Title: Understanding the Role of Impact Investment in Financing WASH Outcomes

Achieving water security across different scales and scopes is a complex and challenging task. Actors in the water supply and sanitation (WASH) sphere are working towards sustainable solutions that improve technologies, infrastructures, environmental and financial systems. One vital requirement in delivering catalytic actions in WASH, especially in developing countries, is the mobilisation of capital. Water leaders are looking at alternative ways to achieve sustainable development in WASH through impact investing (II) – a financing movement that utilise innovative financial mechanisms to intentionally direct capital towards the creation of measurable, positive social and environmental impact while generating financial returns.

The study aimed to develop a viable II operational framework which can guide investors in finding practical entry points in financing WASH initiatives by incorporating the different processes, stakeholders, risks, and returns involved. The study further explored the benefits and challenges in II and in delivering WASH outcomes from a global and developing country context. Stakeholder groups in the Philippine water sector were interviewed about their knowledge, attitudes, and practices. The Philippines, despite being one of the fastest growing economies in Asia, faces multiple social/environmental issues. II’s potential and current utilisation presents a case for further exploration. At present, sector-specific II studies are limited and have yet to be explored by more think tanks and academics. This study can be considered as one of the few and initial attempts to examine II for WASH.

The study findings were categorised into three main themes: 1) the level of awareness on II and WASH issues, 2) II's potential to grow, and 3) institutional and water-sector-specific challenges. The respondents' awareness of the concept of II in WASH were relative to their respective fields and involvement in II. In terms of the industry's potential, the respondents acknowledged that for II to expand in the Philippines, it must be accompanied by improvements in governance, institutional capacity, and strong public and private partnerships. Challenges identified by the stakeholders range from regulatory risks to lack of data information.

Enhancing awareness and credibility through research, improving governance structures, leadership, developing industry monitoring & evaluation, and conducting feasibility projects were recommended.