

AID PRIORITIES

Water.org envisions the day when everyone has access to safe drinking-water and the dignity of a toilet. Water is a fundamental human need, yet 660 million people worldwide lack access to safe water and 2.4 billion people lack access to a toilet.

Water.org was created with one goal in mind: finding smart ways to solve the root causes of the global water and sanitation crisis. Water.org, therefore, works towards solutions that are sustainable and that work at scale. True sustainability requires solutions that are financially sustainable, not wholly dependent upon aid. Therefore, Water.org solutions mobilize domestic resources, often within the private sector, to complement ongoing aid activities to reach further, faster, in ways that can be integrated into existing mechanisms. An organizational priority in the post-2015 Sustainable Development Agenda is to advance the discussion and implementation of blended finance as a critical method for achieving these ambitious goals.

In 2016, Water.org had an organizational budget of US\$ 26 million, all of which was devoted to the WASH sector. Priority countries for activity were determined based on the need for household-level access to safe water and sanitation, as well as market potential.

Water.org currently has offices in Bangladesh, Ethiopia, India, Indonesia, Kenya, Peru and the Philippines, as well as a working presence in Cambodia, Ghana, Haiti, Honduras, and Uganda.

WASH PROGRAMME OUTCOMES

Through 2016, Water.org has provided over 5.9 million people with improved water and sanitation facilities and services across 14 countries. It has catalyzed nearly US\$ 280 million in private financing from financial institutions and borrowers with US \$17.1 million in philanthropic subsidies via its WaterCredit initiative. In doing so, it has also pioneered a financing model that others can adopt to reach more people over time, the principles of which can be adapted to finance larger-scale utilities and WASH social enterprises.

Of the over one million WaterCredit loans that have been disbursed over the life of the program, 54% of those loans have gone for sanitation access, 41% have gone for water access, 3% have gone for combined water and sanitation access, and 2% have gone for drinking-water quality improvements. The global repayment rate is 99%, and 93% of borrowers are women.

WASH STRATEGY/ACTIVITIES

Water.org works towards universal access to water and sanitation through multiple layers. At the grassroots level, it works with local financial partners to facilitate microloans for poor people to finance the purchase of toilets or connect to a local water supply. At regional and national levels, it works with governments and the financial sector to ensure that institutional and/or policy barriers to financing for WASH are removed. Finally, it engages at the global level to draw large-scale visibility to the need for innovative financing solutions to the water and sanitation crisis.

Water.org is currently developing a new five-year strategy for 2018–2022. In 2017, Water.org's primary organizational goal is to expand financing for water and sanitation available to those living at the base of the economic pyramid (BoP) via household-level loans as well as supporting small and medium-sized sanitation entrepreneurs. An ancillary goal is to catalyze awareness of and investments in WASH financing for achieving Sustainable Development Goal 6.

Specific targets

In 2017, Water.org aims to reach at least two million people with safe water or sanitation. It aims to reach 20 million people with access to safe water and sanitation by 2020.

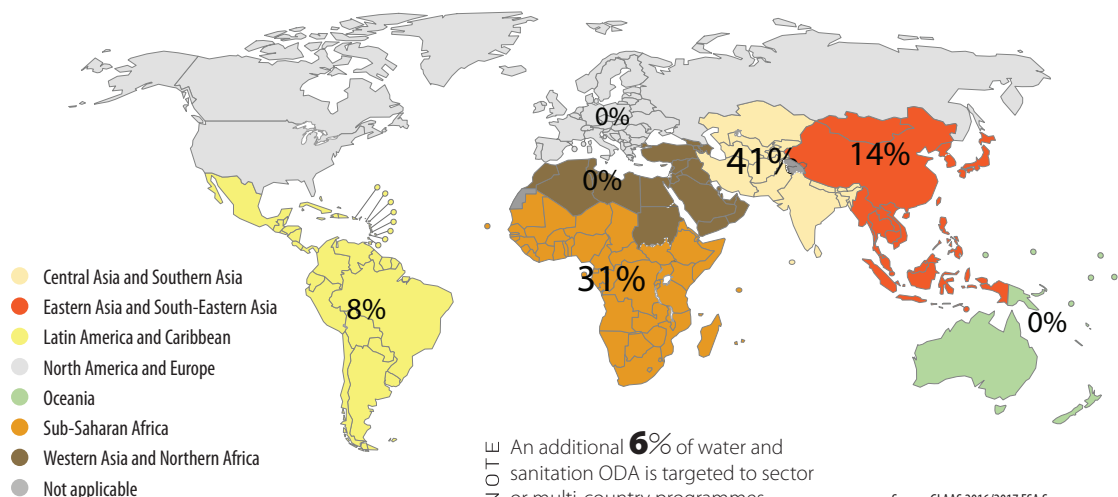
Water.org's mission is to ensure access to household-level access to water and sanitation, so its targets can be expected to increase annually.

WASH AID PRIORITIES: DISTRIBUTION OF AID DISBURSEMENTS

By activity type

In 2015, 83% of Water.org's work was executed in rural areas, with the remaining 17% in urban areas. While the vast majority (96%) of people reached has been delivered via the WaterCredit model, a residual 4% of people were impacted via Water.org's grant-based service delivery model. Water.org's mission is to scale first-time access to improved sources of drinking-water and sanitation as defined by the Joint Monitoring Programme. To realize this goal Water.org works through existing institutions that are well-positioned to take up financing for water and sanitation and embed it into their existing portfolio of work.

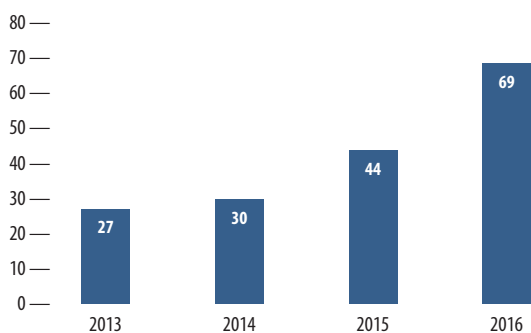
By region in 2015



Source: GLAAS 2016/2017 ESA Survey

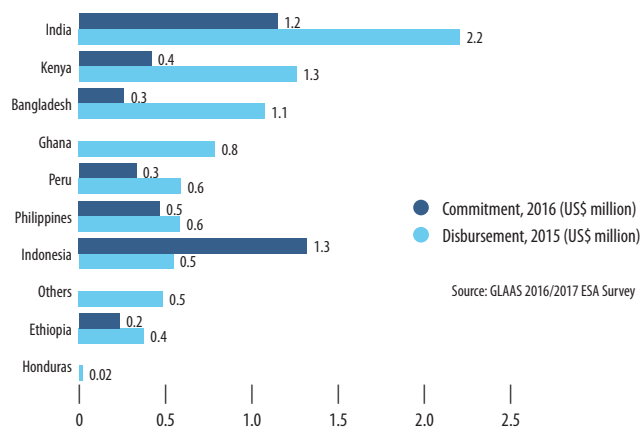
WASH AID DISBURSEMENTS/EXPENDITURES

Number of full-time equivalent staff



Source: GLAAS 2016/2017 ESA Survey

TOP TEN AID RECIPIENTS (2015–2016)



Source: GLAAS 2016/2017 ESA Survey

FUNDING CHANNELS

Water.org catalyzes domestic resource mobilization – a critical component of blended financial solutions to the water and sanitation crisis. WaterCredit gives small grants and/or technical assistance to financial institutions to assist them in developing water and sanitation loan products, which they offer to low-income clients. The institutions mobilize the capital they lend on their own, which means that the amount contributed by Water.org is leveraged multiple times over. An investment of USD\$ 15.7 million in philanthropic subsidies leveraged by partners has resulted in USD\$ 220 million in commercial and social capital disbursed in the form of WSS loans, a return of roughly 14 times the investment.

In facilitating the flow of affordable finance to the BoP, Water.org also partners with governments at local and central levels.

Through WaterCredit, Water.org is looking at how microloans, strategic financing and technical assistance can support the efforts of water utilities, small and medium sanitation enterprises, post offices offering banking services, and digital services that are looking to enter the financial sector.

The year 2016 saw the launch of WaterEquity, Water.org's newest innovation: a social impact investment manager connecting investors in the United States and Europe to financial institutions and water and sanitation enterprises serving the most marginalized and channeling more affordable capital to those most affected by the water and sanitation crisis. Building on Water.org's track record with WaterCredit, WaterEquity is uniquely positioned to tap into global capital markets and harness the momentum around social impact investing to accelerate progress and impact against the global water crisis. WaterEquity will initially invest in enterprises in Asia (Cambodia, India, Indonesia and the Philippines) followed by subsequent funds focused on Africa and potentially Latin America.

LESSONS/IMPACTS

Microfinance lending (USD\$ 280 million) has resulted in more than 1.2 million household water and sanitation loans reaching more than 5.2 million people. Water and sanitation loans have risk profiles comparable to other loans. Approximately 56% of WaterCredit borrowers earn less than USD\$ 2 per day and the global repayment rate is 99 per cent.

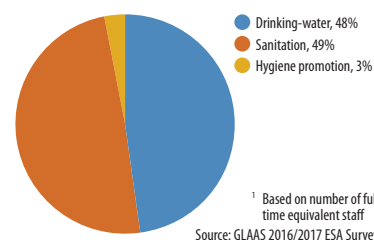
Loan recipients enjoy socioeconomic benefits. In India, 39% of borrowers reported increased safety and nearly 25% of women were able to increase incomes due to greater productivity.

After encouragement from Water.org and others, the Reserve Bank of India added water and sanitation infrastructure to its priority sector lending (PSL) category in 2015. This change could release USD\$ 40-50 billion into the sector.

In 2015, Water.org expanded into the social impact investing arena, with the launch of the world's first social impact investment fund targeting BoP water and sanitation needs - WaterCredit Investment Fund 1 (WCIF1). WCIF1 is currently investing in seven microfinance institutions (MFIs) in India and has already reached over 100 000 people with safe water and/or sanitation. This seven-year, US\$ \$11 million fund is projected to reach 730 000 people in India with access to safe water and/or sanitation with its first round of investments. With encouraging progress to date, WCIF1 is well-positioned to demonstrate that social impact investing is a viable method to accelerate scale and impact against the global water crisis at the BoP.

WASH SECTOR TARGETING

A breakdown of aid disbursement for 2015 as it relates to WASH subsectors is provided below¹.

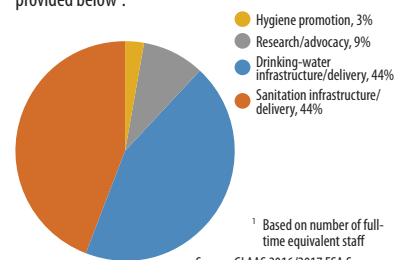


¹ Based on number of full-time equivalent staff

Source: GLAAS 2016/2017 ESA Survey

FUNDING ACTIVITIES

A breakdown of aid disbursement for 2015 is provided below¹.



¹ Based on number of full-time equivalent staff

Source: GLAAS 2016/2017 ESA Survey

COLLABORATIVE BEHAVIOURS FOR MORE EFFECTIVE DEVELOPMENT COOPERATION

Enhance government leadership of sector planning processes:

Proportion of water and sanitation ODA allocated to water and sanitation policy and administration and education and training (%)

Not applicable

Strengthen and use country systems:

Percentage of WASH ODA spending using country procurement systems (%)

Not applicable

Use one information and mutual accountability platform:

Participation (at least moderately) in mutual assessment exercises/reviews (% of countries)

Not applicable

Build sustainable WASH sector financing strategies:

Percentage of WASH funding published/information shared with Ministry of Finance (%)

Reports on WASH assistance or spending in countries are not generally shared with governments' Ministries of Finance and other institutions.

FUTURE OUTLOOK

The mission of Water.org's is to ensure household-level access to water and sanitation at scale, so its targets will increase annually. Priority countries will remain the countries in which Water.org is currently active, with additional expansion into Brazil, Tanzania and Pakistan. The types of local implementing partners are also expected to expand. In addition to working with MFIs, Water.org is actively designing or launching partnerships with banks, utility service providers, sanitation entrepreneurs, and postal offices engaged in banking services. Water.org recently launched its social impact investing manager – WaterEquity – to oversee its first social impact investment fund (WCIF1), build a highly experienced and fully dedicated team, and launch additional funds. As a next step on this path, WaterEquity is launching WaterCredit Investment Fund 3 (WCIF3) in Spring 2017. WCIF3 will provide affordable debt financing to enterprises that can scale water and sanitation lending at the BoP in South and Southeast Asia, reaching 4.6 million people with these critical services while also generating a 3% financial return for investors.

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Results contained in the ESA Highlights have been compiled by the ESA and GLAAS using data from the Organisation for Economic Development and Cooperation (OECD) Creditor Reporting System (CRS), estimates and text provided in the responses to the GLAAS 2016/2017 ESA survey.

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International Programs
Water.org
 117 West 20th Street, Suite 203
 Kansas City, MO 64108
 United States

✉ programs@water.org
 ☎ +1 (816) 877-8700