

The image shows two blue corrugated metal latrine stalls with brown wooden frames and roofs. Each stall has a simple stick figure drawing and the word 'BOMARE' written on its door. They are situated on a raised concrete base in a dry, hilly landscape under a blue sky with light clouds. A stone wall is visible to the right of the stalls.

Bridging the Funding Gap for Clean Water and Sanitation: Direct and Tremendous Positive Impact

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Investing in access to clean water and sanitation facilities is an often-overlooked area for institutional investors. This is surprising given its potential significant impact on health, education, gender equality, and economic growth.

Notably, access to clean water and sanitation is one of the United Nations' Sustainable Development Goals (SDGs). The UN is actively working to raise awareness in this area, exemplified by the annual World Toilet Day on November 19, drawing attention to the global sanitation crisis. Despite these efforts, sustainable investors have not yet fully recognized or prioritized the importance of this issue. Currently, only 7% of impact funds are allocated to SDG 6, which focuses on clean water and sanitation.

Experts



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Harsh Realities: UN and WHO Statistics

The stark statistics from the UN and WHO speak for themselves. Clean drinking water is inaccessible to 2.2 billion people, and 3.5 billion people lack access to safe sanitation facilities. For over 419 million people, open defecation is the only option. Access to clean water and sanitation is a matter of life and death, as evidenced by the daily deaths of 1,000 children under the age of five due to a lack of clean water, inadequate sanitation, and poor hygiene. In total, 830,000 people die each year from diseases related to poor hygiene, such as cholera and diarrhoea.

Local Economic Growth

Investing in SDG 6 has a ripple effect on numerous other SDGs, including Good Health and Well-Being (SDG 3), Gender Equality (SDG 5), and Decent Work and Economic Growth (SDG 8). Inadequate sanitation facilities lead to economic losses, particularly in Sub-Saharan African countries and (Southeast) Asia. At the local level, safe sanitation facilities enhance economic

growth by improving productivity through better health, reducing medical costs, and saving time spent on tasks like fetching water and caring for sick family members. Research shows that every euro invested in sanitation can yield five euros in productivity, potentially leading to job growth over time.

Impact on Women and Girls

The consequences of poor access to clean water and sanitation disproportionately affect women and girls. They are typically responsible for fetching water and caring for sick family members. Additionally, women and girls have specific hygiene needs during menstruation and childbirth, increasing health risks. The impact on education is significant, as one in three schools currently lacks proper toilets, and a quarter of schools have no toilets at all. This lack of sanitation facilities discourages girls from attending school. Various studies demonstrate that access to clean water and proper sanitation in schools increases girls' enrolment, promoting gender equality.



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Out of Sight, Out of Mind

Several factors contribute to the limited investment in SDG 6. Firstly, lack of access to clean water and safe sanitation is a distant concern. Clean water flows effortlessly from our taps, even used for flushing toilets. On average, people in the Netherlands consume nearly 50,000 litre of drinking water per person per year. It's challenging for us to imagine a nearby river serving as a washing place, water source, and toilet. Yet, in the Netherlands, the establishment of sewer systems wasn't commonplace until well into the twentieth century. The construction of sewer systems, combined with drinking water pipelines, had a more significant impact on public health than the invention of penicillin.

Impact on Other SDGs

Institutional investors often struggle to navigate this theme, with only 7% of impact funds allocated to SDG 6. Simultaneously, the limited awareness of the positive impact this theme has on more popular other topics keeps the allocation to this issue low. Many insurers and pension funds focus on health through investments in new healthcare centres, technologies, and health care products. The fact that investing in access to clean drinking water and safe sanitation is one of the most effective ways to improve public health (WHO, 2018) is often overlooked.

Innovative Financing Solutions

Addressing global funding shortfalls for essential services like clean water and safe sanitation requires collaboration among various stakeholders. On one hand, public resources in developing countries are often insufficient to meet the increasing demand for services. Additionally, low-income households have limited financial means to cover the costs of building safe sanitation and water facilities themselves. On the other hand, it is impossible for institutional investors to directly finance these households. Microfinance could offer a solution.

Crucial Role for Fund Managers

Fund managers can and should play a crucial role in making impact themes investable. The world faces enormous challenges that cannot be solved solely by the public sector and NGOs. Cardano is convinced that private capital from institutional investors can play a key role and that it is the responsibility of fund managers to facilitate this. In some cases, Cardano utilizes blended finance structures to attract institutional investors and fulfil its responsibility. Blended finance structures combine private and public capital, each with its own risk tolerance. For a theme like access to water and sanitation, this is the way to raise institutional capital and open up and further develop the market. Public investors—such as governments and development banks—then act as a buffer for institutional investors with lower risk appetite. This way, investment solutions can be built with a risk profile that aligns with the fiduciary responsibility of institutional investors.



Aqua for All

Affordable, Scalable, and Sustainable Solutions

For several years, we have collaborated with Aqua for All, a long-term partner of the Dutch government playing a prominent role in facilitating and catalyzing private investments. Aqua for All's innovative approach to scaling up water and sanitation services includes both market development and improving financial access to these services for low-income individuals. Transforming the sector requires supporting small and medium-sized enterprises in the water and sanitation sector to innovate, scale up, and become attractive to investors. There is no shortage of good ideas globally, with innovative social entrepreneurs devising life-changing local solutions. Delivering safe water and sanitation solutions tailored to local needs, affordable, scalable, and sustainable. To lower the threshold for impact investors, Aqua for All collaborates with Cardano and other partners to accelerate the process of providing access to safe drinking water and proper sanitation. Ultimately, the goal is to ensure that everyone worldwide has access to these basic services to which they are entitled.