The Water & Sanitation for the Urban Poor Story

Scaling to Ensure Universal Water, Sanitation,
and Hygiene Coverage for
the Urban Poor

Scaling Pathways

QUICK FACTS

NAME WSUP

FOUNDED 2005

IMPACT AREAS Water, Sanitation, Hygiene

REGIONS SERVED Africa, South Asia

2017 REVENUE USD$17 million

WEBSITE wsup.com

HQ London, UK

LEGAL STRUCTURE Hybrid

PROBLEM	SOLUTION	IMPACT	AUDACIOUS GOAL
Nearly 900 million people worldwide lack access to safe drinking water and over two billion—nearly a third of the world's population—lack safe sanitation. In many cities, both public and private actors fail to provide basic services to low-income communities, leading to disease and economic losses.[1]	Water & Sanitation for the Urban Poor (WSUP) works alongside local water and sanitation providers (public and private) to enable them to develop services, build infrastructure, and unlock new capital, so they can reach low-income consumers within an inclusive citywide service provision.	As of 2017, WSUP has contributed to new or improved access to Water, Sanitation, and Hygiene (WASH) services for over 18 million low-income consumers. WSUP has also helped mobilize nearly $300 million of investment in WASH from development banks, the public sector, the private sector, and households.	WSUP is driving toward a future in which all urban dwellers, even the poorest, enjoy affordable, high-quality water and sanitation services. WSUP aims to reach 25 million people by 2020 and is committed to enabling universal access for the over 100 million urban dwellers in the countries in which it operates.[2]

MODEL-IN-BRIEF

Water & Sanitation for the Urban Poor (WSUP) has a permanent presence in six core countries, testing and demonstrating models to improve water and sanitation coverage in low-income urban communities and citywide. To do so, WSUP brings together private and public sector approaches to help local governments, utilities, and small and medium enterprises (SMEs) improve efficiency and deliver service offerings suitable for low-income consumers. WSUP identifies best practices and shares that knowledge widely to help advance policies and practices of other WASH stakeholders. In 2015, WSUP launched WSUP Advisory, a for-profit subsidiary that builds on WSUP's in-depth field experience to provide technical assistance outside of its core countries.

CORE INNOVATION

Bringing together private and public sector approaches
WSUP combines consumer-facing, market-driven approaches from the private sector with public policy and institutional change to achieve more effective, sustainable, and inclusive citywide solutions.

SNAPSHOT OF KEY SCALING STRATEGIES

additional detail on following pages

DIRECT ◄ ·········· ·········· ► **INDIRECT**

Continue depth of delivery in core countries and **expansion** of core model elements to new cities and countries.

Partner with public and private sector actors to sustainably increase and improve water and sanitation services for the poor.

Uses research and data to influence policies and mobilize finance and investment at the national and global levels.

1 United Nations, SDG 6 Synthesis Report 2018 on Water and Sanitation (New York: UN iLibrary, 2019), https://doi.org/10.18356/e8fc060b-en.

2 To learn more about WSUP's 2016-20 business plan, see: WSUP, Business Plan 2016-2020, (United Kingdom: WSUP, 2018), https://www.wsup.com/content/uploads/2017/09/WSUP-Business-Plan-2016.pdf.

SCALING JOURNEY

GETTING READY FOR SCALE (2005 – 2011)

In 2005, seven organizations came together to form Water & Sanitation for the Urban Poor, with the mission to create sustainable systems for pro-poor urban water and sanitation service delivery. WSUP registered in the United Kingdom, with the UK's international development arm, The Department of International Development (DFID), helping to guide the concept and provide initial funding. From the start, WSUP brought together private and public sector approaches by working with local governments, utilities, and SMEs to demonstrate how provision of WASH services to the urban poor could be more efficient, effective, and profitable and by enabling local partners to take on the work themselves.

Key Success Factors in Positioning for Scale:

CREATING A ROBUST MODEL: BEGINNING WITH FLEXIBLE CAPITAL. From inception, WSUP received a strong base of funding from DFID. This flexible funding supported WSUP's entire business plan, not just a particular project, which allowed WSUP flexibility to test, learn, and iterate.[3] In addition to financial flexibility, this early funder support provided important credibility and connections.

PROVING DEMAND: EXCEEDING EXPECTATIONS AND BECOMING A TRUSTED PARTNER. When WSUP began work in Madagascar, the national utility viewed it with some skepticism. However, WSUP worked to quickly demonstrate a business-centered approach—providing advice on business challenges and demonstrating models that improved costs and profitability—proving WSUP's value to both institutional and private sector partners. Across all of its core countries, WSUP's approach of hands-on demonstration was critical to positioning it as a trusted partner—which then led to ongoing commitments and increased demand for its services.
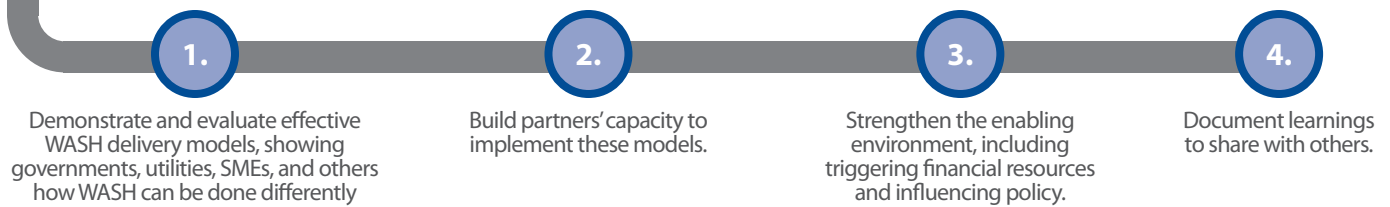
LEAN START-UP: TESTING IMPACT. WSUP began its country work with an approach that required only a handful of employees (primarily locals) to be based in-country. These teams worked with existing utilities and local government entities to identify and implement areas of improvement and received support from WSUP's UK headquarters staff.

TESTING SCALABILITY: DIVERSE PILOT LOCATIONS. WSUP selected six countries in which to pilot new models and refine its theory of change: Bangladesh, Ghana, Kenya, Madagascar, Mozambique, and Zambia. WSUP selected these locations based on factors such as potential to gain traction within that infrastructure and sufficient differences between the countries to provide implementation insights in varied environments and cultures.

3 For more information about WSUP's funding mix, see: Catherine Clark, Kimberly Langsam, Ellen Martin, and Erin Worsham. "Financing for Scaled Impact," Innovation Investment Alliance and CASE at Duke, Scaling Pathways Series (2018): https://scalingpathways.globalinnovationexchange.org/.

PRIMARY STRATEGIES FOR SCALING IMPACT (2012- PRESENT)

After spending several years testing and directly implementing pro-poor business model solutions and public and private sector capacity development, Water & Sanitation for the Urban Poor developed a clear theory of change for achieving its vision of universal WASH coverage for the urban poor:

1.	**2.**	**3.**	**4.**
Demonstrate and evaluate effective WASH delivery models, showing governments, utilities, SMEs, and others how WASH can be done differently	Build partners' capacity to implement these models.	Strengthen the enabling environment, including triggering financial resources and influencing policy.	Document learnings to share with others.

This framework guides WSUP's scaling strategies, which span from direct growth to building partner capacity to indirect impact through mobilization of financing and policy change.

STRATEGY: DIRECT GROWTH: INCREASED DEPTH IN CORE COUNTRIES AND EXPANSION TO NEW COUNTRIES. While Water & Sanitation for the Urban Poor continues deepening engagement in six core countries, it has also created a less resource-intensive platform through which to expand the model to new countries.

Water & Sanitation for the Urban Poor's foundational work occurs in-country, where it tests, refines, and helps sustainably scale WASH services benefiting the poor.

CORE COUNTRY DEPTH

WSUP continues to "go deep" in its six core countries, testing new approaches and methodologies (e.g., public-private collaboration, new management models for WASH enterprises) and building the capacity of partners to refine their offerings. WSUP moves beyond initial cities to regional or national levels, taking on greater and greater challenges in ensuring WASH access for the poor. This depth of work and development of scalable models in-country was key to achieving sustainable impact. As WSUP CEO Neil Jeffery explains, "our active implementation is a mechanism and a tool to help institutions see that things could be done differently. It has served as a doorway into the institutions to gain trust and demonstrate that WSUP could provide solutions."

NEW COUNTRY EXPANSION

Knowing that the problems associated with urban WASH are global in nature and that demand for WSUP's services was growing, WSUP sought to extend its reach in a less resource-intensive way. In 2015, WSUP launched WSUP Advisory, a wholly-owned for-profit consultancy arm of WSUP, which applies WSUP's proven models in new countries through a consultancy arrangement.[4]

WSUP Advisory is contracted by international NGOs, financial institutions, governments, and private companies to work on limited-term WASH projects. For example, one of WSUP Advisory's projects—supported by the Innovation Investment Alliance, a collaborative funding partnership between USAID and the Skoll Foundation—adapted WSUP's approach for the Indian context and supported the Government of India in achieving the goals of the Swachh Bharat Mission (SBM), or Clean India Mission. The project identified a pilot city, Visakhapatnam, where WSUP and its government and private sector partners developed and demonstrated a scalable model. The project eliminated open defecation and improved access to toilets for 250,000 people—helping open the door to scale the model nationally.

WSUP's hybrid model enables shared knowledge and practice between WSUP and WSUP Advisory, allows WSUP to bring its approach and expertise (in a less resource-intensive way) to new geographic locations, and results in earned revenue (i.e., unrestricted capital) for the nonprofit. In order to meet the talent needs of its consultancy projects, WSUP Advisory is able to call on a pool of international consultants with a mix of engineering, business modelling, and research skills complemented by wide-ranging geographic and technical experience.

---

4 To read more about WSUP's decision to spin off a hybrid, see: Catherine Clark, Kimberly Langsam, Ellen Martin, and Erin Worsham. "Financing for Scaled Impact," Innovation Investment Alliance and CASE at Duke, Scaling Pathways Series (2018). https://scalingpathways.globalinnovationexchange.org/.

WHAT YOU SHOULD KNOW: IMPLICATIONS OF DIRECT EXPANSION

- **Learning Lab**: Direct implementation allows WSUP to test new approaches and innovations, perform business analysis, and take on greater challenges while also serving as proof-points to engage public and private sector stakeholders.
- **Scalability**: WSUP sees direct implementation as necessary but insufficient to achieve its ultimate impact. The lower-resource, shorter-term approach of WSUP Advisory is more scalable than WSUP's resource-intensive core country model and is also supplemented by WSUP's wider-reach policy and financial mobilization efforts (as described below).
- **Talent**: Direct implementation leans into WSUP's core competencies of locally-based technical and engineering expertise. WSUP Advisory expanded the talent needs to include staffing and leadership with for-profit consulting experience. Managing a hybrid also required additional time and attention in order to manage a shared culture and align incentives, goals, and governance structures.
- **New Funding Sources**: WSUP Advisory is able to bid for large contracts from international financial institutions that WSUP is less well-positioned to secure as a nonprofit. Additionally, WSUP Advisory brings in additional unrestricted revenue.
- **Risk**: The commercial nature of WSUP Advisory adds a new risk profile requiring additional governance structures to manage. The hybrid structure can also bring in tensions between impact and revenue goals.
- **Two-Way Learning**: Working in new contexts with new partners creates opportunities for two-way learning between WSUP and WSUP Advisory.

STRATEGY: **PARTNER: ENABLING PUBLIC AND PRIVATE SECTOR PARTNERS TO IMPLEMENT.**
Through partnership and capacity building, Water & Sanitation for the Urban Poor transfers ownership of WASH outcomes to key public and private sector partners.

Water & Sanitation for the Urban Poor recognized that in many cities and countries the capacity, organization, and governance of existing sector institutions is weak and requires strengthening in order to sustain WASH services and achieve scale. Therefore, a key element of WSUP's work is building the capacity of public and private sector partners to take ownership and eventually scale-up delivery of services to low-income communities.

In order to facilitate this transition of ownership, WSUP provides training and technical assistance with the goal of public and private sector institutions working together more effectively, having improved business models, creating program efficiencies, and improving reach to vulnerable populations. For example, in 2015 WSUP created a Public-Private Partnership, SWEEP, which has transformed the market for emptying toilets in Bangladesh. SWEEP enables private operators in four major cities across Bangladesh to lease vacuum tankers from the public sector, reducing the barriers to entry for smaller operators who then are able to supply fecal sludge management services to a range of market segments through a differential pricing model. WSUP supports the public sector partner to define the terms of the lease arrangements, including setting standards for minimum number of low-income consumers served by the leasing entities. The leasing entities—the SWEEP operators—are supported by WSUP in developing a financially viable business model and marketing their services to low-income consumers.

In addition, WSUP expands its reach by disseminating knowledge and best practices so other organizations working on WASH for low-income communities can improve. For example, in 2017 WSUP released "A Guide to Strengthening the Enabling Environment for Faecal Sludge Management," sharing widely its hard-won insights in areas such as regulatory effectiveness and private sector enablement. WSUP has also used its research and country teams to create a Sector Functionality Framework to help inform cities about the key steps to achieve inclusive citywide water and sanitation. This Framework empowers city leaders to engage the support they need to move efficiently and effectively toward WASH goals.

WHAT YOU SHOULD KNOW: IMPLICATIONS OF ENABLING PARTNERS

- **Unit of Impact**: Moving away from direct delivery required WSUP to shift the unit of impact from providing individuals with new services to city-level or national-level metrics.
- **Measuring Impact**: As direct provision of services transitions to partners, impact directly attributable to WSUP can be difficult to measure.
- **Sustainability**: Partnering increases the sustainability of WSUP's efforts by institutionalizing them with long-term actors in-country, including utilities and government.
- **Supporting the 'Competition'**: WSUP's effort to share best practices with other WASH service providers could mean that it is helping to create competition for some of the same funding resources. However, WSUP believes that more robust providers need to enter the field to achieve scale and that, as an organization, it can innovate to stay ahead of the curve.

STRATEGY: INFLUENCING THE NATIONAL AND GLOBAL ENABLING ENVIRONMENT.

Across its core countries, Water & Sanitation for the Urban Poor works to codify a robust evidence-base that allows it to influence policies and financing in support of pro-poor WASH service delivery.

Water & Sanitation for the Urban Poor recognizes that an improved enabling environment—one that removes barriers and enhances incentives—is essential to the long-term sustainability and scale of WASH service delivery to low-income consumers. WSUP focuses on two key levers to improve the enabling environment: strengthening institutional and regulatory frameworks and unlocking new financing.

STRENGTHENING INSTITUTIONAL AND REGULATORY FRAMEWORKS

WSUP's investments in a research agenda that gathers and codifies evidence—with the intent of strengthening others—drives its success in influencing institutional and regulatory frameworks. WSUP engages a "combination of practical activity on the ground and intuitive learning that comes with that, connected to thought leadership at the international level," shares Sam Drabble, WSUP's Head of Research and Learning, who works with country teams to set research priorities. In Kenya, for example, WSUP collaborates with the Kenyan Ministry of Health and Water Services Regulatory Board on the Urban Sanitation Research Initiative, which contributes to the evidence base guiding pro-poor urban sanitation policy. This research partnership has led to tactical regulatory changes, such as the introduction of a key performance indicator, KPI10, that requires country-owned utilities to report on their pro-poor coverage. In the first year of KPI10, only nine of the 42 utilities had a pro-poor, low-income service footprint. By year three, all 42 utilities had such a footprint. In another research study, also in Kenya, WSUP is analyzing the willingness of non-poor consumers to pay a pro-poor sanitation surcharge—potentially leading to the introduction of utility surcharges to allow for cross-subsidization.

UNLOCKING NEW FINANCING

In addition to influencing the effectiveness of large-scale investments from financial institutions, another important lever WSUP engages to increase impact at scale is to influence and mobilize public and private investment in urban WASH. WSUP works to unlock and maximize investments from international finance institutions (including major World Bank investments), public sector (local and central government funding), private sector (see SWEEP example above), and households (pay for service).

According to Baghi Baghirathan, WSUP's Director of WASH Finance,

Achieving universal access to WASH in cities will require billions of dollars of investment. That's why one of WSUP's best tools for creating change is to unlock and trigger new finance and investments that can support citywide WASH services. In Mozambique, for example, WSUP's pilot sanitation program in the capital city Maputo has led to its replication with increased investments by the Municipality and the preparation of an urban sanitation master plan supported by the World Bank. This in turn has triggered the preparation of a $115 million World Bank funded major sanitation investment project for four cities including Maputo.

To date, WSUP has helped unlock nearly $300 million of additional investment and aims to reach $600 million by 2020.

WHAT YOU SHOULD KNOW: IMPLICATIONS OF INFLUENCING THE ENABLING ENVIRONMENT

- **Impact**: It can be difficult to measure the impact attributable to WSUP from this indirect work, but the impact itself can be more sustainable and transformative.
- **Politics**: Changing political priorities can sidetrack the work on policy and financing.
- **Staffing**: WSUP has committed resources to staffing up a global research team to lead this work, supported by in-country Research and Policy Leads with deep knowledge of the local enabling environment.
- **Maintaining Focus**: Research is a means to an end for WSUP which requires maintaining a laser focus on building an actionable research agenda that can inform policy and practice.
- **Funding**: Thought-leadership is attractive to some public-sector funders and foundations but too theoretical for others, so funding this work can be a challenge.

Pearls of Scaling Wisdom from WSUP

1 **THINK CAREFULLY BEFORE LAUNCHING A HYBRID.**
Creating a hybrid structure is a big investment of time and resources so should not be a decision made lightly or made with only revenue goals in mind. In our case, a hybrid structure allowed us to leverage our existing work, develop new business lines, and achieve more impact and reach. In order to reach those goals, we took on additional risks and spent time and resources carefully implementing the model. For example, we needed to ensure cultural alignment between our nonprofit and for-profit staff, which we accomplished in part by sharing office space and creating and managing a shared culture and values. We also created governance structures to manage the unique needs of each business while sharing learnings (e.g., the entities have separate boards to ensure advising unique to each business, and WSUP's CEO sits on WSUP Advisory's Board).

2 **AS YOU SCALE THROUGH OTHERS, DEMONSTRATE CHANGE AND GET BUY-IN.**
We knew we couldn't do all the work directly, so a critical aspect of WSUP's work has been learning by doing on the ground and then supporting other institutions to replicate. We understand that demonstrating results is more effective than simply giving advice, so we practice a "show not tell" philosophy. We invest in our relationships to build trust over the long-term but also expect the partners to invest of their own time and money to show us that they are truly taking ownership.

3 **CODIFY KNOWLEDGE AS YOU SCALE.**
As more and more entities have entered the WASH field, we have spent significant time codifying our knowledge and practices so that new players can enter more quickly, productively, and using a systems change model. Although new players create more competition for resources, we believe that our mission requires more players in the space and know that we can stay ahead by continuing to innovate.

4 **COMMUNICATE AMONG VARIOUS PATHWAYS TO ENSURE COMPLEMENTARITY.**
Pursuing multiple scaling pathways simultaneously requires bringing together teams with very different skillsets, ways of working, and professional cultural norms (think engineers and researchers). In order to keep alignment between teams pursing different pathways, we must have strong communication channels across units. For example, our team leads present to one another regularly to discuss their work, we use a common language around core activities and aligned metrics, and we run workshops so that each team member is comfortable with approaches used by others.

5 **BUILD A TALENT INFRASTRUCTURE FOR YOUR SCALING PLANS.**
Initially, we focused on the staffing needed to implement our programs on the ground, which included engineers and "negotiators" who could build capacity within local institutions. That served us well as we tested and refined our models, but as we started to scale, we realized we had many key talent gaps to fill, such as expertise in M&E, managing complex financial systems, fundraising and communications, HR, research/advocacy, logistics, business and data analysis, commercial contracts, urban development, and city institutions, etc. Over time and with significant effort, we have shifted from a scrappy organization to one with a sustainable structure.