



# SIINC for WASH

Impact-linked  
finance for  
Khmer Water  
Supply Holding



Social Impact Incentives for Water, Sanitation and Hygiene (SIINC for WASH) is an impact-linked finance programme co-designed and implemented by Roots of Impact and Aqua for All.

It provides innovative funding to water and sanitation enterprises in Asia, Sub-Saharan Africa and the Middle East and North Africa (MENA).

SIINC for WASH is an innovative and catalytic financial instrument, where an outcome payer (e.g. a philanthropic organisation, development agency or other donor) agrees to make time-limited payments to the enterprise based on the impact generated by their operations.

To become eligible for a SIINC transaction, the enterprise must raise an investment round in parallel (e.g. equity, debt, mezzanine).

These temporary payments support water and sanitation enterprises to:



Increase their revenues



Enhance their impact

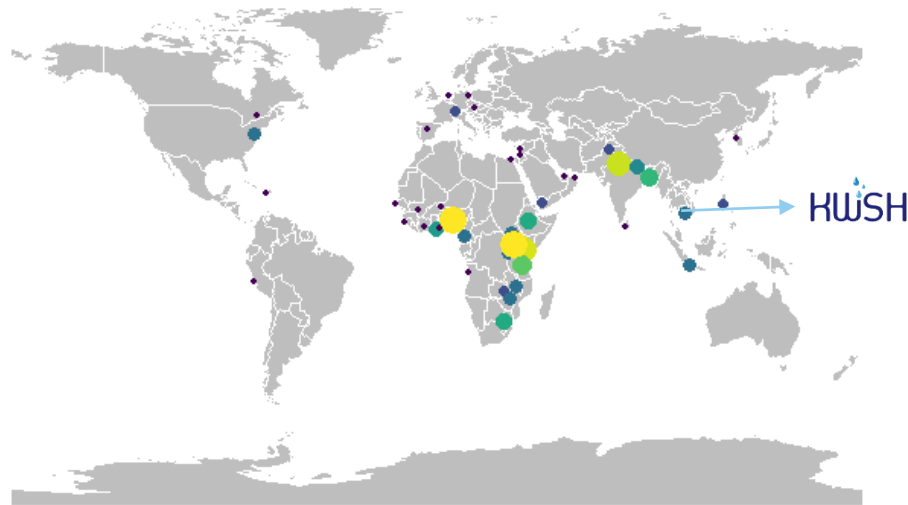


Attract private capital

***The greater the impact created, the higher the financial rewards.***

The first SIINC for WASH call for applications (August-September 2020) received 140 applications from 33 countries (map below).

Four finalists were selected to participate in a SIINC transaction.



The selection and screening process included thorough review and continuous engagement with the shortlisted candidates.

Water enterprise [Khmer Water Supply Holding](#) (KWSH) was one of them.


KWSH enterprise profile	
Founding year	2013
Country of operations	Cambodia
Business focus	(Household) water treatment and supply
Main target groups	Rural poor
Growth stage	Scaling
Total households in current licensed areas	~40,000
Total households connected via KWSH	~12,000
Stations under management	Five

# Water services for rural Cambodia

## Access to (piped) water in Cambodia

More than 3 million Cambodians lack access to safe water, from which 77% live in rural areas. Nearly 1.75 million (semi) rural Cambodian households live in areas that are commercially viable for piped water but are not connected to the water system. Sources of water, like surface water or wells, are often contaminated by agricultural runoff, arsenic and high iron content. This exposes households to waterborne diseases and generates significant economic disadvantages. The almost 400 private operators controlling the piped water supply often lack access to finance, technical expertise and management capacity to improve their operations. The country's highly regulated system with substantial entry barriers leads to a static and inefficient piped water supply.

**Cambodia's water and sanitation crisis**, available at: 

Estimate based on information from **Access to Drinking Water in Rural Cambodia**, available at: 



## Expanding piped water services

Since 2013, KWSH offers clean and affordable water services to (semi-) rural households. It acquires private rural piped water stations and increases their production and distribution capacities to underserved areas.

Customers pay a one-time fee (US\$35-70) to have a water tap installed on their premises. They pay US\$5 for 10 m<sup>3</sup>, which is the average monthly price in line with the tariffs set by Cambodian authorities. Over the next five years, KWSH aims to organically grow its existing portfolio stations and more than double the number of households within its license areas.



## KWSH customers



### Servicing the rural poor

KWSH offers clean and affordable water services to households (4-5 people on average), small, medium and large businesses, and public-sector buildings. KWSH piped water is convenient and reliable, and is used for drinking, cooking, hygiene, and cleaning.

Before getting connected to the piped water system, KWSH customers used these water sources:

- Household well: Water frequently has quality issues (e.g. presence of arsenic) and is often unavailable during the dry season. Customers must also pay for electricity or diesel, and for pump repair costs.
- Bottled water: Poor and rural people cannot afford paying for bottled water. During the dry months, prices rise because of supply shortage, and water quality is not always guaranteed.
- Rainwater harvesting: Rainwater is mainly available during the wet season. The risk of contamination is high and depends on how water is stored.
- Water delivery by truck: Water is often (too) expensive and its safety is not guaranteed. Customers are subject to delivery days and times.
- Surface water collection: Water could be contaminated (e.g. by agricultural runoff) and its use is limited. It is not always available and demands effort and time to collect.

### Reaching out to poorer households

KWSH has a strong track record of creating impact. By acquiring and upgrading five license areas, KWSH has provided thousands of additional households with piped water to date. Due to higher investment costs, more difficult-to-reach and often poorer households and areas are sometimes still left behind.



### More services areas for more impact

SIINC for WASH will encourage and reward the enterprise for going the extra impact mile. This will be measured through two metrics that incentivise KWSH to create additional impact.

#### Metric 1: Percentage of connected households

Connection rates<sup>1</sup> in the license areas Puok and Chhlong – the two most mature water stations in KWSH's portfolio – have been significantly improved, but there are not any plans for expanding them further. This is mostly due to higher investment costs, particularly compared to newer water stations. The households located closer to the pipeline and water station were the first ones to be connected. More difficult-to-reach households – usually the poorer ones – were connected later or not at all. It was concluded that the higher the connection rate, the greater the impact in quantitative and qualitative terms. This metric's incentives are progressive and structured to reward KWSH for greater efforts and achievements.

<sup>1</sup> Households connected to piped water as compared to the total number of households in a license area.

## Metric 2: Additionality level of new license areas

The second metric aims to steer KWSH's decision to acquire stations in the next three years, where their intervention will have deeper impact.

The extent of new license areas' impact will be assessed using three criteria: a) Percentage of ID poor households<sup>2</sup> b) Percentage of coverage rate<sup>3</sup> c) Percentage of people with access to clean water<sup>4</sup>.

Based on these criteria and percentages<sup>5</sup> presented in the tables (right), new license areas will be categorised as having "low", "medium" or "high" additionality. SIINC for WASH will only reward medium and high additionality areas.

<sup>2</sup> Based on the latest national census or local authorities' data.

<sup>3</sup> Defined as the number of households covered by the pipeline. The assumption is that lower pipeline coverage comes with additional investment costs but higher impact, because households are less likely to ever be connected.

<sup>4</sup> Defined as piped water, private pump well or private ring well, usable year-round, at home or less than 150m away.

<sup>5</sup> Portfolio and national averages were used to identify the below percentage points.

Criteria	Low additionality	Medium additionality	High additionality
ID poor households living in the area	<16%	16-17%	>17%
Pipeline coverage rate upon purchase	>37%	26-37%	<26%
Households with access to clean water	>43%	30-43%	<30%

	Metric 1	Metric 2
Incentive	Increase the percentage of households connected in Puok and Chhlong	Increase outreach to more impactful license areas
Baseline	60% (average)	N/A
SIINC target	72% (average)	N/A
Payments (up to)	€350,000	
Transaction period	3 years	
Impact verification	Every 12 months	

*"With the support from SIINC for WASH, we expect to bring our services to thousands of additional households, which would otherwise continue to be excluded. We are really looking forward to seeing these incentives push us to deepen our impact and stay true to our mission statement."*

William Puyo  
General Manager  
KWSH





## Rewarding additional impact...

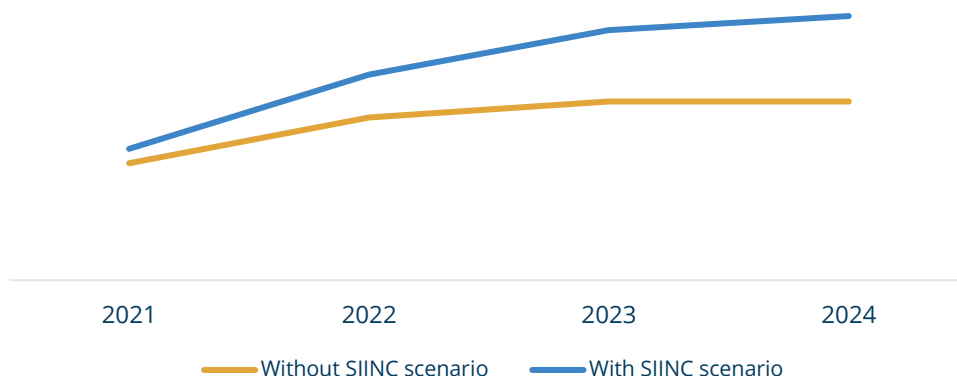
SIINC aims to push water and sanitation enterprise's impact boundaries. As such, it only rewards additional impact created. These are outcomes achieved on top of what was already planned for by the enterprise.

SIINC for WASH incentivises KWSH to more than double its plans for Puok and Chhlong over the next three years to more than 10%. This means around thousand additional households would gain access to piped water.

SIINC for WASH will incentivise KWSH to expand to areas that are perceived as too difficult to service due to, for example, the high initial investments required.

The criteria determining a new station's additionality address poverty, inclusivity and vulnerability aspects, which ensures impact leverage.

## Average connection rate in Puok and Chhlong



## ...while attracting capital...

Any SIINC scheme requires the enterprise to raise an investment round in parallel in order to receive the incentive payments. KWSH plans to raise a seven-digit repayable investment, ensuring a financial leverage of more than 1:8.

## ... and ensuring impact sustainability.

SIINC for WASH will provide KWSH time-limited incentives until 2024 and will help lock impact into KWSH's model.

Given the nature of the metrics, impact is hardly reversible. The low default rate suggests that, once connected, households benefit from access to clean water for good<sup>6</sup>.

It is therefore expected that once KWSH expands to a new area, services will continue after the SIINC support ends in 2024.

Ideally, this SIINC for WASH transaction should demonstrate that more impactful water stations could also be a good investment opportunity for KWSH. In addition, it should encourage future donors and impact investors to continue providing impact-linked incentives, to close the service gap and (more quickly) provide rural people in Cambodia with clean and affordable piped water.

<sup>6</sup> More than 97% of households meet their payment obligations, including ID poor households, whose main challenge is the initial connection rate.



## Looking back and ahead...

SIINC for WASH's purpose is to go along the commercially-oriented thinking and strategy of any market-based water enterprise as KWSH.

Metrics were structured to incentivise KWSH to deepen its impact while not distorting its overall approach or market. Close collaboration and coordination between all stakeholders involved in the SIINC for WASH transaction were necessary to find the right balance between commercial and impact performances.

In the long term, SIINC for WASH aims to support KSWH to scale to a level that allows the enterprise to overcome major trade-offs between commercial and impact goals. SIINC for WASH encourages KWSH to create lasting positive impact regardless of whether it is achieved by reaching high enough profitability levels and economies of scales or by attracting public sector support.

For more information, **please contact Aqua for All** at:



## About Aqua for All

Aqua for All is a not-for-profit organisation. For almost two decades, Aqua for All has worked towards catalysing an innovative, sustainable and inclusive water and sanitation economy worldwide. Aqua for All operates in Africa and Asia supporting innovations and scaling up enterprises until they are investment-ready without distorting the market. In addition, Aqua for All uses funds to mobilise private and public capital to increase investments in water and sanitation. Aqua for All brings to SIINC for WASH extensive water sector expertise as well as impact-linked funding for the enterprises.

<https://aquaforall.org/>

## About Roots of Impact

Roots of Impact (RoI) is a specialised advisory firm dedicated to making finance work for positive impact on people and planet. RoI collaborates closely with a variety of stakeholders across the globe to scale high-performing enterprises and innovations with strong potential for impact. As pioneers of Impact-Linked Finance, RoI is passionate about making the most effective use of public funds and catalytic capital. Its mission is to maximise "impact leverage" by mobilising private investment for high-impact opportunities and shaping innovative public-private partnerships.

<https://www.roots-of-impact.org/>



# **SIINC for WASH**

## Impact-linked finance for KWSH

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Cover: Pexels, Nexus for Development  
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