

# DALBERG

## MAKE-AN-IMPACT CHALLENGE



**ANANYA GUPTA**  
Summer Intern: Arthur D. Little  
Work Ex.: Bajaj Auto



**ANAMIKA GUPTA**  
Summer Intern: Bain & Co.  
Work Ex.: EY



**ANKUR SINGH SENGAR**  
Summer Intern: Marico  
Work Ex.: Accenture

**TEAM SOCIAL SAVIOURS**  
**IIM LUCKNOW**

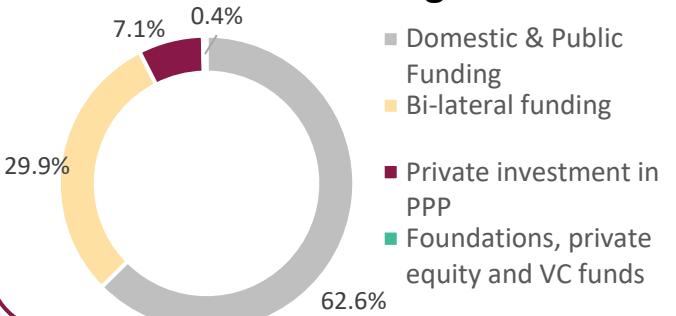


There is high uncertainty over WASH sectoral opportunity areas & appropriate financial products. However, there is increase in support of Govt. to make WASH segment lucrative for private business.

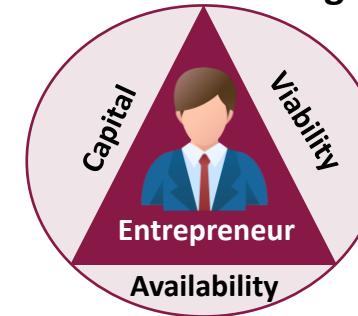
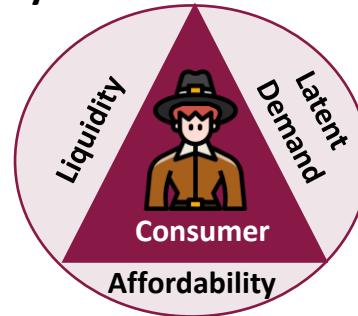
### Impact

- 1** Each dollar invested in WASH could generate upto \$21 return
- 2** Ending the open defecation could avoid economic losses of \$189 Bn wealth –UNICEF

### Sources of Financing in WASH



### Key Considerations to invest in WASH Segment



### Need



Water

- About 160 million people in India still do not have access to clean drinking water sources



Sanitation

- Lack of access to improved sanitation costs countries up to 7% of their GDP annually
- 44% of low income countries were at high risk of debt distress as the lacked sanitation during Covid-19



Hygiene

- About a third of all rural households defecate in India defecate in open
- **1 in 3 schools** lack basic hygiene facility

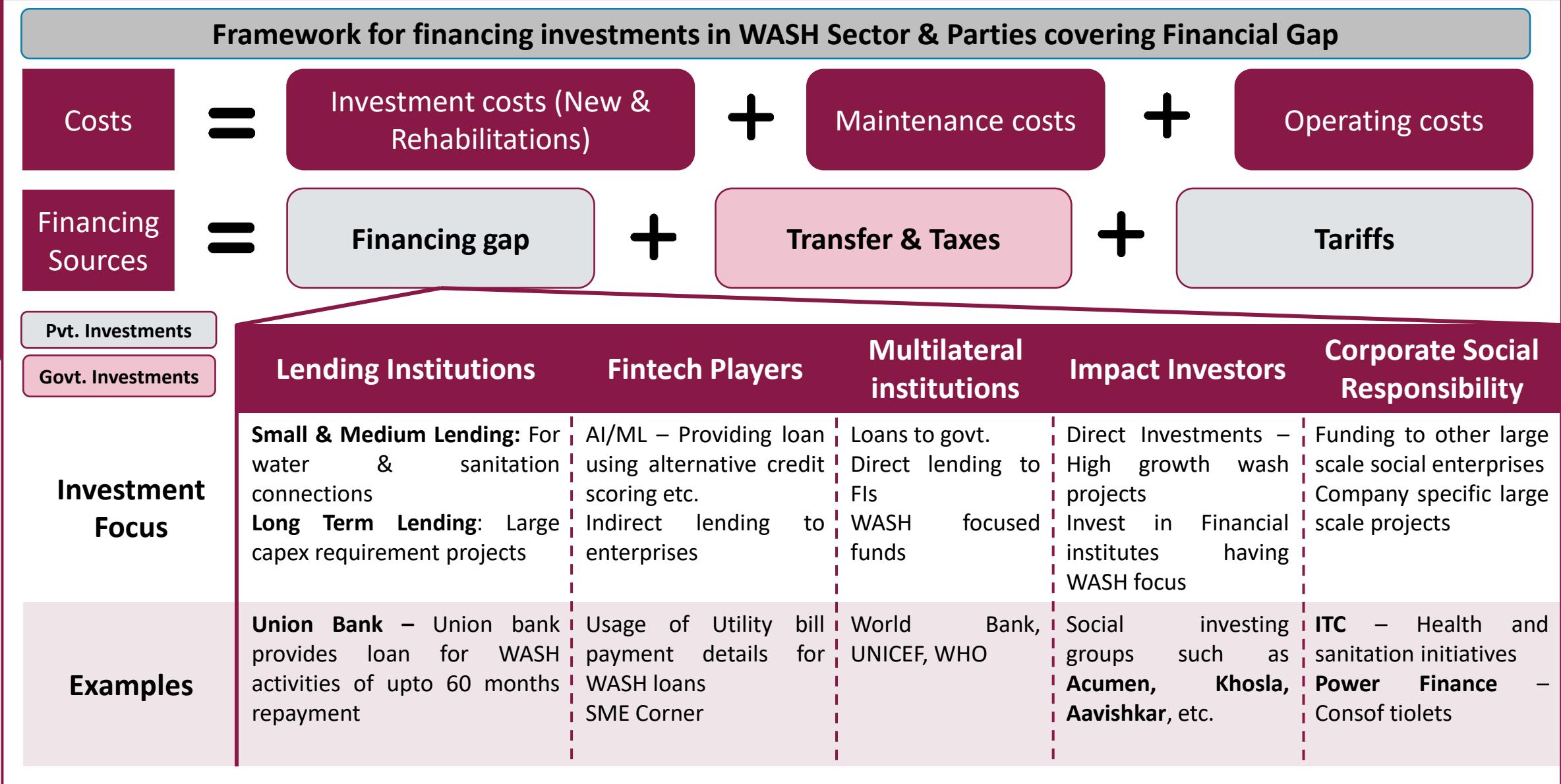
### Opportunities for Investment

- Untapped use of micro and blended finance
- The current sources by govt. (Tariffs, Taxes and transfer) is insufficient to meet the demand of funds

- In India, around 1.8 million sanitation loans have been disbursed with capital mobilization of USD 350 Million

- Toilet loans have 99% rate of repayment.
- Most of the rural population is willing to take loan for WASH related activities

Private sector investments plays a key role in bridging the Financing gap in the model to accomplish the WASH Targets. Several budding Fintech players and Impact investors are entering the market



# Out of the 5 challenges into consideration, ‘Limited Sectorial Learnings’ & ‘Poor Financial Access’ seems to be most critical & have been prioritised

CHALLENGES	PROBLEM DESCRIPTION	REQUIRED CORRECTION	PRIORITIZATION*	PRIORITIZATION METHODOLOGY & FACTORS
			Impact Costs Control	
1  <b>LIMITED SECTORIAL LEARNINGS</b>	There is high uncertainty over WASH sectoral opportunity areas and appropriate financial products and investors have low prior WASH investing experience	 Specialized Learning Tools & Guidance	  	<b>Factor 1 - IMPACT</b> It talks about the overall effect it will create once the risk is eliminated. <b>Green signifies High Impact</b>
2  <b>OPERATING RISKS &amp; COSTS</b>	Due to long-lived & capital-intensive nature of infrastructure & investment in maintenance, operating risks may arise due to aging infrastructures, leakage & obsolete technology.	 Cost & Risk Reduction Strategies	  	<b>Factor 2 – RECTIFICATION COSTS</b> It talks about the overall costs in eliminating the risk. <b>Green signifies Low Costs</b>
3  <b>PERCEIVED GOVERNMENT CONTROL</b>	Most of the investors and industrialists perceive the sector to be government driven which develops the risk of high outside control & public dependency	 More Control To Private Players	  	<b>Factor 3 - PRIVATE CONTROL</b> Talks about magnitude of private control over implementation. <b>Green signifies High Private Control</b>
4  <b>POOR FINANCIAL ACCESS</b>	There are no dedicated financial tools in the market that provides financial access for WASH sector. Debt provision for this sector is majorly available for household purposes	 Specialized Financial Tools & Credits	  	
5  <b>BACKWARD SECTORIAL STATUS</b>	The current infrastructure & industry status has a lot of inefficiencies in terms of business model. Implementation of new age technologies like digitization appears to be far-fetched	 Motivating Technology Players To Intervene	  	

Why Invest in WASH?

WASH Finance & Private Investors

Risk Analysis & Prioritization

Recommended Interventions

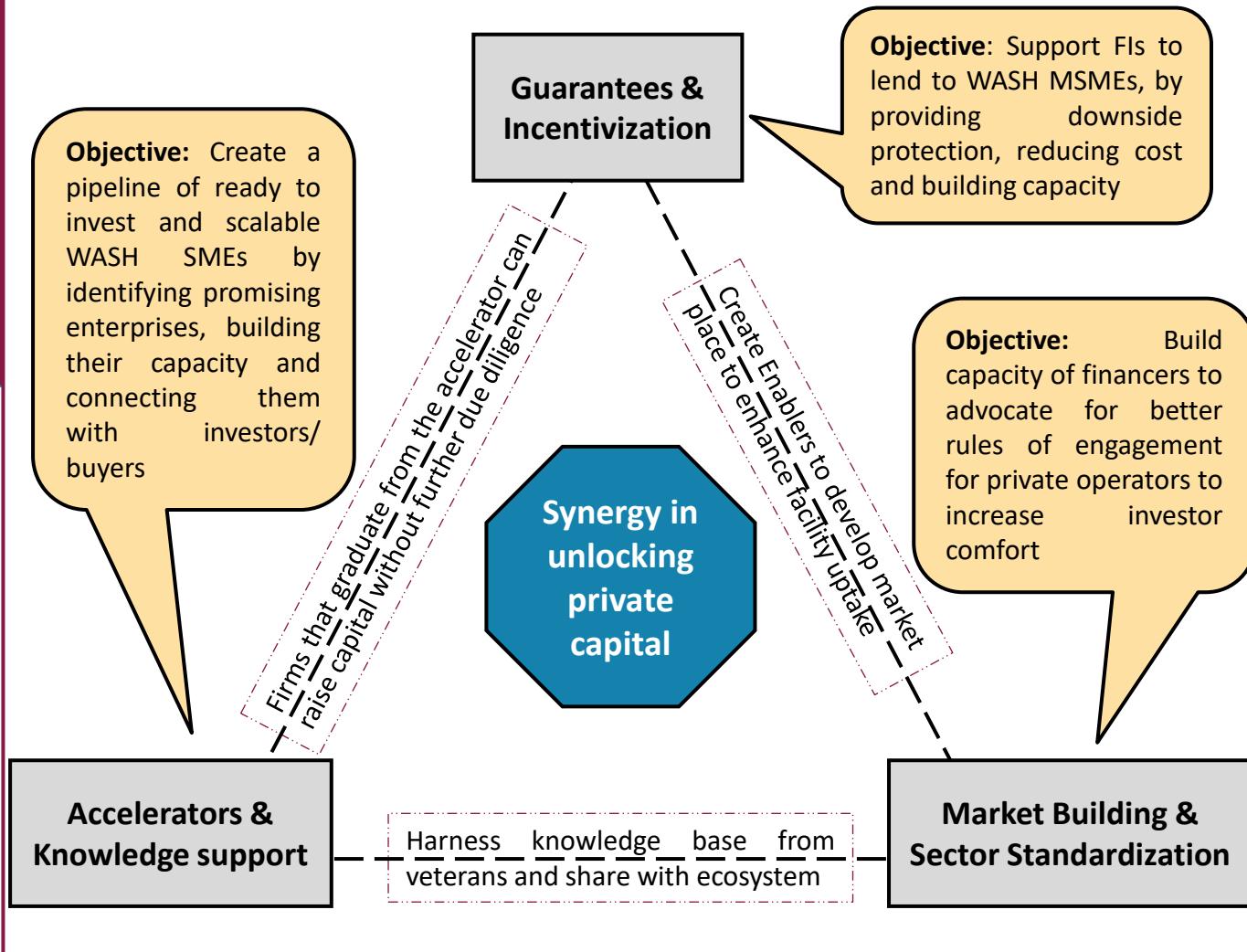
Implementation Roadmap

# Multi-lateral organizations can use the following key interventions to make the Indian WASH Sector highly lucrative for financial investors

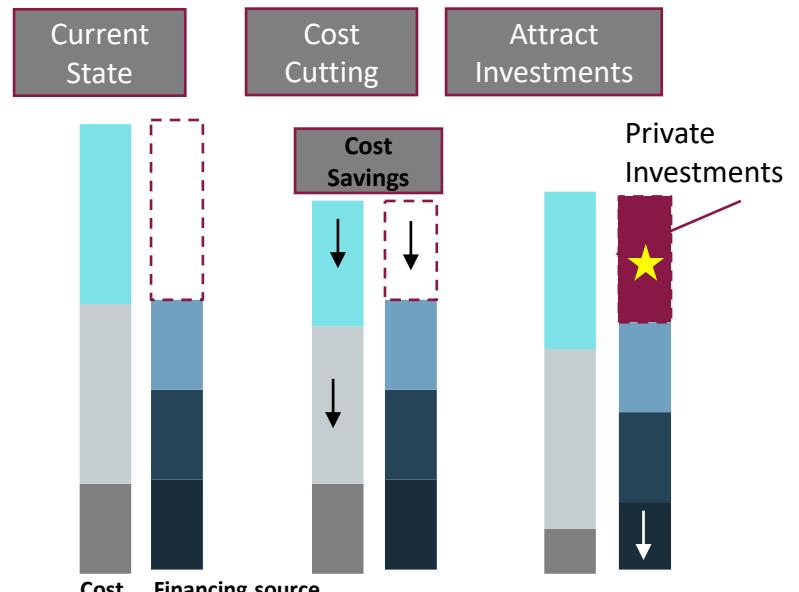
FINANCIAL INTERVENTIONS			NON – FINANCIAL INVERVENTIONS			
DESCRIPTION	1 GUARANTEES	2 INCENTIVIZATION	3 ACCELERATORS	1 KNOWLEDGE SUPPORT	2 MARKET BUILDING	3 SECTOR STANDARDIZATION
	<b>Protection against credit losses</b> to investors, leading to push in investments for the WASH MSMES by providing <b>downside protection</b> to the perceived apprehensive sector.	Incentives for making WASH investments (direct or for on-lending). This could be with <b>low borrowing rates</b> . Current set of <b>benefits need to be revaluated</b> and aligned to increase investments	Provide seed financing to young SMEs/ start-ups through Private, charitable funding for focused use. This provides budding SMEs and start-ups with <b>startup capital</b>	Assistance to lenders, impact investors (and governments if applicable) whilst setting up/ participating in WASH facilities for <b>knowledge related risk mitigation</b> , details around <b>typical business models</b>	A marketplace that connects businesses, local governments, and impact investors. Platform to bring together the entire WASH ecosystem in one place and use data to drive investment decisions and research.	The establishment of <b>industry standards</b> for the materials and procedures used in WASH, would boost the <b>eligibility of SMEs for contracts</b> and provide investable possibilities for financiers.
	<ul style="list-style-type: none"> <li>✓ Increases collateral coverage, reducing credit risk of loans.</li> <li>✓ Suited for banks, NBFCs, that lend to higher risk (perceived) enterprises</li> </ul>	<ul style="list-style-type: none"> <li>✓ Best suited for <b>financers with high cost of capital &amp; lacking liquidity</b> (NBFCs, MFIs)</li> <li>✓ Supports when <b>borrowers have high-cost sensitivity</b></li> </ul>	<ul style="list-style-type: none"> <li>✓ Provides initial capital to high-risk enterprises</li> <li>✓ <b>enables impact investors and lenders to invest</b> as enterprises scale up.</li> </ul>	<ul style="list-style-type: none"> <li>✓ facilitate successful uptake of facilities</li> <li>✓ <b>One point knowledge hub</b> for financers to meaningfully look at WASH opportunities</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>WASH focused marketplace</b></li> <li>✓ allows existing financers meet those new to the sector <b>reducing time for diligence and sourcing</b></li> </ul>	<ul style="list-style-type: none"> <li>✓ Allow financers to compare enterprises</li> <li>✓ Increase enterprise formalization, boosting <b>financer confidence within the sector</b></li> </ul>
	<b>X</b> Incorporates additional <b>lender risk</b> thus loans with such a guarantee will come with <b>greater costs or interest rates</b> .	<b>X</b> The concessional loans may lead <b>splurge in the loan applicants</b> increasing market congestion	<b>X</b> Identification of such institutions and instilling confidence as per their way of action remains a challenge	<b>X</b> Formation of assistance body will <b>require holistic experts</b> , which are <b>not greatly available</b> in WASH Sector	<b>X</b> Ecosystem creation might lead to <b>monopoly of certain initial key players</b> , thus preventing entry of new players	<b>X</b> Creating standards may lead to <b>hindrance</b> in new R&D in WASH sector and thus <b>impact innovation</b>

# Implementation of all the shortlisted solution would attract private investments and make the sector self sustainable in long run

## Implementation Architecture for Holistic Development



## Roadmap for self sustainable WASH sector



Step in action	Current State	Cost Cutting	Attract Investments
Knowledge support			
Guarantees & Incentivization			
Mkt. Building & Standardization			

Why Invest in WASH?

WASH Finance & Private investors

Risk Analysis & Prioritization

Recommended Interventions

Implementation Roadmap



THANK YOU



# Appendix I – Assessment & prioritization of top 2 challenges

Challenges	Impact Assessment*	Impact Rating	Cost Assessment**	Cost Rating	Control Assessment***	Control Rating	Overall Ranking
1 <b>LIMITED SECTORIAL LEARNINGS</b>	High impact as it will introduce wide range of opportunities to the FIs	H (8-10)	Low costs as there is no major investment required to set up knowledge channel	H (8-10)	High private control as no government intervention is required to operate	H (8-10)	1
2 <b>OPERATING RISKS &amp; COSTS</b>	The impact will be gradual as it depends on technology life-cycle	M (5-7)	Most of the costs are cyclic and repetitive in nature & are subject to operating model	M (5-7)	There are certain extrinsic factors which might not be in control	L (0-4)	3
3 <b>PERCEIVED GOVERNMENT CONTROL</b>	The change in perception will create high impact as it portray the industry to be lucrative	H (8-10)	High cost & time would be required to reduce government interventions	L (0-4)	Multi-lateral institutes will have less say in changing the government intervention at this stage of development	L (0-4)	4
4 <b>POOR FINANCIAL ACCESS</b>	Financial liquidity will certainly provide a push to multiple credit crunched ideas	H (8-10)	It will lead to some level of additional costs as it will attract extra interests	M (5-7)	The institutes can easily push & protect lending partners to facilitate fund access	H (8-10)	2
5 <b>BACKWARD SECTORIAL STATUS</b>	Will be impacting selective concerns & factors	M (5-7)	Development of new age technologies at a short time span will be costly	L (0-4)	There are certain technology oriented factors which might not be in control	M (5-7)	4

\*Impact talks about the effect created by eliminating the stated problem

\*\*Cost refers to the entire life cycle implementation cost

\*\*\*Control talks about the level of autonomy multi-lateral institutes could exert while implementing the idea