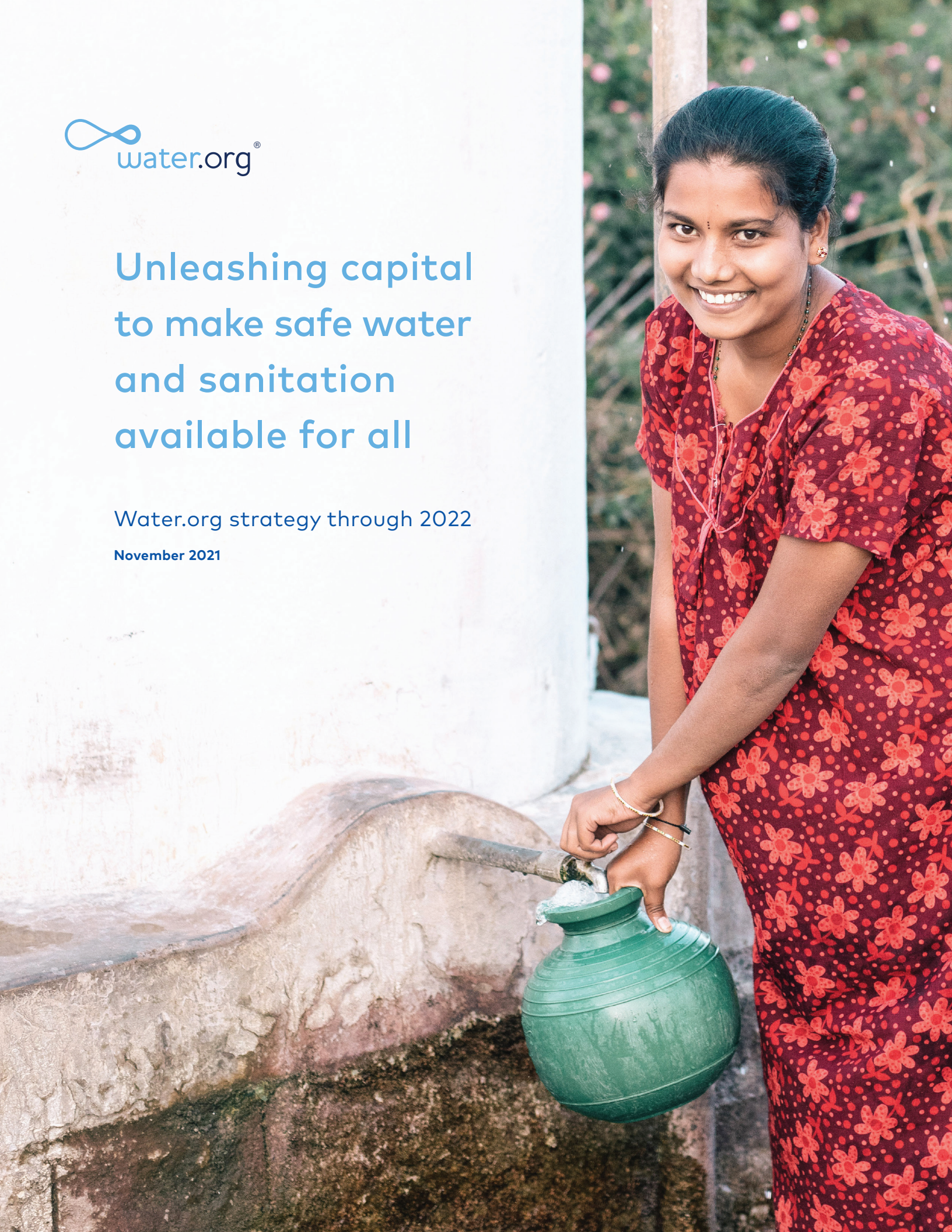




# Unleashing capital to make safe water and sanitation available for all

Water.org strategy through 2022

November 2021



# Closing the water and sanitation financing gap

**There's a gap in financing** — The World Bank estimates that \$114 billion a year is needed to achieve safely-managed water and sanitation and meet the Sustainable Development Goal 6 (SDG 6) targets. That is 3x current investment levels, and those are the costs only for constructing new infrastructure, not of operating and maintaining that infrastructure over time. Current investments in water and sanitation amount to only \$28.4 billion a year, leaving an annual gap of nearly \$85.6 billion. In 2018, the United Nation's High-Level Political Forum concluded the world is not on track to reach SDG 6, which calls for clean water and sanitation for all by 2030.

**New solutions are needed to fill the gap** — Status quo solutions will not meet this need. Bridging the financing gap and delivering safe and affordable access to water and sanitation will depend on innovative and efficient approaches.

As the world looks to meet global goals related to water and sanitation, Water.org assessed the opportunities and challenges that lay ahead and carefully considered how to best contribute. Water.org has reached more than 40 million people in Africa, Asia, and Latin America with safe water and sanitation, and impact is accelerating. Through our collaboration with partners around the world, we are expanding our core strength of unlocking capital to help people living in poverty get access to safe water and sanitation.

**Maximizing relationships to scale solutions** — With 30 years of experience and insight, Water.org is developing more efficient, scalable solutions by leveraging partnerships and relationships designed to unleash the flow of capital for water and sanitation. We work to connect the dots between people, partners, and ideas — to convene great minds from different perspectives to solve one of the world's most intractable crises. This approach is critical to unlocking the level of capital needed to make safe water and sanitation available for all.

**These goals can only be achieved in collaboration with others** — For many years, Water.org focused on proving our market-based financial solutions across geographies. Our own success helped us to realize that the potential of this solution and others like it would be beyond our capacity to achieve alone. We needed to look more broadly at the system to see where else financial solutions could be of value — enhancing the capacity of service providers, improving the ability of the supply side to deliver — and who else might be equally or better positioned to help deliver these types of solutions.

With a robust evidence base, Water.org shares what we've learned with our partners through shared-value relationships. Beyond one-on-one direct impact partnerships, we are working at the ecosystem level, driving more efficient coordination through cross-sectoral partnerships on the ground, developing a stronger fabric of outcomes by coordinating with governments, water and sanitation organizations, and financial institutions.

# 60 million

By 2022, Water.org aspires to change 60 million lives with access to safe water and sanitation.

# Water.org joins forces with others to increase financing for water and sanitation

We integrate partners, ideas, and approaches to catalyze capital into the sector to ensure that affordable finance can flow down to those who need it to access water and sanitation.



We work to accelerate impact in three ways:

1

Partnering directly with institutions that serve the base of the economic pyramid

2

Partnering to accelerate access

3

Strengthening the enabling environment through policy and practice shifts

# 1

## Partnering directly with institutions that serve the base of the economic pyramid

For more than 15 years, Water.org has provided technical assistance to microfinance institutions (MFIs) to offer small loans to households for water and sanitation. Now, we are broadening the types of direct impact partners we work with and expanding the technical assistance we provide.

Additionally, early success has been demonstrated with water and sanitation service providers and utilities, and we are expanding to support small and medium enterprises that play a critical role in ensuring materials and labor reach those commonly left behind. Other avenues of growth include Fecal Sludge Management and on-site sanitation solutions.

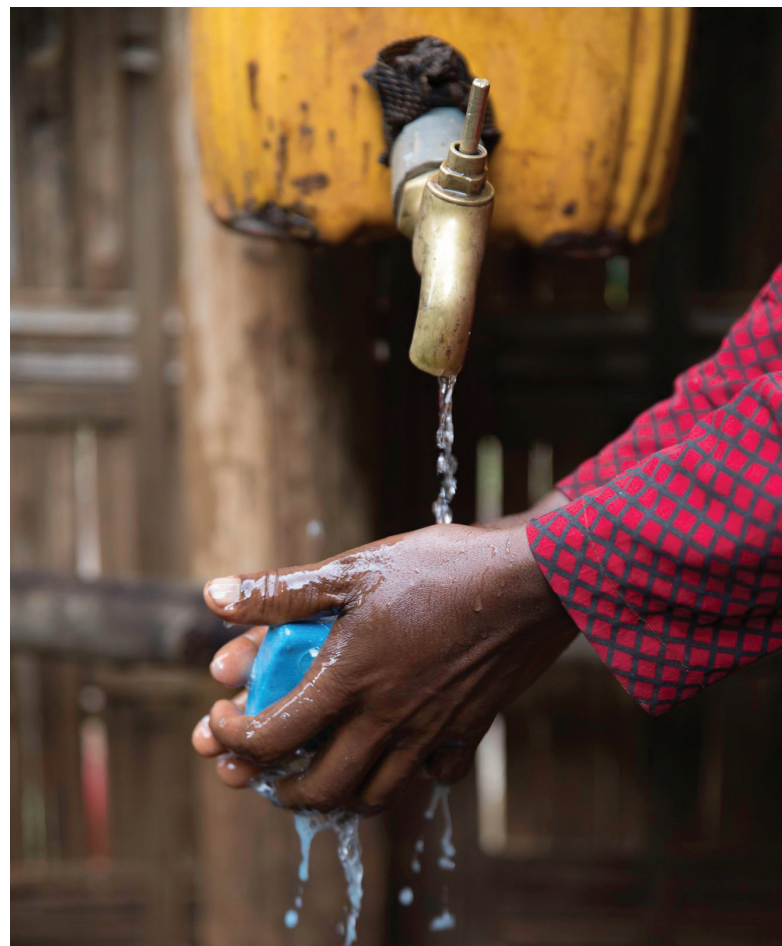
**Representative examples of this work include:**

### **Empowering microfinance institutions to develop water and sanitation lending**

Water.org successfully collaborates with one of the largest microfinance institutions in Peru — MiBanco. Water.org provided extensive technical assistance to MiBanco to design, develop, and offer water and sanitation lending across its entire branch network in the country. To date, MiBanco has disbursed more than 719,000 loans, reaching more than 2.6 million people with much-needed water and sanitation access. MiBanco is just one example in our partner network of 149 local financial institutions in 11 countries around the world. Collectively, our partners have disbursed 8.9 million loans, reaching more than 38 million people, and mobilized \$3.3 billion in capital to support small loans for water and sanitation.

### **Supporting commercial banks to lend to households, small and medium enterprises, and utilities with traditional and digital loans**

Water.org works closely with commercial banks across Africa, including Family Bank in Kenya and Equity Bank in Kenya and Tanzania. Through these partnerships, Water.org supports commercial banks to lend for water supply and sanitation (WSS) at multiple levels — to households, to WSS small and medium enterprises, and to water utilities. Given the prevalence of mobile money in East Africa, Water.org is working with these partners to integrate water and sanitation lending into existing digital financial service platforms, so that customers who cannot reach a brick-and-mortar bank still have the option to access the affordable financing they need to build a water or sanitation improvement at home.





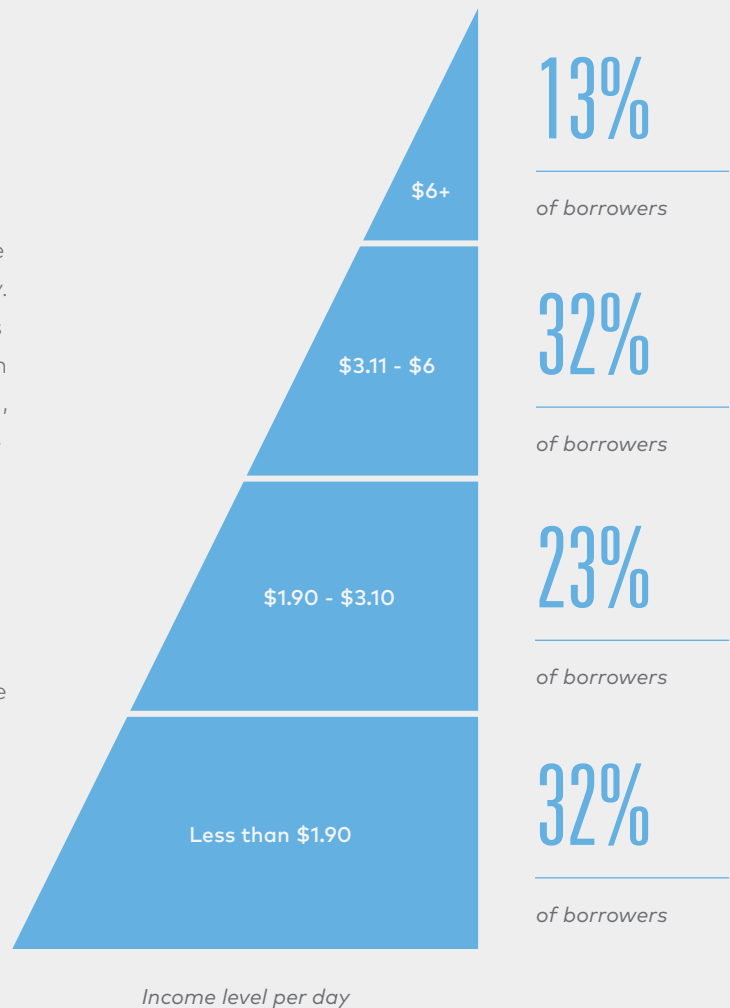
### Strengthening utilities through financing

In the Philippines, Water.org is partnering with 12 utilities in the Palawan province to help them develop business plans for expansion and marketing strategies to attract new clientele. Where potential clients need access to credit, they are also forming linkages with Water.org's existing MFI partners. The first utility to partner with Water.org in this province, Narra Water Supply Service, was able to double their monthly revenue after one year of collaboration.

### Our target — People living at the base of the economic pyramid

Water.org's expertise is unlocking financing to meet the water and sanitation needs of those living in poverty. Our efforts will continue to resonate with individuals living on \$1 to \$6 per day — individuals who have enough income potential to service a water or sanitation loan, but who often cannot access capital at an affordable rate or pay for facilities and services upfront.

By expanding our efforts across three levels of impact, we can also help reach those living on less than \$1 per day and help free up other resources for those who require subsidized solutions. Through this approach, Water.org can continue to promote our vision of safe water and sanitation for all.



# 2

## Partnering to accelerate access

Working with individual financial institutions and water service providers is critical to developing the robust evidence base that proves there is a market to be served and to generating insights on how best to reach the base of the economic pyramid. Yet, working only in one-on-one partnerships is insufficient to meet the scale of the need. That's why Water.org works with a complex array of partners across sectors to expand affordable financing.

Water.org provides technical assistance, shares best practices, and collaborates with apex stakeholders so they can develop, implement, and scale effective solutions. We connect dots to integrate partners at local, state, and national levels to create a supportive ecosystem where each partner's effort accelerates the others. Water.org facilitates connections and collaborates with development finance institutions, aid agencies, and other capital providers to fuel the financing needs of our partners at a commercial scale. These partnerships help accelerate access to reach more people, faster, and at a lower cost per person.

**Representative examples of this work include:**

### **Unlocking new channels of affordable capital for financial institutions**

Water.org collaborated with the Development Bank of the Philippines (DBP) to initiate wholesale loans to Water.org partner microfinance organizations (MFIs), so that they can expand their WSS loan portfolios. This collaboration will now extend DBP's lending activities to MFIs, rural banks, and coops to include financing for water and sanitation loan portfolios.

### **Collaborating with development finance institutions to develop and deploy targeted financial structures to de-risk upstream capital investment and stimulate the growth of local markets for water and sanitation**

Commercial bank participation is critical to the successful scale up of water and sanitation access for people living in poverty, however, commercial banks are reluctant to enter this segment at scale for a variety of reasons. Based on this feedback, Water.org has teamed up with International Finance Corporation (IFC). Together, we are currently developing a Global Credit Enhancement Facility. This financing structure will allow banks to receive credit enhancements to help de-risk their water and sanitation lending portfolios. In turn, our partnership with IFC will unlock additional local commercial bank financing for the water and sanitation needs for millions that still lack basic services.





### **Providing technical assistance to national governments to facilitate water utility financing**

In Indonesia, Water.org led the development of approved Standard Operating Procedures for facilitating microlending to rural water utilities by financial institutions for the Ministry of Public Works' PAMSIMAS program, which supports the establishment and development of more than 20,000 village-scale water supply utilities nationwide. The document provides guidance to PAMSIMAS staff at province and district levels to assist village water utilities in becoming bank-ready; it also provides a reference for PAMSIMAS staff on how to engage with financial institutions to facilitate loans to these small-scale water utilities.

### **Co-developing integrated solutions that leverage each contributing partner's core strength to achieve larger results, faster**

In the Indian state of Maharashtra, Water.org and UNICEF are coordinating with the State government and Clean India Campaign (SBM) functionaries to implement a district-wide ecosystem approach to water and sanitation access across six districts. Water.org intentionally activates its network of financial institution partners in the districts where UNICEF-led health and hygiene activities are taking place, which ensures that people who have been informed of the value of household access but may have financial constraints know that affordable loans for water and sanitation access are locally available. The State government and SBM staff give input into district selection, drawing from their knowledge of where the largest gaps in water and sanitation access occur. This co-location of resources (education/information and finance) provides people living in poverty the opportunity to confirm and sustain the health and hygiene education they have received. UNICEF leads with its core strength in driving community-level demand for household water and sanitation improvements, with the insertion of key financial information and education communication (F-IEC) materials developed by Water.org. Together with our partners, integrating each of our core program activities has been highly effective and we are now replicating this integrated approach in two other states.

# 3

## Strengthening the enabling environment through policy and practice shifts

Success at scale depends on a strong enabling environment that is conducive for finance to flow to people living in poverty. Water.org is committed to working with governments and alongside sector stakeholders, to influence public policy and institutional practice changes that increase the flow of capital for household and small enterprise water and sanitation solutions. We also work directly with governments to coordinate between various departments and ministries and design value-added strategies and models so that existing budget resources can be deployed more efficiently and effectively to those most in need.

**Representative examples of this work include:**

### Breaking down barriers at the systems level

The Reserve Bank of India (RBI), the country's central bank, requires that banks lend 40% of their assets to areas they designate as priority sectors. Lending for water and sanitation was not considered a priority sector, and thus there was little loan volume for these critical areas for India's development. Water.org worked with the RBI to reclassify water and sanitation lending as a priority sector. This change has resulted in a significant increase in bank lending to microfinance institutions and self-help groups for water and sanitation lending.

### Introducing a microfinance institution policy to the One WASH-II national WSS plan in Ethiopia

The microfinance institution (MFI) sector in Ethiopia is heavily influenced by government guidance as to appropriate lending sectors. The first comprehensive water and sanitation policy, the One WASH National Programme (OWNP), included a single sentence about the value of MFIs lending for water and sanitation, which was not forceful enough to incentivize widespread lending. When a host of parties were invited to contribute to the next phase of the OWNP, Water.org helped develop policy language that outlined more comprehensive financing strategies. These additions were approved and the One WASH National Programme Phase II (OWNP-II) was enacted on World Water Day in March 2019. Water.org is now working with several partner organizations to leverage this policy change and activate MFIs — both private and public — and the lending community in general.



*Medhih and Mesi are two of the 40 million people Water.org has empowered with access to safe water and sanitation.*





### Connecting the dots between development banks and last mile communities

One of Peru's largest water utilities, SEDAPAL, received a large loan from the Inter-American Development Bank (IDB) to expand its services across three districts on the outskirts of Lima. The loan includes a requirement that SEDAPAL reaches low-income households, but the utility was not prepared to work with this income group. Water.org has partnered with the IDB to help them identify a strong local consultant to work on this component with SEDAPAL and has served as a conduit between several MFI partners already at work in the three districts, connecting these MFIs with households slated to benefit from SEDAPAL expansion.

## Strategies for scaling

**Helping mobilize capital** — Water.org believes that access to capital is the most important barrier to overcome to solve the global water and sanitation crisis. By broadening our efforts across three levels of impact, we are applying a variety of scaling approaches and models for unlocking capital for water and sanitation at the global, national, and subnational levels. Water.org works to highlight market opportunities for lenders in the water and sanitation space to maximize the level of financing flowing to the sector.

**Advancing the global conversation** — Water.org believes that sharing our expertise and vision and working collaboratively are critical to driving long-term impact. We will leverage our voice, knowledge, and evidence base to influence and engage others to join the solution. We share our track record of critical empirical evidence, as well as co-author, co-convene, and promote shared value relationships. We do this to help keep the global conversation active and focused on innovative financial solutions, drawing upon best practices from other sectors to shape a more equitable and efficient water and sanitation finance ecosystem.

1 + 1 = 3

## Accelerating impact to change lives

The impact we have achieved so far has been done in collaboration with and through others. Our partners play a significant role in making it possible for us to do more. Together, we will continue to drive long-term change at scale that will help us achieve safe water and sanitation for all, while seeking to expand our network of collaborators in pursuit of these universal goals.

Some existing partners include:



Water.org is an international nonprofit organization that has positively transformed more than 40 million lives around the world with access to safe water and sanitation. Founded by Gary White and Matt Damon, Water.org pioneers market-driven financial solutions to the global water crisis. For 30 years, we've been providing women hope, children health, and families a future.

Learn more at <https://water.org>

