

Mobilizing water and sanitation investment through development bank partnerships

Learning brief

Water.org recognizes the critical role that capital investment plays in providing safe water and sanitation (WSS) access to those in need. National development banks (NDBs) represent an untapped source of funding for water supply and sanitation (WSS) projects. Recognizing the potential of these partnerships, Water.org has established strategic relationships with four financial institutions in India, Kenya, Peru, and the Philippines. Water.org conducted a reflection exercise of these partnerships through semi-structured interviews with staff and representatives from the NDBs. These interviews revealed ways in which Water.org can maximize the potential of these relationships, increase impact, and demonstrate the impact of harnessing domestic capital for development.

Strong partnerships accelerate progress

By combining the financial capabilities of NDBs and the technical expertise of Water.org, the following partnerships have mobilized *more than \$90 million* in deployed and projected WSS investments since 2019.

Name of partner	Start of partnership	Partner description	Nature of partnership	Amount of capital invested (USD) in WSS
Corporacion Financiera de Desarrollo (COFIDE)	2019	(Peru) Serving as the Development Bank of Peru, this state-owned company with private shareholders contributes to Peru's development by raising funds and financing productive investments and public and private infrastructure.	Issuance of Peru's first blue bond	\$26.3 Million
Development Bank of the Philippines (DBP)	2019	(Philippines) Philippines' largest development bank that works in numerous sectors -- such as infrastructure, logistics, social services, the environment, and micro, small, and medium enterprises.	Facilitating connections and investments in WSS projects	\$14.2 Million
NabSamruddhi Finance Limited (NabSam)	2022	(India) A wholesale lending non-banking financial corporation (NBFC) subsidiary of the National Bank for Agriculture and Rural Development (NABARD), committed to promoting sustainable rural livelihoods and financial inclusion in India.	Development of WSS refinance scheme	\$45 Million
Water Sector Trust Fund (WaterFund)	2022	(Kenya) A state corporation operating under the Ministry of Water, Sanitation, and Irrigation responsible for financing water and sanitation services as well as water resource management for underserved and marginalized areas in Kenya.	Technical assistance and facilitation of commercial loans	Target: \$5 Million

Corporación Financiera de Desarrollo (COFIDE) - Peru



Water.org's partnership with COFIDE started in 2019 through a pre-established partnership with Federación Peruana de Cajas Municipales de Ahorro y Crédito (FEPCMAC), a network of municipal banks promoting WaterCredit loans. Water.org's successful implementation of WaterCredit with financial institution partners in the country had built trust and recognition, positioning them as a key partner in Peru's WSS sector. Despite the lack of a formal agreement, the collaboration culminated in the issuance of Peru's first-ever Blue Bond, valued at USD \$26.3 million, to bolster the WaterCredit portfolios of six municipal banks.

Development Bank of the Philippines (DBP)



Water.org partnered with the Development Bank of the Philippines (DBP) to address the growing demand for water and sanitation project finance for both financial institutions and water utilities. The partnership began with a pre-existing relationship between Water.org leadership and DBP's then-president, and a formal agreement was signed in July 2019. Water.org played a crucial role in connecting DBP with financial institutions within their partner network, including Negros Women for Tomorrow Foundation (NWTF) and Taytay sa Kauswagan, Inc. (TSKI). Since then, DBP has invested PhP816million (\$14.2+ million) in WSS projects across the Philippines.

NabSamruddhi Finance Limited (NabSam) - India



Water.org's collaboration with NabSamruddhi Finance Limited (NabSam) commenced with the goal of promoting WSS investments in India. Water.org worked as a technical partner to NabSam, and provided technical assistance focused on behavioral change and demand generation, to support NabSam in scaling their WSS investments. Over the last three years, NabSam has successfully invested USD \$45 million in water and sanitation.

Water Sector Trust Fund (WaterFund) in Kenya



Water.org's partnership with WaterFund was initiated in 2022 by a former WaterFund employee who later came to work at Water.org. Formalized through a three-year MOU, the collaboration aims to help water service providers access program subsidies and secure financing from commercial banks to improve access to clean water and sanitation in underserved urban areas. Water.org supported this effort by creating a pipeline of water utilities, developing bankable proposals, and facilitating access to commercial loans. In striving to provide 50,000 people with access to safe water through \$5 million in commercial loans to utilities, the partnership with WaterFund is also generating valuable insights into replicable models for expanding access to water and sanitation services in the region.



Keys to successful partnerships

Fostering strategic relationships and building trust

Water.org's strategic use of existing relationships and its strengths in technical assistance, facilitating connections, and developing bankable proposals significantly contributed to the success of all four partnerships. The partnership with COFIDE in Peru was facilitated by an existing relationship with FEPCMAC, a network of municipal banks. Similarly, the collaboration with the Development Bank of the Philippines (DBP) was built on a pre-existing relationship between Water.org leadership and the then-president of DBP. In India, Water.org's collaboration with NabSam helped unlock the capital investment landscape for WASH. Current Water.org staff have prior connections with key financial institutions in the country, which helped position Water.org as a trusted partner. The collaboration with Sa-Dhan, an apex body of microfinance institutions in India, also positioned Water.org as a key player in the Indian microfinance landscape. In Kenya, the partnership with WaterFund was initiated by a former employee who recognized the potential for collaboration.

Aligning on objectives and maintaining a strategic focus

The success of these partnerships often hinges on Water.org's ability to align its objectives with the development banks' existing priorities. In India, Water.org's partnership with NabSam was built on institutional groundwork established through a WASH refinance scheme launched in collaboration with NABARD in October 2020. Water.org's collaboration with key stakeholders in the Indian financial sector, like NabSam, helped create momentum for increased WSS investments. In the Philippines, Water.org's alignment with DBP's mission to address the burgeoning demand for capital in water and sanitation projects facilitated a strong and effective partnership. Similarly, in Peru, the alignment with COFIDE's goals for innovative financing mechanisms, such as the Blue Bond, demonstrated mutual benefits.

Adding value to the partnership and process

Water.org's roles in these partnerships typically involve a combination of capacity development, technical assistance, and facilitating connections among institutions. These activities help fill gaps, remove barriers, and expand opportunities for impact. For example, Water.org assisted WaterFund by creating a pipeline of water utilities, developing bankable proposals, and facilitating access to commercial loans. In the Philippines, Water.org played a pivotal role in connecting DBP with financial institutions in their network. In India, Water.org enabled NabSam to direct significant investments towards water initiatives.

Navigating bureaucracy and complex structures

The partnership studies highlight the importance of patience and persistence in the face of bureaucratic challenges and complex organizational structures. The complex nature of these partnerships requires a dedicated approach with sufficient time allocation to navigate internal processes, build relationships, and provide necessary technical support. In Kenya, the engagement with WaterFund involved navigating approvals from utilities, county governments, regulators, and commercial banks. Similarly, in India, cultivating the relationship with NABARD and NabSam took approximately two years.

What's next: impact through replication in other markets

For more than 30 years, Water.org has collaborated with financial institutions to design market-driven solutions that address water and sanitation needs while meeting partner's objectives. This extensive experience has shaped its approach to development bank partnerships, enabling Water.org to adapt effective models, align with institutional priorities, mobilize capital, and scale impactful solutions. Building on this foundation, Water.org is now exploring new partnerships with development banks in additional markets to further expand access to water and sanitation services.

- Tanzania: Water.org is in discussions with the National Water Fund (NWF) in Tanzania to replicate the WaterFund in Kenya model of providing technical assistance for proposal development and facilitating connections between utilities and financial institutions.

- Indonesia and Cambodia: A similar blended finance approach, combining concessional development bank funding with commercial capital, is being pursued in partnerships with government-owned banks in Indonesia and Cambodia.
- Kenya: In Kenya, the organization is developing a commercial financing program with Co-operative Bank and Aqua for All, targeting small projects and employing a blended finance mechanism.
- Philippines: In the Philippines, Water.org is exploring a partnership with Landbank of the Philippines (LBP), a government-owned universal bank, as a potential partner for WSS investments.

Utilize a customized investment strategy approach

Water.org partnerships with national development banks highlight the importance of tailoring market-based solutions to country-specific and institutional needs to mobilize greater capital for the water and sanitation sector. By combining financial resources with technical assistance, these partnerships have facilitated millions in deployed and anticipated investments, with each following a unique investment approach to achieve success.

- In Peru, Water.org helped realized the Blue Bond, the first of its kind in the country.
- In the Philippines, Water.org leveraged its network to connect DBP with financial institutions, influencing capital allocation towards water and sanitation initiatives
- In India, a dedicated refinance scheme by its largest DFI, NABARD, led to a dedicated funding stream through NabSam.
- In Kenya, Water.org and WaterFund partnered to support utilities in developing bankable projects.

Water.org's involvement in Peru, Philippines, India, and Kenya showcases the success of this approach, resulting in substantial investments, innovation, and institutional advancements. The ability to customize investment strategies demonstrates the potential of development bank partnerships in unlocking capital that will provide access to safe water and sanitation.

