

*Social Investor's Feature Article:*

# *Hollywood &* Hometown Heroes

How a united determination to overcome the water crisis brought *Matt Damon* and *Gary White* together to launch Water.org.

## **U**nited by Purpose

Ten years ago, an engineer and an actor got together, determined to find answers to the desperate situations we witnessed all over the world. We had each been working for many years amid one of the greatest needs and most far-reaching philanthropic efforts of modern times: the global water crisis. In 2009, we merged our separate organizations and created Water.org.

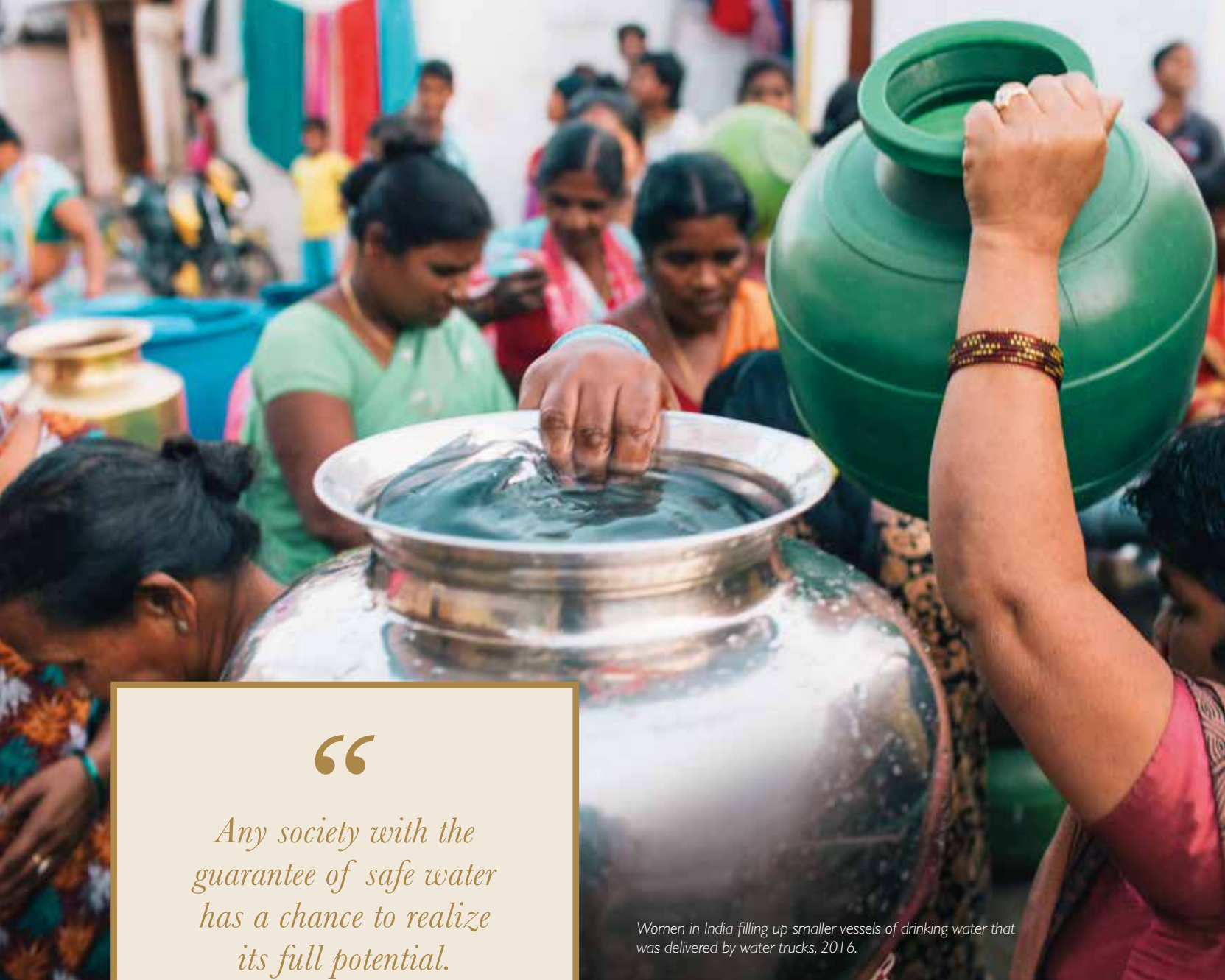
The idea that brought us together was a simple one, as any unifying idea should be: that everyone should have access to clean water. We had both met families living at the base of the economic pyramid who struggled every day to pay for each liter of water; we saw those with the lowest incomes pay the most for it and get the most contaminated water for their money. We met people who had to spend much of their days looking for water and for a place to use the toilet. We saw this enormous daily expense, and we realized that families could be healthier, more productive, even better educated, if they could access small, affordable loans to finance household taps, toilets, and other lasting improvements to their lives.



GARY WHITE & MATT DAMON

Indonesia, 2018.





Women in India filling up smaller vessels of drinking water that was delivered by water trucks, 2016.

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*Any society with the guarantee of safe water has a chance to realize its full potential.*

GARY WHITE

We named this solution WaterCredit, and with it Water.org has enabled more than 25 million people to obtain the means to a lifetime of safe water and sanitation. We partnered with microfinance organizations across 13 countries to mobilize 5.7 million loans worth US\$ 2.1 billion in commercial capital for water and sanitation. The proof of the model is a repayment rate of 99%. Along the way, the original partnership between our two water organizations turned into partnerships involving hundreds of organizations.

**To Partner is to Multiply and to Learn**

In the simplest model of partnership, organizations partner to share a burden. I do what I do best, and I count on you to do the same.

A more sophisticated model recognizes the potential for synergies, how together we can carry even more of the burden, to become greater than the sum of our parts.

But the benefits of partnership go beyond even this.

Perhaps because of how Water.org started, we tend to see partnering in another light. Every partnership offers an opportunity to learn from people who operate in very different spheres, and to learn together as we advance together.



Working through a translator, Matt Damon and Gary White learn of one woman's solution to her water challenges in Indonesia, 2018.



Gary White speaks to a woman in India who is responsible for her family's daily water supply, 2018.

Four key things we've learned through our partnerships:

**1 The People at the Base of the Pyramid Can Solve This Problem Themselves**

Back in the 1990s, we knew people were throwing money away every day to get access to water and toilets. The water they gathered, although free, had a hidden cost. Sometimes the water was contaminated, costing people their health. And always water collection cost people their time. Around the world, women and children spend 200 million hours each day collecting water. We knew they were open to an opportunity to trade this expense for an affordable and sustainable solution that would buy them this part of their lives back to do something better. They needed a partner to help them.

We see our role as being a catalytic partner. We have helped microfinance institutions, self-help groups, community-based organizations, governments, utilities, and supply chain entities recognize that the people at the base of the pyramid, empowered with access to finance, really can solve the water crisis.



## 2 *Capital is Critical*

The demand from individuals for affordable financing to provide access to water and sanitation was an US\$ 18 billion opportunity. Existing financing didn't come close to meeting the market demand. Our experience working with financial institutions and water and sanitation enterprises in emerging markets taught us that, with access to more dedicated capital, we could reach more people, more quickly.

And so, in 2017, we founded a new organization, WaterEquity, the first-ever asset management firm dedicated to ending the global water crisis, with an exclusive focus on raising and deploying capital to financial institutions and water and sanitation enterprises in emerging markets.

In April 2017, WaterEquity launched a US\$ 50m impact investment fund to invest in financial institutions and water and sanitation enterprises in India, Indonesia, Cambodia, and the Philippines. Composed of two equity classes and a catalytic debt facility, this fund also includes a US\$ 5m first-loss guarantee that allows investors to cultivate a nascent market with low risk. Additionally, Bank of America provided a US\$ 5m zero-interest loan for this fund. Bank of America's support helped to attract investments from foundations, corporations, high-net-worth individuals, and development finance institutions.

As of March 2020, WaterEquity's first two funds have successfully reached 1.6 million people living in poverty with access to safe water or sanitation.

## 3 *Synchronicities can be Powerful*

Our research and our partners tell us that in some communities, installing a tap or toilets isn't the full solution because of ingrained practices.

Water.org has been collaborating with UNICEF, the largest organization promoting health and hygiene education around the world. One of UNICEF's major goals right now is to end open defecation in the places where it is still the first, sometimes only, option for many people. Through our collaborations, we collectively harnessed the power of linking education directly to accessible solutions. UNICEF led the community-level education that created demand for a toilet or tap, and we enabled household-level financing, thus removing a critical barrier to action. Where we have knitted our efforts together in India and the Philippines, UNICEF has seen marginalized low-income communities use accessible finance to construct the toilets and taps that make a sustainable change in behavior possible. Recently, innovative finance became one of UNICEF's global strategic priorities.

Over the years, we have learned how much of a boost there is to water solutions from community-based demand generation when we work in the same places as UNICEF.

## 4 *Governments can Multiply Impact Exponentially*

UNICEF's amazing network of government relationships has inspired and helped us to grow our work in the water policy arena. Having been a key member of a coalition that successfully lobbied to make water and sanitation part of Priority Sector Lending for India, our team realized the multiplicative power of combining bottom-up and top-down approaches. Water.org's strategic plan now includes systems impact: impact on the whole enabling environment, the policies, practices and the systems that affect anyone who wants to invest in their own water solution.

This partnership with UNICEF only scratches the surface of our work with institutional and sector-level partners, networks, and government entities. The aims are highly contextual, and there is no script for these kinds of partnerships. It's a matter of finding everyone who has a positive role in the sector — the actors, as the jargon has it — and connecting them to one another to accelerate impact.

## *Gary White:* On Water and Lessons from COVID-19

“ I have been working in the water industry for a long time, but I have never seen so much global attention being placed on the importance of water, sanitation, and hygiene as it has in the past few months. The pandemic has made clear that water is basic “PPE”.

If there's one positive thing to take from the current pandemic, it is that COVID-19 has focused a major spotlight on the fact that safe water and good hygiene are critical to the health of each and every one of us around the world, especially for those living in poverty. Without equitable access to the services they need to prepare and protect themselves from this pandemic, they are the most vulnerable.

Now more than ever, we must ensure every country makes water and sanitation a part of its COVID-19 response — it has become obvious that this is fundamental. Governments need to ensure all their citizens have access to safe water and sanitation. They need to allocate significant budgets and adopt policies that ensure sustainable services for those living in greatest poverty and density. Well-functioning water and sanitation services are key to our long-term resilience against future pandemics. What we do right now determines our future.

A crisis of this magnitude is incredibly disruptive. However, we also have an unprecedented opportunity to create the world we want to live in. Those who are able can lean in with philanthropy to help correct inequalities that prevent people from accessing safe water to practice good hygiene. Impact investing has a role to play as well, putting money to work to solve critical social challenges that threaten global health and prosperity.

With public and private partners, we can bring the resources to bear on the global water crisis to deliver solutions and build the resilience to face future shocks. The future of global health is in our hands. ”



Gary White during a site visit in India in 2013.



# Understanding The Water Crisis

## The Power of Water

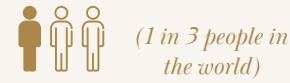
785 million people (one in nine) lack access to safe water and two billion people (one in three) lack access to a toilet.

Providing access to safe water and sanitation can empower people with time for school and work, while contributing to improved health worldwide.

**785m**  
people living without access to safe water



**2bn**  
people living without access to improved sanitation



Women and girls spend  
**266m hours**  
every day finding a place to go

Women and girls spend  
**200m hours**  
every day collecting water



### A Children's & Education Crisis

**3rd**

leading cause of child death is diarrhea

**1 in 3**

schools lacks access to basic water and sanitation

### A Health Crisis

**1m**

people die each year from water, sanitation and hygiene-related diseases

Every

**2 mins**

a child dies from a water-related disease

### An Economic Crisis

**\$260bn**

is lost globally each year due to lack of basic water and sanitation

Universal access to basic water and sanitation would result in

**\$18.5bn**

in economic benefits each year from avoided deaths alone



Thanks to a municipal water line that runs through this area, most of the residents on the street in Bangalore's Kodihalli village get safe water several hours a day, India, 2014.

## Actors and Investors

We always feel like “actors” is an odd word to use here — and not just because one of us is an actor of some experience. The word is also an imperfect fit whenever talking about water, because everyone is an actor. Everyone must make decisions about their water. For some, that means paying a monthly bill and turning the tap. For others, it means walking an hour each way to collect it, a brave and exhausting daily action.

What interests us is not just water actors, but water investors. This highlights the active investment of what many other organizations dub their “beneficiaries.” Yes, they benefit from our work, but so does everyone else – businesses that will have healthier workers and governments that will have healthier and more productive citizens.

Millions of people can make lasting investments in safe water or a toilet if empowered to do so by the investments of others. Investment on every possible level is what will end the water crisis and bring water and sanitation access to all. We are proud to partner with all the investors, to align our efforts, to leave no one behind, and to continue to learn and to innovate together.



Academy Award-winner Matt Damon is an actor, screenwriter, producer, and humanitarian. Inspired during his travels throughout Mexico and Guatemala as a youth, he has long been devoted to environmental and social issues. Learning about the immense challenges of accessing safe water and sanitation in Sub-Saharan Africa, Matt launched the H2O Africa Foundation. In 2009, he teamed up with Gary White to merge their organizations and Water.org was born. For his work as co-founder of Water.org, Matt was recognized as one of the TIME 100 most influential people in the world in 2011 and received the Environmental Media Award from The Environmental Media Association in 2013. In 2014, the World Economic Forum named Matt as the Crystal Award winner. Matt's active participation in his organization's work, including site visits, strategy development, advocacy, and high-level meetings with institutions such as the World Bank and the World Economic Forum over the past decade, has positioned him as one of the world's experts on water and sanitation issues.



Gary White is the CEO and co-founder of Water.org and WaterEquity. Gary developed Water.org's WaterCredit Initiative, creating new financing options for poor populations to meet their water supply and sanitation needs. Over the past 25 years, Gary's entrepreneurial vision has driven innovations in the way water and sanitation projects are delivered and financed, innovations that now serve as a model in the sector. He is a founding board member of the Millennium Water Alliance and Water Advocates. Gary was selected as a Skoll Foundation Social Entrepreneur in 2009 and a Schwab Foundation Social Entrepreneur in 2012. In 2011, he was named to the TIME 100 list of the world's most influential people. In 2014, he was named to the World Economic Forum's Global Agenda Council on Water. In 2017, Gary received the Forbes 400 Lifetime Achievement Award for Social Entrepreneurship. Gary has three degrees in Civil and Environmental Engineering from the University of North Carolina at Chapel Hill and the Missouri University of Science & Technology.





A woman from the Mahahalli Village in India is able to walk just a few feet from her doorstep to fill her vessel with water. The water is from the tap she installed with support from a loan provided by Water.org's WaterCredit initiative, 2016.

## *Water.org's President* Jennifer Schorsch on how the organization is making waves.

### **How has your organization's strategy and use of partnerships changed over the years?**

**Jennifer Schorsch:** Gary White founded Water Partners in 1990. The organization started with the very straightforward approach of underwriting the full cost of communal water and sanitation projects. With this strategy, the organization reached one million people after 22 years in operation. Which is wonderful.

But then in 2012, we shifted our approach to deploy philanthropy catalytically, using donated funds to mobilize commercial capital and thus reach more people faster and more efficiently. We now reach two million people each quarter. With this experience base, we see our role very much as a "dot connector" — connecting insights and partners for impact. As Matt and Gary explain in their article (p.63), we work with governments to help shape policies and practices that will bring more services to people living on less than US\$ 6 per day. We work with a wide range of financial institutions to make the case for small loans to people living in poverty that allow them to purchase and install their own improved water and sanitation infrastructure. And we work with utilities to improve and expand services to the poor. Through this more networked approach we have been able to reach more people more quickly and sustainably — 24 million people in just seven years.

### **Which other sectors and partners are needed to solve the water crisis?**

Financial institutions globally and locally are critical partners. We are working to increase the engagement of banks, micro-lending groups, governments, multi- and bilateral institutions, and development finance institutions. Those who can mobilize large-scale capital.

And, of course, we need social investors to enter this space. Anyone with deployable capital should consider using it to address one of the greatest challenges we face — the water crisis. The two billion people without access are a market to be served.

Finally, we need philanthropists to consider how they can extend the impact of their philanthropy, directing it to high-performing NGOs with a track record of success, supporting sustainable market-driven solutions, and using philanthropy more catalytically to mobilize additional capital.

### **Why aren't banks and micro-finance organizations meeting these needs? Why doesn't the market recognize the need and respond to the opportunity to serve people living in poverty?**

There are a few reasons for this failure. Water is viewed as a human right and that has led to assumptions that water and sanitation services are delivered solely by government.

Further, when people see the absence of water and sanitation or other basic services, they think the solution is aid — building wells or toilets for communities for free, which can seem like an endless and expensive undertaking.

The market also operates with certain assumptions about what people living in poverty will and will not invest in. As a result, markets in general tend not to respond to the needs of people in poverty. That is because no one realizes that people living in poverty can participate in their own solutions.

Many micro-finance institutions and banks think of loans only for income-generating opportunities. What they may not appreciate is that access to water and improved sanitation is income-enhancing. People in poverty already pay enormous costs as a result of their lack of access. Waiting, walking and illness due to the absence of safe water and sanitation translate into higher costs, lost income and lost time — globally it's a US\$ 260 billion annual economic impact.



These costs can be redirected to sustainable solutions. Once clear on the costs presently incurred, it is easier to see the opportunity in water solutions.

**What does this say about the role of NGOs? Is there a case to be made that one underappreciated role is to make the business case for serving the poor?**

NGOs can indeed shine a light on market opportunities and engage the private sector in sustainable solutions. As a social enterprise with market-driven solutions, we at Water.org work to demonstrate that enterprises can achieve both social good and economic good — not just one or the other. We believe that we can have a transformative effect on our sector by making the case for market-driven solutions to increase water and sanitation access for people living in poverty.

And we believe that other NGOs working in other sectors may magnify their impact if they likewise look to involve the private sector to close gaps. So is there an opportunity to increase impact by harnessing the market? Absolutely.

We can address market failures and nudge the market to get it to self-correct. To do this, we need data,

pilots, and patient capital to build this evidence base and advocacy case. And we need partners to join us.

**Is it possible to mend the market, and if so, how?**

NGOs bring local market knowledge. We know the customers and their needs, and we can pilot innovations to demonstrate the business case. This can change the behavior of the market in important ways. For example, One Acre Fund can demonstrate the business case for providing agricultural services to smallholder farmers. Water.org demonstrates the business case for affordable finance and investments in water and sanitation. NGOs can bring valuable customer insights that can turn a “problem” into a potential business solution.

But this requires a mind-shift both for NGOs and their funders.

We must see NGOs not as emissaries of aid, but as solution-seekers and drivers.

Water.org is trying to share these insights widely with potential partners to deliver solutions. We need more actors of influence to come into these spaces.



Children enjoying water from a WaterCredit-funded water connection, where an old handpump was upgraded to a mechanical pump, Philippines, 2016.



Ngugi (pictured) collects water at a river, and transports it on his motorcycle to people in Gaichanjiru, where there is no water, Kenya, 2014.

**Water.org has had success increasing the flow of micro-loans to the poor to improve sanitation and access to clean water. Likewise, One Acre Fund has increased the flow of micro-loans to the poor to improve agricultural production. What other opportunities do you see for providing loans for income-enhancing investments?** Renewable energy is a big opportunity in this area. Consider what access to electricity does for income generation and for education. Innovative financing in this area could be transformative.

Identifying areas where this approach could be adopted is about examining the coping costs. In the case of water, what are the incremental costs for not having access? Girls don't attend school and women can't work because they are spending too much time gathering water.

If the coping costs are high — as they are in the case of water and sanitation — people living in poverty will engage in solving the problem if given the opportunity.



*Jennifer Schorsch is Water.org's President. She currently ensures Water.org's fiscal, operational, departmental, and programmatic strategies promote sustained growth, work to continually accelerate the organization's impact, and are effectively implemented throughout the entire organization. Prior to Water.org, Jennifer helped build the Starbucks brand from just 150 stores to a global company, serving in multiple capacities within marketing, ultimately serving as Vice-President, Retail Marketing for North America. She has also served as strategic advisor and Vice-President, Marketing at Trusera after beginning her career as a consultant at Bain & Company. Jennifer has an MBA from Harvard Business School and a BA from Dartmouth College.*

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