had safely-managed drinking water in 2015, but 844 million people still lacked even basic drinking water.

2.9 billion

39 percent of the global population, had safe sanitation in 2015, but 2.3 billion people still lacked basic sanitation. 892 million people practiced open defecation.

80%

80 percent of wastewater goes into waterways without adequate treatment.

2 billion

Water stress affects more than 2 billion people, with this figure projected to increase.

80%

80 percent of countries have laid the foundations for integrated water resources management.

70%

The world has lost 70 percent of its natural wetlands over the last century.

Covid19 - Global Lockdown Recession- Emerging Challenges and Opportunities for Water and Sanitation Sector



- COVID-19 pandemic will affect many lives and livelihoods
- World cannot waste the COVID-19 crisis as there are silver lining opportunities

	GDP Growth			COVID-19 statistics as at 26 th Aug 2020			
	2019	2020	2021	Total cases	Recovery rates	Deaths	Mortality rates
World	2.9	-4.9	5.4	24,324,572	69.3%	828,914	3.4%
United States	2.3	-8.0	4.5	6,000,365	55.2%	183,653	3.1%
Euro Area	1.3	-10.2	6	3,434,317	58.8%	206,227	6.0%
Japan	0.7	-5.8	2.4	63,822	81.0%	1,209	1.9%
United Kingdom	1.4	-10.2	6.3	328,846	-	41,465	12.6%
China	6.1	1.0	8.2	84,996	94.1%	4,634	5.5%
Middle East and Central Asia	1	-4.7	3.3	6,578,861	4.8%	21,020	0.3%
Sub-Saharan Africa	3.1	-3.2	3.4	1,216,564	77.7%	28,656	2.4%
Nigeria	2.2	-5.4	2.6	53,021	76.0%	1,010	1.9%
South Africa	0.2	-8.0	3.5	615,701	85.3%	13,502	2.2%
Kenya	5.4	-0.3	4	33,016	58.4%	564	1.7%
DRC	4.4	-2.2	3.5	9,912	90.7%	254	2.6%
Tanzania	6.3	1.9	3.6				
Uganda	4.5	1.8	2.6	2,564	49.5%	26	1.0%
Rwanda	9.4	2	6.3	3,625	49.9%	15	0.4%

Source: IMF

WATER SECTOR IN KENYA

Introduction



The Kenya Vision 2030 goal on water and sanitation under the social pillar is access to water and sanitation for all by 2030.

Kenya is a water scarce country and thus the achievement of this goal will not come easy but requires deliberate effort geared towards the development and expansion of the sector.

The renewable water per capita in Kenya stood at $647M^3$ against the recommended $1000M^3$ United Nations recommended minimum.

Water management will be crucial in achieving the targets under the 3 pillars of the vision, key of which is the Social pillar.

Under the social pillar the targets under health, tourism among others will depend on water to be achieved. Access and quality of water will be a contributor to the infant and child mortality rates.

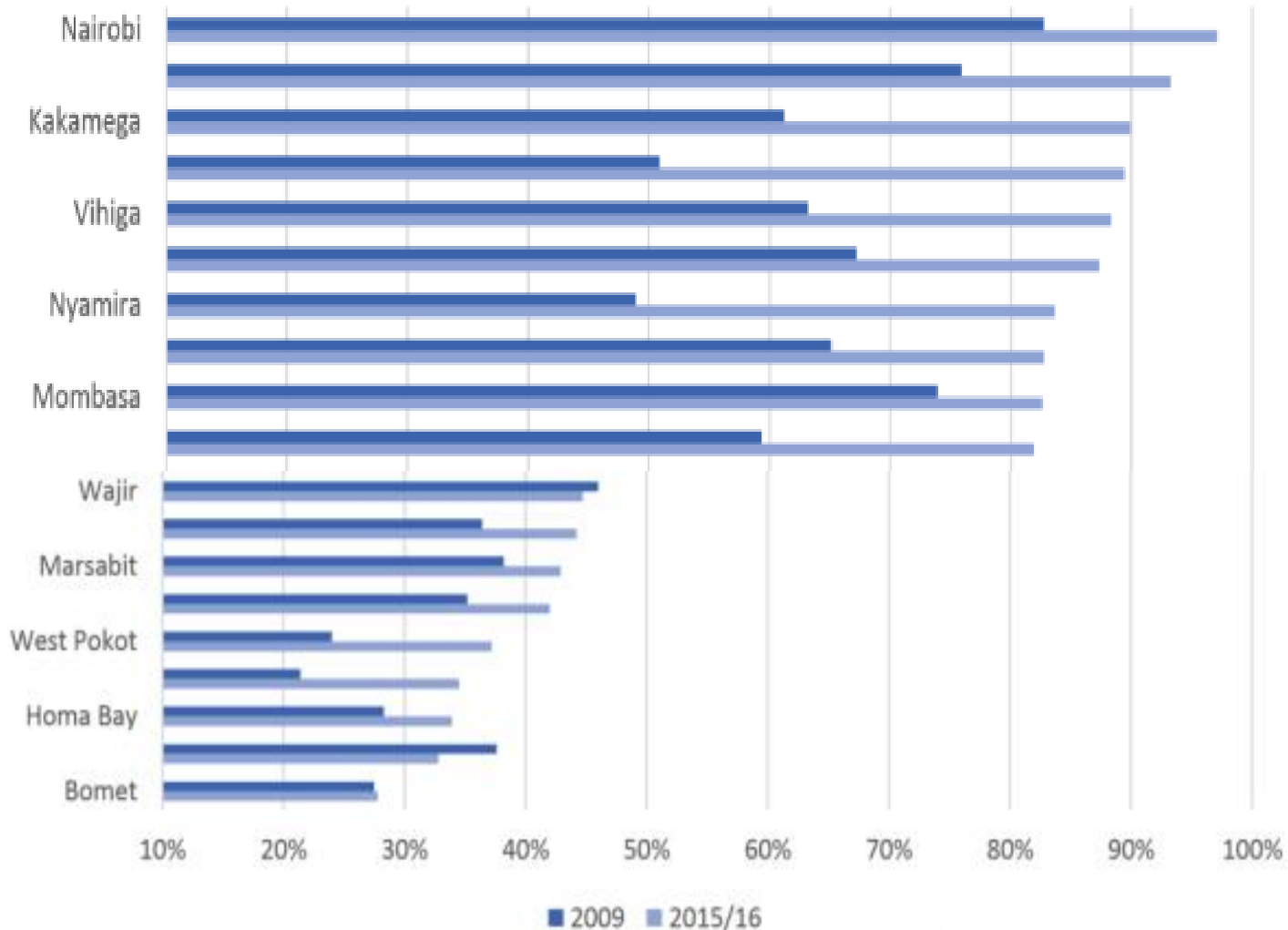
In line with this vision, Water Sector Trust Fund management team has committed itself to achieving the following outcomes by 2022;

- 1. Mobilize Kes 23 Billion to improve access to water and sanitation to the underserved poor.**
- 2. Improved water and sanitation access to the underserved poor in Kenya, reaching an additional 4.7M people by 2022.**
- 3. Bolster water sector research and innovation initiatives through financing 200 projects by 2022**
- 4. Institutional development and systems strengthening of WSTF to enhance its mandate to deliver on its mandate**

Situational Analysis in Kenya: 80% of households in ten counties have access to water from improved sources, five counties have less than 40% of households having access to the service



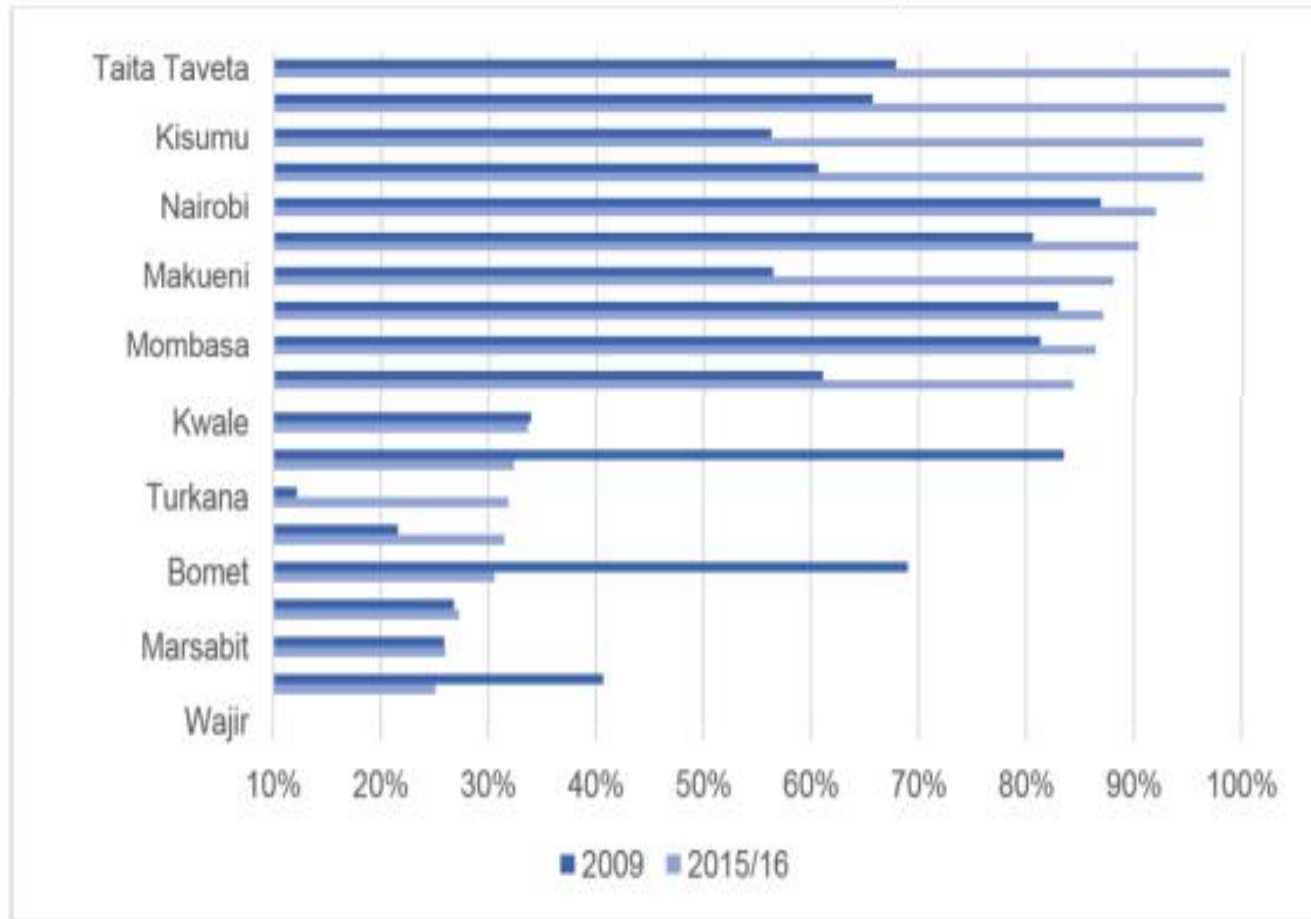
Top 5 and bottom 5 counties in Kenya with access to improved water sources.



Proportion of households with access to improved sanitation services. There was a 0.2% increase in the rate of access to improved sanitation between 2009 and 2015/16 at national level



Top 5 and bottom 5 counties in Kenya with access to improved sanitation services



Equity Bank Limited - Private Financing to water services under the new normal; challenges and opportunities.



- Equity is cognizant to the importance of access to water and sanitation, and through partnerships, the Bank has built two broad based products.
- Digital product called Maji loan: That offers funding acquisition towards water solutions.
- Jamii safi loan: Which offers funding acquisition towards sanitation facilities.
- Solutions financed include; rainwater harvesting equipment, Water filters, pumps and accessories, Toilet/Septic/latrine, water connections, wells and boreholes and sewer connections.



PRE-COVID SCENARIO



- Partnerships with 5 water & sanitation equipment manufacturers and approx. 1000 distributors.
- From 2011, Equity bank has issued 897,000 WASH loans and leveraged over USD 390 million in loan capital. (Average loan kes. 20,000)
- The loans have impacted over 3.3 million beneficiaries.
- The second phase of the project will leverage on technology to deliver water loans.
- The program targets to have an impact to approximately 301,000 people across the country by the close of 2020.
- The program has been set to operate under three main pillars i.e. Digital solutions (DFS), financing to WASH SMEs and Water Service Providers (WSPs).

CHALLENGES EXPERIENCED BY PRIVATE FINANCIERS



Commercial viability

Collateral

Governance

Political interference

The lack of a consistent framework

High levels of poverty

Misconceptions

Reduced revenues

- Very few WSPs can be considered as commercially viable (Based on World Bank shadow rating) and have the ability to attract commercial financing
- Most of the lending within the banking sector is collateral based. Property ownership in public water utilities is quite complicated and makes it difficult for the banks to structure financing in the absence of a fall back (guarantee).
- Clarity on the roles of the county versus the national government in the running of the utilities.
- in the management of water service utilities
- to lend to WSPs make banks consider them 'high risk
- To the end user, many households may not be able to have disposable incomes to service loan instalments and invest in their own water and sanitation solutions
- Water is considered a basic human right and thus conceived as a responsibility of the government. Far from it, public funds are not available to meet this demand.
- as a result of covid-19 , meaning more people have lost incomes and can't pay for water) means that many utilities have more difficulties meeting debt obligations or have reduced ability to access commercial financing.

1. ECOSYSTEM/VALUE CHAIN FINANCING

Commercial Financing

- Funding of water infrastructure: Increase connection through financing for new distributions lines and expansion of water sources through development/rehabilitation of dams, boreholes, intake lines.
- Corporates and SME financing in water & sanitation sector such as manufacturers, constructors & distributors.
- Smart meters and WASH system rehabilitation to reduce Non-revenue Water & unaccounted for water

Liquidity management

- Revenue collections by use of technology to reduce revenue leakages for water service companies

2. END USERS

Technology

- Digital loans to access water and sanitation related merchandize (Water tanks, toilet slabs, bio digesters, water recycling & filtration, connections, accessories, pumping etc.)

Strategic partnerships

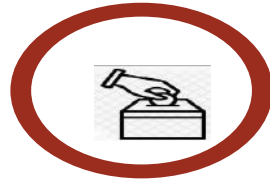
- Partnerships with Government and its Agencies e.g. Water Trust Fund for blended financing
- Development partners such as Water.org, World Vision, World Bank, UN-habitat, AfDB
- Private partnerships with manufacturers, constructors and distributors such as Kentainers, Roto Tank, Poa Tank etc.

Equity Bank Used its Social Purpose as True North & moral Compass in Managing COVID-19 Using Defensive and Offensive Strategies



Health Response

Waived fees on mobile banking transactions to discourage use of cash; leveraged our health clinics to support educational awareness



Social Response

Equity Group Foundation, Mastercard and Dr. James Mwangi family contribution to the Covid 19 fund totalling Kshs 1.4 Billion



Loan restructuring

In response to the challenging operating environment for customers we have identified borrowers impacted by Covid-19 who account for 45% of our loan portfolio



Capital buffers

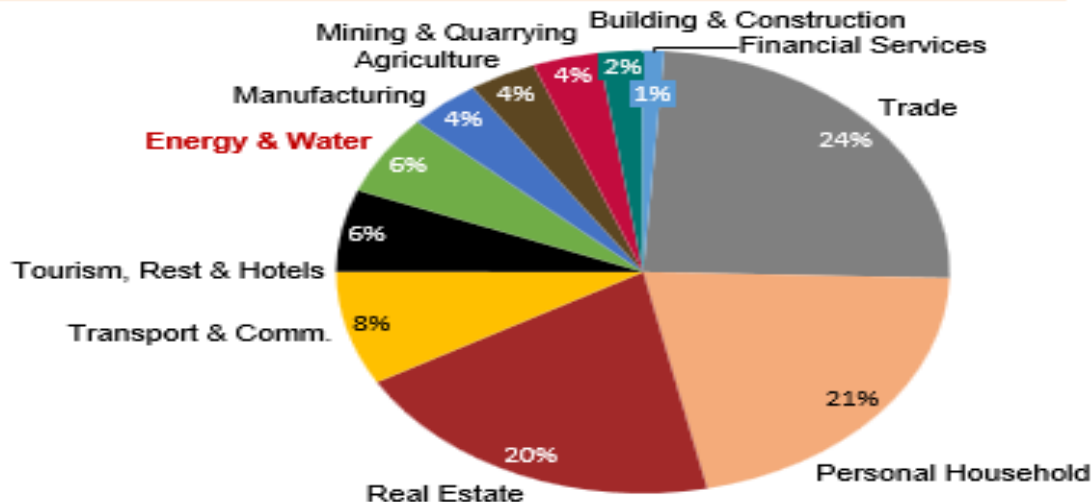
In response to the global and regional uncertain operating environment, we have enhanced core capital buffers by withdrawal of 2019 dividend amounting to Kshs 9.5 Billion



Risk management

In response to a challenging operating outlook we have enhanced our provisioning intensity to proactively manage emerging risks

Equity Bank Loan Book for Water , Sanitation, Energy , 6%, KES 23.5Bn

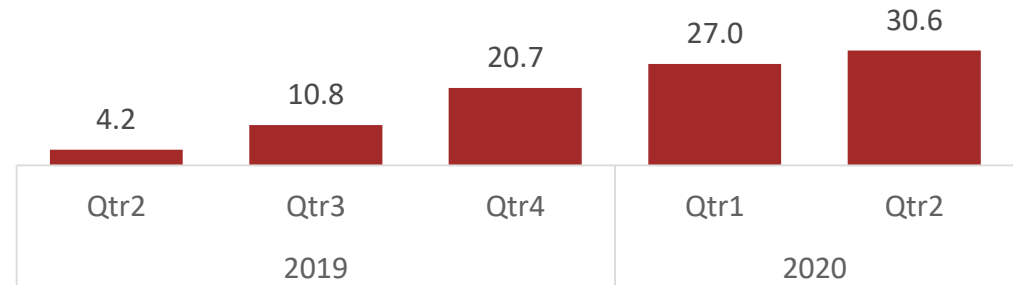


YAWK – Young African Works Kenya – Opportunity for MSMEs in Water and Sanitation Sector Ecosystem Value Chain - Program Achievements June 2020



- 133,623 loans disbursed valued at Kshs. 30.6B to 105,635 Micro, Small and Medium Entrepreneurs (MSMEs)
- 64,081 MSMEs trained
 - 32,921 on Financial Education (FE)
 - 39,585 on Entrepreneurship Education (EE)
 - 35,906 on Digital Literacy (DL)

Cumulative Loan Disbursement (Kshs. B)



Sector	Number	Amount Disbursed
Trade	70,185	18,275,011,455
Agriculture	62,872	9,982,033,831
Personal Household	160	46,853,500
Real Estate	153	1,906,801,000
Transport & Communication	83	166,758,560
Tourism, Rest & Hotels	54	53,140,000
Building & Construction	40	76,271,000
Financial Services	38	23,449,740
Energy & Water	24	45,961,000
Manufacturing	14	47,645,000
Grand Total	133,623	30,623,925,086

Thank you

<https://equitygroupholdings.com/ke/>

