**ASG Call with Chevenee Reavis**

February 6, 2015

**Our objectives:** Give Chev outline of what we’re doing and make sure it’s in line with her expectations, and ask additional questions.

**Goals for the project:**

* Provide an overview of different sources of capital out there, characterize the landscape in as much detail as we can. What are investors looking for in terms of project profile, return expectations, risk tolerance, etc.
  + In the course of doing that, identify the pools that are most likely to have an interest to invest in something like WCIF.
  + Once high-interest targets are identified, outline an approach for water.org to engage with each.
* Assess whether the available capital from high-priority targets is enough to meet the need, both to reach the interim goal of 100m people and to get the “whole enchilada” of solving the broader crisis.

**Questions:**

* How is WCIF fundraising going? – No progress since last convo with Gary.
  + JP Morgan is out – Feedback was that the ticket size was just too small and the structuring wasn’t as sophisticated as they needed to see.
  + Matt Damon is first million in the fund
  + 1-2 other HNWIs
  + Targeting institutional investors from a PRI perspective (Hilton Foundation and Skoll Foundation)
  + Will bring a few different groups to India the first few weeks of March for a due diligence trip.
  + Hosted dinner with JP Morgan Social Finance in September around CGI. Had hoped that this roundtable dinner would attract clients (prospective investors) but it didn’t pan out.
* Has it been more difficult to raise for WCIF than for water.org?
  + Yes.
  + Challenges:
    - It’s a different product and fits a very different profile
    - Social impact investing is such a funky space, and there’s not a lot of consistency to what constitutes an impact investor.
    - Finding the right investor profile for this product is a very small pool.
    - It’s a much better deal for someone to write it off as a charitable contribution in their taxes than to lock their money up for 7 years and have to pay capital gains on that 2%
    - MILKEN GLOBAL ROUNDTABLE ON IMPACT INVESTMENT
    - ELEVAR FUND – Social impact fund that is pretty close to market rates of return
    - Can universities make PRIs?
* How did you arrive at the terms for WCIF?
  + What were the demands among highest performing MFI partners in India, and netted out with a number
  + Currently cost of capital is btw. 15-18%
  + Average interest rate 18-22%
  + To make it worth their while water.org needed to get it 500 basis points lower
* TALK TO KEITH SAND, WATER.ORG FORMER COO ANDNOW CONSULTANT ON THE FUND
  + Be clear about purpose of the call, what questions we have up front to get him as much info because they’re paying him by the hour.
* 99% repayment rate. How is that achieved, and is how scalable is that?
  + MFIs water.org partners with have to work through an arduous certification process to become certified water.org partner, means that they are truly bought into WaterCredit.
  + The MFIs that water.org works with are already in a strong financial position
  + Clients are already existing clients of that MFI, and thus have an established track record. This is how they screen who will be eligible for the loan.
  + MFI industry average overall is pretty high, so 99% isn’t all that much higher than the average.
  + Social contract in the community with joint borrowing (self-help group model) means that a group of (mostly) women will sign a contract saying if one member of the group defaults, then the others will have to pay their liability.
  + At 99% repayment you could surmise that there is not enough risk tolerance in the industry.
* Do you think that there is an opportunity to raise interest rates marginally to generate better returns?
  + Water.org hasn’t looked very closely into it.
  + MFIs that are charging close-to or at market rates and those that aren’t are seeing the same social returns
  + We could uncover that the MFIs that are charging lower interest rates are serving even poorer people than the ones charging market rate
  + What Deloitte was saying is that it’s really about operational efficiency, and that’s where scalability comes in. There should be no reason why an MFI can’t do that.
* Chev: we’ve proven that it can be scalable when the right factors are in place.
* WaterCredit is not income generating, so the first question MFIs ask is “how does the loan get paid back?”
* Time horizon: 18 months
* Direct approaches:
  + Smart subsidies
  + WCIF
  + 31 million people through MFI partnerships (roughly 7.5 million loans)
  + There is a slide that breaks down 100 million approach in McKinsey deck
* Indirect approaches:
  + WaterCredit Advisory Services is technical assistance but not grants.
  + Knowledge sharing
  + Shaping regulations
* How much capital?
  + Take 100 million people