

The WaterCredit Initiative™

Revolutionizing the Way
Water is Supplied to the World

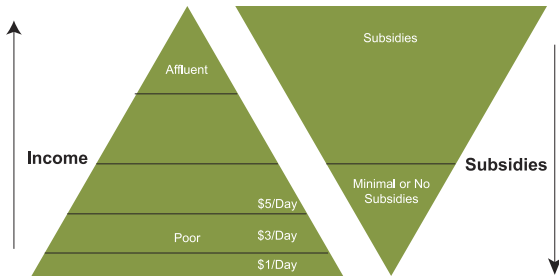


The Global Water Crisis

Every day, a new chapter in a grim saga unfolds across the headlines. The plight of more than a billion people who do not have access to safe water has emerged as a front-page issue. Thousands of people are dying every day from water-related diseases—the majority of them children under age five. The toll on health status and productivity is almost beyond reckoning.

But while the extent of the problem is becoming more widely known, solutions are in short supply. The sheer magnitude of the problem defies simply scaling up current measures because there are not enough government grants and philanthropic aid to go around.

Water Subsidies Are Upside Down



Furthermore, the grant-based approach has created a system of subsidies among water utilities that results in water rates being set far below the real cost to supply water. Unfortunately, these subsidies are “upside-down,” with the vast

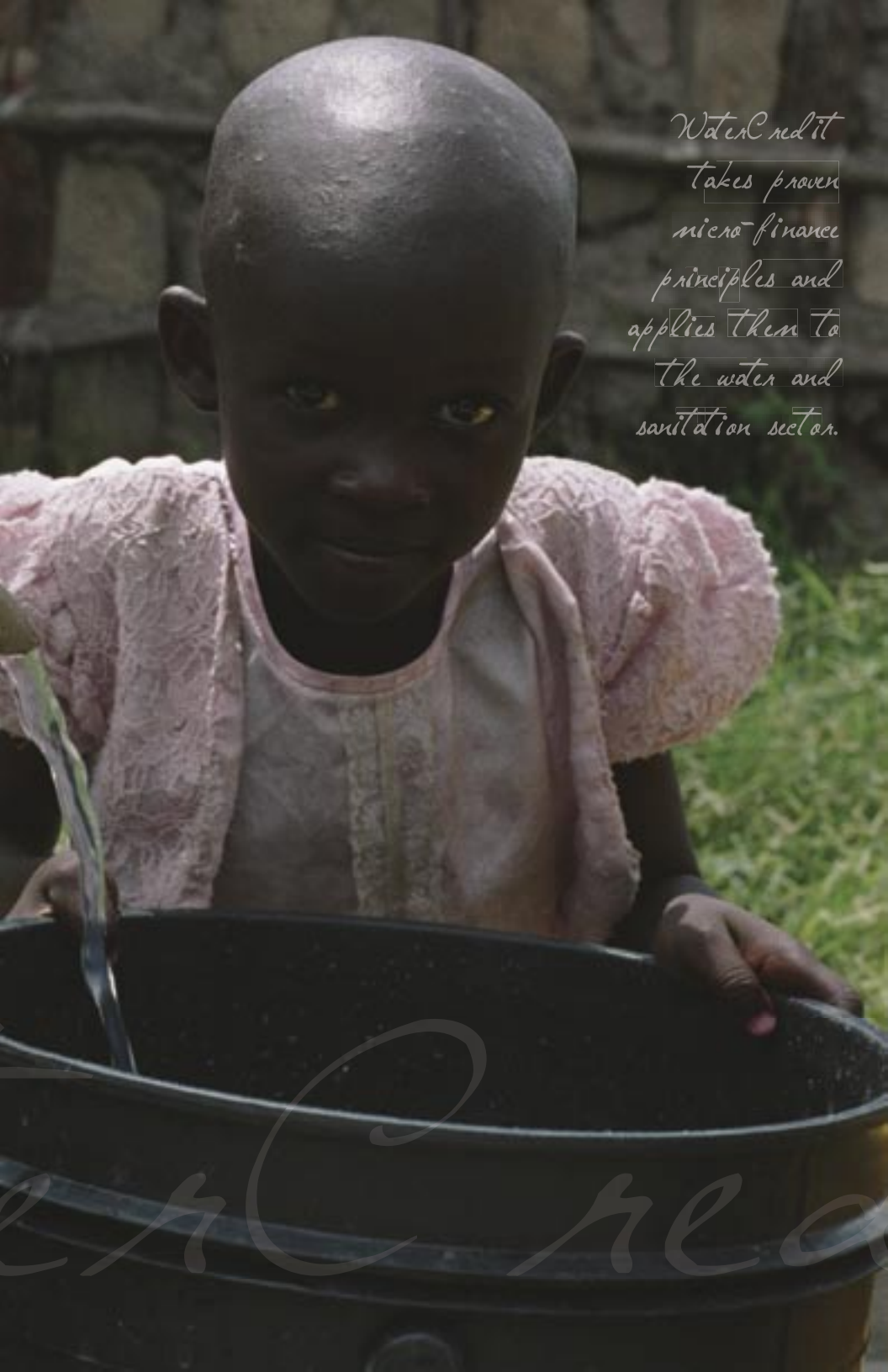
majority going to those who can afford to pay the full cost of service. By contrast, the urban and rural poor currently pay a much higher price to access water and sanitation—in the form of cash as well as the time spent walking and waiting in line to collect water. On average, urban slum dwellers pay 12 times more for a liter of water than those connected to municipal water supply systems.

In order to effectively address the global water crisis, a new strategy is needed. A strategy with a solution that is the same order of magnitude as the problem. A strategy that takes practical advantage of market forces. And a strategy that targets subsidies to where they are needed most. Such a strategy is embodied in the WaterCredit Initiative.



Missi

*The sheer
magnitude of
the global
water crisis
defies simply
scaling up
current measures.*



*WaterCredit
takes proven
micro-finance
principles and
applies them to
the water and
sanitation sector.*

WaterCredit

The WaterCredit Initiative™

At the heart of the WaterCredit Initiative™ is a concept taken for granted in most western countries—access to credit. In developing countries, however, access to credit is more difficult to obtain—especially for the poor, despite the fact that decades of micro-credit loans for entrepreneurial purposes have demonstrated their creditworthiness.

WaterCredit takes those proven micro-finance principles and applies them to the water and sanitation sector. By making small loans to communities and individuals who do not have access to traditional credit markets, WaterCredit helps people finance the upfront cost of water and sanitation systems. Giving people the credit tools they need and allowing them to repay the loans over time empowers them to solve their own water supply needs now instead of having to wait for years for a grant that might never come.

Since nearly all water and sanitation projects are currently grant-financed, WaterCredit represents a major paradigm shift by harnessing the power of demand from the ground up to complement the supply of grants from the top down. Because the loans are repaid into a revolving fund, the multiplier effect means that many more people can be helped for the same philanthropic investment. Also, by allowing people to participate in financing their own solutions, it means that more grant money will be freed up to meet the needs of the poorest of the poor. For the first time, WaterCredit presents a solution that is inherently scalable, providing a clear path to meeting the needs of the 1.1 billion people in need of safe water.

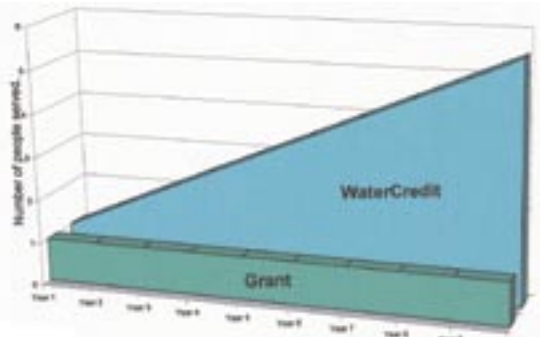


WaterCredit In Action

WaterCredit is not just an interesting theory. It has already been proven successful in pilot projects in three different countries on two continents—India, Bangladesh and Kenya.

The pilot projects for WaterCredit began in 2004 in the urban slums of Dhaka, Bangladesh, and in rural Tamil Nadu in 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.

Scalability: Grant Funding vs. WaterCredit




After 10 years, 5 times as many people have water.

In 2005, the WaterCredit Initiative was expanded to Kenya, where the focus has been on community-level loans for wells and infrastructure. Again, the program has been so successful that it is stimulating demand for additional loans from the target communities as well as their neighbors.

Far from being a burden on poor people, WaterCredit loans actually free people from burdens they already bear—both monetary and time spent walking and waiting in line to collect water. Because the poorest urban slum dwellers are generally not allowed to connect to the highly subsidized municipal water supply systems, they are forced to pay high prices for water sold through vendors, often known as the “water mafia.”

Also, people are so desperate for water and sanitation facilities that they frequently borrow money from loan sharks at exorbitant rates—sometimes over 100%—in order to get their hook-ups. In that context, market rate loans from reputable lenders are clearly a better deal. Thus, Water Credit can actually allow those in poverty to reduce their monthly water expenditures, even taking into account their loan payments.



*WaterCredit
can actually
allow those in
poverty to reduce
their monthly
expenditures.*



*The revolving
fund will
help our
neighbors.*

Success Stories

S. Gandhamani (see cover photo), who lives in Ponnegampatti, India, took out a WaterCredit loan to install a new water tap outside of her house. Today, she not only has easy access to safe water, but the wastewater that runs from the drainage area around her tap is channeled to a thriving garden where she grows banana trees to earn extra income for her family. A few short months ago, the time and water it takes to tend these trees would have made this garden impossible. Now, each bunch of bananas she sells brings in an extra 150 rupees (\$3 US) for her family. By harvesting the bananas five times per year, Gandhamani has added the equivalent of five weeks of wages to her yearly income.

In western Kenya, the community of Boya took out a loan of \$21,000 to finance a new water tank and pipes. The residents were so pleased with the results that now they want to do even more and the pride they have in their system is evident. “We are not afraid of debt,” says water committee chairman Samson Onyango Alai. “There was no other way to get water. We will be the first to be buried if we let it fail, so we will not fail. And the revolving loan will then help our neighbors.”



The Seda family took out a loan to install a well at their home near the village of Ugwe in Kenya. Prior to that, Mrs. Seda and her children would have to collect water from a river about 1.5 miles from her home. Next to the new well, Mrs. Seda started a garden that is full of vegetables and fruit trees. Not only does she have enough to feed her family, she is able to sell the surplus in the market for a little extra income. “This is our well,” says Mrs. Seda, who is also pictured left. “And I carry water on my head no longer!”

Accelerating the Market

Based on research and experience in the field, the latent market for credit in the water and sanitation sector appears to be huge. WaterPartners International is seeking to capitalize on that pent-up demand and accelerate natural market processes.

This means fostering relationships between micro-finance institutions and non-governmental organizations to help them understand each other better. Or, in certain cases, even creating hybrids between the two. This could take the form of a micro-finance institution with a water and sanitation branch, or a non-governmental organization with a micro-finance arm. Or, it could mean a completely new organization that incorporates the financial loaning and community-focused aspects of both. In other places, WaterPartners may provide grants to seed revolving funds or issue 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 the market better.



The result will be a marketplace in the sector that functions with minimal outside support—one that operates on a scale far bigger than the grant-dependent system. People desperately want access to safe water and sanitation—and they're willing to pay for it themselves if they are given access to the right credit tools. For the millions who need these basic services, there are only

two options: WaterCredit now, or wait. With something as fundamentally important as safe water, the choice is clear.

Deed

A young child with dark hair, wearing a white long-sleeved shirt and blue pants, sits on the ground. The child's shirt is stained with a large, irregular brown mark. The child is looking down and to the right with a somber expression. To the right of the child is a large, blue plastic water container. The background consists of a weathered, green-painted wooden wall. The lighting is natural, suggesting an outdoor or semi-outdoor setting.

*The choice
is clear:
WaterCredit
now, or wait.*



About WaterPartners

WaterPartners International is a U.S.-based non-profit that provides safe drinking water and sanitation to people in developing countries. Since its inception in 1990, WaterPartners has helped transform the lives of more than 165,000 people in eight countries. By forging partnerships with carefully-screened partner organizations, WaterPartners empowers local communities to develop and sustain solutions to their own water needs.

WaterPartners International

2405 Grand Blvd., Box 12

Kansas City, MO 64108

(913) 312-8600

www.water.org