

Sanitation Technology Funder Landscape

Exploring potential resources to validate and prepare markets for novel sanitation solutions

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Sanitation Technology Platform (STeP)

STeP Sanitation Technology Platform

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



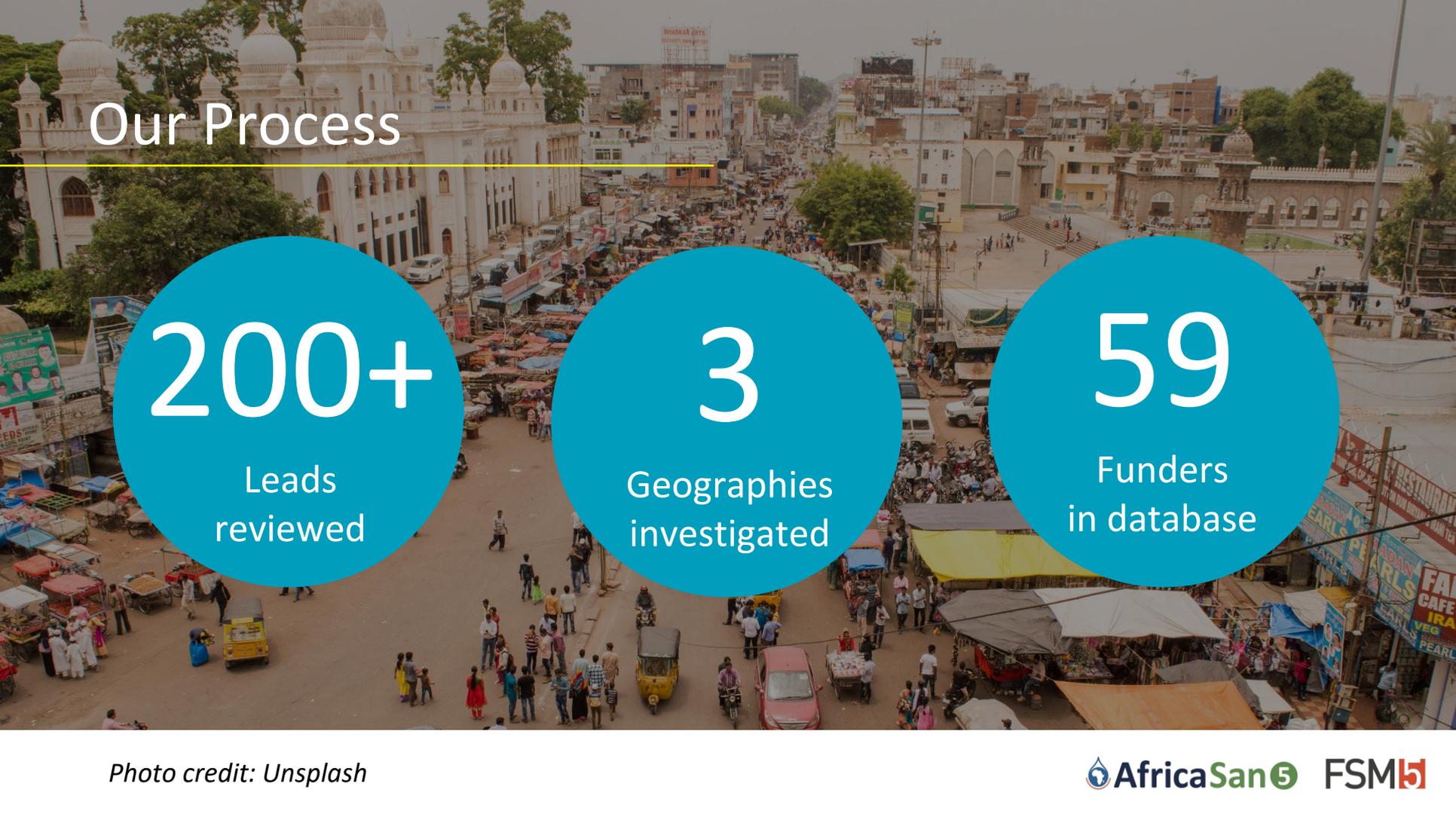
**Provide
go-to-market
support**

Photo credit: STeP; Unsplash, Eram Scientific

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

Our Process



200+

Leads
reviewed

3

Geographies
investigated

59

Funders
in database

Photo credit: Unsplash

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

Asset-intensive ventures

Boundary-pushing inventions; Long return horizons

Specific to tech entrepreneurs

Lack of scalable business models

Context-specific solutions; high bar for evidence

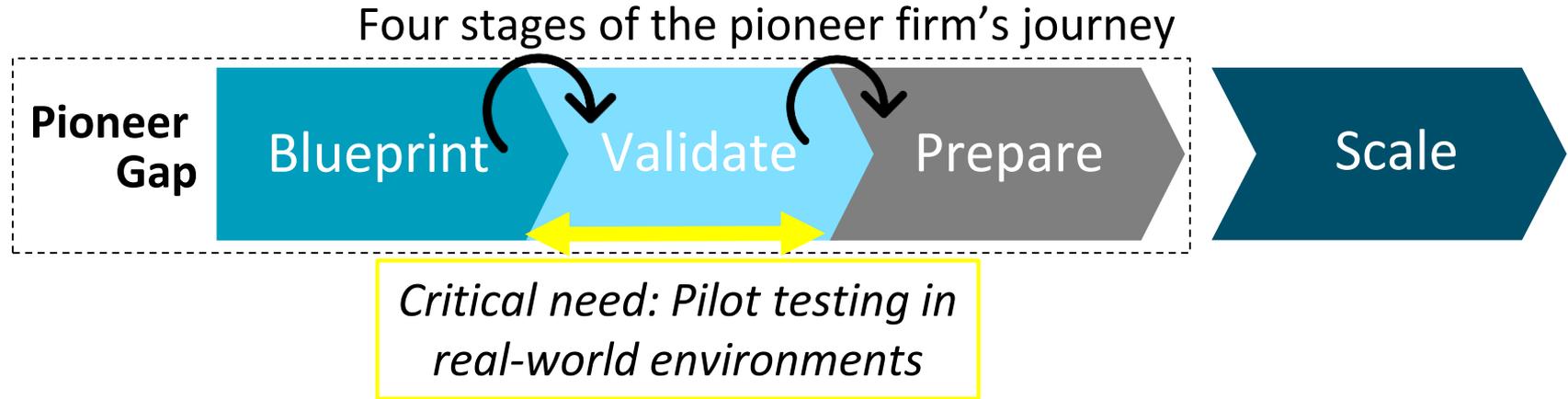
Specific to sanitation sector

Funding barriers

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)

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**

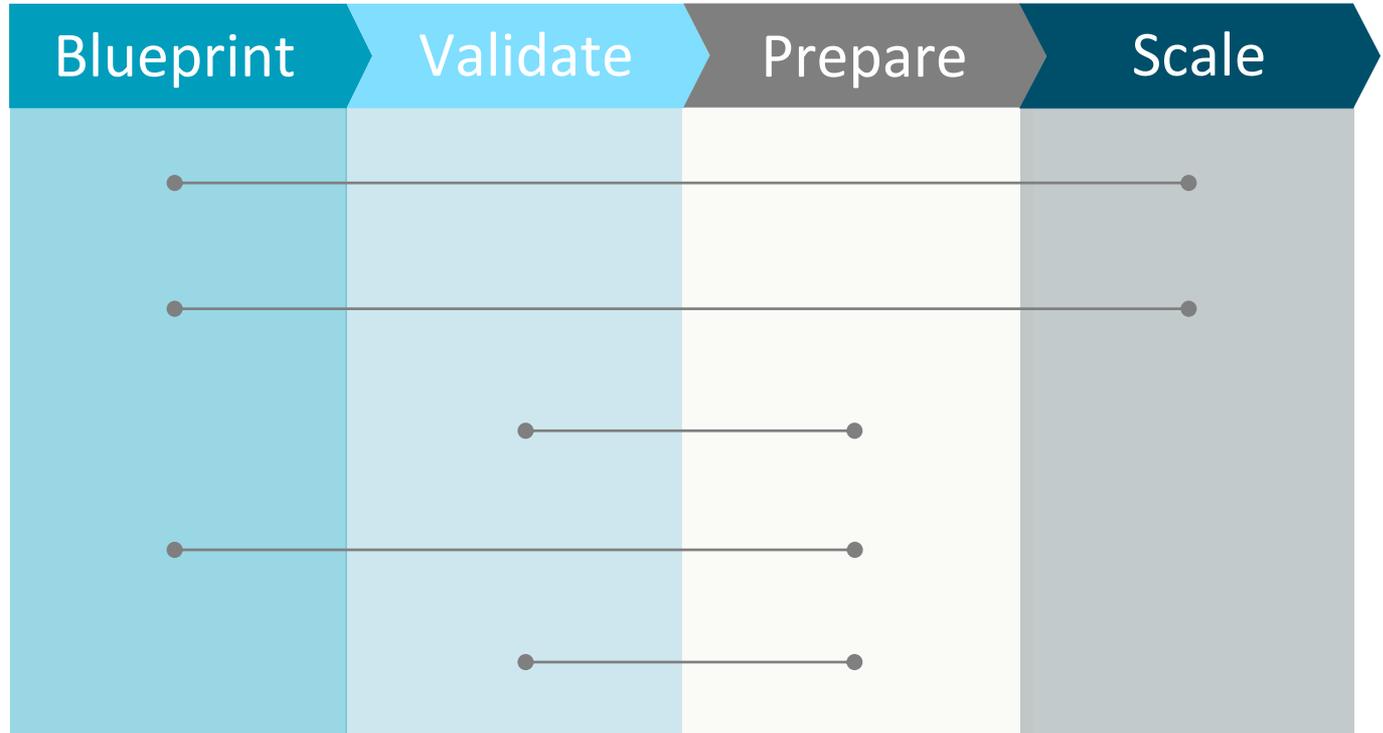
Blended Finance

Definition: “The strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets” (The World Bank, 2016).

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

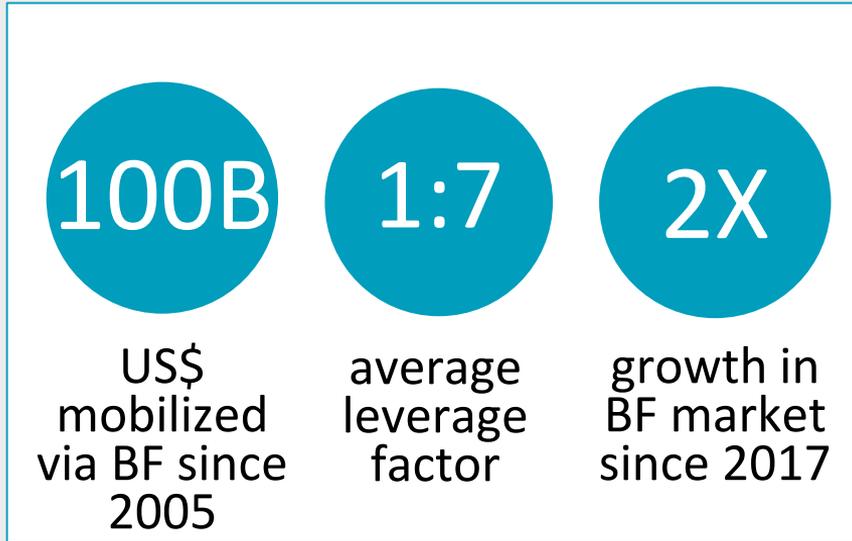
Enterprise philanthropy opportunities growing, though sanitation investments feature in a limited way

Examples:



Blended finance holds future potential but not yet optimized to meet sani-tech entrepreneurs' needs

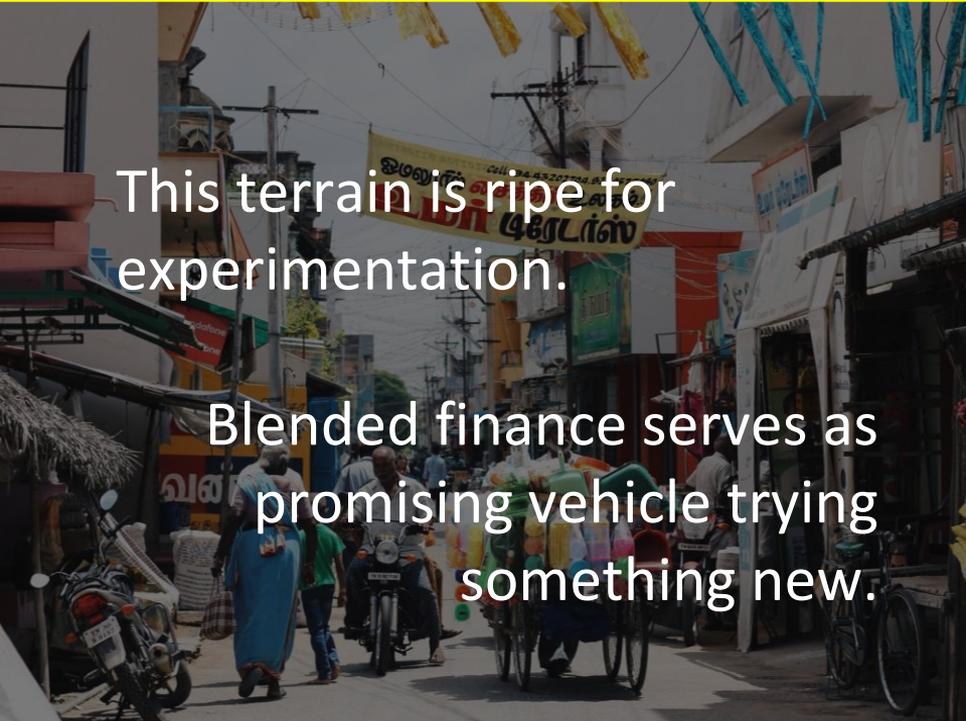
Upsides:



Current Mismatch:

- **<10% 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**

With creativity and leadership comes the potential to bridge the Pioneer Gap via blended finance



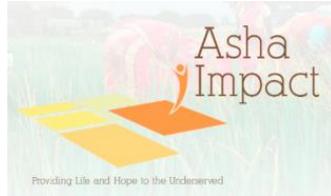
This terrain is ripe for experimentation.

Blended finance serves as 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

Experimentation already underway; impact investors express appetite for learning and collaboration



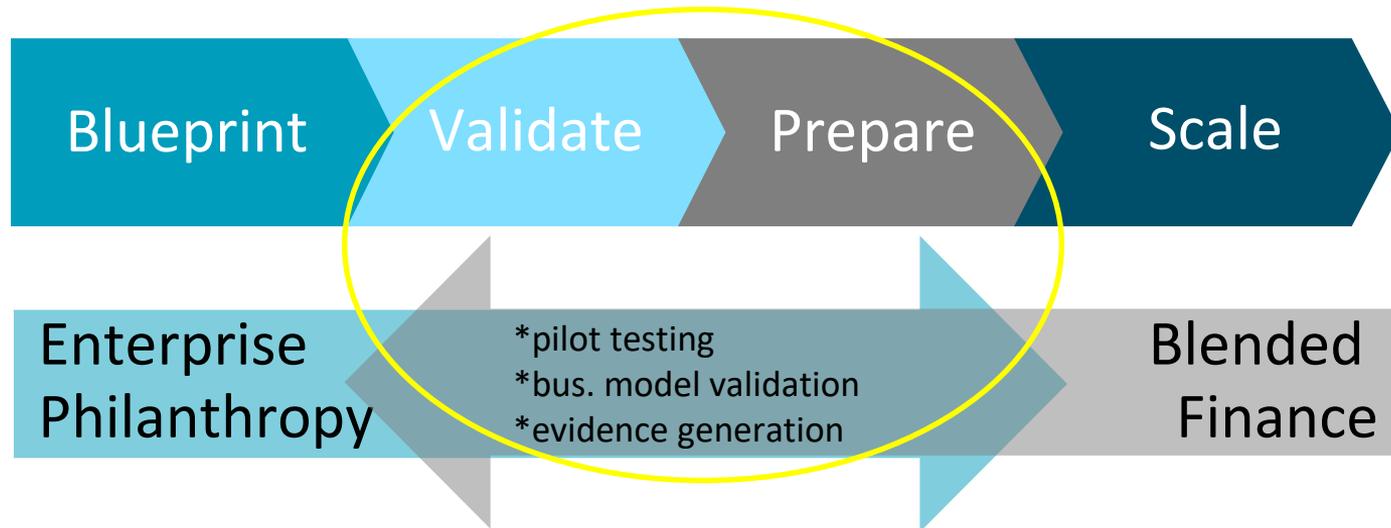
And others...



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

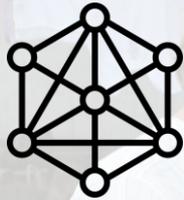


Doing so holds potential to:

- **Address key investment barriers**
- **Unlock private capital** earlier in Blueprint to Scale journey

For those seeking support, resources extend well beyond individual funders

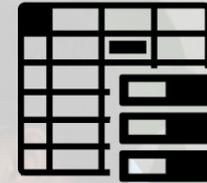
Funder and Investor Networks



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>

For more information, please contact:

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