

DALBERG

MAKE-AN-IMPACT CHALLENGE



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TEAM SOCIAL SAVIOURS
IIM LUCKNOW

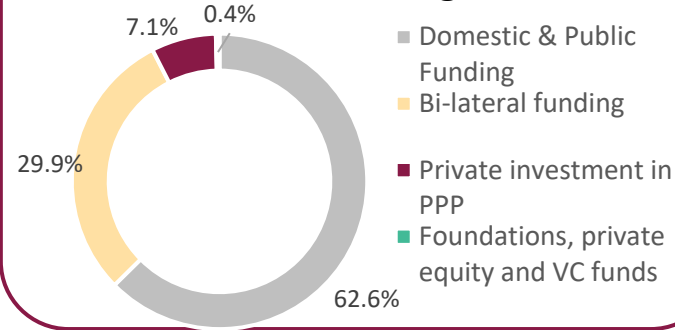


There is high uncertainty over WASH sectoral opportunity areas & appropriate financial products. However, there is increase in support of Govt. to make WASH segment lucrative for private business.

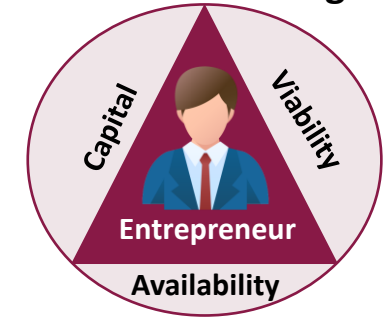
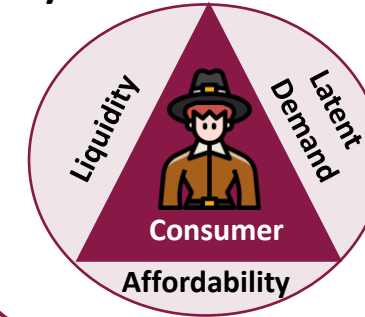
Impact

- 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

Opportunities for Investment



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

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



- 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

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

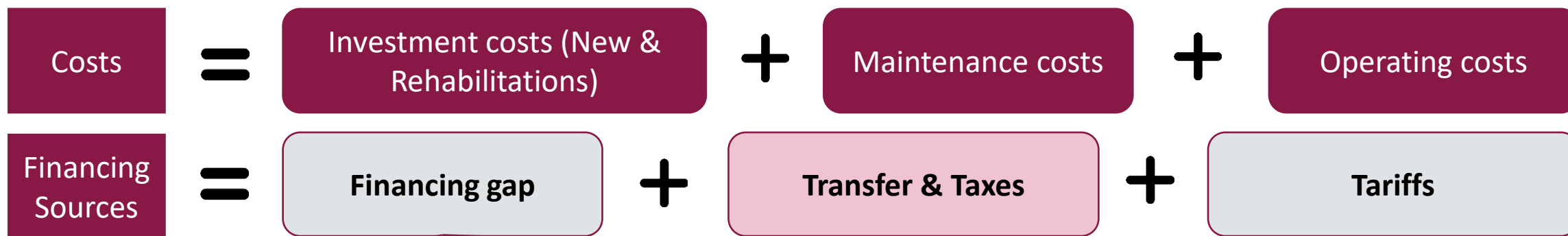


- About a third of all rural households defecate in India defecate in open
- **1 in 3 schools** lack basic hygiene facility

- 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

Framework for financing investments in WASH Sector & Parties covering Financial Gap



Pvt. Investments

Govt. Investments

	Lending Institutions	Fintech Players	Multilateral institutions	Impact Investors	Corporate Social Responsibility
Investment Focus	Small & Medium Lending: For water & sanitation connections Long Term Lending: Large capex requirement projects	AI/ML – Providing loan using alternative credit scoring etc. Indirect lending to enterprises	Loans to govt. Direct lending to FIs WASH focused funds	Direct Investments – High growth wash projects Invest in Financial institutes having WASH focus	Funding to other large scale social enterprises Company specific large scale projects
Examples	Union Bank – Union bank provides loan for WASH activities of upto 60 months repayment	Usage of Utility bill for payment details for WASH loans SME Corner	World Bank, UNICEF, WHO	Social investing groups such as Acumen, Khosla, Aavishkar , etc.	ITC – Health and sanitation initiatives Power Finance – Consof tiolets

Why Invest in WASH?






WASH Finance & Private investors

Risk Analysis & Prioritization

Recommended Interventions

Implementation Roadmap

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 ✓ LIMITED SECTORIAL LEARNINGS	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	●	●	●	Factor 1 - IMPACT It talks about the overall effect it will create once the risk is eliminated. Green signifies High Impact
2 OPERATING RISKS & COSTS	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	●	●	●	
3 PERCEIVED GOVERNMENT CONTROL	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	●	●	●	Factor 2 – RECTIFICATION COSTS It talks about the overall costs in eliminating the risk. Green signifies Low Costs
4 ✓ POOR FINANCIAL ACCESS	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 BACKWARD SECTORIAL STATUS	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	●	●	●	Factor 3 - PRIVATE CONTROL Talks about magnitude of private control over implementation. Green signifies High Private Control

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

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

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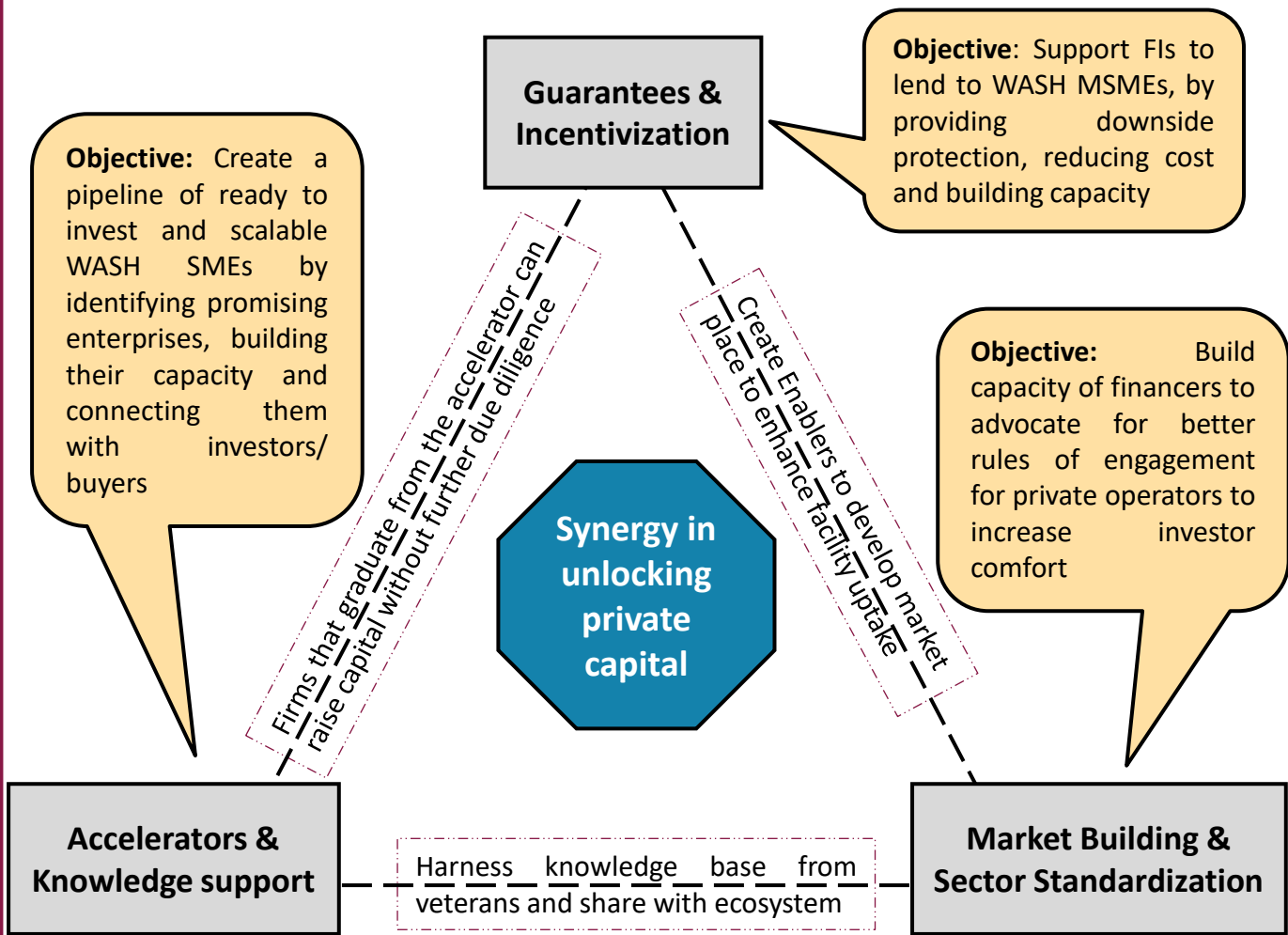
Risk Analysis & Prioritization

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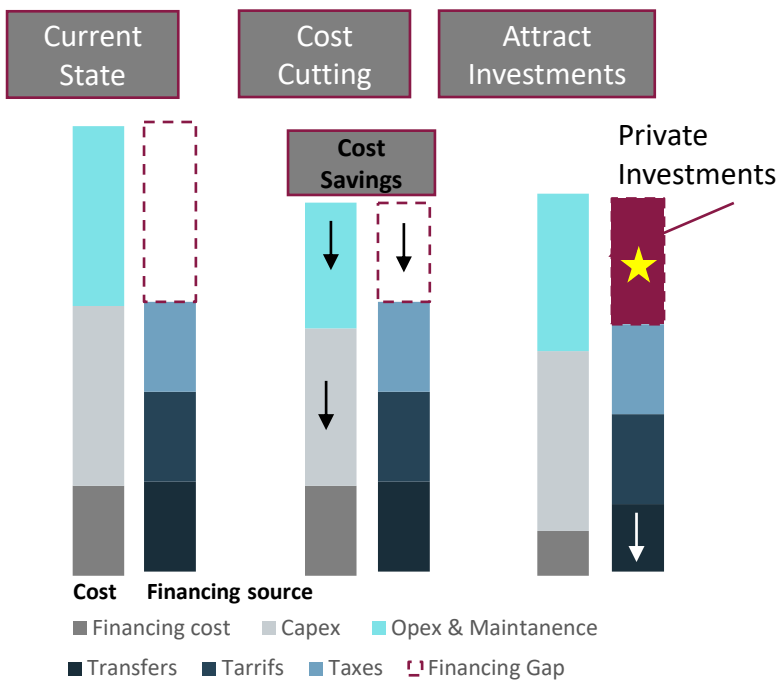
Implementation Roadmap

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			



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	LIMITED SECTORIAL LEARNINGS	High impact as it will introduce wide range of opportunities to the FIs	H (8-10)	Low costs as there in 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	OPERATING RISKS & COSTS	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	PERCEIVED GOVERNMENT CONTROL	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	POOR FINANCIAL ACCESS	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	BACKWARD SECTORIAL STATUS	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			