

Presentation

Presentation from the 2009 World Water Week in Stockholm
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WORLD
in Stockholm,
August 16–22, 2009 **WATER**
WEEK



World Sanitation Financing Facility (WSFF)

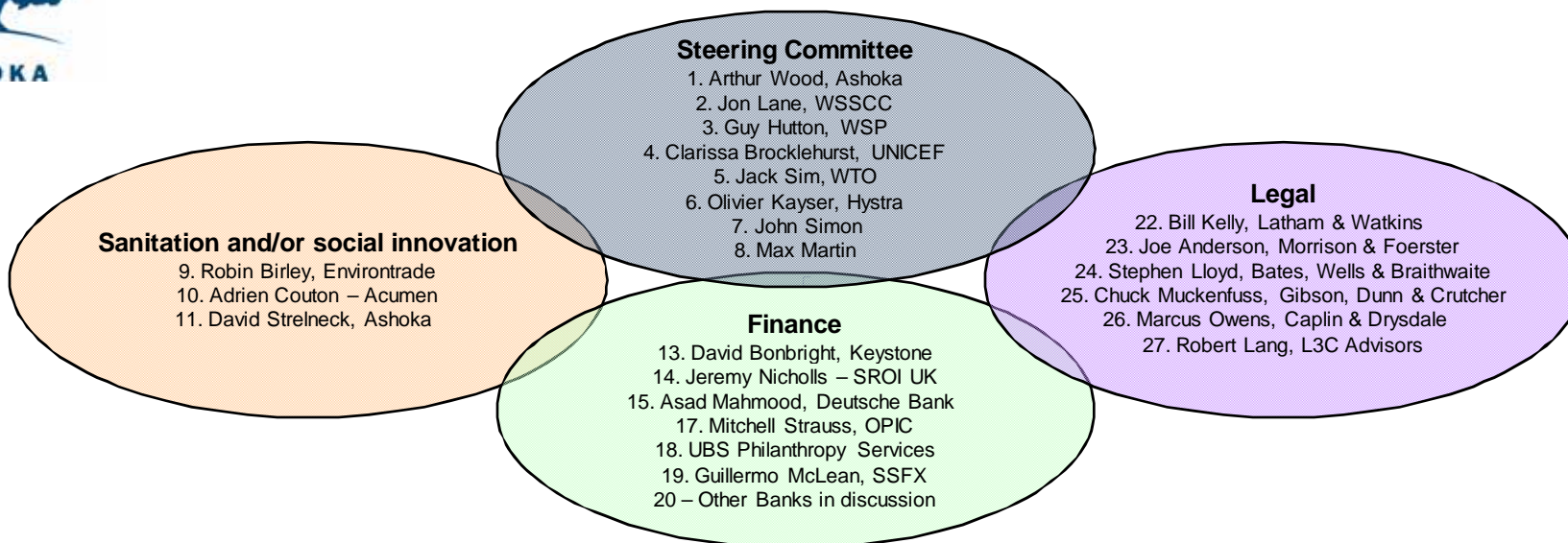
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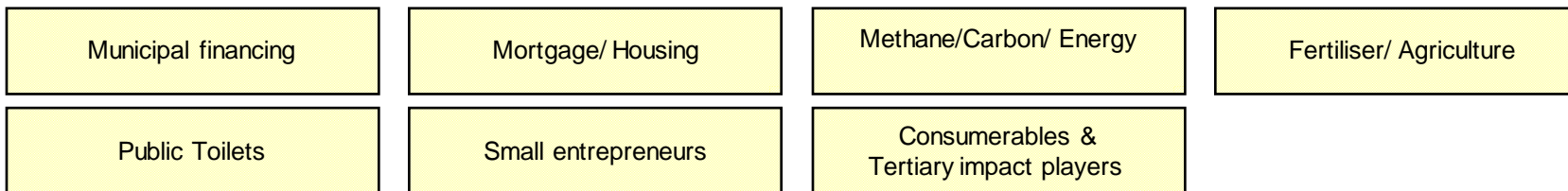


WORLD SANITATION FINANCING FACILITY

MCKINSEY & CO – ‘A GLOBAL SYSTEMS CHANGING IDEA’



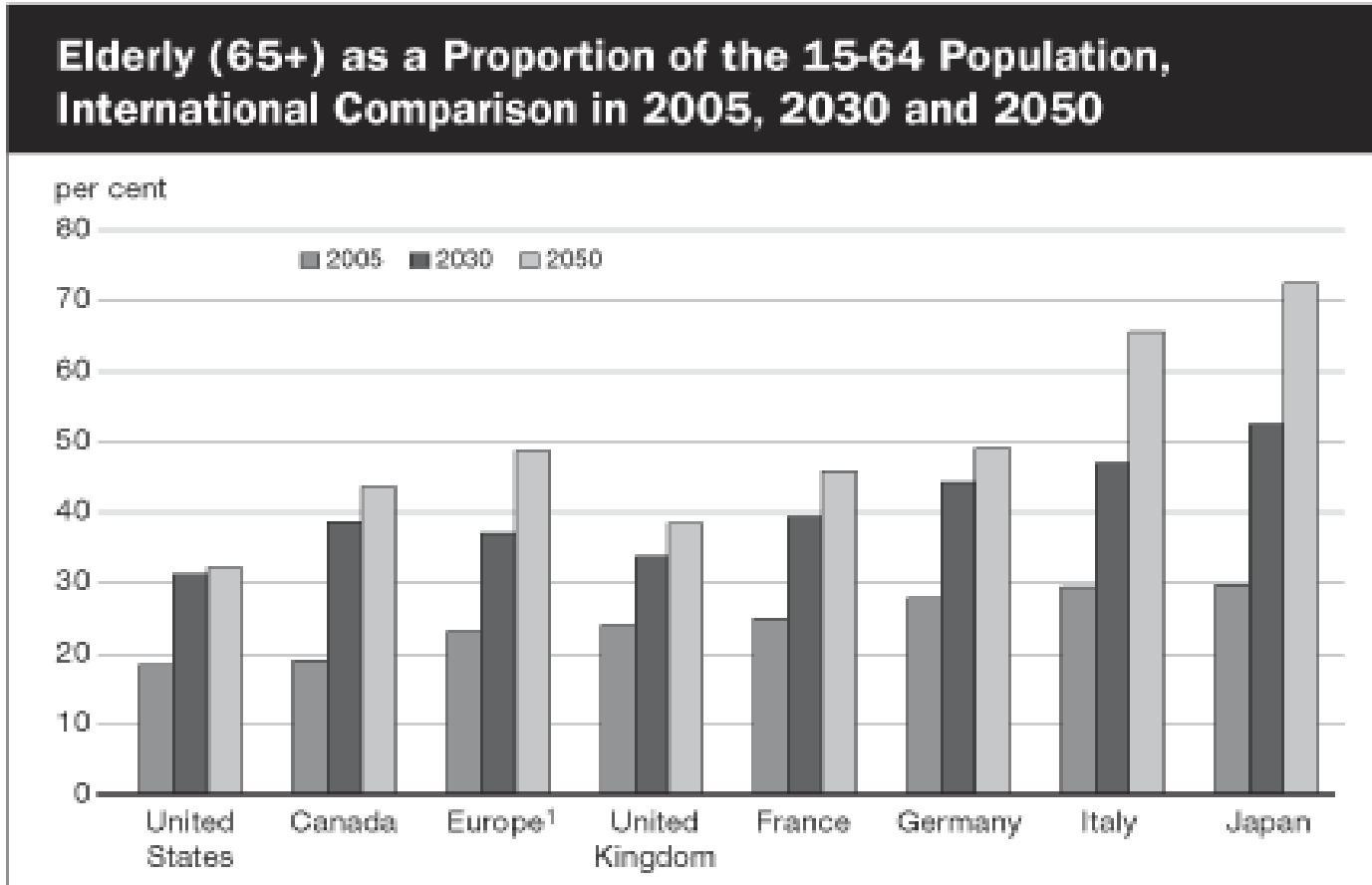
Business lines:
Likely additional partners and operations



Regional operation – Phase 1 - Singapore and Europe



“The coming Social Finance Crunch – “Population aging is a worldwide phenomenon that will affect all G-7 countries”

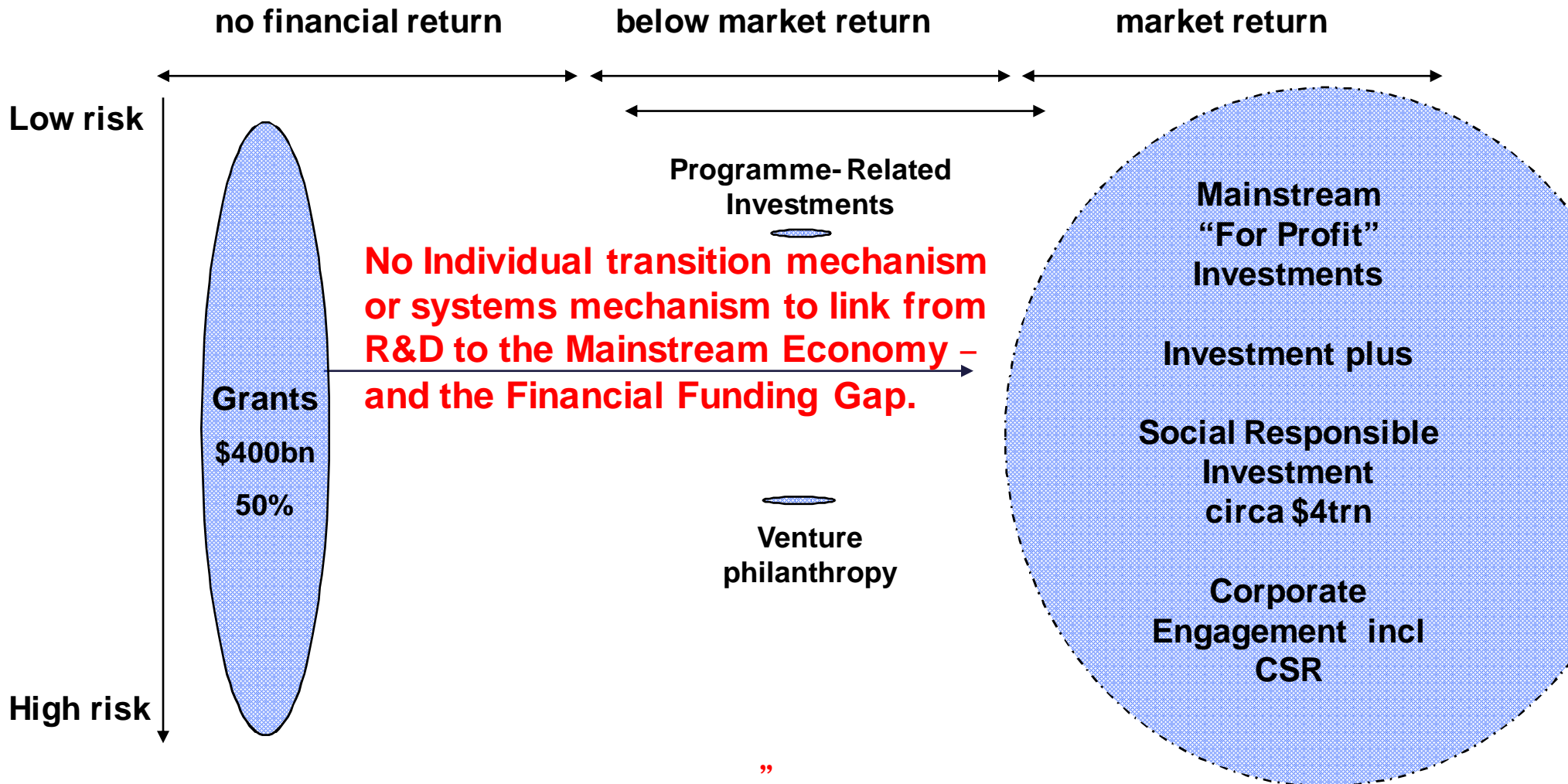


¹ Includes 47 European countries.

Source: United Nations.

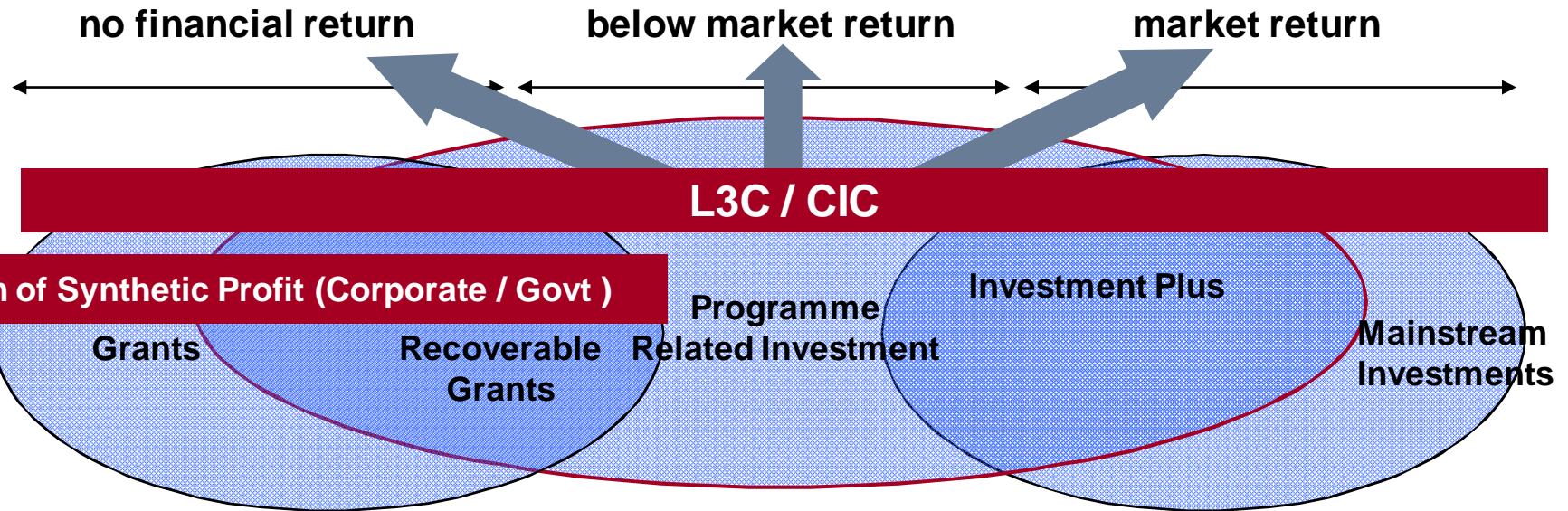


The Spectrum of Social Capital Investment - created in 1888 / 1944 – “essentially pre modern capitalism” – the Funding Gap





FUTURE - Leveraging Innovative Financing Models. NOT just the Grant , nor MRI – BUT Leverage FOR Social Purpose



Increase the credit quality of social capital markets ie. Leveraging Microfinance / Risk Management

Incentivising innovation / Collaboration ie. Social Entrepreneurship / Finance

Mechanisms to incentivise engagement ie. carbon models / vouchers / tax / mobiles

**Enables a Range of Financing options; incentivising corporates, banks, civil society;
integrating “ for profit” and “not for profit” players**

Based on “Foundations and Social Investment” Margaret Bolton 2005 and Bates Wells & Braithwaite



Why is Sanitation of Particular Interest ?

- **Clear Social Impact – “The most impactful intervention in Public Health” (Lancet / BMJ) – WSP also Economic impact (2% of GNP), Water, Women, Education**
- **A single data set (WHO / UNICEF / WSP) with a definable metric set and potential Audit mechanisms**
- **Identify the Community engaged (UNICEF / WSSCC / SuSanna / Ashoka / Acumen)**
- **It is a Business opportunity – \$85bn - but with \$685bn impact**
- **Less political complexity - but potentially a resource Carbon / Fertilizer**
- **The key Status Quo Players - before most - recognize they have to look to Innovation (Social Entrepreneurial and Social Finance) and relationship with the Corporate world**
- **Critical to engage and incentivize the Community in both innovation and implementation (SROI / Keystone / Ashoka / Acumen)**
- **Legal Financial mechanisms to create Inter and Intra Sector Collaboration with Social Objective (Legal Team – CIC / L3C)**



THE CURRENT & PROPOSED MCKINSEY WORK

- **Phase 1:** Conduct project scoping and review of WSFF aspirations
- Interview WSFF partners to understand priorities and additional key thought leaders in sanitation field for perspectives on WSFF aspirations
- End products: Further articulation of WSFF priorities in a “vision document”.

>>> **COMPLETED** – FUNDED 100% - Internal Resource of WSFF Group. McKinsey Pro Bono,

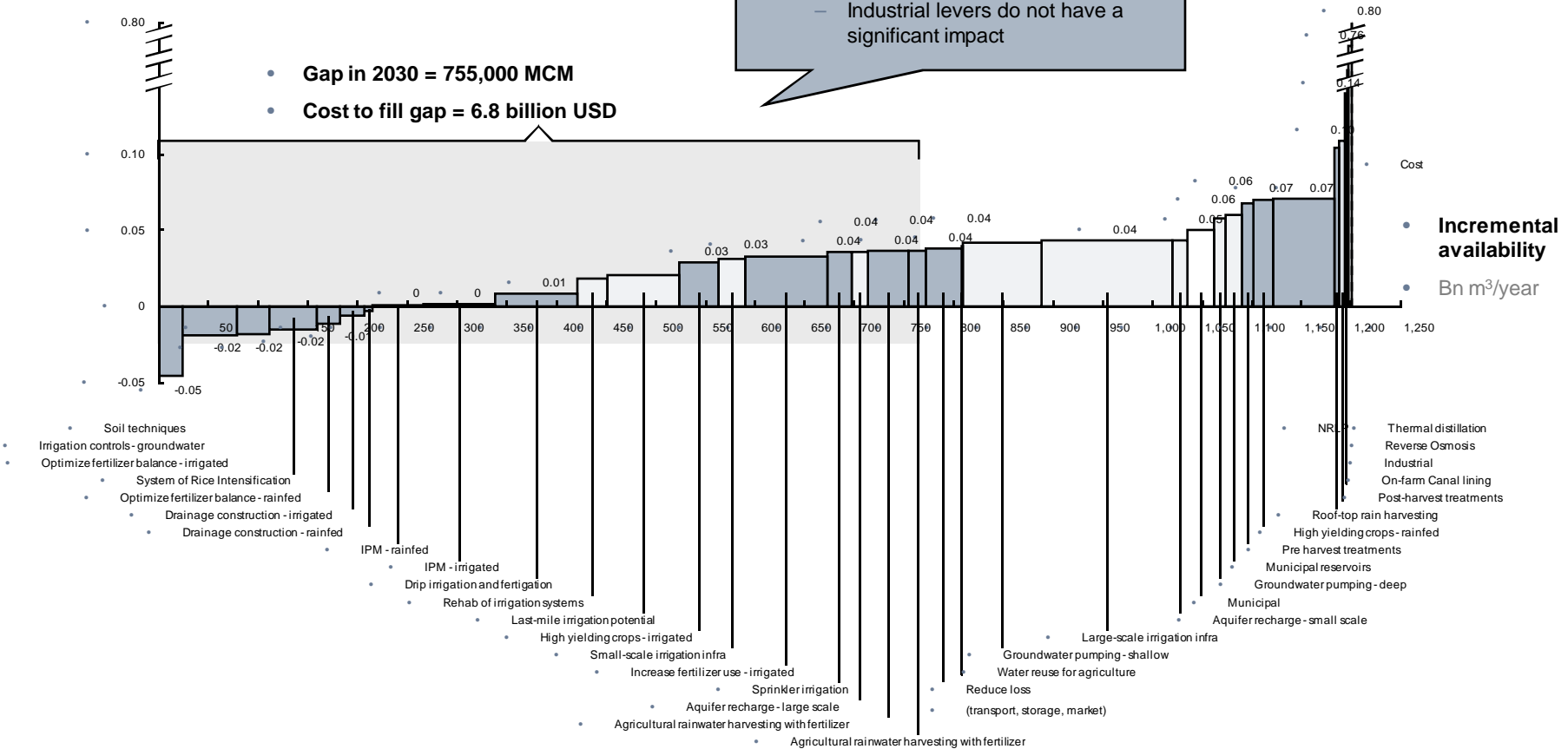
- **Phase 2 :** Build analytical fact base to assess the WSFF concept, objectives, and composition
- Create a three tier Cost curve process
- Define and size target business segments for sanitation
- Assess the economics of each of 7 business lines in relation to the three tier cost curve
- Process consistent with Carbon, Water and Climate Change

>>> INSTITUTIONALISE WSFF. MCKINSEY @ 50% FEES, Ashoka, WSSCC, WSP

Marry Social and Economic Metrics to Innovation and Social Impact – Three Tier Cost curve analysis then married to Business Lines



– By 2030, ~81% of gap filled by agricultural measures, and only ~19% by supply measures
– Industrial levers do not have a significant impact





CHANGE THE FINANCIAL INCENTIVES - SO WE WORK TOGETHER

OBJECTIVE

- >> Creation of a Functioning Markets to Solve Sanitation – solve the MDG
- >> There is not enough money in the current paradigm
- >> Transparency of Roles for Actors – MOVE FROM SILO TO COLLABORATION – Banki Moon

HOW

- 1 – Markets only grow with Transparency
- 2 - Return is Not Unitary – Layered Investment – Price risk not return to draw in new capital
- 3 – Change the incentives to create scale – ie GAVI
- 4 – Capture the value of the social externalities – “ Climate Change – TEEB - Natural capital” and Peru
- 5 – Empower the Community Innovation in Social Entrepreneurship and Social Finance
- 6 – Practically apply to a business line
- 7 – Use the skills of the for profit banks and corporates but with a clear social objective – the legal agenda

>> WSFF seeks partnership with the Banks, Corporate, Community, Social Sector, Multilaterals