External Evaluation of the Water.org New Ventures Fund

Submitted to: C&A Foundation

FINAL REPORT | DECEMBER 2018

UNIVERSALIA

Executive Summary

Introduction

For more than 25 years, Water.org has been working to address the global water and sanitation crisis. While development finance has been at the core of the water supply and sanitation (WSS) agenda, much of it has focused on macro-level development, financing investments in national-level infrastructure. Water.org sought to fill a gap, situating its interventions at the base of the economic pyramid (BOP), with reference to people who live on US$1.25-6/day, creating and responding to bottom-up demand for WSS solutions. In this vein, Water.org's signature work, WaterCredit, was created to enable the provision of micro-loans to BOP families to help meet their water and sanitation needs. Thus, Water.org has focused on breaking down the barriers separating people from water and sanitation by facilitating access to affordable capital for WSS.[1]

To further accelerate progress through innovation, Water.org launched the New Ventures Fund (NVF) in 2011. The NVF was a philanthropic pool of capital, made available by a small group of donors to Water.org, to enable the search for and launch of the next round of big ideas at Water.org to address the global water and sanitation crisis directly affecting people and communities. Specifically, the NVF was designed to allow Water.org to innovate, pilot and scale new as well as existing solutions. The NVF was mandated to support a wide portfolio of innovations to help solve specific BOP challenges.[2] Between 2011-2017, the NVF invested in 81 innovations in 10 countries. For every dollar invested in NVF initiatives, 13.6 dollars were unlocked for Water.org programs and WaterEquity social impact investment funds.[3]

In 2014, the C&A Foundation invested US$1 million in the NVF – nearly 17% of the NVF's total value[4]. The NVF was structured as an unrestricted source of capital for Water.org. For the C&A Foundation, such unrestricted support was (and remains) uncommon and *out-of-strategy*. With the sunsetting of the NVF in 2017, the C&A Foundation commissioned this learning-oriented evaluation to enable a reflection on the strategies, practices, successes and limitations of the Fund, along with recommendations and lessons learned, of benefit to Water.org, the C&A Foundation, and the WSS sector more broadly.

This evaluation was designed for the purposes of learning. For Water.org, the C&A Foundation and other related stakeholders, this evaluation has sought to provide insights on the design of the NVF, on its effectiveness in supporting the generation of innovations and results, and on the sustainability and scalability of those innovations. The evaluation discusses the internal (institutional) and external (contextual, network, etc.) factors that have enabled or hindered the NVF's impact. The synthesized discussion is found in the main report, while additional details are available in case studies included as appendices (see Appendix III -VIII).

[1] Water.org (2014). Catalyzing Water Supply and Sanitation Finance for the Base of the Economic Pyramid – Water.org's Theory of Change.

[2] Water.org (2011). In Our Lifetime. Deconstructing the Global Water Crisis & Securing Safe Water for All.

[3] Water.org (2017). Investing in innovation Accelerating progress, Six years of breakthrough impact – New Ventures Fund Report Fiscal Year 2016-2017.

[4] According to the latest Dashboard data made available to the evaluation team, the NVF has disbursed a total of US$5.9 million from October 2010 to September 2017.

Methodology

The overall methodological approach for this evaluation was that of Contribution Analysis, given the study's focus on generating understanding of the NVF's contribution to Water.org's ability to design and implement innovative solutions to the global WSS crisis. A theory-based approach was adopted for this mandate, one that included the reconstruction and testing of an NVF Theory of Change (ToC). Data for this evaluation were collected through a range of methods. The evaluation team undertook semi-structured interviews with 85 respondents representing Water.org leadership, HQ staff, country staff, NVF donors, in-country partners and other experts. An online survey was filled by 23 members (response rate: 92%) of Water.org leadership, senior management and staff.

The evaluation team undertook field missions to India, Peru, and the Philippines; virtual field missions were undertaken with respect to Bangladesh, Indonesia and Kenya. The team reviewed more than 100 documents and projects and undertook a Rubric Analysis. Finally, the evaluation team undertook a landscape analysis comparing the NVF with 4 other innovation funds, namely: Acumen, Kiva, Competitive Industries and Innovation Fund (CIIP), and the Global Innovation Fund (GIF).

While there were several challenges and limitations underpinning this evaluation, the evaluation team remains confident in the findings and insights generated through this study. This is primarily due to the breadth of data collection, the diversity of methods, the number of countries where field missions were undertaken, the diverse experience of team members, and the engagement and validation undertaken with key Water.org staff.

Relevance

The NVF was highly relevant as a strategic instrument for Water.org. The unrestricted nature of the NVF served to enable Water.org to mature internally and expand externally. Internally, the NVF allowed Water.org to reinforce its identity as an organization offering innovative finance-based solutions on WSS priority issues, developing its capacities and systems to do so. Thus, the NVF mimicked core support to Water.org. Externally, the NVF aligned with Water.org's interest to: 1) scale-up the WaterCredit model into new geographies; 2) test, refine and pilot new scalable WSS finance models and; 3) build its credibility as a global actor in the WSS sector.

The NVF was highly, if indirectly relevant to the WSS system at global and national levels. This unrestricted funding allowed Water.org to design its work strategically with a focus on identifying, and then building on/ responding to opportunities, gaps and/or bottlenecks in WSS systems. The NVF allowed Water.org to first, identify receptive (and non-receptive) markets and second, to test and adapt innovative finance models to national and sub-national government priorities and preoccupations. In this respect, the NVF allowed Water.org to clearly reframe a well-known problem (i.e. WSS crisis) into opportunities for governments to advance their priorities. Of specific interest, the NVF worked directly with some governments to develop and implement WSS National Policies.

The Fund was designed to enable partnerships, while NVF-supported innovations were also rooted in partnerships. The NVF supported relationship building and partnership development with governments, Water Service Providers, national Financial Institutions (FIs) and Microfinance Institutions (MFIs), Donors, and to a lesser extent Regional and Multilateral Banks (e.g. through Global Advocacy). In particular, the NVF allowed Water.org to respond to its partners' interests to increase and diversify their business activities with low risks and costs. The NVF was less relevant in terms of enabling global-level, multi-sectoral WSS partnerships.

The NVF was designed to allow Water.org to more broadly meet the needs and priorities of BOP populations. Though the NVF did not provide resources directly to the BOP, it was premised on enabling, piloting or expanding Water.org's innovativeness, underpinned by values aligned with those of the BOP: reaffirming human dignity, improving access to products and services, promoting long-term savings, and increasing health benefits. The design of NVF-supported innovations was largely gender-blind; nevertheless, the innovations generated important benefits to women and girls.

Finally, the NVF responded to the priorities of donors in a multiplicity of ways, both overlapping and differentiated *by donor*. The NVF was based on a core underlying belief shared by Water.org and its donors that the donor-driven model has been inadequate for resolving the global WSS crisis. Donors were able to advance their specific thematic interests in contributing to the NVF. For a subset of donors, the NVF provided opportunity for gathering insights to inform their restricted funding in WSS and other related sectors.

Effectiveness

The NVF enabled Water.org to pilot and/or scale successful WSS finance models targeted at the BOP. At the sector level, some of the most successful outcomes of the NVF included: demonstrating the viability of WaterCredit, supporting the inception of the Water Credit Investment Fund (WCIF) that ultimately led to WaterEquity, Alternative Channels, and Water Credit Advisory Services (WCAS). As a catalytic and transformative fund, the NVF allowed different countries to pursue innovations that were specific to context and needs. NVF contributions ranged from policy change in India, to entry into Peru, to expansion of partnerships and geography in the Philippines.

The NVF enabled Water.org to transform its external profile, expanding to new geographies and strengthening its presence in existing ones. Through Global Advocacy, Water.org was able to develop existing and new partnerships and overcome impediments to the expansion of WSS finance. The NVF enabled Water.org to transform its approaches internally. Specifically, Global Advocacy was changed to Enabling Partnerships and made part of International Programs at Water.org. Further, the NVF catalyzed the pre-existing culture of innovation in Water.org and was followed up with the launch of the Strategic Investment Fund (SIF).

Despite the diversity of NVF innovations, a number of factors of effectiveness are discernible in common. Factors that standout across the portfolio include: unrestricted funding, organizational culture, un/certainty of funds, context, partners, and implementation-related contingencies. The nuances of each are discussed in the report. Finally, a few types of innovation (on accountability and transparency, prepaid meters, and the WaterCredit Community of Practice), and those in a half-dozen countries did not lead to outcomes. Yet, they were valuable for the learning and growth of the organization.

Sustainability

The NVF was not designed with a primary objective of sustainability, just as with many innovation funds. As such, the measurement of sustainability was a challenge, given that NVF innovations were applied across diverse contexts, with diverse results, and with only a handful of 'successes' to speak of, as of yet. Nevertheless, a few important sustainability-related points could be made.

The NVF enabled Water.org to expand and sustain initiatives that are relevant to the WSS as a sector. It did so by enabling the piloting, scaling and modification of WaterCredit and related approaches for WSS financing. NVF innovations and their results have themselves shaped Water.org's work. By supporting the expansion to and within geographies, and by introducing new partners to WSS finance, NVF innovations promoted the sustainability of Water.org externally.

The NVF has also contributed to the sustainability of Water.org internally by being very closely entwined to the existing needs of the organization. The NVF contributed to making Water.org more sustainable by allowing it to incorporate innovative but necessary initiatives, including a reformed Enabling Partnerships, expanded Monitoring Evaluation and Learning (MEL), and the SIF.

Efficiency

The location, criteria and processes for the selection of innovations evolved over the lifetime of the NVF. Modifications introduced in 2015-2016 led to greater clarity among applicants. With selection criteria primarily focused on outcomes, a risk of innovations being disassociated from country contexts emerged. Of note, gender was not an explicit criterion for the screening of innovations.

The NVF was flexible in design: it was used in many forms, across countries, to diverse ends, for innovations of diverse scope. However, once funds were allocated, the flexibility was significantly reduced.

The NVF indirectly supported the further development of MEL capacity at Water.org, while the MEL for the NVF was not mature. Water.org's monitoring and reporting on the NVF were not consistent across years or innovations. Towards the end of the NVF, MEL was significantly strengthened, and much learning was internalized by HQ and country teams. However, cross-learning and the sharing of results across countries and innovations was not equally strong.

Finally, the NVF Council was only able to provide limited guidance, owing to difficulties in planning, scheduling and participation. Therefore, the collective leadership and learning opportunity provided by the Council was not achieved as envisioned.

Concluding Thoughts and Insights for the Future

This evaluation has clearly demonstrated the overall and multifaceted value of the NVF. Its flexible and unrestricted nature has allowed Water.org to use the relatively modest financial resources provided in strategic, diverse and highly relevant and effective ways. Among other things, the NVF has also allowed Water.org to learn about where to get involved and also where not to – in this sense, the NVF has been a strategic intelligence fund.

The NVF has made important contributions to the institutional development of Water.org itself. It has enabled and supported a pre-existing culture of innovation at the organization, giving its staff required resources to create and experiment, to explore, consolidate and in some cases abandon ideas. The essence of the NVF continues to live on with the SIF. The NVF has played a key role in the development of Water.org's MEL function and capacity; and the current evaluation has served an important function in contributing to the evolving MEL culture of Water.org.

Given the learning orientation of this evaluation, and the sunsetting of the NVF in 2017, it is only appropriate that its final words should provide recommendations to both Water.org and the C&A Foundation, rooted in lessons from this study.

Insights for Water.org

An Innovation Incubator: Overall, the evaluation team believes that Water.org should continue onwards on the path it has crafted, while considering the merits of scaling up some of its own approaches. Notably, innovation has been an important component of Water.org's work, underpinning its dynamism to-date and going forward. In order to perpetuate and expand upon this culture of innovation, beyond the SIF, Water.org should draw on the experience of other innovation funds and consider developing an outward-oriented Multi-Donor Fund (MDF) to support the next generation of water sector finance innovations from a broader community of innovators.

The evaluation team recommends that Water.org develop clear priorities and practices of MEL related to any new innovation MDF. Water.org should develop a more coherent and comprehensive approach to monitoring and evaluation of innovation, including on the SIF, providing guidance to staff (and partners, as appropriate) about how to report, what amounts to quality reporting, all with clarity on the dual purpose of doing so: accountability *and* learning. Water.org should also ensure that evaluations of its innovative work are properly socialized within Water.org at HQ and country offices, and appropriately also with partners.

Insights for C&A Foundation

For the C&A Foundation, the contribution made to the NVF was "out-of-strategy". Rarely does the Foundation provide unrestricted funds. Nevertheless, the evaluation team concludes that providing this support to the NVF, as one of its major donors, was of significant relevance and value to the Foundation.

In the evaluation team's opinion, the C&A Foundation should not necessarily refrain from providing unrestricted support to carefully screened and selected organizations, particularly those engaged in innovation. Clearly, innovation as a field, when done well by the right organization, can have significant beneficial repercussions and effects, as revealed by this evaluation. The C&A Foundation should however be clear about its priorities and expectations regarding the relationship it would wish to pursue with recipient organizations of unrestricted funds.

A Final Word

Water.org is a dynamic organization anchored in a culture of innovation. Long after the NVF ceases to exist, it is important that Water.org staff remember this point. It is also important that Water.org donors keep this in mind and continue supporting the possibility for continued innovation. Thus, the final learning of this evaluation derives from reiterating that the NVF, and the culture of innovation at Water.org, would not likely have been possible without the key ingredients that made this innovation possible through the NVF: an organization anchored in innovation from the outset, donors willing to trustingly invest in such innovation, and people that are committed to the ongoing culture and spirit of innovation.

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Acronyms

A&T	Accountability and Transparency
ACP	Africa, Caribbean, and Pacific
ADB	Asian Development Bank
ASA	The Activists for Social Alternatives – Grama Vidiyal
BETF	Bank-Executed Trust Fund
BOP	Base of the Economic Pyramid
BPS	Statistics Indonesia
CBO	Community-Based Organization
CDD	Community-Driven Development
CEO	Chief-Executive Officer
CIIP	Competitive Industries and Innovation Fund
COP	Community of Practice
CSA	Collaboration and Services Agreement
DFID	Department for International Development
DFS	Digital Financial Services
DoP	Department of Posts
EU	European Union
FEPCMAC	Federation of Municipal Savings and Credit Funds
FGD	Focus Group Discussions
FI	Finance Institution
GDP	Gross Domestic Product
GIF	Global Innovation Fund
GIZ	German Corporation for International Cooperation
GoI	Government of Indonesia

GWSP	Global Water Security and Sanitation Partnership
ICC	Interagency Coordination Committee
ICT	Integrated Consulting Team
IDB	Inter-American Development Bank
IFC	International Finance Corporation
JMP	Joint Monitoring Programme
KCB	Kenya Commercial Bank
LAWC	Laguna AAA Water Company
LGU	Local Government Unit
M&E	Monitoring and Evaluation
MCF	MasterCard Foundation
M-CRIL India	Micro Credit Rating International Ltd.
MDF	Multi-Donor Fund
MEL	Monitoring, Evaluation, And Learning
MFI	Microfinance Institution
MoU	Memorandum of Understanding
MWI	Ministry of Water and Irrigation
NEDA	National Economic Development Authority
NGO	Non-Governmental Organization
NVF	New Ventures Fund
NWSS	Narra Water Supply System
ODF	Open Defecation Free
OECD-DAC	Organisation for Economic Co-Operation and Development- Development Assistance Committee
PAMSIMAS	Community Based Drinking Water and Sanitation Program
PDAM	Perusahaan Daerah Air Minum
PPP	Purchasing Power Parity

PSL	Priority Sector Lending
RBI	Reserve Bank of India
RPJMN	Medium-Term and National Government Plan
SDG	Sustainable Development Goal
SHGs	Self Help Groups
SIDA	Swedish International Development Agency
SIF	Strategic Investment Fund
SME	Small and Medium Enterprise
SPAMS	Rural Water Utility Providers
SWOT	Strength Weakness Opportunity Strength
TA	Technical Assistance
ToC	Theory of Change
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
VfM	Value for Money
WASH	Water, Sanitation and Hygiene
WBG	World Bank Group
WCAS	Water Credit Advisory Services
WCIF	Water Credit Investment Fund
WHO	World Health Organization
WSB	Water Regulatory Services Boards
WSP	Water Service Provider
WSS	Water Supply and Sanitation
WSSLIC	Water Supply and Sanitation for Low Income Communities Program
WSTF	Water Service Trust Fund

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1 Introduction

1.1 Background and Objectives

For more than 25 years, Water.org has been working to address the global water and sanitation crisis. While development finance has been at the core of the water supply and sanitation (WSS) agenda, much of it has focused on macro-level development, financing investments in national-level infrastructure. Water.org sought to fill a gap, situating its interventions at the base of the economic pyramid (BOP), with reference to people who live on less US$1.25-6/day, creating and responding to bottom-up demand for WSS solutions. In this vein, Water.org's signature work, WaterCredit, was created to enable the provision of micro-loans to BOP families to help meet their water and sanitation needs. Thus, Water.org has focused on breaking down the barriers separating people from water and sanitation by facilitating access to affordable capital for WSS.[5]

To further accelerate progress through innovation, Water.org launched the New Ventures Fund (NVF) in 2011. The NVF was a philanthropic fund made available by a small group of donors to Water.org, to enable the search for and launch of the next round of big ideas at Water.org to address the global water and sanitation crisis directly affecting people and communities. Specifically, the NVF was designed to allow Water.org to innovate, pilot and scale new as well as existing solutions. The NVF was mandated to support a wide portfolio of innovations to help solve specific BOP challenges.[6] Between 2011-2017, the NVF invested in 81 innovations in 10 countries. For every dollar invested in NVF initiatives, 13.6 dollars were unlocked for Water.org programs and WaterEquity social impact investment funds.[7]

In 2014, the C&A Foundation invested US$1 million in the NVF – nearly 17% of the NVF's total value.[8] The NVF was structured as an unrestricted source of capital for Water.org. For the C&A Foundation, such unrestricted support was (and remains) uncommon and *out-of-strategy*. With the sunsetting of the NVF in 2017, the C&A Foundation commissioned this learning-oriented evaluation to enable a reflection on the strategies, practices, successes and limitations of the Fund, along with recommendations and lessons learned, of benefit to Water.org, the C&A Foundation, and the WSS sector more broadly.

In line with the learning orientation of the evaluation, the ToR on this study identified the following objectives:

- Examine the overall relevance, effectiveness, sustainability and impact of the NVF-supported innovations
- Assess factors (in design and operations) that have contributed to or impeded achievement of results of innovations:
  - Learning from success as well as failures

[5] Water.org (2014). Catalyzing Water Supply and Sanitation Finance for the Base of the Economic Pyramid – Water.org's Theory of Change.

[6] Water.org (2011). In Our Lifetime. Deconstructing the Global Water Crisis & Securing Safe Water for All.

[7] Water.org (2017). Investing in innovation Accelerating progress, Six years of breakthrough impact – New Ventures Fund Report Fiscal Year 2016-2017.

[8] According to the latest Dashboard data made available to the evaluation team, the NVF has disbursed a total of US$5.9 million from October 2010 to September 2017.

- Assess the extent to which the NVF model and the innovations were 'fit for purpose' and scalable
- Distill actionable and strategic recommendations and lessons from the findings to feed into future Water.org operations.

This evaluation was thus designed for the purposes of learning. For Water.org, the C&A Foundation and other related stakeholders, this evaluation has sought to provide insights on the design of the NVF, on its effectiveness in supporting the generation of innovations and results, and on the sustainability and scalability of those innovations. The evaluation discusses the internal (institutional) and external (contextual, network, etc.) factors that have enabled or hindered the NVF's impact. The synthesized discussion is found in the main report, while additional details are available in case studies included as appendices (see Appendix III -VIII).

It also needs to be acknowledged that for the C&A Foundation, this evaluation presents an opportunity to examine the merits and limitations of providing unrestricted support to an innovation fund, one that was an out-of-strategy grant in its wider portfolio focused on improving the sustainability of the fashion industry supply chain.[9]

1.2 Methodology

The overall methodological approach for this evaluation was that of Contribution Analysis, given the study's focus on generating understanding of the NVF's contribution to Water.org's ability to design and implement innovative solutions to the global WSS crisis. A theory-based approach was adopted for this mandate, one that included the reconstruction and testing of an NVF Theory of Change (ToC), with a final ToC included in 108Appendix X . An evaluation matrix was prepared early in this evaluation, serving as a study guide (see Appendix XVI). Some of the questions evolved in practice, as the evaluation team gained a greater understanding of the NVF and its operations.

Data for this evaluation were collected through a range of methods. The evaluation team undertook semi-structured interviews with 85 respondents representing Water.org leadership, HQ staff, country staff, NVF donors, in-country partners and other experts. An online survey was filled by 23 members (response rate: 92%) of Water.org leadership, senior management and staff.

The evaluation team undertook field missions to India, Peru, and the Philippines; virtual field missions were undertaken with respect to Bangladesh, Indonesia and Kenya. The team reviewed more than 100 documents and projects and undertook a Rubric Analysis. Finally, the evaluation team undertook a landscape analysis comparing the NVF with 4 other innovation funds, namely: Acumen, Kiva, Competitive Industries and Innovation Fund (CIIP), and the Global Innovation Fund (GIF). While this provides an at-a-glance view of the methodology pursued for this evaluation, a comprehensive presentation is in Appendix XI .

[9] https://www.candafoundation.org/

1.3 Limitations

There were several limitations underpinning this evaluation. Firstly, documentation on the NVF was limited, especially from the foundational and early years, and difficult to access where it existed. A sizeable body of documentation unexpectedly surfaced and was made available to the evaluation team quite late in the evaluation trajectory, once all field missions had been completed. All available documentation was eventually examined for the analysis.

Secondly, the documentation, where available, was inconsistent in quality and thoroughness. Notably, while the Dashboard is the major repository of NVF data, criteria have not consistently been reported on, and where filled out, done so in a clearly subjective way.

Thirdly, the Dashboard and annual reports were documented during Q3, and not after the conclusion of any innovation. Because the reporting was undertaken during the lifetime of an innovation, immediate and longer-term results were not necessarily evident, with reporting limited accordingly.

Fourthly, there was little evidence of the long-term *impact* of WaterCredit, to which the evaluation team had access. Thus, impact-related conclusions are very limited in this report, and where in evidence, not robustly reported.

Fifthly, there existed only a limited stakeholder pool with strong institutional memory of the NVF. As explained, the NVF was internally available to Water.org staff. External partners, and many country staff, had relatively limited knowledge of the NVF as a fund distinct from Water.org as a whole. Thus, perceptual, document and survey data had to be carefully triangulated throughout in telling the contribution story of the NVF.

Despite these challenges and limitations, the evaluation team remains confident in the findings and insights generated through this study. This is primarily due to the breadth of data collection, the diversity of methods, the number of countries where field missions were undertaken, the diverse experience of team members, and the engagement and validation undertaken with key Water.org staff.

2 Relevance

2.1 Introduction

This chapter of the report discusses the NVF's relevance to donors, Water.org itself, the WSS sector, and BOP beneficiaries. As discussed below, the NVF was clearly relevant to each, in both overlapping and differentiated ways, specific to each stakeholder group.

2.2 Relevance to Donors

Finding 1: **The NVF responded to the priorities of donors in a multiplicity of ways, both overlapping and differentiated *by donor*. The NVF was based on a core underlying belief shared by Water.org and its donors that the donor-driven model has been inadequate for resolving the global WSS crisis. Beyond this, donors were able to advance their specific thematic interests in contributing to the NVF. For a subset of donors, the NVF provided opportunity for gathering insights to inform their restricted funding in WSS and other related sectors.**

Water.org staff and NVF donors interviewed for this study were unequivocal in stating that philanthropic support alone has been insufficient for responding to the global WSS crisis. As stated by one NVF donor, "philanthropy alone will not solve the problem". Thus, donors were interested in contributing to the search for innovative solutions, and in supporting the scaling up of solutions that were already proving their worth. Contributing to the NVF allowed these donors to do so, on both counts. Some donors were particularly keen on seeing the WaterCredit[10] approach expand, and this with the support of the NVF.

For donors contributing to the NVF, the risk-reward payoff was perceived as attractive, offering opportunity to participate in an initiative with potentially high social impact, but without a narrow activity-specific commitment. The NVF aligned with donors' interests for innovative solutions to reduce reliance on philanthropic contributions[11] by allowing Water.org to identify "the right leverage points to achieve game-changing impact".[12] One donor stated their motivation in participating in the NVF: "The CEO [of the foundation] met with Water.org in 2013 – they had an innovative model to disrupt the financial market and empower [people]. We loved it".

Beyond a philosophical alignment with the NVF approach, donors saw the NVF as a way to advance broad corporate strategies and specific priorities. Some donors described their interest in terms of participating in a 'leveraging' fund and engaging in collective learning on this. Indeed, high-level information about the

[10] For information on Water.org's WaterCredit approach, see: Water.org (2018). WaterCredit. [ONLINE] Available at: https://water.org/about-us/our-work/watercredit/ . [Accessed 1 October 2018]

[11] Water.org (2013). New Ventures Fund – Staff Update. November 2013.

Water.org (2013). Accelerating the Pace of Progress – Water.org New Ventures Fund and Council.

[12] Water.org (2013). New Ventures Fund – Staff Update. November 2013.

NVF's leveraging efforts and successes were shared with donors[13], though some donors expressed the desire for more regular and in-depth reporting.

2.3 Relevance to Water.org Directly

Finding 2: **The NVF was highly relevant as a strategic instrument for Water.org. The unrestricted nature of the NVF served to enable Water.org to mature internally and expand externally. Internally, the NVF allowed Water.org to reinforce its identity as an organization offering innovative finance-based solutions on WSS priority issues, developing its capacities and systems to do so. Thus, the NVF mimicked core support to Water.org. Externally, the NVF aligned with Water.org's interest to: 1) scale-up the WaterCredit model into new geographies; 2) test, refine and pilot new scalable WSS finance models and; 3) build its credibility as a global actor in the WSS sector.**

Unrestricted and flexible, the NVF was clearly a highly relevant strategic instrument for Water.org. Survey results reveal that 30% of Water.org respondents were in agreement and 61% in strong agreement that the NVF was aligned with Water.Org's strategic priorities (noting that respondents were Water.org leadership, senior management, and staff – i.e. not donors, in-country partners, or outside experts). This is the case both internally and externally, as made evident by individual interviews and focus group discussions (FGDs) with Water.org staff working either at HQ or in country offices. Respondents point to the NVF being flexible in ways that enabled Water.org's internal organizational development, mimicking core funding, as well as its ability to expand externally, adapt quickly and strengthen partnerships.

The NVF was found to align with the emerging organizational priorities of Water.org in a number of ways. According to Water.org staff, it reinforced Water.org's identity "as an organization that focuses on the financing components or the financial challenges of WSS" with the development of "a clear coherent focused strategic plan"[14] and "a move away from discrete projects". The NVF was also found to have been highly relevant for Water.org in terms of its priorities for overall expansion and the strengthening of its partnerships. The NVF-supported marketing and landscaping studies permitted the organization to act on its ambition of pursuing different growth and development paths. Having done so, Water.org was able to expand into new territories after having mitigated a number of risks. Also, as presented in Indonesia (Appendix VII) and Philippines (Appendix V) case studies, the NVF allowed Water.org to enter into new territories with the aim of developing new partnerships beyond Finance Institutions (FIs).

The NVF was used by Water.org to build an evidence base for attracting and engaging with potential and actual donors. This was particularly useful with respect to donors characterized as risk-averse and/or with a preference for restricted funding. The NVF permitted Water.org staff to collect some evidence, proof or data points required by donors, in some cases for justifying their awarding of funds.

The NVF further aligned with the developing internal culture of exploration and risk-taking at Water.org, key to the organization's ability to identify opportunities and bottlenecks in the WSS system. It also offered the NVF time and capacity to examine options and then commit in developing country specific

[13] Water.org (2017). Agenda – New Ventures Fund Council Annual Meeting. November 2017.

[14] Water.org (2018). Leveraging financing to change lives with access to water and sanitation (2018-2022) – A look at the next 5 years of impact.

strategies. In this vein, the NVF provided resources internally that allowed Water.org to attract talented people. As explained by one Water.org staff person, the NVF provided financial resources to "facilitate our contribution at the table … with the 'big players'", thus allowing Water.org's model of financing to be recognized as instrumental for the global WSS system.

2.4 Relevance to WSS System

Finding 3: The NVF was highly, if indirectly relevant to the WSS system at global and national levels. This unrestricted funding allowed Water.org to design its work strategically with a focus on identifying, and then building on/ responding to opportunities, gaps and/or bottlenecks in WSS systems.

Globally, the WSS sector has been slow to innovate, with little advancement beyond a donor-dependent model, seeing insufficient attention paid to finance and capital-based solutions. Nationally, the WSS sector (i.e. central governments, utilities and finance institutions) has neglected local governments, WSS businesses, as well as the participation of BOP populations, as essential participants of viable, engaged and sustainable WSS systems.

Within this context, the NVF has been an important, if indirect, mechanism for the development of the WSS system, and its constituent subsystems. The NVF allowed for the development of innovations that supported Water.org in responding to some of the most important WSS global and national challenges: 52% and 39% of survey respondents respectively strongly agreed or agreed with this statement.

In all six country case studies (Appendix III -VIII), NVF-supported studies, research and assessments were positioned to create conditions favorable for the implementation of the WaterCredit model in FIs (i.e. Peru, Kenya, Bangladesh, India) and the WaterConnect model Water Service Providers (WSPs) (i.e. Indonesia, Philippines).

The NVF further served as a mechanism for Water.org to consider and engage key actors across national and global WSS systems and to create connections between them, through its Global Advocacy and other work. For instance, with NVF support, Water.org connected governments and FIs. According to one Water.org staff person, "In Ethiopia, (Water.org) advanced the relationship between the government and the FI and increased awareness of the government actors of the interest for FIs to provide WSS loans". With the alternative channel NVF innovations, Water.org also built business-to-business connections (i.e. FIs with small and medium-sized enterprise (SME) WSS manufacturers and WSS service providers).

The NVF was also relevant for the WSS system by allowing Water.org to address bottlenecks in the WSS supply chain. As explained by several Water.org staff, the NVF permitted Water.org to respond to a key weakness in the WSS: "water utilities do not pay attention to BOP" and "governments … (are) neglecting the ability of the BOP population to pay for services".

Finding 4: The NVF allowed Water.org to first, identify receptive (and non-receptive) markets and second, to test and adapt innovative finance models to national and sub-national government priorities and preoccupations. In this respect, the NVF allowed Water.org to clearly reframe a well-known problem (i.e. WSS crisis) into opportunities for governments to advance their priorities. Of specific interest, the NVF worked directly with some governments to develop and implement WSS National Policies.

According to survey results, Water.org staff agreed (30%) or strongly agreed (52%) that NVF innovations were aligned with country priorities. Water.org staff working at HQ and in country offices where case studies were undertaken (i.e. Philippines, Indonesia, Kenya) explained that by allowing Water.org to complete market and landscaping assessments, the NVF facilitated the selection of markets and the identification of promising partnerships. According to these respondents, the NVF gave Water.org the flexibility to shift and/or streamline its activities in quick response to changing or emerging opportunities, in alignment with country priorities.

The NVF was further described by Water.org staff as facilitating Water.org's alignment with country priorities by responding to insufficient WSS budgets and by educating governments. "The NVF led us into educating. We educate the government on WaterCredit … on how they can do more despite their restricted budget", explained one Water.org staff. The NVF allowed Water.org to create events, forums and other opportunities for exchange between government actors, to build their awareness of WSS finance opportunities (e.g. exchange between Indonesia and Ethiopia), by bringing in new expertise and exposing governments to new ways of operating.

The India case study demonstrates the relevance of the NVF in relation to government priorities, whereby NVF innovations were aligned with, and indeed helped articulate, the country priorities on WSS. Further, the use of the NVF to respond to government priorities in Ethiopia was outlined in an NVF internal report.[15] The Ethiopia WaterCredit Initiative team used the NVF to identify opportunities in Ethiopia for advocacy in order to coordinate WASH and finance sector stakeholders, and to ensure that the government was pursuing strategies that provided capital to the BOP to improve WSS conditions. The team worked with Millennium Water Alliance members active in the WSS sector and FIs, to build conditions needed to provide sustainable financial services to clients in need of WSS solutions.

Finding 5: The NVF was designed to enable partnerships, while innovations were also rooted in partnerships. The NVF supported relationship building and partnership development with governments, WSPs, national FIs and Microfinance Institutions (MFIs), Donors, and to a lesser extent Regional and Multilateral Banks (e.g. through Global Advocacy). In particular, the NVF allowed Water.org to respond to its partners' interests to increase and diversify their business activities with low risks and costs. Nonetheless, the NVF was less relevant in terms of enabling global-level, multi-sectoral WSS partnerships.

The NVF was designed for Water.org to develop relationships and build partnerships with global, national and local actors. In this respect, the Fund provided resources that enabled strategic assessments, as well as time and travel to events and countries, enabling the identification of potential partners. The NVF was

[15] Water.org (2014). NVF Initiative reporting. December 2014.

valuable for integrating WaterCredit, WaterConnect, WaterCredit Adoption and/or WaterEquity models into partners' operational plans, while fostering supportive environments needed for their implementation or scaling. Specifically, the NVF was used by Water.org to gather the data needed to adapt WaterCredit across contexts, demonstrate the potential profitability of WSS loan products and reduce the start-up costs (and risks) with a 'smart subsidy'.

The NVF provided Water.org with the resources it needed to build partnerships with government actors to explore – and in some cases improve – the conditions for MFIs to increase WSS loans. In India, the NVF allowed Water.org to build on the policy environment and ultimately contribute to two key policy changes that would remove bottlenecks to WSS finance growth (i.e. Priority Sector Lending and National Rural Livelihoods Mission/State Rural Livelihoods Missions). In Indonesia, the NVF was used to create the conditions for the development of business-to-business partnerships between FIs and WSPs, within the context of the national Community Based Drinking Water and Sanitation (PAMSIMAS) Program of the Ministry of Public Works and Housing. For both private and public WSPs, this partnership forged with FIs facilitated their access to capital, and in turn, strengthened business, improved facilities and pushed expansion.

Lastly, in terms of enabling global WSS partnerships, the NVF was less relevant. To begin with, the vast majority of evaluation respondents did not ascribe the NVF a key enabling role in Water.org partnership development with global development institutions. Also, 30% of survey respondents disagreed that NVF innovations were designed to enable greater collaboration *among leading institutions across sectors* to effect systemic change. Nevertheless, the early NVF-supported Global Advocacy work laid the foundations for Water.org to engage and network with these organizations.

2.5 Relevance to BOP Beneficiaries

Finding 6: **The NVF was designed to allow Water.org to more broadly meet the needs and priorities of BOP populations. Though the NVF did not provide resources directly to the BOP, it was premised on enabling, piloting or expanding Water.org's innovativeness, underpinned by values aligned with those of the BOP: reaffirming human dignity, improving access to products and services, promoting long-term savings, and increasing health benefits. The design of NVF-supported innovations was largely gender-blind; nevertheless, the innovations generated important benefits to women and girls.**

It is widely believed that the NVF was designed to respond to the needs of BOP beneficiaries (though mostly indirectly), enabling the wider work of Water.org. Indeed, 67% and 26% of survey respondents respectively strongly agreed and agreed that NVF innovations supported Water.org in responding to the WSS needs of the BOP. Documents published by Water.org and FI partners, along with interviews across Water.org HQ and country office staff, describe the relevance of Water.org's approach in terms of improving WSS access to BOP through a finance-based, market-driven approach. In this sense, as a fund designed to diversify and scale this approach, the NVF could also be considered as relevant to the BOP.

Evidence from case studies suggests the NVF was not equally relevant to both water and sanitation BOP needs. While in some countries such as India, Water.org used the NVF to equally develop water supply and sanitation, in others, the use of the NVF to address sanitation needs depended upon the strength of the sanitation supply chain and the social environment. As a demand-driven approach, NVF investments

responded to the market, where interest for water supply and sanitation investment was not always equal.

The NVF was not designed to be relevant to all individuals living in poverty. Although the NVF is described as a mechanism for Water.org to more effectively and strategically advance its mandate of "providing relief to those living in poverty, or at what we call the base of the economic pyramid (BOP)"[16], the BOP is understood as being "not uniformly poor".[17] Water.org's specific target group includes "customers with financial power"[18] or with some financial means.

The NVF was not designed to intentionally address the needs of women and girls, who are disproportionately and negatively affected by WSS challenges in the Global South. Indeed, 4% and 9% of respondents respectively strongly disagreed or disagreed that NVF innovations were systematically designed to equally benefit men and women; 30% agreed and 22% strongly agreed this was the case. Also, broader gender equality issues remained underdeveloped through the NVF. The role men, boys, girls and women assumed in the provision of household access to reliable and safe water and sanitation did not significantly inform the development of NVF innovations. An understanding of how gender-based power dynamics may be improved, maintained or worsened, was not revealed during interviews nor in the review of documents. Nevertheless, NVF-supported innovations were of specific benefit to women when implemented. Testimonials of women clearly convey such benefits.

[16] Water.org (2014). Water.org's New Ventures Fund: Accelerating Impact through Innovation – New Ventures Fund overview for the Tarbaca Indigo Foundation. October 2014.

[17] Water.org (2011). In Our Lifetime. Deconstructing the Global Water Crisis & Securing Safe Water for All.

[18] Water.org (2014). Water.org's New Ventures Fund: Accelerating Impact through Innovation – New Ventures Fund overview for the Tarbaca Indigo Foundation. October 2014.

3 Effectiveness

3.1 Introduction

In this chapter, NVF results are discussed in the following ways: piloting and scaling models; country level effectiveness; Water.org's profile and approaches; factors of effectiveness; and learning from 'failure'. Additional insights on Water.org's effectiveness are discussed in six case studies (Appendix III -VIII).

3.2 Piloting and Scaling Models

Finding 7: The NVF enabled Water.org to pilot and/or scale successful WSS finance models targeted at the BOP. At the sector level, some of the most successful outcomes of the NVF included: demonstrating the viability of WaterCredit, supporting the inception of the Water Credit Investment Fund (WCIF) that ultimately led to WaterEquity, Alternative Channels, and Water Credit Advisory Services (WCAS).

For the WSS sector, NVF support allowed Water.org to strengthen existing WSS finance solutions to the BOP and develop new ones. In the words of a respondent, the NVF was "transformational instead of incremental". More than 90% of survey respondents, all Water.org staff, agreed with each of the following statements:

- "The NVF supported a portfolio of innovations to solve specific BOP challenges"
- "The NVF supported WaterCredit programs and/or subsidies in catalytic ways".

Similarly, more than 80% of respondents agreed with the statements:

- "The NVF enabled key partnerships with organizations that directly facilitated WSS financing"
- "NVF innovations positively improved or expanded business or financial opportunities to improve the WSS finance system"

More specific successes of the NVF are discussed below, where the WaterCredit expansion reflected the strengthening of an existing model, and the remainder reflect the development of new and innovative ones.

WaterCredit

Developed by Water.org, WaterCredit leverages existing microfinance markets to meet the need for household access to WSS. In principle, with WaterCredit, partner MFIs develop a WSS product with their specific conditions (i.e. loan conditions, interest rates), appropriate to its portfolio and pool of customers. Borrowers then use these small, affordable loans to gain access to WSS solutions, local resources and expertise. When repaid, the capital is then used to provide yet another loan to support another family. With the NVF, Water.org piloted, tested and scaled the WaterCredit model *in all countries where it operates,* the specific contribution varying from place to place. With NVF support, market assessments were conducted that allowed Water.org to strategically enter – or refrain from entering – new markets

and countries. After more than ten years in action, WaterCredit reached more than 12 million people in twelve countries through more than 2.9 million loans, amounting to US$1 billion. More than 90% of borrowers are women, and loan repayment rates are above 99%.

WaterEquity and the Water Credit Investment Fund (WCIF)

WaterEquity, as stated on the website, is an "impact investment manager with an exclusive focus on ending the global water and sanitation crisis". WaterEquity was launched as a separate organization from the non-profit Water.org in 2017. While Water.org advanced the first WCIF of US$11 million, WaterEquity then pursued the 'WCIF 3' of US$50 million to deploy capital to enterprises serving BOP WSS needs in Cambodia, India, Indonesia and the Philippines. The NVF played a central role in enabling the development of WaterEquity. Indeed, NVF-supported discussions among co-founders and partners in India spurred the very basis for WaterEquity. The NVF allowed Water.org to undertake a partner survey, collect intelligence, undertake studies, demonstrate the viability of the model, accrue start-up capital, mobilize loan capital, and perform due diligence of MFIs. All interview respondents speaking to this matter clearly stated that the NVF was indisputably instrumental for the launch of WaterEquity and the WCIF: "We could not have launched this without NVF".

Alternative Channels

The NVF enabled Water.org to explore and develop 'Alternative Channels' for its finance work, to mean channels beyond MFIs for WSS financing (though this was the case with only 11 out of 81 innovations tracked as 'Alternative Channels'). Depending on the context, these Alternative Channels included: country governments, manufacturers, suppliers, SMEs, public commercial banks, housing banks, utilities, and digital finance (a successful means of WSS finance in African contexts but less so in South Asia). The research undertaken through the NVF allowed Water.org to make the case to a diverse range of partners to consider WSS finance as part of their portfolio.

Water Credit Advisory Services (WCAS)

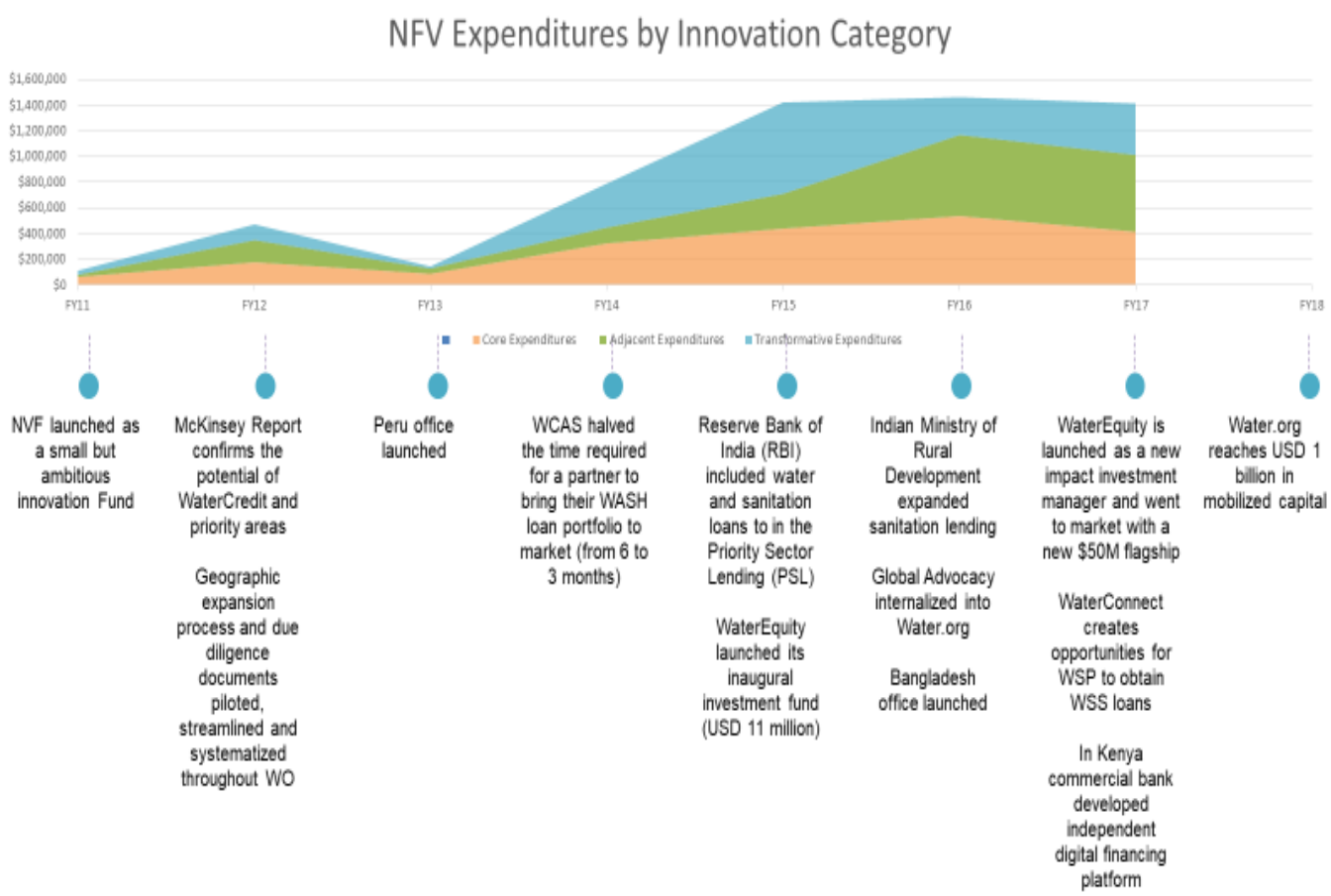
In 2013, Water.org piloted WCAS as a new approach to water and sanitation delivery. WCAS was established on the premise that financial and non-financial institutions could successfully be supported to pursue WSS lending through the provision of technical assistance only, as distinct from the traditional "smart subsidy" approach. WCAS was therefore a bridge to a zero-subsidy model for WSS financing, intent on reducing the cost-per-person served to less than US$2/day, a 60% cost reduction from Water.org's traditional WaterCredit model. Through the NVF, WCAS provided partners with technical assistance, training, capacity building, and tools that allowed the WaterCredit product to be adopted, piloted and scaled by partners at a pace twice as fast as the traditional WaterCredit. "NVF allowed us to work outside of what we were used to doing … we learnt how to engage with stakeholders other than MFIs", said a respondent speaking about WCAS. WCAS was later remodeled into "WaterCredit Adoption", as a more suitable approach.

3.3 Country Level Effectiveness

Finding 8: **As a catalytic and transformative fund, the NVF allowed different countries to pursue innovations that were specific to context and needs. NVF contributions ranged from policy change in India, to entry into Peru, to expansion of partnerships and geography in the Philippines.**

Through 2011-2017, the NVF was used in different ways, in different countries, with different notable contributions. While the NVF contributed the resources and knowledge to launch the country office in Peru, it supported policy changes that opened up the WSS sector India. The case studies undertaken for this evaluation demonstrated that the flexibility and diversity of NVF innovations were employed to different ends and of diverse benefit in different countries. A non-exhaustive timeline shows that the NVF was highly effective in terms of outputs, financial resources mobilized and then also some emerging outcomes (Exhibit 3.1). An overview of the NVF in case study countries is provided below, while more detailed accounts of case studies are presented in Appendix III VIII.

Exhibit 3.1 A Timeline of the New Ventures Fund



India

The NVF provided the resources to collect intelligence from partners, undertake visits and meetings with representatives of the government and the Reserve Bank of India, and organize advocacy efforts – ultimately leading to two major policy changes to remove bottlenecks to WSS finance growth. The NVF enabled Water.org in India to draw Additional Channels, partners and means of extending WSS finance to the BOP. Through increased advocacy, the NVF helped to transform the profile of Water.org in India. As a result of new partners, there are a number of new beneficiaries, and a large amount of capital has been mobilized, supported by NVF innovations. (See Appendix III).

Peru

The use of NVF resources in Peru allowed Water.org early on to accumulate significant primary and secondary data regarding the market for WaterCredit, and refine expansion plans in Latin America, a continent where Water.org was previously not working. The NVF resources were used to complete lengthy administrative procedures to register Water.org as an international non-governmental organization (NGO) in Peru and collaborate with a firm to establish Water.org's legal presence in the country. The NVF, by funding the gathering of data on the market and potential partners, supported a strong proposal for external funding starting in July 2013. The NVF allowed the consultant to maintain motivation among partners through an uncertain period before external funding was secured. (See Appendix IV).

The Philippines

The expansion of WaterCredit resulted in the establishment of partnerships with 8 MFIs. The WaterConnect innovation resulted in a partnership with one water utility, 3 MFIs across a range of sectors, including the municipality, provincial governments, a water utility association at the national level, a sanitation supply chain stakeholders and UNICEF. These innovations successfully tested and refined the 'community organizing' model that included creating water associations and generating demand through community-level education. WaterConnect was successfully scaled into two new geographies within the Philippines and resulted in the mobilization of additional funds. (See Appendix V).

Bangladesh

The NVF supported a market study and the development of a country strategy for Water.org for the subsequent 3-5 years. It supported the identification of priority partners, and the development of strategies such as mobile banking and digital finance. It also resulted in the expansion of capacity in country staff. (See Appendix VI).

Indonesia

With NVF support, Water.org conducted a pilot program that facilitated Community-Based Organizations (CBO) access to commercial sources of financing for new infrastructure. The NVF permitted the identification of the most promising CBOs and their strengthening in basic capacity areas. It also connected qualified CBOs to banks, to access financing for the expansion of services. The NVF permitted Water.org to secure restricted funding from three donors. This, along with a Memorandum of Understanding with the Ministry of Public Works, transferred the CBO model into a large program, intent on taking the number of anticipated CBO partners from 75 in 2015 to 3,000 in 2020. Partnerships have also expanded to include 12 FIs that provided WSS loans to either CBOs or households. (See Appendix VII).

Kenya

With NVF support, Water.org successfully developed partnerships with two commercial banks in Kenya. The NVF also supported the successful launch of two Alternative Channel innovations in Kenya. The third channel, aiming to connect the utilities with existing commercial bank partners to secure commercial financing, was not successful. (See Appendix VIII). The Kenyan case also highlighted the importance of understanding context when seeking to intervene. A few missed opportunities are notable in Kenya, stemming from contextual challenges that were only understood too late.

3.4 Water.org's Profile and Approaches

Finding 9: The NVF enabled Water.org to transform its external profile, expanding to new geographies and strengthening its presence in existing ones. Through Global Advocacy, Water.org was able to develop existing and new partnerships and overcome impediments to the expansion of WSS finance.

The NVF allowed Water.org to expand its own profile and to a certain extent, transform itself. Outwardly-oriented, the NVF enabled Water.org to undertake market assessments, explore opportunities, undertake groundwork before and during the entry to new geographies, and strengthen itself in pre-existing others. The approach of Global Advocacy was instrumental in developing partnerships and accruing new partners, as well as removing impediments to WSS finance.

Supported by the NVF, Water.org was able to expand to diverse new geographies. Although the specific contribution of the NVF varied in different contexts, it is credited as having supported Water.org's expansion within and to Bangladesh, Brazil, Cambodia, Ethiopia, Ghana, Honduras, Indonesia, Peru, Philippines, Tanzania. For instance, in India and Bangladesh, Water.org was already present, but was given critical support by the NVF to pursue market research, advocacy and partnership development, and in drafting country strategies. In India, the NVF permitted the expansion of Water.org to new geographies within the country through the recruitment of new partners and in the expansion of WSS in their national portfolios.

In Kenya and Uganda, the NVF permitted the testing of a new approach (i.e. digital finance) and working with new partners (e.g. commercial banks). In Peru and Latin America more broadly, the NVF contributed to the wholescale entry of Water.org. In Ethiopia, Water.org's entry remains a "work in progress" – not yet complete but started with the support of the NVF through market research, and extensive work with the government.

Besides formally entering new geographies, NVF-supported Global Advocacy was used for research, travel, staff time, the gathering of intelligence, and for initiating and meeting with key policy actors and partners. This effort raised the profile of Water.org globally and in select few countries. In India, for instance, Global Advocacy supported by the NVF led to the Reserve Bank of India including water and sanitation in the Priority Sector Lending (PSL), which further supported Water.org to gain a strong profile and become a national-level organization.

However, policy level successes of the NVF are not universal. 4% of survey respondents expressed strong disagreement, and 9% disagreement, with the statement: "NVF contributed to changing the policy and/or sector environment to be more receptive to BOP WSS financing solutions". Similarly, 4% of survey respondents expressed strong disagreement, and 17% disagreement, with the statement: "NVF enabled Water.org to successfully mobilize key political leaders". Clearly, there is only so much that an innovation

fund like the NVF can enable politically for an organization like Water.org in a relatively short period of time; policy change is typically a slow process.

Overall, Global Advocacy was particularly successful when used at the partnership level. NVF resources were used to generate research and share results with partners, and continuously build the case for WSS finance. "This is where we have the most impact. This was a learning. We didn't realize this was the case when we started", a Water.org respondent recalled. Expectedly, the effectiveness of Global Advocacy is contingent upon the policy environment, with results clearly varying across geographies. Of note, qualitative data demonstrates that similar efforts had not yielded comparable results in Asian and African countries; context is key. Yet, the approach itself allowed Water.org to engage with countries and partners in a way that removed impediments against WSS finance more directly; advocacy (with the partial support of the NVF) has colloquially been called the "grease" that has enabled Water.org to thrive.

Finding 10: The NVF enabled Water.org to transform its approaches internally. Specifically, Global Advocacy was changed to Enabling Partnerships and made part of International Programs at Water.org. Further, the NVF catalyzed the pre-existing culture of innovation in Water.org and was followed up with the launch of the Strategic Investment Fund (SIF).

The NVF was effective in transforming some of Water.org's internal approaches and ways of working. Indeed, the NVF contributed two particular approaches that are now fundamental to the organization: Enabling Partnerships, and the 'culture of innovation'.

While Global Advocacy was primarily an externally-oriented innovation, it had notable internal consequences. Global Advocacy was found especially effective at the partnership level by, a) providing staff with an articulated approach around engagement, and b) enabling conversations at the policy and practice level. Thus, when presented with the opportunity to involve additional partners, Water.org staff found that the support of the NVF had enabled them to be prepared with the data, research, strategy, and conviction to do so effectively. As Water.org changed internally, staff reported an increased ability to speed up partner identification and onboarding. Nearly 21% of respondents agreed and nearly 61% agreed strongly with the statement: "The NVF enabled key partnerships with organizations that directly facilitated WSS financing".

Following from the effectiveness of engaging with partners directly, in 2016 Water.org renamed Global Advocacy as 'Enabling Partnerships', permanently integrating this into the work of the International Programs team. Enabling Partnerships (and formerly Global Advocacy) helped remove fundamental institutional impediments in scaling-up WaterCredit and addressing market failures. In this way, Global Advocacy/Enabling Partnerships has been transitioned from being a funded innovation into a central theme and practice for impact, implemented by all Water.org country teams.

Nearly all interview respondents from Water.org suggested that the NVF had helped Water.org "internalize a culture of innovation", building on the spirit of innovation already present within the organization. A direct evidence of this internal change has been through the perpetuation of innovation produced with the creation of the Strategic Investment Fund (SIF). According to its founding document, SIF was launched in 2018 to "accelerate each departments' ability to advance their goals with the resources and programming that they feel are most strategic and beneficial" and help Water.org to execute its five-year strategy and animate its ToC.

The SIF is different from the NVF in a few key respects that allow it to further advance innovation. Through the SIF, innovation funding is expanded to *all* departments of Water.org, including administration and fundraising. Further, the SIF makes it possible to request multi-year funding, building more predictability

in funding cycles. It has also identified four criteria, which range from the fulfillment of a pre-existing commitment or obligation of Water.org, to 'big ideas' with potential to innovate or accelerate the achievement of Water.org strategic objectives.

3.5 Factors of Effectiveness

Finding 11: Despite the diversity of NVF innovations, a number of factors of effectiveness are discernible in common. Factors that standout across the portfolio include: unrestricted funding, organizational culture, un/certainty of funds, context, partners, and implementation-related contingencies.

The range and types of innovations undertaken with the support of the NVF are very large. Thus, one must be careful in identifying enabling and hindering factors of effectiveness that apply to all. Given this caveat, the evaluation team was able to identify a few common features/factors of note in this respect. Each is discussed briefly below.

Unrestricted Funding

A key factor in the effectiveness of the NVF was the willingness of NVF donors to support an unrestricted, flexible and internal innovation fund to support the work of Water.org, as the organization itself saw fit. Uncommon in the development finance world, the Fund empowered Water.org to craft and pursue strategic directions, to pivot, reassess and reorient itself, and to then invest more significantly where it saw fit (e.g. consecutive multiyear support to an innovation). Thus, the nature of the NVF itself was a key factor of its effectiveness. A key survey respondent summed it up nicely, in saying: "Trust of the donors to the Fund and Water.org was crucial to allow Water.org to take risks, support new ventures/projects, and innovate".

Organizational Culture

Proposals for NVF innovations were fielded and selected through an internal competition (once the NVF moved out of the office of the Chief-Executive Officer (CEO) in 2015). Therefore, the success or failure of the NVF was contingent upon the ideas, needs articulation, and innovation framing as demonstrated by staff members. The NVF benefitted from a culture of innovation within Water.org that encouraged research, planning, creativity and practicality, including: intelligence gathering from countries, contextual knowledge and forward planning, application of experience from diverse areas, and the ability to connect ground-level needs with strategic priorities.

Uncertainty

The NVF was internally structured to support innovations for one year at a time (with the possibility of consecutive years of support). For Water.org staff, this modality created an environment of uncertainty as to the availability of funds for subsequent years, with implications for the design and implementation of innovations. On the one hand, this created constraints; predictability in terms of funding is crucial in planning the provision of advocacy and support to new partners. NVF support was not determined and delivered internally until Q2 of every year and was not guaranteed for the following year. Respondents recalled this as a limitation in the effectiveness of innovations. At the same time, this modality forced Water.org to quickly cull innovations that were not likely to evolve or scale, effectively avoiding losses.

Context

NVF innovations were implemented on four continents, in WSS markets as large as India and as small as Honduras. Some of the parameters on which NVF contexts differed included: articulated WSS needs, size of market, political economy, presence of partners, WSS policy, and culture of microfinance. Needless to say, the same innovation in different context could not be expected to yield similar results. Thus, context was a key factor, but also the NVF's flexible application (and applicability) with respect to such diverse contexts.

Partners

A number of NVF innovations were focused on creating the conditions for in-country partners to engage with WSS finance. Ultimately, the success of feasibility studies, WaterCredit Adoption, due diligence, and WaterCredit expansion were dependent on the interest and ability of any partner to expand their WSS portfolio. In the survey, partner performance, sustainability and interest were the most commonly cited factors of effectiveness of NVF innovations. Choosing partners wisely was essential.

Implementation

There are numerous enabling and hindering factors directly related to the roll-out of NVF-supported innovation implementation. Two of the most prominent included the quality and availability of consultants for market assessment, and the policy environment for advocacy at any given moment. These factors were crucial but not always easy to predict.

3.6 Learning from 'Failure'

Finding 12: **A few types of innovation (on accountability and transparency, prepaid meters, and the WaterCredit Community of Practice), and those in a half-dozen countries did not lead to outcomes. Yet, they were valuable for the learning and growth of the organization.**

While the NVF significantly contributed to Water.org's achievement of results for the sector, developing both external and internal dimensions of Water.org, a few NVF innovations generated limited if any outcomes at all. In this evaluation, such innovations are not understood as, or referred to as 'failures', as these innovations nonetheless provided valuable lessons and guidance to Water.org.

A premise of this study, and of any study on innovation, is that by definition, a proportion of innovations are bound to 'fail', i.e. not lead to full projects or be taken to scale. It is highly improbable that all experimentation will generate scalable results. Indeed, NVF innovations were foremost targeted to animate the Water.org ToC and are to be regarded as useful if they simply provide lessons for the future.

Also, many outcomes are delayed in producing results. Given the sunsetting of the NVF in the last year, can it be expected that all innovations that would generate results would have done so quite so shortly after the fact? It is the evaluation team's opinion that this is not the case. Indeed, looking to the NVF for insight on this matter, although the PSL case in India has been regarded as a major success of advocacy, the results were obtained several years after the first investment was made.

The rubric analysis conducted for this evaluation assessed innovations on the basis of data provided in the Dashboard on outcomes: increase the number of people reached, enter new geography, reduce time to bring WaterCredit to market, reduce cost-per-person served, and build Water.org pipeline.[19] This analysis found that Global Advocacy as well as Accountability and Transparency (A&T) were two innovation types with generally 'poor outcomes'. It was also found that market studies and WaterCredit Expansion generally produced 'good outcomes'. Given that Global Advocacy related policy outcomes take longer to achieve than market studies, which inform organizational directions, this result was to be expected.

Box 1 provides a list of NVF supported innovations that have not or have yet to yield tangible results. Rather than being regarded as 'failures', they should be understood as projects within a multifaceted portfolio that have for the most part helped Water.org shed light on obscure areas of interest. In spite of the limited tangible outcomes of these endeavors, the NVF was able to provide Water.org with valuable lessons and learning on prioritizing action.

Box 1: NVF Innovations Without Evidently Successful Results

The following innovations had not yielded successful results (by the time of this evaluation):

- This evaluation found five innovations to have focused on A&T. Water.org's strategic emphasis on A&T was decreased in 2015. These innovations were phased out with limited results.
- A number of countries were considered through different studies but eventually set aside as possible Water.org candidates; these studies were undertaken with NVF support. Countries included: Bolivia, China, Colombia, Haiti, Pakistan, and Paraguay. In countries like Colombia and China, there were found to be too many barriers to entry. In others, the policy context was not found suitable. The NVF was key in allowing for such intelligence to be generated in a timely way, which helped Water.org avoid potentially catastrophic blunders.
- The use of prepaid water meters was considered in Haiti and Uganda, with the exploration of private finance. However, this did not yield a successful model and was ultimately abandoned.
- A WaterCredit Community of Practice was created as an online platform for partners to engage with one another and share learning along the way. However, it was found that due to the nature of competition within countries, this was not a feasible means for engagement. In this case, the NVF was used to experiment with the Community of Practice and ultimately abandoned pursuing it.
- Expansion into Ethiopia continues to be a work in progress, with an NVF-supported market reassessment having helped to understand the system-level conditions required to unlock the market for WaterCredit implementation.

[19] It should also be noted that the rubric was developed with data from the Dashboard. NVF reporting was done within the financial year, with only key outcomes followed up by MEL. As a result, many results may be underreported.

4 Sustainability

4.1 Introduction

The sustainability of NVF innovations was very challenging to assess. Nonetheless, it is discussed in this chapter in terms of WSS finance and implications of the NVF for Water.org itself, at its external interface as well as in terms of its internal developments.

4.2 The Challenge of Sustainability

Finding 13: The NVF was not designed with a primary objective of sustainability, just as with many innovation funds. As such, the measurement of sustainability remains a challenge, given that NVF innovations were applied across diverse contexts, with diverse results, and with only a handful of 'successes' to speak of, as of yet.

Overall, the NVF was not geared at the sustainability, but at enabling the generation of great ideas and solutions for addressing WSS challenges. It funded a whole series of innovations, 81 in total, through a portfolio approach, rather than investing in one promising solution. Both of these qualities of the NVF create challenges for the assessment of sustainability and scalability in relation to the NVF. There are other important hindrances to consider.

Sustainability and scalability are not likely to be evidenced during the lifetime of an innovation, but often later and in implicit ways. For instance, country strategy development in Bangladesh included a discussion on remittance as a source of finance, which was operationally considered in subsequent years.

On a related note, monitoring data collected during the lifetime of an innovation is unlikely to yield precise information about sustainability and scalability. For instance, the Dashboard data collected by the NVF was input into a rubric analysis for this evaluation (see Appendix XIV). According to the analysis, only about 4% of innovations with more than 13% of the NVF budget scored 'high' on a 3-tiered scale of sustainability and scalability. Innovations constituting about 55% of the NVF budget scored 'low' on this scale. However, this does not necessarily demonstrate low sustainability and scalability, but rather a limitation in measurement. Indeed, in cases like Tanzania and Ethiopia, the sustainability and scalability may yet manifest, years after the conclusion of NVF innovations. As stated by a respondent: "The NVF was more about feasibility than sustainability".

4.3 Sustainability of WSS Finance

Finding 14: The NVF enabled Water.org to expand and sustain initiatives that are relevant to the WSS as a sector. It did so by enabling the piloting, scaling and modification of WaterCredit and related approaches for WSS financing.

Among other things, the NVF enabled the development and consolidation of innovations that have developed traction in the WSS sector. Such innovations are likely to endure far beyond the provision of NVF support. More specifically, the NVF is credited as having supported the demonstration of proof of concept of the WaterCredit model and allowing Water.org to scale it further through a series of innovations. The NVF-supported McKinsey report in 2014 confirmed the viability of the WaterCredit model and identified priority geographies and range of partners. Thereafter, the NVF allowed Water.org to acquire experience with WaterCredit in several geographies and through different mechanisms. Donors and in-country partners alike have regarded it as a viable and established model of WSS financing.

In one of its most fundamental contributions, the NVF provided the resources required for discourse development and data acquisition, informing and leading to development and then launch of WaterEquity as a separate and independent entity in 2017. WaterEquity is the first WSS focused impact investment manager. Its WCIF 3, targeted to be US$50 million, provided opportunity to scale up WaterCredit. In the words of an interview respondent: “The very essence of impact investing – and what WaterEquity is all about – is about making the WSS system sustainable.” Through the launch of WaterEquity as a profitable and viable venture, the NVF made a significant contribution to the sustainability of WSS finance.

In addition, the NVF supported the testing and scaling of additional related approaches and introduced a number of partners to this sector. As explained earlier in this report, WaterConnect is a program through which Water.org has provided technical assistance and smart subsidies to state-owned water utilities, which cover urban and peri-urban areas (see Appendix V Appendix VII for a case study discussion of WaterConnect in the Philippines and Indonesia respectively). The NVF also enabled Water.org to pilot, modify and scale other new approaches including WaterCredit Adoption (from the previous WCAS, an NVF innovation type), and digital finance (please refer to the case study on Kenya in Appendix VIII). The bouquet of approaches, led by WaterConnect in South East Asia, WaterCredit in South Asia, digital finance in Africa, WaterCredit Adoption in Latin America, were customized to suit the political economy of each context. Doing so has indeed been a key factor of sustainability (as well as of effectiveness) so long as the context has remained receptive to (and in need of) such initiatives. Importantly, the approaches themselves have proved to be effective in partner recruitment, and therefore sustainably offer a suite of approaches to and with partners, which are relevant to the sector.

4.4 Sustainability of Water.org: Results and Organization

Finding 15: NVF innovations and their results have themselves shaped Water.org’s work. By supporting the expansion to and within geographies, and by introducing new partners to WSS finance, NVF innovations promoted the sustainability of Water.org externally.

The NVF-supported innovations have themselves had profound implications for the sustainability of Water.org itself both directly and indirectly. As discussed earlier, the NVF contributed to raising the profile

of the organization and its presence in a number of new and pre-existing geographies. For instance, NVF innovations and concomitant projects were transferred across geographies; e.g. within India, partners expanded their portfolio from Southern India alone to east, west and north within the country. Also, learning from Kenya was integrated into work in Tanzania. The market assessment and other innovations undertaken in Ghana were sources of learning for Water.org's work in Uganda and Ethiopia. In addition, the NVF enabled Water.org to scale operations in Latin America, supporting the organization's entry into Peru, followed by other geographies.

In this way, the results of NVF innovations are sustained within Water.org through the continued use of research outputs, market assessments, and advocacy efforts. These results made further contributions to sustainability when they provided the background, data and justification for follow-up restricted funding applications. Indeed, the NVF enabled Water.org to expand into new geographies, establish new partnerships, and to do so with the benefits of ongoing NVF-enabled learning. In this vein, 43% of survey respondents agreed and 39% strongly agreed with the statement: "NVF has increased the likelihood that Water.org results will be sustained".

As a result of the above approaches, additional partners initiated into WSS finance with NVF support included: country governments, manufacturers, suppliers, SMEs, public commercial banks, housing banks, utilities, and digital finance platforms. New and 'graduated' partners expanded or initiated their WSS portfolio, *and are likely to sustain them*. All in-country partners consulted for this evaluation, ranging from commercial banks in Kenya to MFIs in India, agreed that without the efforts of Water.org, they would not have opened a WSS finance portfolio. They also clearly stated that they would now continue to do so, regardless of the presence of Water.org. Overall, 57% of participants agreed and 30% strongly agreed with the statement: "NVF innovations were successfully scaled up".

However, while WSS finance is known to have benefits of health, education, income, and well-being, these were not as yet measured or evaluated by Water.org. Thus, an opportunity to undertake such assessment exists, allowing for yet broader and deeper understanding of the type of results having been enabled and likely to be sustained by Water.org.

Finding 16: The NVF has also contributed to the sustainability of Water.org internally by being very closely entwined to the existing needs of the organization. The NVF contributed to making Water.org more sustainable by allowing it to incorporate innovative but necessary initiatives, including a reformed Enabling Partnerships, MEL, and SIF.

The NVF closely supported Water.org functions where the needs were evident. For instance, market assessments were used to build the evidence base for entry into new geographies. WaterCredit Adoption provided resources to closely support partners. 43% of survey respondents agreed and 26% strongly agreed that "Water.org successfully built synergies between the NVF and other funds/programs". Close alignment with the Water.org strategic priorities and country-specific priorities served as a factor of sustainability of NVF innovations and of Water.org itself. The NVF allowed Water.org to collect data, undertake research, and build the case for further restricted funding in many countries – thereby building sustainability and scalability. In the words of an interview respondent: "NVF was the nutrient. We discovered whether our ideas were viable. Then we took a new strategy. We started building this approach into formal proposals from our corporate donors. This is the sustainability piece. But we needed to have the launch pad to know."

The NVF more specifically contributed to the sustainability of Water.org itself in part because it could be used in ways akin to core funding. For instance, it contributed to a strengthened Monitoring, Evaluation and Learning (MEL) function within Water.org. It also contributed to work underpinning the development of Water.org's 'Enabling Partnerships' as well as the SIF. Enabling Partnerships was formally institutionalized in 2015, drawing on Global Advocacy, which was an NVF innovation type. This was done because it was seen as an effective way to overcome barriers in new partners expanding their WSS portfolios. Advocacy, undertaken at diverse levels, allowed partners to sustain their WSS efforts beyond the period of their association with Water.org.

A 2015 innovation, 'Global Advocacy - Evaluation & Learning Platforms' supported the recruitment of a Global Learning Team, thereby strengthening the MEL function within Water.org. This contributed to the reconstitution of a MEL capacity at Water.org, which further supported its ability to approach donors and mobilize capital. Finally, the NVF has helped sustain a "culture of innovation" through the launch of the SIF. A survey respondent recalled: "NVF was an essential "nutrient" at the right time when new ideas and aspirations needed to be fed and tended. NVF funding helped grow the 'intrapreneurial' spirit in Water.org, gave it hope and opportunity to drive beyond the status quo. Shudder the thought where Water.org would be today were it not for the NVF!" The SIF was launched in 2018, mandated to scale up the support to innovations, which are now part of the 'intra'/entrepreneurial culture in Water.org.

5 Efficiency

5.1 Introduction

The previous chapters demonstrate that the NVF was a relatively small but effective fund. In this chapter, the efficiency of the NVF is examined at several levels, including: modalities, management, NVF Council, and MEL.

5.2 NVF Modalities

Finding 17: The location, criteria and processes for the selection of innovations evolved over the lifetime of the NVF. Modifications introduced in 2015-2016 led to greater clarity among applicants. With selection criteria primarily focused on outcomes, a risk of innovations being disassociated from country contexts emerged. Of note, gender was not an explicit criterion for the screening of innovations.

During its initial years (2011-2014), the NVF was located within the office of the CEO. For the first two years, the allocation and use of NVF funds were discretionary in nature. In FY 2012-13, an application process was initiated, which enabled a more diverse access to its resources among Water.org staff. The screening process was reformed in FY 2015-16, to include specific criteria (the number of criteria varying between 8-10 every year) and screening by an NVF Committee.[20] This allowed the selection of innovations to be tied to the strategic priorities of Water.org, centered around the amount of capital available for WSS financing, the efficiency of Water.org capital, and the number of people reached.[21] The process was

[20] In FY 2015, the selection methodology is described as: "Each application was evaluated and scored based on alignment with the following: the established NVF Criteria, the FY 14-16 high-level strategies as outlined in the strategic plan; the FY15 NVF Priorities; as well the key countries identified through the guardrails exercise. Based on their score, applications were grouped into Tier I, Tier II or Unrestricted. Subsequently, a qualitative assessment to further assess which applications should be prioritized as Tier I was conducted by Rich Thorsten, Jennifer Schorsch, Chevenee Reavis and Jessica Bernard via conference call on July 16, 2015."

The FY 2017 NVF Fund Memo identifies the following ten considerations: long-term funding likelihood, WaterCredit new channel/approach/investment opportunity, anticipated number of people reached, located in a FY 2017 priority geography, enable entry into a new geography, builds WaterCredit pipeline, may reduce time to bring WaterCredit to market, may reduce cost per person served with WaterCredit, may increase 3rd party uptake of WaterCredit or WSS finance, may increase awareness of WaterCredit or WSS finance as a solution to the crisis. Each proposal was rated 0-1 on all criteria. The Memo further describes the methodology of selections as: "Subsequent to the quantitative assessment, a qualitative assessment was conducted by Rich, Jennifer, and Jessica. During the qualitative assessment, select applications which initially scored lower were prioritized as the team felt they presented unique and important opportunities for the organization."

[21] In the FY 2018-22 strategy, Water.org identified three critical impact objectives to guide strategic priorities and inform how to gauge progress:

- Amount of capital available for WSS financing
- Efficiency of Water.org capital

devised wherein applications were submitted by US-based staff of Water.org, with a case made on the basis of aforementioned screening criteria.

The change in criteria and process instilled a sense of clarity among most but not all Water.org staff. Some staff remained unclear about how funding decisions were made. Indeed, 13% of survey respondents disagreed (no one disagreed strongly) with the statement (while 9% strongly agreed and 52% agreed): "NVF modalities were clear and appropriate". Given this survey's response trends, responses to this question indicate some concern among staff about the way funding decisions were made. This can be explained by three key factors.

- Firstly, many respondents recalled a preferential selection of innovations to be supported on the basis of then-priority geographies or strategy areas.
- Secondly, the presentation of innovations on the basis of pre-determined criteria set limitations on the extent and focus of innovations. One respondent said: "The spirit of NVF was to see what ideas bubble up from the bottom, from those that are closest to the issues, to see if it could lead to something to see. But the processes were not democratized to that extent. It [the idea] would have to go through officers to filter it, it had to fit in the strategy." For instance, a few respondents suggested that the focus on outcome-level criteria could favor NVF investments in contexts like India, with an overwhelmingly large WSS potential and high return. The funding of the innovation was therefore dependent on the proposing staff member's own interest and ability to foresee fit of the innovation in the criteria.
- Thirdly, innovations were designed by US-based staff and implemented by country staff. There was an assumption that International Program teams worked together in the design of innovations, which was found to be true in many but not all cases. In the words of a survey respondent: "The level of input from lower level staff wasn't always sought and that often created a disconnect between the concept and implementation." With innovations fitting into criteria, and country managers not directly involved in the application, there was a real risk of disassociation from the country context. NVF documents do not state whether such risks were considered and mitigated.

Finally, in terms of selection, gender was not an explicit criterion in the consideration of innovations, a process which was ultimately gender-blind. This was surprising, given the centrality of gender consideration to the broad and more specific water-development priorities of Water.org. With the NVF, gender considerations were implied rather than explicitly stated. Nevertheless, data in the WaterPortal has been sex disaggregated, and sex disaggregation in reporting to donors was in evidence.

- Number of people reached

Water.org, further identifies 3 levels of impact:

Level 1 Direct: Partnering with organizations who interface directly with the BOP to facilitate affordable financing for WSS access

Level 2 Collective impact: Collaborating with those who play a role in bringing WSS to the BOP via business to business financing solutions or adoption / expansion of Water.org financing models.

Level 3 System change: Contributing to changes in policy and system practice via partnerships and advocacy to enable a conducive environment for BOP WSS.

5.3 NVF Management

Finding 18: The NVF was flexible in design: it was used in many forms, across countries, to diverse ends, for innovations of diverse scope. However, once funds were allocated, the flexibility was significantly reduced.

The NVF was distinguishably flexible in the way it was managed and made available for use. For instance, the NVF could be used across diverse expense categories, including personnel, travel, consultants, office expenses, among others. The actual budgets of innovations varied from a few hundred dollars to well above US$200,000 on a range of 'types of innovation'; many innovations were funded only for one year and others over consecutive years. In the Dashboard, many innovations were described as focusing on several countries at once, while others were narrower in scope. Further, the strategic focus of the NVF itself underwent a shift to accommodate strategic developments in Water.org. This demonstrates a flexibility in the use of funds, highly appreciated by staff members. 48% of survey respondents agreed and 35% strongly agreed with the statement "NVF resources were appropriately administered."

In contrast, the flexibility was limited once funding decisions about innovations were made. As explained among the factors of effectiveness, funds were approved only in Q2, and were to be used by the end of the year. This, as reported by several respondents, had the unintended consequence that NVF innovations could not be incorporated well into internal planning, and very often could not be completely used by the end of the year. For instance, the Dashboard notes that in FY2016, there was an approximate underspend of 50% when comparing allocations to spending.

Many interview respondents recalled that changes to NVF innovations took an inordinately long time to be approved. A survey respondent indicated that the NVF lacked "flexibility to change approaches or milestones for individual projects to allow teams to pivot more easily when necessary". According to another interview respondent: "when a market opportunity exists, you need to grab it at the moment", and this was a challenge with the NVF.

5.4 The NVF Council

Finding 19: The NVF Council was only able to provide limited guidance, owing to difficulties in planning, scheduling and participation. Therefore, the collective leadership and learning opportunity provided by the Council was not achieved as envisioned.

The NVF Council included six donors and was to "to meet annually to review impact, serve as strategic partners, and act as global advocates for the issue and solutions", according to a 2013 document, 'Accelerating the Pace of Progress, Water.org New Ventures Fund and Council'. Besides a monetary commitment, the NVF Council members were to "participate as an advocate on behalf of Water.org and the global water crisis". The document identified activities proposed for Council members. These included: Council member participation in annual strategy meetings to shape and update the direction of the New Ventures strategy, undertake field visits, participate in media interactions, recruit new members to the Council, and host Water.org related events.

Quite unlike what was foreseen, NVF Council members were not consistently engaged as substantive advocates, media spokespersons, event hosts, etc. The NVF Council did not meet as a group. This was on account of the diverse nature of the donors themselves as well as scheduling difficulties; it was simply not possible to get organizational leaders from different parts of the world together for one or a few days, and this disproportionately in Los Angeles. Many Council members did not meet the others at all.

A significant learning opportunity was missed, wherein the NVF Council might have collectively deliberated, learned from the innovations, shared experiences, provided guidance, and indeed recruited additional donors. Just as the NVF Council was not operational, the NVF was also not able to achieve its initial fundraising/financing target of US$10 million for the fund. While there is no way of knowing definitively if a different approach to the Council may have yielded different fundraising/financing results, the evaluation team believes this may have been a factor in not meeting this target.

Indeed, Water.org had many different and unique relationships with each of the NVF donors. For some of the donors, the NVF was one of the many dimensions on their relationship with Water.org. For others, the NVF was a unique opportunity to engage with Water.org. Such NVF Council members especially recognized that an opportunity was missed to create a culture of shared learning and experience-sharing through the lifespan of the NVF. One donor stated: “I felt that the information prepared for us was high level… I would have liked to see lessons learned, including areas where the NVF failed”. 17% of survey respondents disagreed and 4% strongly disagreed with the statement “The NVF Council provided strategic guidance on the use of NVF resources”. In terms of this survey of Water.org staff and leadership, this is a very high level of disagreement, which should yield insights for the future.

5.5 MEL and Reporting

Finding 20: The NVF indirectly supported the further development of MEL capacity at Water.org, while the MEL for the NVF was not mature. Water.org’s monitoring and reporting on the NVF were not consistent across years or innovations. This was the case despite the fact that reporting obligations associated with the NVF were lighter than Water.org restricted funds, with a comparatively reduced burden on managers. Towards the end of the NVF, MEL on this was significantly strengthened, and much learning was internalized by HQ and country teams. However, cross-learning and the sharing of results across countries and innovations was not equally strong.

The NVF indirectly supported the further development of Water.org’s MEL capacity. With the recruitment of MEL staff at HQ and some country offices, and the provision of support to specific MEL related activities, the MEL function was clearly strengthened. As a result, the WaterPortal now collects data on loans disbursed through MFI partners.

In contrast, the MEL for the NVF was not mature, and reporting on the NVF itself was not consistent across years or innovations. Specifically, the exigencies and depth of qualitative reporting changed across years and/or within the same year. To illustrate, reporting in the Dashboard on several innovations was hypothetical, having manifested as statements of *expected* outcomes rather than of achieved outputs or outcomes. Further, some innovations were reported on a binary scale (yes/no – 0/1), while others were described qualitatively. As might be expected, many of the outcomes could simply not become evident within the year-long timeframe of innovations; thus, the reporting that does exist does not present a consistent overview of the specific outcomes. 26% of survey respondents disagreed and 4% disagreed

strongly with the statement: “Monitoring, Evaluation and Learning mechanisms were formally implemented for the NVF” and 30% disagreed (none disagreed strongly) with “Monitoring and evaluation of the NVF provided timely and useful insights”.

The reporting obligations for the NVF were lighter than with restricted funds. The Dashboard only reports data on the specific criteria which were used for the screening of innovations. The number of criteria was eight in 2011-2014 and modified and expanded in 2015-2017. The light and changing nature of reporting on the NVF had offered two basic advantages. Firstly, the change in screening and reporting criteria in 2015-2016 reflected a strategic shift in Water.org, where emphasis on accountability and transparency was reduced. The changes in the NVF reflect the nimble nature of the Fund, as it adapted to strategic shifts. Secondly, the reporting was light and highly appreciated by staff, as it allowed them more freedom than restricted funds to invest their time in implementing rather than reporting on activities. Staff were requested to submit quarterly reports on innovations, which were then aggregated into the Dashboard. This reporting was primarily targeted to provide aggregate reporting to donors, rather than to draw systematic portfolio-level learning.

The light and inconsistent reporting, however, provided few opportunities for portfolio-wide learning. It should be noted that a lot of learning was drawn from the NVF, but this was more ad hoc and informal in nature, and was made stronger only towards the end of the NVF. A number of case study reports were eventually drafted, including on the PSL from India. However, in the absence of a continually well-established MEL function, this effort was not consistent across years and countries. Indeed, 26% of survey participants disagreed (none disagreed strongly) with the statement “NVF experiences and results were captured to inform learning for Water.org”, and nearly 22% disagreed (none disagreed strongly) with the statement “Monitoring and evaluation of the NVF permitted insights to be made available to key stakeholders”.

6 Concluding Thoughts and Insights for the Future

6.1 Introduction

Given the learning orientation of this evaluation, the concluding thoughts shared below are poised to accomplish three things. The first is to recap some of the key insights from the evaluation about the NVF itself, with a retrospective eye. The second is to consider lessons learned from this evaluation for Water.org, as it builds forward, given that the Fund itself has been recently sunset. The third is to share insights for the C&A Foundation, to inform strategic and programmatic funding related decision-making into the future.

6.2 Recapping Evaluation Results

This evaluation has clearly demonstrated the overall and multifaceted value of the NVF. Its flexible and unrestricted nature has allowed Water.org to use the relatively modest financial resources provided in strategic, diverse and highly relevant ways – to the WSS sector, to partners, to Water.org itself, and even to BOP beneficiaries, despite the Fund being available only internally to Water.org. The NVF has demonstrated its effectiveness on multiple counts. It has been a tool for the strategic development of Water.org, for instance informing the geographic direction and investments of the organization. It has allowed for the development of intelligence, which has enabled partnership development, among other things. Perhaps more broadly, it has allowed Water.org to consolidate and expand its flagship WaterCredit work, develop new approaches while playing a water development finance related advocacy role at the global level.

While this evaluation was not designed to look at the direct impact of the NVF or Water.org more broadly on beneficiaries, it is clear that this Fund has enabled Water.org's success in working with others, including FIs, MFIs, CBOs, municipal service delivery organizations, national governments, and private sector actors who are themselves working to benefit BOP populations. The results of this work have included policy changes, increased risk-taking among otherwise more conservative actors, and a tailoring of approaches to suit different political, institutional and cultural contexts. The sustainability of the fund's work can be understood in these and in other ways. Importantly, the NVF has also allowed Water.org to learn about where not to get involved – in this sense, the NVF has been a strategic intelligence fund.

The NVF has also made important contributions to the institutional development of Water.org itself. It has enabled and supported a pre-existing culture of innovation at the organization, giving its staff required resources to create and experiment, to explore, consolidate and in some cases even abandon ideas. The essence of the NVF continues to live on with the SIF, another financial resource for strategic innovation available to Water.org staff. The NVF has played a key role in the development of Water.org's MEL function and capacity, though the NVF was not itself very effectively monitored. The current evaluation has served an important function of contributing to the evolving MEL culture of Water.org.

6.3 Insights for Water.org

For Water.org, this evaluation confirms the NVF's value and its success. It also shares a few more critically informed insights, intent on feeding into Water.org's work into the future. Overall, the evaluation team believes that Water.org should continue onwards on the path it has crafted, while considering the merits of scaling up some of its own approaches.

An Innovation Incubator

In particular, the NVF was a highly effective fund in (further) enabling Water.org's ability to innovate. Today, Water.org has a SIF, which serves to perpetuate the internal culture of innovation at Water.org. Indeed, innovation has been an important component of Water.org's work, underpinning its dynamism to-date and going forward. In order to perpetuate and expand upon this culture of innovation, beyond the SIF, Water.org should draw on the experience of other innovation funds (as per the landscape analysis conducted for this evaluation; see Appendix II) and consider developing the following:

- An Outward-Oriented Multi-Donor Fund (MDF) for Broader Water Sector Finance Innovation: While the NVF was designed and positioned to enable innovation internally, Water.org should consider developing an MDF to invite and then support the next generation of water sector finance innovations from a broader community of innovators. This would build on Water.org's experience with screening water sector finance innovation, and create opportunity for it to build new relationships, while incubating and catalyzing new and contextually adapted ideas in untapped markets.

Multi-actor and multi-sectoral submissions would specifically be encouraged, with particular (but not exclusive) emphasis on markets and geographies that are not as yet covered by Water.org. Substantively and thematically, the Fund would appropriately distinguish between water and sanitation innovations, given that the markets for each are distinct (if often treated in overlapping ways). While the Fund would be open to all relevant partners and activities, it would take particular notice of the global need for, and value of strengthening local governments. Clearly defined criteria would guide the Fund's selection process from the outset. As per the experience of other innovation funds (e.g. the Global Innovation Fund's (GIF) Practical Impact Assessment), this could be based on a set of criteria that looks at the number of beneficiaries, the benefits per person, a gender-sensitive approach to beneficiaries, likelihood of success and impacts given different contexts, and other factors.

While the NVF was a fund of nearly US$6 million, the proposed MDF would be more ambitious in size, likely in the vicinity of US$30 million. The proposed fund would be designed to offer larger sums of support than traditionally mobilized by Water.org through the NVF, with a sequencing to the provision of support, in line with the approach of the GIF (see Exhibit II.2 in Appendix II).

Different levels of support would also be tailored and matched to the multiple trajectories and timeframes of anticipated impacts, informed by Water.org's own experience and that of Acumen (e.g. "patient capital"). Water.org would also participate programmatically, in offering enabling support and technical assistance, to funded initiatives, positioning Water.org as an innovation incubator.

As Water.org's has done in the past, and as per Kiva's own strategic approach, this would allow Water.org to build new and diverse partnerships, with a whole range of new actors. Doing so would serve Water.org in terms of its Global Advocacy/Enabling Partnerships-oriented work. Overall, Water.org is well positioned to develop its brand and capacities as an enabler of broader water sector innovation, including innovation on new technologies, business models, policy practices and other non-traditional matters.

Regarding the selection and disbursement modalities of the Fund, a two-stage process would be instated, with concept notes received on a continuous basis, but assessed twice yearly, and full proposals considered at the invitation of the Fund. The Fund would be managed by a small committee, with a 'fund manager' able to follow and approve midterm changes to supported activities with beneficial flexibility.

The Fund would be governed by a Partnership Council of Donors, with clearly delineated TOR. It is anticipated that such a Partnership Council would serve both as an accountability mechanism and a learning function. The partners in a MDF of this nature would be expected to bring a wealth of experience to such a fund. Without interfering in the Fund's management and operations, the partners would offer a range of insights tailored to their experience (e.g. on MEL). Ideally, each participating partner would nominate more than one representative, ensuring both depth to the relationship and the ongoing availability of participating organizations, thereby limiting scheduling conflicts and ensuring active engagement.

A Culture of Learning

One of the important findings of this evaluation has been about the limitations related to Water.org's approach to MEL with respect to the NVF. A great deal of dynamic learning takes place within innovation funds, and not always the kind of learning that is easily conveyed through annual reporting to donors. Indeed, it is not uncommon for innovation funds to focus on high-level successes when reporting. The evaluation team also recognizes the challenges of monitoring innovation funds, particularly during early years. Thus, the evaluation team recommends that Water.org develop clear priorities and practices of MEL related to any new innovation MDF, as follows:

- Coherent Monitoring and Reporting for an MDF: Water.org should develop a more coherent and comprehensive approach to monitoring and evaluation with respect to its innovation fund(s), providing guidance to partners and staff about how to report, what amounts to quality reporting, all with clarity on the dual purpose of doing so: accountability *and* learning. Indeed, reporting requirements and standards for all those participating in the development and management of innovations and innovation funds should be developed and institutionalized. There are excellent models and practices to draw on (e.g. GIF Practical Impact Assessment). In particular, it would be important to consider integrating developmental, on-going, real-time learning-oriented evaluation early on as well as impact evaluation down the line, with any new MDF. Doing so would both increase the likelihood of scaling up innovations, and then understanding their impact on communities, partners, and the WSS system more broadly.
- Reporting to Council Members: Annual meetings of Council members would offer outstanding opportunities for sharing insights, lessons learned and progress on the MDF, seeking counsel but without expecting management interference. Annual meetings would serve the dual purpose of meeting reporting requirements and advancing shared learning objectives. For instance, the Council could organize its annual meetings to coincide with Stockholm's Water Week (or another relevant event, on location in different countries), while also creating tailor-built side events, thereby ensuring the meaningful participation of a critical mass of Council members. The production and sharing of semi-annual updates would also benefit both Water.org and the Council.

While MEL would need to be integrated into any new MDF, the evaluation team also recommends that Water.org ensure that its MEL systems and practices for the SIF are appropriate and robust, as Water.org's current innovation fund.

Finally, Water.org should ensure that evaluations of its innovative work, related to the NVF, the SIF and any other MDFs, are properly socialized within Water.org at HQ and country offices, and appropriately also with partners. This is one component of further contributing to the learning culture of Water.org.

6.4 Insights for the C&A Foundation

For the C&A Foundation, the contribution made to the NVF was "out-of-strategy". Rarely does the Foundation provide unrestricted funds. Thematically, the funding of water development finance was also somewhat outside of its more traditional focal area. Nevertheless, the evaluation team concludes that providing this support to the NVF, as one of its major donors, was of significant relevance and value to the Foundation, while sharing some lessons for the future.

In the evaluation team's opinion, the C&A Foundation should not necessarily refrain from providing unrestricted support to carefully screened and selected organizations, particularly those engaged in innovation. Clearly, innovation as a field, when done well by the right organization, can have significant beneficial repercussions and effects, as this evaluation has revealed. However, this does not mean that the C&A Foundation should repeat the experience verbatim. Among key lessons to draw into the future about doing so include:

- Define Expectations: In the future, the C&A Foundation would need to be clearer about its priorities and expectations regarding the relationship it would wish to pursue with recipient organizations of unrestricted funds, including the type and frequency of reporting, and more general participation in fund-related activities (e.g. on any Donor Council). An unrestricted fund does not necessarily entail a hands-off relationship, and an optimal balance can be sought. It is essential to choose the right organization when developing an unrestricted funding relationship, ensuring that both partners are committed to the same type of relationship.
- Engage in Defining Learning Processes: The current evaluation was offered by the C&A Foundation to Water.org as a learning opportunity, rather than as an accountability mechanism. It reflects the C&A Foundation's commitment to learning in general. It also reflects the kind of relationship that the C&A had hoped to have, from the outset, with Water.org through its participation as an NVF donor, and in the NVF Council.

6.5 Concluding Thoughts

This evaluation has primarily been focused on learning. It is thus only appropriate that the final words of this evaluation should focus on learning, and this particularly with regards to the learning of current Water.org staff, both at HQ and in the country offices. When launching this evaluation, it became clear very quickly that direct knowledge of the NVF was fading, as the Fund was sunsetting. It also became clear that lessons and wisdom contained within the history, experience and narrative(s) of the Fund and participating people and organizations were treasures to be preserved. The DNA of today's Water.org is partially though meaningfully sourced within the NVF and its innovations, and the innovative culture of Water.org to which it has contributed.

Water.org is a dynamic organization anchored in a culture of innovation. Long after the NVF ceases to exist, it is important that Water.org staff remember this point. It is also important that Water.org donors keep this in mind and continue supporting the possibility for continued innovation. Thus, the final learning of this evaluation derives from reiterating that the NVF, and the culture of innovation at Water.org, would not likely have been possible without the key ingredients that made this innovation possible through the NVF: an organization anchored in innovation from the outset, donors willing to trustingly invest in such innovation, and people that are committed to the ongoing culture and spirit of innovation. The very purpose of this parting evaluative gift from the C&A Foundation to Water.org has been to acknowledge, nurture and perhaps further catalyze these truths.

Appendix I List of Findings

Finding 1: The NVF responded to the priorities of donors in a multiplicity of ways, both overlapping and differentiated *by donor*. The NVF was based on a core underlying belief shared by Water.org and its donors that the donor-driven model has been inadequate for resolving the global WSS crisis. Beyond this, donors were able to advance their specific thematic interests in contributing to the NVF. For a subset of donors, the NVF provided opportunity for gathering insights to inform their restricted funding in WSS and other related sectors.

Finding 2: The NVF was highly relevant as a strategic instrument for Water.org. The unrestricted nature of the NVF served to enable Water.org to mature internally and expand externally. Internally, the NVF allowed Water.org to reinforce its identity as an organization offering innovative finance-based solutions on WSS priority issues, developing its capacities and systems to do so. Thus, the NVF mimicked core support to Water.org. Externally, the NVF aligned with Water.org's interest to: 1) scale-up the WaterCredit model into new geographies; 2) test, refine and pilot new scalable WSS finance models and; 3) build its credibility as a global actor in the WSS sector.

Finding 3: The NVF was highly, if indirectly relevant to the WSS system at global and national levels. This unrestricted funding allowed Water.org to design its work strategically with a focus on identifying, and then building on/ responding to opportunities, gaps and/or bottlenecks in WSS systems.

Finding 4: The NVF allowed Water.org to first, identify receptive (and non-receptive) markets and second, to test and adapt innovative finance models to national and sub-national government priorities and preoccupations. In this respect, the NVF allowed Water.org to clearly reframe a well-known problem (i.e. WSS crisis) into opportunities for governments to advance their priorities. Of specific interest, the NVF worked directly with some governments to develop and implement WSS National Policies.

Finding 5: The NVF was designed to enable partnerships, while innovations were also rooted in partnerships. The NVF supported relationship building and partnership development with governments, WSPs, national FIs and Microfinance Institutions (MFIs), Donors, and to a lesser extent Regional and Multilateral Banks (e.g. through Global Advocacy). In particular, the NVF allowed Water.org to respond to its partners' interests to increase and diversify their business activities with low risks and costs. Nonetheless, the NVF was less relevant in terms of enabling global-level, multi-sectoral WSS partnerships.

Finding 6: The NVF was designed to allow Water.org to more broadly meet the needs and priorities of BOP populations. Though the NVF did not provide resources directly to the BOP, it was premised on enabling, piloting or expanding Water.org's innovativeness, underpinned by values aligned with those of the BOP: reaffirming human dignity, improving access to products and services, promoting long-term savings, and increasing health benefits. The design of NVF-supported innovations was largely gender-blind; nevertheless, the innovations generated important benefits to women and girls.

Finding 7: The NVF enabled Water.org to pilot and/or scale successful WSS finance models targeted at the BOP. At the sector level, some of the most successful outcomes of the NVF included: demonstrating the viability of WaterCredit, supporting the inception of the Water Credit

Investment Fund (WCIF) that ultimately led to WaterEquity, Alternative Channels, and Water Credit Advisory Services (WCAS).

Finding 8: As a catalytic and transformative fund, the NVF allowed different countries to pursue innovations that were specific to context and needs. NVF contributions ranged from policy change in India, to entry into Peru, to expansion of partnerships and geography in the Philippines.

Finding 9: The NVF enabled Water.org to transform its external profile, expanding to new geographies and strengthening its presence in existing ones. Through Global Advocacy, Water.org was able to develop existing and new partnerships and overcome impediments to the expansion of WSS finance.

Finding 10: The NVF enabled Water.org to transform its approaches internally. Specifically, Global Advocacy was changed to Enabling Partnerships and made part of International Programs at Water.org. Further, the NVF catalyzed the pre-existing culture of innovation in Water.org and was followed up with the launch of the Strategic Investment Fund (SIF).

Finding 11: Despite the diversity of NVF innovations, a number of factors of effectiveness are discernible in common. Factors that standout across the portfolio include: unrestricted funding, organizational culture, un/certainty of funds, context, partners, and implementation-related contingencies.

Finding 12: A few types of innovation (on accountability and transparency, prepaid meters, and the WaterCredit Community of Practice), and those in a half-dozen countries did not lead to outcomes. Yet, they were valuable for the learning and growth of the organization.

Finding 13: The NVF was not designed with a primary objective of sustainability, just as with many innovation funds. As such, the measurement of sustainability remains a challenge, given that NVF innovations were applied across diverse contexts, with diverse results, and with only a handful of 'successes' to speak of, as of yet.

Finding 14: The NVF enabled Water.org to expand and sustain initiatives that are relevant to the WSS as a sector. It did so by enabling the piloting, scaling and modification of WaterCredit and related approaches for WSS financing.

Finding 15: NVF innovations and their results have themselves shaped Water.org's work. By supporting the expansion to and within geographies, and by introducing new partners to WSS finance, NVF innovations promoted the sustainability of Water.org externally.

Finding 16: The NVF has also contributed to the sustainability of Water.org internally by being very closely entwined to the existing needs of the organization. The NVF contributed to making Water.org more sustainable by allowing it to incorporate innovative but necessary initiatives, including a reformed Enabling Partnerships, MEL, and SIF.

Finding 17: The location, criteria and processes for the selection of innovations evolved over the lifetime of the NVF. Modifications introduced in 2015-2016 led to greater clarity among applicants. With selection criteria primarily focused on outcomes, a risk of innovations being disassociated from country contexts emerged. Of note, gender was not an explicit criterion for the screening of innovations.

Finding 18: The NVF was flexible in design: it was used in many forms, across countries, to diverse ends, for innovations of diverse scope. However, once funds were allocated, the flexibility was significantly reduced.

Finding 19: The NVF Council was only able to provide limited guidance, owing to difficulties in planning, scheduling and participation. Therefore, the collective leadership and learning opportunity provided by the Council was not achieved as envisioned.

Finding 20: The NVF indirectly supported the further development of MEL capacity at Water.org, while the MEL for the NVF was not mature. Water.org's monitoring and reporting on the NVF were not consistent across years or innovations. This was the case despite the fact that reporting obligations associated with the NVF were lighter than Water.org restricted funds, with a comparatively reduced burden on managers. Towards the end of the NVF, MEL on this was significantly strengthened, and much learning was internalized by HQ and country teams. However, cross-learning and the sharing of results across countries and innovations was not equally strong.

Appendix II Landscape Analysis

Principal Findings and Lessons from the Landscape Analysis

Water.org, Acumen, Kiva, and the Global Innovation Fund (GIF) are organizations that provide **external** support to different kinds of actors in developing countries, for similar kinds of purposes but in different kinds of ways.

The New Ventures Fund (NVF) and the Competitive Industries and Innovation Fund (CIIP) are programs within larger organizations – Water.org and the World Bank, respectively — that have provided **internal** support to their own staff to conduct their business in potentially innovative ways.

Therefore, there are two kinds of comparisons taking place in this landscape analysis – one related to external support, and the other related to internal support.

Comparing Water.org, Acumen, Kiva, and GIF

These four organizations have similar missions — to improve the lives of the poorest people in developing countries living on less than US$5 a day. They seek market-driven or hybrid approaches to the problems they are addressing, based on their view that philanthropy alone cannot solve them.

Immediate Beneficiaries

Water.org is providing support to in-country partners — primarily some kind of financial intermediary — to help them expand their portfolio of offerings to include water and/or sanitation loans to low-income households to invest in water supply and sanitation (WSS) improvements. As such, it is seeking finance-based solutions to the WSS crisis.

Like Water.org, **Kiva** also partners with microfinance institutions (MFIs) and other organizations called "Field Partners" that provide microloans to a range of borrowers such as farmers, artisans, students, shopkeepers, builders, restaurant owners, etc. The top three sectors in which borrowers work have been agriculture, food, and retail.

Acumen invests "patient capital" in businesses that deliver critical, affordable goods and services to the poor in a number of sectors — agriculture, education, energy, health, housing, water and sanitation. Acumen defines "patient capital" as having the following characteristics:

- Long time horizons for the investment
- Risk-tolerance
- A goal of maximizing social, rather than financial, returns
- Providing management support to help new business models thrive
- The flexibility to seek partnerships with governments and corporations through subsidy and co-investment when doing so may be beneficial to low-income customers.

Acumen's aim in investing patient capital is "not to seek high returns, but rather to jump-start the creation of enterprises that improve the ability of the poor to live with dignity."

GIF provides grants, loans, or equity investments to anyone implementing innovations in developing countries in any sector as long as they can demonstrate that their innovation is improving the lives of those living on less than US$5 a day. This includes social enterprises, for-profit companies, non-profit organizations, government agencies, international organizations, and researches in any developing

country. So far, about 40% of their awards have been in agriculture and 30% in education. GIF is just about to fund its first innovation in the water sector since they have support from the Australian government earmarked for innovations related to the use of data about water.

How Immediate Beneficiaries Are Selected

- **Water.org** makes a conscious decision, based on market research, demand assessments and pilots, before expanding into a new country, and then screens potential partners in the country based on four criteria. Potential partners must be well positioned to understand and navigate social, political and economic issues at the local level;
- Savvy at leveraging local financial resources to see projects through;
- Closest to households to understand the unique needs of the communities; and
- Capable of sustaining WSS solutions in their communities.

Kiva currently partners with over 312 Field Partners in more than 78 countries, who are responsible for vetting and administering the loans. These include MFIs, social businesses, nonprofits and schools that are committed to serving the needs of poor, unbanked and underserved. To be eligible, Field Partners must:

- Display a strong commitment to serving the needs of poor, vulnerable, and/or excluded populations
- Operate an existing lending program with portfolio quality in line with market context and industry standards (or be prepared and legally capable of setting up a lending program)
- Provide a specific proposal for using Kiva capital to fund loans with high social or environmental impact and pricing in line with market context and industry standards
- Be able to post at least US$50,000 in loans within the first 12 months on Kiva, and demonstrate a capacity to grow in subsequent years
- Have assets or operating revenues of at least US$100,000
- Be able to legally accept and repay U.S. dollar debt capital and manage currency risk
- Be legally registered in their country of operation.

Kiva also undertakes an initial due diligence process, which is updated annually, to select partners that have demonstrated breadth of impact according to a social performance scoring process (Exhibit II.1). Then Kiva works with them to achieve greater depth of impact to new populations, products, places, and prices (i.e. lower cost loans).

Exhibit II.1 Kiva: Social Performance Scoring Process for Potential Field Partners

	INDICATOR	DESCRIPTION
1	Anti-Poverty Focus	Helps to combat poverty.
2	Vulnerable Group Focus	Provides financial services to people from especially vulnerable and socially marginalized populations and groups.
3	Client Voice	Uses feedback from the people they serve and adapt their business practices and product offerings to meet their needs.

INDICATOR		DESCRIPTION
4	Family and Community Empowerment	Offers support services that address the needs of their clients' families: their health, education, and/or well-being.
5	Entrepreneurial Support	Offers training and support to help people start, manage and grow their businesses.
6	Facilitation of Savings	Specifically promotes savings as a practice to the people they serve.
7	Innovation	Embraces technology and innovation to better address the needs of the people they serve.

It is not clear to the evaluation team how **Acumen** select its immediate beneficiaries. Acumen invests in innovative entrepreneurs whose game-changing innovations are disrupting poverty.

GIF supports innovations with the potential for social impact at a large scale, whether these are new technologies, business models, policy practices, technologies or behavioral insights. GIF has an open application window that accepts applications on a continuous basis, with no deadlines or "rounds" of funding. GIF also actively seeks out investments in innovations with the potential for transformative social impact. Its two-stage review process (initial vs. full applications) is highly selective and rigorous, so that less than 10% of applicants are invited to submit full proposals. All applications are assessed against four investment criteria:

- Evidence of innovation and potential impact on people living on less than US$5 a day
- Commitment to measuring outcomes and sharing lessons learned
- Rigorous evidence of potential to scale
- Team with relevant expertise and capabilities to achieve success.

What Support is Provided

Water.org provides in-kind technical assistance to build their partners' capacity to provide affordable WSS loans to low-income households. Water.org does not provide capital grants to its partners for on-lending. Its grants to in-country partners only cover overheads involved in deploying a new product to market — hiring staff, research, promotion, and other costs associated with capacity building. More recently, Water.org established a WaterEquity program to provide existing partners with access to affordable capital to scale their loan portfolios to meet the demand for WSS loans. Investors in WaterEquity social funds receive a moderate return on their investments. WaterEquity is now its own legal entity, separate from Water.org.

Kiva crowdfunds microloans by means of an internet platform. A borrower applies for a loan from a Kiva Field Partner. The loan goes through the underwriting and approval process. The loan is posted to Kiva for lenders support. Lenders crowdfund the loan on the internet platform in increments of US$25 or more. The borrower repays the loan. Then the lenders use repayments to fund new loans, donate, or withdraw the money. 100% of funds lent on Kiva go to funding loans. Neither Kiva nor individual Kiva lenders receive interest on the loans. However, most borrowers pay interest to Kiva's local Field Partners in some form to offset the expenses associated with providing small loans in developing countries. Kiva covers two-thirds of its own operating costs through voluntary donations made by Kiva lenders, and one-third through grants and donations from foundations and supporters.

Like Water.org's WaterEquity initiative, Kiva is currently exploring a similar strategy of offering a return to investors willing to provide investment capital to its Field Partners in order to access more funding for borrowers in developing countries. In addition to their current charity sources of revenue, they are hoping to open up a whole new impact-investing source of revenue.

Acumen provides "patient capital". It also equips immediate beneficiaries with tools, networks, technical assistance and strategic guidance to succeed and scale into long-term solutions to poverty.

GIF provides grants, loans (including convertible debt) and equity investments ranging from US$50,000 to US$15 million. Like a venture fund, GIF provides staged financing to innovators at three defined stages of their life cycle, termed (a) pilot, (b) test and transition, and (c) scale, each stage with defined expectations and funding caps (Exhibit II.2).

Exhibit II.2 GIF: Staged Financing Approach, Mutual Expectations, and Funding Cap

		Pilot	Test and Transition	Scale
What the fund expects from you	Level of development of the innovation	Early-stage development - still testing operational / financial / social viability of innovation	Some traction at small scale - ready to test with more people	A proven innovation that is operationally / financially / socially / politically viable at scale
	Number of beneficiaries	Small numbers (normally a few thousand)	A large range - from thousands to hundreds of thousands	Transformative; e.g., reaches millions of people
	Level of evidence	Limited	Focus on evidence-gathering	Rigorous evidence already exists
What you can expect from the fund	Funding cap*	$230,000 max (average investment is lower)	$2.3 million max (average investment is lower)	$15 million max (average investment is much lower)
	Length of due diligence	Streamlined (3-6 months on average)	Standard (6-9 months on average)	Rigorous (6-12 months on average)

Source: GIF website: www.globalinnovation.fund

So far, most awards have been for innovators in the "test and transition" stage. For for-profit companies with a market route to scale, the awards are typically equity or debt. For non-profit companies with a public sector or hybrid path to scale awards maybe grants. So far, about 55% of awards have been to for-profit companies.

Comparing the New Ventures Fund (NVF) and the Competitive Industries and Innovation Fund

Both the NVF and CIIP have been internal programs in larger organizations that have aimed to foster a culture of innovation in the context of their existing business models. For the NVF and Water.org, this has served to expand its WaterCredit activities, to experiment with a host of different approaches to WSS finance with a diversity of partners, and also to enable advocacy-oriented work. For CIIP and the World Bank, this has been to support the Bank's country operations from analytical work supporting policy dialogue and Country Partnership Frameworks to project preparation and implementation.

Missions, Objectives and Strategies

The mission of the **NVF** was to put forth innovative concepts to improve the quality of WSS solutions, reduce the cost of accessing WSS, and/or decrease the time needed to secure WSS services. Its specific objectives were (1) to raise a flexible philanthropic fund that enabled Water.org to animate its theory of change (ToC) faster and more effectively, and (2) to accelerate impact by reaching more people, at a faster pace, and with decreasing philanthropic costs per person. Its strategy was to discover, pilot, disseminate, and scale game-changing solutions that benefit people at the bottom of the pyramid, and that address the underlying causes of the global water and sanitation crisis — lack of capital, accountability, transparency and participation in the cause.

The mission of the **CIIP** has been to help leverage large amounts of public and private aid funding to support the creation of private sector employment by enabling and promoting firm-level competitiveness across industries. Its specific objectives have been to help developing countries (1) build innovative, competitive economies by harnessing the private sector to sustainably raise the living standards of the poor and to generate employment; (2) identify specific opportunities for industry expansion, private sector innovation and entrepreneurship through targeted technical assistance; and (3) promote direct and transparent collaboration between governments and the private sector. Its strategies have been:

- Supporting integrated solutions (such as competitive cities, growth poles and corridors, special economic zones, and value chains) for the design and implementation of public policies and investments that promote competitiveness and innovation at the firm and market levels in high potential industries and countries.
- Sharing lessons and motivating operational research to push the knowledge frontier on "what works" in competitiveness and innovation.
- Raising the awareness of practitioners of contemporary industrial policy across countries.

Grant Processes

Originally, the NVF was situated at the Chief-Executive Officer's (CEO) office. Innovations were selected for support on a discretionary basis in the initial years. Criteria for screening and supporting NVF innovations were subsequently developed. The **NVF** developed an internal competition in Water.org, seeking innovative ideas from program managers to pilot, test, and refine new approaches to providing access to WSS finance to the BOP (including scaling up Water.org's WaterCredit model). A committee comprising senior staff of Water.org made the funding decisions based on ten criteria (Exhibit II.3). The NVF only provided funds internally to Water.org staff, which could be used for a variety of expenses including personnel, contract services, occupancy expenses, office expenses, travel, program specific expenses, specific event expenses, and corporate expenses.

Exhibit II.3 FY2018 NVF Scorecard; Funding Consideration and Methodology

KEY FUNDING CONSIDERATIONS		METHODOLOGY/ALIGNMENT WITH NVF REPORTING METRICS
1	Location	If the initiative takes place in a priority geography with higher opportunity and lower risk.
2	Likelihood to secure long-term funding	If potential donor identified, concept note, or proposal submitted, and funding to potentially come through.

KEY FUNDING CONSIDERATIONS		METHODOLOGY/ALIGNMENT WITH NVF REPORTING METRICS
3	WaterCredit new channel/approach/ investment opportunity	If the initiative represents a new WaterCredit channel/ approach/ investment opportunity.
4	Anticipated number of people reached	Scope + immediacy of impact. If people could be reached with WSS in FY18.
5	Enable entry into a new region within a FY18 priority country	If the initiative will bring WaterCredit to a new region within a FY18 priority country.
6	Builds WaterCredit pipeline via market research	If the initiative involves market research to build the WaterCredit pipeline.
7	Likelihood to reduce the time to bring WaterCredit to market	If the initiative will allow for a reduction in the amount of time it takes to bring WaterCredit to that particular market.
8	Likelihood to reduce cost per person served with WaterCredit	If the initiative will reduce the philanthropic cost per person served by WaterCredit.
9	Will increase 3rd party uptake or awareness of WaterCredit or WSS finance	If the initiative aims to broadly increase 3rd party uptake and awareness of WaterCredit or WSS finance as a solution to the crisis.
10	May lead to policy, investment and/or sector level change that will facilitate WSS finance.	If the initiative influences policy, investment and/or sector level changes.

Source: Water.org

The **CIIP** Secretariat in the World Bank has administered annually an internal competitive call-for-proposals process among World Bank task teams to provide supplementary administrative budget resources either (a) to expand the global knowledge frontier on "how to" effectively design and implement competitiveness strategies, or (b) to support high potential country initiatives. Grants to country teams were expected to support innovative analytical work and advisory services during project preparation, design and implementation to systematically strengthen the competitiveness of specific industries in global and regional markets, supported by effective innovation, technology and entrepreneurship policies and programs. The grants were also expected to be strategically aligned with and fully integrated into World Bank Group country dialogue and operations.

Activities and Outcomes

The principal activities supported by the **NVF** were the following:

- Market research, demand assessments, and pilots which facilitated the expansion of Water.org into new parts of India and into 10 new countries: Bangladesh, Brazil, Cambodia, Ethiopia, Ghana, Honduras, Indonesia, Peru, Philippines, and Tanzania.
- To increase access to W&S, exploring new partners and delivery methods beyond MFIs such as commercial banks, self-help groups, water service providers, utilities, and digital finance.
- Capacity building and training of in-country partners.
- Helping to create a conducive environment for W&S finance.
- Piloting initiatives to find new, smart solutions to accelerate access to safe W&S without subsidies.

With support from the NVF, Water.org piloted a new approach to water and sanitation delivery in 2013 — WaterCredit Advisory Services (WCAS). Water.org piloted WCAS based on the idea of supporting financial and non-financial institutions to successfully pursue WSS lending only through the provision of technical assistance versus the traditional "smart subsidy" approach. Therefore, WCAS has become a bridge to a zero-subsidy model for WASH financing, reducing the philanthropic cost per person served (to development partners like Water.org) to less than two dollars — a 60% cost reduction from traditional WaterCredit. WCAS has also helped partners to adopt, pilot and scale at a pace twice as fast as the traditional WaterCredit. The WCAS intervention was later renamed "WaterCredit Adoption".

Water.org also launched a program called WaterConnect in Indonesia through which Water.org works with selected state-owned water utilities in urban and peri-urban areas, providing technical assistance and smart subsidies to help build financial service infrastructure to provide credit for pipe connections to new clients and improve the utilities' operations and services to existing clients. The program involves technical assistance, maximizing operational capacities and promoting community engagement, as well as financial management, developing WSS financing products and digital financial services. WaterConnect is based on a partnership between government-regulated (public) water utility services and MFIs, who deploy WaterCredit to households. The WaterConnect intervention has also been successfully scaled-up in the Philippines.

With support from the NVF, Water.org also initiated its WaterCredit Forum 2014 in India and Kenya, and is currently planning its fifth WaterCredit Forum. This is essentially an annual conference to bring together multilateral partners, MFIs, banks and other development agencies. This has served to increase the Water.org presence India. Government speakers have attended the Forums and validated Water.org's work in the country, and the Reserve Bank of India has classified WSS as a priority sector for lending.

During its first four years (2013–2017), the **CIIP** supported 9 knowledge products and 28 country operations in 14 ACP (African, Caribbean and Pacific) countries and 11 non-ACP countries, for a total approved amount of US$22.75 million. Three-quarters (21 out of 28) of the country grants were directly linked to World Bank lending products — supporting feasibility studies, project preparation, and project implementation. The CIIP provided additional administrative budget resources to World Bank task teams in a constrained administrative budget environment, in which the Bank's administrative budget declined by 4.5% in nominal terms between FY2014 and FY2017, and by 8.2% in real terms. The CIIP grants pushed task teams to think innovatively about incorporating in project designs a menu of integrated solutions such as clusters, competitive cities, growth poles and corridors, innovation systems, matching grants, special economic zones, and value chains. The CIIP grants also influenced the Bank's lending decisions in the trade and competitiveness sector due to the constrained budget environment. However, the CIIP program manager estimates that only about 20% of the country grants actually fostered genuine innovations at the firm and market levels in beneficiary countries.

The country grants tended to support private sector development and investments in processing and manufacturing, often for export. The grants did not support private sector provision of basic services such as water and energy access. The program manager attributed this result to the way in which the World Bank is organized into different sectors that promote manufacturing and trade on the one hand and service provision on the other. This also reflects a more general tendency not to think of private sector provision of basic services as an engine of economic growth, since this does not lead directly to the expansion of exports.

Also, the number of applications from task teams increased significantly over the four calls for proposals, and the fourth call in 2017 received four times as many proposals as could finally be approved. The CIIP Secretariat is now considering ways of specifying more precisely what types of proposals the program will

support in order to reduce both the time and effort costs of task teams preparing proposals as well as the Secretariat's administrative costs of reviewing all the proposals.

Analysis, Lessons, and Questions for Further Deliberation

The stated mission of **Water.org** has been "to bring safe water and sanitation to the world through access to small, affordable loans." To its credit — no pun intended — its most important innovation has arguably been the introduction of its WaterCredit initiative in 2003 (when it was still called Water Partners International), and the expansion of WaterCredit since Gary White joined forces with Matt Damon to form Water.org in 2009. Both of these events preceded the establishment of the NVF.

It is striking that both Water.org's and NVF documentation, and the literature more generally, continue to talk about water and sanitation as if they were one service, whereas they are two separate services for which both the demand and the supply are different. For example, MFIs have generally been more willing to lend for income-earning investments than consumer goods. Therefore, they have been more willing to lend for water supply investments than for say, latrines, since supplying water has greater potential to generate income, say, from small-scale farming, in order for the borrowers to pay back the loans.

Since the United Nations formally designated the 1980s as the International Decade for Drinking Water Supply and Sanitation, it could be argued that there has not been a shortage of development assistance (both official and private) for investing in water supply systems. Back then, and even today, the bigger issue has been the maintenance of these capital investments. When they broke down, users have typically expected development assistance agencies or the government to repair them, since the users did not contribute to the initial investments. Therefore, providing loans for users to invest in their own systems has probably helped to address this incentive issue to some extent, consistent with Water.org's view that philanthropy alone cannot solve them the WSS problem. Thus, market-driven or hybrid approaches that take into account people's incentives also have a role to play.

It would still be curious to know what proportion of the loans that Water.org's partners have provided have been for water supply and what proportion for sanitation. Also, what have they learned about the respective demand and supply for the two services, and the rate at which borrowers repay loans for the two services, and what are the reasons for any differences that emerge. There would appear to be substantial alternative sources of supply of water and sanitation in many rural areas, as well as variability among seasons (rainy vs. dry), that would influence the effective demand for capital investments.

The NVF has aimed to nurture a culture of innovation across Water.org and to put forth innovative concepts to improve the quality of WSS, reduce the philanthropic cost of accessing WSS, and to decrease the time needed to secure WSS services. This raises the question of what is meant by innovation.

Among other things, the NVF has supported a number of innovations in Water.org such as expanding Water.org into ten new countries and helping Water.org establish new partners and delivery methods beyond MFIs such as commercial banks, self-help groups, water service providers, utilities, and digital finance. Water.org has also established the WaterEquity program to provide its existing partners with access to affordable capital to scale their loan portfolios to meet the demand for W&S loans. Individual investors in WaterEquity receive a moderate return on their investments – another example of the private sector approach.

But how many of these are also innovations to the industry as a whole? And for how many, such as digital finance, can Water.org claim responsibility? The pioneering digital finance systems in Kenya, for example, were first developed for other purposes.

Like Water.org, Kiva also has in-country partners that include social businesses, nonprofits and schools in addition to MFIs. Starting in 2005, Kiva has been more successful than Water.org in establishing more partners (312 compared to 87) in more countries (78 compared to 13). Part of this is probably explained by the facts (a) that Kiva provides loans to borrowers in many sectors, not just W&S, and more generally for income-earning purposes, and (b) that Kiva is making crowdfunded resources from developed countries available for partners to lend in developing countries. Still, Water.org is a larger organization than Kiva (as measured by its annual revenues), and Water.org could probably learn some things from how Kiva identifies and screens new partners, as discussed above. Interestingly, Kiva is currently exploring a similar strategy as that of WaterEquity, of offering a return to investors willing to provide investment capital to its Field Partners in order to access more funding for borrowers in developing countries.

The most innovative approach from the industry perspective, particularly for an NGO, may be the WaterConnect initiative in Indonesia and the Philippines, through which Water.org is working with selected state-owned water utilities in urban and peri-urban areas, providing technical assistance and smart subsidies to help build financial service infrastructure to provide credit for pipe connections to new clients and improve the utilities' operations and services to existing clients. That is because one can be skeptical that closing the financing gap will ever be sufficient to achieve universal, sustainable, and equitable access to W&S without involving local governments in developing countries. Twenty-one years ago, in 1997, the World Bank Institute organized an international workshop on rural infrastructure focusing on rural roads and pathways, rural water supply and sanitation, and decentralization — decentralization being defined as "the transfer of authority and responsibility for various government functions from higher to lower levels of government, as well as to communities and the private sector, in order to improve the delivery of basic local services." A major conclusion from the workshop was the necessity of strengthening local governments in order to achieve sustainable provision of W&S services. Subsequent research has only reinforced this conclusion.

One could argue that both official and private donors have chosen to work with non-governmental organizations (both for-profit and non-profit) to expand the supply of WSS services because donors have perceived NGOs as producing results more quickly and viewed local governments as inherently incompetent and even corrupt. But, of the basic infrastructure services of water, energy, and telecommunications, water is the most local requiring the most local solutions. Energy and telecommunications have traditionally required national or subnational networks for efficient provision, at least until the development of more efficient off-grid sources of electricity such as solar and wind. Efficient water supply solutions exist for all sizes of communities, villages, towns, and cities. But local governments and communities are generally not capable of implementing such solutions by themselves. Effective decentralization requires a national legislative and regulatory framework, including fiscal transfers, to establish an effective partnership between central and local governments in the sustainable provision of rural services like WSS. The same is true for other local services such as local roads, primary education, primary health, agricultural extension, natural resource management, and local security, but establishing such partnerships between central and local governments for effective decentralization of local service delivery takes much time and effort.

One would also be interested in knowing to what extent Water.org partners are actually reaching the lowest quintile of the income distribution. Is it really possible for a family living on US$2 a day per capita to service a loan, say, for a capital investment of US$200 in a latrine? However, even if Water.org's partners are only reaching the second quintile (from 21 to 40% of the income distribution), this is still an important service. It just questions the likelihood, once again, of reaching everyone, including the poorest of the poor, by private sector approaches alone.

With the support of the NVF, Water.org appears to have achieved some success in global and national advocacy, particularly in India. Nonetheless, how much of this can be attributed to the presence of Matt Damon as the co-founder along with Gary White, which really helps to distinguish Water.org from other NGOs working in the same sector? And how much of its success can be attributed to partnering with other global organizations such as UNICEF and the Water and Sanitation Program in the World Bank, now called the Global Water Security and Sanitation Partnership (GWSP)?

The NVF was an internal source of funds to Water.org staff, allocated according to an internal competition with prescribed assessment criteria as described above. Has Water.org thought about administering an external competition like the GIF to support truly innovative approaches to W&S finance or delivery? Unlike GIF, which is open to virtually anyone implementing innovations in developing countries in any sector as long as they can demonstrate that their innovation is improving the lives of those living on less than US$5 a day, Water.org might consider limiting such a competition to its existing partners. Even so, there are aspects of GIF grant processes that Water.org might consider emulating in such an external competition — such as the three-stage approach to funding innovations:

- **pilot** = proof of concept,
- **test and transition** = some traction at small scale and ready to test with more people,
- **scale** = a proven innovation with demonstrated evidence of effectiveness at scale.

Finally, what can one do about the general tendency not to think of private sector provision of basic services such as water supply and sanitation as an engine of economic growth, because this is not perceived to lead to the establishment of a manufacturing capacity of some kind, with potential for exports? One possibility could be an external competition open to engineering and technology companies to come up with improved water supply and sanitation technologies appropriate for developing countries, potentially leading to the establishment of a manufacturing capacity in some countries.

Exhibit II.4 Key Features of the Comparator Programs

PROGRAM	WATER.ORG	NVF	ACUMEN	KIVA	CIIP	GIF
Full Name	Water.org, Inc.	New Ventures Fund	Acumen Fund, Inc.	Kiva Microfunds	Competitive Industries and Innovation Program	Global Innovation Fund
Web Site	water.org	water.org/about-us/our-work/new-ventures	acumen.org	www.kiva.org	www.theciip.org	globalinnovation.fund
Start Date	WaterPartners International in 1990. WaterCredit Initiative in 2003. Water.org in 2009. WaterCredit LLC in 2014. WaterEquity LLC in 2017.	Fall 2011	2001	2005	November 2013	September 2014
Size	Revenues (2017) US$28.8 million Expenditures (2017): US$31.8 million	US$6.0 million expenditures over seven years, 2011-2017	Revenues (2016) US$29.2 million Expenditures (2016) US$19.4 million US$110 million invested from 2001-2016	Revenues (2017) US$17.7 million Expenditures (2017) US$17.7 million US$152 million in loans since 2005	Donor contributions: US$34.5 million over six years Annual disbursements: US$4-5 million	GIF is a US$200 million fund that is making US$20–30 million in commitments a year.
Donors	Water.org maintains a confidential list of donors from the general public. 8 donors gave more than US$600,000 each in 2016.	Birch Foundation, C&A Foundation, Cloobeck, IKEA Foundation, Niagara Foundation, Inditex Foundation	Long list of donors on website, according to categories of contributions. 9 donors gave more	More than 1.6 million contributors. One donor gave US$1.97 million and a second donor US$100,000 in 2017.	European Union (EU), ACP Secretariat, Austria, Switzerland, Norway	Australian Aid, UK Department for International Development (DFID), United States Agency for International Development

PROGRAM	WATER.ORG	NVF	ACUMEN	KIVA	CIIP	GIF
			than US$1 million each in 2016			(USAID), the Omidyar Network, Swedish International Development Agency (SIDA), South African Department of Science and Technology
Global Partners (in addition to donors)	Corporate Partners include, among others, IKEA Foundation, Stella Artois, PepsiCo Foundation, Inditex, Caterpillar Foundation, Bank of America, Conrad N. Hilton Foundation, Helmsley Charitable Trust, Cartier Philanthropy, Swiss Re Foundation, Danone Aqua, and Jochnick Foundation.	None in addition to Water.org global partners. The NVF was internally available only to Water.org staff.	Corporate Partners include, among others: American Express, Barclays, EY, General Electric, IKEA Foundation, Safaricom, SAP, Unilever			
In-country partners	Water.org works directly with in-country partner organizations that are immersed in their communities and have vested interest in helping them thrive.	The NVF enabled Water.org to initiate and establish additional in-country partners in countries where Water.org was already established, and in new countries.		Kiva partners with Field Partners who are responsible for vetting and administering the microfinance loans. These include MFIs, social businesses, non-profits and schools that have a	As for World Bank-supported investment projects, the principal partners have been policy makers, senior officials, and practitioners in government ministries, who are	

PROGRAM	WATER.ORG	NVF	ACUMEN	KIVA	CIIP	GIF
				social mission to serve the poor, unbanked and underserved.	engaged in policy dialogue, project preparation, and project implementation.	
Vision	The day, in our lifetime, when everyone in the world can take a safe drink of water and experience the dignity of a toilet.	That Water.org exhibits a culture or process of continuous innovation across the organization.	That one day every human being will have access to the critical goods and services they need -- including affordable health, water and sanitation, housing, energy, education, financial inclusion, and agricultural inputs -- so they can make decisions and choices for themselves and unleash their full human potential. This is where dignity starts -- not just for the poor but for everyone on earth.	A world where all people hold the power to create opportunity for themselves and others.	Economic development in which competitive industries and innovation approaches enhance country growth and employment prospects as part of a new growth paradigm	
Mission / Approach	To bring safe water and sanitation to the world through access to small, affordable loans.	To put forth innovative concepts to improve the quality of W&S, reduce the philanthropic cost of accessing W&S, and/or decrease the time needed to	To create a world beyond poverty by investing in companies, leaders, and ideas. Companies focused on serving low-income customers; leaders with the	To connect people through lending, for the sake of alleviating poverty.	To help leverage large amounts of public and private aid funding to support the creation of private sector employment by enabling and promoting firm-level	An innovation fund that invests in the development, rigorous testing, and scaling of innovations targeted at improving the lives of the world's poorest people.

PROGRAM	WATER.ORG	NVF	ACUMEN	KIVA	CIIP	GIF
		secure W&S services.	courage and moral imagination to disrupt the status quo; and ideas that innovate and accelerate solutions to poverty.		competitiveness across industries.	
Objective(s)	To make financial services for water and sanitation ubiquitous and affordable for the world's poor.	1. To raise a flexible philanthropic fund that enables Water.org to animate its theory of change faster and more effectively. 2. To accelerate impact by reaching more people, at a faster pace, and with decreasing philanthropic cost-per-person.			To help developing countries: a) build innovative, competitive economies by harnessing the private sector to sustainably raise the living standards of the poor and to generate employment; (b) identify specific opportunities for industry expansion, private sector innovation and entrepreneurship through targeted technical assistance; and (c) promote direct and transparent collaboration between governments and the private sector.	To solve any major development problem in low- or lower-middle-income countries, by seeking solutions that can scale up commercially, through the public/philanthropic sector, or through a combination of both in order to achieve widespread adoption. To assist breakthrough solutions to global development challenges from for-profit firms, non-profit organizations, researchers, and government agencies to maximize their impact and affect meaningful change.

PROGRAM	WATER.ORG	NVF	ACUMEN	KIVA	CIIP	GIF
Strategies	Blending philanthropic and domestic commercial finance to enhance access to safe W&S. Closing the financing gap is critical to achieving universal, sustainable, and equitable access to W&S. Charity alone cannot meet this need. The majority who live without access to W&S can pay for W&S over time but lack upfront investment capital. Expanding W&S geographically through new models and channels, and through targeted advocacy activities.	To discover, pilot, disseminate, and scale game-changing solutions that: Benefit people at the bottom of the pyramid. Address the underlying causes of the global water and sanitation crisis — lack of capital, accountability, transparency and participation in the cause. To explore models and approaches to advance and accelerate Water.org's positive impact against the water crisis.	To change the way the world tackles poverty by investing in companies, leaders, and ideas. Acumen invests patient capital in businesses that deliver critical, affordable goods and services to the poor, improving the lives of millions in southeast Asia, East and West Africa, Latin America and the United States. Neither the markets nor aid alone can solve the problems of poverty.	Crowdfunding for microloans by means of an internet platform. Field Partners, who vet and administer loans, must: Operate an existing lending program with portfolio quality in line with market context and industry standards. Be able to post at least US$50,000 in loans within the first 12 months on Kiva, and demonstrate a capacity to grow in subsequent years Have assets or operating revenues of at least US$100,000 Be able to legally accept and repay U.S. dollar debt capital and manage currency risk Be legally registered in their country of operation.	Supporting integrated solutions for the design and implementation of public policies and investments that promote competitiveness and innovation at the firm and market levels in high potential industries and countries. Sharing lessons and motivating operational research to push the knowledge frontier on "what works" in competitiveness and innovation Raising the awareness of practitioners on contemporary industrial policy across countries.	Like a venture capitalist who is willing to take smart risks, GIF invests in innovations that could help people living on less than US$5 a day, with the goal of maximizing social returns, not its own. Also like a venture fund, GIF provides staged financing to innovators at all stages of their life cycle: (a) Pilot = proof of concept (b) Test and transition = some traction at small scale and ready to test with more people (c) Scale = a proven innovation with demonstrated evidence of effectiveness at scale. So far, most support has been for innovators in the "test and transition" stage.

PROGRAM	WATER.ORG	NVF	ACUMEN	KIVA	CIIP	GIF
Theory of change	Plugging into existing financial systems in developing countries and bringing resources and consulting expertise to help them establish W&S loans in their portfolio of offerings. Then scaling up successful partners with equity investments.	That the NVF leads to a portfolio of core, adjacent and transformative innovations that are adopted and scaled by Water.org that contribute to enhancing access to W&S by people at the bottom of the pyramid.	Investing long-term "Patient Capital" in innovative entrepreneurs whose game-changing innovations are disrupting poverty, and equipping them with the tools, networks, Technical Assistance (TA), and strategic guidance needed to succeed and scale into long-term solutions to poverty.		Integrated solutions such as special economic zones, growth poles, matching grants, and access to finance help motivate investment, enhance firm level productivity, enable value chain integration and cluster growth, and contribute to job creation.	
Activities	(a) WaterCredit: Small micro-finance loans for household W&S solutions (b) WaterEquity: Equity investments to scale up microfinancing of W&S (c) Global Engagement & Outreach: Raising awareness of the global water crisis and efforts to address it through a variety of mediums.	Market research, demand assessments, and pilots to expand geographic scope. Exploring new partners and delivery methods to increase access to W&S. Capacity building and training of in-country partners. Piloting initiatives to find new, smart solutions to accelerate access to	(a) Investing in business models that deliver critical, affordable goods and services to the world's poor. (b) Impact and communications to share insights from the investment portfolio to address poverty through entrepreneurial solutions. (c) Global and Regional Fellows and Leadership Programs: Regional	Kiva partners with over 312 global micro-finance and other similar institutions in more than 78 countries, who are responsible for vetting and administering the loans. Kiva's online platform connects their borrowers with over 1.6 million individuals who contribute loan funds via the internet.	Bank-executed trust fund (BETF) grants supporting (a) global knowledge products and (b) country assistance products. Country assistance activities support innovative analytical work and advisory services during project preparation, design and implementation to systematically strengthen the competitiveness of specific industries in	GIF backs innovations with the potential for social impact at a large scale, whether they are new technologies, business models, policy practices, technologies or behavioral insights.

PROGRAM	WATER.ORG	NVF	ACUMEN	KIVA	CIIP	GIF
	(d) New Ventures	safe W&S without subsidies. Helping to create a conducive environment for W&S finance.	programs in East Africa, India, and Pakistan.		global and regional markets, supported by effective innovation, technology and entrepreneurship policies and programs.	
Eligible Countries	Water.org makes a conscious decision before expanding its programs to a new country, based on market research, demand assessments, and pilots. Its target demographic is people earning US$1.25 - US$5.00/ day per capita in purchasing power parity (PPP)-adjusted terms.	The NVF allowed Water.org to explore working in diverse countries. Countries that Water.org explored, but did not enter include Bolivia, China, Cuba, Haiti, Pakistan, and Paraguay. Water.org is still exploring entering Ethiopia, which is a work in progress.		Kiva crowdfunds loans for borrowers in more than 80 countries who are often financially excluded and can't access other fair and affordable sources of credit. The top funded countries have been Philippines, Paraguay, and Peru.	Client countries of the World Bank, with a special focus on ACP countries.	The innovations that GIF funds may be in any developing country and can focus on any sector relevant to international development, provided they are committed to improving the lives of those living on less than US$5 a day.
Beneficiary countries	Water.org is working in 13 countries: Bangladesh, Brazil, Cambodia, Ethiopia, Ghana, Honduras, India, Indonesia, Kenya, Peru, Philippines, Tanzania, and Uganda.	NVF-supported market research and pilots that facilitated expansion of Water.org into new parts of India and into 10 new countries: Bangladesh, Brazil, Cambodia, Ethiopia,	Central America, Colombia, Ethiopia, Ghana, Pakistan, India, Kenya, Nigeria, Tanzania, Peru, Uganda	More than 78 countries.	Albania, Burundi, Côte d'Ivoire, Croatia, Eastern Caribbean, Egypt, FYR Macedonia, Georgia, Guinea, Haiti, Jamaica, Jordan, Kazakhstan, Mauritania, Nigeria, Russian Federation, Serbia, Sierra Leone,	Bangladesh, Botswana, Burkina Faso, Burundi, China, Ghana, Guatemala, India, Indonesia, Jordan, Kenya, Lebanon, Malawi, Mali, Morocco, Nepal, Nigeria, Pakistan, Rwanda, Philippines, South

PROGRAM	WATER.ORG	NVF	ACUMEN	KIVA	CIIP	GIF
		Ghana, Honduras, Indonesia, Peru, Philippines, and Tanzania.			Suriname, Tanzania, Timor-Leste, Tonga, Tunisia, Vietnam	Africa, Tanzania, United Arab Emirates, Uganda
Sectors	WSS	WSS	Agriculture, Education, Energy, Health, Housing, Water & Sanitation	Kiva borrowers work in many industries as farmers, artisans, students, shopkeepers, builders, restaurant owners, etc. The top sectors have been agriculture, food, and retail.	Trade and competitiveness. The program has focused on assisting manufacturing and processing firms, often for expanding exports, rather than service delivery.	So far, 40% of awards have been in the agriculture, and 30% in education.
Outputs	Increased access by individuals to clean drinking water and/or improved sanitation.	Expanded Water.org to new countries (see above). Increased the number and variety of in-country partners. Opened up new financing channels including: WaterCredit LLC (2014) WaterCredit Investment Funds 1 and 3 WaterEquity (2017) WaterConnect WC Adoption Digital finance		Neither Kiva nor individual Kiva lenders collect interest on loans. Most borrowers on Kiva pay interest to Kiva's local Field Partners in some form to offset the many expenses associated with providing small loans in developing markets, especially in rural areas.	(a) Private investment and firm growth (b) Employment generation (c) Rise in income / living standards (d) Innovative firms and entrepreneurs	GIF provides grants, loans (including convertible debt) and equity investments ranging from US$50,000 to US$15 million. For for-profit companies with a market route to scale, awards are typically equity or debt. For non-profit companies with a public sector or hybrid path to scale, awards may be grants.

PROGRAM	WATER.ORG	NVF	ACUMEN	KIVA	CIIP	GIF
		Internalized global advocacy in Water.org, which has become a program called 'Enabling Partnerships. Established WC Forum.				So far, about 55% of awards have been to for-profit companies.
Grant/ Loan/ Equity Operations	WaterCredit programs work with carefully screened partner financial institutions (currently 87) to build their capacity to establish water and sanitation loans in their portfolio of offerings. Water.org does not provide capital grants to its partners for on-lending. WaterEquity provides existing WaterCredit partners with access to affordable capital to scale their loan portfolios to meet the demand for water and sanitation loans. Investors in	The NVF only provided funds internally to Water.org staff. The funds were used for a variety of expenses including personnel, contract services, occupancy expenses, office expenses, travel, program specific expenses, specific event expenses, and corporate expenses.		A borrower applies for a loan. The loan goes through the underwriting and approval process. The loan is posted to Kiva for lenders support. Lenders crowdfund the loan in increments of US$25 or more. Borrower repays the loan. Lenders use repayments to fund new loans, donate or withdraw the money. 100% of funds lent on Kiva go to funding loans. Kiva never charges interest on loans,	The BETF grants have averaged US$500,000 to US$600,000. The majority of country assistance grants have been project-related — supporting either the design, preparation, or implementation of World Bank supported investment projects.	GIF has an open application window that accepts applications on a continuous basis, with no deadlines or 'rounds' of funding. GIF also actively seeks out investments in innovations with the potential for transformative social impact. Its two-stage review process (initial vs. full applications) is highly selective and rigorous, so that less than 10% of applicants are invited to submit full proposals.

PROGRAM	WATER.ORG	NVF	ACUMEN	KIVA	CIIP	GIF
	WaterEquity social investment funds receive a moderate return on their investments. WaterEquity is now its own legal entity, separated from Water.org.			and never takes a fee from lenders. Kiva covers two-thirds of its operating costs through voluntary donations made by Kiva lenders, and the remainder through grants and donations from foundations and supporters.		
Grant/ Loan/ Equity Processes	Water.org screens for partners that are: (a) well positioned to understand and navigate social, political and economic issues at the local level; (b) savvy at leveraging local financial resources to see projects through; (c) closest to households to understand the unique needs of the communities; and (d) capable of sustaining W&S	The NVF developed an internal competition, seeking innovative ideas from program managers, which were rated according to ten criteria (potential for new geographies, potential number of people reached, etc.).		Kiva undertakes an initial due diligence process for potential Field Partners, which is updated annually, to select partners that have demonstrated breadth of impact according to seven social performance indicators: Anti-poverty focus Vulnerable group focus Client Voice Family and community empowerment	The program uses a call for proposals process followed by centralized review.	All applications are assessed against four investment criteria: (a) Evidence of innovation and potential impact on people living on less than US$5 a day (b) Commitment to measuring outcomes and sharing lessons learned (c) Rigorous evidence of potential to scale (d) Team with relevant expertise and capabilities to achieve success.

PROGRAM	WATER.ORG	NVF	ACUMEN	KIVA	CIIP	GIF
	solutions in their communities.			Entrepreneurial support Facilitation of savings Innovation		
Type of Org.	501 (c)3 charitable organization	Internal program of Water.org	501 (c)3 charitable organization	501 (c)3 charitable organization	Trust-funded program of the World Bank.	Registered UK charity
Location	Kansas City, MO, with liaison offices in South America, South Asia, Southeast Asia, and East Africa.	Internal to Water.org, managed from the Headquarters	New York City, with offices in Accra, Bogota, Karachi, London, Mumbai, Nairobi, San Francisco	San Jose, California	Program Administration Unit in the World Bank responsible for preparing calls for proposals, proposal screening, progress reports, M&E, and results measurement.	London with an office in Washington, DC
CEO	Gary White (CEO and Co-Founder)		Jacqueline Novogratz (CEO)	Neville Crawley (CEO)	Michael D. Wong (program manager)	Alix Peterson Zwane (CEO)
Program Administrative Staff	About 120 staff in the U.S., Africa, Asia, and South America	Administered within Water.org	8 officers and at least 11 other staff (those earning more than US$100,000)	14 officers and staff earning more than US$100,000	One full-time manager and three other professional staff.	20 staff
Governing Body	Self-perpetuating Board of 18 members, including President and CEO (two separate persons).	Initially, a New Ventures Fund Council was established to meet annually to review impact, serve as strategic partners, and act as global advocates for the	Self-perpetuating Board of 15 directors, including CEO and an independent chair.	Self-perpetuating Board of 7 directors, including President and CEO (two separate persons).	Representative Steering Committee comprised of World Bank and contributing donors that	Self-perpetuating Board of 7 members, including the chair

PROGRAM	WATER.ORG	NVF	ACUMEN	KIVA	CIIP	GIF
		issue and NVF solutions. In practice, funding decisions were made by the NVF committee — comprising some of the senior staff of Water.org.			(a) provides strategic guidance and direction, and (b) reviews annual work plans and budgets.	
Chair/ President	Jennifer Schorsch (President)		Robert H. Diehaus	Premal Shah (President)	Vice-President, Finance and Private Sector Development, World Bank Group	Kanini Mutooni

Exhibit II.5 Stakeholders Interviewed

NAME	TITLE	ORGANIZATION
Eduardo Perez	Independent Consultant in Sanitation and Water, Former Lead Water and Sanitation Specialist	World Bank/Water and Sanitation Program
Ken Chomitz	Chief Analytics Officer	Global Innovation Fund
Maureen Klein	Special Assistant to the CEO	Acumen
Michael Eddy	Vice President, Analytics & US Country Lead	Global Innovation Fund
Michael Wong	Program Manager	World Bank Group/ Competitive Industries and Innovation Fund
Taylor Whitfield	Community Manager	Kiva

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- Water.org. New Ventures Fund Reports, 2011–2013, 2013–2014, 2014–2015, 2015–2016, and 2016–2017.
- Water.org. Public Disclosure Copy of Form 990, "Return of Organization Exempt From Income Tax, 2016" and other information from the Water.org website: www.water.org.
- Water.org. "Annual Report 2017: Celebrating 10 million people empowered through our smart solutions."

Appendix III Country Case Study: India

Introduction

This case study was prepared in the context of a learning-oriented evaluation of Water.org's New Ventures Fund (NVF) commissioned by the C&A Foundation in 2018. It is based on document review and a field mission undertaken by the evaluation team to meet key stakeholders in the country. The case study examines the NVF's relevance, effectiveness, sustainability and scalability.[22] It is one of six case studies undertaken for this evaluation. Each case study, while a standalone document, was developed to inform the overall evaluation report and is included as an Appendix to the main study document.

On behalf of the evaluation team, Dr. Archi Rastogi undertook a field mission to New Delhi, India from 20-24 August 2018. He was also accompanied by Ms. Savi Mull, Evaluation Specialist (Effective Philanthropy) at the C&A Foundation. The Universalia member further travelled to Bangalore and Tiruchirappalli for meetings with partners and additional members of the Water.org staff.[23]

Country WSS Context

The population of India is more than 1 billion, which has created an immense WSS challenge. According to the World Health Organization (WHO), in 2010 there were 626 million people in India who practiced open defecation – this was more than twice the number of the next 18 countries combined. According to UNICEF data, in 2015 nearly 40% population practiced open defecation.[24] The challenge is well recognized, and in 2014, the Government of India launched the *Swachh Bharat Mission* (Clean India Mission, in English) aimed at "cleaning-up" India. The Mission also includes a target to become Open Defecation Free (ODF) by 2019. Encouragingly, the microfinance sector is also strong in India. Monitor Deloitte estimates that the rural sanitation market in India is worth US$25 billion.

Water.org in India

With a clearly demonstrated water supply and sanitation (WSS) need, and good microfinance penetration, Water.org launched in India in 2008 with an office in Tiruchirappalli, in the southern state of Tamil Nadu. Subsequently, the India office was moved to Chennai, the capital of the state. Currently, the Water.org office in India is headquartered in Delhi, with a regional office in Chennai. The total staff of Water.org in India is about 25 across Delhi and Chennai. The current operations are extensive; it is the largest of all Water.org country operations. In 2017, Water.org partners gave out 491,000 loans, and 230,000 loans by June 2018.

In this massive operation, the NVF supported Water.org through 11 innovations, many of which were only partly implemented in India (see Exhibit III.1). These innovations, implemented at various stages and over several years, were designed to undertake a range of activities from policy advocacy to market studies.

[22] The efficiency of the NVF overall is discussed in the main report of this study.

[23] A limitation underpinning this case study was that the documentation was weak and the current Water.org staff were engaged only in 2016. Mitigating measures consistent with the rest of the evaluation were undertaken, and the risks were minimized to the extent possible.

[24] https://data.unicef.org/topic/water-and-sanitation/sanitation/

Exhibit III.1 NVF innovations in India

YEAR	PROJECT NAME	INNOVATION CATEGORY	BUDGET	BUDGET SPENT
2012	New Products and Services (McKinsey)	Core		US$113,490
2014	Capital Development	Core		US$138,224
2014	Global Advocacy & Public Affairs	Transformative		US$97,649
2014	Advisory Services	Adjacent	US$374,000	US$158,890
2014	WaterCredit: Profitability Analysis	Core		US$14,873
2015	WaterCredit Profitability Analysis	Core	US$5,218	
2015	Global Advocacy - Public Affairs & Policy	Transformative	US$519,030	
2015	Channel Expansion - Beyond Financial Institutions	Adjacent	US$110,939	
2015	WaterCredit Advisory Services (WCAS)	Adjacent	US$129,845	
2016	India Pipeline Development/Alternative Channels	Core	US$189,461	US$74,952
2016	India WaterCredit External Capital Mobilization	Core	US$42,904	US$1,484

Relevance

The NVF contributions allowed Water.org to work at several levels: align with and indeed articulate country priorities, engage with partners to develop and implement their WSS priorities through an innovative way (WCAS), expand according to its own ambition and development, and align with the needs of beneficiaries. As the NVF innovations were designed on a yearly basis and were used flexibly (a matter addressed below), it allowed the innovations to respond to changing circumstances, thereby increasing the relevance and alignment.

NVF innovations were aligned with, and indeed helped articulate, the country priorities on WSS. India has a policy emphasis on WSS. In October 2014, the government of India instituted the Swachh Bharat Mission. NVF supported data collection from innovations on capital development and profitability analysis in 2012-2014, and this allowed subsequent NVF innovations to be aligned with the WSS initiatives of the government. The NVF further supported the WaterCredit Forum Meeting in India, which became a mechanism for Water.org to align more closely with country priorities. Such efforts allowed Water.org to continue to engage with policy and advocacy, in close alignment. Two major policy milestones were achieved to advance the country priorities on WSS, as discussed in the section on effectiveness below. Importantly, NVF contributions were also used for the articulation of a Water.org country strategy for India, in another example of relevance to the organization.

NVF innovations were additionally well aligned with the partners' developing priorities. The NVF allowed for the development of a WSS portfolio among MFI partners through WCAS, WaterCredit Adoption, and WaterEquity; WaterEquity targets India as a primary geography. The NVF supported Water.org to bring in additional actors including and beyond microfinance institutions (MFIs) (commercial organizations, suppliers, manufacturers) – Indian Postal Service, Satin Creditcare Network (through NVF pipeline development), Svadha (through NVF external capital mobilization), and The Activists for Social

Alternatives – Grama Vidiyal (ASA), thereby scaling the model of WaterCredit. Interviewed partners confirmed that their priority was to serve clients, and Water.org helped them develop a portfolio that was previously non-existent. For many partners, this aligned with their goals that combined profits, service to clients, and growth. A partner stated: "There is a cost in expanding the portfolio to include WSS. It has to have value for client and organization. We saw value in it. It gels with the need of the client."

Finally, and importantly, NVF innovations in India were aligned with the needs of the beneficiaries. India has a recognized need for WSS investments, with a tremendous potential for change. NVF innovations were clearly aligned with this need. Nearly all beneficiaries have been women in India, and NVF innovations had an implied (though not an explicit) gender focus.

Effectiveness

As stated above, a total of 11 innovations in the Dashboard identify activities in India, with some of them implemented in a range of countries. Overall, NVF innovations achieved results at several different levels.

At the level of the WSS sector, NVF innovations supported Water.org to promote regulatory policy changes to remove bottlenecks to WSS finance growth. Since 2012-2013, the NVF supported Water.org to gather intelligence and undertake a survey of partner priorities. Through these exercises, an opportunity was identified wherein Reserve Bank of India (RBI) could be persuaded to classify WSS loans as a priority sector. NVF support was further used to undertake meetings and advocacy with RBI officials in 2013. Two major milestones were achieved subsequently. In 2015, RBI updated their Priority Sector Lending (PSL) guidelines for banks to include lending for water and sanitation facilities. This is seen as a major achievement that would allow for the inclusion of additional financial institutions towards the mobilization of major capital for WSS finance. Further, in 2016, the Indian Ministry of Rural Development expanded sanitation lending. Through this expansion, toilet construction was included by the RBI as a category towards which those Self-Help Groups that are linked to the National Rural Livelihoods Mission/State Rural Livelihoods Missions can avail loans. This change additionally qualified 32.2 million households linked to the programs to access bank credit worth US$87 million. These examples remain the key examples of the effectiveness of the NVF in India and globally.

At the level of the sector and partners, the NVF enabled Water.org in India to draw additional channels, partners and means of extending WSS finance to the base of the pyramid (BOP). This was the result of extensive NVF-supported activities. During the initial NVF years, the 2012 McKinsey study for Water.org confirmed the potential of WaterCredit in India. The report identified four types of countries based on scale of WSS need and ease of doing business, each of which would require a tailored service-business model pairing. India was classified as a 'familiar country', where Water.org was already operational. The report further suggested that Water.org could reach its then-2020 target of 100 million people by doubling down in India alone. Subsequently, NVF funds were further used for data collection, including a survey of 30 organizations to inform advocacy efforts.

In 2014, the NVF supported a third-party analysis by Deloitte and Micro Credit Rating International Ltd. (M-CRIL India) to assess the WaterCredit business models of MFI partners in India. It became evident that support to the long-term growth of partners' WSS loan portfolios would be possible by providing lower cost capital and drawing on the social capital markets. At the portfolio level, some of these early exercises were instrumental in the genesis of WaterEquity. Back in India, Water.org efforts continued leading to additional activities in 2016, including:

- Co-hosting a workshop on sanitation financing in Rajasthan with UNICEF, World Bank, and the Center for Microfinance Rajasthan, resulting in an in-depth scoping to confirm a scaling strategy to support the state government to achieve open defecation-free status by 2019.

- A loan portfolio analysis based on data from more than 245,000 WaterCredit loans, to understand demographic characteristics of households borrowing for WSS. A co-publication with the World Bank was shared at the 2015 Stockholm World Water Week.
- In February 2016, Water.org partnered with the Indian Ministry of Drinking Water and Sanitation, the World Bank and UNICEF to convene State regulators in Delhi for the Water Supply and Sanitation Financing Forum.

The results of above studies, networks, and advocacy efforts helped to identify and bring additional partners into the WSS finance. In terms of Alternative Channels (viable channels, outside of MFIs) in India, Water.org was successful in many ways. For instance, a partnership was established with Department of Posts (DoP) and the Punjab National Bank to provide water and sanitation loans that can be accessed at the DoP in two eastern states of India, leading to a significant increase in the accessibility of WSS loans. In India, Water.org was additionally able to collaborate with commercial banks, self-help groups, social innovators, and other partners. Water.org was additionally supported in this by the NVF through profitability analysis (producing evidence and a convincing case for partners) and WCAS and WaterCredit Adoption (technical assistance).

A partner described the process as: “There were a lot of meetings. We said let us start with a small pilot. We weren’t sure. We got the ball rolling. Water.org was pretty persistent. As we got going, we saw the response coming, that was how we started scaling up.” Another partner recalled: “We were continuously engaged by Water.org. The market research happened in 2015 December [through NVF]. In June 2016, Water.org organized a training. In first half of the year we did a pilot. Now it is a focused strategy. There is enough to do there [in WSS]. We continue to add to that number.” With the potential of the market, and with the government emphasis on WSS, it is being expected that this is only an initial stage. The support by the NVF was crucial. A partner recalled: “That journey would not have happened without Water.org. We are new to supply chain and consumer strategy. We identified constraints of supply chain. Water.org helped us to address problems of consumers, engagement strategy with stakeholders, initial IT platform to reduce cost. Their help is both intellectual and financial.”

In addition to the level of the sector and partners, the NVF helped to transform the profile of Water.org in India. The first step to instill the confidence in WaterCredit model in India came in the form of the McKinsey study that confirmed the expansion of the India program and the relevance of the WaterCredit model. The country strategy was further developed through an NVF-supported study with Deloitte. Over time, the NVF continued the support through payment of staff time, advocacy efforts and market research. These efforts supported the transformation of Water.org from being a regional organization to national one, including moving offices from Chennai to Delhi. The NVF further helped strengthen the Monitoring, Evaluation, and Learning (MEL) function at Water.org. This function increased the strength of future restricted funding.

Led by NVF innovations and partner mapping, Water.org in India experienced a change in clients and partners – which was led formerly by MFIs to the order of 85% and is now equally distributed among MFIs and other partners. A staff member stated: “The fund allowed us to stay relevant to a maturing sector. It allowed us to make internal structures stronger to bring Self Help Groups (SHGs) and Banks under the WSS umbrella. And that would not have happened without NVF.” Importantly, the NVF was useful in developing political and social capital through advocacy, backed by data collection and market studies undertaken through the NVF. A staff member recalled: “Earlier we would not get buy-in from the ministries. But with PSL approval, we will have a national credit financing policy note, with indication on how this is to be implemented at the state and district level.” Finally, a ‘culture of risk’ and ‘culture of innovation’ are recalled by Water.org staff as lasting legacies of the NVF in Water.org.

Ultimately, the outcomes of the NVF are being reported at the beneficiary level, though there is room for doing so more thoroughly, with recognition of contextual specificities like gender, culture, caste, etc. There are a number of new beneficiaries, and a large amount of capital is mobilized, supported by NVF innovations. For instance, there are 32 million households linked to self-help groups supported by the livelihood missions alone. WaterEquity's WaterCredit Investment Funds (WCIF) 1 and 3 are targeting India as a primary geography. In addition, it is reported by all partners that the beneficiaries are taking loans not only for toilets, water, and sanitation, but also for new dimensions such as upgrading of toilets, beautification, water quality, etc. A partner recalled: "their aspirations are changing with awareness and financial capacity."

Sustainability and Scalability

The sustainability of the NVF can be recognized in a number of different ways. Succinctly, there is evidence that the results of NVF innovations are by themselves sustained, and contribute to the sustainability of policy changes, changes in the WSS sector, with short and longer-term benefits generated. The NVF has also contributed to the sustainability of Water.org itself.

Water.org's activity and influence grew exponentially after the launching of India's national Swachh Bharat Abhiyan. At this moment, Water.org was already available and ready with the WaterCredit model and had undertaken extensive groundwork through NVF support. With this background, Water.org was able to push for policy changes that are sustainable, as are the overall transformative changes in the partners, sector and beneficiaries.

For instance, the update to the PSL, and the qualification of WSS as a priority loan area by the Ministry of Rural Development are significant and sustainable measures in WSS policy. At the sector level, the development of partners' WSS portfolio was significant, where many partners now have well-established WSS portfolios, which they reported were being sustained for the foreseeable future. "It is now part of the DNA", said a partner organization representative. At the level of the beneficiaries, the NVF results were only tertiary. Therefore, a direct assessment of sustainability of results is not made. However, the growth in the policy and the sector are likely to be sustained, suggesting the likelihood of sustained outcomes at the level of the beneficiaries. Finally, changes within Water.org were both generated and are likely to be sustained, notably in terms of the growth in the organization's stature, social capital and overall visibility at the national level.

The results achieved through the NVF are also likely to be scaled up. For instance, interviewed partners were currently expanding their WSS portfolio. Many also reported that the size of loans is likely to become bigger. Additional partnerships established with the support of the NVF included the World Bank, CitiBank and Asian Development Bank (ADB). These are likely to help scale the WSS finance. In addition, the NVF supported corporate developments, including the launch of WaterEquity and WCIFs. These initiatives are likely to lead to scaling up of WSS finance in India.

The factors of sustainability and scalability of NVF innovations ranged from context to need. Firstly, in India there was no comparator to Water.org, and it was deemed as essential and not substitutable by many of the interviewed organizations. Secondly, the policy context in India was ripe for changes, and the NVF support was used at a critical time. Thirdly, the range of NVF innovations allowed Water.org to respond in a variety of ways to the mature policy context, including: engagement with a diverse set of partners and stakeholders; engagement that was sustained through time; the collection of intelligence from field-level partners and stakeholders; and the active pursuit of partnerships. In these different ways, NVF innovations favored sustainability at various levels.

Conclusions and Lessons Learned

NVF operations in India provide for a number of lessons and points of note.

NVF innovations operated flexibly, with budgets of one innovation used for another, and wide underspends in some innovations. For instance, in the Dashboard, one of the innovations reports: "[Specific project] *doesn't have a ton of money going toward alt channel, so using NVF. Rajasthan project is also being charged against NVF, but long-term Rajasthan will need its own funding".* The NVF, by nature, was an unrestricted fund. This allowed for a measure of flexibility to respond to changing circumstances. Indeed, this flexibility to use the funds when opportunity arose was a key factor in the effectiveness of the NVF. In another example, NVF support was mobilized for Global Advocacy as soon as the opportunities arose on a yearly basis. In addition, NVF support took many forms: profitability analysis, advocacy, WaterCredit Adoption, staff time, travel costs and so on. With this, the innovations were flexible and responded to emerging circumstances, leading to higher effectiveness.

NVF innovations were highly dependent on the vision of staff and the partners. The ideas for NVF innovations and their implementation were contingent upon the ability and willingness of the Water.org staff to seek new solutions and work outside of the core work program. Were Water.org staff not quite so motivated or visionary, NVF innovations would surely not have been as effective.

While the NVF allowed for the development of the Water.org MEL system, it was not strictly monitored by itself. NVF support yielded a strong MEL system within Water.org, where MEL staff were recruited and there is strong monitoring of partners and loans, including monthly reporting and surprise visits. However, prior to this development, the NVF innovations themselves were less comprehensively monitored. As a result, the lessons drawn and shared were sporadic, even ad hoc. In addition, stakeholders interviewed for this evaluation saw an opportunity to evaluate impact of Water.org at the tertiary level. WSS finance is known to have benefits of health, education, income, and well-being. These are not currently measured or evaluated by Water.org, and there is an opportunity to undertake such assessment.

Exhibit III.2 Stakeholders Interviewed

NAME	TITLE	ORGANIZATION
Abhishek Anand	Project Manager, India	Water.org
Chhaya Rajora	L& D Specialist, India	Water.org
Dev Verma	Chief Operating Officer	Satin Creditcare Network Ltd.
Diwakar Das	Monitoring & Evaluation Manager, India	Water.org
K C Mishra	Chairman and Founder, Ashoka Global Fellow	SVADHA
Manoj Gulati	Executive Director, India	Water.org
Monika Chopra	AVP - Social Performance Management	Satin Creditcare Network Ltd.
R D Gadiyappanavar	Chief Executive Officer	Sanghamithra Rural Financial Services
S Avudai Nayakam	Program Manager and Tech Specialist	Water.org
Shanmugaraj. R	Program manager	ASA-IBL, IDFC Bharat
Subesh Kumar T	Senior General Manager, Business- South India	ASA-IBL, IDFC Bharat
Sudhir Arya	Program Manager	Water.org
Sudipta	Strategic Planning and Partnership Management	SVADHA

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Appendix IV Country Case Study: Peru

Introduction

On behalf of the evaluation team, Ms. Esther Rouleau and Ms. Florence Allard-Buffoni undertook a field mission to Peru from 11-14 September 2018. The team was also accompanied by Mr. João Martinho, Evaluation Specialist (Effective Philanthropy) at the C&A Foundation.

This case study was prepared in the context of a learning-oriented evaluation of Water.org's New Ventures Fund (NVF) commissioned by the C&A Foundation in 2018. It is based on document review and a field mission undertaken by the evaluation team to meet key stakeholders in the country. The case study examines the NVF's relevance, effectiveness, sustainability and scalability.[25] It is one of six case studies undertaken for this evaluation. Each case study, while a standalone document, was developed to inform the overall evaluation report and is included as an Appendix to the main study document.

Country WSS Context

Peru is struggling with a significant water supply and sanitation (WSS) infrastructure shortfall. According to a joint United Nations Children's Fund (UNICEF)-World Health Organization (WHO) study from 2012, nearly 25% of Peru's 29 million citizens did not have access to an improved, potable water supply, 46% did not have access to improved sanitation, and 34% practiced open defecation. Access to WSS varied drastically among regions, types of settlement, and socioeconomic profiles, with a clear disadvantage for rural households and poor households. The price paid for WSS also varied widely, costing far more for households not connected to the public water system due to the reoccurring costs of purchased water. Some of the challenges to providing water to urban and peri-urban areas have included rapid urban growth, land tenure and rights, and lack of basic infrastructure and of government funds to extend said infrastructure.[26] As of 2011, the investments necessary to close the gap in WSS were estimated to amount to US$6.306 million, which would require 17 years of regular, annual investments from the government. There was a need for WSS initiatives in order to assist in closing the gap at an accelerated pace.

Water.org in Peru

Peru has a rich and developed microfinance environment, with microfinance institutions (MFIs) offering general home improvement products. However, these products were not targeted or focused on WSS, which was not itself considered a priority for the MFIs. With high loan values, high interest rates, as well as land title requirements, the home improvement microcredits were not accessible to the base of the pyramid (BOP), despite the latter's acute needs for WSS.[27] Therefore, the context was favorable to the launch of Water.org in Peru. The organization used funds from the NVF for its geographic expansion and establishment in the country. NVF capital funded five innovations related to Water.org Peru (see Exhibit IV.1).

[25] The efficiency of the NVF overall is discussed in the main report of this study.

[26] Gutierrez Llantoy, Ulises. "Small Private Systems of Water Supply at Shantytowns in Lima Peru." Presentation from World Bank's Water and Sanitation Programme website. No date given.

[27] According to MIX's analysis of the Peruvian financial market, the MFIs reached only 10.4% of the poor in 2011.

Exhibit IV.1 NVF innovations in Peru

YEAR	PROJECT NAME	INNOVATION CATEGORY	BUDGET	BUDGET SPENT
2011	Scaling WaterCredit in Latin America w/Inter-American Development Bank (IDB)	Core		US$60,372
2011-2012	WaterCredit Partnership w/Kiva (Project described in FY2012 sheet under Channel Expansion - WaterCredit Lite)	Adjacent		US$164,146
2012	Market Assessment-Peru: PepsiCo (Project described in FY11 sheet under Scaling WaterCredit in Latin America w/IDB)	Core		US$8,232
2013	WaterCredit - South America	Core		US$3,253
2013	Channel Expansion WaterCredit Lite	Adjacent		US$38,480

Considering that NVF innovations in Peru were almost entirely dedicated to preparatory work for the establishment of Water.org there, this case study analysis examines them as a whole rather than as individual innovations. Because of the preparatory nature of the NVF-funded activities, most respondents were not aware of the existence of the NVF. They provided information on Water.org Peru from the moment it was officially established, rather than on the NVF specifically. The limited number of respondents who had previous knowledge about the NVF included the Head of Water.org Peru and Water.org's Senior Regional Manager for Latin America, both of whom informed this case study and the evaluation overall.

Relevance

The NVF allowed Water.org to situate and develop its work at several levels in Peru: align with country context, engage with partners to develop and implement their WSS priorities, expand according to its plans, and align with the needs of beneficiaries.

When Water.org arrived in Peru in 2011, a handful of development partners were implementing projects involving WSS microfinance aimed at meeting the needs of the BOP, yet none managed to scale up. The main one started in 2007 and was coordinated by the World Bank's Water and Sanitation Program. It tried to provide poor households with WSS packages, accessible through a loan. The results did not meet expectations, as the World Bank offered pre-established products that allowed very little adjustments to the clients' individual needs. The program also required heavy involvement from the implementers' side in terms of supplier management and did not develop a sense of ownership among participating MFIs. These factors hampered the scaling potential. However, the project did highlight the strong demand for more flexible WSS products from the BOP. As one partner recalled, "Clearly there was a need in terms of WSS, however the need was not for a product but for capital". Two partners added that their respective MFI was interested in offering WSS products yet did not know how to reach BOP clients.

NVF innovations allowed Water.org to understand market demand and offer alike, through market assessments. As there were few studies in place and thus limited data on the intersection between microfinance and WSS landscapes in Peru, the NVF enabled the critical tasks of gathering data, establishing a workplan, and identifying potential partners. Water.org could also engage with various MFIs and evaluate their respective interest and competences in adopting WaterCredit as one of their products, in regions where the need for WSS was high. Above all, Water.org used the information gathered on the Peruvian context through NVF capital to adjust its approach towards the MFIs and to convince them of the potential for, and merits of a product such as WaterCredit. A partner recalled: "When Water.org approached us in the early days, they already had a lot of information, knew of public studies, knew about our internal structure, had a product [WaterCredit] and tools, pre-existing examples from India and Africa."

For Water.org, the NVF innovations in Peru responded to strategic needs: the organization sought opportunities to export WaterCredit to new geographies to increase the model's impact. The choice of Peru was favored due to the country's highly developed microfinance market, among the most developed in the world. Entering Peru was also advised by the McKinsey market study for Water.org (2012), as it was considered a small, low-risk, high ease-of-doing-business market that offered "considerable opportunity to deliver high impact with low-touch alternative business models".[28] McKinsey's market study further states that Peru, despite its moderate WSS needs (due to its relatively small population), would balance portfolio risk, expand global relevance and present potential opportunities for alternate channels to be developed. For Water.org, the expansion in Peru was also an opportunity to pilot a more systematic geographic expansion process, involving thorough market assessment and streamlined due diligence documents.

Effectiveness

The use of NVF capital in Peru allowed Water.org early on to accumulate significant primary and secondary data regarding the market for WaterCredit and refine expansion plans in Latin America (a continent where Water.org was previously not working). The field mission with the IDB and the market assessments gave Water.org a thorough understanding of the WSS and MFI landscapes in Peru and of the viability of the WaterCredit market. By funding (at least partly) the salary of an in-country consultant, the NVF allowed Water.org to get the best start possible in Peru. The consultant realized the lengthy administrative procedures to register Water.org as an international non-governmental organization (NGO) in Peru and collaborated with a firm to establish Water.org's legal presence in the country. Her work prepared much of the way for the opening of Water.org's office in Peru.

The NVF provided resources for the consultant to establish contact with various stakeholders with whom Water.org Peru collaborates even today. The physical presence of a consultant enabled the development of deep trust relationships with MFIs, with whom she raised awareness on the advantages of WaterCredit for the MFIs: low risk loans, high repayment rates, and the possibility of reaching new clients. During that period of time, the NVF-funded consultant also performed due diligence, evaluating interested MFIs and certifying those that reached Water.org's thresholds. The process accomplished by the consultant served a filtering function, eliminating MFIs that were not deeply convinced of the product and its client base, or that suffered internal transitions and challenges, and strengthening the bond with the MFIs that were a good match for Water.org. A partner described the process as follows: "It was a long and dynamic relationship that we built together. We worked closely to reach a common conception of our collaboration, to develop and test products, to truly understand each other." Out of the 8 MFIs that were approached in 2012-2013, 6 were identified as potential partners. Out of these, 4 were evaluated and

[28] McKinsey&Company (2012). Water.org's strategy for scaling-up WaterCredit. March, 2012, p.9

certified. The main criteria regarded internal organization, outreach, products and services, lending policies, performance, Monitoring and Evaluation (M&E)[29], and areas of activities compared to WSS needs.

Through the consultant's work, the NVF funded the establishment of processes for geographic expansion within Water.org. The thorough market assessment that was performed in Peru was the first of its kind and it became a common practice for Water.org globally, with market assessments later done in countries such as Colombia, Bolivia, Cambodia, and various others. The results were used to inform decisions about where to further develop the WaterCredit model based on WSS needs, MFI potential and foreseeable impacts. For instance, the results of the market assessment conducted in Colombia dissuaded Water.org to pursue expansion, as the needs for WSS and the MFI network did not coexist in the same regions. A Water.org staff explained: "The NVF allowed us to be flexible, and it is in our DNA to be." Another process that the consultant could pilot in Peru due to NVF capital was due diligence with possible MFI partners, for which she tested and streamlined an evaluation method and its corresponding documents, both in Spanish and in English. Both the process and the corpus of documents are still used to this day in Water.org's international expansion activities. The expertise and outcomes acquired in Peru also served to propel Water.org in Latin America, as they contributed to refining the expansion plans on the continent and produced best practices currently used in both Brazil and Mexico. The NVF therefore contributed to strengthening the institution and its processes.

By funding the gathering of data on the market and potential partners, the NVF helped prepare Water.org for the construction of the grant proposal to the IDB, which was not successful. Nonetheless, the information was used to build a strong proposal to the Caterpillar Foundation, securing a US$2.8 million grant over 5 years, starting in July 2013. When the Caterpillar Foundation donation began, Water.org Peru's preparatory work was almost complete, and the organization could hit the ground running. Fortunately, the MFIs were still interested in partnering with Water.org, because the NVF allowed the consultant to maintain their motivation through the uncertain period before external funding was secured. The MFIs were ready to invest the time necessary to co-develop a product with Water.org, a process which fostered adaptability and ownership.

All in all, it is of course possible that Water.org Peru might have developed equally using Caterpillar (or other) funds instead of those of the NVF, though this cannot be ascertained. If that had been the case, it would likely have taken longer for Water.org Peru to generate results on the ground. Indeed, the NVF produced a number of desired results: it helped Water.org access a new geography, unlock external capital and increase the number of people reached, particularly at the BOP. It transitioned into multi-year programs and brought WSS to the front of the scene. As a Water.org staff explained, "Thanks to NVF, Water.org Peru is built on solid bases."

Sustainability and Scalability

By contributing significantly in securing the Caterpillar Foundation grant, the NVF helped diversify Water.org's sources of funding and establish the country office in Peru. The grant (US$2.8 million, July

[29] M&E was considered as the MFIs' capacity to track loan KPIs. Criteria in terms of M&E were:

A. System is in place to track overall operations, including loan data and financial information. Processes and procedures for collecting and using data are streamlined.

B. Software and technology used are appropriate for organizational needs and projected growth.

C. Tracking outreach, operational, financial and revenue indicators, product portfolio data and other data to monitor and improve performance.

(Water.org (2012). Scorecard – Comparison Peru MFIs. October, 2012)

2013-June 2018) served to fund Water.org's activities and personnel in country, making the country office self-sustaining. The grant notably financed the rental of the physical office, the evaluation and certification of additional MFI partners, the launch of WaterCredit loans in Peru, and the advisory services to the MFIs and the Federation of Municipal Savings and Credit Funds (FEPCMAC). Following that first grant in Peru, the Caterpillar Foundation awarded the country office a second grant (US$2 million, December 2017-November 2019) in order to deepen penetration in the Amazon and Andes regions and to improve in situ monitoring.

In Peru, 8 MFIs were approached in 2012-2013, out of which 6 were identified as potential partners. Among those, 4 were evaluated and certified. Following internal transitions and challenges (mergers, legal investigations) or loss of interest among the MFIs, Water.org began its activities in Peru in 2013 with two MFI partners. As of today, Water.org Peru counts on 11 partners, 10 of which were approached using NVF funds, through the early assistance of the consultant. The FEPCMAC accounts for 9 of the 11 partners in Peru. The different partners are at different stages of adoption of WaterCredit, some piloting while others are entirely independent from Water.org. In the big municipal savings banks, WaterCredit represents 10% of their portfolio, equivalent to 10,000 loans per month. In total since 2015, 1.1 million beneficiaries were reached: 324,000 loans were disbursed, amounting to US$392 million. The clients are found mostly in the capital, Lima, in the North of the country, as well as in the South, mostly in urban and peri-urban areas. These zones are expected to widen over the course of the second Caterpillar Foundation grant, particularly to include rural areas.

The factors behind WaterCredit's sustainability are several. Firstly, NVF funds enabled Water.org to take the time to understand its MFI partners and their interests, to select them carefully and develop trusting relationships. On the base of this mutual trust, Water.org could guide the MFIs in adapting existing financial products, particularly for home improvement, and in fully integrating them into their portfolio, thus fostering ownership within the MFIs. Recently, the organization hired counselors within the FEPCMAC who trained the new MFI partners and accelerated WaterCredit's piloting and scaling process, alongside monitors in the field to favor uptake. As a partner described, "The strength of Water.org is that they are with you before, during and after launching a product." In the case of Peru, NVF funds contributed to ensuring a continuous presence by the MFIs' side.

The main factors of sustainability, however, are to be found within WaterCredit itself: it is a loan that offers the possibility of reaching new clients while suffering low risk, as repayment rates are excellent (96.6% in Peru compared to the optimal threshold of 96%), even higher than for the general home improvement loan. A partner explained that, inspired by the positive – and sustainable – experience with WaterCredit, most MFIs are now exploring social impact products (e.g. a green microcredit product in collaboration with the German Corporation for International Cooperation, GIZ).

Conclusions and Lessons Learned

Lessons learned from NVF funded projects in Peru are multiple. To begin with, market assessments are key to deciding if and how to invest in a certain country, as they determine the current landscape as well as scaling up potential. In the case of Peru, the external environment was ripe for WaterCredit, as there was a rich MFI network in urban and peri-urban areas, as well as high demand for WSS in those areas.

Among important factors of success in convincing MFIs of the value of WaterCredit was quite simply the patient and diligent work and relationship-building of Water.org, maintaining close contact with them, tailoring the message to their interest, specifically focusing on the generation of opportunities to reach new clients within the BOP through loans with low default rates. These factors allowed for the development of a common understanding between Water.org and the MFIs.

Finally, technical assistance systems, such as the combination of counselors to the MFIs and monitors in the field, were a productive way to enhance WaterCredit's efficiency and sustainability while avoiding direct (and significant) investments. It was also flexible, allowing for increased efforts in key periods, including transitions and scaling.

Exhibit IV.2 Stakeholders Interviewed

NAME	TITLE	ORGANIZATION
Ana Lucía Pinto	Projects and International Cooperation Chief	FEPCMAC
April Davies	Senior Regional Manager, LATAM	Water.org
Cathrin Denker	Former consultant	Water.org
César Augusto Vela Bazán	Product Manager	Mi banco
Karla Carlos	Consultant with the FEPCMAC Former Product Manager	Water.org Former Caja Luren
Manuel Felipe Cases Jimenez	Head of Programs	Water.org
Mercedes Zevallos	Former Program Manager - WASH	World Bank Peru
Shirley Reyes	Consultant with the FEPCMAC Former Product Manager - Business Loans	Water.org Former Caja Sullana
Victor Hugo Urcia	Representative for South America	Water.org
Yanina Rumiche	Program Manager	Water.org

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Appendix V Country Case Study: The Philippines

Introduction

On behalf of the evaluation team, Dr. Sherri Bisset undertook a field mission to the Philippines from 20-23 August 2018.

This case study was prepared in the context of a learning-oriented evaluation of Water.org's New Ventures Fund (NVF) commissioned by the C&A Foundation in 2018. It is based on document review and a field mission undertaken by the evaluation team to meet key stakeholders in the country. The case study examines the NVF's relevance, effectiveness, sustainability and scalability.[30] It is one of six case studies undertaken for this evaluation. Each case study, while a standalone document, was developed to inform the overall evaluation report and is included as an Appendix to the main study document.

Country WSS Context

The World Health Organization (WHO)–United Nations Children's Fund (UNICEF) Joint Monitoring Programme (JMP) reported in 2015 that 90.5% of the Philippines population had access to basic drinking water, while 5.94% had unimproved access.[31] According to Water.org data, roughly 13 million people had no access to safe drinking water in 2015.[32] Rural and urban access to drinking water was 85.82% and 96.37% respectively. Access to basic and limited sanitation was 74.98% and 16.54% respectively. Around 26%, representing 27 million people, had no access to sanitary toilets, and 5.74% or 4.3 million people were openly defecating.

Approximately 43% of the country's population had access to water piped into private premises in 2015. However, there is a wide disparity in access between urban and rural areas: 61% in urban areas compared to only 25% in rural areas. Few households are connected to a sewerage network (less than 5% by most estimates). The majority of households with toilets are connected to septic tanks that are poorly designed or maintained. Therefore, some if not most effluent is discharged without treatment.

The Philippines lacks a national organization or apex body to guide water sector reforms, for both water services and resource management, and to oversee planning, implementation, monitoring and evaluation. The country also has over 32 government agencies that are involved in water and sanitation: it is widely believed that greater resources and technical expertise are needed for organizing these agencies. In the Philippines, a growing water sector concern is related to challenges in tap water quality due to pollution and to several violations of the Clean Water Act. In response to these challenges, the National Economic Development Authority (NEDA) created and is leading the Philippine Water Supply and Sanitation Master Plan to help achieve targets in water supply and sanitation, which was expected to be complete by August 2018.[33]

[30] The efficiency of the NVF overall is discussed in the main report of this study.

[31] WHO–UNICEF JMP for Water Supply and Sanitation (2017). Estimates on the use of water, sanitation and hygiene in Philippines. [ONLINE] Available at: https://washdata.org/data#!/phl. [Accessed 8 October 2018].

[32] Water.org (2018). The Role of Microfinance Organizations in Enabling the Poor to Gain Access to Water and Sanitation Services. July, 2018, p.11

[33] Water.org (2018). 2018 Philippine Water and Sanitation Forum | synthesis. May, 2018

Further development in the water supply and sanitation (WSS) sector has been limited by the lack of investment in water and sanitation facilities. The government's annual investment in water and sanitation is PHP 2-4 billion (roughly US$37.5 million-75 million) per year; however, according to estimates, investment should be PHP 14-16 billion per year (roughly US$262.6 million-300 million).[34] Microfinance institutions (MFIs) in the country are providing small business loans for poor households – mainly for productive purposes (e.g. for rice growing, vegetable agriculture, for running a grocery shop, small eateries, small shops, etc.). Livelihood financing is their main focus and specialization, thus neglecting clients' basic needs. Indeed, clients often have no water and toilet facilities in their houses, negatively affecting their health and their ability to repay regular loans.

Water.Org in the Philippines

Water.Org Philippines established a Representative Office in 2014, with a team of 12 full-time staff as of July 2018. Water.org Philippines was created with the support of the Geographic Expansion NVF innovation, which also enabled implementation of the WaterConnect intervention (see Exhibit V.1). At the same time, a Market Research study was financed in 2014 by the NVF and the IKEA Foundation, to complete a landscaping study of utility companies in the Philippines. This study gave rise to the testing of the WaterConnect model in 2016 with an NVF innovation.

Several NVF innovations contributed to the growth of Water.org operations in the country. 'Geographic Expansion' was funded in 2012, and further research was completed in 2014 with a Pipeline development NVF innovation. This allowed for exploratory trips to the Philippines, the expansion of WaterCredit program into the Philippines, and securing restricted funds for expansion into the Philippines. The Market Research – Indonesia – IKEA innovation in 2014 included two components: 1 – identifying potential water service providers to partner with and; 2 – developing pipeline capacity. This NVF innovation was about researching and exploring 'expanded service coverage' in urban and peri-urban communities by water utilities. The WaterCredit Pipeline Development Project 2014 enabled the securing of restricted funding for Philippines expansion (by the Swiss Re Foundation). Another WaterCredit Pipeline Development 2015 innovation was used to "contract services" for "support for pipeline development activities in Cambodia and the Philippines".

Exhibit V.1 NVF innovations in the Philippines

YEAR	PROJECT NAME	INNOVATION CATEGORY	BUDGET	BUDGET SPENT
2013	Geographic Expansion	Core		US$77,023
2014	WaterCredit Pipeline Development	Core		US$31,869
2014	Market Research - Indonesia - IKEA	Core	US$144,376	US$1,742
2015	WaterCredit Pipeline Development	Core		US$105,943
2016	Philippines Utilities Strategy Development	Adjacent	US$78,186	US$72,098
2017	Philippines Water Utilities Pilot	Adjacent	US$89,995	US$89,339

[34] Idem.

In 2016, the NVF was used for the Philippines Utilities Strategy Development. This was a research and development innovation for building partnerships and strategies for water services providers. This landscaping study, completed by the consulting company WaterLinks, identified Laguna AAA Water Company (LAWC) utility as having a strong potential for partnership with Water.org Philippines for WaterConnect.

In 2017, the Philippines Water Utilities Pilot focused on the development of Alternative Channels with water utilities in the Philippines. Finally, although Water.org Philippines requested NVF support for the Philippines Sanitation WSS Supply Chain, the request for funding was refused. This proposal focused on the supply chain to facilitate low cost toilets by educating entrepreneurs and MFI loan officers. During the evaluation mission, this type of project was described by the country office staff as still being relevant and as needing NVF-type financing.

Relevance

Relevance – Government Priorities

The NVF facilitated Water.org's ability to align with the government's priority, and the water utilities' responsibility, to provide water services to the base of the pyramid (BOP). In the Philippines, when a private water utility is awarded a contract from the government, they are obligated to fulfill requirements to provide water services to all households in the catchment area. However, these utilities have had a history of 'ignoring' areas where BOP live. The WaterConnect innovation was aligned with this need to service the BOP and thus responded to both government priorities as well as water utility responsibilities.

Relevance to Water.org

Work in the Philippines aligned directly with Water.org's expansion strategy. The establishment of Water.org Philippines was a direct result of an NVF innovation that aimed at expanding WaterCredit core activities into new geographies. Further to Water.org Philippines, Water.org's expansion into the Philippines included an adjacent NVF innovation, whereby Water.org Philippines was applying something new to a new area. The WaterConnect innovation was developing quickly in Indonesia, and South East Asian regional managers took advantage of this momentum to develop this Alternative Channel in the Philippines.

Relevance – Partners

Through the WaterConnect NVF innovation, Water.org Philippines partnered with the LAWC to respond to some of their key challenges in the provision of service to urban slum territories. Key challenges included: 1 – infrastructure or piping issues in difficult to reach urban slums; 2 – common indifference toward clean water in poor households; and 3 – lack of financial means among poor households to pay for water connection fees. As described by one stakeholder, the "impetus and main motivation of LAWC to work with Water.org were to enable LAWC to reach out to BOP households, such that LAWC could increase its service coverage ratio." Through the NVF, Water.org aligned with the needs of LAWC by: 1 – working within the urban slum residents in partnership with LAWC, to create demand for water services in BOP populations (i.e. outreach, health education); 2 – providing practical knowledge on how to make connections more affordable with a 'community organization model' (i.e. water associations) through economies of scale, and; 3 – educating BOP on financing options and linking them to MFIs where they could get a loan.

The WaterCredit innovation was also aligned with the needs of MFIs. The majority of MFIs had been providing livelihood loans, but not WSS loans. Participating in the WaterCredit intervention was described

by respondents as relevant to these MFIs because "many times the client has no water and toilet facility in her house and that affects their health and their ability to repay back their regular loans".[35] Furthermore, "(t)he primary benefit to (our partner) MFIs is that they get high quality technical assistance, training and mentoring on how to design, deliver and roll out a new financial product. It lessens the cost of product development. When they disbursed several thousand loans, then the loan product becomes profitable to the organizations, especially because the PAR is low."[36] Interviews held with the LAWC and the two MFIs confirmed these mutual benefits derived from the Laguna WaterConnect intervention of Water.org. ASA Philippines, an MFI, confirmed that its involvement with Water.org Philippines facilitated a relationship with UNICEF, which was currently being strengthened based upon a current scheme for low cost toilets.

The interest of the MFI, ASA Philippines, to partner with a private utility was uncertain however. The two partners had a distinct vision of their mutual advantage and risk. ASA viewed the private water utility – LAWC – as having disproportionate advantages. According to a respondent "they (LAWC) had all the gains, yet ASA had all the risks".

Relevance – BOP Beneficiaries

The design of the NVF WaterConnect innovation responded to the interests of household members by providing access to loans for installing a reliable quality water connection. However, a field visit to the urban slum permitted the observation that many households were without closed sanitation facilities. This is problematic as 'open' sludge can contaminate the water. Further, in Laguna, open defecation is problematic. The WaterConnect NVF innovation in Laguna urban slums was not designed to respond to sanitation needs.

Effectiveness

The expansion of WaterCredit resulted in the establishment of partnerships for Water.org with 8 MFIs. The effectiveness of the 8 MFI partnerships was explained by Water.org Philippines in terms of the outreach potential, whereby these MFIs "employ thousands of employees on the ground to reach out to many people all over the country." "More than 14,000 MFI people are working every day to extend small loans to poor households. So, the aggregate combined outreach is large", according to Water.org documents.[37] Altogether, these MFIs have more than 1,600 branches, through which more than 495,000 WSS loans (4.2 billion pesos, roughly U$79 million) have been disbursed and 2.1 million people as of June 2018 have gained access to water and sanitation services.

This achievement was also demonstrated in terms of the memorandum of understanding (MoU) signed between Water.org Philippines and ASA Philippines, which is one of the biggest MFIs in the country. The partnership with ASA Philippines alone was associated with reaching "more than 1 million poor Filipinos who availed of the WSS finance or WaterCredit loans of ASA Philippines", explained one key stakeholder.

The WaterConnect innovation resulted in a partnership with one water utility and 3 MFIs. The water utility NVF innovations successfully tested and refined the 'community organizing' model (i.e. creating water associations, demand generation through community education). It further transferred the 'community organizing' model to a water utility with subsequent 'buy-in' by a water utility.

[35] Water.org (2018). The Role of Microfinance Organizations in Enabling the Poor to Gain Access to Water and Sanitation Services. July, 2018

[36] Idem.

[37] Idem.

In terms of water connections, Laguna WaterConnect achieved about 30% of its objectives. The aim was for 1,500 new connections, and as of August 17, 2017, 247 new connections were made (16% of main goal, 10% of stretch goal[38]). In total, 55 loans were financed by ASA Philippines, 24 financed by the MFI, TSKI, and 168 self-financed or financed by LAWC alone. At the end of FY2017 – September 2017 – the results from Laguna WaterConnect, included: 2,068 people reached, and US$59,099 capital mobilized. Profits to LAWC from the WaterConnect project were unknown as LAWC does not share financial statements or results with Water.org Philippines.

The WaterConnect innovation further resulted in expanding and establishing new partners across a range of sectors, including the municipality, provincial governments, water utility association at the national level, sanitation supply chain stakeholders and UNICEF. Further, WaterConnect was successfully scaled into two new geographies in the Philippines: Calasiao WaterConnect and Palawan WaterConnect (Narra Water Supply System – NWSS). These projects further resulted in support from two restricted funds (i.e. Lord family and a second Caterpillar grant).

At the end of June 2018 – FY2018, the cumulative results across Laguna, Calasiao and NWSS included: 20,342 people reached, and US$297,420 capital mobilized. Revenues to government regulated water utility in the Municipality of Narra, Palawan has increased as a result of Water.org.In 2016, prior to the partnership with Water.org Philippines, the monthly revenues of Narra ranged from 400,000 pesos to 700,000 pesos (about US$8,500-15,000). Presently, monthly revenues are ranging from 850,000 pesos to 1.2 million pesos (about US$16,000-22,500), which is a very substantial increase in average monthly revenues.

Some unintended results from WaterConnect included: 1 – better image overall of LAWC to the community; 2 – women's active participation in water associations and 3 – the LAWC identified dedicated contractors which focused on rapid water connection work among other infrastructure issues.

Of note, gender equality was considered with regard to: 1 – women's strong participation in the village water associations; 2 – women participated in such associations actively and; 3 – women's reduced physical effort and time spent on water fetching. Observations further revealed that women benefited directly from the Laguna water project, in terms of facilitating a small food business and enhancing dignity.

Hindering and Enabling Factors

In hindsight, Water.org Philippines staff perceived themselves as being relatively unprepared to work with the Philippines utility. They had anticipated similarities with the Indonesia water utilities with regard to the utilities' organizational capacities for demand generation and had expected their role would be to provide technical assistance. However, in response to these limited capacities, Water.org developed and implemented a new model, which delayed implementation. Limited capacities with regard to demand generation remained a challenge within LAWC.

Several other factors external to Water.org resulted in delays. For instance, insufficient consideration regarding the importance of the buy-in and cooperation of the village leaders negatively influenced the advancement of Water.org efforts at demand generation. This, combined with a negative image of the water utility among some members of the target community, caused some unexpected difficulties.

Additional delays occurred because "(o)ne MFI, ASA Philippines, suddenly made a Board-level decision to disengage from MoUs or partnership where the loans obtained by ASA clients benefit a private

[38] Water.org Philippines highlighted that these goals were set without sufficient knowledge of "what Water.org Philippines was getting into". There was no prior experience upon which to set these goals. Indeed, the need for prior knowledge when setting objectives of this nature was absent.

commercial company". The staff at Water.org Philippines played a mediating role between the LAWC and ASA to educate the ASA that the utility did subsidize BOP connections. While Water.org Philippines disagreed with ASA's decision, the partnership between ASA and LAWC dissolved.

As a result, ASA no longer approved loans to households and the number of connections was reduced. This also caused delays as many BOP householders were no longer eligible to receive a loan. Water.org Philippines reacted to this unexpected issue by: 1 – recruiting two new MFIs and; 2 – lobbying the water utility to re-initiate an Installment Program, which eventually resulted in those households not eligible for MFI to qualify for a "privilege to avail of the water utility's Installment Program", as explained by one key stakeholder.

Sustainability and Scalability

An exit strategy became an increasingly important component of LAWC. Currently, there is an exit strategy in the Collaboration and Services Agreement (CSA) between Water.org Philippines and the LAWC. This agreement incorporates key monitoring elements that trace how the utility is advancing to sustain their services to the BOP in partnership with the MFIs. Challenges still prevail; although LAWC has committed to this agreement, the availability of resources and capacity to implement the community organizing model remain uncertain.

Water.org Philippines is going to sign a Level 2 MoU with the Provincial Government of Palawan to assist 10 Local Government Unit (LGU)-run utilities. Water.org Philippines will be providing training with the aim of integrating learning into the operations and policies of the LGU-managed water utilities. This is evidence that system level change is beginning to appear as a result of the NVF-funded Laguna WaterConnect innovation.

Indeed, scale-up has clearly resulted from the NVF WaterConnect innovation. The Laguna project permitted a demonstration that this approach could work. Two new geographies - Calasiao WaterConnect and Palawan WaterConnect (NWSS) - are now implementing WaterConnect with the support of unrestricted (i.e. SIF) and restricted grants (Lord family and CATII).

Lessons learned and Conclusions

As previously identified, Water.org paid insufficient attention to village and municipal leaders during the design and implementation of the NVF. These actors influence both the viability and the sustainability of the WaterConnect intervention. Entering into relationship with these actors was later recognized by Water.org as essential due to the WSS mandate of the municipality. In this regard, Water.org recognized that it had neglected an opportunity to influence policies at the municipal level, as well as to engage with water utility officials and health workers, who should have been brought in earlier in the planning.

Water.org further recognized there was room for a deeper knowledge regarding the policies and practices of the MFI and the water utility before consolidating partnership. Not all utilities have the capacities needed to reach out and create demand in BOP populations (because of this, a key learning was the need for an exit strategy within the cooperation – or collaboration - service agreement). Furthermore, as Water.org learned later in the process, utilities may not have a positive image within a particular territory and not all MFIs want to work with private utilities due to their perception of risk/gain. Here, there was a missed opportunity to enter into relationship with a complementary aim of educating MFIs about the operations and obligations of private utilities– particularly in terms of the social investments to which they are held accountable.

Finally, in terms of knowledge sharing and knowledge management, Water.org expressed a need to have been better informed. They said they did not get the technical support they needed: "if someone was giving us advice, it would have resolved a lot of issues more quickly". Water.org Philippines felt this

knowledge should be available from Water.Org Headquarters. They also commented that they would have needed advice on how to fix targets that were more modest when doing something for the first time. Targets set were not achievable. Similarly, in terms of sharing knowledge, Water.org Philippines stated that during the NVF "we were not asked or required to share our learning to the monitoring, evaluation and learning (MEL) team … my suggestion is that we should have been required to submit lessons learned".

Exhibit V.2 Stakeholders Interviewed

NAME	TITLE	ORGANIZATION
Carlos Ani	Country Office Director	Water.org
Mr. Cel	Territorial Manager	Laguna Water Utility
Christian Erl Abella	Project Facilitator	Water.org
Desiree Goto	Financial Manager	ASHI
Dick Pajarillo	Chief Operating Officer	Water.org
Edgar Morbos	Program Manager and WASH Specialist	Water.org
Mr. Eunice	Technical Manager	Laguna Water Utility
Harold Olivar	Project Facilitator	Water.org
Julie Iligan	Deputy Director ASA Philippines	ASA
Khunapong Khunaraksa	Portfolio Manager, Southeast Asia	Water.org
Mr. MJ	Territorial Manager	Laguna Water Utility
One Meg	Territorial Manager	Laguna Water Utility
Sol Ariel Lozano	Project Facilitator	Water.org
Sol Teresita Dimayuga	Unit Manager for Compliance and External Affairs	Laguna Water Utility

Documents consulted

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Appendix VI Country Case Study: Bangladesh

Introduction

On behalf of the evaluation team, Dr. Archi Rastogi undertook a virtual field mission to Bangladesh during September 2018.

This case study was prepared in the context of a learning-oriented evaluation of Water.org's New Ventures Fund (NVF) commissioned by the C&A Foundation in 2018. It is based on document review and a virtual field mission undertaken by the evaluation team to engage with key stakeholders in the country. The case study examines the NVF's relevance, effectiveness, sustainability and scalability.[39] It is one of six case studies undertaken for this evaluation. Each case study, while a standalone document, was developed to inform the overall evaluation report and is included as an Appendix to the main study document.

Country WSS Context

Bangladesh is located in the delta of major Himalayan rivers, and is vulnerable to frequent flooding and cyclones, besides the effects of change in climatic patterns, including rising sea levels, displaced populations and increased vulnerability. In this vulnerable context, Bangladesh has a population of 160 million sharing a surface of only 57,000 square miles. According to World Bank WASH Poverty Diagnostics, Bangladesh has made strategic improvements in water and sanitation access, with a 20-percentage point gain in water access and a 29-percentage point gain in sanitation access between 1990-2015. However, the major WSS challenges facing Bangladesh are its magnitude and quality.

According to the Endline Evaluation of the WaterCredit Program, "more than 4.3 million people lack access to safe water, and a staggering 85.3 million people lack access to improved sanitation […] Around 40% of the sanitation facility used in the country are 'unimproved', which also includes open defecation".[40] The World Bank WASH Poverty Diagnostics states: "Most Bangladeshis rely on rudimentary water and sanitation technologies that cannot be effortlessly accessed or guaranteed safe and sustainable in the long run".[41] Although groundwater is the major source of water supply for drinking and agriculture, it faces issues like contamination. The sewer system faces critical shortcomings, reaching only 18% of the population of Dhaka – and no other areas. The piped water supply system is similar, reaching only one-third of the urban population. Key factors behind Bangladesh's WSS situation are limited access to financing options for households, weak regulation, limited government involvement and oversight as well as lack of private sector participation.

Water.org in Bangladesh

In this light, the McKinsey study of 2014, undertaken with the support of the NVF identified Bangladesh as one of the priority countries, with a high ease of doing business, a high volume of water supply and sanitation (WSS) needs, and a large presence of microfinance institutions (MFIs) and finance institutions (FIs). The study identified that the potential impact of WaterCredit in Bangladesh would be to a population

[39] The efficiency of the NVF overall is discussed in the main report of this study.

[40] A2F Consulting and M-CRIL, 2018, p.10.

[41] A2F Consulting and M-CRIL, 2018, p.1.

of 68 million people, many of which lived in the US$1.25-US$2/day income range, the primary target of Water.org.

In 2016, Water.org established a country office in Dhaka, Bangladesh. In 2017, the NVF further supported Water.org in Bangladesh with one Adjacent innovation titled, Bangladesh Alt Channel + Capital Development (see Exhibit VI.1). As a result of this support, the nascent country team organized an Integrated Consulting Team (ICT), to draft a Strategic Framework for Country Operations 2018-2022. This study was undertaken with a small team of external consultants and members of the country team.

Exhibit VI.1 NVF Innovations in Bangladesh

YEAR	PROJECT NAME	INNOVATION CATEGORY	BUDGET	BUDGET SPENT
2017	Bangladesh Alt Channel + Capital Development	Adjacent	US$84,595	US$72,132

Relevance

As stated earlier, WSS is highly relevant to Bangladesh, and the McKinsey study had identified Bangladesh as a priority geography for WaterCredit. In the same light, the NVF innovation was considered relevant to Bangladesh at several levels:

- **Government Priorities and WSS Sector:** Although Bangladesh has a strong culture of microfinance and a strong focus on WSS, Water.org was the first organization to introduce WSS related microcredit in the country. WSS was a priority sector for the Government of Bangladesh, and the NVF-supported innovation was aligned with the government emphasis on Sustainable Development Goal (SDG) 6.
- **Water.org:** The study undertook the first country specific analysis of the potential of WaterCredit in Bangladesh, with a Strength, Weakness, Opportunity, Threat (SWOT) analysis, Industry analysis, assumptions, and identification of key sector players. In this way, the study was aligned with the country expansion of Water.org. At the time, Water.org had entered Bangladesh but was not yet ready to completely organize the country operations and review its strategy. The NVF-supported study was well aligned with the future direction of Water.org in the country.

Effectiveness

At its most fundamental level, the NVF-supported study was intended to result in the development of a country strategy for Water.org. for the subsequent 3-5 years. The country strategy identified the priority areas at different levels of impact:

- **Level 1:** The country strategy recommended scaling up WaterCredit with existing and new partners and commercial banks, scaling up via non-banking FIs, through payroll processing channels, and supporting them with WaterEquity.
- **Level 2:** At the second impact level of Water.org, the country strategy prioritized to reach people through WaterCredit Adoption, collaboration with partners like the World Bank, Palli Karma-Sahayak Foundation, and development agencies.
- **Level 3:** At the third impact level, the country strategy recommended enabling engagement of stakeholders, policy advocacy with the Prime Minister's Office and the Microfinance Regulatory Authority.

In doing the above, the country strategy document specifically identified priority partners, strategies such as mobile banking and digital finance. The study was effective in that the country strategy was drafted and implemented. However, the contributions of the study were also evident at other levels.

The study was undertaken by the ICT, a group comprising 2 external consultants and 2 staff of Water.org. Further, the study was undertaken in close consultation with the global staff of Water.org. Having been undertaken by an integrated team that worked closely together, the results of the study were closely informed by the country staff and also resulted in capacity development. The study further discussed the potential of remittance as a source of WSS financing, which is currently being explored by Water.org.

Sustainability and Scalability

The NVF-supported study contributed to sustainability in a few ways, related to the WSS Sector broadly in Bangladesh and to Water.org specifically. It validated the presence of Water.org in the country and provided future directions to be pursued by the country team at 3 levels. All of these efforts are targeted at bringing WSS finance to the base of the pyramid (BOP) – an area that was a priority but underdeveloped in Bangladesh.

The study supported by NVF allowed Water.org to direct its efforts, prioritize specific partners, channels, and areas (rural areas were until then under-prioritized). In the identification of specifics, it allowed Water.org to additionally scale up operations and establish firm presence in the country. This further led to the development of future proposals for restricted funding, and the mobilization of additional capital. Although all of these cannot be directly attributed to the NVF-supported study alone, the study can be credited with being a crucial step to set the direction. Further, the development of staff capacity and confidence of the team were unintended contributions to sustainability of Water.org in the country.

The study by itself was not designed to lead to system level changes, and these contributions were not assessed.

Conclusions and Lessons Learned

Although the NVF Dashboard mentions Bangladesh for at least 4 innovations, only one was actually implemented in Bangladesh. Nonetheless, the NVF-supported innovation was important in many ways. It allowed the country team to identify and craft a strategy for the next planning cycle. As an unintended consequence of working with an external team of consultant, the team also grew in its own capacities. In this way, the unrestricted support allowed the country team to make strategic investments that supported the trajectory of country operations. The contribution of the NVF therefore was timely, crucial, and flexible. It allowed the country team to position itself, strategize and go on to prioritize action areas. The contribution of the NVF was irreplaceable, and if NVF support did not exist, it would have to be found through other means.

Exhibit VI.2 Stakeholders Interviewed

NAME	TITLE	ORGANIZATION
Helal Hussain	Senior Portfolio Manager	Swisscontact
Janet Tinsley	Senior Regional Manager, Africa	Water.org
Sajid Amit	Country Director, Bangladesh	Water.org

Documents consulted

- A2F consulting and M-CRIL (2018). Endline Evaluation of the Program- WaterCredit: Catalyzing Access to Safe Drinking Water and Sanitation in Bangladesh. April, 2018
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Appendix VII Country Case Study: Indonesia

Introduction

On behalf of the evaluation team, Dr. Sherri Bisset undertook a virtual field mission with the Water.org Indonesian office in September 2018.

This case study was prepared in the context of a learning-oriented evaluation of Water.org's New Ventures Fund (NVF) commissioned by the C&A Foundation in 2018. It is based on document review and a virtual field mission undertaken by the evaluation team to engage with key stakeholders in the country. The case study examines the NVF's relevance, effectiveness, sustainability and scalability.[42] It is one of six case studies undertaken for this evaluation. Each case study, while a standalone document, was developed to inform the overall evaluation report and is included as an Appendix to the main study document.

Country WSS Context

Through its Medium-Term and National Government Plan (RPJMN), the Government of Indonesia (GoI) has aimed to implement the 100-0-100 program (meaning 100% access to drinking water, 0% urban slums – or there would be no slums any more – and 100% sanitation access) by 2019. Based on 2016 Statistics Indonesia (BPS) data, 71% access to drinking water and 67% access to sanitation had been met by that time. Water supply is higher in urban areas (79.3%) than in rural area (56.2%). Approximately 17.9% of the population accesses water through a piped network and 49.8% through a non-piped network.

According to a UNICEF report published in 2016, "[i]n order for Indonesia to achieve its target of universal access to improved water supply and sanitation services by 2019, the Government needs additional capital expenditures in the order of US$3.1 billion per year for water supply and US$1.4 billion per year for sanitation, in addition to improving the budget utilization rates of existing sector institutions".[43]

Water utilities that service urban and peri-urban areas are referred to as Perusahaan Daerah Air Minum (PDAM). These are publicly owned district-level bodies responsible for providing safe piped water to communities in urban and peri-urban areas in Indonesia. There are approximately 383 PDAMs (1 PDAM/district) in Indonesia. PDAMs aim to provide drinking water to the Ministry of Health standard/requirement and in so doing, improve people's welfare in accordance with the RPJMN. Interestingly, PDAMs also aim to be profitable and to stimulate income generation and economic development in the context of regional development.

Overall, water utility management remains weak in Indonesia. Almost three-quarters of PDAMs (74%) are not achieving Full Cost Recovery and are operating in deficit. Local governments are underfunding municipal water utilities. A 2015 audit of 126 PDAMs revealed a debt of Rp 4.2 trillion (roughly about US$308 million) to the Central Government. Average water loss level is considerably high, nationally at 33%, water pressure in the distribution network is low, and 88% of customers' water quality is in compliance to requirements. The financing of water sector development is further challenged by the commonly-held belief that water is solely regarded as a social good and should therefore not be paid for.

[42] The efficiency of the NVF overall is discussed in the main report of this study.

[43] UNICEF. (2016). Equity in Public Financing of Water, Sanitation and Hygiene (WASH) Indonesia. UNICEF East Asia and Pacific Regional Office. June, 2016.

Water services in rural areas are under the responsibility of Community-based organizations (CBOs) or Rural Water Utility Providers (SPAMS). The terms CBO and SPAMS are used interchangeably and refer to the same entity (herein they will be referred to as SPAMS). SPAMS receive support through a National Program. Since 1993, the Indonesian Government has implemented a National Program, beginning with the Water Supply and Sanitation for Low Income Communities (WSSLIC) Program. This is now known as the Community Based Drinking Water and Sanitation (PAMSIMAS) Program under the Ministry of Public Works and Housing. Through this Program, the Government provides stimulants to the community in rural areas to develop community-based water supply and sanitation systems by building initial infrastructure of clean water and piping systems.

However, most of the existing SPAMS systems serve less than 50% of the villagers, thus exhibiting ample development potential. Technical and financial management of SPAMS is weak, and villagers pay more for water than customers of PDAM. It is not uncommon for water service providers to stop providing water service because of deteriorating water quality, including high alkalinity or high levels of salinity. Equipment failures and inadequate cash balance also result in SPAMS halting water service.

Finally, there is reportedly a very high demand for sanitation microloans among microfinance institutions (MFIs) in Indonesia. The MFIs have taken a variety of different approaches to engage with the sanitation supply chain. For example, some MFIs are directly contracting the construction partners on behalf of clients, while others are empowering clients to select their own contractors. In all cases, there is potential for the further acceleration of the construction of household sanitation facilities were additional support provided to the sanitation supply chains.

Water.org in Indonesia

Water.org entered the Indonesian market in FY2013 with the Geographic expansion NVF innovation (see Exhibit VII.1). This NVF innovation was used to finance market assessments, staff time and in-person country meetings, all of which enabled Water.org to develop a country entry strategy. The NVF contributed to Water.org's ability to obtain restricted funding from Caterpillar and the IKEA Foundation. In FY2014, although an NVF innovation was provided to Indonesia to complete market research, the accessing of restricted funds from Caterpillar and the Ikea Foundation likely explains why such a small proportion of the NVF was spent, amounting to only US$1,742 out of US$144,376.

Water.org operations during 2014 focused on learning how to support municipal utilities, i.e. PDAMs, to scale WSS financing (i.e. deploy WaterCredit) and expand service coverage in urban and peri-urban areas. Beginning in 2014, the deployment of WaterCredit through utilities became known as 'WaterConnect' and operations in Indonesia catalyzed expansion into other markets (i.e. Philippines).

Exhibit VII.1 NVF innovations in Indonesia

YEAR	PROJECT NAME	INNOVATION CATEGORY	BUDGET	BUDGET SPENT
2013	Geographic Expansion: Indonesia	Core		US$8,338
2014	Market Research - Indonesia - IKEA	Core	US$1,742	US$144,376
2015	Pilot PAMSIMAS SPAMS - Indonesia	Adjacent	US$35,309	
2015	Market Research - Indonesia - IKEA	Adjacent	US$104,193	
2016	Indonesia PDAM Pilot	Adjacent		US$104,892
2016	Indonesia Sanitation Supply Chain	Adjacent	US$37,000	US$28,253
2016	Indonesia Capital Mobilization	Core	US$15,000	US$365
2017	Indonesia PDAM Financing	Adjacent	US$149,563	US$149,131

In FY2015, the NVF supported the design, staffing and launch of a pilot program to support rural water access via SPAMS established under the GOI PAMSIMAS initiative. Working alongside the GOI and collaborating with the World Bank's Water and Sanitation Program, Water.org developed and tested a model to further strengthen and expand SPAMS, to increase provision of community level water and sanitation services in rural Indonesia. Key activities included CBO mapping, CBO strengthening, and CBO financing. The NVF funds were primarily used for a portion of the educator/trainer time, one local contract staff, travel, communications, marketing and training materials, and training events.

During the same FY2015, Water.org used the NVF to complete a second market research study, this time advancing the WaterConnect innovation, focusing on urban water and sanitation provided by public utilities. The NVF was used to hire a consulting firm to design a strategy to enable public utilities to expand their overall coverage areas, reach a greater percentage of BOP households in coverage areas, and/or improve their quality of service.

With a full-year of in-depth market research on the Indonesian water utilities sector, as well as a nine-month technical assistance pilot program with eight PDAMs, Water.org determined that WaterConnect was ready for scale. In FY16, Water.org launched WaterConnect programs with two PDAMs. Also, during FY2016, Water.org used the NVF to contract services to research sanitation supply chain bottlenecks. Another NVF innovation, Indonesia Capital Mobilization, was awarded during FY2016 with the intention of supporting Water.org's ability to execute partnerships between external finance institutions (FIs) and MFI partners; however most of this fund was not spent.

Finally, in FY2017, Water.org obtained an NVF innovation for Indonesia PDAM Financing, which aimed to remove existing impediments presented by local authorities that hinder PDAMs from accessing public or private capital. The project included three financing approaches: 1 – create and support collaboration between PDAMs and FIs; 2 – disburse smart subsidies to a selected PDAM to design and offer an installment scheme for new BOP households in targeted communities; and 3 – improve water infrastructure (e.g. expand small distribution network) and serve an increased number of households.

Relevance

In Indonesia, NVF innovations focusing on building technical and financial capacity of water service providers across urban, peri-urban and rural areas were found to be aligned with government priorities, FI interests, Water.org goals and BOP needs. The use of the NVF in Indonesia was described by Water.org country office staff as directly aligned with RPJMN 2015-2019, headed by the Ministry of Public Works and Housing.

In contrast, limitations regarding the relevance of the Sanitation Supply Chain NVF innovation were found. As a capacity building intervention targeting FIs, WSS small and medium-sized enterprises (SMEs) and household beneficiaries, this NVF innovation was not aligned with FI partner interests due to its requirement for a high level of sophisticated technical knowledge regarding sanitation facilities. This innovation was also found to be of less interest to Water.org in terms of their goal to develop WSS solutions that are sustainable and scalable.

Indonesia's water sector policy for universal WSS access is driven by four key platforms of delivery: (i) the Urban Water and Sanitation Program, (ii) the Regional Water and Sanitation Program, (iii) the Platform for Areas of Water Scarcity, and (iv) the community- based rural water supply and sanitation (PAMSIMAS). With the exception of water scarcity, the NVF innovations aligned with each key platform for delivery of the RPJMN.

First, the use of NVF innovations to improve financial opportunities for PDAMs - a major player in municipal water service provision especially at the BOP - was relevant to the Urban Water and Sanitations Program platform for delivery. Relevance was further strengthened by the demand-driven approach used by Water.org to invite interested PDAMS to submit an expression of interest prior to undergoing due diligence. In many cases, public water utilities were characterized as having weak operational efficiencies and insufficient infrastructure due to chronic underfunding. The NVF innovation was used by Water.org to increase the finance opportunities available to urban water suppliers.

Here, two NVF innovations were used to advance sanitation services. The first NVF innovation focused on addressing bottlenecks in the sanitation supply chain and the second NVF innovation was used to apply the WaterCredit model to wastewater utilities. In the former, the NVF was used to design an approach to build the capacity of sanitation manufacturers and contractors, such that FIs could invest and the flow of capital could increase. In the latter, the NVF supported Water.org's work with a state-owned wastewater utility to provide technical assistance and smart subsidies, to help build financial service infrastructure to provide credit for piped wastewater management services to new clients and improve their operations and services to existing clients.

Finally, PAMSIMAS is regarded as the most cost-effective platform for scaling-up to universal access in rural and peri-urban areas where water is available and the community-driven development (CDD) approach is applicable. The NVF support was used to develop Water.org's collaboration with the GoI, to support the continuity and development of SPAMS (and their ability to provide services). This innovation aligned with the GoI investment in the WSS sector by empowering SPAMS providers to be more sustainable, facilitate access to commercial financing and expand services.

Beyond aligning with GoI WSS priorities, the urban, peri-urban and rural WaterConnect interventions were relevant to FIs/Banks as well as to BOP households. FIs have been enabled to develop their existing products and launch sustainable financial products for water and sanitation, thus increasing their portfolios. Furthermore, because FI/Banks also provide financing to households for the construction of new water connections to the existing system, this innovation was aligned with household interests to improve living conditions through access to bank loans.

Effectiveness

The discussion on effectiveness speaks to each of the different NVF-supported innovations.

The WaterConnect (urban and peri-urban utilities) NVF innovations were found to be effective overall. These innovations permitted Water.org to secure restricted funding from the Jochnick Foundation, which allowed Water.org to strengthen its partnerships with 3 water utilities (i.e. PDAMs) and 1 wastewater utility. Likewise, the SPAMS (rural and peri-urban utilities) NVF innovations contributed to Water.org's ability to obtain restricted funding from the IKEA Foundation and in-kind donations from Danone-Aqua. These two sources of support, in addition to the development of an MoU with the Ministry of Public Works to transfer the CBO model into the GoI-lead PAMSIMAS program, have resulted in a growth in the number of anticipated CBO partners from 75 in 2015 to 3,000 in 2020. Partnerships have also expanded to include 12 FIs that provide WSS loans either to SPAMS or to households.

Desired results appear to have been attained by Water.org, with the support of the NVF. For each of the water and wastewater utilities, Water.org successfully: 1 – completed market research to assess demand for services; 2 – created connection between utilities and FIs; 3 – supported the implementation of demand generation promotional materials and activities for utility and MFI partners; 4 – supported utility business and financial plan development; 5 – improved administrative capacity (Business Process, Leadership, Service Excellent, Marketing Strategy, Tari Adjustment, Financial Standard) and staff training and; 6 – supported the acquisition of public financing from local government.

With regard to WaterConnect household connections, results tended to have surpassed targets. For the district of Batang, as of June 30, 2018, the target of 3,436 connections was surpassed by 118% with a total of 2,900 connections. For the District of Jepara, as of June 30, 2018, the target of 3,525 connections was surpassed by 119% with a total of 4,208 connections. For the district of Boyolali, as of June 30, 2018, the target of 500 connections was surpassed by 259%, with a total of 1,276 connections. Across these three PDAMs, a total of 9 US$7,000 WSS loans had been dispersed. However, for the wastewater utility, as of December 31, 2017, the target of 120 services had achieved 25% of targets, with a total of 30 services. There was only a total of US$293 WSS loans disbursed so far.

The aim of the SPAMS NVF innovation similarly was to increase the number of SPAMS with whom Water.org partnered, as well as increases in the number of people reached and WSS loans dispersed. With NVF support, Water.org completed the same partnership process described for water and wastewater urban utilities. This NVF innovation contributed to: 1 – 116,000 people gaining service improvement and household connection (achievement rate of 54% out of a 215,000 target); 2 – 109 loans dispersed by FIs partners to BOP communities (achievement rate of 87% out of a 125-loan target); 3 – IDR 3.3 billion or US$251,000 of total loan principal disbursed by partners and; 4 – 99% loan repayment.

The Sanitation Supply Chain NVF innovation was also found to be effective. This innovation attained milestones regarding: 1 – the delivery of training to sanitation supply chain SMEs (i.e. masons), MFI WSS loan coordinators and experts and; 2 – the development of a set of catalogues and tools to educate beneficiaries (i.e. borrowers), WSS SMEs (i.e. contractors or masons) and MFIs loan officers and other MFI staff. This NVF innovation also identified specific SMEs with whom an investment opportunity was present. Plans to train the trainers (i.e. WASH experts) who would transfer WSS knowledge to loan officers were also implemented as planned.

The approach adopted by Water.org to facilitate and strengthen business-to-business connections contributed to the water utilities' ability to build clientele and advance business, as well as the FIs' ability to offer a new product. This tri-partite partnership with Water.org, water utilities and FIs thus emerged as a promising model. The process implemented by Water.org to identify high-potential utilities and

evaluate their capacities and needs, contributed to the success of these partnerships. Each potential utility went through due diligence processes, and each partner's program was designed to integrate WSS financing fully into their operations.

Hindering and Enabling Factors

Conditions external to Water.org may have limited the number of PDAMs interested in partnering with Water.org. Some key challenges include: 1 – PDAMs are still being operated conservatively, exhibiting a lack of willingness to implement innovative approaches; 2 – PDAMs are government-owned entities, heavily influenced by local politics; 3 – the existence of overlapping regulations has caused different interpretations of roles between PDAM and local institution; 4 – infrastructure (i.e. distribution network) is not established and is not connecting certain low-income communities and; 5 – national regulations on commercial lending to PDAMs are complicated and require multiple stakeholders' approval. This is currently under review, and it is not known if and when changes will be made and come into effect.

On the other hand, several factors contributed positively to the success of the partnerships Water.org was able to develop with PDAMs in Indonesia, including: 1 – the presence of competent PDAM leaders with vision, understanding and know-how on leading PDAMs forward; 2 – the presence of competent, professional employees of PDAM, equipped with high "learning capacity", high motivation and the ability to translate leaders' direction into action.

Sustainability and Scalability

The results of two out of the three NVF innovations have become fully integrated into the operations of Water.org Indonesia. Each of these NVF innovations resulted in the development of a sustainable partnership between water utilities, FIs and government partners. Water.org has an MoU with the Ministry of Public Works to transfer their operational procedures where the Ministry will be taking on the role of training FIs and water utilities, as well as facilitating the relationship between the two.

Conversely, the NVF Sanitation Supply Chain innovation is unsustainable. While technical training workshops were delivered to target audience and technical capacity building materials were developed, this training material was described as being overly sophisticated for the FIs and as being unlikely to be sustained through a formal integration into operational procedures. However, Water.org staff expressed the possibility that a 'lighter' version of this material could be used regularly by FIs. In this respect, it is possible that training and materials developed through the NVF could become integrated into the working knowledge among WSS loan officers to inform their ability to disperse sanitation loans. Still however, how this NVF innovation catalyzed an increase in WSS loans to SMEs was not followed and the potential for scalability for WSS loans to SMEs is not known.

Conclusions and Lessons Learned

The NVF permitted the development of the WaterConnect in 2 out of 14 operating countries. The NVF was important to the development of this relatively young (3 years in Indonesia) innovation as it allowed a quick adaptation of working procedures according to the profile of water utilities (e.g. when one tool did not fit all utilities, and new tools needed to be developed). It further allowed Water.org in Indonesia to pivot quickly and respond to an opportunity to strengthen partnership with government actors. In a similar respect, the experience of sharing results and transferring know-how with the Water.org office in Philippines reinforced the need to proceed with caution and to resist assuming that procedures in one country can be applied to another. Tailoring WaterConnect to country specifics is essential.

The importance of the NVF to permit the completion of a utility landscaping study with quick turnaround where results from these studies were used in a short period of time was key to selecting appropriate partners. Further, the need to have formalized engagement from utilities and FIs prior to launching a pilot

test was understood. The NVF also permitted the Water.org office to develop the expertise and skills of team members which were needed for successful partnerships. Finally, although WaterConnect was found to be a cost-efficient model, utility infrastructure improvement and expansion financing can be anticipated to produce greater impacts than household level financing.

Exhibit VII.2 Stakeholders Interviewed

NAME	TITLE	ORGANIZATION
Dwinita Wulandini	Program Manager, PDAM Program Initiative	Water.org
Eva Taravilla	Senior Regional Manager, Southeast Asia	Water.org
Kiki Tazkiyah	WaterCredit Program Manager	Water.org
Rachmad Hidayad	Senior Program Manager, acting Chief Representative of Water.org Indonesia Office	Water.org

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Appendix VIII Country Case Study: Kenya

Introduction

On behalf of the evaluation team, Ms. Sherri Bisset undertook a virtual field mission with Kenya from 9-13 September 2018.

This case study was prepared in the context of a learning-oriented evaluation of Water.org's New Ventures Fund (NVF) commissioned by the C&A Foundation in 2018. It is based on document review and a virtual field mission undertaken by the evaluation team to engage with key stakeholders in the country. The case study examines the NVF's relevance, effectiveness, sustainability and scalability.[44] It is one of six case studies undertaken for this evaluation. Each case study, while a standalone document, was developed to inform the overall evaluation report and is included as an Appendix to the main study document.

Country WSS Context

The End-of-Program Evaluation Report for the WaterCredit Initiative in Kenya and Uganda (2015) stated that 37% of the total Kenyan population relied on unimproved water sources, such as ponds, shallow wells and rivers. This translates into more than 16 million people using unimproved water sources and 30 million people using unimproved sanitation facilities. The situation is poorer in rural areas compared to urban areas, where 18% and 43% of the urban and rural populations, respectively, do not have access to an improved source of water. In sanitation, 70% of the population in Kenya lack access to improved sanitation facilities. Lack of sanitation does not differ between rural and urban areas. As many as 13% of Kenyan people still practiced open defecation in 2015.[45]

In 2002, Kenya passed a Water Act and created a Ministry of Water and Irrigation (MWI) to consolidate water resources, policy, and sector monitoring, while devolving service provision responsibilities to local water operators. Kenya also created seven regional Water Regulatory Services Boards (WSB) to regulate water and sanitation. The WSBs delegate service provision to local operators, including community groups, non-governmental organizations (NGOs), or autonomous entities like utilities established by local governments.

There are considerable gaps in funding to water supply and sanitation (WSS) services in Kenya. Public investment in water supply and sanitation remains low, estimated at 0.2% of the Gross Domestic Product (GDP). In contrast, the Ethikwini Declaration Commitment is of at least 0.5% GDP, and the World Health Organization (WHO) recommends 0.9% GDP. The multi-donor Water Service Trust Fund (WSTF) is equally underfunded. The Ministry of Water Strategic Plan for 2009–2012 estimated the water service financing deficit at over Ksh. 220 billion or roughly US$2.7 billion.[46] The Kenyan government thus encourages private investment in the supply of water and sanitation. Several initiatives have been taken by various governments to encourage private sector participation. Governments also encourage funding to households and institutions from the finance institutions (FIs).

[44] The efficiency of the NVF overall is discussed in the main report of this study.

[45] Prime M2i Consulting Pvt Ltd (2015). End-of-Program Evaluation Report – The WaterCredit Initiative in Kenya and Uganda, p.79.

[46] MicroSave Consulting Limited. Alternative Channels for WASH Financing: Assessment in Kenya, p. 3.

Sanitation in Kenya is less malleable to finance solutions. Unlike water, where finance was a major bottleneck, sanitation faces challenges beyond finance. Demand for sanitation services is much weaker than demand for water services. According to the End-of-Program Evaluation Report for the WaterCredit Initiative in Kenya and Uganda, "it appears that there is a greater need for collaboration of FIs to work along with other agencies that could create demand and could also work towards strengthening the supply chain". [47]

Water.org in Kenya

Water.org first invested in WaterCredit programs in Kenya starting in 2005.[48] The initial model involved partnering with NGOs to facilitate the creation of community-based organizations (CBOs) capable of borrowing micro-project capital to construct, maintain, and collect fees for community water kiosks. Water.org loaned its partners the capital. "Although Water.org reached more than 28,000 people with this CBO-structured pilot, it elected to discontinue this model due to a number of factors, including execution risk".[49] Following the learning of this experience, in addition to learning from the self-help groups (SHGs) model in India, Water.org applied for a grant from the MasterCard Foundation (MCF) in 2010 to implement a modified WaterCredit model. In contrast to the previous model, Water.org would no longer play the role of a lender; instead, Water.org aimed to catalyze the interest of MFIs to lend into the WSS sector through the use of "smart subsidies," which subsidized the start-up costs of the MFI.

The MCF grant (2010-2015) allowed Water.org to implement the new WaterCredit with four FI partners in Kenya and three FI partners in Uganda. This was the first WaterCredit project of Water.org in Africa. During this period, almost 20,000 loans were disbursed totaling US$10.2 million, and providing access to water and sanitation to more than 140,000 people.[50] Water.org staff also became involved in forums organized by various WSS stakeholders and became a member of Kenya's Ministry of Health's Interagency Coordination Committee (ICC). ICC is an apex coordination committee comprised of WSS NGOs, the World Bank and the Ministry of Water. It has been suggested that there is potential for Water.org's to play a larger role in the WSS sector to encourage more partner FIs to become involved with WSS finance.[51]

In 2012, drawing on the NVF, Water.org began exploring possibilities for expanding channels (see Exhibit VIII.1). Kenya was one among several regions where this initiative was targeted. At this time, Water.org was exploring the possibility of partnering with water utilities and successfully obtained the interest of the International Finance Corporation (IFC) and the World Bank to develop these partnerships. This did not launch in Kenya, however, due to lag from the IFC and the World Bank in completing feasibility studies.

[47] Prime M2i Consulting Pvt Ltd (2015). End-of-Program Evaluation Report – The WaterCredit Initiative in Kenya and Uganda, pp.79-80.

[48] Water.org (2010). WaterCredit: A Water and Sanitation Microfinance Initiative – A Proposal to The MasterCard Foundation.

[49] Idem, p.6.

[50] MicroSave Consulting Limited (2015). Alternative Channels for Wash Financing Assessment in Kenya, p. 2.

[51] Idem, p. 26.

ExhibitVIII.1 NVF innovations in Kenya

YEAR	PROJECT NAME	INNOVATION CATEGORY	BUDGET	BUDGET SPENT
2012	Channel Expansion: Utilities	Adjacent	US$25,233	US$15,968
2015	Channel Expansion - Beyond Financial Institutions	Adjacent	US$110,939	
2016	Kenya Alternate Channels Pilot	Adjacent	US$100,000	US$112,580
2017	Kenya Alternate Channels Program Launch	Adjacent	US$182,737	US$243,010

In 2015, the NVF Channel expansion – beyond FIs was launched in several countries, including Kenya. Water.org hired a research firm to explore five Alternative Channels outside of MFIs, including, digital financial services (DFS), FIs, water service providers (WSPs), county governments and product manufacturers.

In 2016 and 2017, the Water.org office in Kenya implemented two successive NVFs innovations. The first NVF innovation, Kenya Alternative Channels Pilot, supported 2 commercial banks to complete market demand studies and concluded that DFS could offer significant opportunities for water and sanitation lending. The second NVF innovation, Kenya Alternative Channel Launch, launched the DFS pilot with Equity Bank in Kenya and continued research to confirm that DFS could incentivize existing partners to offer WSS financing. Knowledge generated from this experience in Kenya informed designing digital finance opportunities for Bangladesh, India, Peru and other countries.

Relevance

The Kenyan government is primarily responsible for assuring that all Kenyans have access to safe and reliable WSS; water is a basic human right and also a Sustainable Development Goal (SDG) 6. However, the government does not have sufficient capital in the WSS sector and thus needs the financial sector's support to meeting these challenges. In this respect, by scaling WaterCredit and building Alternative Channels for WSS financing, through the NVF innovations, "Water.org is charting out new ways to bring this support that address some of the key limitations in the WSS system", as explained by one stakeholder.

In Kenya, the base of pyramid (BOP) population is understood to be stratified, such that all poor people are "not equally poor," as stated during an interview. The government responds to the very poorest through a subsidy-based approach, while others at the BOP meet their needs through WSS loans where they qualify. Indeed, through the support provided by the NVF, Water.org Kenya developed a partnership with a commercial bank, which developed WSS loans. These loans became available to a broad spectrum of clients, from groups (through group loans) to low income earners, through small and medium-sized enterprises (SMEs) and to corporate actors. Thus, through the NVF innovation, BOP actors accessed different means of securing affordable water connections. Moreover, while the Family Bank provides very few household loans, they act as a guardian to the interests of BOP populations by requiring WSP clients to complete feasibility studies that demonstrate how their projects would reach pro-poor catchment areas.

Strengthening business-to-business connections was also prioritized through the Alternative Channels NVF innovation, whereby Banks developed a WSS loan product for SMEs. Loans to SMEs were described as being of interest to SMEs, commercial banks and BOP customers. Such loans were designed to help SMEs advance a bid or purchase equipment, thereby building their asset base. For banks, this is very much in their interest, which is of moving micro clients to a category of client that is less risky – i.e. a client that has collateral. BOP customers' interests are advanced with the lowering of costs for WSS services and products when they take a loan and do business with an SME endorsed by a Bank.

Both respondents from the Equity and Family Banks described the Banks' interests in WSS loans in terms of both social impact and financial profit. Livelihood investment was part of the Family Bank's mandate. The very low default on WSS loans was described as being favorable for the 'asset book' of both Banks. The Family Bank tended to provide larger WSS SME and corporate loans whereas, the Equity Bank provided smaller loans but to a larger number of clients. Both approaches were associated with an interesting profit for the Banks.

The DFS's relevance is seen in terms of the sizable increase in the number of new digital bank accounts. At the household level, applications can be completed online through the application. Clients do not have to come in from remote towns and villages to fill out their applications, which saves time and money, and is flexible. For FIs, such a digital solution also cuts the transaction costs to the lenders.

Effectiveness

The NVF was successful in launching the following three new WaterCredit Alternative Channels in Kenya: 1) DFS; 2) WSS SME loans and; 3) government water utilities loans. Furthermore, the NVF was used by Water.org with the aim of developing these channels with three commercial bank partners – Family Bank, Kenya Commercial Bank (KCB), and JamboPay. Water.org also aimed to work with the Strategic Alliances team to secure restricted funding for ongoing program implementation.

Bi-annual NVF meeting notes as well as interview data confirm that Water.org successfully developed partnerships with two commercial banks: grant agreements were signed with Family Bank in October 2016 and Equity Bank in June 2016. Due diligence informed Water.org's decision not to move forward with JamboPay. KCB did not respond to Water.org's outreach. Water.org was also found to have successfully launched two Alternative Channels in Kenya: DFS and WSS SMEs loans. The third channel, aiming to connect the utilities with existing commercial bank partners to secure commercial financing, was not successful. Both partners are lending to small businesses and utilities that provide water and sanitation services. To date, these programs enabled 77,136 people to access safe water and/or sanitation.

Results reported in the Bi-annual NVF meeting notes state that as of January 2017, the two banks disbursed 6 DFS household loans and 13 SME loans. Approximately one and a half years later, in August 2018, the number of loans was reported to have significantly increased. In an individual interview, Water.org staff stated that as of August 2018, the Equity Bank alone had disbursed 22,317 WSS loans to households and SMEs, suggesting these Alternative Channel NVF innovations were likely to have long-term impacts.

Each of these NVF Alternative Channel innovations confronted unique challenges. As outlined in the 'Alternative Channels for WASH Financing Report'[52], while the WSP Channel and the County Government Financing Channel provided opportunities, many challenges were present. Interview data explained Water.org's inability to build these channels in terms of the political environment. The political environment (recent elections) and a weak regulatory framework challenged the implementation of the

[52] Ibidem.

water utility loans innovation, as the Bank would not lend to government water utilities due to the potential for political interference.

As a result of the DFS knowledge generated through the NVF, both commercial banks began to develop digital platforms for WSS loans. Challenges with the 'capping' of interest rates made digital finance very risky for Banks because default was relatively high on these types of loans. This resulted in a decrease in the number of loans that were given because the bank placed restrictions which made it difficult for people to access loans. The consequences of defaulting on a loan in Kenya, whereby it becomes very challenging to access a loan following a default, also acts as a deterrent.

In addition, logistical issues related to coding WSS loans for appropriate monitoring caused delays. Presently, the Equity Bank is availing loans through the DFS. The challenge of coding WSS loans also occurred outside of digital platforms. The inability of the Equity Bank to incorporate codes specifically for WSS loans posed challenges to monitoring. This issue was resolved over time.

This NVF innovation, aiming to advance WSS digital finance system was made possible in Kenya because of the high level of cellular telephone use that characterizes the country. The number of potential accounts – bankable customers increased from 2 million to 11 million. The number of borrows that have resulted from DFS is reported to be around 2,000.

Sustainability and scalability

The two commercial bank partners (Family and Equity Bank) describe their WSS loan products as sustainable. This applies to both household and SME WSS loans for Equity Bank and for SME WSS loans for Family Bank. Sustainability is explained by the spokespersons for these FIs in terms of the training that has been presently provided to Credit Officers in both FIs as well as in terms of the existence of a curriculum of WSS loan training for new Credit Officers. The institutionalization of WSS loans also occurred through the implementation of a coding system, which was implemented across each of the 178 Equity Bank branches.

The DFS within the Equity Bank is likely to be sustained. Both Equity Bank and Water.org respondents described the challenges – both regulatory and organizational – that were overcome to fully launch these services. Regulatory issues were overcome through the creation of a subsidiary where laws concerning the capping of interest rates were circumvented. Other challenges based upon the use of coding to allow digital WSS loans to be traced have been resolved. Given that resolving these issues required an important investment for the Bank, it can be expected that digital services will be sustained.

The scalability of the digital financing services to other commercial banks is however less certain. Family Bank has not engaged itself fully with WSS loans to households, including through the DFS. Family Bank disperses few loans to households due to the current regulatory 'capping' conditions which render household BOP WSS as high risk. Sustainability and scalability of SME WSS loans by Family Bank are strong, however, as evidenced by Family Bank's important investment in training human resources. Correspondingly, 166 Family Bank loan officers received SME WSS loan training between May and June 2018. In addition, the Family Bank has rolled out a promotion strategy for these loans across its 93 branches.

In this light, the NVF innovation targeting WSS loans with two commercial banks in Kenya brought about operational changes within two commercial banks that are sustainable and somewhat scalable.

Lessons learned and conclusions

One of the key lessons learned was the important implication the government system had on the financial market. Water.org underestimated the importance of this system both regarding the partnership it tried to establish with FIs as well as with regard to the capping regulations on interest rates. Water.org failed to account for the interdependency between the FIs and the government, which may have been avoided by advocacy and government partnership building.

A similar lack of understanding of context was revealed regarding the potential for developing relationships with government regulated water utilities that operate at the county level. While the NVF Alternative Channels aimed to build a partnership between these water utilities and FIs, the importance of the political environment was not taken into consideration. Here, banks are cautious about making loans to these utilities due to the potential for political interference. As stated by one key stakeholder, "government systems are a challenge to work with. Learning to do systems change can take a lot more time than we expect. And expecting change at the government level is long, you have to be ready to do this for a long period of time. When we went in, we didn't understand this fully, but we do now. It takes a lot of ongoing effort."

Another important challenge to working in Kenya is associated with the difficulty in changing perceptions about the roles and responsibilities of banks. Commonly held beliefs hold that WSS has been the responsibility of the government and that banks did not have a legitimate role in this system. Working to change such perceptions was a more time-consuming endeavor.

Finally, Water.org staff in Kenya shared that the NVF advanced their convictions that: 1 – a market-driven approach was needed to address WSS challenges and; 2 – that Water.org's approach was indeed viable. Respondents recalled that the market-driven approach shifted their planning from the perspective of availability of internal knowledge, capacities or products, to a perspective to respond to market developments and knowledge of how to integrate into these WSS channels. Furthermore, Water.org staff associated the NVF with the development of evidence demonstrating the viability of this approach, which did not follow the common government and NGO channels. The NVF permitted the development of a conviction, grounded in evidence, that bringing private enterprise and commercial banks into the WSS system could be effective and sustainable.

Exhibit VIII.2 Stakeholders Interviewed

NAME	TITLE	ORGANIZATION
Anthony Githinji	Program Manager	Water.org
April Davies	Former Senior Regional Manager, Africa	Water.org
Jaffrson Orenge	Relationship Manager	Family Bank
Janet Tinsley	Senior Regional Manager, Africa	Water.org
Mary Ngunjiri	Chief Operating Officer	Water.org
Raymond Komen	Product Development	Equity Bank

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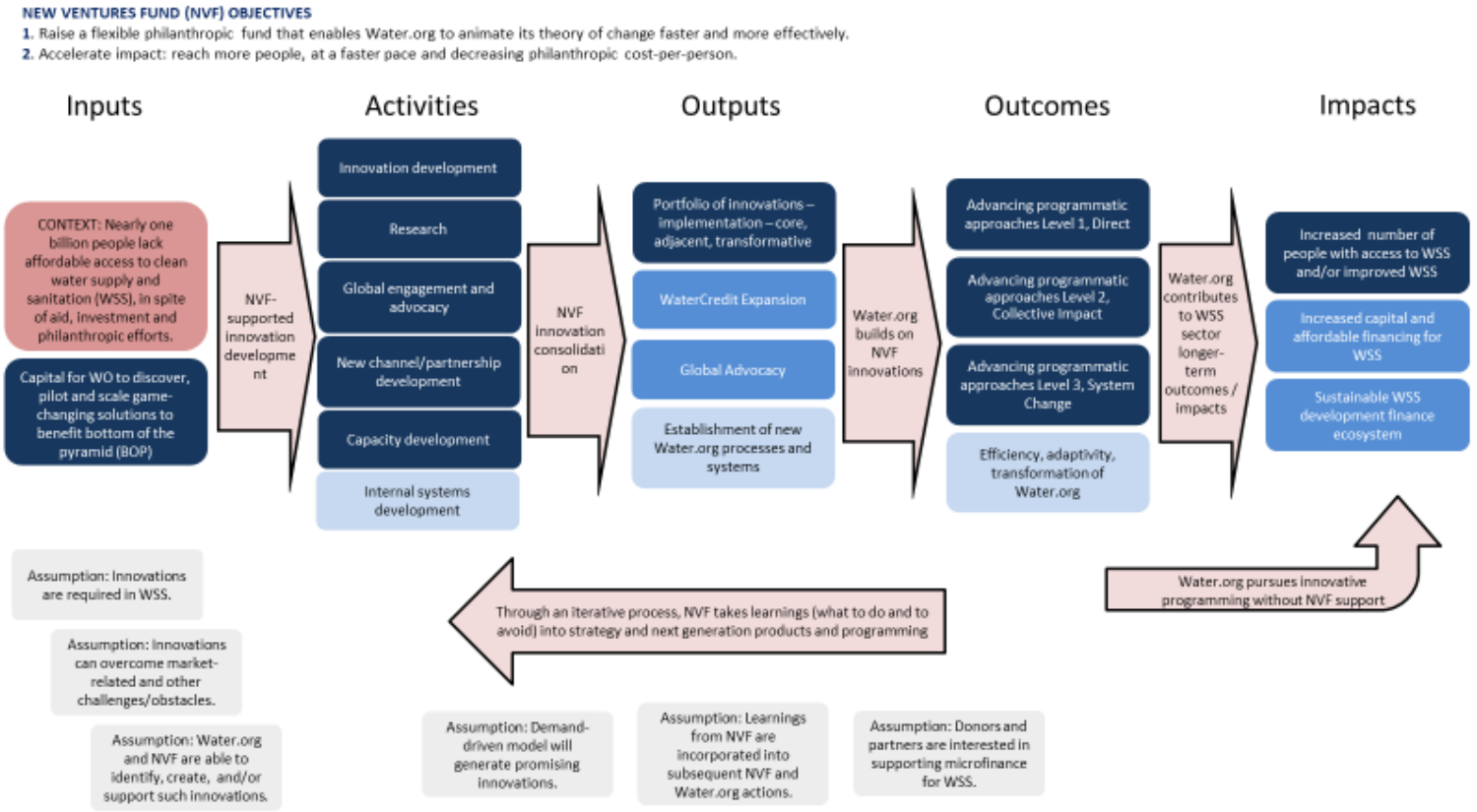
Appendix X Theory of Change

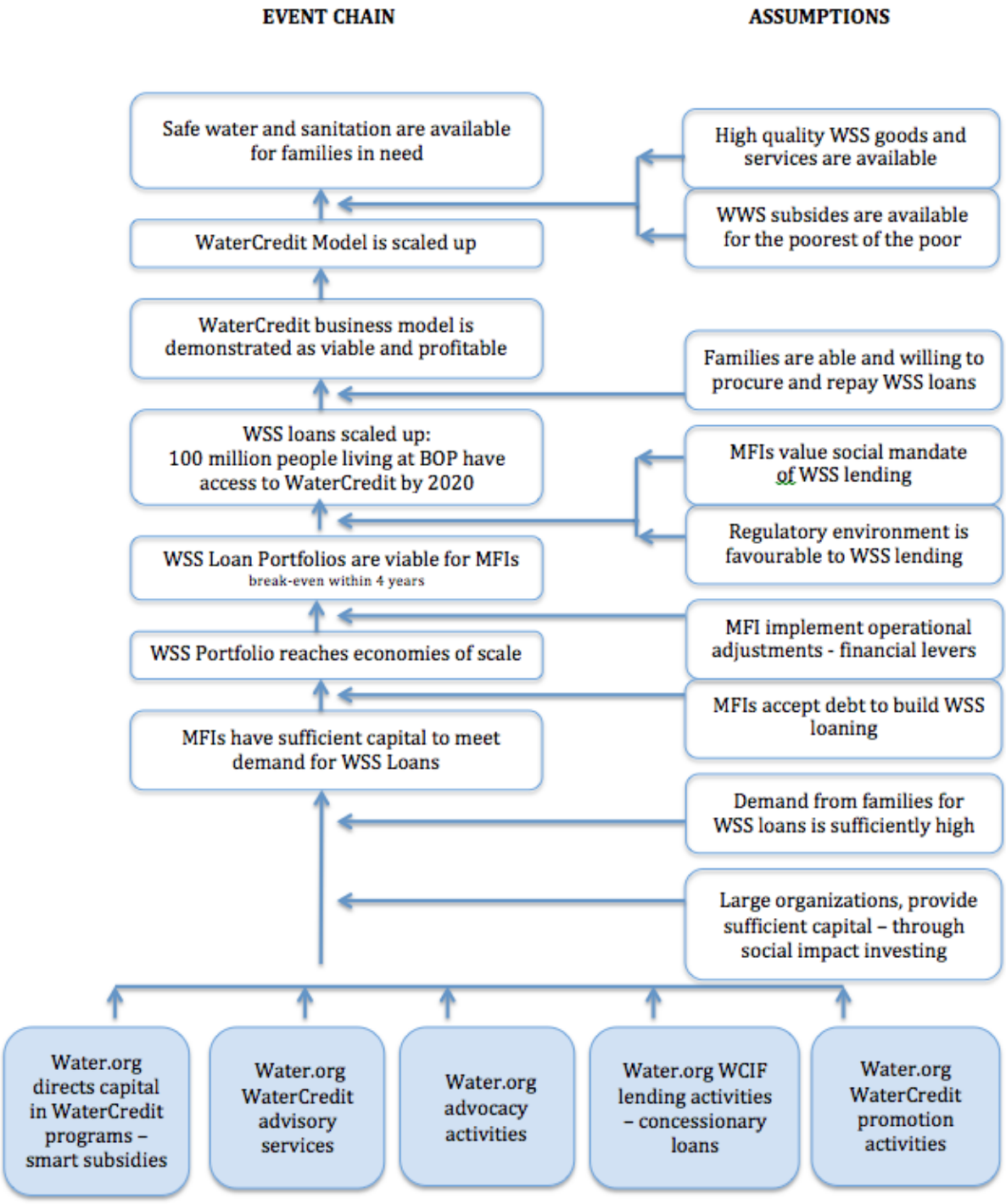
The theory of change for the New Ventures Fund (NVF) below (Exhibit X.1) was reconstructed based on this evaluation. It reflects our understanding of how Water.org has used the NVF to innovate, increase the viability of existing lending, and scale up its existing work. This ToC was tested and strengthened through the contribution analysis.

Exhibit X.1 New Ventures Fund Theory of Change



The above NVF ToC is situated in the overall Water.org ToC, which is recreated below (Exhibit X.2).

Exhibit X.2 Water.org Theory of Change



Appendix XI Evaluation Methodology

Evaluation Approach

Guided by Organisation for Economic Co-operation and Development- Development Assistance Committee (OECD-DAC) Evaluation Standards,[53] the design and conduct of the evaluation was **utilization-focused** and appropriately **participatory** and used a **mixed-methods** approach. This evaluation was framed in a **Contribution Analysis** approach.

Several key factors have informed the evaluation approach and design for this study. Firstly, this evaluation represented a learning opportunity for Water.org to draw lessons and inform future investments. Secondly, the evaluation was theory-based, cognizant that the NVF theory was not simplistic, accounting for innovations that do not necessarily follow a linear pathway. Thirdly, the evaluation aimed to generate insights on contributions made through NVF design and innovation to intended results.

Contribution Analysis

Contribution Analysis was used to assess the "contribution a program is making to observed results".[54] In this study, Contribution Analysis allowed our team to examine and assess the contribution of the NVF to innovations and more broadly to systems change (to the extent possible).

Contribution Analysis typically includes the following steps, which were adapted for this evaluation:

- setting out the attribution problem
- developing the theory of change (ToC)
- gathering existing evidence on ToC
- assembling and assessing the contribution story and challenges
- seeking additional evidence
- revising and further strengthening the contribution story.

Drawing on this framework, the current evaluation of the NVF was rooted in a reconstructed ToC. Already initiated in the inception phase of the study, the evaluation team reconstructed a preliminary ToC, identifying its levels and the assumptions underpinning them (see Appendix X).

Once the evaluation matrix was finalized and inception report accepted, the team collected and examined quantitative and qualitative evidence to test and enrich this theory and identify and ascertain NVF contributions as a driving factor in innovations and to a lesser-extent overall system change (given how recently many innovations have been developed and implemented). Our theory-based approach was used first to identify the different innovation objectives of the NVF, how it pursued them, if and the extent to which significant outcomes were in evidence, and then what contribution the NVF reasonably made to such outcomes. This included a detailed examination of the evaluation objectives above, and the questions identified in the evaluation matrix. To further support this Contribution Analysis, the following additional steps were undertaken:

[53] OECD Development Assistance Committee, *Quality Standards for Development Evaluation. DAC Guidelines and Reference Series*. Secretary-General of the OECD, 2010, accessed on November 15, 2017, available at http://www.oecd.org/development/evaluation/qualitystandards.pdf

[54] Mayne, John, *Contribution analysis: An approach to exploring cause and effect*, ILAC BRIEF16, 2008.

Case Studies

The evaluation included 6 qualitative case studies of innovations. These case studies of innovations were designed to provide in-depth and grounded understanding of the implementation, results, and factors that contributed to, or impeded results. The unit of case study analysis was NVF innovations in the country. The selection of countries and innovations below was based on a purposive sample, which is guided by various criteria including:

- size of Water.org portfolio in the country
- the history of Water.org operations
- countries in two Water.org categories: Higher Opportunity /Lower Risk and Moderate Opportunity /Moderate Risk[55]
- representation of geographic diversity of Water.org operations
- the constellation of partners present in country
- the number of NVF innovations
- the years during which innovations were undertaken
- the categories of innovation[56]
- the overall size of the NVF innovations
- the availability of documentation.

Based on these criteria, 6 countries were selected – all 4 from Higher Opportunity/ Lower Risk, and 2 from Moderate Opportunity/ Moderate Risk. In order to examine these innovations and their contributions to results and systems change, 3 field missions were undertaken to the following countries, closely aligned with specific innovations: India, Peru, and the Philippines. In addition, three case studies were undertaken virtually, comprising Bangladesh, Indonesia and Kenya. The field missions (both in-person and virtual) were selected and will be undertaken to maximize yield of appropriate data for the provision of rich answers to evaluation questions. As a result, the case studies provide in-depth account of close to half the countries where Water.org has offices. Case studies inform the overall Evaluation Report, and individual case study reports are provided in the appendices (Appendix III .

[55] The Document 'FY18 NVF Scorecard: Funding Considera6ons + Methodology' ranks countries in the following 4 categories:

1. Higher Opportunity/Lower Risk: India, Bangladesh, Indonesia, Philippines
2. Moderate Opportunity/Moderate Risk: Cambodia, Kenya, Peru
3. Lower Opportunity/Lower Risk: Brazil, Ghana, Tanzania, Uganda
4. Higher Opportunity/Higher Risk: Ethiopia, Pakistan, Nigeria

[56] NVF investments are placed in one of three categories of innovation:
CORE: "Scaling mature models, mobilizing capital into the sector, and accelerating impact of established initiatives."
ADJACENT: "Supporting relatively new approaches that are in development and/or under refinement. Includes fostering cross-sector exchange and efforts to standardize our models for replication and scale."
TRANSFORMATIVE: "Collaborating with leading institutions across sectors to effect system change—increasing awareness, action and accountability to end the global water and sanitation crisis."

Landscape Analysis

The evaluation team undertook a landscape analysis of 4 other funds that have generated and contributed to innovation, intended to develop an understanding about, and drew lessons from their experience. The following were identified for the landscape analysis: Acumen[57], Kiva[58], Global Innovation Fund[59], and the Competitive Industries and Innovation Program (CIIP)[60] (Exhibit XI.1). These funds were identified from a larger pool of other innovation funds that included: Gates Foundation[61], the World Bank's Development Marketplace[62], and Youth Innovation Fund[63]. The selection was targeted at identifying global funds which are aligned to the NVF in their approach, and specifically other venture capital funds targeted to address global challenges. Thus, the sampling approach was driven to identify funds that support innovation in microfinance and operate at a global level. For instance, the selection criteria removed "innovation funds" that were publicly open competitions to support innovation, and were not found comparable to the NVF, which was designed to provide resources internally, *only* to Water.org staff. Additional criteria included the nature of the funds (representing a diversity of non-profits and multi-donor partnership), diversity of geographic focus, sectors (including poverty alleviation, agriculture, education and others), and potential for data availability. A detailed landscape analysis is included as a separate appendix in the Evaluation Report (Appendix II .

[57] Acumen website, https://acumen.org/

[58] Kiva website, https://www.kiva.org/

[59] Global Innovation Fund website, www.globalinnovation.fund

[60] Competitive Industries and Innovation Program website, https://www.theciip.org/

[61] Bill & Melinda Gates Foundation website, *What we do section*, https://www.gatesfoundation.org/what-we-do

[62] The World Bank, *Development Marketplace 2018: Innovations in Addressing Gender-Based Violence*, April 17, 2018, http://www.worldbank.org/en/events/2018/04/12/development-marketplace-2018-innovations-addressing-gender-based-violence

[63] The World Bank, *Youth Innovation Fund 2015: Empowering young people to translate ideas into jobs*, September 4, 2015, http://www.worldbank.org/en/news/feature/2015/09/04/youth-innovation-fund-2015-empowering-young-people-to-translate-ideas-into-jobs

Exhibit XI.1 Selection of Organizations for Landscape Analysis

	NATURE	MISSION/ APPROACH	GEOGRAPHY	SECTORS	PRIMARY APPROACH POINT
Acumen	Non-profit	"Turning philanthropy into investment capital, we enable businesses—whose market-based approaches range from solar lanterns to waterless toilets for slums—to grow and scale sustainable solutions to poverty and reach as many people as possible."[64]	13 countries, including: USA, East Africa, West Africa, India, Pakistan, Latin America	4 priority sectors as of 2016: agriculture, education, clean energy and healthcare.	Networks of Water.org
Kiva	Non-profit, supporting crowdfunding for microloans	"Connect people through lending to alleviate poverty"	86 countries, with offices in San Francisco and Nairobi	Diverse	Networks of Water.org
Global Innovation Fund	Non-profit innovation fund that supports the piloting, rigorous testing, and scaling of innovations targeted at improving the lives of the poorest people in developing countries.	"GIF can fund innovations focused on any developing country and can invest in any sector relevant to international development where there is a commitment to improving the lives of those living on less than $5 a day."	25 countries, with staff in London and Washington D.C.	18 sectors	Networks of the evaluation team
Competitive Industries and Innovation Program (CIIP)	Multi-donor partnership among the World Bank Group (WBG), the European Union (EU), the African, Caribbean and Pacific Group of States (ACP) Secretariat and the governments of Austria, Switzerland and Norway.	CIIP "helps leverage large amounts of aid funding to support the creation of private sector employment by enabling and promoting firm-level competitiveness across industries."	Secretariat in Washington DC, with country operations in Asia, Latin America, Africa, and Asia Pacific	Poverty reduction	Networks of the evaluation team

[64] Acumen, *Patient Capital that dares to go where markets have failed and aid has fallen short*, Portfolio Snapshot, 2017, https://acumen.org/wp-content/uploads/2017/09/Acumen-Portfolio-One-Pager-Q2-2017.pdf

Performance and Rubric Development

The rubric was used to assess all 81 NVF innovations according to the following criteria: relevance, effectiveness, sustainability and scalability, and learning. Based on the information derived from the NVF Dashboard, triangulated with information made available through case studies, the analysis allowed for standardized assessment according to specified criteria presented in Exhibit XI.2 below.

Exhibit XI.2 Rubric Criteria and Levels

CRITERION	SUB-CRITERION (IF APPLICABLE)	GRADING	EXPLANATION	DATA SOURCE
Relevance: extent to which NVF activity suited the priorities and policies of the target group, recipient and donor	The primary orientation of the innovation is towards	Beneficiaries		Qualitative assessment from Dashboard
		Country		
		Water.org		
		WSS Sector		
	Orientation Alignment Rating	Good	High evidence of relevance or alignment with the priorities of one of the following: WSS sector, country, WO, beneficiaries.	Qualitative assessment from Dashboard
		Moderate	Some evidence of relevance or alignment with the priorities of one of the following: WSS sector, country, WO, beneficiaries.	
		Poor	Little evidence of relevance or alignment with the priorities of one of the following: WSS sector, country, WO, beneficiaries.	
Effectiveness: Extent to which progress is made against specific outputs and outcomes	Outputs: Extent to which NVF innovation achieves its outputs	3	Outputs delivered beyond those planned	Dashboard
		2	Outputs delivered as planned	
		1	Outputs delivered below those planned	
		0	Outputs planned but not delivered	
	Outcomes: Extent to which progress is made against NVF outcomes. An average score of five outcomes was used.[65]	1	Yes	Dashboard and case studies
		0	No	
		N/a	Data not provided/ not applicable	

[65] The Dashboard provided data on the following:

Forecasted # people reached w/safe or sanitation through initiative + timeframe + location.

Did initiative enable Water.org to enter new geography?

Was market research conducted to build Water.org pipeline?

CRITERION	SUB-CRITERION (IF APPLICABLE)	GRADING	EXPLANATION	DATA SOURCE
Sustainability and scalability	Weighted average of 5 grades (y/n), total out of 10[66]	1	Yes	Dashboard and case studies
		0	No	
		N/a	Data not provided/ not applicable	
Learning: Extent to which lessons were generated and made available		3	Evidence that lessons were generated and made available to stakeholders	Dashboard and case studies
		2	Evidence that some lessons were generated, or lessons were partially shared with stakeholders	
		1	Evidence that little or no lessons were generated or shared with stakeholders	

The rubric analysis highlighted a limitation which affects the results. As the information from the rubric was mostly sourced from the NVF Dashboard, and this tool was filled inconsistently and in the short-term period following the implementation of an innovation, longer-term results are not accounted for. This caveat especially affects data on effectiveness (outcomes) and sustainability and scalability, where many questions (see "Levels" column) remained unanswered in the NVF Dashboard, hampering the reliability of the rubric analysis. In order to mitigate the effects of this lack of data, missing data were not included in averages, meaning that they were not considered equivalent to poor scores.

Cost-effectiveness Analysis

The evaluation followed the sunsetting of the NVF and provided an opportunity to evaluate its cost-effectiveness. UK's Department for International Development (DfID) defines cost-effectiveness as "How much impact on poverty reduction does an intervention achieve relative to the inputs that we or our agents invest in it?"[67] In assessing the costs of the NVF against its overall impacts, the evaluation recognized that an innovation fund like the NVF impacts the beneficiaries, while also yielding impacts in other areas such as organizational learning and innovations (which cannot be assigned direct monetary values). Thus, impacts of the NVF are directed at the level of the sector, organization, and beneficiaries. Based primarily on secondary data (evaluation reports, monitoring data, project documents), the evaluation assessed the return on investment of the NVF and its various core, adjacent and transformative innovations at the various impact levels, to the extent possible. The results are provided in the report and Appendix on Effectiveness (0.

Did initiative reduce time to bring WaterCredit to market?

Did initiative reduce Water.org's cost per person served?

[66]The Dashboard provided data on the following:

Was funding outside of NVF secured?

Did initiative increase uptake of WaterCredit outside of Water.org?

Is initiative exploring new model/channels for WSS financing? *This was weighed out of 5.*

Did initiative increase WaterCredit's sustainability? *This was weighed out of 3.*

Did initiative increase awareness of crisis by leading institutions? *This was weighed out of 2.*

[67]Department for International Development, *DFID's Approach to Value for Money (VfM),* 2010

Methods and Data Sources

This mixed-methods evaluation drew on a variety of qualitative and quantitative data sources that informed the various steps of Contribution Analysis and provided a rich understanding of NVF contributions to results, associated factors, and lessons learned. The data collection included the following components:

Exhibit XI.3 Mixed-Methods Approach

METHODS	DATA SOURCE	DESCRIPTION
Document Review	Monitoring documents, Innovation specific documents, Literature review, Evaluation reports, Other comparable organizations	The evaluation team reviewed monitoring data provided by Water.org (Dashboard), and documents available in the scientific and grey literature, to draw primarily quantitative data. This also included review of strategic and program level documents. Documents of comparator organizations were examined. Secondary data also provided information on the effect of WaterCredit on beneficiaries.
In-Depth Interviews and Focus Group Discussions (FGDs)	Staff of Water.org (i.e. HQ and field), International partner organizations (e.g. WaterEquity), In-country partners (e.g. from MFIs, FIS, suppliers, etc.), Donors	The team conducted semi-structured interviews and focus group discussions with stakeholders (both in-person and virtually) with the view of getting detailed perspectives on NVF contributions and factors. A total of 85 interviews were conducted for this evaluation.
Online survey	Staff of Water.org Former staff of Water.org/NVF	Given the range and geographic spread of Water.org staff, an on-line survey administered in English allowed the evaluation team to capture a diversity of perspectives and insights on a range of questions. The survey was administered to 25 participants and 23 responses were received.
Field Missions	Overall six field missions (in-person and virtual) were undertaken in South America, Africa, and Asia based on a sampling that was data-driven, purposive, and considered the duration and nature of NVF investments. In-person field missions included: India, Peru, and the Philippines. In addition, three virtual field missions were undertaken to Bangladesh, Indonesia and Kenya.	The evaluation team undertook six field missions (three in-person and three virtual) to collect data for qualitative case studies. The field missions included data collection through observation, interviews, focus group discussions, and document review. The case studies undertaken through field missions also included reviews of secondary data related to the effect of WaterCredit on beneficiaries. The results of case studies are provided as appendices but are integrated into the findings and analysis of the main report.

Exhibit XI.4 Stakeholders Interviewed

Donor Organizations	6	
In-country Partner Organizations	22	
International partner Organizations	9	
Water.org HQ	26	
Water.org In-Country	22	
TOTAL	**85**	

Ethical Considerations

Following the UNEG Code of Conduct[68], this evaluation recognized the ethical principles in evaluation and upholds the obligations of evaluators: independence, impartiality, credibility, conflicts of interest, honesty and integrity, accountability. In addition, we recognized the obligations to participants, where the team respected rights to provide information in confidence and made participants aware of the scope and limits of confidentiality. As a result, data was collected with informed consent, and is reported in a way so as to provide confidentiality to participants and organizations. The data collection tools were designed to respect differences in cultures, local customs, ethnicity, age, and gender roles. Data collection tools were adapted to specific contexts and participants. Disruption was minimized, for example, by providing notice to participants to request for engagement, optimizing demands on time, and respecting rights to privacy. It should be noted that this evaluation did not foresee any risks or harm to any individuals or organization. The evaluation did not include primary data collection directly from members of vulnerable communities, Indigenous Peoples, or project beneficiaries.

Risks and Limitations

There were several limitations underpinning this evaluation. Firstly, documentation on the NVF was limited, especially from the early and foundational years, and difficult to access where it existed. A sizeable body of documentation unexpectedly surfaced and was made available to the evaluation team quite late in the evaluation trajectory, once all field missions had been completed. Nevertheless, all available documentation was eventually examined as part of the analysis.

Secondly, the documentation, where available, was inconsistent in quality and thoroughness. Notably, while the Dashboard is the major repository of NVF data, criteria have not consistently been reported on, and were filled out, done so in a clearly subjective way. Thirdly, the Dashboard and annual reports were documented during Q3, and not after the conclusion of the innovation. Because the reporting was undertaken during the lifetime of an innovation, the long-term results were not necessarily evident yet.

[68] United Nations Evaluation Group, UNEG Code of Conduct for Evaluation in the UN System,2008, http://www.unevaluation.org/document/detail/100

Fourthly, there existed only a limited stakeholder pool with strong institutional memory of the NVF. As explained, the NVF was internally available to Water.org staff. External partners, and many country staff, had very limited knowledge of the NVF as a fund distinct from Water.org as a whole. Thus, perceptual, document and survey data had to be carefully triangulated throughout in telling the contribution story of the NVF.

Despite the challenges and limitations listed, the evaluation team remains confident in the findings and insights generated through this study. This is primarily due to the breadth of data collection, the diversity of methods, the number of countries where field missions were undertaken, the diverse experience of team members, and the engagement and validation undertaken with key Water.org staff.

Appendix XII Relevance

Relevance to Donors

Donors make specific reference to alignment with Water.org: "All our initiatives are geared toward an industry that respects the rights of workers, improves livelihoods and conserves the environment," according to one donor. "Part of that responsibility is to ensure that communities in priority areas have access to safe water. The work of Water.org is essential to reaching that goal.".

Another donor describes the relevance of their work with Water.org as aligning with their priority to address children's basic health needs: "to help children have clean water and sanitation". Yet another donor recalled a similar priority and stated that they had personally sought out Water.org while looking to partner with an organization working on the global water crisis. This stakeholder also stated that this "was a good fit with our company, we prize on doing innovation and R&D".

Relevance to Water.org

The NVF was clearly a strategic tool for Water.org with respect to fundraising, notably in pursuit of more restricted funds. It was used by Water.org as a means of building a data-rich case in its proposals to donors. As explained by Water.org HQ staff, "The NVF was the ONLY means we had to fund a pilot, so that we could get the data, so that we could demonstrate that this would work". In addition, the processes pursued, and knowledge generated through such activities served to cultivate relationships with partners. According to Water.org HQ staff, "with NVF, we worked on our ability to speed up partner onboarding and partner identification".

The relevance of the know-how which was built over the 2011-2017 NVF period to Water.org is captured in the 'WaterCredit Model Summary Implementation Framework' (January 2017).[69] This Framework describes "WaterCredit with milestones, objectives, and activities tailored to the specific needs of finance institutions (FIs)" with smart subsidies, technical assistance and enabling external capital through WaterEquity. Over 14 WaterCredit Model Resources have been developed. The Post-Program reporting template for example, is part of the exit strategy and is used as the final stage when the partner is successfully operating a sustainable WSS portfolio.

The NVF built on prior work and ongoing internal learning, and diversified its partnerships (e.g. beyond FIs, for more targeted and/or tailored impact). For example, as developed in the Peru case study, the NVF financed the McKinsey's market study for Water.org, which identified Peru as a small, low-risk, high ease of doing business market that offered "considerable opportunity to deliver high impact with low-touch alternative business models". In Bangladesh "the (NVF-supported) study undertook the first country specific analysis of the potential of WaterCredit". Additionally, in Brazil, the NVF was first used to hire Portuguese-speaking staff and create work plan. Follow-up to this in FY14 "Funds from the NVF will allow Water.org to certify partners, sign agreements, and look at a complimentary advocacy program model".

According to the Water.org in the Philippines, Water.org missed an opportunity which was provided by the NVF. The Country Office Director said that Water.org did not adequately develop knowledge sharing and knowledge management during the NVF. This lacuna was expressed in terms of knowledge access: "if

[69] Water.org (2017). WaterCredit Model Summary - Implementation Framework. January, 2017

someone was giving us advice, it would have resolved a lot of issues more quickly" and well as knowledge sharing: "we were not asked or required to share our learning to the MELS team … my suggestions is that we should have been required to submit lessons learned".

Relevance to WSS Sector

From among the case studies, this was found in Kenya, Indonesia and India. As explained by a Water.org staff "The NVF provided an opportunity to explore how to bring in private manufacturers and improve their efficiency, make them a strong part of the WSS system". Beyond this, in Ethiopia, the NVF permitted an "assessment looking at supply chain gaps, challenges and opportunities of the water and sanitation supply chain in Ethiopia completed" and also permitted a "work plan (to be) developed to engage with suppliers to improve products and/or supply chains in Ethiopia".[70]

The NVF was described as offering an opportunity to explore broader WSS system inefficiencies. For example, in Philippines, the NVF permitted Water.org to enter into the country with the aim of addressing the key limitations in the government's water sector operations. The fundamental problems were described in terms of: "Poor governance and lack of technical/managerial capacities in many Water Service Providers (WSPs), limited access to finance, weak regulation, fragmented sector policy development and planning". Overall, the NVF supported Water.org's ability to catalyze the examination and selective implementation of finance-based solutions geared at improving the efficiency and sustainability of national WSS systems.

The potential for the NVF to make important long last change in the WSS system was described by a senior Water.org staff for its potential to contribute to a shift away from a reliance on donors for grants, and explained that with an increased focus on income generating mechanisms (i.e. investment capital, impact investing), the overall cost per person for WSS lowers, thus raising the potential that sufficient capital can become available within the WSS system. An analysis across the interview data reveals the NVF permitted Water.org to demonstrate the viability of a market-driven financing model in the following ways: it developed tools and supported capacity development in collaboration with FIs and WSPs; it mitigated risks and thereby enabled the development and delivery of WSS products to a host of new clients; and it contributed to building knowledge about the approach among government actors.

Profitability studies and smart subsidies provided to FIs as a result of the NVF, revealed the importance of the BOP in financing the WSS system, with repayment rates of 99.9%).[71] Increasing the number of connections within a water system was further described by its technical advantages with regard to the operation of the piped water system: "if you have one third that are connected … physically (the system) does not work properly" – Water.org senior staff.

Water.org refrained from initiating work in certain countries (e.g. Haiti, China, Paraguay) based on NVF-supported studies. It has been very selective about working with partners with greatest potential and has tailored its WaterCredit Technical Assistance (TA) approach to suit them (e.g. as in the case of SME WSS loans in Kenya, and the WaterConnect innovations in Philippines and Indonesia). The partnerships privileged by Water.org thus varied by country and regional contexts and included one or more of the following actors: private water utilities; private WSS manufacturers; village and municipal government water providers; provincial (or national) water (or Financial Institutions (FIs)) associations; Banks or Microfinance Institutions (MFIs); national, provincial or municipal governments.

[70] Water.org (2015). FY16 New Ventures Fund Baseline – Ethiopia Supply Chain Manufacturers Study. November, 2015

[71] Water.org (2018). ASAS Project – A WASH Initiative Supported by Water.org. August, 2018

India has a policy emphasis on WSS. In October 2014, the government of India instituted the Swachh Bharat Mission. The NVF-supported data collection from innovations on capital development and profitability analysis in 2012-2014, and this allowed future NVF innovations to be aligned with the WSS initiatives of the government. Importantly, NVF contributions were also used for the articulation of a country strategy for India. Relevance of the global advocacy the NVF was further described by Water.org staff for its direct alignment with national objectives in India: "When our model was presented as a way to help India achieve its national objective of becoming Open Defecation-Free (ODF), more people at higher levels of influence were interested in listening to what we had to say and championing our cause where and when needed."

Partnerships

Partnerships were built with national governments and government regulated WSPs, municipal and provincial governments, private WSS utilities and FIs. The NVF allowed Water.org in Peru, as well as in India and Bangladesh, to identify potential partners and then develop a work plan to engage with selected MFIs and further evaluate their interest and competencies to develop WaterCredit product. Interim reporting within Water.org further reveals partnerships as resulting from the NVF, where in Uganda for example, "Support from the New Ventures Fund will allow for: partner certification of two new partners: Finance Trust Bank and BRAC Uganda; and allow a third certified partner, Opportunity Bank Uganda, currently undergoing program design, to launch its market assessment, product development and pilot."[72]

Likewise, in India as well as in Kenya, the NVF allowed Water.org to quickly adapt to take advantage of opportunities to develop new partners beyond MFIs including commercial banks (in Kenya), Postal Services (in India) and WSS commercial suppliers and manufacturers (in Kenya and India). The relevance of WSS business loans was highlighted by the Family Bank in Kenya, where the partnership with Water.org resulted in the bank developing "an appetite" for these loans: their zero default and large deposits generated important revenue for the bank which strengthened their profile to investors. Also, according to a Water.org program manager in Kenya, the NVF played a critical role in researching the possibility of developing an independent subsidiary in order to launch WSS digital finance services (DFS). The DFS for WSS loans, according to the Equity Bank stakeholder, was expected to expand their clientele, reduce costs and increase profit.

According to a spokesperson for the private utility Laguna AAA Water Company (LAWC) in the Philippines, the NVF was used to develop a community organizing model to build demand for water services among urban slums, allowing LAWC to meet their service coverage ratio. As it did for FIs, the NVF demonstrated the relevance of the BOP as an important but neglected clientele for WSPs and further provided the conditions for WSPs to try something new with decreased risks and costs.

According to the senior Water.org staff, the NVF allowed Water.org to increase its relevance to global WSS lending and granting institutions by: 1 – providing these actors with new innovative ideas, 2 – providing the financial resources to implement projects in partnership. Indeed, the relevance of Water.org global WSS partners was demonstrated by the example of WaterAid, which adopted Water.org's financing model to improve their finance policy.

[72] Water.org (2016). FY16 New Ventures Fund Interim Funding Memo: Summary of Requests and Initial Prioritization. March 8. 2016

Relevance to Beneficiaries

Water.org's work has been underpinned by the value of human dignity, understood in part as giving people at the BOP the opportunity to shape their lives through choices made as consumers, not as recipients of handouts or of development projects over which they have little or no agency. Water.org's approach had been described in the media[73] and was perceived by restricted fund donors, Water.org staff and several MFIs as offering a financial mechanism that dignified the poor as able actors, borrowing and repaying WSS loans. Thus, by contributing to the strengthening of the WSS system and the availability of WSS credit more specifically, the NVF permitted Water.org to respond to the interest of the BOP by increasing their opportunities to participate meaningfully in shaping their lives.

In Kenya for example, a commercial bank spokesperson stated that "we are doing poorly when it comes to sanitation, where 95% of loans provided by the Family Bank are for water supply. In contrast, in Indonesia and Philippines, while NVF innovations were designed to explore bottlenecks in both water supply and sanitation, funding was not awarded to Philippines due to the limited successes achieved in Indonesia.

The demand-driven model developed with the NVF aims to "to better serve more customers and to ensure that there is enough charity available for the absolute poor who desperately need a direct subsidy" [74] whereby "(t) hose living in absolute poverty will continue to require assistance from the government and the philanthropic community".[75]

Interviews with restricted fund donors revealed a circumspection, whereby philanthropic or government funds infrequently reach this population. Media confirms this by identifying important problems with "poorly targeted subsidies and misguided development assistance" in the WSS system. [76]

Key elements include "pride to women and their family" as well as savings for the family with indirect health and educational benefits. Other forms of NVF innovations were tested to offer savings to WSS loan HH clients. For example, in Kenya, 'loan packages' were offered by the commercial banks whereby HH demand and business supply were connected, offering HH members access to WSS products and services as reduced costs.

Related to gender, in the Philippines, benefits to women were described with regard to: 1 – women's strong participation in the village water associations, (b) women participated in such associations actively and; 2 – women's reduced physical effort and time spent on water fetching. Observations further revealed that women benefited directly from the Laguna water project, in terms of facilitating a small food business and enhancing dignity. Although the NVF contributed to the scaling of MircroCredit across MFIs, including those in small villages, as a market-driven approach, these specific benefits to women do not reflect a design element of the NVF, but rather context-specific market conditions and gender-based roles.

[73] LEULSEGED, W. (2017, August 11). Water Credit – A New Approach to WASH Solutions. The Ethiopian Herald, p.1

[74] Water.org (2011). In Our Lifetime: Deconstructing the Global Water Crisis & Securing Safe Water for All.

[75] LEULSEGED, W. (2017, August 11). Water Credit – A New Approach to WASH Solutions. The Ethiopian Herald, p.1

[76] Ibid.

Appendix XIII Effectiveness

The NVF innovations are represented visually in the graphs below. Exhibit XIII.1 displays the number of innovations, and their share of the costs, per innovation category. Despite constituting a similar share of the costs (33.1% to 33.6%), the average value of adjacent, core and transformative innovations varied widely – respectively US$71,742, US$57,596, and US$96,416.

Exhibit XIII.1 Number of Innovations and Cost per Innovation Category

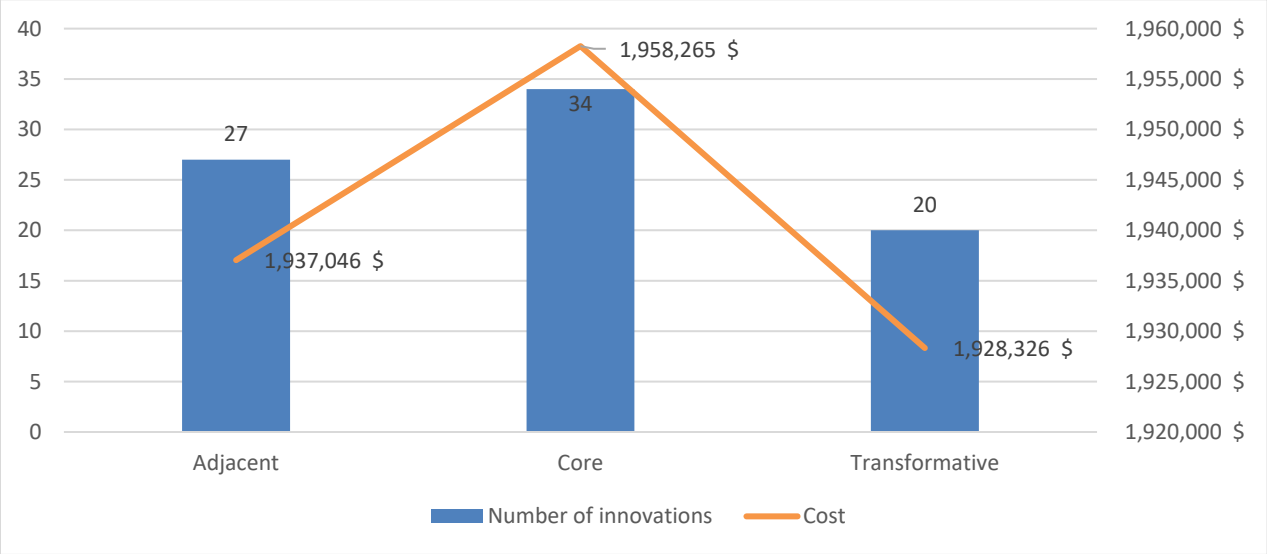
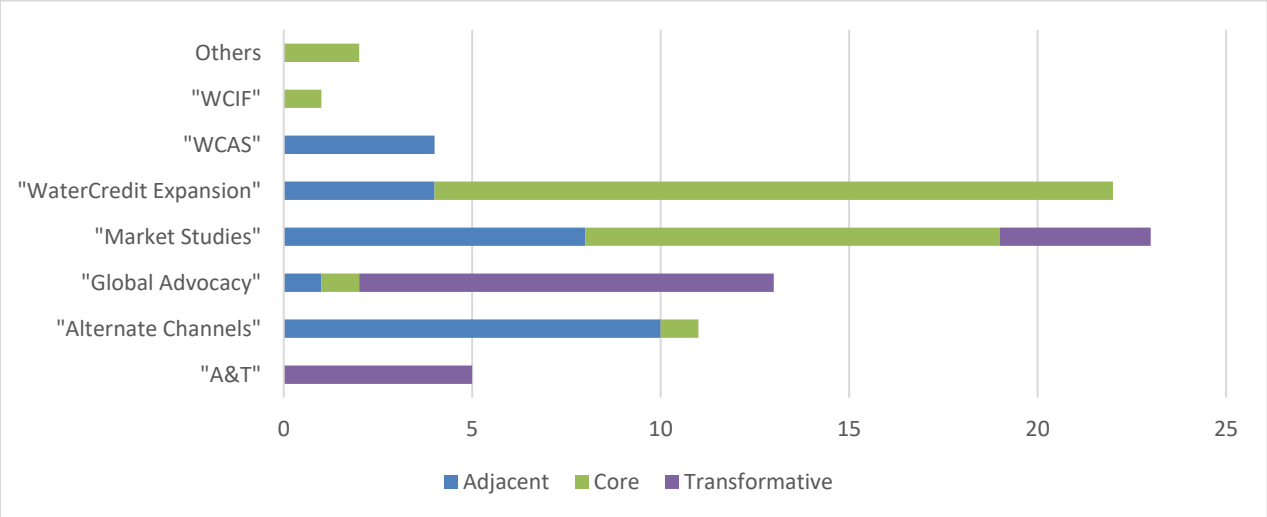


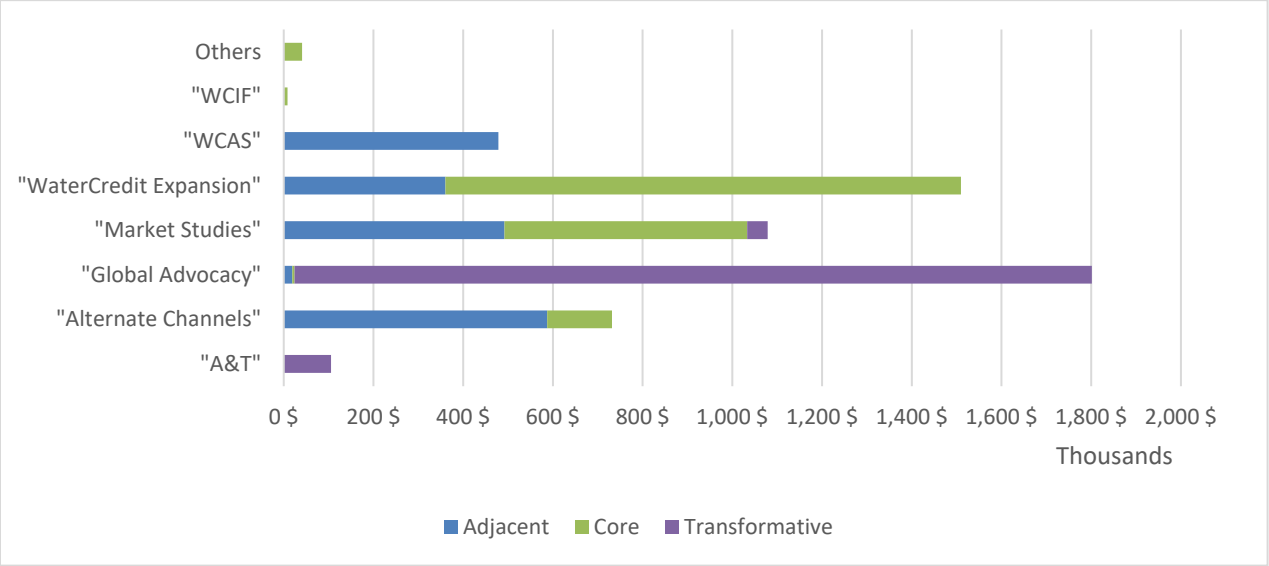
Exhibit XIII.2 below displays the number of NVF innovations per innovation type, based on the dashboard. As can be seen in the graph, the types cumulating most innovations are “WaterCredit Expansion” and “Market studies”. Most transformative innovations are in the “Global Advocacy” and “A&T” types.

Exhibit XIII.2 Number of Innovations per Type



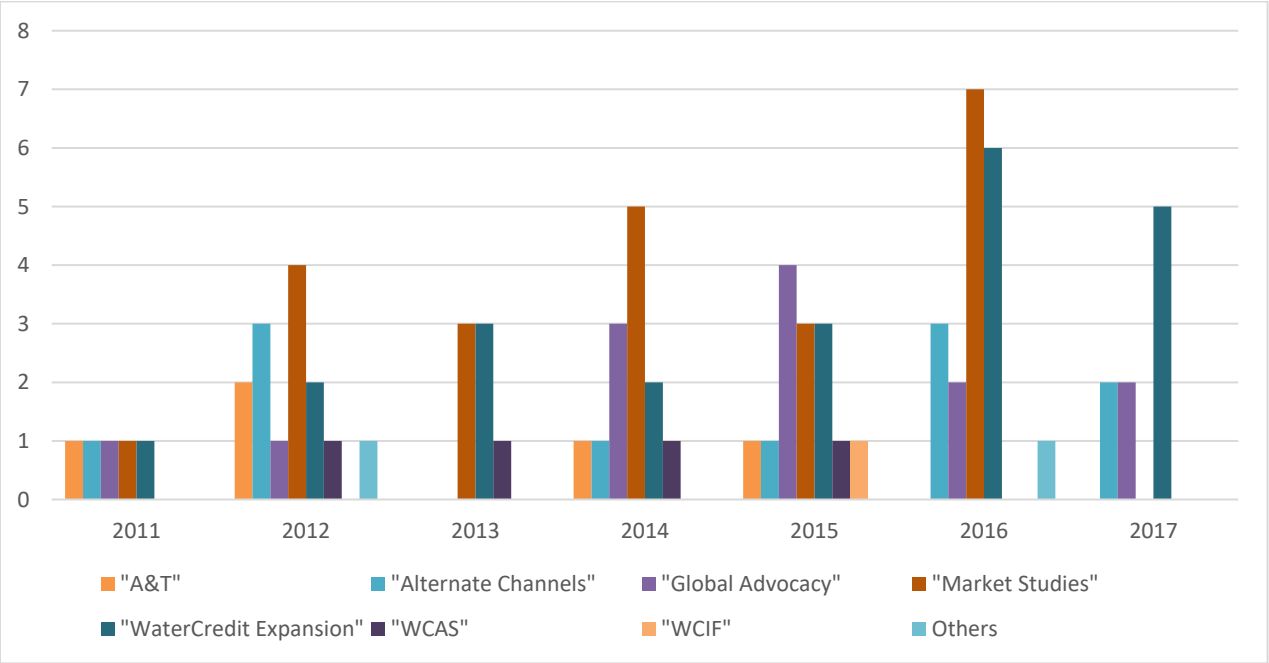
Nearly all the budget for transformative innovations was dedicated to innovations under "Global Advocacy". Adjacent innovations were however spread more evenly among "WCAS", "WaterCredit Expansion", "Market Studies", and "Alternate Channels" (Exhibit XIII.3).

Exhibit XIII.3 Value of Innovations per Type



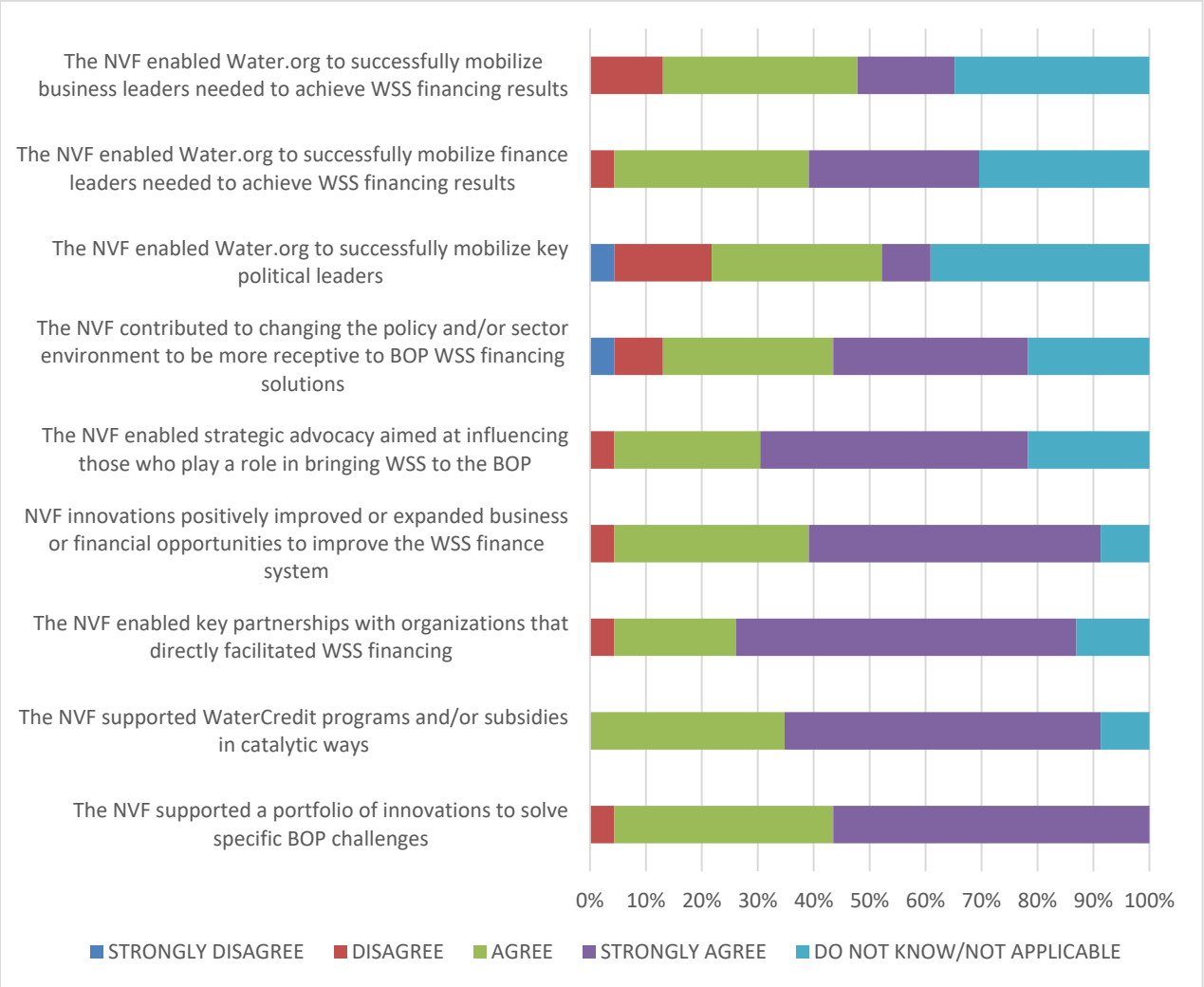
Interestingly, over the course of the NVF, particular innovations become increasingly important: "Market studies" and "WaterCredit Expansion". Others like "WCAS", "WCIF", and "A&T" reduce in numbers and focus (Exhibit XIII.4).

Exhibit XIII.4 Number of Innovations per Type, per Year



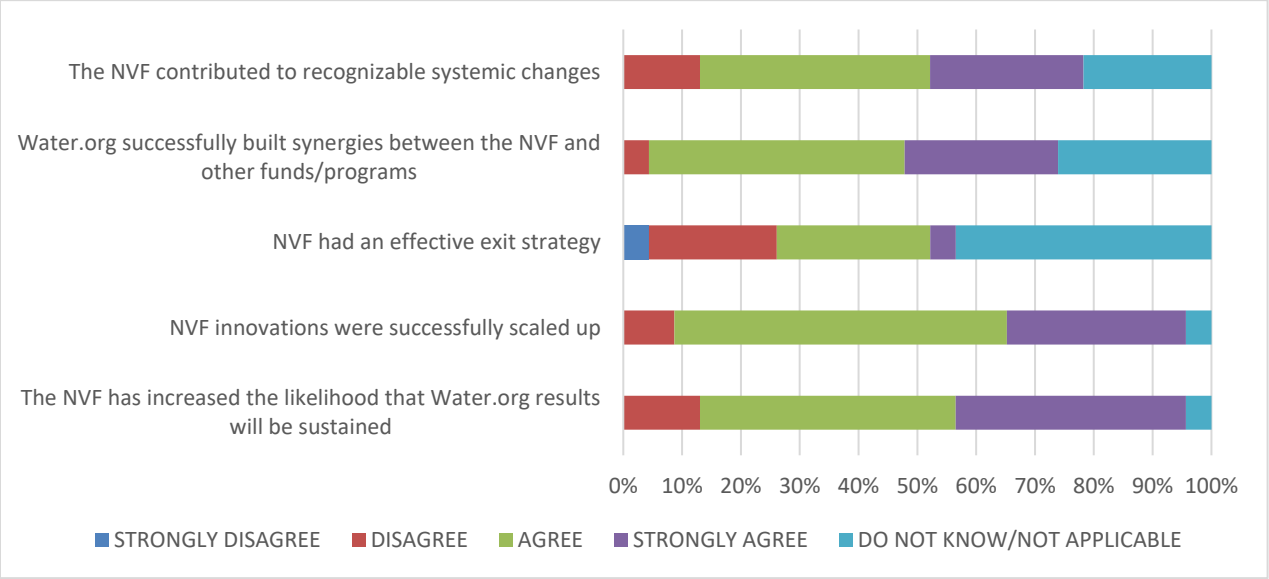
The figure below (Exhibit XIII.5) summarizes the results of the survey regarding outputs of NVF innovations. Most respondents agreed or strongly agreed that innovations reached their planned outputs. The statements receiving most agreement related to NVF's role in supporting WaterCredit programs in catalytic ways and in supporting a portfolio of innovations to solve BOP challenges. The statement that received was least agreement related to NVF's success in mobilizing key political leaders.

Exhibit XIII.5 Survey Responses: Outputs



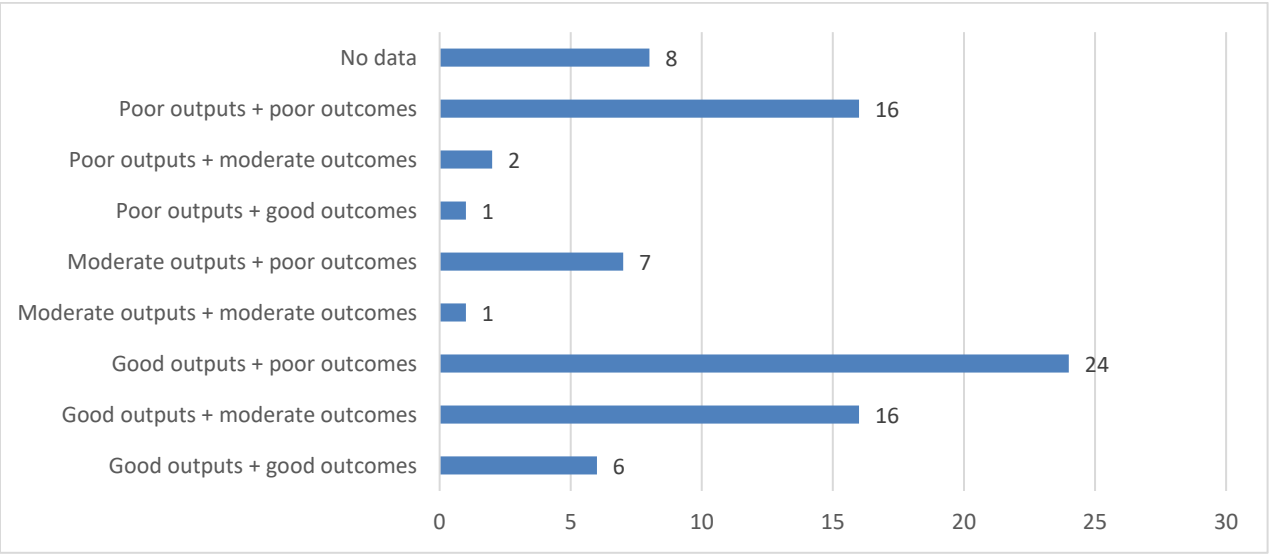
Regarding the NVF innovations' outcomes, most survey respondents agreed that NVF innovations met their targets. That being said, the respondents showed dissent on one statement, the one related to NVF's effective exit strategy (Exhibit XIII.6).

Exhibit XIII.6 Survey Responses: Outcomes



Considering the effectiveness of innovations, the Rubric Analysis shows that most innovations produced poor outcomes (47 innovations out of 73, ratio of 64%). In total, 46 innovations had good outputs, making it the largest category (63%), but only 6 also had good outcomes (13%). This can partly be expected because the Dashboard – the source of this data – was filled part ways through the year of the innovation and does not necessarily account for all of the outcomes. It is also noteworthy that 8 projects lacked the data necessary to be assessed in terms of effectiveness (Exhibit XIII.7).

Exhibit XIII.7 Number of Innovations per Effectiveness Rate



Rubric Analysis compared the budget of innovations with effectiveness. As displayed (Exhibit XIII.8), the category of 'good outputs' accounted for US$3.73 million out of a total US$5.8million (64%). Good outcomes, however, only accounted for US$677,061, the equivalent of 11.6% of the NVF portfolio. It is noteworthy that the effectiveness rate "Moderate outputs + Good outcomes" did not include any innovation and thus does not figure on the graph.

Exhibit XIII.8 Budget of Innovations per Effectiveness Rate

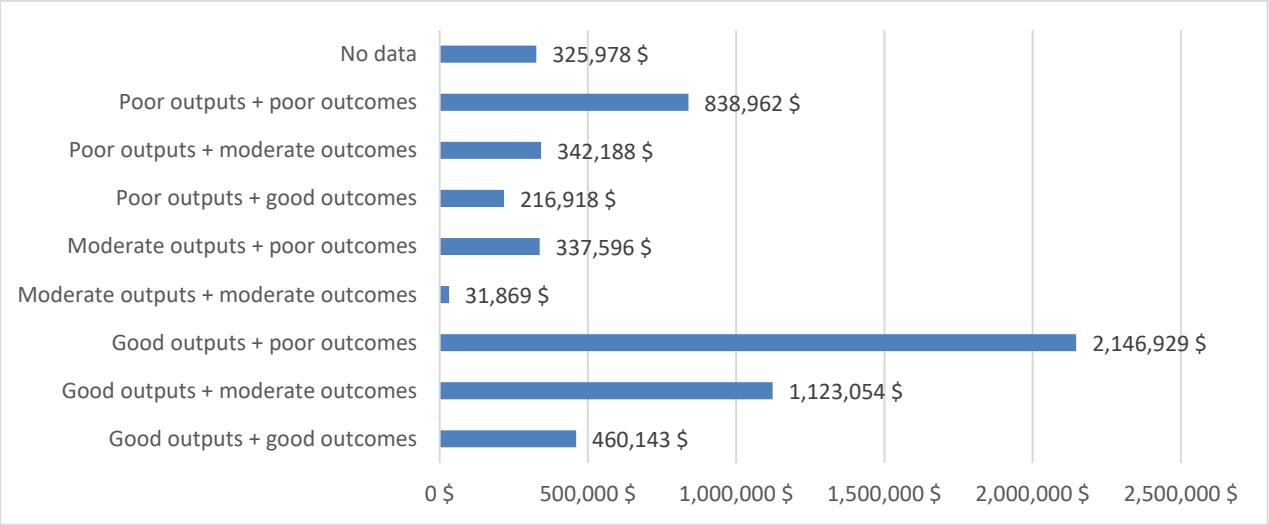


Exhibit XIII.9 shows how the different effectiveness rates are divided across the innovation categories. The least effective category is transformative, whereas the most effective one is core. This would tend to agree with the very types of innovations, as transformative, by definition, includes more risks than core ones. More importantly, the results of transformative (largely Global Advocacy) are often produced after the duration of the innovation.

Exhibit XIII.9 Effectiveness Rate per Innovation Category

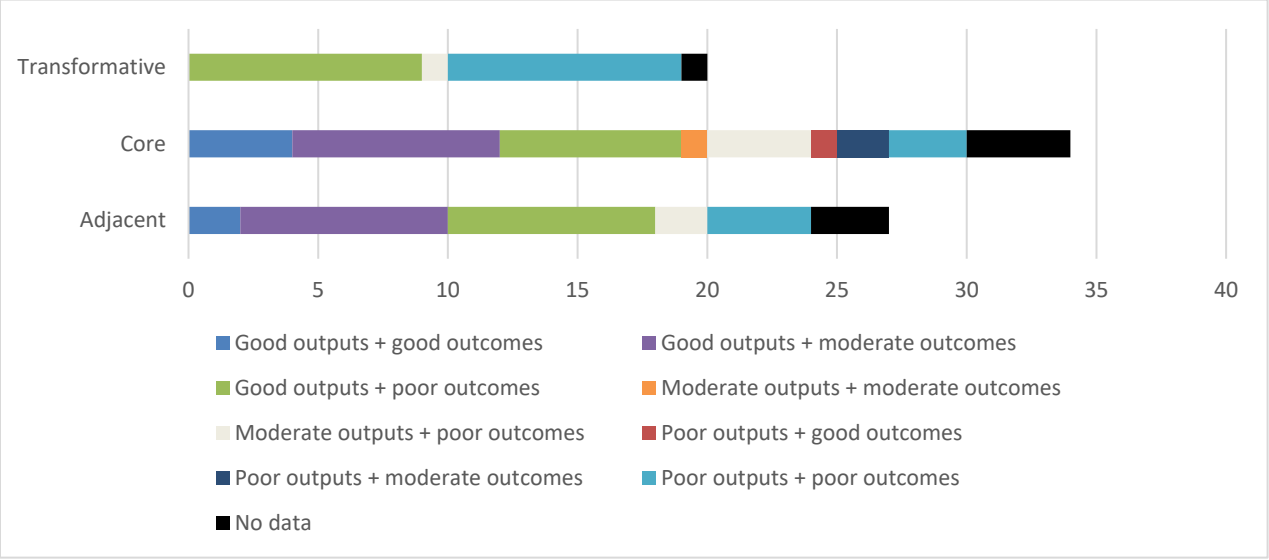
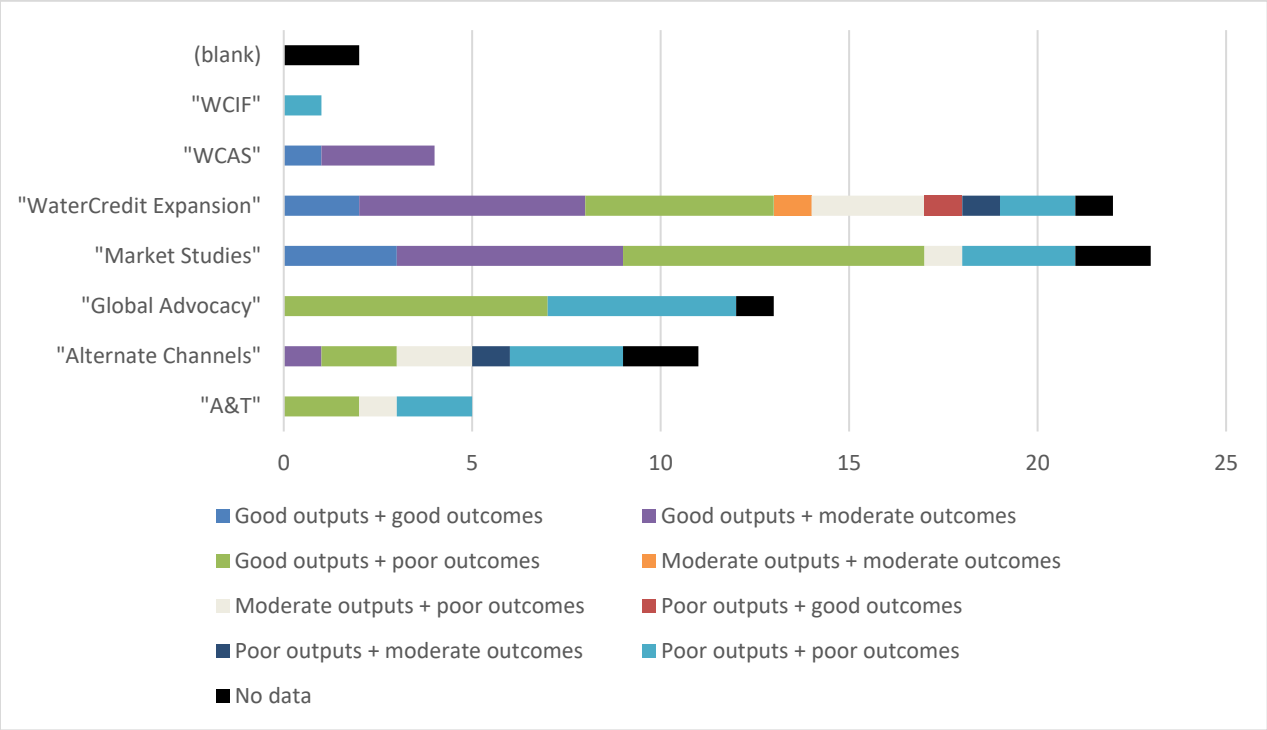


Exhibit XIII.10 below represents the distribution of effectiveness rates among innovation types. As can be seen, the most effective innovations are “WaterCredit Expansion” and “Market Studies”, which also happen to have most innovations in terms of number and to be increasingly represented regarding their share of innovations in recent years. “WCAS” also comprised effective innovations, despite being very few in number. Least effective types are “WCIF”, “Global Advocacy” and “A&T”.

Exhibit XIII.10 Effectiveness Rate per Innovation Type



This evaluation found that four types of innovations generated less if any outcomes at all: A&T, geographic expansion (for countries where Water.org decided not to establish), prepaid water meters, and WaterCredit Community of Practice (CoP). These innovations are displayed in the table below (Exhibit XIII.11), however it is not possible to disaggregate the costs that were dedicated to less successful projects. For instance, a geographic expansion project may include market assessments in a number of different countries, but only 2 were selected and pursued. The amounts below are thus an overestimation. With a major limitation in this data, the innovations that generated less if any outcomes at all amount to US$757,354 out of the NVF total innovation costs of US$5,823,637 (equivalent to 13%).

Exhibit XIII.11 Innovations Regarded as Achieving Limited Outcomes

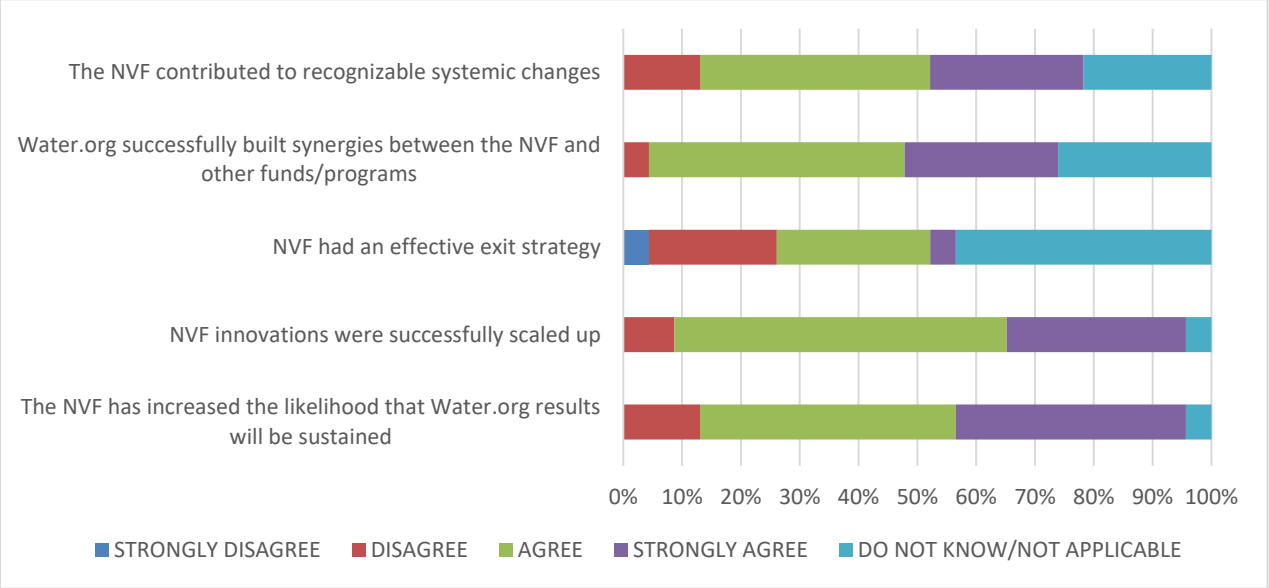
	INNOVATION	YEAR	COUNTRY	INNOVATION CATEGORY	BUDGET - PLANNED	BUDGET - ACTUAL
A&T	A&T - Phase 1 R&D	2015		Transformative	US$73,373	US$7,099
	A&T Landscape Analysis	2014		Transformative		US$21,244
	A&T WASH	2011	Haiti	Transformative		US$2,219
	New Products + Services: A&T Micro	2012	Global	Transformative		US$7,161
	New Ventures Products, Services, Test and pilot and convene	2012		Transformative		US$67,678
	Total for A&T					US$105,401
Geographic Expansion	Channel Expansion - WaterCredit Lite	2012	Global	Adjacent		US$151,297
	Channel Expansion WaterCredit Lite	2013	Peru	Adjacent		US$38,480
	WaterCredit Pipeline Development	2015		Core	US$274,147	US$105,943
	A&T WASH[77]	2011	Haiti	Transformative		US$2,219
	Pakistan Market Assessment/Strategy	2016	Pakistan	Core	US$37,292	US$79,034
	Advisory Services	2014		Adjacent		US$158,890
	Geographic Expansion	2013		Core		US$77,023
	Total for Geographic Expansion					US$612,886
Prepaid Meters	New Products & Services: Pre-paid Meter - Project described in FY13 sheet	2012		Transformative		US$9,322
	Pre-paid Meter	2013		Transformative		US$13,011
	Total for Prepaid Meters					US$22,333
CoP	Global Advocacy - Evaluation & Learning Platforms	2015		Adjacent	US$183,113	US$18,953
	Total for Community of Practice					US$18,953
Overall Total						**US$757,354**

[77] This innovation appears in both "A&T" and "Geographic Expansion" categories but was only counted once in the overall total.

Appendix XIV Sustainability and Scalability

The survey requested respondents to consider sustainability and scalability of NVF innovations. Most respondents agreed or strongly agreed that innovations were sustainable and scalable – these two specific statements gathered most agreement. The statement that was least agreed with concerned NVF's effective exit strategy (Exhibit XIV.1)

Exhibit XIV.1 Survey Responses: Sustainability and Scalability



The rubric analysis compared the budget of innovations with their sustainability and scalability rating. As can be seen in the Exhibit XIV.2 below, the bulk of NVF budget was for innovations with low sustainability and scalability. That being said, as stated earlier, the innovations were evaluated very soon after completion and this might have limited a thorough assessment of their sustainability and scalability over time.

Exhibit XIV.2 Value of Innovations per Sustainability and Scalability

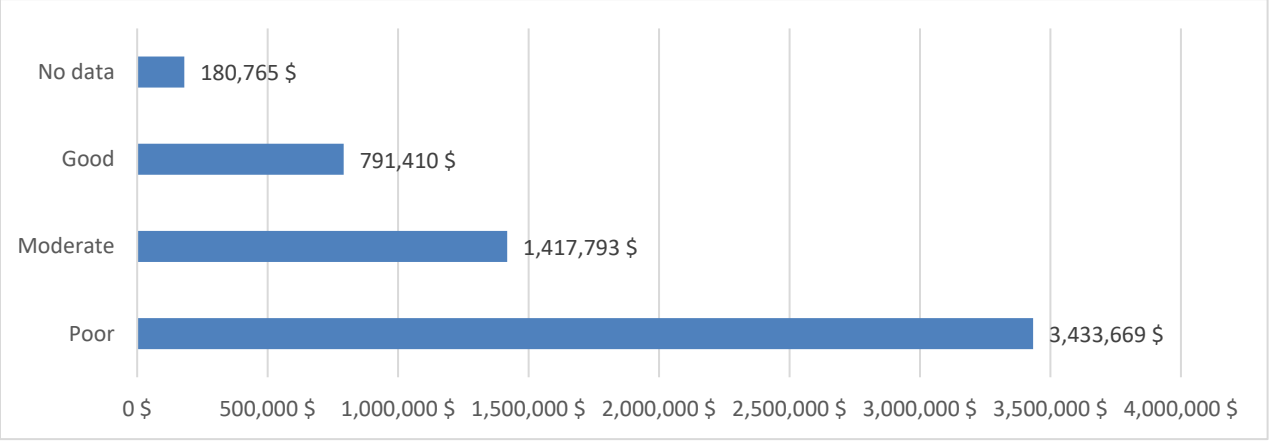
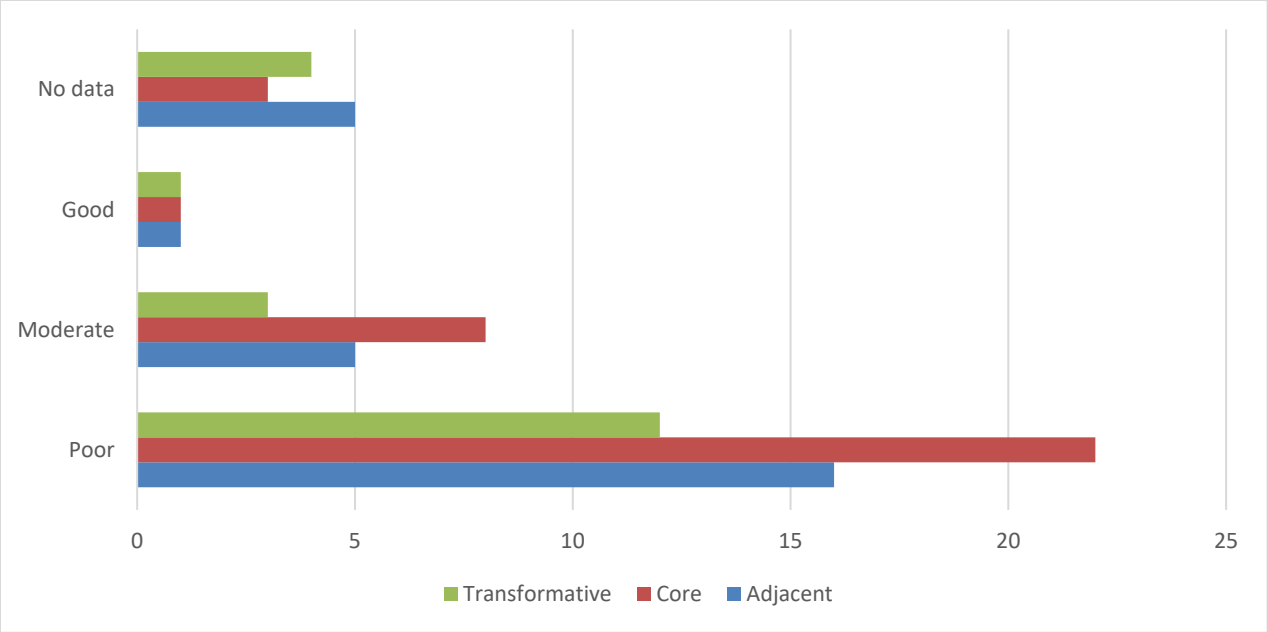


Exhibit XIV.3 below shows how the different categories of innovations fared in terms of sustainability and scalability. The graph illustrates that very few innovations had a high sustainability and scalability rating and that core innovations are over represented among innovations rating low in terms of sustainability and scalability.

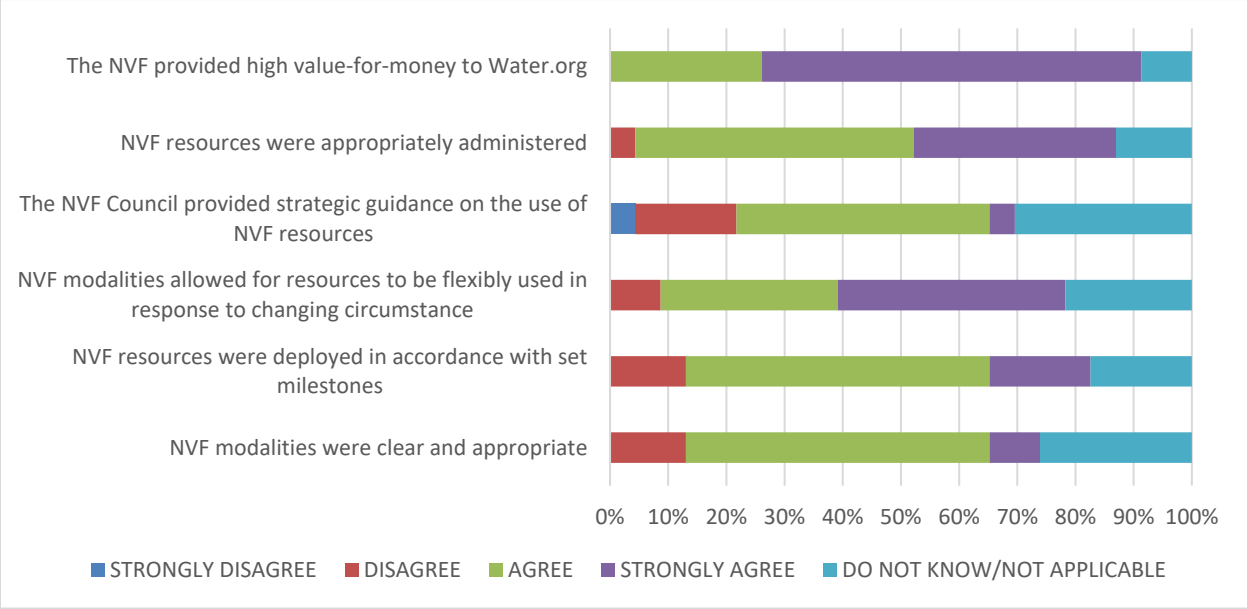
Exhibit XIV.3 Sustainability and Scalability per Category of Innovations



Appendix XV Efficiency

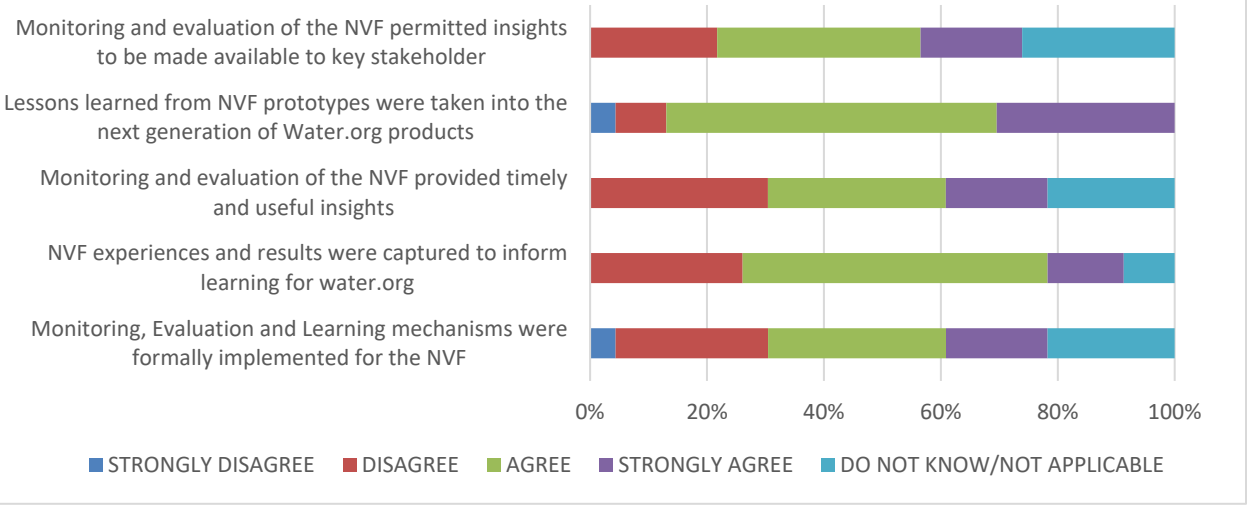
The figure below (Exhibit XV.1) displays the results of the survey regarding NVF innovations' modalities and efficiency. The statements that receiving highest agreement were that 'NVF provided high value-for-money to Water.org' and that 'NVF resources were appropriately administered'; most respondents agreed or strongly agreed. However, respondents were more in disagreement with the statement describing the strategic guidance provided by the NVF Council: that statement was least agreed with.

Exhibit XV.1 Survey Responses: Modalities and Efficiency



Regarding MEL, the results are much less uniform according to survey respondents, as can be seen in Exhibit XV.2 below. The only statements that gathered a high majority of agreement and strong agreement related to learning from NVF-generated lessons. Statements that gathered the least agreement related to the formal implementation of MEL mechanisms for NVF and NVF's capacity to provide timely and useful insights.

Exhibit XV.2 Survey Responses: Monitoring, Evaluation, and Learning



Appendix XVI Evaluation Matrix

	EVALUATION QUESTION	SUBQUESTION	INDICATOR/ ANALYSIS	SOURCE
Relevance	To what extent was the NVF able to identify and fund 'innovative' WSS approaches?	How did NVF investments address recognized WSS challenges overall? How 'innovative' were NVF investments in addressing them, including "bottom of the pyramid" solutions?	Stakeholder perception on extent to which the NVF was used to identify and fund 'innovative' WSS approaches Stakeholder perceptions on quality and level of innovation in NVF initiatives Level of innovation in NVF initiatives, including as measured by Innovation Rubric Proportion of core, adjacent, and transformative initiatives	Document review In-depth interviews and focus group discussions (FGDs) In-person and virtual field missions and case studies
	To what extent was the initiative design appropriate in achieving the intended objectives?	How relevant were NVF innovations to specific contexts, beneficiaries, and the sector at-large?	Alignment of NVF innovations to: • country priorities • challenges articulated by leaders in WSS • challenges articulated by leaders of Water.org • needs of beneficiaries, as described in the WSS literature Landscape analysis	Document review In-depth interviews and FGDs Online survey In-person and virtual field missions and case studies
		How relevant were the NVF investments to Water.org priorities? To what extent was the initiative design appropriate to raise investment in innovation, accelerate innovation, and create impact? To what extent was the NVF relevant to	Evidence of alignment and synergy between Water.org strategic priorities and NVF investments Evidence of synergies between the NVF (as an unrestricted fund) and other restricted funds within Water.org Evidence of the contribution of initiative design in achieving objectives related to	Document review In-depth interviews and FGDs Online survey In-person and virtual field missions and case studies

	EVALUATION QUESTION	SUBQUESTION	INDICATOR/ ANALYSIS	SOURCE
		the strategy of donors and partners? To what extent was the initiative design appropriate to achieve 'systems change'? What is the extent to which considerations of equity (e.g. gender) were factored into the initiative design?	raising investment, accelerating innovation, and creating impact Evidence of alignment between NVF innovations and strategies of donors and partners Evidence or potential of contribution of initiative design to systems change, and the overall reach to BOP Stakeholder perceptions on initiative design Evidence of gender sensitive design of initiatives	
Effectiveness and Results	What were the key results of the NVF and areas of under-performance?	To what extent did NVF design and contributions produce intended results? Were there areas where NVF design and contributions did not produce desired results? What were the results of the NVF innovations for beneficiaries?	Analysis of NVF innovations through time, and against short and long-term outcomes (e.g. Water.org projects, Global Advocacy, and 'spawned' organizations) Stakeholder perceptions of `failures`, and analysis of innovations not leading to direct outcomes Analysis of evaluation reports, monitoring data, data from Waterportal, and other secondary sources Theory of Change analysis	Document review In-depth interviews and FGDs Online survey In-person and virtual field missions and case studies
	What external and internal factors as well as challenges and risks have influenced NVF results? And why?	What factors facilitated or hindered the delivery of NVF results?	Analysis of assumptions underpinning Theory of Change Evidence of facilitating / hindering factors (both internal and/or external), for example: • Nature and diversity of proposals	Document review In-depth interviews and FGDs Online survey In-person and virtual field missions and case studies

	EVALUATION QUESTION	SUBQUESTION	INDICATOR/ ANALYSIS	SOURCE
			• Process of selection of innovations to be supported • Innovation management at Water.org • Organizational factors • Timeliness • Adequacy of resources • Receptivity of diverse actors • Coordination with other stakeholders • Contextual factors	
		What are the unintended results, if any, of the NVF?	Evidence of unintended results, including: new partnerships formed, learning from 'failed' innovations, and contribution to design of further innovations Evidence of unintended changes within Water.org, as a result of NVF experience Theory of Change analysis Perception of stakeholders regarding unintended results Analysis of monitoring data	Document review In-depth interviews and FGDs Online survey In-person and virtual field missions and case studies
Sustainability and Scalability	To what extent was the NVF able to scale innovations and approaches?	To what extent have NVF innovations and approaches been scaled up through Water.org or other initiatives?	Evidence that NVF outcomes are leading to systems changes, including changes in policy and practice Evidence that NVF-supported innovations contributed to the sustainability of Water.org projects (e.g. WaterCredit Sustainability Tool) or lead to other initiatives	Document review In-depth interviews and FGDs Online survey In-person and virtual field missions and case studies

	EVALUATION QUESTION	SUBQUESTION	INDICATOR/ ANALYSIS	SOURCE
			Evidence that innovations were supported by an Exit Strategy of the NVF Perception of stakeholders regarding scaling up Synergy between NVF innovations and activities of other funds in the context Analysis of monitoring data	
	What are the main factors that promoted and/or reduced the sustainability for supported innovations?	How significant are the following factors (and potentially others) to sustainability: context, nature of NVF design and investment, activities, and partnerships?	Perception of stakeholders regarding factors affecting sustainability Examination of internal factors, including: proposal development, selection, implementation of innovations, budget, design Examination of external factors, including: context, suitability, partnerships, management, learning Theory of Change analysis Analysis of monitoring data Landscape analysis.	Document review In-depth interviews and FGDs Online survey In-person and virtual field missions and case studies
Efficiency	To what extent have the NVF modalities been executed in an efficient and flexible manner?	Was the execution of NVF modalities appropriate and timely?	Evidence that NVF resources were deployed in accordance with milestones Evidence that outputs were delivered as planned and/or innovations were flexible in response to changing circumstance Existence/significance of institutional arrangements aimed at	Document review In-depth interviews and FGDs Online survey In-person and virtual field missions and case studies

	EVALUATION QUESTION	SUBQUESTION	INDICATOR/ ANALYSIS	SOURCE
			reducing costs while supporting results Evidence that changes in the NVF funding modality contributed (or not) to heightened effectiveness of the fund Efficiency of the NVF Council in NVF-related guidance and decision-making; efficiency of NVF budget managers in managing resources Perception of key stakeholders on the appropriateness and timeliness of the ratio of results vs. resources used	
	To what extent was the NVF able to leverage additional funds for innovations?	What was the extent of co-financing for NVF investments? Were there missed opportunities to leverage additional funds?	Evidence and proportion of leveraged additional investments Analysis of monitoring data and innovations 'Dashboard' Cost-effectiveness analysis	Document review In-depth interviews and FGDs In-person and virtual field missions and case studies
	What mechanisms (formal or informal) had been put into practice to capture and use results, experiences and lessons as the NVF developed?	What are the monitoring, evaluation and learning mechanisms in place? What other mechanisms exist for learning and improvement? How can these mechanisms be improved?	Evidence that annual monitoring and ongoing institutional learning informed each new cycle of NVF funding modalities Existence of an M&E system, providing timely and useful insights – considering Waterportal, and Mwater Consistency and quality of data captured by the M&E system Evidence that lessons learned are generated from M&E data Evidence of dissemination of lessons learned	Document review In-depth interviews and FGDs Online survey In-person and virtual field missions and case studies

	EVALUATION QUESTION	SUBQUESTION	INDICATOR/ ANALYSIS	SOURCE
			Evidence that M&E reporting is made available to key stakeholder, as appropriate Stakeholder perceptions on potential improvements	

Appendix XVII Stakeholders Consulted

Water.org Staff

NAME	TITLE	ORGANIZATION
April Davies	Senior Regional Manager, LATAM	Water.org
Ben Mandell	Senior Portfolio Manager, South Asia	Water.org
Berni Hollis	Senior Web Developer, MEL	Water.org
Claire Lyons	Senior Strategist, Enabler Partnerships	Water.org
Eva Taravilla	Senior Regional Manager, Southeast Asia	Water.org
Gary White	CEO & Co-founder	Water.org
Heather Arney	Senior Manager, MEL	Water.org
Janet Tinsley	Senior Regional Manager, Africa	Water.org
Jennifer Iverson	Brazil Country Lead	Water.org
Jennifer Schorsch	President	Water.org
John Moyer	Director of Portfolio Development	Water.org
John Schwarzlose	Data and Reporting Analyst, MEL	Water.org
Khunapong Khunaraksa	Portfolio Manager, Southeast Asia	Water.org
Laura Ralston	Senior Portfolio Manager, Africa	Water.org
Madeleine Dy	Senior Portfolio Manager, Africa	Water.org
Maggie Goble	Senior Grants Specialist	Water.org
Nancy Eslinger	Controller	Water.org
Nicole Wickenhauser	Director, Strategic Alliances	Water.org
Nozomi Witherspoon	Senior Portfolio Manager, Southeast Asia	Water.org
Patty Robertson	Grants Manager, Strategic Alliances	Water.org
Rachel Brumbaugh	Global Operations Director	Water.org
Rajash Sarin	Senior Regional Manager, South Asia	Water.org
Rich Thorsten	Chief Programs Officer	Water.org
Rosemary Gudelj	Senior Advisor, Public Affairs	Water.org
Rupa Bidap	Portfolio Manager, Africa	Water.org
Sambhu Rathi	Senior Researcher	Water.org
Zehra Shabbir	Senior Learning Specialist, MEL	Water.org

Donors and Partner Organizations

NAME	TITLE	ORGANIZATION
Alix Lebec	Director of Business Development & Investor Relations	WaterEquity
Eduardo Perez	Independent Consultant in Sanitation and Water, Former Lead Water and Sanitation Specialist	World Bank/Water and Sanitation Program
Illan Vuddamalay	Grant Manager	C&A Foundation
Jessica Bernard	Communications Manager	WaterEquity (formerly with Water.org)
Ken Chomitz	Chief Analytics Officer	Global Innovation Fund
Kristen Venick	Director of Corporate Giving	Niagara Bottling
Lee Alexander Risby	Head of Effective Philanthropy	C&A Foundation
Leslie Johnston	Executive Director	C&A Foundation
Maureen Klein	Special Assistant to the CEO	Acumen
Michael Eddy	Vice President, Analytics & US Country Lead	Global Innovation Fund
Michael Wong	Program Manager	World Bank Group/ Competitive Industries and Innovation Fund
Savi Mull	Evaluation Specialist (Effective Philanthropy)	C&A Foundation
Taylor Whitfield	Community Manager	Kiva
Vandana Verma	Programme Manager	IKEA Foundation

Country Case Study: India

NAME	TITLE	ORGANIZATION
Abhishek Anand	Project Manager, India	Water.org
Chhaya Rajora	L& D Specialist, India	Water.org
Dev Verma	Chief Operating Officer	Satin Creditcare Network Ltd.
Diwakar Das	Monitoring & Evaluation Manager, India	Water.org
K C Mishra	Chairman and Founder, Ashoka Global Fellow	SVADHA
Manoj Gulati	Executive Director, India	Water.org
Monika Chopra	AVP - Social Performance Management	Satin Creditcare Network Ltd.
R D Gadiyappanavar	Chief Executive Officer	Sanghamithra Rural Financial Services
S Avudai Nayakam	Program Manager and Tech Specialist	Water.org

NAME	TITLE	ORGANIZATION
Shanmugaraj. R	Program manager	ASA-IBL, IDFC Bharat
Subesh Kumar T	Senior General Manager, Business- South India	ASA-IBL, IDFC Bharat
Sudhir Arya	Program Manager	Water.org
Sudipta	Strategic Planning and Partnership Management	SVADHA

Country Case Study: Peru

NAME	TITLE	ORGANIZATION
Ana Lucía Pinto	Projects and International Cooperation Chief	FEPCMAC
April Davies	Senior Regional Manager, LATAM	Water.org
Cathrin Denker	Former consultant	Water.org
César Augusto Vela Bazán	Product Manager	Mi banco
Karla Carlos	Consultant with the FEPCMAC Former Product Manager	Water.org Former Caja Luren
Manuel Felipe Cases Jimenez	Head of Programs	Water.org
Mercedes Zevallos	Former Program Manager - WASH	World Bank Peru
Shirley Reyes	Consultant with the FEPCMAC Former Product Manager - Business Loans	Water.org Former Caja Sullana
Victor Hugo Urcia	Representative for South America	Water.org
Yanina Rumiche	Program Manager	Water.org

Country Case Study: The Philippines

NAME	TITLE	ORGANIZATION
Carlos Ani	Country Office Director	Water.org
Mr. Cel	Territorial Manager	Laguna Water Utility
Christian Erl Abella	Project Facilitator	Water.org
Desiree Goto	Financial Manager	ASHI
Dick Pajarillo	Chief Operating Officer	Water.org
Edgar Morbos	Program Manager and WASH Specialist	Water.org
Mr. Eunice	Technical Manager	Laguna Water Utility
Harold Olivar	Project Facilitator	Water.org
Julie Iligan	Deputy Director ASA Philippines	ASA
Khunapong Khunaraksa	Portfolio Manager, Southeast Asia	Water.org

NAME	TITLE	ORGANIZATION
Mr. MJ	Territorial Manager	Laguna Water Utility
One Meg	Territorial Manager	Laguna Water Utility
Sol Ariel Lozano	Project Facilitator	Water.org
Sol Teresita Dimayuga	Unit Manager for Compliance and External Affairs	Laguna Water Utility

Country Case Study: Bangladesh

NAME	TITLE	ORGANIZATION
Helal Hussain	Senior Portfolio Manager	Swisscontact
Janet Tinsley	Senior Regional Manager, Africa	Water.org
Sajid Amit	Country Director, Bangladesh	Water.org

Country Case Study: Indonesia

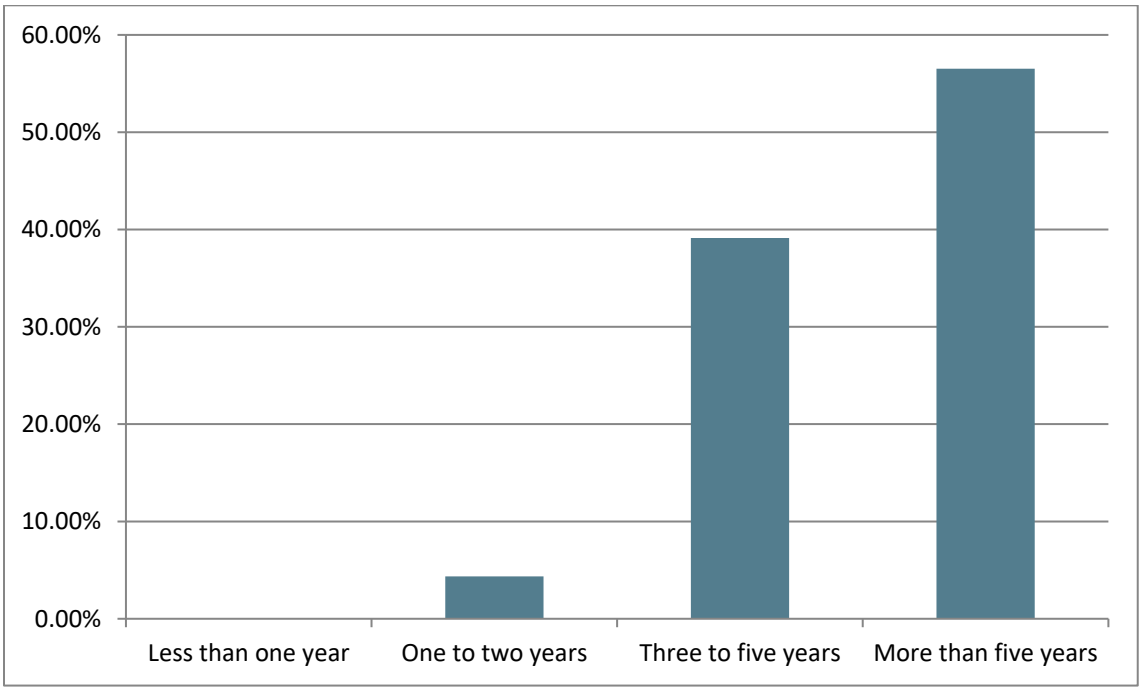
NAME	TITLE	ORGANIZATION
Dwinita Wulandini	Program Manager, PDAM Program Initiative	Water.org
Eva Taravilla	Senior Regional Manager, Southeast Asia	Water.org
Kiki Tazkiyah	WaterCredit Program Manager	Water.org
Rachmad Hidayad	Senior Program Manager, acting Chief Representative of Water.org Indonesia Office	Water.org

Country Case Study: Kenya

NAME	TITLE	ORGANIZATION
Anthony Githinji	Program Manager	Water.org
April Davies	Former Senior Regional Manager, Africa	Water.org
Jaffrson Orenge	Relationship Manager	Family Bank
Janet Tinsley	Senior Regional Manager, Africa	Water.org
Mary Ngunjiri	Chief Operating Officer	Water.org
Raymond Komen	Product Development	Equity Bank

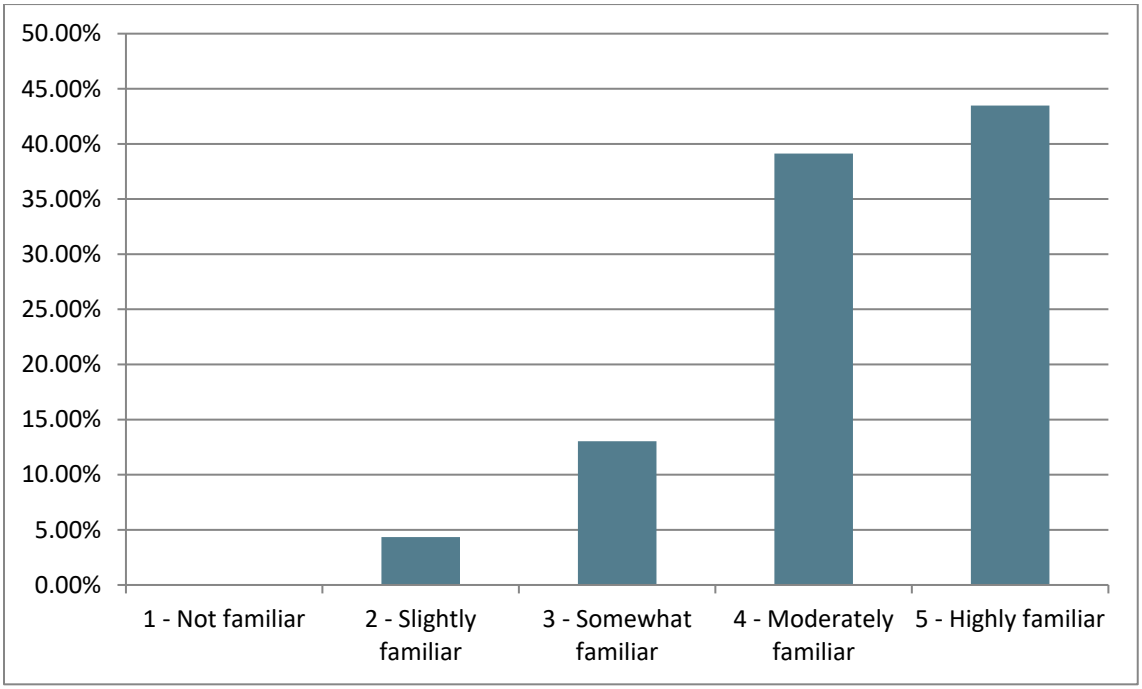
Appendix XVIII Survey Results

Q1.1 How long have you been working for Water.org?



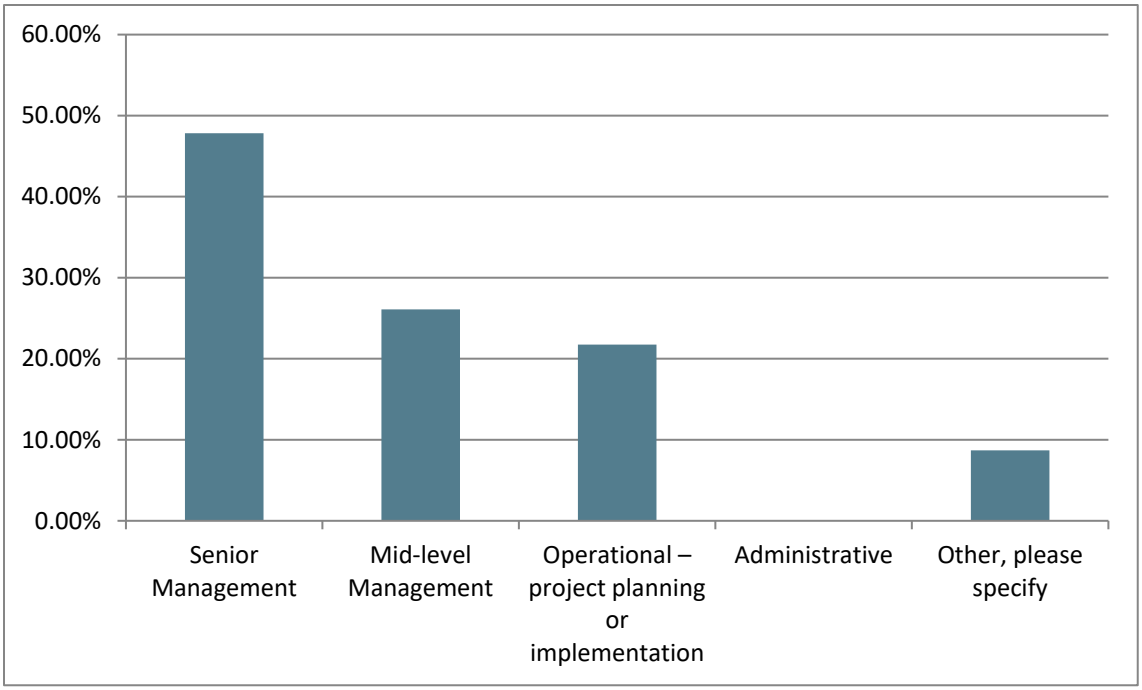
Answer Choices	Responses	
Less than one year	0.00%	0
One to two years	4.35%	1
Three to five years	39.13%	9
More than five years	56.52%	13
	Answered	**23**
	Skipped	**0**

Q1.2 On a scale of 1-5, with 1 being the lowest and 5 being the highest, please indicate the extent of your familiarity with the New Ventures Fund (NVF) of Water.org.



Answer Choices	Responses	
1 - Not familiar	0.00%	0
2 - Slightly familiar	4.35%	1
3 - Somewhat familiar	13.04%	3
4 - Moderately familiar	39.13%	9
5 - Highly familiar	43.48%	10
	Answered	**23**
	Skipped	**0**

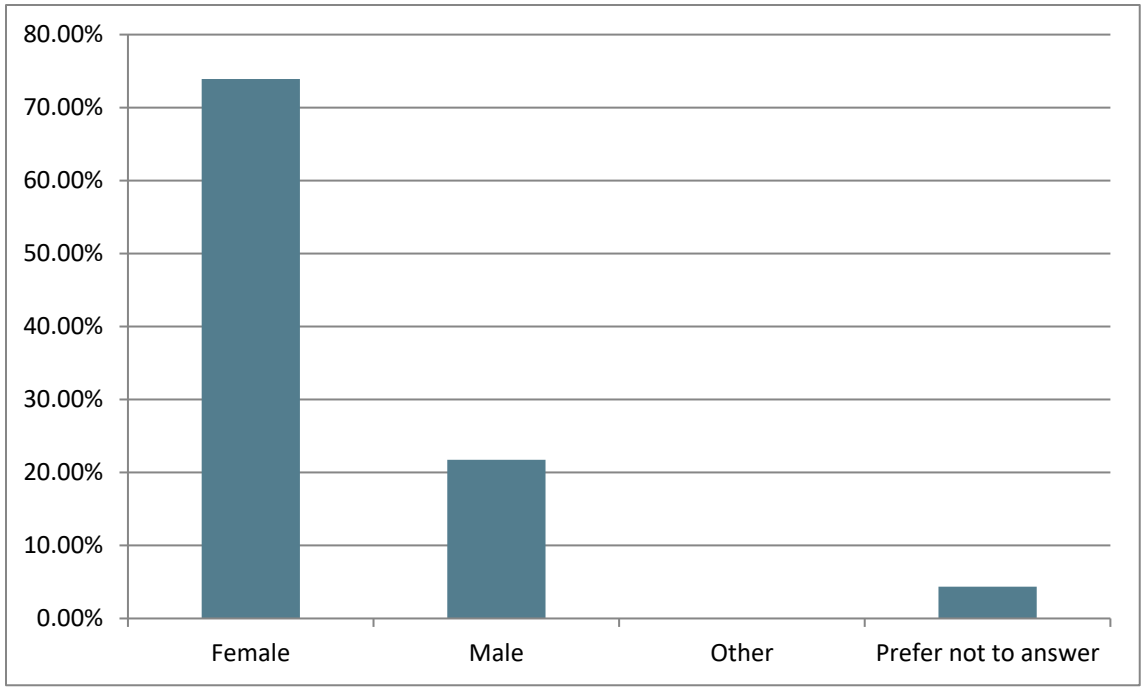
Q1.3 What is your primary responsibility at Water.org?



Answer Choices	Responses	
Senior Management	47.83%	11
Mid-level Management	26.09%	6
Operational – project planning or implementation	21.74%	5
Administrative	0.00%	0
Other, please specify	8.70%	2
	Answered	**23**
	Skipped	**0**

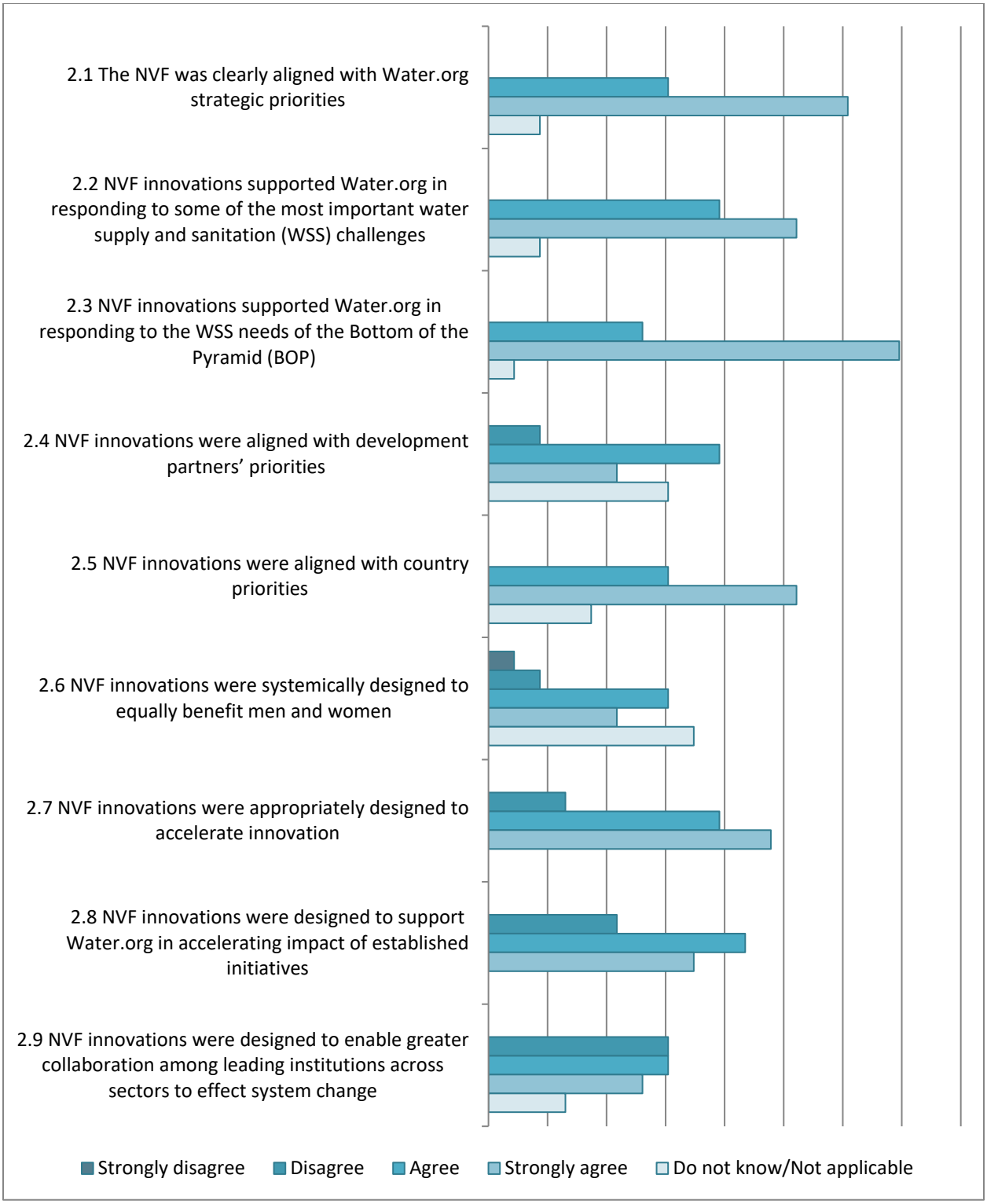
Other, please specify
Portfolio Manager
I work for WaterEquity

Q1.4 What is your gender/sex?

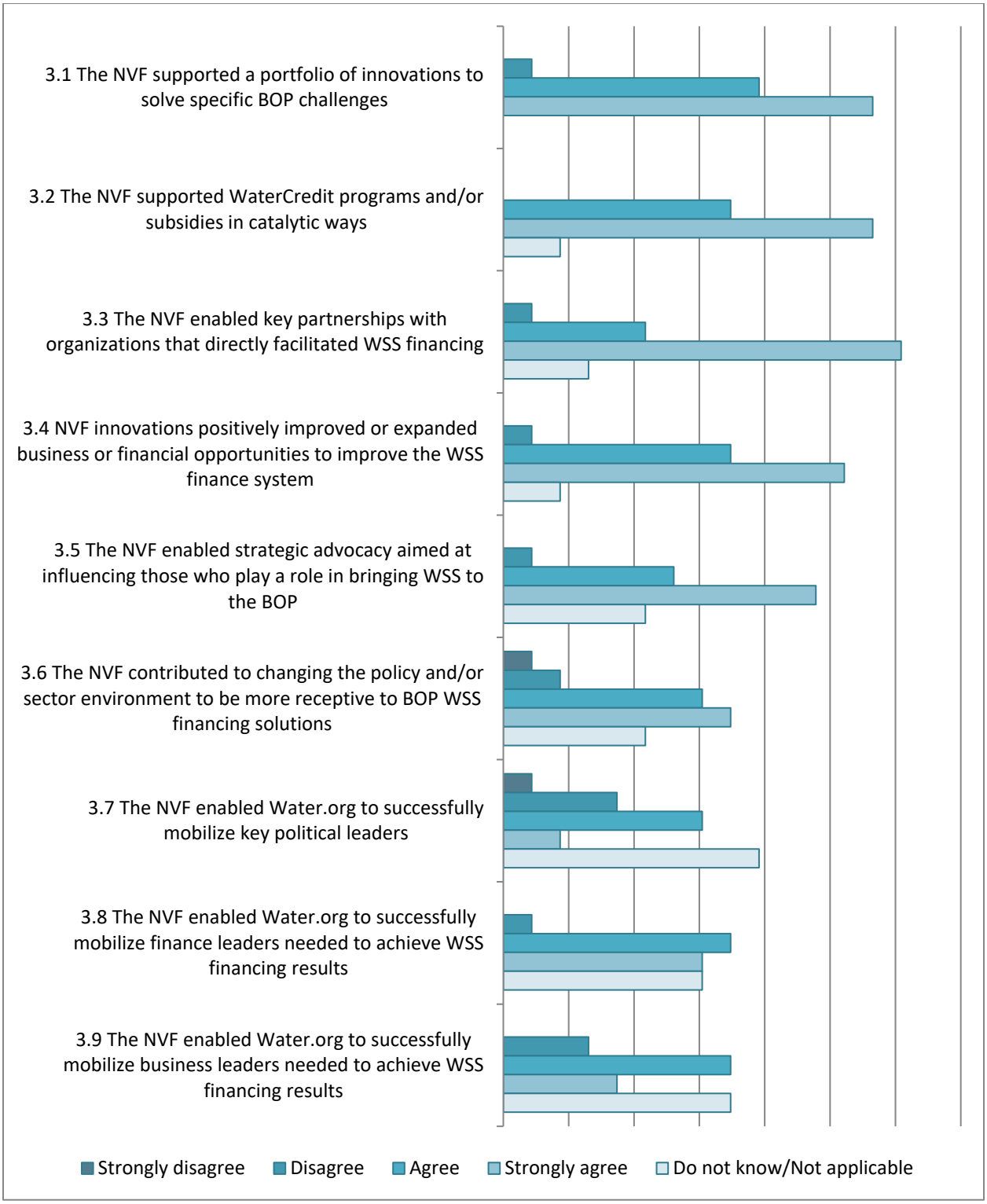


Answer Choices	Responses	
Female	73.91%	17
Male	21.74%	5
Other	0.00%	0
Prefer not to answer	4.35%	1
	Answered	**23**
	Skipped	**0**

Q2 Based on your experience and knowledge of the NVF and NVF innovations, for each statement below, please select the answer that best reflects your views:



Q3: Based on your experience and knowledge of the NVF and NVF innovations, for each statement below, please select the answer that best reflects your views:



Q4.1 Please list three main factors – internal to Water.org – that have been central to the achievement or non-achievement of NVF outputs and/or outcomes (quality of design, budget, management, leadership etc.). (30 words max per entry)

Answer Choices	Responses	
Internal 1	100.00%	23
Internal 2	95.65%	22
Internal 3	86.96%	20
	Answered	**23**
	Skipped	**0**

Internal 1
rigorous vetting of opportunities
Broad engagement of the team in surfacing/executing ideas
Internal communication on availability of funds
quality of design
quality of design
leadership
Having a focused, dedicated fund (with more rigor in the later stages around the resource allocation/grant making process) helped to operationalize early innovation and bring that innovation to scale (scaling was limited in some cases).
Decisions of funding (prioritization)
Spurring innovation / new program ideas and approaches
Budget
staff with local expertise were empowered to submit ideas for NVF funding
Alignment of bottom-up ideas within a framework of organizational priorities
The NVF provided much needed funding that did not previously exist to test new approaches
external donor commitments take precedence and staff is limited; if country staff not part of conceiving of program then it can be seen as 'extra work';
Leadership open to new ideas
The structure of the fund supported necessary flexibility with outcomes and timeline in engaging enabler partners. Rather than have a fixed outcome and goal date, we had a strategic direction and that supported partnering powerful ways we could not manage with tightly held goals.
leadership support of efforts that may seem unnecessary to the average donor, but leaders see as critical to success
Conducted market assessment study
Leadership
The level of input from lower left staff wasn't always sought and that often created a disconnect between the concept and implementation.

Internal 1
Management was key to track outcomes to ensure projects continued to align with strategic priorities.
NVF funding was essential to the research, design and execution of WO's advocacy engagement strategy to enable scale through collective impact partnerships and systems change
Flexibility of the fund/ability for WO to choose which projects to support.

Internal 2
setting clear objectives for each NVF initiative
Clear criteria for innovations to qualify for funding
Quality of Design
collaboration with program's team
impact targets linked with performance
innovative ideas
Lack of multi-year funding outside of NVF to support scaling of innovations. Also, the NVF project review process wasn't optimized to include a better learning framework so that early innovations could be examined and analyzed outside of the project realm to see WHY the innovation worked and whether there was a product/market innovation that could be replicated in other markets. This sort of happened in SEA with water utilities but I'd like to see a more formal org learning/knowledge sharing process to better support global insights from our innovation projects.
focus on innovation
Evidence generation to inform future work
Local team members
programs funded by NVF were designed by practitioners, not funders
Intentional effort to support innovation at core, adjacent, and transformational elements of strategy
The fund was very limited in amount so the number of new innovations we were able to try were limited
inability to carry over funds - activities scheduled around funding cycle which did not necessarily match the program schedule
Helped us enter a new geography without having to report to a donor which gave us flexibility when starting in an unknown environment
The lightly restricted budget enabled Public Affairs to engage in research to support speaking, media, and publishing activities that made an impact on our efforts to socialize the concept of finance for WaSH increasing pickup of the model and by bringing the idea into the conversation at apex events.
budget management
Developed learning materials
Programmatic expertise
The NVF application process seemed to produce clear concepts with clear result targets.
NVF funding allowed WO to secure and leverage non-financial "ecosystem" players essential for scaling
Budget was adequate enough to support a variety of projects in a variety of countries

Internal 3
regular internal communication regarding progress
Careful tracking of results/feedback loop for continuous learning
management / leadership processes
knowledge
management
Opening up the NVF to other areas (besides global advocacy) with a more rigorous, transparent grant making mechanism helped to improve diversity and quality of programs supported by the fund.
quality of design
Ability to move forward on priorities, quickly and with a higher degree of autonomy
Program design quality
water.org has a strong culture of innovation
Development and management of metrics that included both outputs and outcomes over time
The internal restrictions placed on the use of the funds sometimes made it difficult to be innovative in our approach
simple, focused programs
The 'post-new ventures fund', what happens after the nvf runs out was not well planned and even good initiatives had doubts about their future once the nvf period was over
The discipline brought to the approval process of initiatives encouraged both vision and structured execution plans.
overall project management of each effort to ensure each use of the fund delivered the intended outcomes
quality of design / innovation
It often seemed that our internal risk aversion limited how innovative the concepts were and hence potentially reduced outcomes.
NVF funding spurred exploration which laid the foundation of the 2018-2022 Strategic Plan
Design allowed it to support important/new projects with more unknowns that needed funding

Q4.2 Please list three main factors – external to Water.org – that have been central to the achievement or non-achievement of NVF outputs and/or outcomes (ex. context, partnerships, suitability etc.). (30 words max per entry)

Answer Choices	Responses	
External 1	100.00%	23
External 2	82.61%	19
External 3	56.52%	13
	Answered	**23**
	Skipped	**0**

External 1
massive numbers of individuals coming out of extreme poverty
Thoughtful strategic funders who understood and invested in the vision and promise of innovation
NA
Partnerships
suitability
partner willingness
Changes in political will to support Water and Sanitation
partnerships
Funding
Maket potential (opportunity)
most other funders provide restricted funding which stifles innovation
Ability to bring on external donors willing to support innovation in a flexible manner
Once NVF funding ended, it was not certain that other funding would be available to continue the work if it was successful
external donor commitments take precedence
local risk - political, economic, etc
Aligning with and exploring a government or partner's priorities within the overarching mission of safe water and sanitation supply for people living in poverty.
country support
Same as above
Funding and partnerships
I feel that most external factors that limited NVF we local to a specific team or country.
Some programs had delays in hiring key personnel to facilitate projects.
The advent of SDGs has been of immense tailwind benefit over the course of the NVF by focusing global resources and political power on universal access to water and sanitation
Partnerships with local implementing institutions are key to the success.

External 2
growing awareness of the global water and sanitation crisis
Alignment of our model and innovations with global and country-specific priorities
government / socio / political environment
readiness
stakeholder engagement
Gaining better understanding of how Water.org managed capital facilitation in projects. Lots of great ideas and projects that will likely fail without some level of support for them to gain financial sustainability and access to capital in the longer term.
market readiness
Availability and mindshare of partners
Partnership
there exists huge need for innovation to accelerate WSS finance
Ability to find implementing partners and other third parties interested in advancing new approaches
Like in all of Water.org's work, success of NVF projects was dependent upon parnter performance
complementary funding or support from partners
local microfinance environment
The creation of the Sustainable Development Goals gave lift to the concept of finance for WSS as it put pressure on development banks and governments to face the funding gap.
partnerships
In-country expertise
NVF funding provided acquisition of essential consulting expertise needed to stimulate breakthrough approaches
Trust of the donors to the fund and WO was crucial to allow WO to take risks, support new ventures/projects, and innovate

External 3
increasing awareness of the BOP as a market to be served
Contextual need- capital is needed to address significant barrier to achieving water/sanitation access - suitable model
existing WSS finance landscape
suitability
Investment and development of key partnerships with enabler institutions (World Bank, UNICEF, India Reserve Bank) helped us develop policy and practice opportunities that ultimately helped us realize we needed to include that element in our strategy if we are to enable scale.
funding
Market priority
R&D is required to design new solutions

Limitations in other sources of funding caused some successful projects to end when the NVF ended

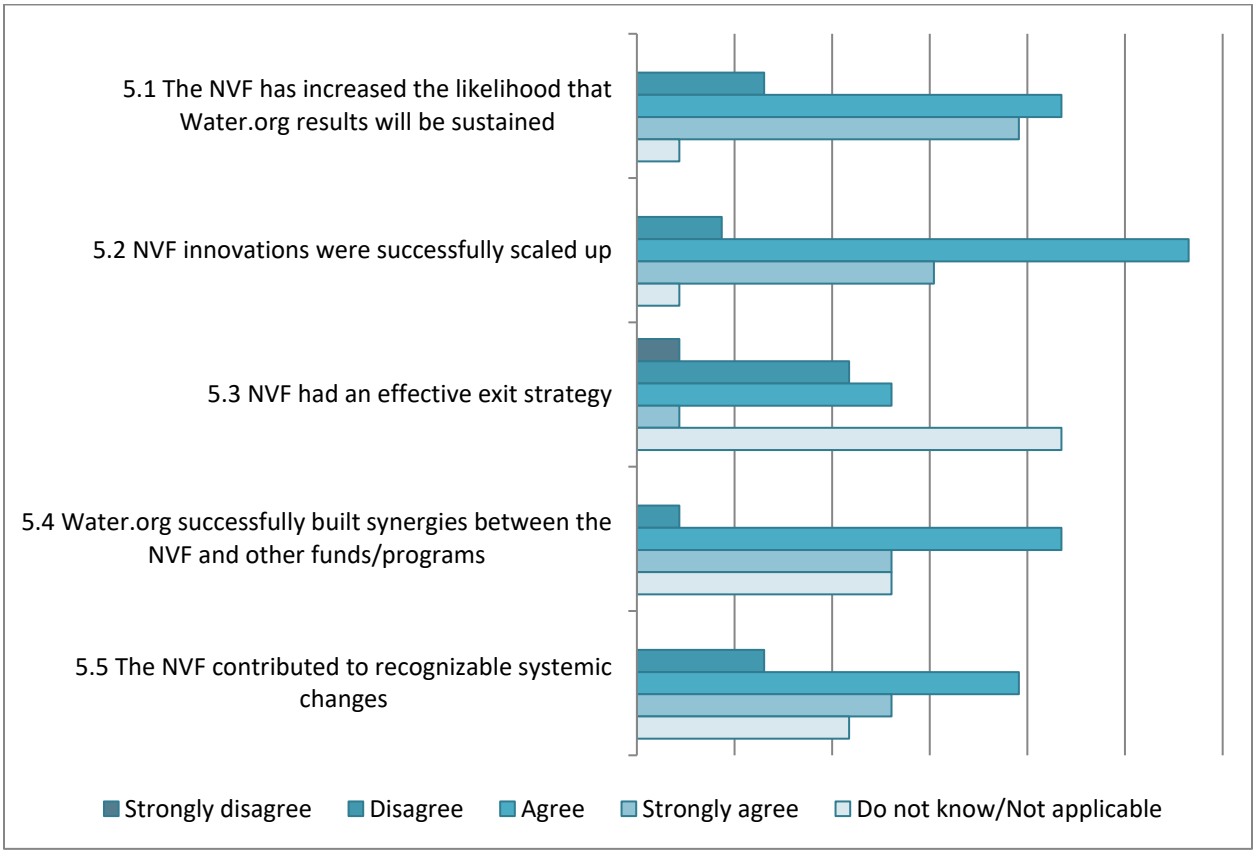
Sector partners began to see Water.org as more of a team player once we were able to give resources to collaboration. Their interest in partnering extended our reach and influence in policy and practice areas.

timely results

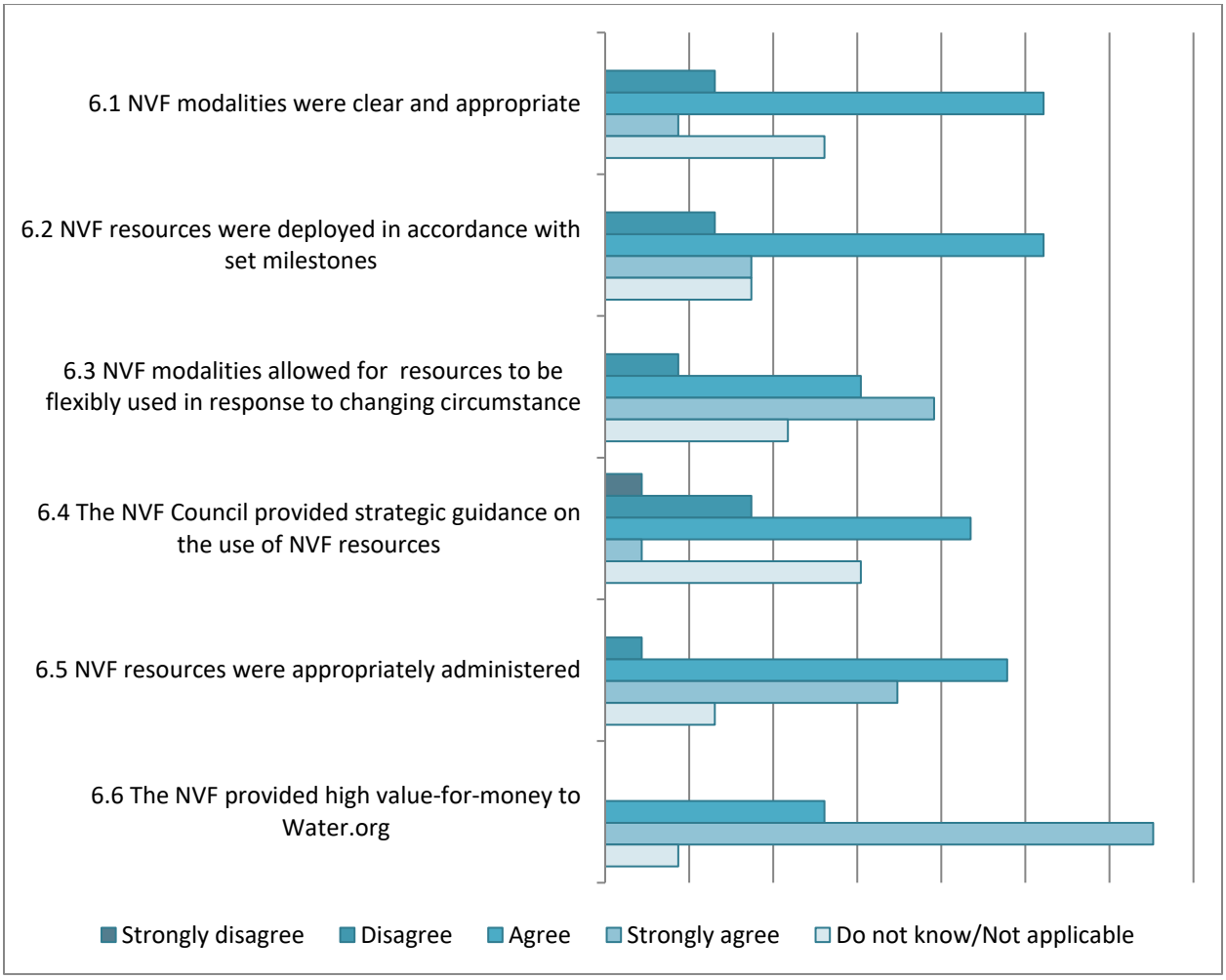
Relevance and suitability of innovation

The water and sanitation sector has become increasingly focused on closing the finance gap in the last four years.

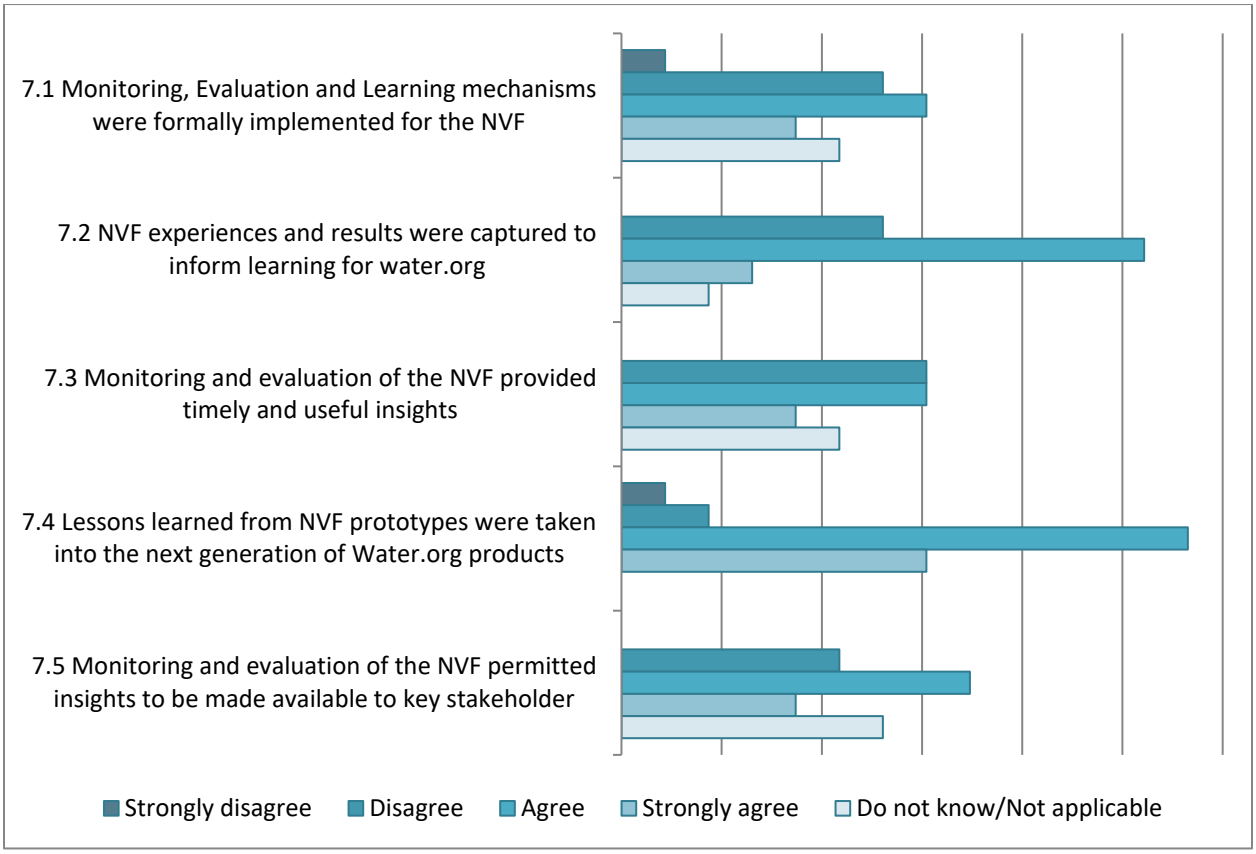
Q5: Based on your experience and knowledge of the NVF and NVF innovations, for each statement below, please select the answer that best reflects your views:



Q6: Based on your experience and knowledge of the NVF and NVF innovations, for each statement below, please select the answer that best reflects your views:



Q7: Based on your experience and knowledge of the NVF and NVF innovations, for each statement below, please select the answer that best reflects your views:



Q8.1 If the NVF were to be re-created today, what recommendations would you make for its improvement? (80 words max)

Responses

It was a stretch to raise all the funding necessary to fulfill the objectives of the NVF. I would like to have a clearer view on the fundraising strategy and potential from the start.

Structure engagement with stakeholders in a manner that added value and furthered the agenda of both funders and of the fund and its insight.

Have a clear exit strategy.

Integrated fully with International Programs and applied MEL frameworks from the start. It was originally set up as a separate, living with the office of the CEO. I believe many of the lessons learned have been incorporated into the next version of it, the SIF.

Create a dedicated small team with clear understanding of Water.org's strategic objectives and great at product design, innovation and program start-up to work with the implementation team and guide/monitor interventions

Focus the funding on testing and scaling early innovations with a very robust learning and knowledge sharing mechanism built. Cap total investment on individual projects so there is less concern about concentrating resources and thus creating an environment where people are afraid to take risks and/or "fail" and ensure project outcomes primarily emphasize what we learned over what we did.

Transparency and strong NVF committee from the beginning of the fund. More transparency with milestones and achievements. The later application process, decisions and reports were great- more of that at the beginning.

* We have a more coherent and comprehensive strategy today than we did during the full period of NVF. I think an NVF today would be better aligned within this framework. Early on, we supported multiple organizational pillars, some of which were disbanded or morphed into other priorities.

* We began to introduce a discipline of innovation within NVF. I would want to see this further strengthened (i.e. provide more orientation on mindset and process of innovation for project sponsors.

* Would want us to be more nimble in deployment of funds conditional on achievement of particular milestones.

* Would want to more involve country teams in design, proposal, execution, monitoring, and reflection efforts.

* Would want to see us more rigorously document experience and lessons learned

1. More flexibility to change approaches or milestones for individual projects to allow teams to pivot more easily when necessary.

2. A larger fund overall to allow for the exploration of new approaches and innovation across all of Water.org's geographies.

Encourage all staff to submit ideas anonymously. Democratize the selection process or allow for cross. The current process is a funnel and thus can stifle innovation. The guardrails and review process created an incentive for those ideas that would 'succeed' and produce 'results' - did not encourage risk taking. Allow and encourage 'failure' and allow ideas and concepts to be abandoned as circumstances change.

Make it easy to apply, just ask basics in terms of amount of investment needed, potential impact, potential contribution to long-term impact/strategic plan of Water.org. Keep it super simple, let people dream.

I would create a dedicated skunkworks team and only fund that team. That team would be responsible for looking at all aspects of our work and finding a pathway to innovation that would be groundbreaking. Not just a new country, but a new model, like the impact investment fund or like WaterCredit when it was first conceived. Global Advocacy as a unit and a strategy was an impact innovation for Water.org that is yielding extraordinary dividends as it has matured into its current state but was not an innovative idea in and of itself.

Responses
Ensuring there is one internal NVF program manager that oversees its entirety, along with the decision-making process. Innovation requires a shift from "decision by committee"; and as such, the NVF should be led by someone internally who oversees and makes decisions across the board. The consistency of that leadership is important.
Encourage greater risk taking. Develop a process that is more bottom-up.
None.
Increase frequency, visibility and transparency of NVF MEL learnings to learn faster.
Fundraise more money if possible to continue- the NVF was so important in allowing new projects and models to be tested with crucial flexibility, for example Engagement/Global Advocacy, WaterCredit Adoption model, Digital financial services in Kenya, expanding WaterCredit to West Africa/Ghana and Tanzania, being able to scale WC in Uganda.

Q8.2 Please share additional thoughts or comments about any aspect of the NVF. (80 words max)

Responses

The NVF was developed and deployed at a critical time in the history of Water.org. We knew we had many game-changing ideas for impact, but they were unproven. We needed R&D dollars to back our vision--dollars that are extremely difficult to raise. By creating a standalone fund, we were able to provide a solid pitch to donors, get support and driven significant impact.

We are exceedingly grateful to our NVF donors. This flexible, catalytic funding enabled us to pilot and explore and scale key innovations and to influence systemic changes globally. This fund allowed us to expand from direct implementation to broad influence and set the foundation for our current 5-year strategy. Very little if any of this would have been possible without the catalytic, expansive, and flexible funding provided by the NVF. Thank you!

NVF was essential to Water.org's ability to design and text new models for impact and subsequently scale those models within and across countries. NVF was one of the most valuable resources I've ever had access to as an international development professional.

NVF was critical to filling funding gaps and launching programs or proving the model or different models in new geographies. The NVF was the sole funder of several programs and pipeline development. The NVF also provided the resources for exploring concepts or potential opportunities that were not concrete enough to formally pitch to a donor.

The NVF meetings provided a unique opportunity to learn about programs in other regions and allow for ideas to spread. However, this privilege was reserved for those who were working on NVF programs and invited to attend the meetings.

I am sad to see it go. The new SIF is so much more difficult to apply for and get approval. We need to be allowed to fail and evaluate potential investments on more than just quantitative indicators (cost per person, etc).

I was not a senior leader involved in the conception of the fund or a member of the review team so there are likely obstacles/needs that I was not aware of so take my opinion with a grain of salt.

More realistic expectations regarding the role the NVF council can play (and who is part of that council). We learned that it was hard to bring foundation leaders from across the globe together on one day for instance. Water.org's value-proposition re: joining the NVF council was well crafted for partners in joined the NVF. However, in terms of execution, we should re-think how big the council can truly be and what's realistic in terms of engaging the strategic leaders who are part of that council and have other, multiple and competing priorities.

The NVF was essential to catalyze growth and diversification within Water.org. It was an essential "nutrient" at the right time when new ideas and aspiration needed to be fed and tended. NVF funding helped grow the 'intrapreneurial' spirit in Water.org, gave it hope and opportunity to drive beyond the status quo.

Shudder the thought where WO would be today were it not for the NVF!

For the Africa region, since the Strategic Alliances team continues to struggle to fund-raise for our region, it was extremely important to have the NVF to support our innovations and new countries for expansion.

Appendix XIX Terms of Reference

C&A Foundation

Terms of Reference

External Evaluation of Water.org New Ventures Fund

C&A Foundation seeks an Evaluation Team for undertaking an external, evaluation of Water.org New Ventures Fund. **Complete proposals must be submitted to C&A Foundation by 8th March 2018.** More details are given below in the terms of reference.

I. Introduction

C&A Foundation was created in 2011 to deepen and expand the work of the C&A Initiative for Social Development (CISD) (1996 – 2010) and then re-structured in 2013 to lead and manage all of the corporate philanthropic entities of the C&A company in retail and sourcing countries, including Instituto C&A in Brazil, and Fundación C&A in Mexico. The C&A Foundation primary emphasis is on four programmes: Sustainable Cotton; Working Conditions; Forced and Child Labour; and Circular Economy. C&A Foundation is headquartered in Zug, Switzerland with annual funding of over 55 million Euros per annum.

In 2014 C&A Foundation invested US$1 million in the Water.org New Ventures Fund (NVF) to support alternative water, sanitation and hygiene (WASH) innovations. The foundation contributed approximately 20% of the NVF total value of US$5.4 million (as of 2017).

C&A Foundation is commissioning the independent evaluation of the NVF to arrive at an objective assessment of successes, failures and missed opportunities as well as a focused set of recommendations and lessons that will enhance subsequent Water.org investments in WASH within the context of contributing to Sustainable Development Goal (SDG) 6.

The terms of reference present a brief description of the NVF; scope; objectives and key questions; evaluation methodology; stakeholder involvement; roles and responsibilities; evaluation process; deliverables; audience and dissemination; consultant qualifications and projected level of effort.

The evaluation is required to be completed and submitted to C&A Foundation and Water.org by 15th August 2018.

1| Independent Evaluation of the New Ventures Fund.

C&A Foundation

II. New Ventures Fund

Water.org's primary response to the WASH global challenge has been low cost 'water credit' in order engage beneficiaries directly in contributing to their own solutions. While success has been achieved in providing micro-finance solution for WASH, Water.org set up the NVF in 2011 as an 'innovation incubator' to:

- Raise a flexible philanthropic fund that enables Water.org to animate its theory of change faster and more effectively.
- Accelerate impact: reach more people, at a faster pace and decreasing philanthropic cost-per-person.

The underlying premise of the NVF is that entrepreneurial and financial innovations are needed to improve the delivery of WASH to achieve universal access; and that there is insufficient aid and philanthropic capital alone to achieve sustainable and scalable impact. The NVF set out to evaluate and expand Water credit services; expand the network of Water.org partners (including financial institutions); conduct relevant market studies; pilot advisory services for financial institutions and develop learning tools and platforms to increase adoption of innovations (including Water credit).

Since 2011 the NVF invested in 25 innovations[1] in approximately 10 countries[2] with a reported leverage of over $73 million to $5.4 million invested in the NVF. Between 2011 to 2017 NVF has provided funding for a combination of innovations including:

- Water credit expansion / scale-up including market-entry assessments;
- Advocacy at global and country level;
- Research and new product development, up to and including pilots;
- Accountability and transparency mechanisms for water services.

NVF has partnered with a range of stakeholders to develop and deliver innovations including the Inter-American Development Bank, The World Bank Group and local financial institutions, government agencies and consulting companies (see Annex A).

[1] See Annex A
[2] Bangladesh, Brazil, Cambodia, Ethiopia, Haiti, Kenya, India, Indonesia, Peru and Philippines.

2| Independent Evaluation of the New Ventures Fund.

C&A Foundation

III. Scope

The independent evaluation should be an evaluation that contributes significant learning to the Water.org team on the extent to which the NVF design and innovation contributed to intended results, as well as, identifying factors that contributed to the attainment of those results as well as failures or missed opportunities. In doing so, the evaluation is expected to produce recommendations and lessons for Water.org to further develop innovative WASH solutions across its current and future programmes.

IV. Objectives and Questions

The Evaluation Objectives are to:

1. Examine the overall effectiveness, sustainability and impact of the NVF supported innovations.
2. Assess factors (in design and operations) that have contribute to or impeded achievement of results of innovations:
    a. Learning from success as well as failures
3. Assess the extent to which the NVF model and the innovations where 'fit for purpose' and scalable
4. Distil actionable and strategic recommendations and lessons from the findings to fed into future Water.org operations

Evaluation Questions: The evaluation questions will include, but are not limited to the following[3]:

Relevance:

- To what extent was the NVF able to identify and fund 'innovative' WASH approaches?
- To what extent were NVF innovations relevant and responsive to current WASH challenges? Including a focus on 'bottom of the pyramid' solutions
- To what extent was the initiative design appropriate in achieving the intended objectives?

Efficiency:

- To what extent have the NVF modalities been executed in an efficient and flexible manner?
- To what extent was the NVF able to leverage additional funds for innovations?

[3] The inception phase is expected to bring further refinement to the evaluation questions.

C&A Foundation

- What mechanisms (formal or informal) had been put into practice to capture and use results, experiences and lessons as the NVF developed?

Effectiveness and Results:

- What were the key results of the NVF and areas of under-performance?
- What external and internal factors as well as challenges and risks have influenced the NVF results? And why?
- What are the unintended results, if any, of the NVF?

Sustainability and Scalability:

- What are the main factors that promoted and/or reduced the sustainability for supported innovations?
- To what extent was NVF able to scale innovations and approaches?

V. Methodology

Design: The evaluation design will be primarily based on the review of the existing documents, NVF monitoring data, and reconstruction of the programme theory with appropriate indicators (as appropriate). The programme theory will be empirically tested through review of and collection of quantitative data (where available), and conducting qualitative case-study based fieldwork. The programme theory will likely need to establish a non-linear model to take into action:

- How NVF has attempt to influence 'systems change' within an flexible operating context at the country and regional level.
- How the NVF changed over the 6 years of operations in accordance with the focus on innovation.[4]
- Unintended as well as intended consequences

Reconstructing the programme theory will be a critical first part of the evaluation prior to conducting review of data and fieldwork and will be done through a combination of documentary review and interviews with Water.org staff.

Methodology: The evaluation will be required to employ a mixed-method approach to ensure that data can be sufficiently triangulated to deliver qualitative and quantitative judgments (through interviews and case studies); documents; and existing monitoring data.

[4] A simplistic cause-effect / input – output – outcome model is not expected for a funded focused on innovation.

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Between 4 - 6 qualitative country case studies of innovations will be conducted to provide critical insight into the implementation and results of the NVF as well as in-depth understanding of the factors that have supported or impeded results. The qualitative data will be complemented, where available, with quantitative data. The evaluation will also draw examples/lessons from similar organizations (in size and within international development) which have organized and advanced funding for R&D/innovation. The evaluation will follow, but is not restricted to, the below mentioned data collection methods:

Review of Monitoring Data	All monitoring data held by Water.org – to extract quantitative data at an aggregate and innovation level when appropriate.
Semi-structured Interviews and Focus Group Discussions (FGDs)	Conducted with: Water.org staff based at the HQ and in-country staff; in-country partners including Ministries; MDBs (e.g., Inter-American Development Bank, International Finance Corporation and World Bank); research and strategy partners; MDB staff based at HQ; staff at similar organizations which have organized and advanced funding for R&D/innovation.
Sampling	Purposive sampling of innovations will take into account geography; focus of activities and relative performance.

In addition to this, the evaluation team will employ a rubric system (Good, Adequate, Poor or similar)[5] that rates the NVF overall performance and those of the supported key innovations.

VI. Stakeholder Involvement

Stakeholder involvement is critical to the successful execution of the evaluation. The evaluation consultancy is expected to retain independence in coming to judgments about the initiative, but employ participatory and collaborative approach providing for meaningful involvement of Water.org staff, C&A Foundation and other stakeholders, as appropriate.

The key stakeholders are:

- Water.org HQ and in-country staff involved in NVF design and operations
- Key staff at C&A foundation (programme manager and Executive Director)
- Select staff of development banks, financial institutions, government agencies

[5] https://www.betterevaluation.org/evaluation-options/rubrics

C&A Foundation

- Other NVF funders and partner organisations

VII. Roles and Responsibilities

The Head of Impact and Communications[6] (the Evaluation Manager) is responsible for:

- Overall responsibility and accountability for management and delivery of the evaluation up to and including approval of the final report;
- Technical guidance for the evaluation consultants throughout the implementation of the evaluation up to and including participation / observation 1 – 2 country case studies.
- Leadership of the evaluation draft report review process including collating comments and facilitating discussion and management responses.
- In all of these roles necessary support may be provided by other members of the C&A Foundation Impact Team.

The Programme Manager at C&A Foundation is responsible for:

- Facilitation and day-to-day assistance to the evaluation consultants including access to initiative related data, all documents, and access to relevant C&A Foundation staff;
- Reviewing and commenting on drafts of the inception and evaluation report;

The Programme Manager at Water.org is responsible for:

- Facilitation and day-to-day assistance to the evaluation consultants including access to initiative data, all documents, and access to stakeholders;
- Reviewing and commenting on drafts of the inception and evaluation report;
- Preparing a management response, as and when necessary.

The evaluation consultants are responsible for:

- Conducting all necessary qualitative and quantitative assessments and fieldwork;
- Day-to-day management of the evaluation;
- Regular formal and informal reporting to the Evaluation Manager;
- Production of deliverables (evaluation report) in accordance with the Terms of Reference and contractual arrangements.

[6] Head of Impact and Communication is not involved in the management of the NVF or the day to day operations.

C&A Foundation

The evaluation consultants will report to the Evaluation Manager – Head of Impact and Communications on all issues related to the evaluation, contracts, fees and expenses, and deliverables and commenting / responses processes.

VIII. Evaluation Process

The evaluation will be carried out in conformity with the principles and standards set out in C&A Foundation minimum requirements and policy for Monitoring and Evaluation (to be provided to consultants).

The consultants will prepare an evaluation **inception report and work-plan** that will operationalise the Terms of Reference. The inception report will be based on initial documentary review and preliminary interviews with key stakeholders within Water.org.

The inception report and work-plan will address the following elements: Expectations of the evaluation; roles and responsibilities within the evaluation consulting team; elaboration of the NVF programme theory, as appropriate; any refinements and elaboration to evaluation questions; methods – qualitative and quantitative and data collection, including possible constraints; outline of the final evaluation report and an evaluation matrix linking questions – methods – data sources and indicators.

The inception report and work-plan will be approved by the Head of Impact and Communications and act as an agreement between the consultants and the C&A Foundation on how the evaluation is to be conducted.

The consultants will deliver an initial findings workshop at the Water.org HQ in Kansas City and prepare the **draft and final evaluation reports.** The reports will describe the evaluation methodology, findings, recommendations and key lessons.

If significant differences arise regarding the interpretation of evidence between Water.org and the evaluation an opportunity will be provided to formulate a management response to the findings and recommendations. This will be published with the final report.

The main activities and evaluation timetable for this consultancy is set out below:

Evaluation Process	Deadline	Responsibility
Selection and contracting of consultancy	12th March 2018	C&A Foundation (Head of Impact and Communications) & Water.org
Inception report preparation	5th April 2018	Consultant Team

7| Independent Evaluation of the New Ventures Fund.

C&A Foundation

Completion of documentary review / interviews and country case studies	1st June 2018	Consultant Team
Initial Findings Workshop (at Water.org HQ)	Late June 2018	Consultant Team
Draft report for comment	15th July 2018	Consultant Team / Head of Impact and Communications (facilitator) & Water.org
Final report	15th August 2018	Consultant Team
Preparation and copy-editing of report	Late August – Early September	C&A Foundation (Head of Impact and Communications)
Publication and Dissemination of the evaluation	From late September onwards	C&A Foundation (Communications Team) & Water.org

IX. Deliverables

The evaluation requires the consultant to submit the following deliverables:

- Inception report
- Initial findings workshop (to be delivered at Water.org HQ in Kansas City)
- Draft evaluation report
- Final evaluation report, not to exceed 30 pages, with a 2-page executive summary

X. Audience and Dissemination

Main audiences for the evaluation will be: C&A Foundation, Water.org and other investors in the NVF. The final evaluation report will be published by C&A Foundation and Water.org and disseminated through websites and social media.

Learning products including a lessons notes will be developed after the completion of the evaluation.

C&A Foundation

XI. Consultant Requirements and Level of Effort

Applicants may be individuals, groups of individuals with a designated team lead, or consultants. Applicants must have at a minimum the following qualifications:

- Experience in conducting programme evaluations to a high standard, particularly of WASH initiatives;
- Demonstrated experience in evaluating finance, innovation and advocacy;
- Strong facilitation skills and proven ability to lead participatory processes;
- Understanding of the current thinking and approaches to WASH in Latin America, Africa and Asia;
- No conflict of interest with C&A foundation or Water.org

The expected level of effort for the evaluation is approximately 75 working days.

Please submit the following to Lee Alexander Risby (l.risby@candafoundation.org) with a copy to Savi Mull (s.mull@candafoundation.org) by March 8th 2018.

A. Technical Proposal

- A narrative proposal (no more than 6 - 8 pages excluding annexes) and including the following sections:
    a) Evaluation Methodology: Describe your overall approach and evaluation methodology including, and not limited to, evaluation questions
    b) Relevant Experience: Provide details of projects of similar scope, complexity and nature you have worked on previously. Please include any experience with WASH, innovation, research and advocacy. Include also any experience with formative and summative evaluation or participatory evaluations.
    c) Specific Expertise: Describe your level of knowledge and expertise conducting mixed method evaluations, particularly in Latin American and Asia
    d) Key Personnel and Staffing: Describe the key personnel. Include CVs (no more than 2 pages each and attached as annex) of key personnel who would be part of the proposed plan.
    e) Timeline: Include a detailed timeline of key activities.

B. Financial proposal

- The financial proposal should include a line-item budget and a budget narrative. The cost estimates used to prepare the budget should be presented in US dollars.

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Annex A: New Ventures Fund (NVF) – Funded Projects 2011 – 2017

New Ventures Fund Projects – Fiscal Year 2011

WaterCredit Partnership with Kiva

Collaborate with Kiva to complete ten rapid market assessments that analyze the opportunities for WaterCredit expansion within the Kiva field partner MFI network. Five of those ten countries achieved positive initial ("green light") decisions.

- Continued Funding in FY12: Referred to as "Channel Expansion: WaterCredit Lite"
- Continued Funding in FY13: Referred to as "Advisory Services". Was relaunched as WaterCredit Advisory Services in FY14.

Leveraging Technology to Improve Accountability & Transparency in Haiti's Water Sector

Through a partnership with Digicel and the Haitian government's water and sanitation agency, La Direction Nationale de l'Eau Potable et de l'Assainissement (DINEPA), Water.org developed a technology platform to deliver real-time information on the status and price of safe water supplies from public taps, tanker trucks, and water kiosks via mobile phones to in-need Haitians. By increasing transparency in the marketplace, we sought to reduce the amount of time local Haitians spent scavenging for safe water. Moreover, we aimed to empower Haitians in disadvantaged areas with the information needed to gain access to safe water on their own and for an affordable price. Due to changes in the Haitian government's leadership and its policies around water and sanitation access, we were not able to implement this initiative. However, to enable broader adoption and transparency across the sector, we open-sourced the technology platform we developed with DINEPA.

Scaling WaterCredit with Inter-American Development Bank (IDB) in Latin America

Water.org and IDB entered a protracted discussion on forming a partnership to expand WaterCredit among microfinance institutions (MFIs) in Peru. The PepsiCo Foundation contributed $25,000 toward a market assessment to landscape the country, identify opportunities and risks, and recommend next steps.

- Continued Funding in FY12 + FY13: Referred to as "Market Assessment – Peru"

Utility Partnership with World Bank

Initial exploration of opportunity to partner with best performing water utilities in Kenya to expand customer base via WaterCredit as an add-on to a proposed IFC-investment in these utilities. Provided insight for development of utility-led model for WaterCredit.

- Continued Funding in FY12

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Global Influencer Strategy

A targeted strategy to influence the global audience to drive increased awareness and advocate action towards recognizing the global water and sanitation crisis as one of the world's most pressing issues we are facing today. The strategy was a precursor of Global Advocacy and Institutional Partnerships.

New Ventures Fund Projects – Fiscal Year 2012

Channel expansion: Utilities

Explore possibility of working with International Finance Corporation (IFC) and Water Service Providers (WSPs) on a short-term consultancy to explore the feasibility of WaterCredit with 1-2 utilities in Kenya. Present Water.org's experience with WaterCredit and with utilities at the International Water Association's Development Congress conference (November 2011, Kuala Lumpur), which focuses on utility issues in developing countries. Synthesize existing information and research on examples of consumer financing models offered by water and sanitation utilities in developing countries. Begin recruiting a Fellow to support future expansion

New Products and Services (McKinsey)

We believe the market for consumer finance for water and Sanitation is largely untapped and a potentially game-changing intervention for solving the global water and sanitation crisis. In 2008, the Bill & Melinda Gates Foundation estimated the demand for financing for water and sanitation access at price points served by microfinance institutions in excess of $12 billion through 2015. Our goal in engaging McKinsey was not only to strengthen our current model but look beyond microfinance-led WaterCredit to test our hypotheses regarding broader market opportunity. McKinsey was uniquely positioned to lead this engagement based on extensive water and sanitation expertise as well as strengths in microfinance, financial analysis, and strategies for market expansion.

- Continued Funding in FY 13 (small amount.)

Geographic Expansion: Indonesia:

Enabled Water.org to develop country entry strategy through staff time and in-person country meetings.

- Continued Funding in FY13

New Products & Services: Pre-paid Meter

This project enabled Water.org field staff to investigate the viability of potential access and service delivery improvements to the pre-paid metering approach. Water.org staff met with the National Water and Sewerage Company (NWSC), which has promoted pre-paid metering (PPM) in several informal settlements as a means of expanding water access. Staff would also meet with donors such as the World Bank which has facilitated PPM investment and with local spare parts suppliers to understand maintenance and repair capacities of PPM systems. In

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addition, Water.org will hold discussions with mobile phone suppliers and carriers to understand the prospect of creating a mobile-based payment system as opposed to the current use of tokens collected from centralized offices. Interviews with PPM users would also be held at a selection of sites. Water.org's field team will hold calls with its digital communications team at headquarters to obtain advice regarding mobile technology issues and questions and to appraise them.

- Continued Funding in FY 13

New Products + Services: Accountability and Transparency Micro

Macro- and micro-level research to confirm opportunities for improving the customer experience to obtain safe water and sanitation for those who find WaterCredit unaffordable.

New Ventures Products, Services, Test and pilot and convene

-

New Products Services, Global Influence

-

New Products & Services (Konnen)

To test our hypothesis and support the Government of Haiti's efforts, the Water.org team partnered with the Ministry of Water and Sanitation, Digicel and a leading Foundation to develop a model through which water quality information collected could be disseminated to households throughout Haiti via mobile phone technology. The pilot was initially developed for PaP and called Konnen which means "to know" in Haitian Creole. The model was designed for residents to obtain information on the quality of the water at the nearest water points via SMS on a regular basis. If the nearest point could not distribute water of a certain quality, the user would then be redirected to an alternative water point closest to them. Through this model, the Water.org team seeks to empower local communities with the information they need to gain access to safe water in a more reliable and affordable manner. The system Water.org is developing will also push out critical information on hygiene education and sanitation to help prevent the spread of water- and sanitation-related diseases such as cholera.

Partnering with Digicel, the largest mobile operator in the country, Water.org believes hundreds of thousands of residents could begin accessing real-time water quality information in PaP by December 2013 through the Konnen platform.

- Continued into FY13.

Geographic Expansion

Funded global WaterCredit programs expansion strategy in Southeast Asia and Latin American countries.

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- Continued into FY13.

New Ventures Fund Projects – Fiscal Year 2013

WaterCredit - South America

Enabled WO to develop country entry strategy through staff time and in-person country meetings.

Note: Multiple projects from FY11 and FY12 continued into FY 13.

New Ventures Fund Projects – Fiscal Year 2014

Global Advocacy Evaluation & Learning Platform

Water.org engaged a consultant for the creation of a strategic plan for the learning platform and overall strategy prior to September 1, 2014, with actionable next steps for implementation of a learning platform in the 12-18 months to follow. The consultant will work closely with Water.org's Global Learning Manager, who will be available throughout the engagement as a collaborator. Utilize Water.org and consultant resources to develop high-level learning strategy for operational execution in FY15 and beyond

- Continued funding in FY15 to build out learning strategy.

WaterCredit Advisory Services

WaterCredit Advisory Services (WCAS) is an initiative of Water.org that supports financial institutions (FIs) and non-financial institutions to offer household water and sanitation financial products with the goal of accelerating the expansion of access to water and sanitation globally. WCAS aids in the development of these products, building the capacity of FIs through a combination of technical assistance and other non-financial support. WCAS builds collaborative relationships with a broad range of financial institutions, (microfinance institutions, commercial banks, remittance services, etc.) and non-financial institutions (utilities, product manufacturers). When needed, WCAS could also leverage relationships with external investors to bring low-cost debt capital to finance and scale dedicated water and sanitation loan portfolios.

- Continued funding in FY 15: The WCAS operating plan (which we are finalizing this month) would form the overall basis of deliverables for the initiative, keeping in mind that some of those activities are funded by restricted donors (e.g. CAT II, IKEA, Swiss Re).

Market Research - Ethiopia

Investment funds Water.org and 3rd party costs associated with assessing the WASH, microfinance, and adjacent sector landscapes in Ethiopia to enable Water.org to decide whether to expand geographically and, if yes, develop a strategy to do so. Water.org plans to expand into Ethiopia as a result.

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- Continued landscaping in FY 15.

WaterCredit: Profitability Analysis

Water.org sought to further assess WaterCredit profitability and viability to MFIs, building on a rapid WaterCredit profitability assessment performed by M-CRIL in 2013. There may be circumstances in which WaterCredit is a desirable component of MFI loan portfolios even where it is not financially profitable on its own; under these circumstances, WaterCredit would be viable even if not profitable.

- Analysis continued into FY15 with the goal of sharing profitability studies with partners to gain feedback. This enabled Water.org and its partners to consider what changes may be important for the long-term financial sustainability and business case for the MFI-led WaterCredit model. These efforts bolstered support for WaterCredit as an opportunity to expand access to financial capital for the base of the economic pyramid for water and sanitation access.

Market Research - Indonesia

Research and planning for supporting expanded service coverage in urban and peri-urban areas by utilities (PDAMs). Will hire international firm and include review of comparable utility programs in other markets (e.g. Philippines)

- Continued initiative in FY15 with the goal of setting strategy to launch utility engagement in Indonesia starting in FY16.

WaterCredit Pipeline Development

Staff time and travel associated with Water.org's cultivation of potential opportunities for programmatic expansion.

- Continued initiative in FY15.

Market Research - Brazil

Investment funds Water.org and 3rd party costs associated with assessing the WASH, microfinance, and adjacent sector landscapes in Brazil to enable Water.org to decide whether to expand geographically and, if yes, develop a strategy to do so.

- Continued initiative in FY15.

Capital Development

WaterCredit allows MFIs the opportunity to receive smart subsidies from Water.org to startup loan portfolios targeting WASH loans for the poor. While these MFIs can tap into commercial sources of debt to fund these portfolios, the experience of our partners points to constraints to

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sustainability and scale due to the cost of commercial capital, regulatory environments that further increase the cost of capital and make access to capital unpredictable. Additionally, partners may need additional time in growing their portfolios to capture economies of scale to make their portfolios viable. The WaterCredit Investment Fund (WCIF) will provide capital to partners at a concessionary rate, providing the opportunity bridge to viability.

- Continued in FY 15 as "WaterCreidt – Capital Development (concessionary lending)"
- This is the original seed for Water.org's spin-off organization, WaterEquity.

Interbrand

This is a marketing project to determine interest in supporting debt fund and evaluate strength of WaterCredit message.

Global Advocacy & Public Affairs

Through targeted speaking, writing, press coverage, and forums, drive increased awareness and action towards recognizing the global water and sanitation crisis as the world's most pressing global health challenge (and promising solutions in WASH Finance); furthermore, position Water.org as a thought leader, credible in promoting WaterCredit as ground-breaking model that is currently overlooked (or under optimized).

Advocacy: Enablers Research and Development

To scale the WaterCredit model to an entirely new level, the organization will need to partner with the world's leading WASH experts and institutions. Water.org acknowledges that investments in codifying results, best practices, and experience is critical followed by deep stakeholder engagement to understand how Water.org's experience could support other institutions to achieve their goals. In an effort to understand how best to prioritize and work with prospective "enabling partners," Water.org invested in extensive stakeholder outreach to gauge and quantify demand for Water.org's data and technical assistance. In doing so, Water.org learned a great deal regarding the sector's perception of WaterCredit and Water.org as a collaborating partner. These insights are critical to designing an effective partnership model to move forward. Phase II of this work has already begun in FY14 and includes prioritization of up to five potential partners and working meeting discussions have already begun to articulate a pathway to partnership, including Water.org's role and resources the organization must invest in developing.

- Initiative continued in FY15 with the core goal to build a strategic institutional partnership plan that outlines Water.org's approach to identifying, prioritizing and initiating partnerships which further catalyze water and sanitation finance for the base of the economic pyramid.

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New Ventures Fund Projects – Fiscal Year 2015

A&T Landscape Analysis

Conduct a thorough landscaping of the A&T space to learn from existing organizations, prevent Water.org from "reinventing the wheel," and identify a clear and unique value proposition that enables the organization to drive large-scale change at the intersection of A&T and WASH. Understand the current A&T landscape in the WASH sector, and confirm Water.org's definition of A&T, as well as our unique value proposition. Develop Clear recommendation regarding A&T structure and staffing moving forward

Global Advocacy - Public Affairs & Policy

Piloted policy advocacy + public affairs strategy at global + in-country level (India) to inform a long-term strategy, plan and targets starting in FY16. Intended to mobilize participation of others in solving the WASH crisis.

- Continue FY 16 + FY 17

Pilot PAMSIMAS Community-Based Organizations (CBOs) - Indonesia

Supported the design, staffing, and launch of a pilot program to support rural water access via CBOs established under the Government of Indonesia (GoI) PAMSIMAS initiative. Working alongside the GoI and collaborating with the World Bank, Water.org will develop and test a model to further strengthen and expand CBOs to increase provision of community level water and sanitation services in rural Indonesia. Key program activities are CBO mapping, CBO strengthening, and CBO financing.

Channel Expansion - Beyond Financial Institutions

In FY15, the International Programs team began to explore new channels for WaterCredit beyond the microfinance-led approach. These explorations and early-stage piloting efforts will enable us to learn from and make decisions on what other channels Water.org can pursue to further democratize access to financial capital, especially among those who cannot or do not avail the services of MFIs.

Ethiopia - WaterCredit Advocacy

The Ethiopia WaterCredit Initiative team identified opportunities in Ethiopia for advocacy in order to coordinate WASH and finance sector stakeholders, and ensure the government is practicing strategies that avail capital to the base of the pyramid to improve WASH conditions. The team is working with Millennium Water Alliance members active in the WASH sector and financial institutions to evaluate current actors in the advocacy area. Advocacy in Ethiopia will push the government at the national and local level to comply with ideas laid out in strategy

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papers, but not yet put into practice for self-supply and financing in the WASH sector. These funds are matched by the Conrad N. Hilton Foundation.

- Continued in FY16 + FY17

New Ventures Fund Projects – Fiscal Year 2016

Digital Financial Services

Explore global applications for remittance + mobile banking services with the aim of identifying opportunities to incentivize financial transfers for water and sanitation services improvements that benefit the base of the economic pyramid.

Indonesia PDAM Pilot

Building on previous landscaping and research in Indonesia, pilot a financing model with a municipal water service provider.

- Continued in FY17.

Indonesia Sanitation Supply Chain

Establishing dedicated contract services team to remove sanitation supply chain bottlenecks.

Kenya Alternate Channels Pilot

Pilot water and sanitation services financing through 2-3 commercial banks in Kenya, working with product manufacturers and digital money providers as applicable. NVF will help commercial banks begin market demand studies.

- Continued into FY17.

Philippines Utilities Strategy Development

Research and development to create an operational strategy for engaging service providers.

Ethiopia WaterCredit Hilton Supplement

$75K for Vision Fund Subsidy.

Ghana Opportunity International Advisory Services

Support Opportunity International partnership by providing technical assistance to Opportunity International Ghana partners to implement water and sanitation lending.

Brazil Pipeline Development

Create strategy and pipeline for Brazil WaterCredit expansion.

Cambodia WaterCredit

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Bridge funding until secured Inditex grant.

Ethiopia Supply Chain Manufacturers Study

Analysis/mapping of water and sanitation services supply chain in areas where Water.org operates, with MFI-led implementation and alternative channels pursuit both in mind.

Indonesia Capital Mobilization

Support ability to execute partnerships between external financial institutions and MFI partners.

Pakistan Market Assessment/Strategy

Execute market assessment and potential market entry strategy/operational approach in Pakistan.

India Pipeline Development/Alternative Channels

Explore market opportunities in new geographies within India + conduct new channel research and development.

India WaterCredit External Capital Mobilization

Engage financial institutions and other leading development finance institutions in India to generate commitments to deploy additional financial capital to WaterCredit MFI partners.

Tanzania Expansion

Market assessment to evaluate WaterCredit potential.

- Continued in FY17 to begin developing pipeline for WaterCredit partners in Tanzania.

Uganda Pipeline Development

Covering market studies of potential financial institution partners including BRAC + Opportunity Bank + Finance Trust Bank. Conducting product development and pilots.

New Ventures Fund Projects – Fiscal Year 2017

Philippines Water Utilities Pilot

This project worked with "Laguna Water" (water utility) to test a new approach of reaching out to hard-to-reach urban slum dwellers and informal settlements, by organizing small neighborhood water associations to obtain direct water connections. Laguna Water will provide technical assistance to the water associations to get the right kinds of pipes, and contractors. Financing for the pipes, civil works and plumbing will be provided by ASA Philippines. The general target area is the cities of Binan, Sta Rosa and Cabuyao, in the province of Laguna. It has population of 1 million people. This area has an unconnected sector of around 300,000 people. The specific target communities are the urban slum dwellers and informal settlements

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by the shores of Laguna Lake, which has a population of at least 15,000 households. The target is to connect at least 1,500 poor households to the piped water system, with a stretch goal of 2,400 connections.

Bangladesh Alt Channel + Capital Development

Cultivate opportunities with at least two alternative channel partners in Bangladesh to build the evidence base for water and sanitation services finance outside of microfinance. Additionally, this project will assist Water.org in developing the case for scale within enabling partnerships to unlock additional social and commercial capital for water and sanitation services lending.

Cambodia Sanitation Supply

Understanding and coordinating the sanitation supply chain is a proven bottleneck for our WaterCredit partners. This project will establish a dedicated Water.org team to work with the sanitation supply chain in the MFI partners lending areas, establishing or improving the coordination between our MFI partners and the supply chain. This will build capacity of partners and local masons, removing existing bottlenecks to scaling water and sanitation services lending and accelerating the impact of existing WaterCredit programs. This project will also identify new channel program and/or investment opportunities for Water.org.

Brazil Pipeline Development

This project will allow Water.org to move forward in Brazil. Progress has been made since FY16 (Portuguese-speaking staff hired, work plan created), but this is the time to build a concrete pipeline that feeds into proposals for restricted funding. Funds from the NVF will allow Water.org to certify partners, sign agreements, and look at a complimentary advocacy program model.

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