



The WaterCredit Initiative

About the WaterCredit Initiative

The WaterCredit Initiative represents the creation of a new space at the intersection of water and sanitation and micro-finance. By catalyzing small loans to individuals and communities in developing countries who do not have access to traditional credit markets, WaterCredit empowers people to immediately address their own water needs. As loans are repaid, they can be redeployed to additional people in need of safe water.

Why WaterCredit is Needed

Current financing methods to address the world water crisis are not sufficient. Grants alone will never reach the one billion people in need of safe drinking water. People often are forced to wait years for a grant that may never come. Meanwhile, they're getting sick and dying from the unsafe water they're drinking—not to mention the hours they are spending every day collecting it.

WaterCredit Successes

The pilot projects for WaterCredit began in 2004 in the urban slums of Dhaka, Bangladesh, and in rural Tamil Nadu in southern India. The initial results were highly encouraging, and in both cases, the repaid loans are now in their second cycle of helping people gain access to water and sanitation. Those repayment rates are in excess of 98 percent. In 2005, the WaterCredit Initiative was expanded to Kenya, where the focus has been on community-level loans for wells and infrastructure.

WaterCredit pilots were made possible through the financial support of the Open Square Foundation and the Michael and Susan Dell Foundation. A recent \$4.1M grant from the PepsiCo Foundation will allow WaterPartners to significantly expand and develop WaterCredit.

The Power of Investing in WaterCredit

Change the way water is supplied to the world. WaterPartners is the first organization to bring micro-finance to the water and sanitation sector across multiple countries and with multiple financing models. With the success of our early projects, we believe the WaterCredit approach will revolutionize the way water is supplied to the developing world.

WaterCredit dollars go further than grant dollars. Investments made by WaterPartners leverage far more funds to meet water and sanitation needs than traditional grant-driven expenditures. After 10 years of loan cycles, five times as many people have water with WaterCredit than with a similar amount of grant funding.

Empower the poor. WaterCredit loans empower the poor to address their own water needs, on their own timetable.

Also, by establishing creditworthiness, the poor are able to take out additional loans from commercial lenders. Access to affordable credit is a key requirement of establishing a middle class.

Free up limited grant resources. WaterCredit frees grants to go where they are needed most – to the poorest of the poor.

Foster sustainability. As subsidies in water projects increase, sustainability decreases. With WaterCredit, users have a financial stake in their water supply solutions and a greater incentive to ensure proper operations and maintenance.

A scalable solution to the water crisis. WaterCredit works within the slipstream of natural market forces, making it inherently scalable.

Philanthropic investments in WaterCredit stimulate commercial lending. One of WaterPartners' local partners in India spurred such high demand for WaterCredit loans and had such strong repayment rates, it is now able to source local commercial capital. To date it has secured loan commitments from an Indian bank of nearly \$2 million to fund water and sanitation loan portfolios. This accomplishment eliminated a significant barrier that had prevented poor women from accessing capital directly.

The Future of WaterCredit

WaterPartners does not aspire to be the water bank to the world. Instead, we see our role as accelerating natural market processes. This means fostering relationships between micro-finance institutions and non-governmental organizations in the water and sanitation sector to help them understand each other better. Or, in certain cases, even creating hybrids between the two. In other places, we may provide standby letters of credit to back loans made by micro-finance institutions, encouraging them to enter the sector by mitigating their risk until they understand it better. Using micro-finance, WaterPartners is acting as a catalyst to introduce the capital markets to the water and sanitation sector. This same approach has been proven in many other sectors, and we are highly encouraged by the results we have seen over the last four years.