

About the WaterCredit Initiative

The WaterCredit Initiative represents the creation of a new space at the intersection of water and sanitation and microfinance. 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.

The Power of Investing in WaterCredit

Change the way water is supplied to the world. Water.org is the first organization to bring microfinance 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 Water.org 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 will 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 up 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 operation 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 Water.org's 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 people from accessing capital directly.

Early WaterCredit Programs

The pilot projects for what would become WaterCredit began in 2003 in the urban slums of Dhaka, Bangladesh, and then in rural Tamil Nadu in southern India in 2004. 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. 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 is allowing Water.org to significantly expand and develop WaterCredit.

WaterCredit Today

Total Investment: Water.org has invested **\$1.2 million** in WaterCredit programs.

Implementing partners: **Nine** of Water.org's partners have taken up WaterCredit programs.

Commercial capital stimulated: Water.org's partner organizations have leveraged **\$4 million** in capital from commercial banks.

Disbursed loans: Borrowers have taken **\$1.6 million** in WaterCredit loan.

WaterCredit Beneficiaries: More than **110,000 people** have received WaterCredit loans.

Loan repayment: The overall loan repayment rate for all WaterCredit programs is 91 percent (two pilot programs were converted into grants). Programs begun in the last **two years are averaging 95-98 percent** repayment rates.

Average loan size: For households, the typical loan size is **\$154**.

Interest rates: Interest rates (including service fees) for borrowers range from **10-24 percent**. This is less than the rate for a typical micro-finance loan.

Repayment periods: Repayment periods range between **12 and 24 months**.

Demographics: Approximately **90 percent** of all borrowers are **women**.

Types of WaterCredit Programs: Grants for **revolving loan funds; direct loans** to partners; "**smart subsidies**" to start up credit programs; and **credit enhancements/guarantees** for commercial borrowing.

The Future of WaterCredit

Water.org 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 microfinance 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 microfinance institutions, encouraging them to enter the sector by mitigating their risk until they understand the space better. Using microfinance, Water.org 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.