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EVALUATING THE WASH ACTION GROUP INDICATOR FRAMEWORK

A BRIEF ON THE PRACTICES OF INVESTORS AND THEIR PARTNERS

Prepared by MSC (MicroSave Consulting) for the e-MFP WASH Action Group and Aqua for All



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ABOUT THE STUDY

BACKGROUND

The Water, Sanitation, and Hygiene (WASH) sector is critical for public health, socio-economic development, and environmental sustainability. Access to clean water and improved sanitation services directly influence health outcomes, economic productivity, and overall quality of life. Despite progress, approximately 2.2 billion people still lack safely managed drinking water, and 3.5 billion people do not have access to safely managed sanitation facilities¹. These gaps are a significant barrier to achieving the United Nations' Sustainable Development Goal (SDG 6) on water and sanitation for all.

Impact investments have emerged as a key driver in addressing these challenges by providing much-needed capital for innovative and scalable WASH solutions. By financing projects that aim to improve water supply, sanitation, and hygiene, impact investors contribute to reducing the funding gap while ensuring social and environmental benefits. Since many of these investments are tied to impact-oriented outcomes, there has been a growing interest among impact investors and capital providers to integrate impact measurement and monitoring as part of their investment processes. To fully realize the potential of these investments, standardized impact measurement is essential.

The WASH Action Group (AG) Indicator Framework, developed in 2023 by e-MFP - a leading network promoting financial inclusion - and Aqua for All - an international foundation focused on sustainable water and sanitation solutions - provides a structured and comprehensive approach for evaluating the impact of WASH investments. This framework aims to standardize the way financial institutions, investors, and other stakeholders measure the outcomes of WASH-related activities, enhancing the transparency and effectiveness of impact investments in the sector.

¹ <https://www.un.org/sustainabledevelopment/water-and-sanitation/>

Seeking to evaluate the applicability and adoption of the WASH AG Indicator Framework, [MicroSave Consulting \(MSC\)](#), a global consulting firm specializing in financial inclusion and impact evaluation, conducted a study among key stakeholders, including asset managers, financial intermediaries (FIs), and small and medium enterprises (SMEs). Through primary consultations, the study documents current impact measurement practices within the WASH sector, assesses their alignment with the WASH AG Indicator Framework, and identifies key challenges these entities face in data recording and impact measurement. The study offers actionable recommendations to enhance framework adoption, aiming to bridge critical gaps in impact measurement and reporting, ultimately improving the transparency and effectiveness of WASH sector interventions.

Interactions were held with three groups of stakeholders including i) asset managers ii) financial FIs - which included banking institutions and micro-finance institutions (MFIs), and iii) WASH SMEs, to ascertain the current investment processes for WASH investments, impact assessment & monitoring processes and best practices being followed among different players in these sectors.

Methodology

MSC employed a structured approach for analyzing the existing impact measurement practices in the WASH ecosystem and ascertaining the feasibility of adopting the WASH AG Indicator Framework which is shared both for FIs and SMEs in the Annex. A step-wise outline of the methodology is as follows:

- Secondary desk-based research to gain an in-depth understanding of the issues and to develop both qualitative and feedback tools
- The qualitative tools were used to conduct semi-structured in-depth interviews (IDIs) held individually through virtual consultations
- A feedback tool was developed in line with the WASH AG Indicator Framework to gain feedback on the indicators, on their feasibility and comprehensiveness and to seek suggestions for improvement and integration of any additional indicators
- A synthesis of the results from secondary research, primary consultations and feedback was carried out to form the findings, recommendations and actionable insights for the study

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KEY FINDINGS

In this section, we provide a comprehensive overview of the current practices and processes employed by various stakeholders for impact measurement. This includes the tools used for data collection, the frequency of data collection, the indicators, and the challenges encountered. Specifically, the following aspects are covered:

- Impact measurement process – impact consideration at the investment screening and due-diligence processes, methods being employed for data collection, frequency of data collection and tools for data collection
- Assessing the ease and degree of adoption of the WASH AG Indicator Framework
- Challenges faced in impact measurement

IMPACT MEASUREMENT PROCESSES ACROSS ENTITIES

Asset Managers

We found the asset managers to have structured approaches to impact assessment, both pre- and post-investment and to have dedicated resources for the purpose. Assessment of impact or the potential to impact is integrated within the due diligence process and is evaluated against pre-defined objectives of the fund and the estimated outcome aligned with the theory of change. Many

organizations were found to align their impact measurement indicators with global frameworks such as [IRIS+](#), [International Benchmarking Network](#) metrics and the [SDGs](#). Asset managers mostly rely on self-reported data for assessment of impact post-investment. However, in one instance, the asset manager even goes a step further by employing third parties for performing validation assessment which further enhances the quality of impact measurement. Nonetheless, standardizing data collection across diverse geographies and sectors remains challenging.

FIs

Priority for impact measurement varies across FIs and is largely governed by the requirements of different investors with metrics recorded also varying by investor categories. It was interesting to note that one of the FIs has mainstreamed impact measurement into the system and collects impact-related data as part of the loan application process by integrating data collection into loan officer workflows using mobile devices. This has the potential to serve as the best practice for others to adopt. However, given that impact measurement is investor driven, not all FIs have dedicated resources for impact measurement.

SMEs

We found the SMEs to have limited capacity to monitor and measure impact, often relying on basic operational data. The enterprises consulted for this study were also found to have no specified requirement by their investors for impact measurement.

Table 1 on page 6 summarizes the impact measurement process by rating each enterprise on three critical elements viz. whether impact consideration takes place at pre-investment level, whether impact is monitored post-investment and whether there are dedicated resources for monitoring and measuring impact. For the purpose of rating, the following methodology was adopted.

Rating	High	Partial	Low
Description	Present across all	Partially present	Not present across any

TABLE 1: Impact considerations across stakeholders

Stakeholder Type	Pre-investment	Post-investment	Resource allocation
Asset Managers	High	High	High
FIs	High	High	Partial
SMEs	Low	Low	Low

RATING THE WASH AG INDICATOR FRAMEWORK ON ITS EASE AND DEGREE OF ADOPTION

In this section, the WASH AG Framework indicators are tested for their ease and degree of adoption, based on the feedback received from the stakeholders. A color-coded rating methodology – green, amber, red - has been employed to assess both the ease of adoption and the degree of adoption. Here is an explanation of the rating methodologies:

Ease of adoption: This rating methodology evaluates how easy or difficult an indicator is to adopt or whether an indicator is unclear in its meaning to the stakeholders.

Degree of adoption: This rating methodology evaluates the extent to which an indicator has been adopted based on feedback received.

The WASH AG Framework indicators (see Annex) reveal varying levels of ease and degree of adoption across different categories:

Financial indicators

- High adoption for metrics such as the total number of loans provided, average loan size, and portfolio performance, indicating ease of measurement and widespread use.
- Low adoption for more complex indicators like the average level of grant support and loans contributing to market linkages or enabling environments, which are more challenging to implement.

Social indicators

- Partial adoption for indicators like the number of new users and service affordability, with respondents anticipating easier adoption in the future.
- Low adoption for more difficult-to-track outcomes like WASH's contribution to health improvements and job creation.

Climate indicators

- Both climate-related indicators are challenging, with low adoption for the indicator on WASH portfolio's contributions to adaptation and partial adoption for contributions to mitigation efforts.

Quality of service indicators

- Generally unclear or difficult to implement, resulting in low adoption across these indicators.

Water and sanitation indicators

- Both water services and sanitation indicators show significant difficulty in implementation, leading to low adoption across these areas.

Summary of the findings is given in Table 2 on page 7.

TABLE 2: Rating of WASH AG Indicator Framework

Category	Indicator	Ease of adoption	Degree of adoption
Financial (business)	1.1 Total number of loans provided to WASH sector	Easy	High
	1.2 Average level of grant support to SMEs	Difficult	Partial
	1.3 Average size of loans provided	Easy	High
	1.4 Number of loans leading to improvement in market linkages	Difficult	Low
	1.5 Number of loans with supportive enabling environment	Unclear	Low
	1.6 Overall performance of WASH portfolio	Easy	High
Social	2.1 Number of new or improved users in WASH portfolio	Easy	Partial
	2.2 Number of investments leading to improved health in WASH Portfolio	Difficult	Low
	2.3 Number of jobs created in WASH portfolio	Difficult	Low
	2.4 Affordability of services provided	Easy	Partial
Climate	3.1 Number of loans in WASH portfolio with contribution to climate mitigation	Difficult	Partial
	3.2 Number of loans in WASH portfolio with contribution to climate adaptation	Difficult	Low
Quality of service	4.1 Number of loans in WASH portfolio per service level	Unclear	Low
	4.2 Number of loans in WASH portfolio with good quality of services provided	Difficult	Low
	4.3 Number of loans in WASH portfolio with innovative business model	Difficult	Low
Water services	W.1 Number of loans in WASH portfolio guaranteeing sustainability of source of water	Difficult	Low
	W.2 Increase in water produced or provided in WASH portfolio	Difficult	Low
Sanitation	S.1 Number of loans that safeguard environmental conditions of sanitation	Difficult	Low

CHALLENGES FACED IN IMPACT MEASUREMENT

A. Data availability and quality

All asset managers cited collecting reliable data from financial intermediaries and small enterprises as a challenge, especially for qualitative indicators related to health outcomes, gender impacts and climate.

B. Lack of standardization

Different reporting requirements across investors burden investees, highlighting the need for harmonized frameworks.

C. Business model diversity among SMEs

The diverse range of business models among WASH SMEs presents significant challenges in creating a unified data collection and reporting system. The operational variations across these

SMEs make it difficult to apply a one-size-fits-all approach, highlighting the need for a more scalable and flexible system capable of adapting to this diversity while ensuring efficient and consistent data management.

D. Financial and human resources constraints

Many FIs and SMEs lack the financial and human resources to conduct comprehensive impact measurement.

E. Limited focus on gender and social differences

Current measurement approaches, including the WASH AG Framework, overlook gender and other social differences. This includes how WASH services impact different groups, such as women, ethnic minorities, and marginalized communities. The lack of focus on gender and social differences results in unequal benefits from WASH interventions, perpetuating existing inequalities.

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KEY TAKEAWAYS AND CONCLUSION

The review of the WASH AG Indicator Framework reveals a mix of already adopted measures, areas requiring advocacy, and several indicators that need further clarification and training for effective implementation. We have organized the recommendations to first focus on enhancing the framework by proposing changes to the existing framework, and then conclude by suggesting strategies that are likely to enable higher adoption. In the former, we focus on revisions and actions for enhancing the adoption of the current list of indicators through redefinition and training measures, and a few additions. In the latter, we propose defined activities that could lead to greater adoption of the WASH AG Indicator Framework.

RECOMMENDATIONS FOR ENHANCING THE EXISTING WASH AG INDICATOR FRAMEWORK

Here, we have tried to arrive at action points required for indicators based on their respective ratings presented above regarding ease and degree of adoption. Explanation for proposed action points is:

No action

Indicators rated as 'Easy' on ease of adoption with 'High' on degree of adoption would require no immediate action.

Nudge

Indicators rated as 'Easy' on ease of adoption with 'Partial' on degree of adoption may only need a nudge for universal adoption.

Redefine

Indicators rated as 'Unclear' on ease of adoption with 'Low' on degree of adoption will require redefining the indicators for clarification with also a potential for training on data collection and recording.

Train

Indicators rated as 'Difficult' on ease of adoption with 'Partial' or 'Low' on degree of adoption would require training for data recording followed by advocating for universal adoption.

Table 3 on page 10 shows the action points for each indicator.

TABLE 3: Action points for adoption of the WASH AG Indicator Framework

Ease of adoption	Easy		Unclear	Difficult	
Degree of adoption	High	Partial	Low	Partial	Low
Action point	No action	Nudge	Redefine	Train	Train
Indicator	• N°. of loans provided to WASH sector • Average size of the loan • Performance of WASH portfolio	• New or improved users in WASH portfolio • Affordability of service provided	• Loans with supportive enabling environment • N°. of loans per service level	• Average level of grant support • Loans contributing to climate mitigation	• Contribution to improvement in market linkages • Contribution to improved health • Contribution to job creation • Contribution to climate adaptation • Loans with good quality of service provided • Loans with innovative business model • Loans guaranteeing sustainability of water source • Increase in water provided • Loans safeguarding environmental conditions of sanitation

SUGGESTED ADDITIONS TO THE INDICATOR FRAMEWORK AND ITS ADOPTION

Based on the feedback received from the stakeholders, we propose several thematic additions to key indicators aiming to enhance the WASH AG Indicator Framework. These include:

TABLE 7: Suggested additions to the WASH AG Indicator Framework

Indicator	Description	Suggested Metric
Gender	Number of female clients benefiting from WASH services.	The total count of female beneficiaries who have accessed or received WASH services.
Urban/Semi-Urban/Rural	Clients receiving WASH services segregated into urban, semi-urban and rural segments to measure the depth of impact.	Clients receiving WASH services segregated into urban, semi-urban, and rural segments to measure the depth of impact.
Cost-Efficiency of Interventions	Track the cost per beneficiary to assess the efficiency of different WASH interventions. It could be in the form of extra due-diligence cost incurred during evaluation and extra cost incurred in monitoring and impact measurement.	Cost per beneficiary (total cost of intervention/ number of beneficiaries).
Community Engagement Levels	The extent of community participation in the planning, implementation, and maintenance of WASH services.	Number and type of community meetings, participation rates, feedback collected.
Level of Satisfaction	Satisfaction indicators gauge the satisfaction levels of households regarding the quality, volume of water supply and other related services.	Satisfaction scores (based on surveys on a Likert scale), percentage of satisfied clients.
Impact on Local Ecosystems	Include indicators that measure the impact of WASH projects on local ecosystems, such as changes in water table levels and biodiversity.	Changes in water table levels, biodiversity indices, ecosystem health indicators collected through environmental monitoring/ESG reports.

CONCLUSION AND WAY FORWARD

The WASH AG Indicator Framework presents a valuable tool for enhancing the measurement of impact investments in the water, sanitation, and hygiene sectors. The findings of this study highlight both the potential and the challenges associated with its adoption. While asset managers and FIs generally have structured impact measurement processes, SMEs face significant barriers due to resource limitations and the lack of standardized reporting requirements.

The study underscores the importance of reliable impact measurement in ensuring that investments in the WASH sector contribute to meaningful improvements in public health, economic productivity, and environmental sustainability. By standardizing the way impact is measured and reported, the WASH AG Indicator Framework can bridge the gap between financial investment and real-world outcomes, fostering greater accountability and transparency.

To ensure successful adoption of the framework, several actions are recommended:

Stakeholder engagement and consensus building

Engage with all relevant stakeholders, including asset managers, FIs, SMEs and think tanks in the sector, to ensure that the indicators are comprehensive and actionable and work towards achieving a consensus on the core set of indicators that will be universally adopted.

Encouraging harmonization of reporting requirements among asset managers

Currently, these requirements vary according to the needs of different investors, creating a fragmented system. This situation places considerable strain on investees, who often lack the resources and bandwidth to meet diverse demands.

Offering training and capacity-building support

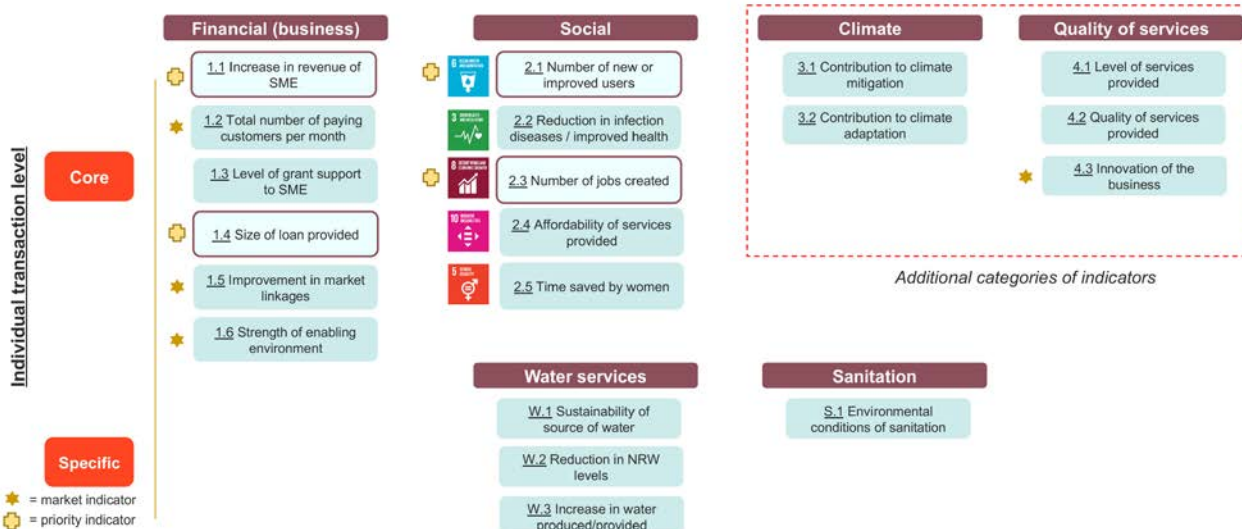
After reaching consensus on a harmonized form of reporting requirement, there is a need to provide training programs to investee companies, both FIs and SMEs, on how to collect, report, and analyze the data related to the WASH AG indicators.

Pilot testing the framework

Implement a pilot project with selected asset managers or FIs to refine and adjust indicators. This phase is vital to identify any gaps, challenges, or areas for improvement before a broader rollout.

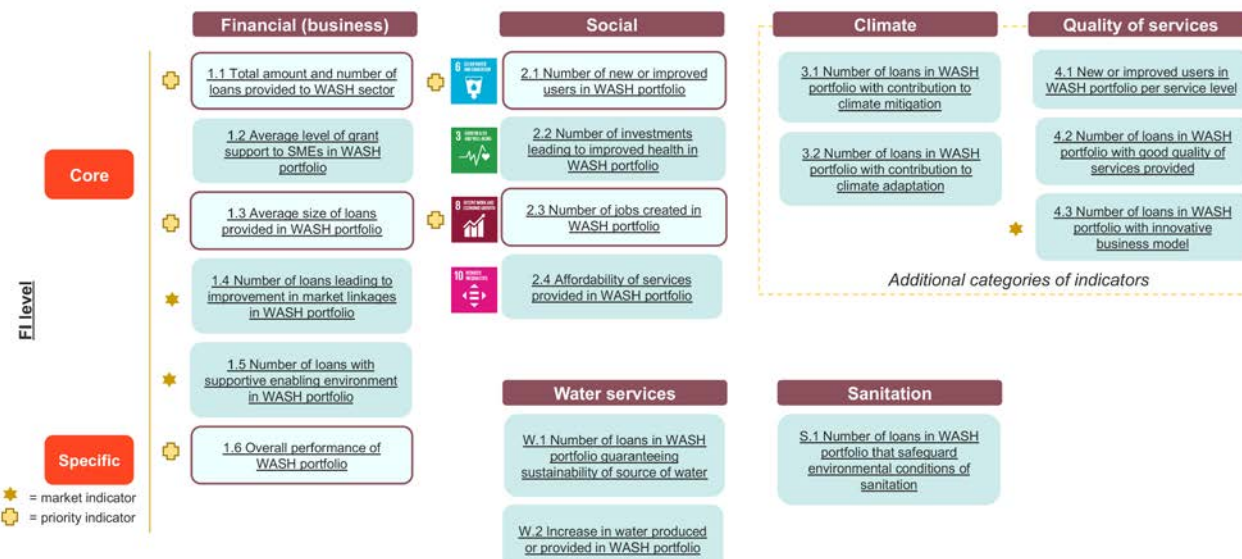
By addressing these challenges, the WASH AG Indicator Framework can become a key driver for improving the effectiveness of impact investments in the WASH sector, ultimately helping to achieve the goal of universal access to clean water and sanitation.

3. Indicator framework at SME level



www.e-mfp.eu

4. Indicator framework at FI/portfolio level



www.e-mfp.eu

MSC

MicroSave Consulting (MSC) is a boutique consulting firm that has, for 25 years, pushed the world towards meaningful financial, social, and economic inclusion. With over 300 staff of different nationalities and varied expertise, we are proud to be working in over 68 developing countries. We partner with participants in financial services, enterprise, agriculture and health ecosystems to achieve sustainable performance improvements and unlock enduring value. Our clients include governments, donors, private sector corporations, and local businesses. We can help you seize the digital opportunity, address the mass market, and future-proof your operations.

For more information, please visit: www.microsave.net

Aqua for All

Aqua for All is an international foundation. For over two decades, we have worked towards catalyzing 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, we use our funds to mobilize private and public capital to increase investments in water and sanitation.

For more information, please visit: aquaforall.org

e-MFP

e-MFP with around 120 members from all geographic regions and specializations, is the leading network of organizations and individuals active in the financial inclusion sector 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.

For more information, please visit: www.e-mfp.eu

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