

# Mid-term Review of the Making Water Count programme

**Aqua for All**  
Final report

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The team gratefully acknowledges the support and invaluable inputs from key experts at Aqua for All, the Ministry of Foreign Affairs, partners, peers and supported projects (see Appendix A for a full overview). The team is grateful for the inputs received, which have contributed to an analysis of Aqua for All's approach and contribution to **supporting** safe water and sanitation services from all relevant points of view. This report is the result of a collective effort.

Special thanks go to Marleen Hasselerharm for effectively managing the Mid-term Review from the Aqua for All team's side, to Erik Siepman from the Ministry of Foreign Affairs for their insights and guidance on expectations, and to all other Aqua for All staff for the openness, the support on transferring the required documents and data, and the in-depth discussions on approaches, operations, and results.

Steward Redqueen is responsible for all analysis, findings, and recommendations in this report. Views expressed here do not reflect official views of the Aqua for All team or any other involved stakeholder, and recommendations are formulated as considerations by the authors.

The report aims to contribute to a better understanding of Aqua for All's approach and contribution to supporting safe water and sanitation services through its different levels of action. We hope the insights and recommendations lead to a further sharpening of the Aqua for All's approaches, operations and overall performance in steering for safe water and sanitation services that are inclusive, sustainable, and scalable.

# Executive Summary

## Introduction

Aqua for All is a Dutch foundation operating primarily in Africa and Asia. For over two decades, Aqua for All has worked to increase access to safe water and sanitation services that are inclusive, sustainable, and scalable. Together with the Dutch Ministry of Foreign Affairs (MFA), Aqua for All is implementing the Making Water Count Programme (MWC), a programme focused on accelerating SDG6, specifically to facilitate and finance innovative and scalable solutions for water and sanitation in Africa and South Asia. MWC started in 2019 and has by now committed most of the available programme subsidy (EUR 30 million).

Aqua for All's strategy focuses on three key areas: 1) commitment to reducing inequalities through technical assistance and innovative finance; 2) using smart grants to stimulate systems change in WASH and 3) convening key stakeholders to improve local business ecosystems. More recently, MWC has increased its focus on mobilising private capital through innovative finance mechanisms for WASH solutions.

Aqua for All and the Dutch Ministry of Foreign Affairs commissioned specialised consulting firm Steward Redqueen to execute an independent review of MWC. The main aim of this review is to assess the performance of the Making Water Count programme. The results of this review will be used to help decide whether to extend and expand the current programme, as well as to better assess the approach in applying a Directorate-General for International Cooperation (DGIS) subsidy. More specifically, this review (i) provides an assessment of the MWC programme against the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD DAC) evaluation criteria; (ii) evaluates the central approach in applying DGIS subsidy through 'smart granting' in a catalytic manner; and (iii) provides input to Inclusive Green Growth Department (IGG)'s decision whether and how to continue with this programme.

## Methodology

The review follows a mixed-methods approach. Four key sources were used to retrieve all quantitative and qualitative information on MWC: a document review, an analysis of portfolio and performance monitoring data, a field visit to Kenya, and interviews with 61 key stakeholders, which included the Ministry of Foreign Affairs, partners, peers, and supported projects. The four different types of sources allowed for comprehensive analysis and triangulation of all data, opinions, and findings.

## Key findings

The key findings of this deep dive are summarised below. The findings are structured along the lines of the six evaluation criteria of the Development Assistance Committee (DAC) of the OECD: relevance, coherence, effectiveness, efficiency, impact, and sustainability.

### Relevance

*On why access to clean water and sanitation so important, what key challenges are and how the programme's primary goals, approaches and activities link to the key sectoral challenges.*

1. **The WASH objectives of SDG 6 are behind schedule and catalytic finance is urgently required to bridge the US\$ 144 billion annual finance gap.** The world is not on track to achieve Sustainable Development

Goal 6 (SDG 6), which is to ensure the availability and sustainable management of water and sanitation for all. In many countries, public and/or free water and sanitation services are not a reality. Public funding is insufficient leaving about 2.2 billion people in the world without access to safe drinking water and 4.2 billion people (two-thirds of the world's population) without proper sanitation. The World Health Organisation (WHO) and the United Nations Children's Fund (UNICEF) estimate that, at the current rate of progress, only 81% of the world's population will be equipped with safely managed drinking water by 2030, which leaves about 1.6 billion people uncovered.<sup>1</sup> To achieve universal access as set by the United Nations Sustainable Development Goal (SDG) 6, the world needs to invest a total of US\$ 114 billion annually.<sup>2</sup> However, public investments and donations only cover 4.4% (less than \$5 billion) of the required budget. Private funding is therefore urgently needed to bridge this finance gap.

2. **The finance gap is a result of the limited availability of public funds and constrained private investment due to perceived hurdles around commercial attractiveness.** The water and sanitation sector has been traditionally financed by public funds. However, public and semi-public utilities in developing countries have consistently struggled in servicing the entirety of countries and their populations. Over the past decades, non-profit organisations have tried to fill gaps through methods that were often operationally successful but financially not sustainable. Meanwhile, private investment in WASH has been restricted due to several (perceived) hurdles, which include a lack of defined and consistent revenue streams and thus limited commercial attractiveness, insufficient collateral among WASH companies, limited knowledge on the sector and a lack of innovative financing facilities.
3. **MWC's three levels of action address the sector's challenges while remaining flexible in nature.** The three focus areas are (i) stimulating and fostering of innovation and start-ups in WASH, (ii) overcoming barriers to scale by supporting the development of (business) models for promising WASH companies to become investment-ready; and (iii) facilitating access to finance for WASH by supporting the development financial products and blended finance structures. This has resulted in a diverse portfolio of projects carried out, with relative versatility in the selection process that allows the organisation to respond to market needs. This ensures Aqua for All is perceived as flexible and additional although this has also resulted in challenges effectively tracking and comparing results.
4. **The increased focus on innovative finance has the potential to achieve higher additionality, true scale and system strengthening but also has its trade-offs.** Initially Aqua for All mostly focused on market development to make entrepreneurs investment-ready, but at the same time, it observed that the finance gap was mainly caused by the lack of catalysing capital for WASH investments. Throughout MWC's programme life, the focus on innovative finance developed and became more central in the SCALE funding window and for Aqua for All as an organisation. Within a short timeframe, Aqua for All has managed to build organisational expertise and a name for itself. It has been an important driver of the development of several financial services such as WASH loan products, de-risking instruments, and blended equity and debt investment funds. A stronger focus on innovative finance ensures Aqua for All can provide:
  - a. *Higher additionality*: the indirect approach is more additional in the sector, as Aqua for All is recognised as unique in its expertise and focus on these enablers, while there are many public and philanthropic actors that remain focused on providing grants for smaller initiatives;

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<sup>1</sup> United Nations, SDG6 Facts & Figures: <https://www.un.org/sustainabledevelopment/water-and-sanitation/>

<sup>2</sup> Estimates by World Bank, figure does not include operating and maintenance costs.

- b. *Higher leverage*: it is catalysing high levels of finance, as 36% of the DGIS funding was used for innovative finance but generated 73% of all co-finance in projects supported by MWC. The average leverage ratio standing at 1:9,22 catalysed result in even higher levels of catalysed finance;
- c. *Systems strengthening and sustainability*: the support for financial solutions for WASH is also likely to be more effective at strengthening the system and providing more sustainable solutions for WASH enterprises and the WASH sector as a whole, thus providing longer term solutions.

The deliberate decision by Aqua for All to focus more on innovative finance also comes with some trade-offs:

- a. *Reaching lowest income groups directly*: innovative finance-supported initiatives require relatively safe loans or investments, which means that less country and business risks can be taken, which has and may further result in a focus on larger, more stable and developed countries and business models that can rely to a large extent on middle to higher income consumers;
- b. *Timing of results*: innovative finance solutions may also be slower to reach results, as it can take more time to reach the objective with the supported partner (e.g., reaching sufficient investors for an investment fund to reach its minimum viable size) or before the investments have in turn reached WASH enterprises;
- c. *Challenges in results management*: it also has implications for target-setting and results management, as it requires more of a focus on business performance indicators alongside WASH indicators. Furthermore, it is expected to be more challenging to effectively collect, monitor and verify performance and impact data due to the fact that Aqua for All will not have a direct contractual relationship anymore with WASH enterprises that are financed through financial intermediaries (e.g., banks, investment funds);
- d. *Organisational expertise*: it requires different expertise on innovative finance, which often requires recruitment of new talent to fill capability gaps.

## Coherence

*On how well the programme fits within the Ministry of Foreign Affairs' policies, WASH-related international and national policy, initiatives such as the UN SDGs and other interventions in the market as well as its own strategy.*

- 5. **MWC's objectives align with the Dutch foreign policy strategy, notably on WASH, focus countries and mobilisation.** In its most recent foreign policy strategy, the Netherlands confirmed the targets of ensuring that it wants to contribute to providing an additional 30 million people access to clean drinking water, and 50 million people with access to sanitation,<sup>3</sup> which is the prime focus of Aqua for All. MWC's geographic focus on four regions in Africa and Asia includes eight development cooperation focus countries (Bangladesh, Burkina Faso, Ethiopia, Kenya, Mali, Mozambique, Niger, and Uganda). Furthermore, MWC's expanded innovative finance pillar activities are in line with a strategic priority working method of using development cooperation to leverage private finance. Finally, Aqua for All plays an active role in various conferences and events, most recently, the UN Water conference co-hosted by the Netherlands.
- 6. **Because of its broad focus within WASH, Aqua for All acts alongside various other interventions but is largely complementary.** Due to its consistent focus on WASH and long track record, Aqua for All has a

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<sup>3</sup> Netherlands Ministry of Foreign Affairs, *Do what we do best. A strategy for Foreign Trade and Development Cooperation* (2022) 34.

strong reputation in the field. The exclusive focus on the full spectrum of WASH elements is a first distinguishing factor of Aqua for All. Most other organisations in the field either focus on WASH as a priority area among others or have a more niche focus on either water or sanitation and/or hygiene. A second distinguishing factor is the varied suite of instruments and flexible mandate. Whereas most donors in the WASH sector are focused on financing smaller scale water and sanitation infrastructure, or the hardware of solutions, Aqua for All provides flexible support to projects that are focused more on newer or innovative approaches for financing within the WASH sector and has a specific focus on stimulating WASH-focused entities to become more professional and sustainable. Within its innovative finance pillar, Aqua for All has a unique focus on financial WASH products and services. Although there are some others with this focus (e.g., Water.org or USAID WASHFin), Aqua for All stands out for the flexibility of its instruments (e.g., grants for fund or loan product development, de-risking instruments).

7. **MWC's refreshed 'dual approach' to the delivery of its programme effectively adheres to Aqua for All's strategic objective.** MWC is increasing its focus on mobilising private capital alongside market development while maintaining its flexibility. Its joint approach to market development and finance for WASH enables MWC to explore opportunities to provide innovative financial instruments (such as de-risking) while maintaining its support to WASH enterprises. This support, while still targeting SMEs, will typically use accelerators, innovation incubators and service providers rather than be direct support. This does have its own drawbacks as Aqua for All will have more limited oversight over the enterprise's performance.

## Effectiveness

*On the extent to which the programme is on track to accomplish its planned results, what the success factors or challenges faced are, and how effective are the programme approaches (e.g., direct, or indirect) have been at achieving the different primary goals.*

8. **MWC is at present meeting two of its three main programme targets and is on track to meet the third – albeit after 2024.** MWC is still below the people reached target, likely to meet its priority country target, and currently exceeding its leverage target.
  - a. **Target 1: access to WASH facilities to 830,000 people with the DGIS grant and 4 million people in total.**

**The number of people reached stands at 1.7 million as of December 2022, of which about half a million relates to the DGIS grant.** With almost all programme funding committed, Aqua for All is on track for end of the programme in July 2024, but projects are still ongoing.

- i. The majority of beneficiaries receive access to drinking water (approximately 1 million).
- ii. Aqua for All's scale window generates the largest number of beneficiaries (656,000) and innovate the least (76,000).
- iii. Innovative finance, with 485,000 total beneficiaries (DGIS grant + leverage and cofounding) shows the highest potential as many projects are still in progress and thus do not yet show results. Nevertheless, the story is more nuanced, and the number of beneficiaries reached is expected to exceed targets at programme end. This is because: (i) many projects are currently in progress thus data is not yet due; (ii) data completion rates are generally low due to persistent challenges in data collection; and (iii) Aqua for All employs a conservative and good

practice approach in applying the pre-agreed, SDG6-aligned definition of what constitutes access to water and sanitation services.

- iv. An additional 2,340,000 beneficiaries have been supported indirectly through job creation or capacity building. Going forward, learning to capture this data will give additional clarity to the total number of beneficiaries.

**b. Target 2: allocating at least 66% of funding to priority countries.**

**63% of funding has been allocated to priority countries set in 2018.** While this does not quite reach the objective of 66%, a large share of MWC's portfolio consists of multi-country initiatives (29%) that are still to be specified to individual countries. As these initiatives also include priority countries, it is likely that this target will be met once the budget redistribution is finalised in the course of this year. An analysis *excluding* the multi-country initiatives shows that MWC has an outreach of 89% to priority countries. Going forward, as MFA has revised its priority countries in 2022, Aqua for All will need to actively steer to reach the target of directing 66% of funding to priority countries.

**c. Target 3: realising a leverage of at least 1:3.**

**The overall leverage stands at 1:4.6 and the total amount of co-finance at 85 million.** A key feature of MWC is that the principle of 'smart granting' is applied. This means that grants are used to engage the private sector, develop scalable models, and unlock private capital. With an overall 1:4.6 leverage ratio Aqua for All is exceeding the leverage target of 1:3 on the programme level. For the subprogramme windows (i.e., innovate, scale, response facility, innovative finance), the realised leverage is also higher than initial expectations. The scale funding window generated 93.5% of all co-finance, which in turn is dominated by the innovative finance subprogramme, which has an overall leverage ratio of 1:9.22 and generated just over EUR 61m in co-finance (72% of all co-finance). About 60% of that was generated through just one project, the successful first close of the Water Access Acceleration Fund (W2AF), which was a major achievement and has by far mobilised most capital under the MWC.

**9. The Ministry of Foreign Affairs' funding terms have been an enabler for Aqua for All to be flexible.** While there is no shortage of actors ultimately working towards SDG6, Aqua for All occupies a unique niche in this sector driven by the organisation's ability to be flexible and bespoke in its partnership and solution design, to meet the unique and context-specific needs of its partner organisations. This allows for support to be channelled where it is needed most – for example by supporting WASH SMEs on their journey to be independently financially sustainable or implementing pioneering solutions such as the first of its WASH SME finance facility with Sidian Bank. This is enabled by Aqua for All's flexible mandate that has few restrictions on the activities that it can undertake, so long as they contribute to achieving SDG6. It has been the single most appreciated aspect of Aqua for All by all project stakeholders interviewed, and the most distinguishing aspect mentioned by peers and experts in the field.

**10. Effective operational monitoring and evaluation of results is hampered by disjointed and decentralised monitoring operations and a failing technical partner.** There are various factors that have contributed to this:

- a. *Indicator selection:* the core and thematic performance indicators make sense from a theoretical, classical WASH point of view but have appeared to be challenging to adequately interpret and track



consistently in practice, only applicable to specific projects, hard to measure, or there is no clear connection between the Theory of Change and some of the indicators;

- b. *Data collection and management:* results management is somewhat disjointed, as monitoring innovation and scale on the one hand and innovative finance on the other hand has largely been managed by separate parts of the team. Other key indicators such as leverage sits with other experts, while performance data of individual projects is not centralised and remains with project managers;
- c. *Technical partner:* technical partner Akvo was not able to deliver a working dashboard functionality on results due to technical issues and inadequate understanding on Aqua for All's requirements, and misalignment between the data collected from project partners and the data presented in the dashboards.

## Efficiency

*On what can be concluded in terms of how efficient the delivery of the programme has been in reaching its intended impact.*

11. **The increased focus on innovative financial instruments requires new expertise and leadership.** The organisational structure of Aqua for All has been adapted to match its market and finance ambitions. However, this has contributed to personnel changes (recruitment and resignations) and the need to upskill staff. Close attention and due resources should be allocated to ensure that staff continue to have the required financial skills needed, while ensuring a balance with relevant skills on topics of development and WASH.
12. **Understanding the efficiency of each level of action in achieving impact is important to inform future strategic focus but this requires robust data.** Although all levels of action work towards achieving the overall impact goal of increasing access to inclusive and safe water and sanitation solutions, the way in which they achieve this differs. Calculating the efficiency of each level of action in terms of the number of beneficiaries per euro invested can help nuance these differences and inform strategic direction. Robust quantitative analysis was not possible due to the level of completeness of data on beneficiaries reached (approximately 48% complete). This was driven primarily by endline impact data not yet being due for projects in progress but also due to data collection challenges.

## Sustainability & system strengthening

*On how the programme ensures lasting benefits and has worked on system strengthening.*

13. **Aqua for All aspires to drive lasting benefits as it requires service providers to work towards commercial viability and financial sustainability as a mechanism of bridging the finance and service delivery gap.** MWC's direct impact lies in strengthening WASH systems and improving sustainability. By working to improve the commercial and financial viability of a business, MWC helps a business stand on its own, commercially, financially and in terms of capacity, reducing the finance and service gaps, as well as grant reliance. This can theoretically have a longer term and more sustainable impact with system-wide impacts and due consideration should be given about how to best capture this. Qualitative and anecdotal evidence is available to support this hypothesis but quantifying Aqua for All's impact on improving the longer-term sustainability of businesses that it supports is marred by four key challenges: (i) the time needed by most companies to reach break-even is longer than the duration of the MWC programme; (ii) measuring

company sustainability requires company level data but Aqua for All is involved at the project level and thus faces challenges in collecting the necessary data; (iii) there is currently no systematic or structured manner to collect data on key financial sustainability indicators; and (iv) attributing Aqua for All's influence on the financial sustainability of a company is difficult, and its leverage is likely to reduce over the longer term.

14. **Aqua for All's approach to its MWC leaves it well placed to strengthen WASH systems with ample qualitative evidence of its (potential) impact.** Improving WASH and achieving the SDG 6 targets requires a coordinated effort from public and private actors that foster enabling institutional arrangements, policy and regulation; provide access to affordable financing solutions, and develop the right skills and capacity to plan, implement and monitor WASH solutions (see Table 6 on page 49 for an overview). Particularly on financing, capacity and learning as well as implementation components Aqua for All is influential and generating results, while there is potential to play a leading position in the planning and monitoring component. An in-depth review of a selection of grantees in Kenya shows that Aqua for All plays an important role in many aspects of this system. However, this could be better captured by agreeing on a shared definition of system strengthening and devising a framework with which to capture Aqua for All's system strengthening achievements. In addition, experience in Kenya has shown that Aqua for All can stimulate more financing to sustain existing WASH services in Kenya by making it more viable for water service providers (WSPs) to operate more efficiently, but more concrete evidence that it is closing the gap on water and sanitation access by bringing more people to access safely managed water supply is still required.

## Recommendations

Aqua for All is currently at an important phase of its existence, and at a crossroads on a few key aspects. Based on the review, potential actions have been identified and formulated as recommendations that Aqua for All could consider, which are integrated in the main report analysis. Below these considerations are summarised, structured around operational areas. We have formulated the recommendations as opportunities that may further sharpen Aqua for All's approach and tried to be as operational, pragmatic and realistic as possible. It should be emphasised that this is not meant as an exhaustive list of hard recommendations that must all be followed up. Several recommendations will require human and financial resources or additional efforts from partners, and the right balance between ambition and feasibility should be found.

### On future focus

1. **Continue the gradually enhanced focus on innovative finance but** be mindful of the challenges or trade-offs that come with this and consider measures how to manage these. This should include:
  - a. *Adjusting results management approach and expectations:* agree with intermediary financial institutions and fund managers on Aqua for All's data requirements, which should always be included in the core of funding agreements or dedicated side letters. In the data requirements, Aqua for All should be realistic and ensure that its requirements are tangible and feasible, where data quality and completeness should be prioritised over detail and FIs should receive help in implementing this where necessary;
  - b. *Utilising innovative instrument design and incentives (SIINC) to ensure pro-poor impact potential is maximised:* continue collaboration with banks and investment fund managers to provide innovative

WASH finance (e.g., de-risking instruments) and technical assistance that supports WASH enterprises to expand services to lower-income populations. Including these varied characteristics should create a portfolio with a combination of high and low risk projects, and find the right equilibrium between both; and

- c. *Managing risks*: attract an independent expert with impact investing expertise that should have a seat in the equivalent of Aqua for All's Investment Committee for grants that are above EUR 300K.

**2. Effectively tracking and analysing results is crucial to show that investing in viable WASH enterprises can be done.** This can be achieved successfully as follows:

- a. *Develop an updated Theory of Change that provides functional guidance internally and externally.* This should include a version with greater links to the indicators in the results framework and a version for external audiences.
- b. *Develop a MEL guidance document.* Develop a document that further describes Aqua for All's MEL framework by introducing the organisation's Theory of Change and its elements, together with the corresponding results management framework, including its structure and contents.
- c. *Centralise M&E activities overseen by an impact lead.* Moving forward, Aqua for All will need streamlining and centralisation of data processes, which should be accountable to a dedicated staff member that oversees all data collection, monitoring and management.
- d. *Track progress of economic viability of companies and financial solutions.* Aqua for All should structurally track indicators on the financial performance of (in)directly supported projects.
- e. *Consider structuring indicators of a future results framework around a system strengthening framework.* Although notoriously difficult to measure, especially in quantitative terms, Aqua for All could agree on a definition of the components that make up the WASH system and analyse which components are most strongly within its sphere of influence and later use this as a framework through which to plan focus areas and analyse results.
- f. *Be more transparent about the sources and role played in leverage.* Aqua for All is encouraged to provide more insights into the co-finance generated alongside its intervention, and the role it has played including the co-financing source and leveraged finance.
- g. *Continue applying correction measures to address partiality and attribution factors and avoid overclaiming impact.*
- h. *Centralise individual project progress against targets in a dashboard.* Aqua for All is encouraged to continue the search for a partner that is able to deliver a performance dashboard that provides a real-time overview of the programme's overall and individual project's performance against targets.

## On organisational sustainability

3. **Further intensify the search for additional donors.** The Netherlands Ministry of Foreign Affairs' support has been a key success factor in Aqua for All's ability to provide tailored and flexible support and be additional in the market. However, it also comes with a risk to be dependent upon one key donor. Aqua for All is encouraged to continue and further intensify its research, mapping and outreach to other potential

donors. Its stronger focus on financial solutions for WASH could further spur opportunities for new partnerships with donors or philanthropic organisations that want to focus more on WASH through impact investing (e.g., SDC). It could also be considered to make parts of the programme separately investable, to be more flexible in meeting demands of donors. Any potential donors should fit well with Aqua for All's existing flexible mandate, as this is a strong driver of MWC's achievements.

4. **Continue with the MWC programme with a specific focus on the interrelationship of its two approaches: market development and innovative finance.** MWC fills a gap in innovative WASH finance not provided elsewhere to the same scale or with the same level of flexibility or expertise across both water and sanitation. The long-term financial solutions offered by MWC are also anticipated to offer more sustainable, stronger and self-reliant WASH solutions to the market.

## Introduction

### Background

Aqua for All is an international foundation working toward the achievement of SDG 6, primarily in Africa and Asia. The foundation develops and encourages market-based initiatives that facilitate access to safe and affordable drinking water and adequate and equitable sanitation for all. For over two decades, Aqua for All has worked to increase access to safe water and sanitation services that are inclusive, sustainable, and scalable.

Together with the Dutch Ministry of Foreign Affairs (MFA), Aqua for All is implementing the Making Water Count (MWC) Programme, a programme focused on accelerating SDG6, specifically to facilitate and finance innovative and scalable solutions for water and sanitation in Africa and South Asia. The programme's dual approach tackles the service and finance gap in the WASH sector, supporting innovative initiatives to scale up and unlock public/private capital.

Aqua for All and the Dutch Ministry of Foreign Affairs are keen to assess its programme and results for forward looking reasons. It is expected that by the end of Q2 2023, Aqua for All will have committed most of the available programme subsidy (EUR 30 million) available under the MWC. Moreover, the demand for Aqua for All's de-risking products has grown, Innovative Finance for WASH processes take longer to close and require a longer-term perspective to achieve results and impact. Therefore, Aqua for All and the Ministry of Foreign Affairs are in ongoing communication for a potential extension and expansion of the current Making Water Count programme.

### Objectives of the Mid-term Review

The main aim of this review is to assess the performance of the MWC programme. The results of this review will be used to help decide whether to extend and expand the current programme, as well as to better assess the approach in applying DGIS subsidy. The specific objectives of the review are to:

- Assess the Making Water Count programme against the OECD DAC evaluation criteria;
- Evaluate the central approach in applying DGIS subsidy through 'smart granting' in a catalytic manner; and
- Give input to IGG's decision about whether to continue with this programme.

### Evaluation team

Steward Redqueen is a consultancy firm that works across the globe advising organisations on impact and sustainability. It has office in Amsterdam (head office), Singapore and Washington DC. The firm and its team of consultants for this Mid-term Review specialise in the execution of independent evaluations of impact and climate-focused initiatives and investors. The Steward Redqueen consultant team consists of Matthijs de Bruijn (Partner), Julia Gluchowska (Senior Consultant), Ebbie Tam (Consultant) and Adelola Popoola (Consultant), with further inputs from Belinda Abraham (External WASH Expert).

### Methodology and resources

The MTR follows a mixed-methods approach to answer all research questions. Four key sources were used to retrieve all quantitative and qualitative information. The four different types of resources allowed for robust analysis and triangulation of all data, opinions, and findings. The main sources are:

1. *Documents*: desk research was conducted on relevant Aqua for All documentation, including the original MWC proposal, annual plans and annual reports, policies, selected project decision sheets, and various articles on Aqua for All and the WASH sector;
2. *Performance and results data*: analysis was executed on key (financial) performance and impact data at the level of Aqua for All and individual supported projects with a specific focus on people reached, leverage, geographic spread and jobs;
3. *Field visit*: a field visit to Kenya took place in May, during which discussion with the local Aqua for All office took place as well as visits to various partners and (indirectly) supported projects;
4. *In-depth interviews*: interviews with 63 stakeholders were conducted to further collect qualitative insights and anecdotal evidence. These interviewees include Aqua for All staff members and stakeholders within the Ministry of Foreign Affairs, partners, peers and supported projects;

## Reporting structure

The report's structure and content are guided by an evaluation matrix. The evaluation matrix was developed and agreed with all stakeholders during the scoping phase and was included in the Inception Report. Beyond this introduction, the report is structured in seven main sections:

- *Strategy, approach and organisation*: the first section presents and analyses the problem Aqua for All is trying to solve and the way it is trying to solve it. It focuses on the fundament of MWC, including Aqua for All's strategy, objectives, Theory of Change and organisation. This section provides the fundament to which the rest of the evaluation will refer to;
- *Coherence*: the second section assesses the programme's coherence with the Dutch foreign policy strategy, and analyses coherence and complementarity with other actors in the space;
- *Activities*: the second section focuses on the range of instruments Aqua for All uses to work towards its mission of increasing access to safe and inclusive water and sanitation services through the private sector as well as its process to identify, screen and select projects;
- *Outputs*: the third section analyses the outputs generated by Aqua for All as a result of its activities, providing a chronological and thematic overview of the project portfolio generated under the MWC programme;
- *Results*: the fourth section introduces MWC's targets and Aqua for All's results management practices, analyses the extent to which Aqua for All is on track to meet its key programme targets, and what success factors and challenges have been, and what initially unintended results have been;
- *Impact, system strengthening and sustainability*: the fifth section will present the key findings on what can be concluded about MWC's impact (recognising that most of the impact will still need to take place), how the programme strengthened the WASH system, and how Aqua for All steers for sustainable results;
- *Case studies*: the report us concluded with two in-depth cases of Safisana, an innovative project that Aqua for All helped initiate and supported to scale throughout various programme, and of its work with financial institutions in Kenya

# 1 Strategy, approach and organisation

*This first section presents and analyses the problem Aqua for All is trying to solve and the way it is trying to solve it. It focuses on the fundament of MWC, including Aqua for All's strategy, objectives, Theory of Change, targets, results management, organisation and the resulting coherence with the Dutch foreign policy strategy and other actors in the space. This section sets the scene and provides the fundament, expectations, and operational context to which the rest of the evaluation will refer to.*

## 1.1 Rationale

Sustainable Development Goal 6 (SDG 6) addresses the availability and conservation of water and sanitation for all. WASH is the umbrella term for initiatives that aim to achieve SDG 6. It encompasses various solutions to address challenges relating to water, sanitation, and hygiene, such as water resource management, water supply services, irrigation systems, and wastewater management. Traditionally, these water and sanitation initiatives have been funded by grants, public funding, and contributions from leading organisations in the field such as USAID, FCDO, World Bank, EU/ECHO, SIDA, NORAD, UNICEF and WHO.

However, the world is not on track to achieve Sustainable Development Goal 6 (SDG 6). In many countries, public and/or free water and sanitation services are not a reality. Public funding is insufficient leaving about 2.2 billion people in the world without access to safe drinking water and 4.2 billion people (two-thirds of the world's population) without proper sanitation.<sup>4</sup> The World Health Organisation (WHO) and the United Nations Children's Fund (UNICEF) joint monitoring programme estimate that, at the current rate of progress, only 81% of the world's population will be equipped with safely managed drinking water by 2030, which leaves about 1.6 billion people uncovered.<sup>5</sup>

Closing this gap requires substantial investments in infrastructure and services. To achieve universal access as set by the United Nations Sustainable Development Goal (SDG) 6, the world needs to invest a total of US\$ 114 billion annually.<sup>6</sup> Public investments and donations only cover 4.4% (less than US\$5 billion) of the required budget, and public and semi-public utilities in developing countries have consistently struggled in servicing the entirety of countries and their populations. Over the past decades, non-profit organisations have tried to fill gaps through methods that were often operationally successful but financially not sustainable.

Private funding is therefore urgently needed to bridge this finance gap. However, private investment in WASH has been restricted due to several (perceived) hurdles, which include a lack of defined and consistent revenue streams and thus limited commercial attractiveness, insufficient collateral among WASH companies, limited knowledge on the sector and a lack of innovative financing facilities.

Mobilising more private funds requires, among others, raising awareness of the sector's potential for both social and financial performance. To address these challenges, new approaches are needed to make projects affordable and manageable for all participants. Aqua for All's MWC programme aims to bridge this finance gap, support innovations in the water and sanitation sector, and sustainably scale up WASH enterprises.

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<sup>4</sup> United Nations Children's Fund (UNICEF) and World Health Organization, *Progress on household drinking water, sanitation and hygiene 2000-2017. Special focus on inequalities* 2019.

<sup>5</sup> Idem.

<sup>6</sup> Estimates by World Bank, figure does not include operating and maintenance costs.

## 1.2 Strategy

### 1.2.1 Strategic framework and focus

MWC supports WASH enterprises to develop locally embedded initiatives with viable business models that aim to scale innovations and proven solutions. At the same time, it collaborates with financial institutions, investors, and other financiers to provide catalytic capital. It does so through two funding windows and three levels of action, which address challenges in the WASH sector.

The strategy framework of the MWC programme consists of three levels of action:

- 1 *Innovation*: stimulating and fostering of innovation and start-ups in WASH;
- 2 *Scale*: overcoming barriers to scale by supporting the development of (business) models for promising WASH companies to become investment-ready;
- 3 *Innovative finance*: facilitating access to finance for WASH by supporting the development financial products and blended finance structures, working with various financiers, financial institutions, and fund managers to develop innovative finance instruments for WASH.

The first focus area (innovation) is one funding window referred to as VIA Water with a budget of EUR 10m. The second (scale) and third (innovative finance) jointly form a second funding window referred to as SCALE with a budget of EUR 20m. The SCALE window also includes a COVID-19 Response Facility for Water and Sanitation Services that was established in April 2020. The three levels of action in theory form three logical sequential steps to addressing hurdles in the sector.

The strategy is also driven by three main cross-cutting themes:

- *Pursuing pro-poor solutions*: Aqua for All is committed to reducing inequalities in access to water and sanitation and therefore applies a gender-sensitive and pro-poor approach throughout its programming. It aims to demonstrate that the development of pro-poor service delivery models and financial sustainability can be combined. This requires a lowering of barriers for private sector engagement and new ways of public private collaboration, which Aqua for All aims to enable through providing technical assistance, and de-risking finance;
- *Using smart granting*: Aqua for All believes that system change in WASH requires other financial systems, that are to be stimulated and developed by grants. Grants were not meant to be applied to subsidise large scale infrastructure, but rather apply 'smart granting' to engage the private sector, develop scalable models and by doing so unlock private capital;
- *Improving local water and sanitation economies*: Aqua for All aims to support the enabling environment that connects and strengthens the five key stakeholders: customers/communities, businesses, governments, and financiers supported by knowledge and civil society organisations. Connecting these stakeholders should lead to improved local business ecosystems, which is crucial for private sector to get involved, and also to provide the essential conditions for scaling of services.

Additionally, more recently a Climate Strategy was developed in 2022 to align the WASH work with the challenges posed by climate change. The strategy emphasises climate adaptation and, to a lesser extent, climate mitigation. The focus is on establishing a climate-smart portfolio and advancing a resilient, low-carbon water and sanitation economy, which aligns well with Aqua for All's existing portfolio of activities due to the inherent link of water and sanitation with climate change.



## 1.2.2 Strategy in practice

Over the course of the MWC programme Aqua for All's strategy has remained in place, although has had an increased focus on mobilising private capital along with market development. As a result, Aqua for All started to develop 'de-risking' instruments that decrease the unknown risks related to investing in the water sector. This meant that MWC increasingly focused on the third level of action: innovative finance.

The 'smart granting' approach has been applied well in practice. Aqua for All's support has been perceived as highly flexible, providing tailor-made solutions to challenges that enterprises were facing. The relatively high average grant amount for all interventions in combination with the relatively high leverage ratios (particularly for scale and innovative finance) further underpins this. The gender-sensitive and pro-poor approach has been applied in many supported enterprises and remains a clear ambition in all of Aqua for All's work. However, with the increased focus on innovative finance there will be some trade-offs with this ambition (see box below for more concrete insights).

The structural improvement of local water and sanitation economies is the most ambitious of the three cross-cutting themes and least visible. In most projects Aqua for All supports a WASH enterprise or organisation that develops a financial solution focused on WASH, but they do not necessarily focus on bringing customers/communities, businesses, governments, financiers, and civil society organisations together. There are specific initiatives where this has been a specific focus, such as the UN Water Conference, and the development of the Challenge Fund in Kenya as well as countries where Aqua for All has a stronger focus on this role, such as in Kenya, but this has been a targeted approach and has not been applied in practice across all projects.

## 1.2.3 Future strategy

Moving forward, Aqua for All wants to adapt to a strategy that is built around two domains: market development and innovative finance/finance for WASH. This essentially builds upon the scale and innovative finance levels of action of MWC and will have a joint focus on market development and innovative financing for WASH. This means that support to WASH enterprises will focus on scaling up via accelerators, incubators and innovation facilities as opposed to direct support to start-ups.

This new strategy focus has a few implications for Aqua for All's innovative finance approach. Support will to a larger extent be indirect, which means Aqua for All will be less directly involved with WASH-focused enterprises, but rather on enablers in the ecosystem, such as through incubators, banks, or investment funds. This indirect approach is additional in the sector, as Aqua for All is recognised as unique in its expertise and focus on these enablers, while more actors are still providing grants for smaller initiatives. Aqua for All's support is also likely to be stronger at strengthening the system and thus more sustainable, resulting in even higher levels of catalysed finance.

With the continued rollout of innovative financial instruments and increased focus on innovation facilities and accelerators, Aqua for All will have a different and somewhat more distant relationship with WASH enterprises. This may make it more challenging to effectively collect, monitor and verify performance and impact data.

In addition, the strategic need to focus on geographies, communities and enterprises where the private sector is sufficiently developed to deliver market and financial instruments means that very low-income earners are unlikely to directly benefit from Aqua for All's investment, though indirect spillover effects may be demonstrated.

### **Aqua for All's focus on low-income beneficiaries: insights from Kenya**

Aqua for All has a sound (future) strategy that is unique (Section 2.1) and effective in achieving desired outcomes (Sections 4 and 5). The organisation's primary focus is to increase access to water and sanitation solutions through market development and finance for WASH. Because of this approach, Aqua for All tends to operate in regions where the private sector is sufficiently developed for its market and finance instruments to bear fruit, resulting in little work in fragile states or the world's poorest countries, where traditional granting and aid is most effective. This has been a deliberate and strategic approach.

Meanwhile, this approach is not at odds with being able to target low-income communities within the countries of operation. Reaching the lowest income earners will always remain a challenge with Aqua for All's approach. This group remains the hardest to reach customer segment due to its tendency to live rurally (hence harder to physically reach), informally (e.g. it becomes impossible to bring a piped water connection), and be perceived as a riskier investment for FIs and investors.

Despite these challenges, Aqua for All seeks opportunities to target low-income earners. While concrete data on this topic was not available, qualitative insights from Kenya demonstrate some of the challenges Aqua for All faces in reaching this group.

#### **Challenges and nuances in reaching low-income segments of the population**

Informality, affordability, (perceived) willingness to pay and cash flow are the most common challenges in reaching poorer segments of the population. This is confirmed when looking at various Aqua for All supported projects. For example, Aqua for All supported a small-scale water service provider (WSP) in Naivasha, Kenya through the provision of a guarantee. The organisation, a relatively typical WSP in Kenya, is unable to serve the poorest segment of society, who typically live on informal land and thus can neither be connected nor afford the connection fee. Instead, the WSP did report to provide several poor families local to the area with free water from the WSP's water kiosk.

At the same time, an interesting nuance comes into play when segmenting the customer base of the WSP in Naivasha, which primarily consists of middle-income salaried workers (e.g., the community self-assessed these as people who may afford a television set), lower income salaried workers (e.g., self-assessed as teachers, nurses) and self-employed market women (*'mama mboga'*). The WSP found that while the salaried worker group can typically afford water, particularly the wealthier customers are more likely to deprioritise payment relative to other, less essential expenses showing a low *willingness to pay*. Lower income salaried workers are often government employees and thus experience irregular salary payments, which impacts their *ability to pay*. In this example, it is actually the poorest existing customer segment that pays consistently due to a high *willingness to pay* and *daily cash flow* from small scale market earnings. Not only are the *mama mbogas* the most consistent group to pay on time, but their daily cash flow also allows them to play the role of small scale 'pay day' creditors to salaried workers to assist them in water bill payment. This customer dynamic should be considered and nuanced when looking at potential projects to invest in, showing that willingness to pay and cash flow among a customer base is important in running a successful SME business, even when part of the bottom of the pyramid, an important insight for FIs that can be hesitant to invest in businesses that serve this customer segment.

#### **Innovative and flexible instrument design and incentives (SIINC) are core to ensuring pro-poor impact potential is maximised**

Aqua for All's myriad of instruments and unique niche in the market can help maximise the pro-poor impact potential, especially through innovative finance. In terms of instruments, incentive payments are useful tools to encourage, and make possible, investments in WASH organisations that serve low-income customers. These customers, in addition to being at higher risk of default are also often located in more rural, and thus harder to reach areas. In the case of one Kenyan bank, staff noted that although capacity in WASH lending had been established, loan officer lending targets hindered the likelihood of reaching these harder to reach customers. Instead, loan officers would prioritise customers in wealthier and more urban segments, thus reaching their lending targets more quickly. Aqua for All's SIINC instrument was designed for this purpose and should continue to be deployed where possible.

In terms of niche, Aqua for All is renowned for flexibility in its mandate to co-create and work with WASH SMEs to design solutions that work. This flexibility led the organisation to support a Kenyan SME focused on enhancing operational efficiency in small scale water distribution, thus *indirectly* increasing access to water. This indirect approach to achieving SDG 6.1 meant that before Aqua for All, the SME was unable to attract funding from traditional NFP actors. Thanks to Aqua for All's flexibility, the business was able to serve informal communities – a strategic objective of the recipient company but that was previously unattainable without funding.

#### **The importance of the demonstration effect in paving future pro-poor investment should not be overlooked**

Aqua for All supported Incofin Investment Management with first loss capital for its private sector, drinking water focused Water Access Acceleration Fund (W2AF). The fund has an established methodology to monitor poverty levels of the people its investments reach. Nevertheless, due to the focus of the fund, and the geographies in which it can reasonably invest, reaching poorer countries and low income earners within countries will remain a challenge. Despite this, the importance of the demonstration effect, and thus Aqua for All's important role in anchoring this fund, should not be missed. The fund is pioneering in its investment thesis, aiming to show that private sector water investments can generate returns. In turn, this aims to prove the business case to the market, to spur further investment, reaching the bottom of the pyramid. The recent first close of this fund means that results are yet to be seen and this remains a theoretical approach. It should, nonetheless, be closely monitored to eventually understand Aqua for All's role in pro-poor WASH delivery in a more nuanced manner.

Perhaps most importantly, the future strategy will require different expertise on innovative finance, which will often require recruitment of new talent to fill capability gaps. The recent (announced) departure of several senior level staff members is an immediate challenge, although Aqua for All is receiving support from an HR advisor to focus on the best way possible in terms of organisational structure and staffing (see Section 1.4 on organisation).

## 1.3 Theory of Change

Building upon its strategic framework, Aqua for All developed a Theory of Change for MWC. The Theory of Change is essentially a comprehensive description and illustration of how and why the change pursued by MWC was expected to happen. The MWC Theory of Change (ToC) has evolved over time, in line with the complexity of the programme. At present, it is in the process of being reviewed and consolidated. Although it is not uncommon, and perhaps even expected, for programmes like MWC to evolve and improve over time, this evolution has resulted in at least three ToC versions that each bear a different focus (see Appendix C). Version 1 remains the official version, though it does not explicitly integrate the innovative finance window, which is done in Version 2.

A ToC should ideally be underpinned by targets and SMART<sup>7</sup> indicators that are linked to the formulated steps in its pathway (i.e., activities and outputs, outcomes, and impact) to form the monitoring and evaluation (M&E) framework through which results are measured (more detail on results monitoring is provided in Section 5.1). In the case of MWC's ToC (version 1), some indicators link to the ToC but in most part this direct link is not evident. Some indicators map directly, though most are indirect in their association, and are not categorised by their status as an activity, outcome, or impact. For example:

- *Outcome result 2 strives for increased employment opportunities for local community, which maps directly to the equivalent outcome of the ToC;*
- *Outcome result 1 strives for increased access to safe water, sanitation and IWRM services/products, which is listed as an impact, rather than an outcome in the ToC. This could lead to some confusion as to the broader mission or impact vision of the organisation.*

That said, it is important to note that a ToC is rarely perfect, faces challenges in being reflective of the full scope of an organisation's activities, and often requires periodic review and redesign to reflect changes to an organisation's evolution. Aqua for All is currently updating its ToC for MWC and beyond and is on the right path in its redesign process. The breadth and depth of organisational knowledge and understanding should be captured and leveraged in this updated ToC to ensure it is as reflective of the organisation as possible. The box below outlines key considerations for the future that could help make a robust and adaptable ToC, improving understanding of Aqua for All's mission internally and externally, as well as corresponding impact measurement.

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<sup>7</sup> SMART indicators are specific, measurable, achievable, relevant, and time-bound indicators that are used in monitoring and evaluation. SMART indicators help to ensure that the indicators chosen are well-defined and can be effectively measured to track progress towards specific goals and objectives.

### Key considerations for the updated MWC ToC

Aqua for All has a complex and varied set of activities in its toolbox to work towards its overall mission and vision. Central to the organisation's success is its nimble and flexible nature, designing and deploying new instruments and activities to suit the needs of its project organisations. Therefore, the new ToC should be designed to keep all this in mind. The evaluators recommend the creation of the following:

- **Detailed ToC for internal guidance:** The ToC in progress at the time of writing should be finalised to serve the purpose of informing and guiding staff on the detailed set of activities, outputs and outcomes that are expected. This will help ensure overall mission and vision alignment among staff and provide support when screening / evaluating / designing potential activities and projects. This ToC should be kept flexible (and thus not overly prescriptive on the types of 'in-scope' activities) to maintain allowance for innovative work that is so central to MWC. Furthermore, it should be able to distinguish between 'market' and 'finance' activities to help guide the separate MWC teams. This could be done by way of colour coding various impact pathways for both market and finance activities (as is currently planned). Critical elements or goals such as a focus on low-income communities (through pro-poor approach), or women, should be found in each step of the ToC where relevant, so that the pathway to achievement of this outcome is clear;
- **Accompanying guidance document:** A separate guidance document should be prepared to help staff develop a coherent, unified and nuanced understanding of the ToC. This should elaborate on Aqua for All's approach and ToC philosophy in succinct narrative; define key terms focusing on what they mean to Aqua for All (e.g., 'catalytic finance' is defined slightly differently between organisations); and break down each ToC component. It may also include a list of 'do's and don'ts' or FAQs. The ToC guidance written as part of the original proposal for MWC can serve as inspiration;
- **Summary ToC for external communication:** This should be a simplified and visually easy to follow ToC to help external stakeholders understand the essence of MWC's mission, without being presented with excessive (and thus potentially confusing) detail. An example template is presented in Appendix C;
- **Corresponding monitoring and evaluation (M&E) framework indicators:** To enable the effective measurement of MWC's impact, the M&E framework should be directly linked to the ToC. This means that targets, metrics, and indicators should be mapped to each component of the ToC. This is further discussed in the next Section. Having SMART indicators in place would facilitate Aqua for All to more structurally and easily monitor and report on its process towards its intended impact, both for accountability to donor(s) and for internal learning.

## 1.4 Organisation

### 1.4.1 Organisational structure

Aqua for All can be best characterised as an organisation in flux, having changed its organisational structure to match its market and finance for WASH ambitions. With MWC, Aqua for All wanted to largely change its approach to supporting the WASH sector, building on its market development and finance for WASH offering to also focus on innovative WASH financing instruments. These include de-risking instruments and other forms of support for enterprises such as via innovation incubators, accelerators and innovation facilities. To support this, Aqua for All allocated EUR 10m for its innovation focus - VIA Water - and EUR 20m to SCALE, which focuses on scaling proven concepts and development of service delivery and financial models to unlock (private) finance.

The gradual rollout of innovative financial instruments required new expertise and leadership. The most pivotal moment was the arrival of a new Managing Director with a background in (micro)finance being introduced in MWC's first year. In addition, new staff members with expertise in financial management and impact investing were brought on board.

At present, the organisation comprises 20.57 full-time equivalent (FTE) employees (or 23 by headcount)<sup>8</sup> predominantly based in the Hague. As the ambition to grow the financial side of the organisation’s work has solidified and grown since the inception of the MWC programme in 2019, so too has the need to reflect this in Aqua for All’s organisational structure. As a result, the team has recently started to set-up three core units: market, finance and impact and knowledge (Figure 1), which are overseen by the Management Team and supported by operations, finance and marketing and communications roles.

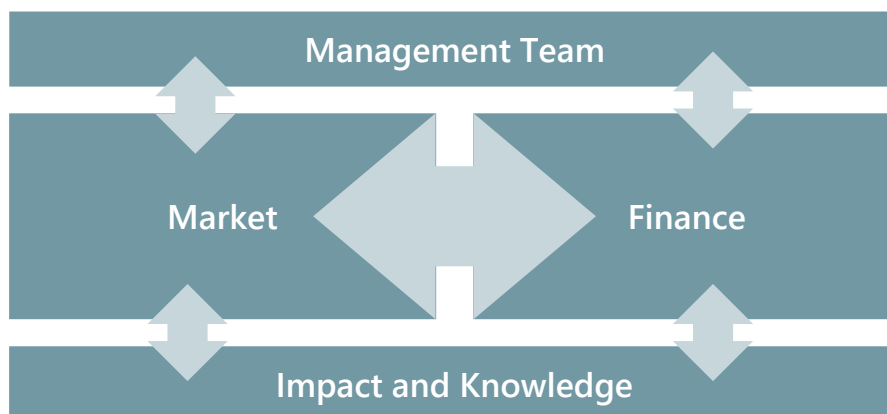


Figure 1 Organisational structure

This restructure is a solid and necessary step to enable the achievement of Aqua for All’s strategic intent. The market unit carries out work that aligns more closely with Aqua for All’s, pre-MWC work. This focuses on developing the market for WASH services and bringing WASH expertise to project organisations. On the other hand, the finance unit works on developing financial solutions for WASH, with the aim of catalysing private sector investment. The two units each have an important role to play in Aqua for All’s mission, often with the same client.

The third unit, impact and knowledge, is crucial addition to the organisational structure to allow for due focus on impact management and knowledge dissemination. With a complex and often indirect impact narrative, it is important that sufficient resources are dedicated to measuring impact to give evidence to support the hypothesis that supporting WASH enterprises to scale and mobilising private capital can bring about change in access to water and sanitation services. In addition, resources dedicated to knowledge dissemination are crucial for Aqua for All’s desire to demonstrate to the industry that water and sanitation can be invested in and can generate revenue streams. Without such a unit that collaborates with both market and finance units, knowledge dissemination in particular can, and has been, deprioritised relative to project work.

### Regional staff and offices

Aqua for All’s team is supported by local staff in focus countries, employed on a contract basis. As of January 2023, there were 3 WASH finance managers in Kenya, a country coordinator in Ethiopia, a liaison officer in Mali, a financial inclusion and capacity building expert in Senegal and consultancy-based work with BoP Innovation Center (BoP Inc in Bangladesh), an organisation offering specialised consultancy services that aim to bridge the gap between private and development sectors. In addition, at the time of writing, there was on going recruitment for at least one further contractor position – a WASH programme manager to join the office in Nairobi.

<sup>8</sup> As at end 2022

Staff in these offices bring important and context specific knowledge, network and expertise. The success of operations in Kenya, the country to receive the largest share of Aqua for All funding, is underpinned by a local team that has brokered partnerships and projects by leveraging its network. Furthermore, the (ongoing) recruitment of a Nairobi-based programme manager is a strategic decision to bring programme management closer to where the programme is being implemented, allowing for much needed closer collaboration and capacity. Indeed, during the site visit, project partners frequently expressed great satisfaction with the support they received from Aqua for All, though noted a desire for contact with a programme manager that is both more available and has more capacity<sup>9</sup>. Based on site visit observations, this could reduce delays in contracting phases to get projects up and running without delays, in turn positively influencing other operations of a project organisation, and thus improving WASH outcomes.

## 1.4.2 Skills and capacity

MWC's unique focus that intersects international development, WASH and finance requires a unique combination of skills that is challenging to recruit for. Aqua for All has sought to fill this knowledge gap with in-house training and generating standardised material. For example, with the growing focus on finance, Aqua for All understood the need to upskill its staff. To do so, it invested in (financial) skills development training. In addition, an FI toolkit was developed to standardise the way in which the organisation was to work with FIs, outlining and defining process flows, due diligence checklists and necessary contract clauses. Going forward, close attention and due resources should be allocated to ensure that staff have the required financial skills needed, while ensuring a balance with relevant skills on topics of development and WASH.

On capacity, Aqua for All and IGG recognise that the organisation's unique focus, and aim for high impact via leverage, requires significant support, staffing and thus higher costs. This development was supported by DGIS through a supplement to the contract and sought to both enhance capacity and increase efficiency and can be summarised as follows:

- **Capacity:** the addition of two FTE positions with expertise in finance and programme management; the appointment of a new managing director with relevant experience and expertise in WASH finance; including in the budget work with local experts, liaisons, local organisations, and incubators in focus countries
- **Efficiency:** the streamlining of processes between the innovate (VIA Water) and scale levels of action, which have now come together under the umbrella of *market activities*; a change of approach to allow for larger ticket sizes.

Recognising that Aqua for All's resource needs are different from those of a traditional not-for-profit, requiring specific WASH, market and financial knowledge, is important to ensure that the organisation can achieve and sustain its intended impact. Going forward, the organisation is expected to further increase its efficiency through the enhanced standardisation of its offering to reduce the time burden of bespoke one on one support. Should the organisation grow (e.g., with additional funding sources or internally generated returns), attention should be given to ensuring the right mix of capacity and skills.

## 2 Coherence

*This second section assesses the programme's coherence with the Dutch foreign policy strategy, and analyses coherence and complementarity with other actors in the space.*

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<sup>9</sup> Project organisations noted clearly that the issues did not relate to the programme manager's willingness to help

## 2.1 Water and sanitation landscape and Aqua for All's niche

### 2.1.1 WASH actor landscape

The type and number of actors in the WASH sector are vast, varied and deploy a myriad of instruments to achieve their unique WASH objectives. These actors can be private but are mostly public or philanthropic. They work with a broad spectrum of organisations, which can be both public and private and range from start-ups and SMEs, to supporting large scale infrastructure and public utilities with partnership brokering; finance; aid and grants; technical knowledge and capacity building and policy development. To understand Aqua for All's niche, the evaluators have primarily relied on peers mentioned throughout the site visit and interview process. These are summarised in Figure 2.

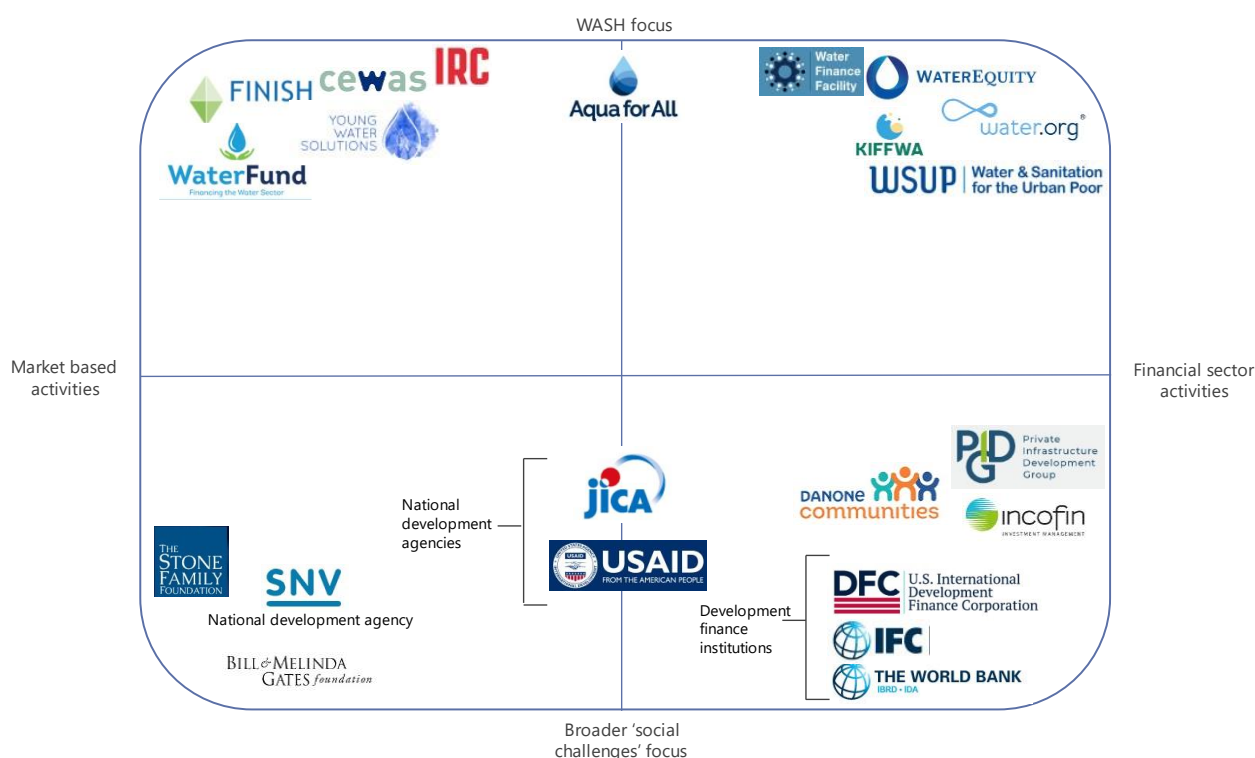


Figure 2 Aqua for All peers and WASH landscape

### 2.1.2 Aqua for All's niche

Interviewed stakeholders and project organisations most commonly referred to Aqua for All as being unique, versatile, and bespoke. These qualities have led the organisation to find its niche and maintain coherence with other actors in the market.

Aqua for All is unique in its specific focus on its provision of market-based and financial sector activities (Section 3.1). Project organisations commented on how this makes Aqua for All a "one stop shop" in terms of offerings, allowing them to engage with an optimal solution. Despite the multitude of actors in this sector, interviewed stakeholders and project organisations, who often work with several development actors, struggled to identify direct peers or competitors. The primary reason for this is that no actor has been identified that works across both water and sanitation market strengthening and in the financial sector. For example, sanitation focussed not-for-profit FINISH Mondial works to develop sanitation markets by implementing programmes to bolster the local supply of sanitation products (e.g., training artisans in latrine construction) and boost demand (e.g., through awareness campaigns and engagement with local financial institutions). However, FINISH Mondial

does not financially support FIs to deliver affordable loan products. Similarly, CEWAS supports water entrepreneurship with grants, technical assistance and capacity building but does not work with the financial sector to help its recipients become commercially viable.

Second, the combination of Aqua for All's thematic water and sanitation and private sector focus is also unique. For example, CEWAS has a similar focus on entrepreneurship in the water sector but does not work in financial markets. Most other actors that focus on SMEs and small business have a broader focus on social challenges that may include WASH-focused topics or portfolios (e.g., Stone Family Foundation or Danone Communities Venture Capital Fund). Aqua for All's specific focus means that project organisations report feeling that their needs are thoroughly and uniquely understood and FIs are able to learn the nuance of the sector to develop relevant WASH-focused financial instruments. One partner FI in Kenya commented that *'without Aqua for All's support, we as a bank would not have understood the nuance of business in this sector... [and would not have been able to structure financial instruments]'*. Another project organisation, an innovative SME focused on increasing the monitoring of water availability, stated that without Aqua for All, it would not have been able to access finance as banks untrained in the nuance of WASH SMEs were *'more willing to buy a water truck than invest in my systems because the bank does not understand what we do. Without Aqua for All, we would not have been able to access this credit'*.

Aqua for All's uniqueness in the WASH sector enables it to be versatile in its offering, cementing the organisation as a reputable WASH actor. This is because its narrow thematic emphasis allows it to deeply understand the nuances of the sector, and thus the organisation has the capability and knowledge to work with a breadth of project organisations, ranging from water tech startups (e.g., Mobi Water) through companies working at utility scale sanitation to a broad spectrum of FIs including commercial banks, funds, and microfinance institutions.

Furthermore, Aqua for All delivers bespoke and flexible services. Its unique and versatile focus and offering, combined with a relatively flexible mandate and organisational design allows it to be bespoke in its activity design with project organisations. The Ministry of Foreign Affairs' funding terms have been a success factor as it enables Aqua for All to be flexible to such a high degree. Interviewed organisations frequently mentioned their appreciation for a tailor-made solution, in lieu of one that is off the shelf and frequently offered by other actors. A scaling SME that works on creating waste-to-value products using municipal sewerage partly attributed its success to date to the bespoke and flexible assistance they received from Aqua for All, stating that *'AAA is flexible on changes from the original proposal when an activity or action no longer makes sense, as long as the overall value of the output is the same.'* Another nuanced example is explained in the box below.

Collectively, these traits enable Aqua for All's coherence with other actors in the market. The organisation's flexibility, versatility and unique and bespoke offerings allow it to mould its activities to the needs of its project organisations, enhancing rather than countering or competing with interventions, as described in the box below.



### **Bespoke, versatile, and coherent support to Family Bank to enable the implementation of its existing WASH strategy**

Family Bank is a mid-sized commercial bank in Kenya, with brick-and-mortar branch presence in 34 of Kenya's 47 counties and a vision *to positively transform the lives of people in Africa*. Aligned to this vision, the Bank saw the need to increase access to capital to businesses operating in the WASH sector, as without improved access to water, sanitation and hygiene products and services, it saw limits to its ability to act on its mission.

Seeking to develop its knowledge of the sector to be able to offer financial products to WASH customers, in 2016 the bank entered into a partnership with Aqua for All's financial sector peer, water.org. This organisation offered technical assistance to develop the Bank's WASH strategy, loan products and training to staff. Upon completion, the Bank was very satisfied with the knowledge it gained, which left it *capable* of deploying its new offering, but was *unable* to do so because WASH SMEs remained too risky to invest in due to a shared characteristic of possessing no or insufficient collateral.

Several years later, Aqua for All engaged with the bank via its network and learned of this challenge. The new partners agreed on a de-risking product as a solution to the issue of collateral. This allowed Family Bank to finally be able to implement its WASH strategy and finance WASH SMEs. At the time of writing, the Bank had financed 5 WASH SMEs, who are all small scale, community-based water operators who have used their loans for various reasons, but most leading to increased operational efficiency and thus longer term (financial) sustainability.

## **2.1.3 Challenges**

It should be noted that such a bespoke and tailored service is possible because Aqua for All has a combination of flexible and relatively high-level reporting framework to its funders, and sufficient funding to offer such a tailored service. Although beneficial to project organisations, interviewed staff also noted some challenges. This related to the time burden associated with the delivery of such a service, which has led to an identified need to balance offering these solutions (which contributes to additionality and adds variety and interest to the work of Aqua for All staff) with the optimisation of the time spent on project sourcing and development.

## **2.2 Coherence with policy and context**

In addition to coherence with peers and actors in the WASH sector, alignment with international, Dutch, and recipient country policy is critical for the absorption of Aqua for All's activities into the recipient market and the long-term sustainability of the organisation.

### **2.2.1 Alignment with SDG6**

Aqua for All's overall mission and activities are well aligned to the UN SDG6, which aims to ensure availability and sustainable management of water and sanitation for all, recognising this as the most basic human need for health and wellbeing. The organisation's impact thesis relates specifically to SDG 6.1 and 6.2 by increasing access to inclusive and safe water and sanitation solutions. In addition, due to the flexibility and broad range of projects in Aqua for All's portfolio, the organisation also contributes to the remaining targets. Of the 8 targets under SDG6, the organisation closely aligns with four, and shows partial alignment with a further two targets, as outlined in Table 1 below.

Table 1 Aqua for All's strategic alignment with UN SDG6

SDG target	Alignment	Comment
6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all.	 Strong	Aqua for All's impact thesis relates by aiming to increase access to inclusive and safe water and sanitation solutions. See Section 5 for more on equitable and inclusive outcomes.
6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations.	 Strong Partial	As above, the organisation's thesis includes sanitation but not hygiene. See Section 5 for more on equitable and inclusive outcomes.
6.3 By 2030, improve water quality by reducing pollution, eliminating dumping, and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater, and substantially increasing recycling and safe reuse globally.	 Strong	Through its sanitation activities, Aqua for All is also able to work on reducing the proportion of untreated wastewater, such as working with (faecal) waste to value product organisations that use municipal wastewater.
6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.	 Indirect	Although not explicitly part of Aqua for All's theory of change, the organisation's portfolio includes several projects that improve municipal distribution networks, and thus reduce water loss. Aqua for All does not work in optimising industrial or agricultural processes, which significantly contribute to water inefficiency <sup>10</sup> .
6.5 By 2030, implement integrated water resources management (IWRM) at all levels, including through transboundary cooperation as appropriate.	 Partial	The organisation's portfolio includes several IWRM projects, limited by the presently available business models.
6.6 By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers, and lakes.	 Indirect	Although not directly aligned to the organisation's mission or impact thesis, improved water management catalysed through Aqua for All's work indirectly impacts water-related ecosystem protection.
6.a By 2030, expand international cooperation and capacity-building support to developing countries in water- and sanitation-related activities and programmes, including water harvesting, desalination, water efficiency, wastewater treatment, recycling, and reuse technologies.	 Strong	Aqua for All's theory of change focuses on the delivery of capacity building support for the water and sanitation sector in emerging markets.
6.b Support and strengthen the participation of local communities in improving water and sanitation management.	 Strong	Aqua for All works with SMEs to strengthen their ability to improve access to water and sanitation solutions in their local communities.

<sup>10</sup> United Nations. Goal 6 | Clean Water and Sanitation. Progress towards the Sustainable Development Goals. Report of the Secretary-General. 2022

## 2.2.2 Alignment with Dutch foreign policy on WASH

MWC's objectives are aligned with the Dutch WASH strategy, foreign trade, and international cooperation policy, focus countries and mobilisation. In its most recent outward WASH strategy, the Netherlands confirmed the targets of ensuring that it wants to focus on SDGs 6.1 and 6.2 with the goal of contributing to providing an additional 30 million people access to clean drinking water, and 50 million people to sanitation, which is a prime focus of Aqua for All, while also maintaining due attention to the remaining SD6 targets. MWC is also well aligned with strategy objectives relating to leveraging domestic resources for funding; strengthening the enabling environment via capacity development and solidifying the business case for WASH; and enhancing efficiency in water operations to reduce non-revenue water. Areas for improved alignment relate to the intentional targeting of pro-poor, gender, and climate sensitive projects, which is nuanced in Section 5.2.

More broadly MWC is well aligned to the Dutch Strategy for Foreign Trade and Development Cooperation ('Do What We Do Best, 2022'<sup>11</sup>) through its focus on relevant geographies, SME development, deployment of innovative finance and, of course, water, elements which all feature as priority areas for Dutch development cooperation. MWC's geographic focus on four regions in Africa and Asia includes eight development cooperation focus countries (Bangladesh, Burkina Faso, Ethiopia, Kenya, Mali, Mozambique, Niger, and Uganda). Section 5.3 analyses the funding in these priority countries, and if targets in this regard are exceeded.

Furthermore, MWC's addition of the innovative finance pillar activities are in line with a strategic priority working method of using development cooperation to leverage private finance. Finally, Aqua for All plays an active role in various conference and events, such as at the recent IRC All Systems Connect conference hosted in the Hague.

## 2.2.3 Alignment with recipient country policy

For development cooperation to become successful in the recipient country, it must also be aligned with national policies and strategies. The box below showcases Aqua for All's alignment with Kenya's water and sanitation policy landscape, nuancing the need for funding and technical assistance to meet the country's water and sanitation targets. While each country's policies and gaps are uniquely different, comparisons can be drawn, especially in relation to the increasing need for innovative finance.

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<sup>11</sup> Ministry of Foreign Affairs. Do What We Do Best: A Strategy for Foreign Trade and Development Cooperation. Policy Document. 2022

### **Coherence with Kenya's water and sanitation policy and actualisation**

The MWC programme in Kenya is in overall alignment and supportive of the relevant national policies and implementation plans through its work in catalysing finance, bringing much needed capacity development, as well as a focus on working with small scale water providers and bolstering effluent management.

**Water and sanitation context:** Access to piped water remains a particular challenge in Kenya, as approximately 20% of the population currently has access, predominantly in urban areas. The MWC programme supports the Kenyan National Water Sector Strategy 2016 and the National Water and Sanitation Investment and Financing (NAWASIP) Plan with an explicit focus to increase the coverage of safely improved sources such as piped water, especially to rural areas. This overarching goal is also anchored under Article 143, under the 2010 Kenya Constitution.

On sanitation, Kenya's goal is to achieve universal access to safely managed sanitation, with currently approximately 76% of people accessing improved sanitation and 12% of people openly defecating. Given the high number of people currently using some form of improved sanitation whether onsite or offsite, the ability to manage effluent becomes a critical challenge.

**The financing and technical capacity challenge:** The successful achievement of Kenya's water and sanitation goals relies on a nuanced need for both increased technical capacity and innovative finance that unlocks private capital.

In 2010, a process of devolution took place, leaving county governments with the mandate of water and sanitation policy implementation. Although this was partly to improve funding by enabling the ring fencing of budgets for WASH, the financing gap remains large. In addition, while WASH functions and activities are devolved, often the necessary capacity and resources to implement activities are not.

To make up for coverage gaps where public utilities are unable to, small scale water service providers (WSPs) play a large role in meeting Kenya's targets, serving approximately 70% of Kenyan households, even in large urban areas such as Nairobi. These small WSPs face substantial barriers in attracting capital.

To further add to financing challenges, since Kenya's ascension to middle income status in 2014, sources of traditional ODA and granting have decreased, leading to a cultural dependency on granting and a lack of familiarity of commercial and financing processes. For example, recent research shows that 53 of 67 interviewed WSPs were interested in commercial financing but feared loans due to unfamiliarity.

Therefore, the key challenges lie in sourcing alternative financing streams to close the coverage gaps, build capacity, while also culturally and financially overhauling the small-scale WSP system for them to demand and attract finance (i.e., bolstering both supply and demand).

**Aqua for All's role:** In Kenya, Aqua for All works on a wide range of projects with a broad spectrum of organisations that collectively, contribute to bridging the finance and capacity gap in a context sensitive manner. These include:

- Working with privately owned entities that use municipal effluent to produce briquettes for domestic and industrial use. Aqua for All's help has optimised operations, built internal capacity and relieved public utilities who do not have the capacity to manage effluent.
- Creating a Challenge Fund to support WASH SMEs, especially small scale WSPs to access credit to solve WASH challenges while also contributing to a cultural shift about commercial financing and accessing loan products.
- Working with banks to devise affordable loan products and increase knowledge of the WASH sector to enhance lending capabilities.
- Scaling innovative SMEs, such as Mobi Water, with technical assistance that successfully prepared it to access capital. Mobi Water aims to increase safe and affordable water availability by working with existing providers to enhance their efficiency and consistency of supply.

**Future opportunities:** While Aqua for All's activities in Kenya respond well to local policy and context, a key area for improvement remains around targeting rural areas, as MWC operations are predominantly located in urban and peri-urban settings. Although, urban areas should remain a focus as influxes of new residents place additional burden on already limited water supplies.

This is unsurprising challenge for a private sector focused not for profit but presents an opportunity to design financial instruments that, for example, stimulate the expansion of existing networks through conditionality on profits on reinvestments.

## 3 Activities

*This third section focuses on the range of instruments Aqua for All uses to work towards its mission as well as its process to identify, screen and select projects.*

### 3.1 Types of activities

MWC's strength lies in its ability to deploy a broad range of instruments to work towards its mission of increasing access to safe and inclusive water and sanitation services through the private sector. MWC offers a complete package of instruments – providing business acceleration, technical assistance and financial solutions that work to build and strengthen WASH markets and a range of financial instruments to stimulate the financial sector to invest in WASH. Its tools allow the organisation to work across each stage of a company's commercial maturity journey: from concept, through proven concept, investment readiness and investment stages. Figure 3 presents the key archetypes of MWC's instruments, along with project examples though is not meant to be an exhaustive list.

MWC focuses its activities on a dual approach: market building and innovative finance (Figure 3). The former provides business development assistance and grant co-funding with the aim of incubating and scaling a concept (innovate and scale). The latter designs and deploys innovative financial instruments and technical assistance.

On the finance side, MWC uses a broad range of development finance instruments, retaining necessary flexibility in instrument design to deliver context-specific instruments that match the current and future needs of the market. This flexibility includes a two-pronged approach: a need-based approach where MWC works with FIs to understand their context-specific needs and to design products in response (see FI case study). This approach is effective, yet time consuming. The second approach is product-led, where MWC launches a product to tackle a broader identified problem (such as the Challenge Fund to bridge the collateral gap) and sources partnerships thereafter.

Aqua for All offers two activities that are applicable to both the market and finance side. These are networking and partnership brokering, and impact measurement and management (IMM). The former is a natural fit for the organisation, as it is able to, and indeed should, leverage and connect its extensive network to facilitate impactful partnerships. The latter, IMM, is important not only for Aqua for All to understand its impact, but also for the project organisation to be able to track and communicate its impact. IMM is a time and resource consuming exercise, and most interviewed project organisations identified it as an ongoing challenge where Aqua for All is helping or has the potential to help.

The broad range of activities do require significant one on one and bespoke support. While this is indeed a strength of the organisation (Section 1.4), it can result in a time burden for staff. To enhance efficiency, Aqua for All is in the process of reviewing its offering. This centres around understanding who their key project organisation customers are and tailoring support to the group, rather than individuals. For example, the recent launch of the Challenge Fund which aims to help small scale water service providers to qualify for loan products despite having insufficient collateral, developing acceleration or incubation programmes to support SMEs at scale, rather than supporting each individually. In addition, Aqua for All is also developing tools to support the technical assistance activities (via the impact and knowledge team), to consolidate the support offered. This is an important step in Aqua for All's transformation journey, although care should be taken to balance standardisation with the specialised and bespoke support offered, for which it stands out in the sector.

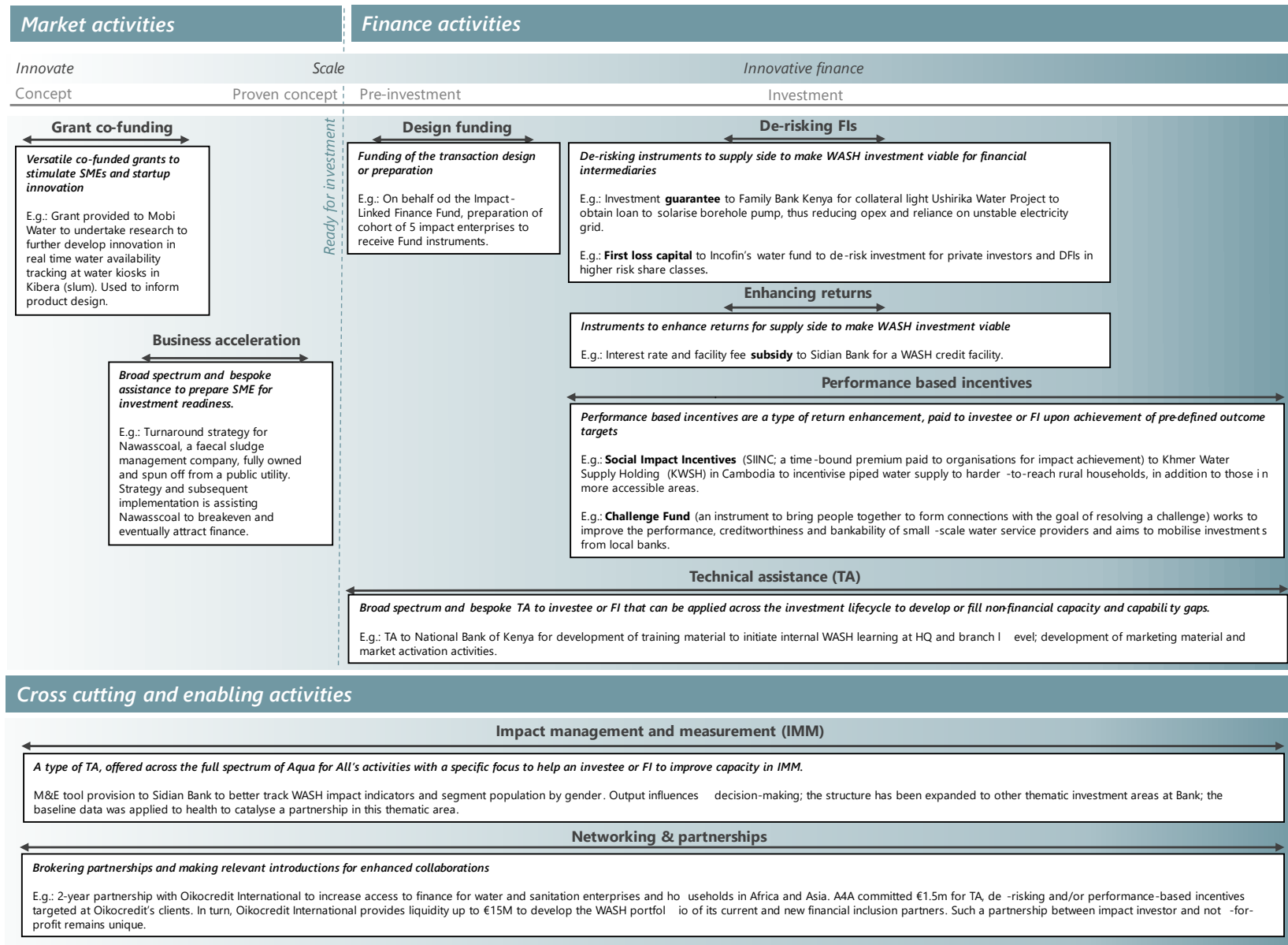


Figure 3 MWC's range of activities (market, finance, and cross cutting & enabling)

## 3.2 Project selection and approval

Aqua for All has a systematised way of sourcing and approving projects, with additional analysis given to FI projects. Sourcing begins via an online system, Optimy, to which potential project organisations submit their project ideas. This is then reviewed by the relevant programme manager (PM) and after the necessary feedback round, a potential project organisation is invited to submit a full proposal. The proposal is co-created by both the PM and the potential project organisation. Once ready, the full proposal is independently reviewed by a team of three: two Aqua for All staff and one external specialist. The last step in this process involves the PM condensing information into an internally standardised project decision sheet that is presented to the regional management team for final approval (also known as the *regional team meeting* or RTM). This consists of the Managing Director, Operations Manager, Innovative Finance Manager, Regional PMs for East and West Africa. In the case of FIs, the process differs slightly in that it includes a more robust due diligence process. This is standardised via an FI Toolkit that Aqua for All has created. The process is said to typically take 3-6 months from teaser to contracting, and often longer for innovative finance engagements due the additional due diligence requirements, which is in line with the industry norm.

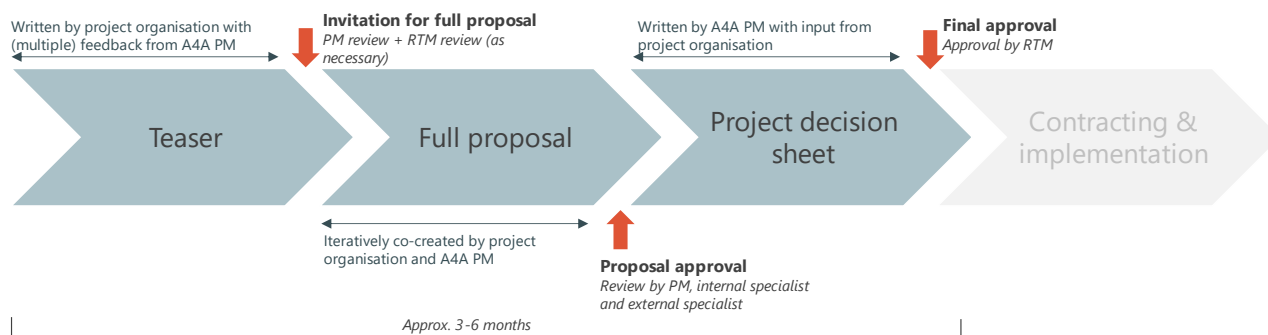


Figure 4 Aqua for All's project approval process (with variation for FIs)

This approach, although systematised, remains flexible and nimble to tailor to the needs of the potential client, though with this it can be time consuming. As Aqua for All works with a wide range of organisations, each with varying levels of maturity in project development capabilities and proposal writing capacities, Aqua for All tailors the level of effort it dedicates to each potential project depending on these needs. Staff members tended to agree that this was an important feature because it is typically SMEs with very little resources to dedicate to writing proposals where Aqua for All can be additional as Aqua for All's peers tend to be stricter on the initial quality of a funding application. Furthermore, staff understand that it is not easy to receive an Aqua for All grant, and report increasing their own effort in shaping the application when they see resource constrained organisations being 'worn out' by the process. While time consuming, this is an important step in the organisation sourcing projects aligned with its mission, and the flexible and nimble approach speaks specifically to the uniqueness of the organisation (Section 2).

The majority of projects are sourced via Aqua for All's network, rather than through the online Optimy portal, and this network should continue to be leveraged over and above the Optimy tool. To the end of 2022, Aqua for All had received 661 applications via Optimy, with most projects that eventuated being sourced via an invitation to apply sent via the organisation's existing network. This results from a variety of factors but core to this is the unique mandate that the applicant organisation is to be catalytic to the private sector. Many organisations used to traditional grant sourcing do not understand this and therefore submit an application without necessarily being eligible.

As Aqua for All develops its finance activities, there will likely be more opportunities to leverage its network to attract organisations that align well with the overall mission. For example, a partner bank visited in Kenya referred to a list of clients in the water and sanitation sector, that had bank accounts with the bank but were not financed by them. These were predominantly WASH related SMEs that had little or no other access to capital. Working with Aqua for All, the bank was able to upskill in WASH and devise instruments to allow this pool of clients to not only be banked but also financed by the bank. One staff member stated: *'before Aqua for All, we did everything with these clients, except talk about water and finance'*. Going forward, Aqua for All should work with its partner FIs to understand how it can assist its existing clients and review whether the Optimy system is the best tool to use.

Robustness in proposal assessment comes from the application of a series of key questions understand alignment with Aqua for All's mandate and through external review of a sector leader. In sourcing a project, staff involved in the process seek to understand answers to key questions core to the organisation's mandate, though these questions tend to be more implicit than explicitly laid out in procedural manuals. These include: *is the project scalable? How does this can this approach catalyse of leverage public or private capital? What is Aqua for All's additionality?* In addition, a paid external and independent reviewer is engaged to review the full proposal, one that is usually a senior leader in the field. The process is less robust and standardised than other actors in the financial sector but given Aqua for All's status as a foundation that invests in scaling and not necessarily profitable businesses, its approach is considered appropriate, robust, and fit for its purpose.



## 4 Outputs

From mid-2019 up until end-2022, MWC’s portfolio contains 128 contracts worth EUR 18.45 million, which has been realised with the DGIS subsidy. This section highlights how MWC has used the DGIS subsidy across sub-programmes, geographies, WASH themes, and contract partners, during the period of 2019-2022.

Note that the findings in this section are based on data provided and used by Aqua for All in its 2022 Annual Report. At the time of writing, the data had not yet been audited nor finalised and was provided in several files. Therefore, minor discrepancies can arise. Any potential discrepancies are not expected to affect the key findings or recommendations.

### 4.1 Across sub-programmes

MWC can be divided into three sub-programmes: (i) Innovation (VW); (ii) Scale, including Response Facility (SC); and (iii) Finance (FIN). Figure 5 shows that the number of contracts has steadily increased over the years. While Innovation and Scale sign the majority of contracts overall, Finance has become a more prominent sub-programme as its share of contracts has grown to 20% by the end of 2022.

Key numbers 2019-2022	
<b>Innovate</b>	50 contracts, EUR 7.2 million
<b>Scale</b>	62 contracts, EUR 4.7 million
<b>Finance</b>	16 contracts, EUR 6.5 million

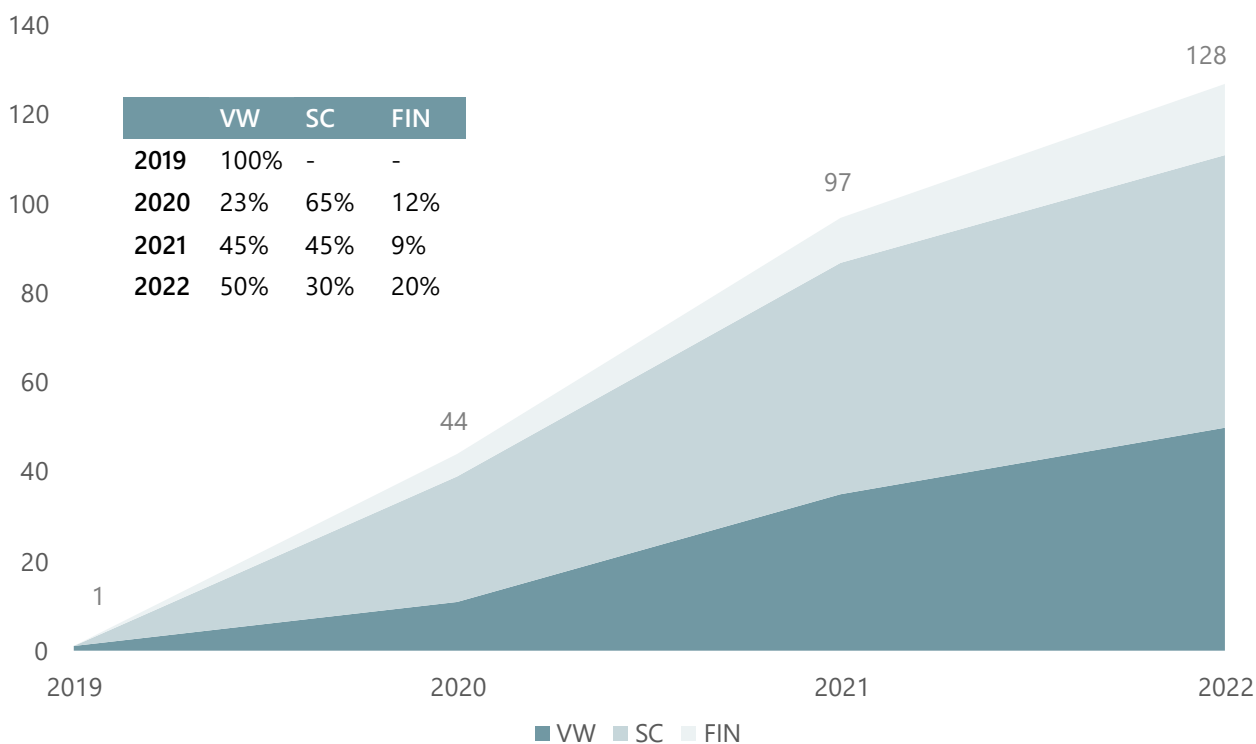


Figure 5 Number of contracts across sub-programmes over 2019-2022 (cumulative)

In terms of the value of contracts, Figure 6 shows that the amount of funding has gradually increased over time across all three sub-programmes. By the end of 2022, the majority of funding was dedicated to Innovation (39%), followed by Finance (35%), and Scale (26%). While there is a larger difference in the distribution of the

number of contracts across sub-programmes, the amount of funding is more equally distributed. In other words, the size of Finance contracts are significantly larger than those of Innovate and Scale.

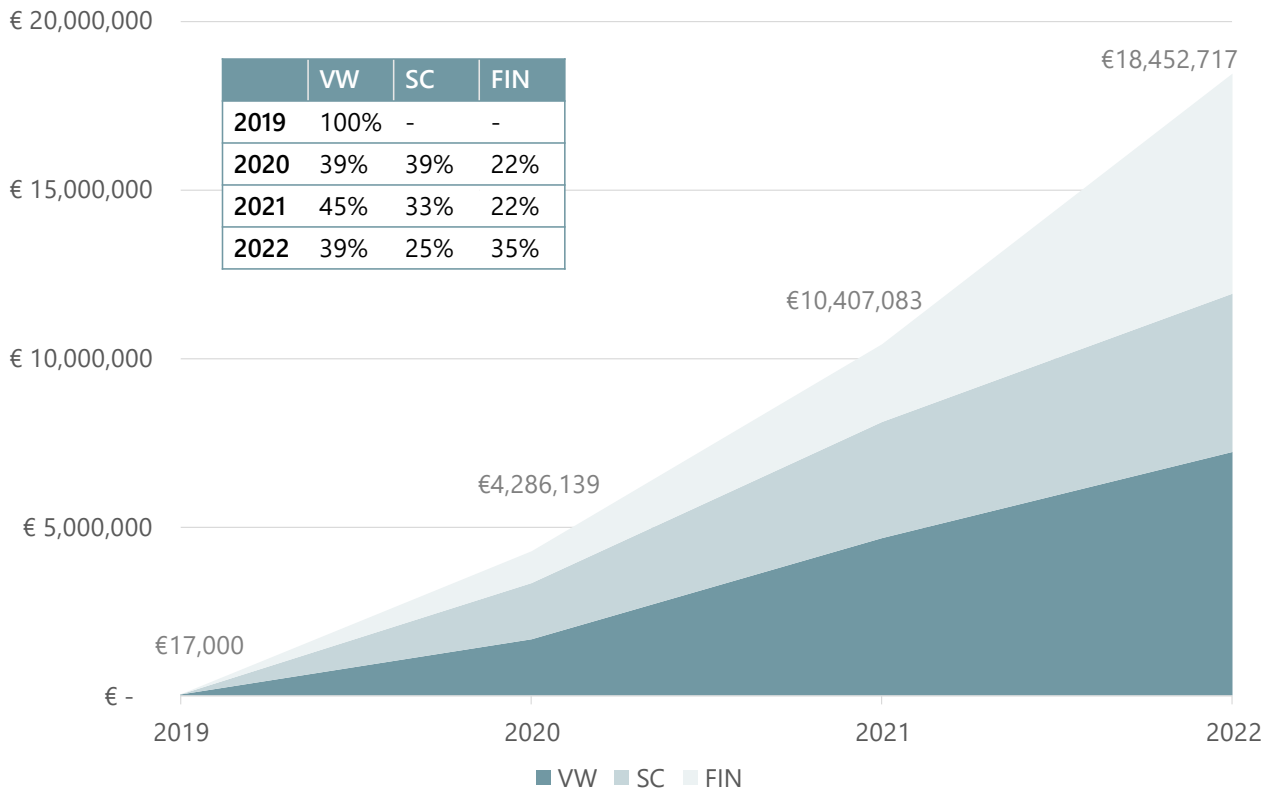


Figure 6 Amount of funding across sub-programmes over 2019-2022 (cumulative)

Figure 7 presents the average contract size of each of the sub-programmes, which shows that Finance has the largest average contract size (EUR 408K), followed by Innovate (EUR 145K), and Scale (EUR 77K). It should be noted that the relatively low average contract size of Scale is because this category includes the COVID-19 Response Facility. This facility, introduced in response to the pandemic, offered small ticket sizes of up to EUR 25K, while regular Scale contracts are usually more than EUR 200K.

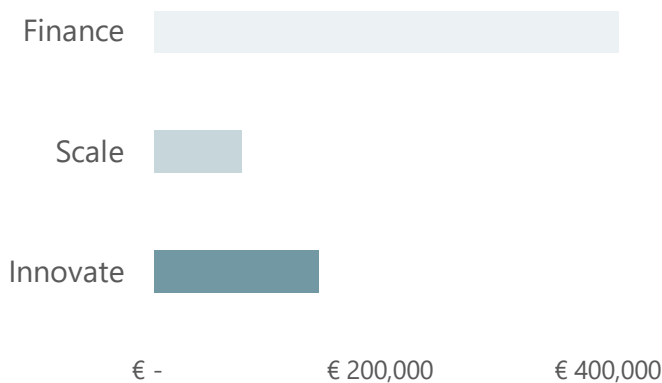


Figure 7 Average contract size across sub-programmes

## 4.2 Across geographies

### Key numbers 2019-2022

South(east) Asia	EUR 3.4 million
West Africa	EUR 3.8 million
Horn of Africa	EUR 1.1 million
East Africa	EUR 4.6 million
Southern Africa	EUR 0.2 million
South America	EUR 0.02 million
Multi-country	EUR 5.3 million

### Regions

The DGIS subsidy has been allocated across different regions, covering South Asia, West Africa, Horn of Africa (including Ethiopia), East Africa, Southern Africa, and South America (Figure 8). Apart from the multi-country initiatives which make up the majority of funding (29%), funds have been flowing largely to East Africa (25%), followed by West Africa (21%), and South Asia (15%).

Section 5.3 assesses the extent to which the DGIS subsidy has been dedicated to MFA priority countries.

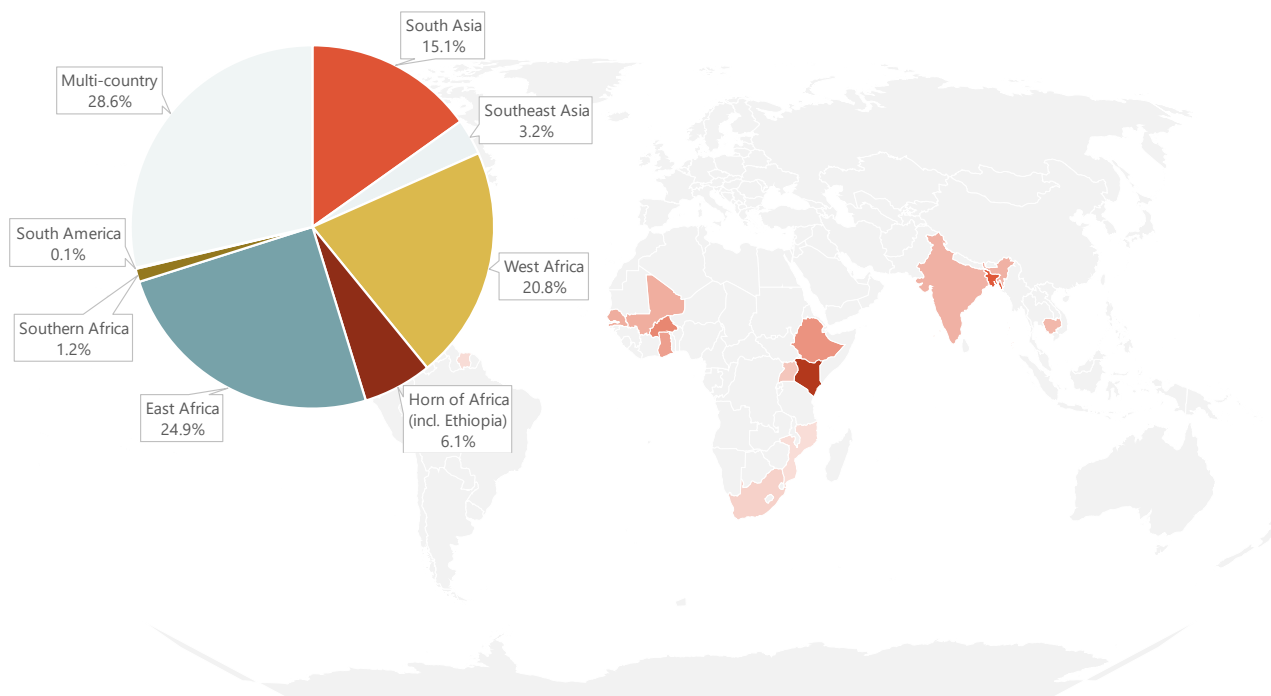


Figure 8 Funding across geographies by end-2022

### Countries

On the individual countries, Table 2 present the amount of DGIS subsidy that has been allocated across 12 countries and multi-country initiatives. It can be observed that a significant share of funding goes to multi-country initiatives (29%) and Kenya (23%). The latter is notably as Aqua for All has a local office in Kenya. This has led to more contracts and funding dedicated to Kenya, as well as a higher leverage (Section 5.4). As such, it can be worthwhile to explore how learnings from Kenya can be translated to other countries where Aqua for All is operating.

Table 2 Funding across countries by end-2022

Country	Amount of funding	Share of funding
Bangladesh	€ 2,108,636	11%
Burkina Faso	€ 1,345,875	7%
Cambodia	€ 592,051	3%
Ethiopia	€ 1,131,136	6%
Ghana	€ 976,494	5%
India	€ 686,079	4%
Kenya	€ 4,212,696	23%
Mali	€ 737,838	4%
Mozambique	€ 17,000	<1%
Senegal	€ 771,490	4%
South Africa	€ 200,000	1%
Surinam	€ 19,548	<1%
Uganda	€ 375,401	2%
Multi-country initiatives	€ 5,278,474	29%

### 4.3 Across WASH themes

MWC focuses on four distinct WASH themes: (i) drinking water; (ii) sanitation; and (iii) water resource management; and (iv) water and sanitation combined<sup>12</sup>. Drinking water supports safe water enterprises (SWE), and household water treatment and safe storage. Sanitation revolves around the toilet economy and the circular sanitation economy. Water resources management is built around the 3R principles of ‘Recharge, Retention & Reuse’ and aims to enhance water efficiency. Water and sanitation combined includes finance and business development, as well as initiatives that jointly address water and sanitation.

#### Key numbers 2019-2022

<b>Drinking water</b>	65 contracts, EUR 10.1 million
<b>Sanitation</b>	27 contracts, EUR 3.1 million
<b>Water resources</b>	9 contracts, EUR 0.9 million
<b>WASH combined</b>	27 contracts, EUR 4.3 million

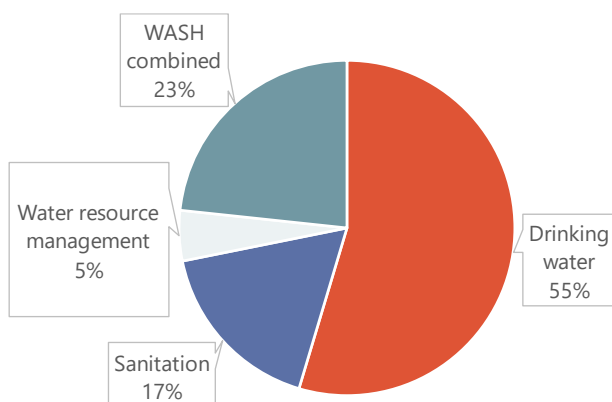


Figure 9 Funding across WASH themes by end-2022

As seen from Figure 9, access to drinking water covers the majority of the portfolio (55%), followed by water and sanitation combined (23%), and sanitation (17%). Water resource management remains a smaller portion of MWC’s portfolio as there seems to be limited revenue models available for this theme. Figure 10 provides an overview of the division of WASH themes across Innovation, Scale and Finance. This figure confirms the dominance of drinking water across all sub-programmes. For Innovate and Scale, sanitation comes in second, whereas for Finance,

<sup>12</sup> WASH combined includes water and sanitation services, finance, and business development.

WASH combined is the next largest after drinking water.

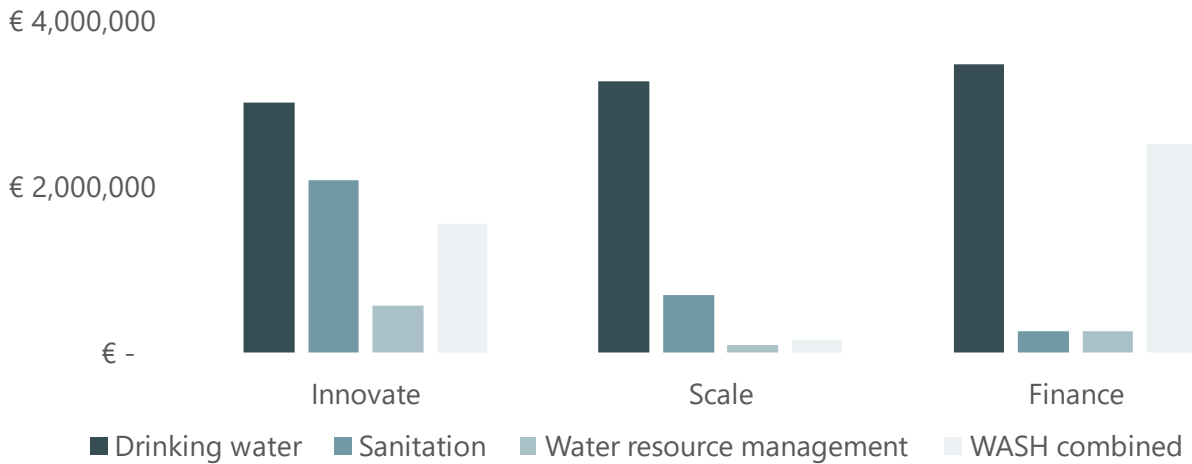


Figure 10 WASH themes funding across sub-programmes by end-2022

Furthermore, looking at the split across WASH sub-themes in Figure 11, decentral water services (drinking water SWE) take by far the largest amount of funding, followed by finance (WASH combined) and toilets (sanitation). The large share of drinking water enterprises and innovative finance combining water and sanitation services is notably in part due to the high leverage of some of these initiatives.

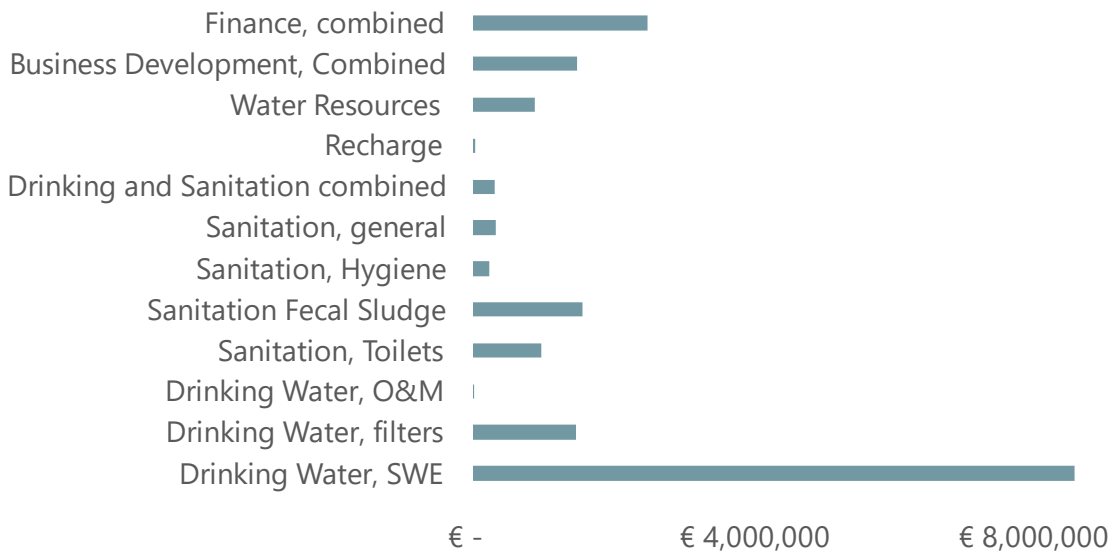


Figure 11 Funding across WASH sub-themes by end-2022

## 4.4 Across contract partners

### Key numbers 2019-2022

<b>Established companies</b>	49 contracts, EUR 5.1 million
<b>Financial institutions</b>	20 contracts, EUR 7.3 million
<b>Not-for-profit</b>	25 contracts, EUR 2.6 million
<b>Start-ups</b>	24 contracts, EUR 2.4 million
<b>Utilities</b>	5 contracts, EUR 0.5 million
<b>Other</b>	5 contracts EUR 0.5 million

Across its portfolio, Aqua for All supports a variety of organisations (i.e., contract partners). Figure 12 shows how MWC’s portfolio is split over six types of organisations: established companies, financial institutions, not-for-profit, start-ups, utilities, and others. In line with Aqua for All’s shift in strategy, this graph clearly visualises the increase in funding towards financial institutions from 2021 onwards. By the end of 2022, financial institutions received most funding (40%), followed by established companies (28%) and not-for-profit (14%). A smaller proportion to start-ups (13%), utilities (3%), and other (3%).

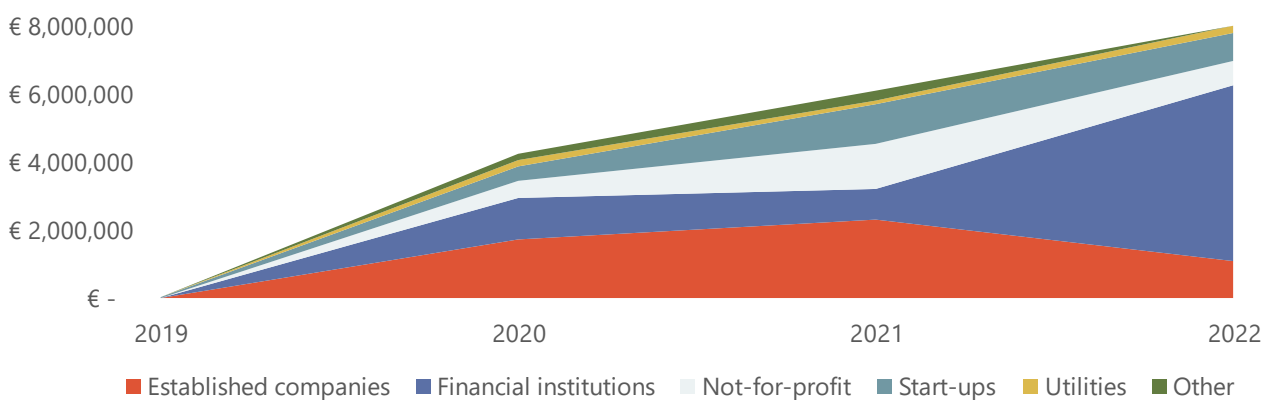


Figure 12 Funding across contract partners over 2019-2022 (cumulative)

## 5 Results

*This fifth section introduces MWC's targets and Aqua for All's results management practices, analyses the extent to which Aqua for All is on track to meet its key programme targets, and what success factors and challenges have been, and what initially unintended results have been.*

### 5.1 Targets and results management

Continuously measuring and managing results is crucial for any organisation, and especially for Aqua for All. Managing for results is about systematically gathering and analysing information to understand whether a programme is effectively and efficiently producing the expected results – and how improvements can be made for future performance. This is important for accountability to the Ministry of Foreign Affairs and to keep track of what works or not. For Aqua for All, effectively tracking and analysing results is even more important, as one of its aims is to show that investing in viable WASH enterprises can be done.

#### 5.1.1 Targets

In the initial proposal for MWC a preliminary draft version of a result framework was presented, based on outputs listed in the Theory of Change. This results framework consisted of 10 outputs and targets. In collaboration with DGIS, Aqua for All formally agreed on a monitoring framework in 2021. There are indicators at three levels: programme-wide indicators and targets, indicators per theme and project-specific indicators and targets.

#### Formal programme level indicators and targets

In terms of targets at MWC programme level, several of the original ten outputs were integrated into the monitoring framework, but not all. Three out of the ten targets were agreed to be the main targets at MWC programme level:

1. *Beneficiaries reached:* Providing access to WASH facilities to 830,000 people with the DGIS grant and 4 million people in total;
2. *Geography:* Allocating at least 66% of funding to priority countries;
3. *Leverage:* Realising a leverage of at least 1:3.

Section 5.2 to 5.4 analyses the performance against these targets with success factors and challenges.

#### Core and thematic indicators

The final results framework has a series of indicator targets for all projects supported as part of the programme. There are a number of core indicators that are applicable across all projects and theme-specific indicators for drinking water, sanitation and IWRM. The indicators are tracked across its three levels of action: innovation, scale, and finance. For all projects, targets are set for these indicators to the extent that these are applicable and relevant.

The indicators reflect MWC's main objectives and thematic priorities well. They involve developing an inclusive and pro-poor WASH portfolio that focuses on affordability and inclusivity. Indicators specific to FIs under innovative finance aim to ensure low carbon and climate resistant WASH infrastructure (though no target is yet set against these indicators). Additionally, finance targets are included to economically empower people by building capacity and by stimulating jobs in sector and improve WASH business performance- and value chain development. Additionally, stimulating women's empowerment with a gender-based approach crosscuts all levels of actions and underpins their corresponding targets.

## Project level targets

Finally, every project has tailored individual milestones (targets). Programme managers and project organisations agree a set of outputs during the co-creation of the project, where in some cases other donors/investors are also involved. These targets are included in project decision sheets, the document that provides the formal basis for support. The extent to which these milestones are met, and why, are included in an end memo that finalises a grant.

### 5.1.2 Attribution

In assessing and claiming results against indicators and (formal) targets Aqua for All has developed two correction measures in order to avoid double counting, excessive claims, and false expectations. The first is a partiality factor, which is applied for interventions that do not cover the full investment to get users at a certain service level. The second is an attribution factor, which is applied for investments that have no direct beneficiaries, such as programme development, business development, (social) marketing, IT application for improved management, or de-risking instruments. Given the variety of projects supported and the diversity in their contributions to safe drinking water and sanitation, this is sensible and a commendable practice that should be continued in future programme(s).

### 5.1.3 Challenges for results monitoring

Monitoring is core to understanding Aqua for All's impact, especially as the introduction of finance activities has increased the proportion of impact that is achieved through indirect pathways. However, while the monitoring framework and approach with individual targets per project is robust and comprehensive in theory, results monitoring in practice has turned out to be challenging in practice. There are various factors that have contributed to this.

The first is that the core and thematic indicators make sense from a theoretical, classical WASH point of view but have appeared to be either challenging to adequately track consistently in practice or hard to measure in implementation. For example, *the total number of people reached with safe water, sanitation or IWRM services/products* is difficult to track among FIs: Aqua for All is able to understand how many people have been reached through their services but is unable to guarantee that the services provided are safe. This results in an underestimation of people reached (refer to Section 5.2 for further nuance). Regarding difficulty of measurement, some indicators require a level of data collection that is either too time consuming for partner organisations, or outside their capacity or capability (e.g., *average time taken per day in minutes by women for sanitation*). As pointed out in Section 1.3 on the Theory of Change, the indicators are also not all well connected to ToC elements. This has contributed to results that – beyond the core programme-level target indicators – are considered either not reliable or insightful to use in annual reports, or this evaluation.

The second is that results management is somewhat disjointed, with key indicators managed by separate teams. Aqua for All made a deliberate decision for its result management staff at the head office to collect data on innovate and scale windows but only collate data on FI performance, which in turn managed by local teams. While this approach has merit, in practice it results in a disjointed approach where data is stored in many areas and no singular department appeared to have an in-depth understanding of all relevant results data. Other key indicators such as leverage sit with the CFO, and there are different overviews of projects. Moving forward, the organisation will need streamlining and centralisation of data processes, and an *Impact Lead* that oversees all data collection, monitoring and management.

The third is failing technical partner Akvo, a data and tech service provider for the development sector, which further hampered data availability and quality. Aqua for All had planned to publish a dashboard on its website, providing access to Aqua for All's impact data for employees, partners and others. Akvo turned out to be



unable to fulfil this functionality. Mostly due to technical issues and inadequate understanding of Aqua for All's requirements, the dashboard has never been operational. The primary challenge lied in the misalignment between the data collected from project partners and the data presented in the dashboards. This in the end meant that all data had to be downloaded from the system for sanitation checks and manual analysis and visualisation. Due to these ongoing challenges, Aqua for All lost its confidence in the system, as constant double-checking of data is not a viable solution due to the significant time investment it requires. Consequently, Aqua for All has initiated the process of seeking a new online system for future programme(s).

The fourth is that specific performance results on an individual projects level are not centralised or centrally stored. Monitoring a project's performance against targets sits with relevant programme managers and remains relatively unconsolidated at the programme level. There is no standardised way to record or collect this data and it depends on the type of output or deliverable. Data could be collected via a site visit, report or phone call and results are corroborated with other available information (e.g., financial) and contextual knowledge of the programme manager. This leads to a wealth of information that, when not centralised, is lost from the perspective of informing lessons learnt and future project design. As the impact and knowledge team will take on the role of knowledge dissemination, a central repository should be made for results to be understood and learnings drawn from this.

Having robust data and effective centralised monitoring of results will be key to the new impact and knowledge unit, part of whose focus will be to disseminate learnings to increase the organisation's demonstration effect. This unit will perform an important role, both in streamlining results monitoring and in using insights in project performance more actively.

## 5.2 Beneficiaries reached

Understanding the beneficiaries reached by the projects within Aqua for All's portfolio forms a core, yet difficult to measure outcome target, applying a robust and nuanced methodology. The programme target, as agreed with DGIS, includes reaching 830,000 people with Aqua for All's DGIS funding only (i.e., Aqua for All's programme funding) and a total programme target of 4 million people by July 2024 (i.e., including the people reached from co-funders directly included in Aqua for All contracts). This is calculated based on a pre-agreed methodology that includes attribution and partiality factors to systematically understand the proportion of beneficiaries reached with Aqua for All's funding (relative to co-funders) and avoid the double counting of impact among co-funders. The project level figures are aggregated and third-party audited. In taking such care to minimise double counting, and attribute and verify beneficiaries specifically to Aqua for All's funding, the organisation employs an industry good practice methodology.

Although the methodology itself appears robust, allowing the organisation to report on absolute values at the *project* level with confidence, there are substantial challenges to the implementation of this methodology which limits the ability to draw conclusions at the *programme* level. The result of this is a low level of data completeness (where organisational level data was either not available or unable to be validated as a result of the challenges described above). The organisation has faced persistent challenges with its data system provider that has prevented the launch of a planned online impact data collection tool and dashboard. As a work around to this issue, staff have set up a Microsoft Excel spreadsheet. Despite best efforts, this set up leads to time consuming work that relies heavily on manual data collection and entry (and thus increases the risk of error). The overall level of impact data completeness stands at approximately 48%, ranging from 19% complete for innovative finance through to 95% complete for the response facility (See Appendix D).

The issue of data completeness is also influenced by the progress of each project itself – where results data is not yet due for projects that are still in progress. For example, the *response facility* has closed, and projects are

known to be 100% complete, correlating well with a 95% data completeness rate. Similarly, *innovative finance* projects show a low completion rate (approximately 19%) and thus low results, but only 19% of these projects are complete. Understanding this dynamic in *scale* and *innovate* projects is less clear (Appendix D). The combination of these factors makes it difficult to fully understand and quantify the underlying reasons of the data completeness rate.

Overall targets for beneficiaries reached have yet to be realised as project data is not available yet for all funds. Through its activities, Aqua for All has reached 1.7 million people with the programme overall, of which approximately half a million are attributed directly to DGIS funding (Table 3). However, the final number is expected to be substantially higher due to the data completeness challenges and as project results data comes due. Furthermore, Aqua for All’s methodology includes strict and verified adherence to SDG6 wording, which specifies reaching people with *safely managed* services. Where Aqua for All cannot verify a service is safely managed, it is not counted. In many cases this occurs in projects with FIs where Aqua for All is one step further removed from the beneficiary and has not yet devised a system with its partner FIs to verifiably capture whether a WASH service is safely managed. In certain cases, this also includes projects that support the WASH sector indirectly through job creation or capacity building. The organisation reports that there are an additional 2,340,000 beneficiaries that fall into this category and do not form part of this analysis. Going forward, learning to capture this data will give additional clarity to the total number of beneficiaries.

Table 3 Overview of beneficiary targets and actual results

Indicator	Target*	Actual (to 31 Dec 2022)
Total programme results (including leverage)	4 million people	1,697,363 people
Programme results (DGIS subsidy only)	830,000 people	526,304 people
Indirect results	-	2,340,000 people

\*Target is based on a total portfolio of 120 million euro by July 2024.

As the graph below shows, (Figure 13), of Aqua for All’s WASH themes, the majority of beneficiaries receive drinking water services (1.04 million) and approximately half (509,000) receive sanitation services. Relatively few receive hygiene services, which does not form part of the strategic focus or expertise of the organisation. Improving access to safely managed water and sanitation services are both of fundamental importance and Aqua for All should continue to pursue both, applying its flexible and adaptive approach to deliver projects tailored to local contextual needs.

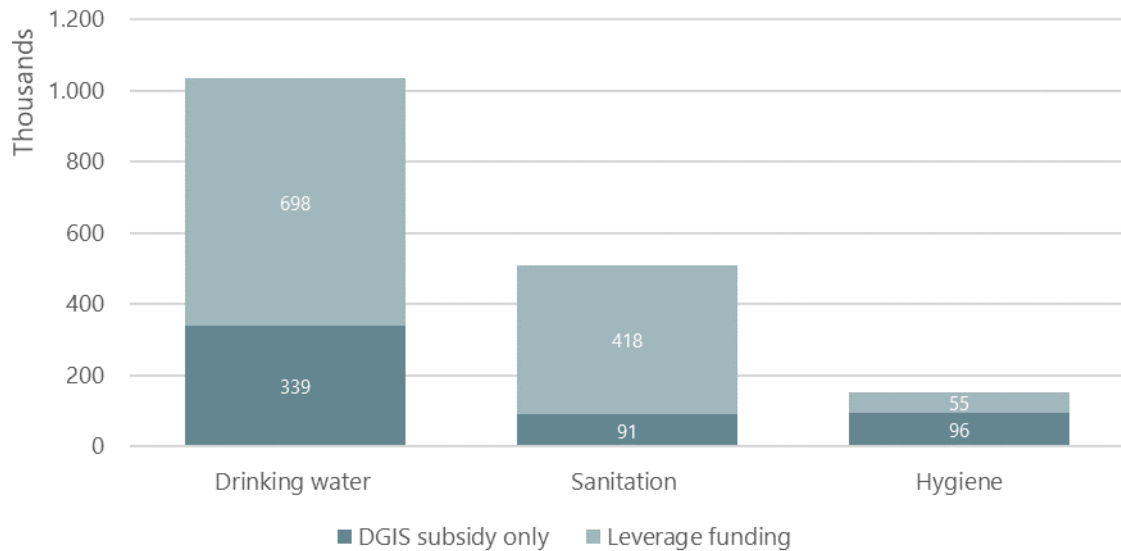


Figure 13 Beneficiaries reached per WASH theme

When broken down by MWC’s levels of action (Figure 14), innovative finance shows the highest potential as results are on par with the response facility (approximately 480,000 beneficiaries) but much project data has yet to come. In absolute terms, the scale level of action, which has received the largest proportion of funding to date (see Section 4) also shows the highest number of beneficiaries. This is especially true when combined with the response facility (also technically part of scale) where data collection is most complete. The innovation level of action serves the lowest number of beneficiaries (76,028 beneficiaries). The combination of Aqua for All’s strategic tilt towards innovative finance and the progressive completion of existing projects under this level of action means that going forward it is anticipated that innovative finance will show the greatest impact potential when measured by beneficiary.

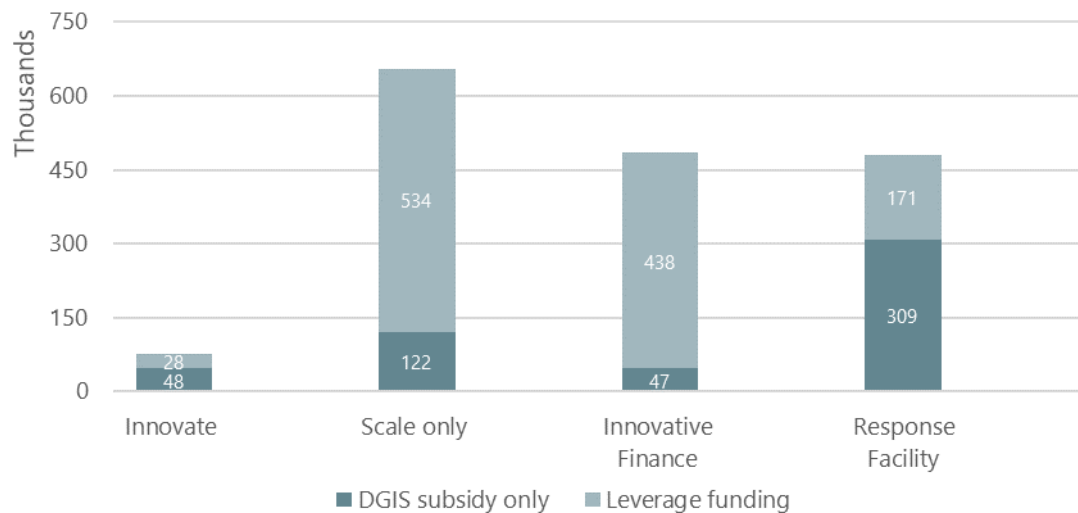


Figure 14 Beneficiaries reached per MWC level of action

Decision-making about Aqua for All’s strategic direction should be (in part) informed by an analysis of the efficiency of each level of action, showing the average number of beneficiaries reached per euro spent. Due to the difficulties in data and project completeness outlined above, this analysis has not been able to be reliably

performed (See Appendix D for analysis based on data provided). Going forward, a reliable way of calculating this indicator should be implemented.

### **Aqua for All can leverage its network and knowledge to enhance impact on women but increasing women beneficiaries remains challenging**

Water and sanitation access remains a gendered issue. Due to social norms, women typically spend a disproportionate amount of time performing tasks that benefit from access to safe water and sanitation services. The lack of such facilities can also disproportionately put their health and safety at risk. Pursuing development outcomes that are gender equal and take into consideration the needs of women and girls is core to the Dutch Strategy for Foreign Trade and Cooperation (2022).

In the case of Aqua for All's activities, results show an almost equal gender split across all levels of action and WASH categories (Appendix D). This is unsurprising as many projects in Aqua for All's portfolio aim to increase access at least a neighbourhood scale (e.g., through water service providers), thus targeting the general population. As this approach is in line with Aqua for All's strategic direction, enhancing the proportion of women beneficiaries will remain a challenge.

However, to best align with the Dutch strategy, Aqua for All is best placed to ensure that women and girls' needs are heard and considered in the design of projects to not only increase access to water and sanitation services, but also promote their actual use. Many international cooperation programmes have delivered access to services but without the voice of women in project design, these services have been inadequately designed for use by women and thus become unused. Aqua for All could therefore leverage its reputation, network, and knowledge to push for the inclusion of women in design, collecting data in the process to build on any relevant but unrecorded work done to date.

## **5.3 Geography**

Aqua for All and MFA have agreed to allocate at least 66% of DGIS subsidy to the priority countries of MFA. While this target was determined against the 2018 list of 30 MFA priority countries, in 2022, the selection of countries has been updated and was decreased to 22 countries (Appendix E contains the list of priority countries in 2018 and 2022). This subsection assesses the extent to which MWC has reached this target, against both the 2018 and 2022 country selection.

Figure 15 presents the amount and share of DGIS subsidy towards MFA priority countries. This figure shows that MWC does not achieve the target of 66%, neither against the 2018 (63%) nor the 2022 (54%) focus countries<sup>13</sup>. However, it should be noted that this number includes unspecified multi-country initiatives – representing 29% of funds worth nearly EUR 5.3 million – that for some extent include priority countries. The multi-country budget will be redistributed when expenditures are reported and validated over the course of 2023, which will provide a more accurate representation of performance against this target. Hence, as the share of DGIS subsidy comes close to the threshold of 66%, it is likely that this target is met in reality while not yet reflected in the numbers – especially for 2018 priority countries.

Considering that 29% of funds cannot yet be specified to individual countries, Figure 16 presents the amount and share of DGIS subsidy towards MFA priority countries, *excluding* the multi-country initiatives. This overview shows that without the multi-country initiatives, MWC reaches an exposure to MFA priority countries of 89% against the 2018 list and 76% against the 2022 list – well above the target of 66%. Going forward, Aqua for All can explore ways to allocate the budget for multi-country initiatives to individual countries at the start of the programme, in order to better steer for the IGG target.

<sup>13</sup> These numbers differ slightly from those reported in the Aqua for All Annual Report 2022.

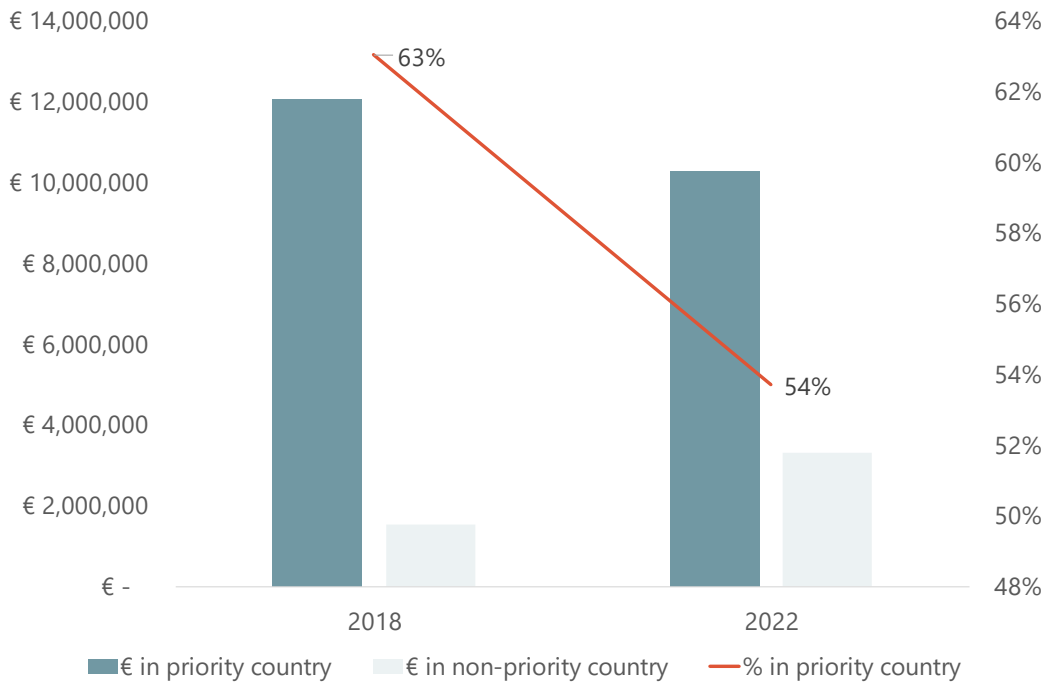


Figure 15 Amount and share of DGIS subsidy across MFA priority countries in 2018 vs 2022 including multi-country initiatives

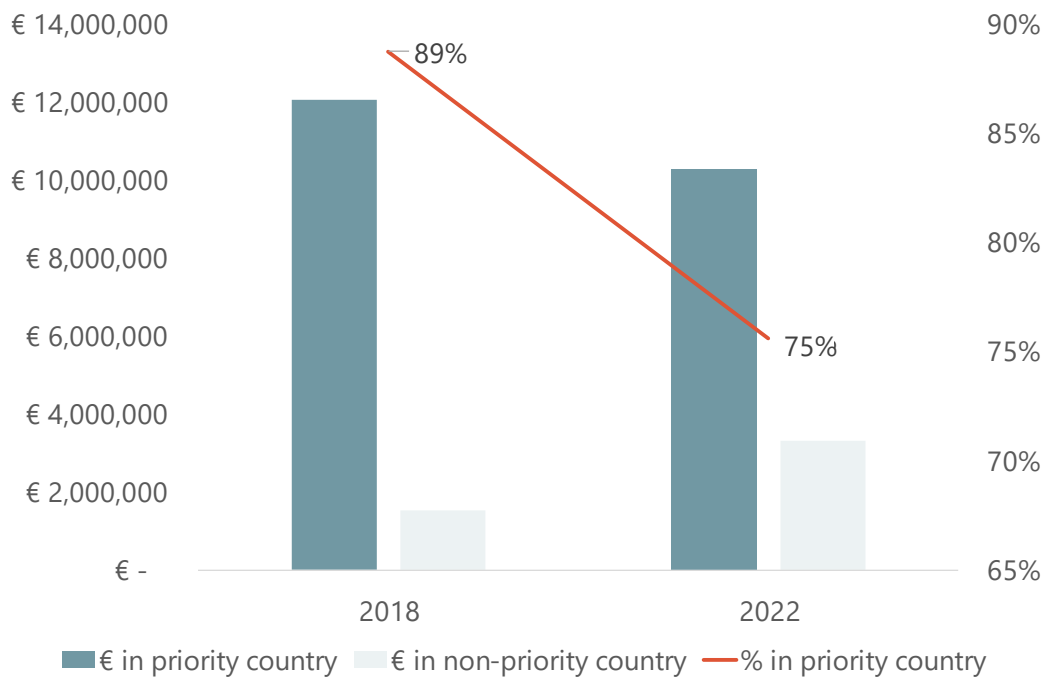


Figure 16 Amount and share of DGIS subsidy across MFA priority countries in 2018 vs 2022 excluding multi-country initiatives

## 5.4 Leverage

### A note on leverage

The mobilisation of (particularly private) financial resources is at the heart of discussions around the financing of the Sustainable Development Goals (SDGs), including SDG 6. As Aqua for All and other public and non-profit entities can meet only a fraction of the need for WASH finance, other sources of finance are needed to reach the scale required. Mobilising additional private capital for an activity means that there is (ideally even more) capital available to achieve an activity's development goal. Consequently, the amount of mobilised capital (expressed by an absolute amount or ratio) is an important indicator for the efficient use of development finance in general and the Ministry of Foreign Affairs' resources in particular.

However, it should be noted that a high leverage capital ratio should be a standalone goal in itself, and it does not mean that one should always prefer high-leverage activities over low-leverage activities. There are other important factors to take into account, such as an activity's expected development impact on the ground, the additionality to the market, the possibility to lead to systemic change, or the financial viability. For example: a high-risk activity may have a hard time attracting capital from the private sector which gives it a poor mobilisation ratio, but it may at the same time be fundamental to the Aqua for All's pro-poor objectives or market development. In that case, there are valid reasons to commit to the project despite moderate private capital mobilisation. Another activity may have a high mobilisation ratio (and even a decent financial return and development impact), but little additionality in a market. An activity's leverage effect should thus not be judged in isolation, but in a broader development context, taking into account several factors.

A key feature of MWC is that the principle 'smart granting' is applied. This means that grants are utilised to engage the private sector, develop scalable models, and unlock private capital. That is why a third important programme-wide target was to realise at least a raised capital / leverage of 1:3 at programme level. It was initially expected that with EUR 40 million DGIS subsidy a total portfolio of EUR 120 million was to be developed. This includes both matching funds/co-financing and leverage, both private and public. With raised capital and leverage Aqua for All means financial resources (public and private) that are raised during the MWC programme July 2019-2024 and that are used for water and sanitation targets of the programme. This includes co-financing at the start as well as mobilised finance (unlocked capital) as a result of support. In both cases, the raised capital (committed or received) is linked to the supported initiative.

As Table 4 shows, with an overall 1:4.6 leverage ratio Aqua for All is exceeding the leverage target of 1:3 on the programme level. For the sub-programme windows, all the realised leverage exceeds expectations. The table includes all contracted portfolio and realised leverage from July 2019 until 31 December 2022, and the DGIS part contains the realised project hours by Aqua for All staff. Of the total realised co-finance of EUR 85m, Aqua for All allocated approximately 90% to be private finance. As part of this review, it was not possible to verify this.

Table 4 Expected and realised leverage

	Total	DGIS	3 <sup>rd</sup> Parties	Expectation	Leverage
VIA Water	12,864,699	7,265,789	5,598,910	0,33	0.77
Scale	89,062,646	10,753,126	78,309,520	3	7.28
Scale	21,189,943	4,113,795	17,076,148	3	4.15
Scale – Innovative Finance	67,872,703	6,639,331	61,233,372	6	9.22
Scale – Response Facility	1,603,214	469,610	1,133,604	-	2.41

TOTAL	103,530,559	18,488,525	85,042,034	3	4.60
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Figure 17 further visualises the leverage results. It clearly shows that the Scale funding window generated most co-finance, representing 93.5% of all co-finance. The generated co-finance within the scale funding is dominated by the innovative finance subprogramme, which generated just over EUR 61m in co-finance (72% of all co-finance).

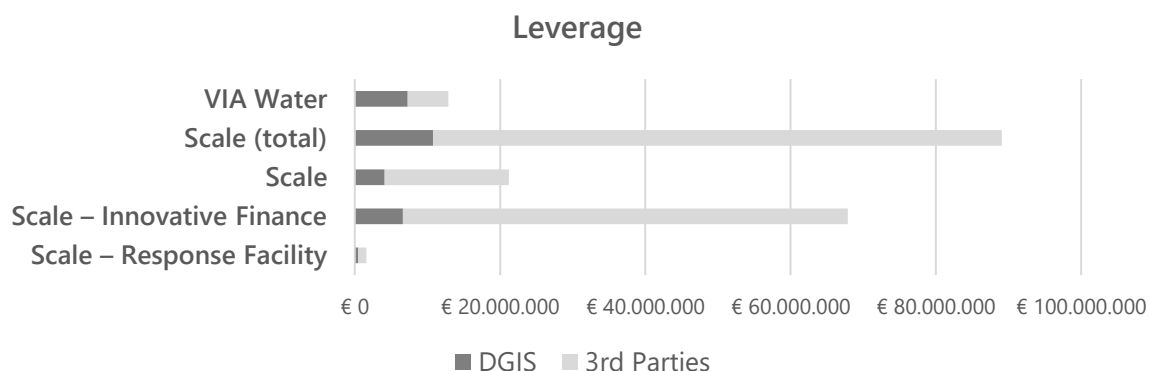


Figure 17 Leverage across sub-programmes

Most of the co-finance is generated by a small number of projects. Table 5 shows the eight projects that generated most co-finance. Together, these eight represent no less than 80% of all additional co-finance generated by MWC. The largest contributor is the Water Access Acceleration Fund, a water-focused investment fund where Aqua for All invested EUR 2m in a first-loss tranche and provided EUR 0.5m in grant funding to finance pre-investment technical assistance. The fund had a first close of EUR 36.4m with funding from Danone, BNP Paribas, the U.S. International Development Finance Corporation (DFC), U.S. Agency for International Development, the Danish development finance institution IFU, and the Norwegian development finance institution Norfund. This single project represents 43% of all co-finance generated under MWC.

Table 5 Top 8 projects with highest leverage

Project name	Country	(Sub)programme	Amount	Ratio
Incofin - Water Access Acc. Fund (W2AF)	Multi-country	Innovative Finance	36.440.000	14,5
NBK - WASH Loan Financing Program	Kenya	Innovative Finance	8.831.800	15,8
Waste - FINISH Mondial 2021-2025	Multi-country	Scale	6.875.000	20,2
Sidian - COVID-19 response loan facility	Kenya	Innovative Finance	5.293.000	20,0
KWSH - SIINC for KWSH Cambodia	Cambodia	Innovative Finance	3.000.000	8,3
Family Bank - Derisking Water Providers	Kenya	Innovative Finance	2.800.000	7,6
Untapped - iW+ Water ATM derisking	Kenya	Scale	2.574.558	5,6
Chamroeun - FLC to build PWO pipeline	Cambodia	Innovative Finance	1.900.000	8,2
<b>TOTAL / AVERAGE</b>			<b>71.397.257</b>	<b>11,6</b>

The partnerships between Aqua for All and various local commercial banks on WASH-focused loan programmes also generated high levels of co-finance. The partnerships with Kenyan banks National Bank of

Kenya, Sidian and Family Bank jointly generated almost EUR 17m of additional finance directed at WASH, or 20% of all co-finance.

## 5.5 Unintended results

MWC's engagement with commercial banks has not only boosted WASH knowledge and commercial lending within banks but it has also contributed to a shift in the mindset and perceptions about economic development more broadly.

On the side of bank staff, Aqua for All has built internal capacity to enable staff to originate WASH loans and analyse their credit worthiness. In addition to these practical applications of Aqua for All's capacity building efforts, staff have reported a shift in personal fulfilment, career focus and a general sensitisation of the role of the financial sector in broader economic development. Training delivery has been done primarily through the creation of 'WASH champions' who become specialists in WASH finance. 'Champions' spoken to during the site visit categorically and independently stated that their ability to work on solving WASH challenges has given them a deeper sense of professional fulfilment, satisfaction, and desire to explore opportunities for commercial lending to tackle other societal challenges that suffer from financing gaps, such as food security, health, and education. One 'champion', whose sentiment was aligned with that of many others, stated: *'like most people in Kenya [where the job market for young people is especially tight], I accepted this job offer primarily for financial reasons, without thought about social impact. However, the ability to work on WASH topics has made me passionate about the topic, and seeing the difference we can make to communities in need has become very important to me and I hope to have and make more opportunities to increase social impact in my work'*.

This momentum is likely to keep spreading, as these skills are only growing in demand in Kenya, due to its acute need to reduce its non-revenue water, and thus a strong need for technical water knowledge to apply to deal structuring. A senior bank manager noted that poaching is evident, influencing the turnover rate of staff with these skills. Nevertheless, he saw this as a positive outcome as the knowledge is retained and grown within the industry, strengthening the sector altogether, and thus better contributing to providing finance to help solve Kenya's water challenges.

## 6 Impact, system strengthening and sustainability

*This sixth section presents the key findings on what can be concluded about MWC's impact (recognising that most of the impact will still need to take place), how the programme strengthened the WASH system, and how Aqua for All aims for sustainable results.*

### 6.1 Impact

Based on its ToC, Aqua for All's impact mission is to increase access to inclusive safe water and sanitation solutions. Although the programme has seen impressive results, data on the impact of its activities on this mission is to a large extent yet to be seen, due to the long-term nature of MWC's activities (i.e., beyond the current programme cycle). Data on the achievement of this should be a focus of Aqua for All moving forward, where the plans for a more expanded results management departments is a good step.

Even if projects were mature enough to show impact data, MWC's impact mission, and therefore the data collected around it, does not necessarily capture the full impact achieved by MWC. This is because the link between MWC activities and the ultimate impact mission is indirect by design: MWC works with water and sanitation-focused private sector SMEs to assist them in the delivery of water and sanitation services, thus



contributing to enhancing access to water and sanitation services but not directly increasing access. This distinction is important and not captured.







Instead, MWC’s direct impact lies in strengthening WASH systems and improving sustainability. By working to improve the commercial and financial viability of a business, MWC helps a business stand on its own, commercially, financially and in terms of building commercial and WASH knowledge and capacity, reducing the finance and service gaps, as well as grant reliance. This can theoretically have a longer term and more sustainable impact with system-wide impacts and due consideration should be given about how to best capture this. The next section elaborates on Aqua for All’s role in system strengthening.

## 6.2 System strengthening

Aqua for All’s approach to its MWC leaves it well placed to strengthen WASH systems, though this is largely captured through anecdotal case studies (See Case Study 1), and as outlined above, the impact is expected to be longer term and therefore not yet fully evident. Staff appear to have a good understanding of where the organisation can influence WASH systems, and indeed strive for this in the design of their products, but this knowledge is not explicitly or structurally captured at the organisation level. Strengthening water and sanitation systems is inherent in MWC’s modus operandi, which seeks to distinguish itself from its peers by identifying the current gap in the market and designing products that address this gap (See coherence). Systematically capturing this can help with understanding results and impact, which can be used for reporting purposes and also to inform future decision-making.










Although notoriously difficult to measure, especially in quantitative terms, Aqua for All could agree on a definition of the components that make up the WASH system and analyse which components are most strongly within its sphere of influence and later use this as a framework through which to plan focus areas and analyse results. For example, this could involve the adoption and/or adaption an existing WASH system strengthening framework, such as the Sanitation and Water for All (SWA) Framework<sup>14</sup> or the Agenda for Change, Strong for WASH systems Building Blocks.<sup>15</sup> Both define the core components of a WASH system into smaller building blocks, or components, which broadly include the same themes. The SWA framework, defines five building blocks that WASH actors should jointly put in place to achieve an effective sector, while the latter comprises eight similar but more nuanced blocks that when applied collectively should strengthen both the factors (technology, financing, regulation etc.) and capacity of actors in the WASH system. Table 6 summarises these components and highlights where Aqua for All’s influence is strongest.

Table 6 Summary of WASH system components and Aqua for All's influence

Systems component	Agenda for Change	SWA	Aqua for All's influence
Policy & regulation	 Regulation & accountability	 Sector Policy Strategy	 Low Aqua for All does not intentionally strive to influence this block, though activities should be in alignment with overall national policy. Refer to Section 2.2.3 for an understanding of alignment in Kenya.
Institutional arrangements	 Institutional arrangements & coordination	 Institutional arrangements	 Low-medium Aqua for All does not intentionally strive to influence this block. However, the organisation has a role to play in ensuring its actions are

<sup>14</sup> <https://www.sanitationandwaterforall.org/about/our-work/priority-areas>

<sup>15</sup> <https://washagendaforchange.org/strong-wash-systems>

					coordinated with other sector actors. Aqua for All does work with privatised government structures to strengthen capacity.
Financing		Sector financing		Finance	● High Closing the service delivery finance gap is core to Aqua for All's model.
Planning and monitoring		Planning		Planning, monitoring & review	● High Especially on monitoring, Aqua for All is able to work with private sector WASH actors to strengthen monitoring and thus results tracking. On planning, Aqua for All helps strengthen planning capacities, develops strategic/ business plans.
		Monitoring			
Capacity and learning		Learning & adaptation		Capacity development	● High Aqua for All aims to demonstrate to the broader sector viable mechanisms to deliver WASH solutions. In addition, it is uniquely placed to strengthen learning between service providers and FIs. This is currently underleveraged but is expected to be a bigger focus with the creation of an impact and knowledge team.
Implementation		Service delivery infrastructure		<i>Not explicitly part of the SWA framework</i>	● High Improving service delivery infrastructure and water resource management is core to Aqua for All's model. This can be achieved through the direct financing of water operators (e.g., in Cambodia) or indirectly, achieved by supporting market-based initiatives and launching financial products.
		Water resource management			

### 6.3 Sustainability

As a core part of its impact narrative (ToC), MWC aims to bring solutions that partners can sustain in the long term, focusing on improving the financial sustainability of SMEs to close the severe finance and service delivery gap (Appendix C – ToC versions 1&2). Economic viability is a prerequisite to reduce dependency from grant funding. This is engrained in Aqua for All's approach to selecting and analysing potential companies to support, because all eligible enterprises supported by Aqua for All must show intention to overcome their barriers to scale and thus become investment ready. Next to having clear long-term objectives, companies need to have a forward-looking business plan to steer for profitability. If the WASH SMEs involved are able to demonstrate their business case, they can also become eligible for commercial funding thus become self-sufficient.

A selection of anecdotal evidence of financial sustainability is presented in the box below, though a quantitative analysis is challenging as it is marred by four key challenges:

1. **Timing:** as outlined in the sections above, it is largely too early to understand the sustainability of MWC-supported projects and programmes. Some of the projects are moving towards financial sustainability, but most of the projects engaged as part of this review were not there yet. The Safisana case study shows that even though a project can be successful in its development, the pioneering nature and factors outside of its direct sphere of control may cause delays in the journey, and that it can take more than 10 years to get to break even;

2. **Mismatch between project and company sustainability:** MWC develops and implements projects with its partner organisations, that aim to influence the sustainability of the organisation overall. Consider the following scenario:

MWC supports a privately-run WSP by providing collateral so that it can obtain a loan to finance a capital expenditure project. The WSP uses this loan to finance new solar pumping equipment to rely only on solar power (in lieu of grid electricity). The cost of the monthly repayment of the loan is less than the previous cost of electricity from the grid, and thus the monthly expenditures of the WSP reduce. In turn, this improves the company's financial standing and sustainability. The WSP has some reporting requirements to the bank, but once the loan is repaid after 2 years, there are no further reporting requirements.

In this scenario, Aqua for All has indeed delivered a product that has improved the financial sustainability of a company. However, it has done so through the delivery of a project. Particularly in a privately held company, this nuanced distinction often makes it difficult to collect data on the financial performance, due to its sensitive commercial nature. In the case above, even when the WSP reports to its lender, reporting obligations cease with the final loan repayment, thus losing the ability to understand longer term sustainability;

3. **Systematic data collection:** There is currently no systematic or structured manner to collect data on key financial sustainability indicators. However, a selection of reviewed project documentation revealed that some relevant data is collected through quarterly reports and end memos. Moving forward, it could be considered to structurally track indicators on the financial performance of (in)directly supported projects, such as the EBITDA-to-sales ratio and the net profit ratio;
4. **Attribution:** Attributing Aqua for All's influence on the financial sustainability of a company is difficult, and its leverage is likely to reduce over the longer term.

## 7 Case studies

This section zooms in on two in-depth cases of Aqua for All's work with (i) financial institutions in Kenya on water and sanitation; and (ii) Safisana, an innovative sanitation project that Aqua for All helped initiate and supported to scale throughout various programmes.

### 7.1 Catalysing water and sanitation development: cooperation with FIs in Kenya

#### Background

Kenya's Constitution and its key development strategy ('Vision 2030') aim to achieve universal access to safe water and sanitation for all by 2030 to meet SDG 6<sup>16</sup>. While the country is well on its way, significant work remains to be done. Today, 21% of Kenyans have access to piped water sources, predominantly in urban areas, 76% have access to improved sanitation, and 12% continue to openly defecate<sup>17</sup>. In Kenya, filling this gap and achieving SDG6 by 2030 is estimated to require investments of approximately USD 12.9 billion, with a USD 7 billion gap<sup>18</sup>.

This presents a unique challenge for the Government of Kenya (GoK): water and sanitation have traditionally been perceived as risky investments that are part of the public sector's domain and financed through public finance and granting<sup>19</sup>. At the same time, the national government recognises that since Kenya's 2014 ascension to middle income status, international grant funding for water and sanitation has decreased. As a result, private sector investment has become increasingly important and the GoK is actively seeking mechanisms to spur it.

While SMEs provide water services to nearly 70% of the population<sup>20</sup>, they face significant and sector-wide barriers to access private-sector capital due to financial, regulatory, and capacity constraints. In turn, this limits operational efficiency, servicing maintenance needs, and growth resulting in poorer WASH outcomes. The key barriers include:

- a sector-wide perception that water and sanitation is a public, grant and government funded domain with few possible revenue-generating streams;

Key facts	
<b>Organisation name:</b>	Sidian Bank, National Bank of Kenya, Family Bank
<b>Country:</b>	Kenya
<b>Location:</b>	Nation-wide, predominantly urban, and peri-urban
<b>First engagement:</b>	2020
<b>Sector:</b>	Water and sanitation
<b>Level of action:</b>	Innovative finance, Response Facility (Scale)
<b>Key activities:</b>	De-risking, subsidy, technical assistance
<b>Total budget:</b>	EUR 1.19 million
<b>Main results:</b>	Creation and expansion of capacity and capability for local FIs to finance water and sanitation SMEs

<sup>16</sup> <https://www.ndcs.undp.org/content/dam/LECB/docs/pubs-reports/undp-ndcsp-Kenya-NDC-Finance-Strategy.pdf>

<sup>17</sup> [in person during interview] – Director of Water Services, Department of Water and Sanitation Kenya

<sup>18</sup> USAID. (2022). Kenya water, sanitation, and hygiene finance. WASHFin Fact Sheet 2022. [https://www.usaid.gov/sites/default/files/documents/WASHFIN\\_fact\\_sheet\\_2022.pdf](https://www.usaid.gov/sites/default/files/documents/WASHFIN_fact_sheet_2022.pdf)

<sup>19</sup> Afonso, J., Kumar, S., & Ma, A. (2022). *A brief Introduction to WASH for Impact Investors*. European Microfinance Publication, Luxembourg. <https://www.e-mfp.eu/sites/default/files/resources/2022/09/A-brief-introduction-to-WASH-%20for-impact-investors.pdf>

<sup>20</sup> Idem.

- a lack of access to affordable capital due to banking sector regulations and risk appetite (e.g., requirement for landed collateral);
- insufficient technical and commercial WASH-sector capacity and knowledge for local banks to accurately analyse and structure a potential financing deal and develop a pipeline of financeable projects;
- regulatory limitations (outside Aqua for All’s direct sphere of influence) on private investment due to public ownership of some WSPs (eased restrictions in the process of being legislated) and unfriendly tariff conditions.

These essential service-providing SMEs were especially hard hit during the COVID-19 pandemic, when many of their already limited revenue streams collapsed as customers were unable to pay for services.

### Aqua for All’s role and engagement rationale

The combination of (i) Kenya’s specific water and sanitation context, (ii) the exacerbation of challenges during the pandemic, and (iii) Aqua for All’s strategic intent to enhance its focus on catalytic blended finance, has led to a unique window of opportunity. Aqua for All, who was already well established in Kenya with a strong sectoral track record, network, and reputation from its work in market development, thus decided to act on this unique opportunity and begin partnerships with local banks to support WASH SMEs.

In 2020, Aqua for All adopted a bottom-up needs-led approach, first surveying a sample of SMEs to comprehensively understand their needs and barriers to growth. The rationale was that by removing some of the aforementioned key growth barriers that SMEs face, Kenya’s water and sanitation sector would be strengthened in a financially and commercially sustainable manner, reducing its reliance on granting. In turn, this would increase the number of beneficiaries with access to safe and reliable water and sanitation services. It was thought that this approach would also improve the catalytic nature of Aqua for All’s funding.

In this way, Aqua for All’s innovative finance work began, resulting in three ongoing partnerships with three local banks: Sidian Bank, National Bank of Kenya (NBK) and Family Bank. At the time of each engagement, each of these partners was already strategically aligned in a way that facilitated the partnership: Sidian Bank has roots in SME lending and legacy WASH knowledge, NBK has roots in SME lending, a SDG focus and a history of financing public institutions, while Family Bank had already developed some capacity in WASH but was unable to deploy it (see Section 2).

### Activities and outputs

Aqua for All’s engagement is unique with each partner bank, co-designing activities based on the identified problem. The overall approach has been to fill WASH technical capability gaps to increase ability to structure loans, stabilise risk appetite through de-risking and subsidies and change prevailing perceptions about WASH business revenue generation. In total, the three Kenyan banks together initially committed to build a portfolio of EUR 15 million and overtime to a portfolio of EUR 52 million. In addition, Aqua for All allocated EUR 1.19 million for de-risking and technical assistance. Key activities with individual banks are summarised in Table 7.

Table 7 Key activities with banks in Kenya

Bank	Key figures	Key objectives	Summary of activities	Key outputs
Sidian Bank	DGIS subsidy: EUR 264,618 Leveraged amount:	Capitalise SMEs to have an immediate effect on WASH	<ul style="list-style-type: none"> <li>• COVID-19 WASH loan Facility comprising short-term funding (reduction of processing fees), de-</li> </ul>	<ul style="list-style-type: none"> <li>• Completed disbursements ahead of schedule to 624 businesses and 3 financial service providers, disbursing</li> </ul>

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	EUR 5.3 million <b>Initial engagement:</b> 2020	projects during pandemic	risking (second loss capital) and TA (market activation, promotion and commercial). <ul style="list-style-type: none"><li>Partnership brokering with equipment supplier to offer discount equipment.</li></ul>	in less than 7 days (normally 1-2 months), surpassing EUR 4 million portfolio target, reaching 1.9 million people (self-reported) <ul style="list-style-type: none"><li>Gained / improved capacity in M&amp;E</li></ul>
<b>Family Bank</b>	<b>DGIS subsidy:</b> EUR 366,880 <b>Initial + EUR Leveraged amount:</b> EUR 2.8 million <b>Initial engagement:</b> 2021	Provide guarantee for WSP to access loan; capitalise community based WSPs more broadly	<ul style="list-style-type: none"><li>De-risking (guarantee) for the collateral-free Ushirika Water Project (peri urban, community based WSP) to finance solarised water pump, reducing reliance on grid electricity and operational expenditures and increasing production capacity.</li><li>Unsecured loan facility to facilitate lending to community based WSPs comprising de-risking (first loss capital), technical assistance for loan structuring and analysis.</li></ul>	<ul style="list-style-type: none"><li>The Ushirika Water Project increased revenue by approximately 20% and added 45 household connections (total 550)</li></ul>
<b>National Bank of Kenya</b>	<b>DGIS subsidy:</b> EUR 559,700 <b>Leveraged amount:</b> EUR 8.8 million <b>Initial engagement:</b> 2021	Capitalise WASH SMEs and utilities	<ul style="list-style-type: none"><li>WASH loan facility for WASH SMEs and utilities comprising short-term funding (reduction of facility fees and subsidy of interest rate); technical assistance (NBK staff training, market activation).</li></ul>	<ul style="list-style-type: none"><li>Disbursement of 21% of EUR 8 million target, reaching 30 WASH enterprises by March 2023 <sup>21</sup>, with a self-reported reach of 294,114 people with safely managed water services and 64,007 people with adequate sanitation services</li><li>Trained 300 NBK staff, 260 WSP staff</li></ul>

## Results and impact

In terms of **beneficiaries**, quantifying the impact achieved remains challenging. In working with FIs, Aqua for All becomes an indirect actor channelling its funds through FIs who then manage the relationships with the SMEs. This has the potential to reach more beneficiaries than it would through direct work with SMEs but at the same time, the increased indirectness of impact also means that reaching beneficiaries takes longer and is dependent on disbursement. It also constrains Aqua for All's ability to directly manage impact measurement, management, and verification. For this reason and due to data challenges outlined in Section 5.2, it is not possible to fully understand or compare these projects in terms of their impact.

Aware of the challenges of indirect action, Aqua for All's IMM support has been crucial. For example, Sidian Bank was able to launch a M&E tool that could track indicators that the bank had previously been unable to track including gender and labour statistics. The bank reported that this has improved customer segmentation, better targets women and has helped it draw lessons on product design. The bank has been able to extend this tool to other aspects of the business.

<sup>21</sup> Lower than expected rates of disbursement related to challenges in implementing the bank's disbursement strategy of obtaining several large tickets sizes to spur smaller investments. The process of obtaining larger ticket sizes is taking longer than expected for political reasons. As of March 2023, progress was shown to be improving.

Aqua for All played an important role in **demonstrating** feasibility to the market, contributing to a slow, but shifting tide in the perceived financeability of WASH businesses. The sequential engagement of the three partnerships is a testament to this. Initially, Aqua for All reached out to Sidian Bank to seek partnership, selecting the bank based on an existing relationship of a Kenyan team member but also its legacy WASH knowledge. The resulting partnership was the first innovative finance facility of its kind to mobilise commercial funds for WASH SMEs in Kenya. The success of the facility along with its effective marketing elevated the reputation of Aqua for All in the WASH finance sector, which drew the attention of NBK who, again spurred by a close personal network between the two banks, then contacted Aqua for All about a potential partnership. NBK's SDG alignment goal revealed that the bank had potential to contribute to SDG6 due to the large number of water sector clients that banked with NBK, but it did not have the resources to be able to help this banking customer base also become finance customers.

Aqua for All's reputation and the success of the loan facilities have been **catalytic**. With these partnerships, Aqua for All targeted leverage ratios of between 1:8 and 1:15, which is significantly higher than its targets on its traditional market building activities and well above its 1:3 target. Acting as an anchor partner, the banks were able to secure partnerships that they state they would not have been able to secure without Aqua for All. For example, NBK was able to secure guarantees from the Africa Guarantee Fund. The relationship also helped catalyse interest from other investors for working capital lines. For example, Sidian Bank reported gaining substantial visibility through Aqua for All's help and reputation. This led the bank to attract funding from other international entities such as the US Development Finance Corporation. Furthermore, NBK stated that through its involvement with reputable Aqua for All, the bank garnered the interest from the newly elected government to discuss WASH financing opportunities.

Aqua for All's bespoke design has **spread WASH knowledge** between banks and within banks: across departments and from headquarters to the branches. This has also visibly motivated staff to continue working on WASH projects but also seek other profitable business opportunities that have a strong social impact. See Section 5.5 for details.

Aqua for All's flexible and bespoke bottom-up approach enhanced its **additionality**. The success of the activities can in part be attributed to the ability of the organisation to take time to understand and address the unique needs and strengths of each bank, ensuring that the approach is integrated into the bank's strategy and lending history (e.g., to SMEs) to maximise uptake.

## Lessons learned and future considerations

Engagement with these Kenyan banks has shown and is continuing to show promising results, drawing the following lessons and future considerations:

1. The launch of Aqua for All's FI partnerships in Kenya came at an opportune time with broad political support for private sector investment in WASH. Aqua for All swiftly occupied this niche, using its existing Kenyan network and applying a needs-based approach to quickly establishing effective partnerships.
2. Understanding impact is a long-term goal and data collection is costly and challenging. Impact on end beneficiaries largely remains to be seen. SME financial and commercial sustainability also requires a longer-term monitoring effort but could be proxied with metrics that FIs must report (e.g., % of defaulted loans). However, broader effects such as Aqua for All's role in strengthening a specific part of Kenya's WASH system are more immediately visible, although this mostly limits itself to finance for WASH, as Aqua for All is not supporting policy, planning, institutional arrangements, or monitoring and evaluation;

3. To best estimate its true impact, banks require additional IMM support. The lack of knowledge and capacity within banks exacerbates Aqua for All's own data challenges. In turn, this makes it difficult to understand and report on Aqua for All's impact on the end-beneficiary. Without this, Aqua for All cannot verifiably determine which of its approaches is most effective in reaching its intended impact. Going forward, FI partnerships should be *further* supported in this (e.g., through planned external mid-term reviews and allocated budgets), which should include helping banks understand how they can use the data they collect for internal purposes.
4. Working indirectly with FIs can play a catalytic role that enables banks to leverage their existing local connections to reach beneficiaries. In this case, NBK was able to finance existing banking clients while Sidian Bank was able to offer previously unaffordable credit to an existing sanitation client to undertake a relevant project in a Nairobi slum community. Leveraging existing clients in this way is an effective and time efficient way to originate loans. This mechanism should be maximised to reduce Aqua for All's time burden.
5. Aqua for All's flexible and bespoke approach lay the foundation for successful partnerships, by specifically addressing the needs of each bank, rather than delivering an off the shelf solution. As Aqua for All progressively addresses financing challenges in WASH on a system scale, certain instruments will become obsolete. For example, as the banks increase their WASH capacity, the cost of the transaction will decrease, thus reducing the need for a subsidy. An exit strategy should be devised to understand the point at which these instruments are no longer needed.
6. Building upon the gained experience, Aqua for All could also consider other models such as with Savings and Credit Cooperative Organisation or Societies (SACCOs) whereby groups of water service providers pool assets for financing. SACCOs in Kenya present real opportunities. This could be explored with the Water Services Providers Association (WASPA) of Kenya and equivalents in other countries.



## 7.2 Safisana: developing a circular model for waste treatment in Ghana from pilot to plant

### Background

In 2009, Safisana emerged as pilot project initiated by Aqua for All, Shell and other leading international organisations<sup>22</sup> to test a waste to energy plant in Ghana, a low-middle income country that faces persistent challenges in recycling and renewable energy production.

Today, Safisana is a waste-to-energy company that provides sanitation solutions in low-middle income countries. Operating primarily in Ghana, Safisana focuses on turning waste (human and organic) into value by re-using waste as a resource to produce biogas and organic fertiliser. At the start of operations in 2010, Safisana focused on developing stand-alone waste recycling facilities. By 2017, the company had opened the Ashaiman Recycling Plant, the first waste-to-energy plant in West Africa that employs a circular business model generating revenue from waste collection and treatment, digestion and transformation, and composting. Since then, Safisana has continued to scale its operations and explore new markets and business opportunities, maintaining their focus on low-middle income countries.

Safisana aims to improve public health, protect the environment, and promote sustainable development. Its approach combines technology innovation, sustainable business models, and social entrepreneurship to create sustainable and scalable solutions for sanitation challenges. By implementing innovative approaches from circular economy concepts, Safisana has developed its own circular and financially affordable business model for governments, utilities, and food processing industries to address the current absence of formal sanitation and wastewater treatment services in low-middle income countries. Further, Safisana driven by the health, climate, energy, and food challenges that disproportionately affect rural and peri-urban communities in these countries.

### Aqua for All's engagement and activities

As one of the initial investors, Aqua for All has been a supporter of Safisana since its development stage. Motivated by the possibility to generate energy from human and organic waste, Safisana started out as a small-scale proof-of-concept pilot project in 2010 to advance recycling and renewable energy production as a WASH solution.

Primarily concerned with the technical feasibility and building an economically viable business case, the organisation identified a need for waste management in Ashaiman, Ghana (where there was no municipal

Key facts	
<b>Organisation name:</b>	Safisana
<b>Country:</b>	Ghana
<b>Location:</b>	Ashaiman, predominately peri-urban communities
<b>First engagement:</b>	2010
<b>Sector:</b>	Sanitation
<b>Level of action:</b>	Scale
<b>Key activities:</b>	Business development via co-funding and technical support
<b>Total budget:</b>	Six contracts since 2009, most recent budget for 2025 strategy development was EUR 250,000 (first and only grant under MWC)
<b>Main results:</b>	Waste-to-energy demonstration effect via supporting development of blueprint for future designs and standard operational processes

<sup>22</sup> Including the Stone Family Foundation, DRK Foundation, Vitol Foundation, Vox Impuls, Grand Challenges Canada, Applied Research Fund, Dutch Fund for Climate and Development, Sint Antonius Stichting Projecten.

sewerage system and a need for energy and manure). Aqua for All provided support to scale the project, attract more financing, provide technical services, and conduct feasibility studies. Safisana secured a EUR 1.1 million grant from the African Development Bank (AfDB) and the Dutch Ministry of Foreign Affairs (MFA), which facilitated the establishment of the Ashaiman Recycling Plant. The primary goal of this plant was to demonstrate and showcase the feasibility of using innovative solutions to address WASH challenges, integrate Safisana's model with traditional treatment plants, and facilitate business-to-business (B2B) partnerships.

Aqua for All's engagement continued beyond the realisation of the plant. Over the course of their longstanding relationship, Aqua for All has contributed significantly to Safisana's portfolio, providing a total of six grants, with the most recent received under the MWC programme to implement their 2025 strategy (see textbox). Safisana has been receiving unrestricted grants from Aqua for All that has enabled a flexible working relationship. In addition to these grants, Aqua for All has played a key role in reviewing their financial model and facilitating connections with investors (e.g., IFC, Norfund, Social Impact Bond). As part of the MWC grant, Aqua for All devised a comprehensive *SCALE, RUN, BUILD* strategy to position the Ashaiman Recycling Plant as a blueprint for future designs and standard operational processes. The *SCALE* component involved increasing the plant's capacity and ensuring economic stability through investments in advanced equipment and strengthening senior management. The *RUN* component entailed Safisana receiving technical services to optimise their processes, leading to higher production figures, and reduced operational costs. Lastly, the *BUILD* component explored further business development opportunities, conducting feasibility studies, and securing additional grants.

#### **Safisana's objectives under the 2020-2025 strategy**

1. **Increase the number of plants.** Three operational plants, and two projects in design and building stage.
2. **Proven economic viability at plant and group level.** This means that (i) plants operate and reach an economically viable level; and (ii) the Safisana group achieves economically stable operations and generates income from the development of projects, profit on operations of plants, and operational support services.
3. **Obtain more financing.** Access to other financial mechanisms, including loans as governments are able to finance the service fees.
4. **Expand organisation and team.** Increase to 15 FTE in the Holding and split the team in Ghana in an operational and development team. In addition, all new plans operate under a local entity in order to enhance local presence and effectiveness.

Aqua for All's long-term commitment to Safisana, despite being divided into different projects, has proven valuable and necessary in establishing innovative business through catalytic funding. Although this has been a fruitful and effective partnership, Aqua for All's strategic aim to be catalytic means that it will no longer financially support the organisation as the Safisana's grant base is robust. Nonetheless, there is still motivation to maintain their partnership through knowledge transfers and peer networks.

## **Results and impact**

Under the most recent contract (February 2021 – March 2022) that forms part of the MWC programme, Safisana achieved most of its targeted outcomes. It demonstrated the technical feasibility of a waste-to-energy concept, improved organisational capacity and efficiency, and improved the health and wellbeing outcomes of the Ashaiman community.

### **Demonstrated technical feasibility**

Safisana has demonstrated the technical feasibility of its proof-of-concept as the company has been able to scale the pilot to a fully operational recycling plant. This is remarkable as the recycling plant is the first of its kind in West Africa. Furthermore, Safisana was able to build business development opportunities to expand to

new locations. Collaborative projects such as compost production with Clean Team Ghana, compressed gas opportunities with Gashouders and Barry Callebaut, waste-to-energy facility establishment with Heineken in Ethiopia, and co-digesting facility rehabilitation in Uganda showcase the potential for continued growth.

#### **The impact of Safisana in Ghana through the Ashaiman Recycling Plant**

The Ashaiman Recycling Plant provides a sustainable, low-cost, and fully serviced option that aligns with the national and local waste treatment regulations for governments and utilities. It offers add-on options for existing wastewater treatment facilities facing capacity constraints and high operational costs. By implementing their solution, they addressed public health concerns and mitigated associated costs, ensuring a level of sanitation that corresponds with the UNESCO's classification of '*improved services*'. As mentioned on Safisana's website, their approach continues to have a positive impact on the natural environment by reducing CO<sub>2</sub> emissions, improving water quality, and recovering valuable nutrients such as phosphates.

As of today, the plant:

- Reaches >147,000 beneficiaries throughout Accra, Ghana's rural and peri-urban communities
- Treats about 3,600 tonnes of organic waste and 9,700 tonnes of faecal waste per year
- Produces a yearly supply of 600 MW/h renewable energy and 286,000 kilograms of organic fertiliser

#### **Strengthened organisational capacity and improved financial results**

While Safisana has faced challenges in achieving financial break-even, the company expects to hit break-even for its operations in Ghana by the end of this year – and for the entire holding by 2025. One of the main challenges was in 2021 when the biodigester – a crucial component for energy production – got clogged up. In combination with other challenges, Safisana had not been operational in that year. In order to become less reliant on one system and to speed up production, the company acquired a second biodigester which is expected to be operational in September 2023. At this point, Safisana is running at 60% towards break-even where revenue is realised from fertiliser and ongoing electricity sales. Once the second biodigester becomes operational, the company is expected to cover 100% of the cost in Ghana.

Meanwhile, despite the setbacks, compost production was able to continue successfully, and the plant site underwent a complete renovation with refurbishments, expanded composting areas, and improved infrastructure. New personnel, including senior management, a sales manager, and agronomist, were hired to strengthen the team. As of today, Safisana has a team of 45 in Ashaiman, primarily engaged in various aspects of production such as waste collection, waste coordination, management, monitoring, and evaluation. Additionally, there is a team of eight people based in the Netherlands.

#### **Enhanced community health and wellbeing**

For local communities, Safisana contributes to the creation of a safe, hygienic, and healthy living environment by reducing direct exposure to waste and decreasing the risk of spreading diseases. In addition, the company has been able to drive economic activity and employment opportunities for local SMEs, promoting sustainable development and contributing to the economic livelihoods in its operating areas.

All in all, the longstanding support from Aqua for All has facilitated Safisana to become an innovative leading player across the circular economy and global waste management community. Aqua for All provided the initial push and remained involved until Safisana had a solid funding base. The company is now on their way to obtaining private funding with an understanding that relying solely on grantors is not sustainable.

#### **Lessons learned and future considerations**

Overall, Aqua for All's long-term commitment to Safisana has shown to be extremely valuable to demonstrate the technical feasibility of the proof-of-concept pilot project. Safisana aims to continue an ambitious growth trajectory and reach financial viability at the plant and group level. In order to realise this, it is essential that

Safisana is able to overcome the barriers to reaching break-even. Once this has been achieved, the model can serve as a blueprint for replicability.

In addition, the Ashaiman Recycling Plant has attracted significant traction among grantors. The partnership with Aqua for All has facilitated connections with other funders providing unrestricted grants which contributed to Safisana's strong funding base. Going forward, Safisana recognises that relying solely on grants is not a sustainable long-term approach. Especially under the new vision of Aqua for All, it is highly likely that Safisana will not continue receiving support based on traditional grant-money. Safisana is well aware of this shift and that it will need to position itself to attract private investments. As such, the company is exploring private funding opportunities, including partnerships with InvestNL and breweries.

Nevertheless, Safisana is motivated to maintain their strong relationship with Aqua for All. The strategic shift may require the exploration towards a new kind of relationship. The company has indicated to be interested in soft loans (as this is also in place with some of their other financial providers). Other collaborative means can involve continued knowledge transfers and peer networks.



Aqua for All  
Making Water Count.

# Appendices

## Appendix A. List of Consulted Parties

Name	Role	Organisation
<b>Aqua for All Staff</b>		
Aarno Keijzer	Innovative Finance Manager	Aqua for All
Ingwell Kruil	Advisor	Aqua for All
Joshua Kibet	WASH Finance Lead East Africa and Ethiopia	Aqua for All
Josien Sluijs	Managing Director	Aqua for All
Leonard Obuna	Wash Finance Manager (Kenya)	Aqua for All
Maaïke de Vette	Impact Management Advisor	Aqua for All
Marleen Hasselerharm	Operations & Team Manager	Aqua for All
Marlies Batterink	Regional Programme Manager East Africa	Aqua for All
Oscar Ruigrok	Finance Manager	Aqua for All
Ramah Rugut	Impact Manager Kenya	Aqua for All
Randi Käufer	Impact Management Officer	Aqua for All
Sarah Kalin	Programme Manager (Kenya & Bangladesh)	Aqua for All
Shabana Abbas	Senior Manager Innovative Finance	Aqua for All
<b>Supervisory Board</b>		
Sybe Schaap	Chair	Supervisory Board
<b>Funder</b>		
Erik Siepman	Policy Officer IGG	NL Ministry of Foreign Affairs - IGG
<b>Partner organisations, market peers, experts</b>		
Anthony Ambugo	CEO	Water Services Providers Association (Kenya)
Dominic O'Neill	Executive Director	The Sanitation and Hygiene Fund UN-Water
Jean Pierre Sweerts	Managing Director	Water Finance Facility
Mary Wamaitha	Director of Water Services	Department of Water and Sanitation (Kenya)
Ng'ang'a Mbage	Manager – Deal Advisory & Infrastructure	KPMG East Africa
<b>Project organisations</b>		
Grace Njeri	Committee Member	Ushirika Water Project
Harrison Gikonyo	Committee Member	Ushirika Water Project
Joseph Murage	Committee Member	Ushirika Water Project
Mary Irungu	Committee Member	Ushirika Water Project
Maureen Olieng	Water Kiosk Operator	Ushirika Water Project
Simon Kamau	Committee Member	Ushirika Water Project
John Patrick Kamau	Branch Management	Sidian Bank
Loise Mwangi	Branches Manager	Sidian Bank
Victor Waweru	Senior Partnerships Officer	Sidian Bank
Cyprien Harun	Project Manager	Hosani East Africa Ltd
Francis Nyota	Managing Director	Hosani East Africa Ltd
Moses Njunge	Site Manager	Hosani East Africa Ltd
Victor Ochieng	Site Engineer	Hosani East Africa Ltd

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Lily Langat	Relationship Manager	Family Bank Kenya
Shadrack Obuya	Investment Officer	Family Bank Kenya
John Murithi	Project Development	Sanivation
Naomi Korir	Risk and Research	Sanivation
Regina Wanaki	Site Manager	Sanivation
Shadrack Omwenga	Project Development	Sanivation
Silvia Kengera	Business dev. / Government Relations	Sanivation
Tom Gicheru	Officer	Sanivation
James Gachathi	Managing Director	Nawassco
Joseph Gothing	Internal Audit Manager	Nawassco
Justin Khamala	Marketing Officer	Nawassco
John Irungu	Managing Director	Nawasscoal
Mary Nyankinyua	Administration Officer	Nawasscoal
Susan Wanjiru	Intern	Nawasscoal
Dennis Ndonga	WASH Relationship Manager	National Bank of Kenya
Fartun Ibrahim	WASH M&E Officer	National Bank of Kenya
Fred Kioko	Head of Change and Projects	National Bank of Kenya
Isaac Masila Mulinge	Business Banker	National Bank of Kenya
Jim Mwilaria	Regional Business Development Manager	National Bank of Kenya
Kevin Segera Onunda	Business Banker	National Bank of Kenya
Albanus Kathuma	Committee member	Ngalalya Water Project
Phoebe Muindi	Committee member	Ngalalya Water Project
Kelvin Gacheru	Founder / CEO	Mobi Water
Massa Balima	Partner - Managing Director	ForthInvestment Burkina Faso
Sunil Lalvani	CEO Project Maji (Ghana + Kenya)	Project Maji (Ghana, Kenya)
Aart van den Beukel	Managing Director/Founder	Safi Sana Ghana
Dina Pons	Managing Partner	Incofin
Ina Lee	Associate Director Market Building	GIIN

## Appendix B. List of Documents

Documents	Date Received
<i>Annual Plans and Reports</i>	
Annual plans and performance reports to Ministry	16-Mar
<i>Strategy</i>	
Original funding proposal	16-Mar
Addendum to geographical focus	16-Mar
Sustainability strategy	16-Mar
Defining raised and leverage capital	16-Mar
2019-2024 Strategic plan	16-Mar
<i>Portfolio</i>	
Overview of all projects financed	16-Mar
FI transactions folder	18-Apr
MWC DGIS annual report	8-Jun
Counting principles Aqua for All DGIS	8-Jun
<i>Instruments</i>	
COVID-19 Response Facility	16-Mar
<i>MTR documents</i>	
Document related to the evaluation itself	16-Mar
<i>Impact</i>	
ToC	16-Mar
Monitoring framework	16-Mar
Impact and Aqua for all slide deck	16-Mar
Sidian Bank case study	16-Mar
Application and monitoring process workflow	16-Mar
FI Toolkit	16-Mar
Portfolio graphs 2022	24-Mar
SROI women empowerment & WASH	31-Mar
Proposal to DGIS – counting principles	03-Apr
Indicator impact matrix	18-Apr
M&E structure and process Aqua for All	18-Apr
People reached 2019-2022 MWC	8-Jun
Total achieved results MWC portfolio 2019-2022	8-Jun
<i>Quality Management</i>	
Audit report	31-Mar
Quality handbook	31-Mar
Audit report	31-Mar
Management report	31-Mar
<i>Background Information</i>	
Publications	03-Apr
<i>Partner Information</i>	



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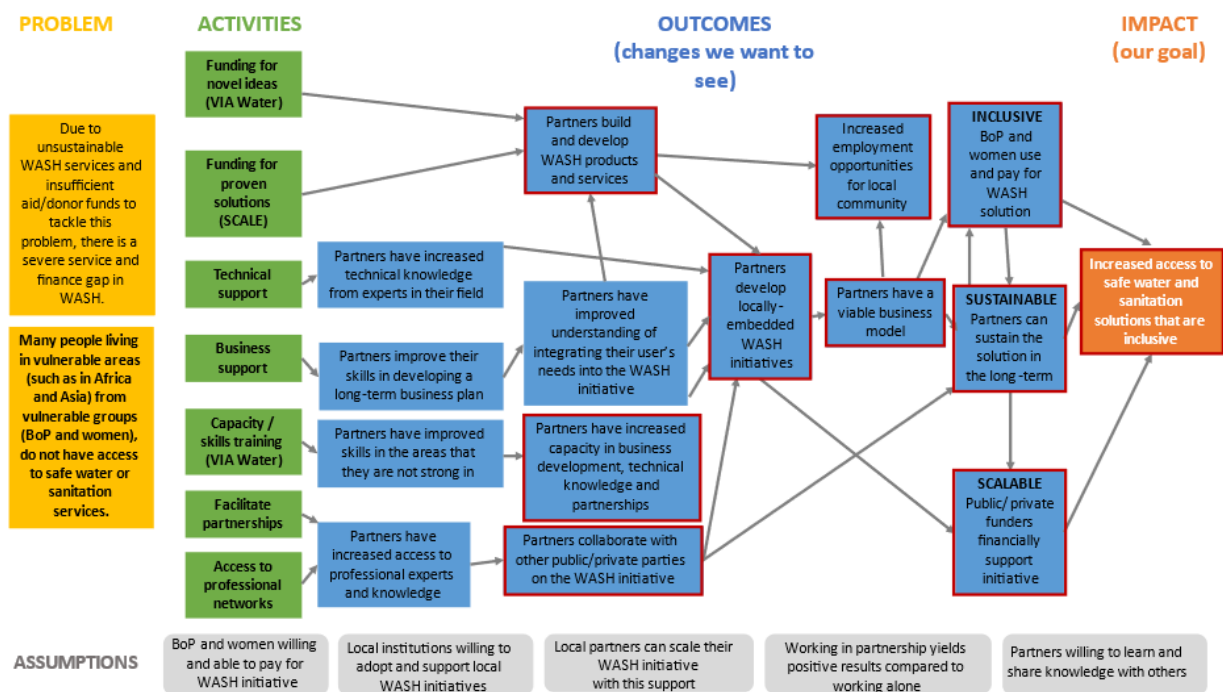
Nawasscoal	20-Apr
Sanivation	20-Apr
Ushirika	20-Apr
Sidian Bank	25-Apr
National Bank Kenya	
Assesment of the Kenya Pooled Water Fund	04-May
Safisana	

## Appendix C. Theories of Change

Building upon the strategic framework, Aqua for All developed a Theory of Change for MWC. The Theory of Change is essentially a comprehensive description and illustration of how and why the change pursued by MWC was expected to happen. It does this by first identifying the desired long-term goals and then works back from these to identify all the conditions (outcomes) that must be in place for the goals to occur, what direct results need to be achieved (outputs) and what activities by Aqua for All are needed to enable this. Through this approach, the precise link between activities and the achievement of the long-term goals are more fully understood. Having a clear ToC in place with the related indicators leads to better planning, in that activities are linked to a detailed understanding of how change actually happens. It can also lead to better evaluation, as it is possible to measure progress towards the achievement of longer-term goals that go beyond the identification of programme outputs.

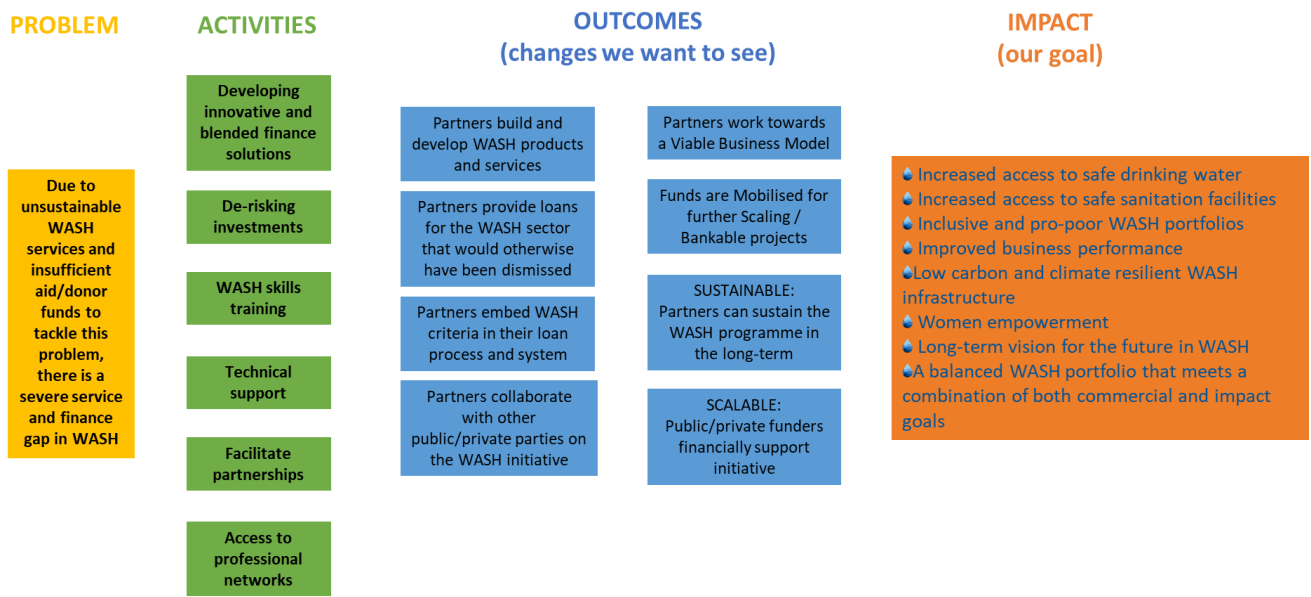
The MWC Theory of Change (ToC) has evolved over time, in line with the complexity of the programme. At present, it is in the process of being reviewed and consolidated. Although it is not uncommon, and perhaps even expected, for programmes like MWC to evolve and improve over time, this evolution has resulted in at least three ToC versions that each bear a different focus (see Appendix C). Version 1 is the current ToC in place that details the steps for market focused activities (innovate and scale windows). However, this version does not yet explicitly integrate the innovative finance window activities. Version 2 was developed for MWC's finance activities, providing the detail that Version 1 was lacking on this matter. However, while it lists 'inclusivity' in the outcome and impact components, it does not explain how its activities will be structured to help achieve this, though this was never approved as an official version. Version 3 is the original ToC presented in the programme proposal that was originally submitted in 2019 and has been superseded by versions 1 and 2.

### Theory of Change – Version 1



Source: Aqua for All's Theory of Change, October 2020. Received in standalone Microsoft Word file.

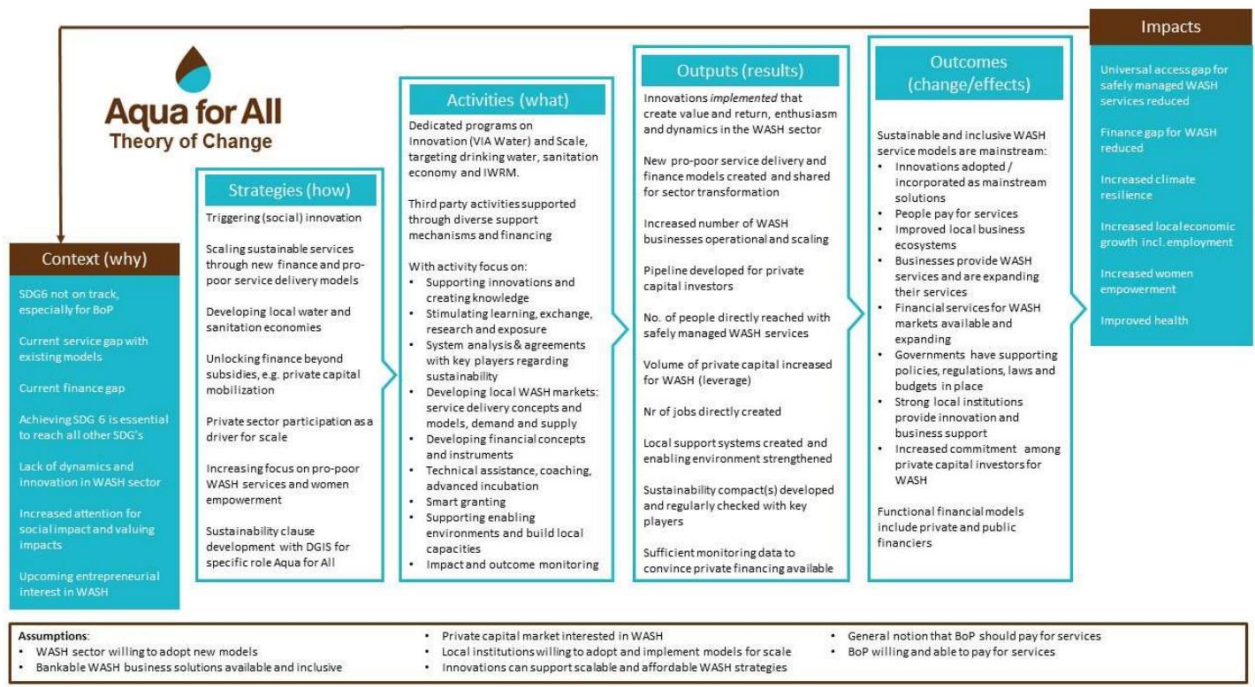
### Theory of Change – Version 2



Source: presentation on Innovative Finance

### Theory of Change – Version 3

Please note that this version was replaced by Version 1 and thus not discussed in the body of the report.

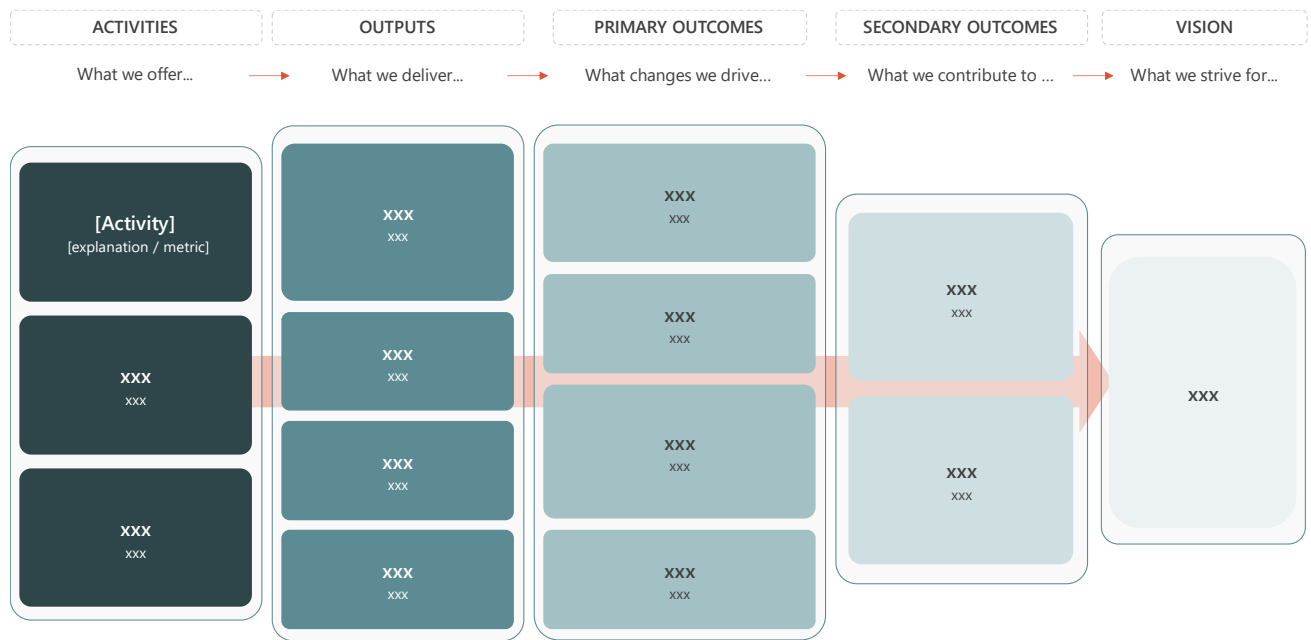


Source: Making Water Count WASH & IWRM: from innovation to scale – PPP Innovation 2.0 for 2019 – 2024, Aqua for All proposal document to DGIS, p.6

### Theory of Change – Example template for outward facing version

Figure below shows an example template for a ToC that could be used to communicate MWC's overall approach to external stakeholders.

# Mid-Term Review of the Making Water Count Programme



Source: *Steward Redqueen, 2023.*

## Appendix D. Beneficiaries Reached

Table 8 Beneficiaries reached with WASH services under SDG6 (MWC programme to 31 December 2022).

Indicators	Innovate		Scale								Totals per indicator			
			Scale only		Innovative Finance		Response Facility		Total scale					
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	TOTAL	
<b>Data completeness</b> (% of projects with complete and verified endline data)	21%		48%		19%		95%		65%		48%			
<b>Project progress*</b> (% of projects that are complete)	26%		24%		19%		100%		60%		47%			
<b>Total including leverage/cofunding</b>	<b>Drinking water**</b> (no. of people using safely managed services, including students in schools)	25.283	23.829	115.640	116.250	237.864	234.589	139.751	143.938	493.255	494.777	518.538	518.606	<b>1.037.144</b>
	<b>Sanitation**</b> (no. of people using safely managed services, including handwashing & students in schools)	6.956	10.255	219.908	203.899	6.401	6.401	26.796	29.146	253.105	239.446	260.061	249.701	<b>509.762</b>
	<b>Hygiene***</b> (no. of people reached by services, including activities in schools)	4.853	4.853	201.534	201.534	1.500	1.500	70.376	70.376	273.410	273.410	278.262	278.262	<b>150.457</b>
	<b>Total (gender disaggregated)</b>	<b>37.092</b>	<b>38.937</b>	<b>335.548</b>	<b>320.149</b>	<b>244.265</b>	<b>240.990</b>	<b>236.923</b>	<b>243.460</b>	<b>816.736</b>	<b>804.599</b>			
	<b>Total</b>	<b>76.028</b>		<b>655.697</b>		<b>485.255</b>		<b>480.383</b>		<b>1.621.335</b>		<b>1.056.861</b>	<b>1.046.569</b>	<b>1.697.363</b>
<b>DGIS subsidy only</b>	<b>Drinking water</b> (no. of people using safely managed services, including students in schools)	15.491	14.180	39.240	39.371	23.397	23.060	90.196	94.378	152.833	156.809	168.323	170.989	<b>339.312</b>
	<b>Sanitation</b> (no. of people using safely managed services, including handwashing & students in schools)	4.353	6.799	25.605	17.829	381	381	16.907	19.057	42.894	37.267	47.246	44.067	<b>91.313</b>
	<b>Hygiene</b> (no. of people reached by services, including activities in schools)	3.599	3.599	32.420	32.420	154	154	44.240	44.240	76.814	76.814	80.414	80.414	<b>95.678</b>
	<b>Total (gender disaggregated)</b>	<b>23.443</b>	<b>24.579</b>	<b>64.844</b>	<b>57.200</b>	<b>23.778</b>	<b>23.441</b>	<b>151.343</b>	<b>157.675</b>	<b>272.540</b>	<b>270.891</b>			
	<b>Total</b>	<b>48.022</b>		<b>122.044</b>		<b>47.220</b>		<b>309.018</b>		<b>543.431</b>		<b>295.983</b>	<b>295.469</b>	<b>526.304</b>

## Mid-Term Review of the Making Water Count Programme

Source: Steward Redqueen calculations based on data supplied by Aqua for All covering the MWC to 31 December 2022

\*With the exception of Response Facility, this is largely an estimate due to completeness of data provided.

\*\* Drinking water and sanitation categories include respective numbers from the WinS school programme. In Aqua for All's 2022 annual report, these are shown as separate categories.

\*\*\* To avoid double counting, hygiene has been deducted from the totals where relevant to be consistent with Aqua for All's methodology. This has been applied to cells with lighter grey font.

Table 9 Total invested per beneficiary reached (MWC programme to 31 December 2022).

	Innovate	Scale			
		Scale only	Innovative Finance	Response Facility	Total scale
<b>Total funding</b>					
€	13.266.020	22.644.253	67.714.211	1.603.214	105.227.698
€/Beneficiary	174	35	140	3	65
Beneficiaries reached/€	0,006	0,029	0,007	0,300	0,015
<b>DGIS subsidy only</b>					
€	7.277.786	5.481.600	6.431.964	469.610	19.660.960
€/Beneficiary	152	45	136	2	36
Beneficiaries reached/€	0,007	0,022	0,007	0,658	0,028

## Appendix E. MFA Priority Countries

2018 <sup>23</sup>	2022 <sup>24</sup>
Afghanistan	Afghanistan
Algeria	Bangladesh
Bangladesh	Benin
Benin	Burkina Faso
Burkina Faso	Burundi
Burundi	Chad
Chad	Egypt
Egypt	Ethiopia
Ethiopia	Iraq
Ghana	Jordan
Indonesia	Kenya
Iraq	Lebanon
Jordan	Mali
Kenya	Mozambique
Lebanon	Nigeria
Libya	Palestine
Mali	Somalia
Mauritania	South Sudan
Morocco	Sudan
Mozambique	Tunisia
Niger	Uganda
Nigeria	Yemen
Uganda	
Palestine	
Rwanda	
Senegal	
South Sudan	
Somalia	
Sudan	
Tunisia	

<sup>23</sup> Kaag, S. Kamerbrief Focusregio's en andere Nota-onderwerpen. 13 November 2018.

<sup>24</sup> Ministry of Foreign Affairs. Do what we do best – a strategy for Foreign Trade and Development Cooperation. Policy Document 2022.

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**Attn:** Ministry of Foreign Affairs, Directorate Inclusive Green Growth

**Subject:** Management Response to the Mid-term Review of the Making Water Count Programme

The Hague, 14 September 2023

Dear Erik,

It is with a lot of interest and appreciation that we have received the Mid-term Review of the 'Making Water Count Programme', a programme that started July 2019 and will run until June 2024 (with extension to 2030). We would like to thank the Steward Redqueen team for their thorough review and analysis.

The assessment serves as input for the application process regarding the follow up of the partnership with the Ministry of Foreign Affairs. In addition to this main purpose, Aqua for All has asked the consultant to critically assess its program and results for future strategic considerations.

The consultant has presented its findings of the Mid-term Review to the Aqua for All Management Team in July 2023. Overall, the report was welcomed and the findings were largely recognized by Aqua for All. We proudly welcome the main conclusion that Making Water Count's approach is 'unique and coherent with the sector overall' and leaves Aqua for All 'well placed to strengthen WASH systems'. The consultant also concludes that Aqua for All's impact thesis and approach aligns well with SDG6 and Dutch foreign policy strategy. Moreover, we would like to highlight some of the key findings that resonate well with our programmatic strategy:

- The report states that catalytic finance is urgently required to bridge the SDG6 finance gap, which is a result of constrained private investment due to perceived hurdles around commercial attractiveness. Tackling these hurdles through the development of innovative finance for WASH instruments is at the very core of the Aqua for All strategy.
- The report acknowledges this by indicating that the increased focus on innovative finance in the refreshed 'dual approach' has the potential to achieve higher additionality, true scale and system strengthening.
- The report indicates that the flexibility that Aqua for All applies allows the organization to respond to market needs and acknowledges that this flexibility is enabled by the Ministry of Foreign Affairs' funding terms. We are very grateful that the Ministry has provided this flexibility which allows us to occupy our unique niche role.

Our request for a thorough assessment of our program and results has stimulated the consultant to address various critical reflections in their key findings and recommendations. Various of these reflections point to the consequences of Aqua for All's approach to increase access to safe water and sanitation services that are inclusive, sustainable and scalable. In relation to this, we will zoom in on three main points of reflection:

## **1) Innovative finance has the potential for higher additionality, scale and systems strengthening but also has its trade-offs related to reaching lowest income groups directly (key finding 4a, recommendation 1b)**

In key finding 4, the consultant indicates that a stronger focus on innovative finance ensures Aqua for All can provide higher additionality, higher leverage and system strengthening and sustainability. Here, the consultant also mentions potential trade-offs of this stronger focus on innovative finance, related amongst others to reaching lowest income groups directly. Measures to manage the potential trade-offs are provided in recommendation 1.

Over the course of the Making Water Count programme Aqua for All's strategy has remained in place, although within this strategy there has been an increased focus on mobilising private capital along with market development. To implement this, Aqua for All developed Impact Finance instruments that decrease the (perceived) risks related to investing in the water sector; the programme increasingly focused on the 'smart granting' approach. Aqua for All feels encouraged by the observation that this approach has been applied well in practice and has the potential for higher additionality, scale and systems strengthening. Achieving scale is high on the agenda of Aqua for All.

Regarding the potential trade-off related to reach lowest income groups directly, we feel that Impact Finance, especially in conjunction with the WASH market interventions, can lead to on-the-ground impact in an inclusive way, including for low income groups. All our interventions have the ability to achieve a direct, deep impact on livelihoods. Some of our interventions are reaching people directly, others through facilitating a change in the system as a whole. They are designed to further shape the market and enabling environment. We believe that over time they will achieve the desired direct impact results on low income groups. The Challenge Fund, for example, is a financing facility supporting small-scale water providers (SSWPs) in Kenya, building on the initial transaction with Family Bank, aiming to serve SSWPs that are community-based.

Also when working more indirectly on a change in the system and through financial intermediaries, Aqua for All is dedicated to ensure that the people reached with WASH services fall within Aqua for All's mandate, embracing an inclusive approach. An independent review has been performed on the achieved impact results of Sidian Bank. As a result of the partnership with Aqua for All, Sidian Bank directly reached approximately 347.593 people, and approximately 1.7 million people indirectly with their WASH loan portfolio. Qualitative impact results at end-user level included among others increased access to a more regular water supply nearby, better quality water, having enough water to clean toilets etcetera. As suggested in recommendation 1b of the Mid-term Review, Aqua for All will, amongst others, increasingly utilize its innovative instrument design potential and incentives, including the social impact incentives for WASH (SIINC), to ensure pro-poor impact potential is maximized.

To further define systems strengthening and capture this in Aqua for All's impact management and measurement system, we envision using a comprehensive ex-ante impact screening dashboard / impact scorecard. We will include various characteristics (e.g. type of people reached and type of systems change) in this tool. While we are building our portfolio with a combination of overall high direct impact projects and investments in system change, this will help us capture both aspects. With this we directly follow up on recommendation 1b.

## **2) Impact Management and Measurement (key finding 4c, recommendation 1a and 2)**

Another potential trade-off of a stronger focus on innovative finance is that it might provide challenges in results management (key finding 4c). Measures to manage this potential trade-off are provided in recommendation 2. Because the consultant is an expert in assessing impact systems, the Aqua for All management team and impact team have asked them to provide concrete advice how to best design its renewed impact management system, hence the long list of suggestions under recommendation 2.

Rather than an end-product, impact at Aqua for All is viewed as a strategic area, which is supported by a variety of tools and processes. When we talk about our 'impact management system' we refer to the integration of impact management into the organizational strategy and projects including the process from early-stage screening, to post-close monitoring. This enables us to learn from the projects by monitoring the impacts. Aqua for All's impact management system is inspired by international best practice.

In line with Aqua for All's approach to increasingly work on Impact Finance, the Aqua for All team had started the update of its impact management system already in 2022. Under the leadership of the new 'Impact Lead', this will continue, also including the recommendations from the Mid-term Review. The team has awaited the endorsement of the strategy and approach in this Mid-term Review, before rigorously changing Aqua for All's impact management system, including a revision of the Theory of Change, results framework, indicators, and targets. When working on Impact Finance interventions, the team has decided to use the impact and results framework in alignment with the agreements originally made with its Funder.

In the proposal for the follow-up programme of the Making Water Count programme, we have included a revised Theory of Change, as suggested in recommendation 2a. Aqua for All is in the process to set-up a results framework linked to achievable targets for the new programme. We are currently redefining our indicators against which performance will be assessed. During this exercise, we will implement recommendation 1a, which is stating that data quality and completeness should be prioritized over detail. In line with key finding 4c, more focus will be on financial sustainability and business performance indicators alongside WASH indicators. In addition, we will continue to ensure that we contribute to universal agreements such as the SDGs and are aligned with the Paris Agreement, as well as the strategic priorities of DGIS. We will capture all of this in impact targets that we work towards and will communicate on.

As flagged in key finding 10 of the Mid-term Review, Aqua for All has experienced some set-backs when it tried to implement and operate its automated impact management system. In parallel to setting up an automated data management system, Aqua for All will increasingly work with people on-the-ground to collect the required data. This effort will be led by the Impact Lead supported by a dedicated Aqua for All task-team.

## **3) Organisational sustainability – funding base Aqua for All (recommendation 3)**

We appreciate the advice stated in recommendation 3 to further intensify the search for additional donors which will effectively diversify the resource base. Aqua for All is increasingly focusing on its fundraising efforts by strengthening our current proposition and engaging with potential donors. For example, we started to engage with SDC in 2020 and although they have not been able to

commit funding yet, we are on their list of organizations to fund. In addition, we have reached out to numerous foundations that could provide philanthropic capital and with several of them we are in the process of working towards a partnership. Rather than funding Aqua for All, we have mostly managed to arrange co-funding for our initiatives and projects. We are now reaching out to foundations that have a broader mandate than WASH and prefer to co-fund. Overall, we recognize that our leadership in catalytic and smart granting for SDG6 increasingly starts to resonate, but takes time to be fully understood and prioritized. Initial conversations to support our catalytic capital approach have started with the Clinton Global Initiative, the Hilton Foundation, Rockefeller Foundation, Coca-Cola Foundation and CEO Water Mandate have been established.

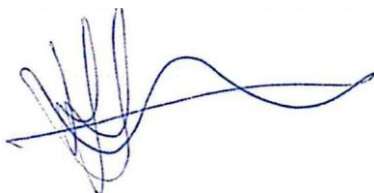
Over the past years, we have worked towards partnerships that also highlight the need for and importance of our strategic direction, such as with Oikocredit International, Swiss Capacity Building Facility, African Guarantee Fund, Incofin Investment Management. There is a high need for our offering and since this is now validated through this MTR, we can use this in our fundraising activities as well.

Further, the entire Aqua for All team has gone above and beyond to showcase its efforts and results during many international conferences, amongst which the UN Water Conference in March 2023. Although our efforts have not (yet) led to additional funding, we are confident they eventually will, also considering our focus on climate smart WASH finance. We would appreciate the continued support of the Dutch Government to support us in our important mission to attract additional donors.

We are truly grateful that thanks to the partnership with DGIS we have built up our unique organization and contributed effectively to achieving SDG6, as validated by this Mid-term Review. We are ready to scale our efforts, leverage our funds, and increase access to WASH services.

I trust this response will show how we translate the key findings and recommendations of the Mid-term Review into action. We are currently working on the proposal for the following Making Water Count programme, which will include a more detailed reflection on how we intend to include the various key findings and recommendations in our work. We expect to send you the proposal end of Q3 / early Q4 2023. In the meantime, if you have any further clarifying questions or require more information, please don't hesitate to get in touch with me. On behalf of the Aqua for All team, I would like to thank you for your confidence and look forward to continuing our constructive collaboration.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Josien Sluijs'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Josien Sluijs

Managing Director Aqua for All