

September 2023

## Reaching people living at the base of the economic pyramid

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Water.org envisions safe water and the dignity of a toilet for all. To achieve this vision, we mobilize capital for water and sanitation to serve people living in poverty. This policy helps focus our efforts to ensure we continue to reach people living at the base of the economic pyramid in the countries where we work. As global income levels change over time, we adjust this policy to align with the World Bank's definition of poverty based on per capita household income.

The practice requirements below outline the base of the economic pyramid thresholds at global and country levels. These requirements will be reviewed and adjusted every two years.

### Global threshold

85% or more of people impacted are living at or below \$6.85 per day. We will use the previous 3 years to measure the global threshold to ensure that our current models are reaching our target audience.



## Country thresholds

Country thresholds take into consideration the differences between poorer and wealthier economies. In upper middle-income countries like those in Latin America, it is more appropriate to use established regional income brackets. We previously used \$12.40 but have increased this to \$14, which aligns with the World Bank's classification for Latin America for the population at risk of falling into poverty.<sup>i</sup>

Classification	Threshold
Low income and lower-middle income countries	85% or more people living at or below \$6.85 per day
Upper middle-income countries in Latin America	85% or more people living at or below \$14 per day

## Policy implications

Global Impact is responsible for designing interventions that target people living at the base of the economic pyramid. As Water.org expands its work with service providers and large infrastructure projects, we anticipate interventions may not be exclusively focused on reaching populations living at the base of the pyramid. In these cases Water.org will not count upper and middle income classes as part of our people served metric. Details will be provided in the service provider impact guidelines that will be released by FY 24 Q2.

Global Impact RACI:

- **Responsible:** Portfolio Account Managers and Senior Portfolio Account Managers are to ensure interventions are targeting the appropriate income groups and monitor income levels for trends and risks.
- **Accountable:** Regional Director
- **Consulted:** Chief Global Impact Officer
- **Informed:** Chief Insights Officer, Chief Operating Officer, Chief Revenue Officer

In cases where we do not meet our global or country threshold, then the following actions occur:

- Prepare detailed analysis of interventions at a country level to identify those that are below the threshold and the percent they would need to be discounted
- Notify country and Global Impact leadership
- Portfolio Account Managers work with partners that do not meet the threshold to refocus efforts on low-income populations.

Global Policy Adherence RACI:

- **Responsible:** Senior Impact Intelligence Analyst – responsible for monitoring the global percentage of people reached earning less than \$6.85 per day. If global portfolio drops below 85%, the Impact Intelligence Analyst will conduct a review across countries and intervention levels to inform and/or consult with Global Impact department's leadership.
- **Accountable:** Team Lead – Measurement & Impact
- **Consulted:** Global Director of Insights, Senior Impact Integrity Specialist
- **Informed:** Chief Insights Officer

## Tracking the income levels

The WaterPortal serves as the central data repository for tracking the income levels of the people that we reach. Income information is entered into the WaterPortal by the 15<sup>th</sup> of the month and reviewed by 2<sup>nd</sup> reviewers and the Insights regional team. Concurrently, the Global Insights team conducts monthly quality spot checks for data quality and to identify cross-regional trends.

Income levels are tracked at intervention, country, and global levels. [The income level monitoring dashboard can be accessed by all Water.org staff, here.](#) This dashboard is live and data changes as partner reports are entered and accepted into the WaterPortal. Once a quarter, Insights pulls and reports on the official income levels to organization. Data for the quarterly reports is pulled on February 1st, May 1st, August 1st, and November 1st.

## Communication guidelines

It is important that we represent the people we serve accurately to our audience and donors. From the data available, Water.org shares the following two messages on external-facing communications and tactics, including Marketing collateral and the Water.org website:

- 89% of the people we serve live on \$6.85 a day.
- The people we serve, on average, live on \$5.60 a day.

These metrics serve to prove that we are committed to helping people living in poverty get access to safe water and sanitation solutions at home. It's important to us that our solutions are reaching the people who we intend to serve.

These statistics are updated on a quarterly basis but will remain written in the above format. Should you need to confirm the statistic used or how to position it within a piece of communication, please reach out to Mary Kennedy or David Strivings.

## Reference Materials

The following reference materials provide additional information supporting this policy.

1. Country Threshold Table
2. Purchasing Power Parity
3. Record of Policy Changes

### 1. Country Threshold Table

Country	Classification	Threshold: 85% or more living at	Percent above 85% threshold (April 2020 – March 2023) <sup>1</sup>
Bangladesh	Lower-middle income	\$6.85 per day	5%
Brazil	Upper-middle income	\$14 per day	43%
Cambodia	Lower-middle income	\$6.85 per day	31%
India	Lower-middle income	\$6.85 per day	19%
Indonesia	Lower-middle income	\$6.85 per day	7%
Kenya	Lower-middle income	\$6.85 per day	N/A
Mexico	Upper-middle income	\$14 per day	32%
Peru	Upper-middle income	\$14 per day	12%
Philippines	Lower-middle income	\$6.85 per day	11%
Tanzania	Lower-middle income	\$6.85 per day	6%
Uganda	Low income	\$6.85 per day	8%
Global		\$6.85 per day	14%

<sup>1</sup> Data pulled from the WaterPortal on June 8<sup>th</sup>, 2023

## **2. Purchasing Power Parity**

### ***What is Purchasing Power Parity?***

Purchasing power parity (PPP) was created to compare different countries' currencies.

OECD definition: PPPs are the rates of currency conversion that equalize the purchasing power of different currencies by eliminating the differences in price levels between countries. In their simplest form, PPPs show the ratio of prices in national currencies of the same good or service in different countries.

The World Bank uses PPP to construct measures of global poverty. It is also used as a price index to compare living standards across countries. The purchasing power parity method gives a more accurate reflection of a country's economy compared to the official currency exchange rate and GDP per capita.

This method of conversion is important when comparing income between countries because it compensates for exchange rates over time and government manipulations to those exchange rates. Since each country reports its economic output in its own local currency purchasing power parity conversion rates are used by international non-government agencies to translate monetary values into international dollars (int-\$).

### ***Why do we use Purchasing Power Parity?***

Purchasing power parity is a globally recognized method that allows us to understand what market segments are being reached through our partnerships and interventions. Our partnerships reach people in over a dozen countries and to analyze the full lending portfolio requires the translation of monetary values from local currencies into international dollars (int-\$). PPP solves the problem of comparing countries with different standards of living because it recalculates the value of a country's goods and services as if they were being sold at U.S. prices.

### 3. Record of Policy Changes

This document replaces the April 2019 version [Reaching the Base of the Economic Pyramid](#).

Water.org has updated our income groups to align with the World Bank poverty line adjusted in 2022. We will now track impact within the following ranges: <\$2.15, \$2.15 - \$3.65, \$3.65 - \$6.85, >\$6.85. For Latin America we use the additional income groups of \$6.85 - \$14 and >\$14.

Previously, Water.org analyzed all loans when calculating income. Going forward, we will use the previous 3 years to get a better estimate of the household income of recent clients. As we expand into infrastructure work and other models of impact, this time constraint will ensure that our new models are reaching our target audience.

#### **Why did the World Bank adjust the international poverty line?**

Periodically, the World Bank increases the international poverty line because prices tend to increase over time. In the past 3 decades, the World Bank has adjusted the international poverty line six times increasing incrementally from \$1 in 1990 to the latest value of \$2.15. Because of updated purchasing power parities (PPP), the World Bank notes that “the real value of the international poverty line is virtually unchanged—it is simply expressed in different prices now.”<sup>ii</sup> The new base year for PPP values is 2017 and was updated by the World Bank in 2022.

#### **Why is Water.org adjusting our income ranges?**

Previously, Water.org used \$6/day as our upper threshold. This value was selected as a compromise to account for higher average incomes from our Latin American upper middle-income countries of operation and was not aligned with the World Bank or other international financial institutions. By updating our income group thresholds, we better align Water.org with international financial institutions. This change will also simplify donor reporting for donors who track the impact that is below the poverty line.

Water.org has a mandate to make capital affordable and ubiquitous for those people living at the base of the economic pyramid, and to enterprises serving the water supply and sanitation (WSS) needs of that market. Water.org recognizes the base of the economic pyramid as those earning less than \$6.85 per day. We aim for at least 85% of the people impacted by our work to fall into this category. This increase in the threshold aligns Water.org with recent revisions to the World Bank’s poverty line for lower-middle income countries.

Specific threshold & practice requirements are in place to ensure our interventions continue to reach people living at the base of the economic pyramid within specific country and regional contexts.

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<sup>i</sup> 38% of people reached in Latin America are above the global \$6.85/per day threshold. Currently, there are no implications for the global threshold because Latin America makes up only 7% of all impact over the past 3 years.

Income standard bracket source \$14 World Bank, accessed on 13-June-23

<https://www.worldbank.org/en/topic/poverty/lac-equity-lab1/poverty>

<sup>ii</sup> [https://blogs.worldbank.org/voices/adjustment-global-poverty-lines#:~:text=In%20addition%20to%20the%20current,%2Dincome%20countries%20\(%245.50\).](https://blogs.worldbank.org/voices/adjustment-global-poverty-lines#:~:text=In%20addition%20to%20the%20current,%2Dincome%20countries%20(%245.50).)