Sanitation Technology Funder Landscape
Exploring potential resources to validate and prepare markets for novel sanitation solutions

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Sanitation Technology Platform (STeP)

Photo credit: Unsplash
De-risking and accelerating transformative sanitation solutions

We partner with universities, companies, donors, and others to:

- Field test emerging technologies
- Gather user insights in emerging sanitation markets
- Provide go-to-market support

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Background

- Focus: sanitation technology (sani-tech) entrepreneurs
- In emerging markets, there tends to be “plenty of later stage capital available” for proven solutions (Bannick et al., n.d.)
- However, resources to validate and prepare markets for new sanitation technologies and business models—prerequisites for achieving sustainable, scaled solutions—tend to be scarce
- Consequently, a problematic funding “Pioneer Gap” exists for sani-tech entrepreneurs (Koh et al., 2016)
- Identifying funders and resources poised to fill this funding Pioneer Gap served as the chief motivation for this work
Sani-tech entrepreneurs hold unique potential but face sizable challenges in accessing funding

**Potential for impact**

- Open new markets
- Deliver cutting-edge products and services
- Serve new customer segments
- Create jobs and increase incomes

**Funding barriers**

- Asset-intensive ventures
- Boundary-pushing inventions; Long return horizons
- Lack of scalable business models
- Context-specific solutions; high bar for evidence

Sources: Pan, A., 2014; The Lemelson Foundation, 2015; Bannick, et al., n.d.

Photo credit: STeP
Barriers mean entrepreneurs face lots of uncertainty in their Blueprint to Scale journeys

The Lemelson Foundation found that in India, “a new invention-based enterprise [may] require as much as **US $25 million in capital over seven to ten years** before turning consistent profits at a substantial scale.” (2015)

**Critical need: Pilot testing in real-world environments**

Sources: Koh et al., 2012; Das et al., 2016; The Lemelson Foundation, 2015
A central conundrum perpetuates the funding Pioneer Gap for sani-tech entrepreneurs

- Impact and other late-state investors require evidence of market traction and scalable business models.
- Resources for pilot testing technologies and validating business models in real-world environments – exactly the experimentation needed to build this evidence – prove to be some of the most challenging resources to find.
- Consequently, pilots occur in a one-off, boot-strapped fashion, the evidence base remains limited and examples of success remain isolated.
- Impact and other investors stay reticent to invest; a wait-and-see mentality continues.
Bridging the Pioneer Gap

Photo credit: USAID Flickr
Two funding opportunities hold particular promise for bridging the Pioneer Gap

**Enterprise Philanthropy**

**Definition:** Catalytic early-stage donor funding to establish inclusive enterprise models into which return-seeking capital can be invested to drive scale (Koh et al., 2016).

Existing resources available **now**; a great place to **start**

Promising future possibility but not yet optimized for sani-tech entrepreneurs

**Blended Finance**

**Definition:** “The strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets” (The World Bank, 2016).
Enterprise philanthropy opportunities growing, though sanitation investments feature in a limited way

Examples:

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- **GLOBAL INNOVATION FUND**
- **HIF**
- **THE STONE FAMILY FOUNDATION**
- **VENTUREWELL**
- **Swedish Agency for Economic and Regional Growth**
- **The Demo Environment Programme**

[Logos](#)
Blended finance holds future potential but not yet optimized to meet sani-tech entrepreneurs’ needs

**Upsides:**

- $100B mobilized via BF since 2005
- 1:7 average leverage factor
- 2X growth in BF market since 2017

**Current Mismatch:**

- <10% of all deals aligned to addressing SDG 6 for Water & Sanitation
- When undertaken, target large-scale infrastructure projects and/or mature enterprises operating beyond break even
- Disconnect in scale of funding provided; US$ 52 M median deal size for non-energy infrastructure (inc. WASH)
- Deals tend to be complex, time intensive

*Source: Convergence, 2018*
With creativity and leadership comes the potential to bridge the Pioneer Gap via blended finance. This terrain is ripe for experimentation. Blended finance serves as a promising vehicle trying something new. Possible new mechanisms:

- **Proof of concept fund** that makes US$50,000 to US$500,000 investments in Blueprint to Validate stage enterprises.
- **Working capital fund** to finance day-to-day operations, equipment costs, etc. as enterprises prepare for market entry.

Source: The Lemelson Foundation, 2015; Photo credit: Unsplash
Experimentation already underway; impact investors express appetite for learning and collaboration

Heard from impact investors / fund managers:

• Clear about impact potential in sanitation sector
• Increasingly creative enterprise-inclusive blended finance mechanisms emerging
• Investors seeking partnership with sanitation sector leaders to learn about sector-specific realities and build pipeline of investment-ready opportunities
Unlock potential lives in the Pioneer Gap; more focused resources needed to realize impact at scale

Doing so holds potential to:

• **Address key investment barriers**
• **Unlock private capital** earlier in Blueprint to Scale journey
For those seeking support, resources extend well beyond individual funders

- **Funder and Investor Networks**
- **Innovation Accelerators**
- **Sanitation Technology Funder Database**
- **Financing Facilitators**
- **Funder Repositories**

*Photo credit: STeP*
Above all, remember the path to transformative impact is not paved

“At first people refuse to believe that a strange new thing can be done, then they begin to hope it can be done, then they see it can be done – then it is done and all the world wonders why it was not done centuries ago.”

- F.H. Burnett
Thank you for your time and attention!

To download the full report and funder database, visit: [http://stepsforsanitation.org/resource-center](http://stepsforsanitation.org/resource-center)

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