

# WASH and Financial Inclusion

A set of indicators to guide the activities of impact investors in the WASH sector

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in collaboration with the e-MFP WASH Action Group



# 1. Background & goal of study

## Background

- Many investors working in developing countries find it difficult to grow their Water and Sanitation (W&S) portfolio, because they lack clarity about the sector as a whole, its impact potential and investment opportunities.
- The e-MFP WASH (Water, Sanitation and Hygiene) Action Group was created in June 2021 aiming to tackle key information/knowledge gaps in the water and sanitation sector.
- One of the activities of the WASH Action Group has been to map and define water and sanitation indicators that can be widely used by different stakeholders in the financial inclusion sector, particularly by investors in their decisions.

# 1. Background & goal of study

## Goal of study

- The goal of this study was to develop a first set of indicators that can be used by impact investors in the WASH sector:
  - As part of due diligence processes;
  - As an impact benchmark across investors.
- A range of stakeholders was consulted in the context of the study. Indicators were drawn from existing frameworks of investors and other databases such as Iris+.
- The first version of the indicator framework was prepared and discussed with members of the e-MFP WASH Action Group during the European Microfinance Week 2022 in Luxembourg. Based on their comments, the framework was finalized in January 2023.

## 2. Use of the indicator framework

### Levels and categories within the framework

- There are two different measurement levels in the indicator framework:
  - SME level: from impact investor/local financing institution to investee.
  - Financial Institutions (FI) level: from impact investor to local financing institution (portfolio).
- The first category of indicators is financial: the priority for other impact investors is to understand the risk profile of the sector. The second category of indicators is social: it provides an initial indication of the impact that can be made with investments in the WASH sector.
- There are three additional categories: climate, quality of services and a category specifically for water and sanitation. These provide additional indicators that can be tracked by investors.
- This framework is not meant to be exhaustive: development of an implementation tool or M&E system was also not within the scope of this study.

## 2. Use of the indicator framework

### Use of the framework

- It is a long list of indicators, but we suggest to work with a set of priority indicators (indicated with a 🏠 ) from the start – other indicators can be included in the data collection process in due time (such as indicators on climate or how the market functions).
- The data collection tool (to be developed) can for example include drop-down options for specific sets of water or sanitation indicators. This gives investors the opportunity to provide and collect data on investments in specific WASH sub-sectors.
- The next pages of this document provide an overview of the indicator frameworks at the SME level and at the FI level.

### 3. Indicator framework at SME level

Individual transaction level

**Core**

**Specific**

#### Financial (business)

- ✚ 1.1 Increase in revenue of SME
- ★ 1.2 Total number of paying customers per month
- 1.3 Level of grant support to SME
- ✚ 1.4 Size of loan provided
- ★ 1.5 Improvement in market linkages
- ★ 1.6 Strength of enabling environment

#### Social

- ✚ 6 CLEAN WATER AND SANITATION  
2.1 Number of new or improved users
- 3 GOOD HEALTH AND WELL-BEING  
2.2 Reduction in infection diseases / improved health
- ✚ 8 DECENT WORK AND ECONOMIC GROWTH  
2.3 Number of jobs created
- 10 REDUCED INEQUALITIES  
2.4 Affordability of services provided
- 5 GENDER EQUALITY  
2.5 Time saved by women

#### Water services

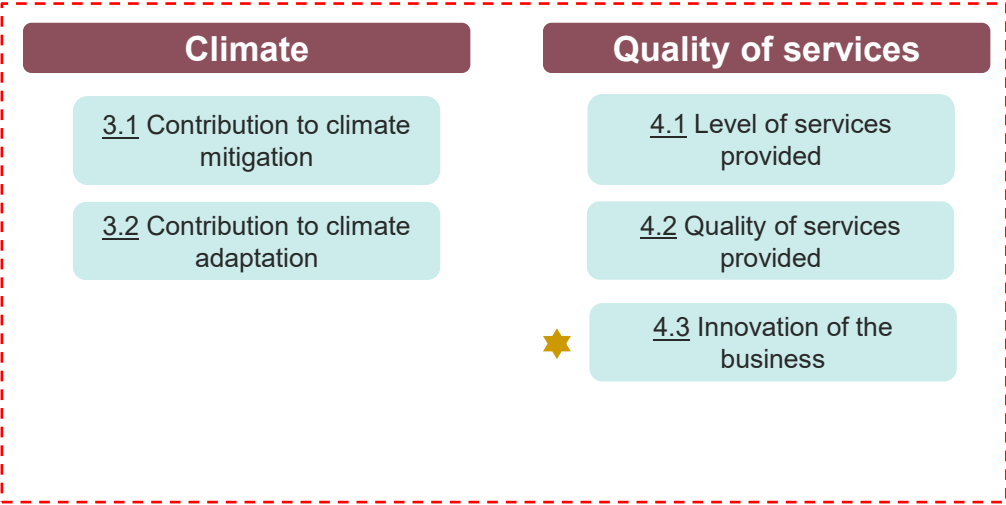
- W.1 Sustainability of source of water
- W.2 Reduction in NRW levels
- W.3 Increase in water produced/provided

#### Climate

- 3.1 Contribution to climate mitigation
- 3.2 Contribution to climate adaptation

#### Quality of services

- 4.1 Level of services provided
- 4.2 Quality of services provided
- ★ 4.3 Innovation of the business



*Additional categories of indicators*

#### Sanitation

- S.1 Environmental conditions of sanitation

★ = market indicator  
✚ = priority indicator

# 4. Indicator framework at FI/portfolio level

FI level

Core

Specific

## Financial (business)



1.1 Total amount and number of loans provided to WASH sector

1.2 Average level of grant support to SMEs in WASH portfolio



1.3 Average size of loans provided in WASH portfolio



1.4 Number of loans leading to improvement in market linkages in WASH portfolio



1.5 Number of loans with supportive enabling environment in WASH portfolio



1.6 Overall performance of WASH portfolio



2.1 Number of new or improved users in WASH portfolio



2.2 Number of investments leading to improved health in WASH portfolio



2.3 Number of jobs created in WASH portfolio



2.4 Affordability of services provided in WASH portfolio

## Social

## Water services

W.1 Number of loans in WASH portfolio guaranteeing sustainability of source of water

W.2 Increase in water produced or provided in WASH portfolio

## Climate

3.1 Number of loans in WASH portfolio with contribution to climate mitigation

3.2 Number of loans in WASH portfolio with contribution to climate adaptation

## Sanitation

S.1 Number of loans in WASH portfolio that safeguard environmental conditions of sanitation

## Quality of services

4.1 New or improved users in WASH portfolio per service level

4.2 Number of loans in WASH portfolio with good quality of services provided

4.3 Number of loans in WASH portfolio with innovative business model

*Additional categories of indicators*



★ = market indicator  
 + = priority indicator

## 5. Next steps of the e-MFP WASH Action Group

### Next steps

- The current set of (priority) indicators presented is a starting point: there is the possibility to gradually expand the framework depending on the capacity of different investors and possibilities to align data collection and analysis efforts.
- To implement the framework, the e-MFP WASH Action Group is considering conducting a pilot with several Action Group members to test the set of selected indicators (depending on various internal progress management systems of investors in the sector).

For more information on the WASH indicators framework developed by the e-MFP WASH Action Group or its activities, please contact Joana Afonso - [jafonso@e-mfp.eu](mailto:jafonso@e-mfp.eu) or Alvaro Ma - [a.ma@aquaforall.org](mailto:a.ma@aquaforall.org).



## About the European Microfinance Platform (e-MFP)

The [European Microfinance Platform \(e-MFP\)](#) is the leading network of organisations and individuals active in the financial inclusion sector in developing countries. It numbers over 130 members from all geographic regions and specialisations of the microfinance community, including consultants & support service providers, investors, FSPs, multilateral & national development agencies, NGOs and researchers. Up to two billion people remain financially excluded. To address this, the Platform seeks to promote co-operation, dialogue and innovation among these diverse stakeholders working in developing countries. e-MFP fosters activities which increase global access to affordable, quality sustainable and inclusive financial services for the un(der)banked by driving knowledge-sharing, partnership development and innovation. The Platform achieves this through its numerous year-round expert Action Groups, the annual European Microfinance Week which attracts over 400 top stakeholders representing dozens of countries from the sector, the prestigious annual European Microfinance Award and its many and regular publications.

## About Aqua for All

[Aqua for All](#) is a global foundation operating primarily in Africa and Asia. For over two decades, we have worked towards catalysing an innovative, sustainable and inclusive water and sanitation economy worldwide.

We believe that innovation, scalable solutions, and public and private capital are needed to bridge the service and financial gap to achieve SDG 6 – Water and sanitation for all. We use grants to accelerate providing access to water and sanitation to low-income households and institutions. We do this by supporting innovations and scaling up enterprises until they are investment ready, without distorting the market. In addition, we use our funds to mobilise private and public capital to increase investments in water and sanitation.

We are Making Water Count!

## About the e-MFP WASH Action Group

The [e-MFP WASH Action Group](#) was created in 2021 to answer to a need shared by some e-MFP members, particularly investors, to better understand the Water, Sanitation and Hygiene (WASH) sector and its relevance for low-income populations in developing countries, and to be able to identify investment opportunities in the sector.