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WORLD'S FIRST \$10M SANITATION DEVELOPMENT IMPACT BOND LAUNCHES

- **First Development Impact Bond for the WASH (Water, Sanitation and Hygiene) sector.**
- **\$10m to develop rural sanitation markets in six Cambodian provinces.**
- **1,600 villages to become open defecation free by 2023.**
- **Safe sanitation will prevent the spread of diseases and improve health in rural communities—especially for children.**

A groundbreaking initiative to bring safe sanitation to some of the poorest and most vulnerable households in Cambodia launches today. The Cambodia Rural Sanitation DIB is the world's first Development Impact Bond for sanitation and aims to eradicate the high rates of open defecation in the country and accelerate the Cambodian government's efforts to reach universal sanitation.

The DIB aims to develop market-based solutions that will contribute to universal sanitation coverage in six provinces (Svay Rieng, Kandal, Prey Veng, Kampong Thom, Siem Reap and Oddar Meanchey)—reducing stunting among children and, preventing the spread of disease and contamination of drinking water. This supports the Cambodian government's aim of eliminating open defecation by 2025—five years ahead of the Sustainable Development Goals target of 2030.

The Stone Family Foundation will provide the upfront investment required to achieve sanitation outcomes, which will be delivered through the third phase of iDE's Sanitation Marketing Scale Up program. USAID will provide up to \$10m in outcomes funding to the Stone Family Foundation, but only where results (open defecation-free villages) are achieved. The DIB model will allow iDE and the Stone Family Foundation to learn, adjust, and innovate in order to achieve the goal of 1,600 open defecation free villages while reaching the most vulnerable households.

The Cambodia Rural Sanitation DIB was developed with the support of Social Finance, which undertook the feasibility study for a sanitation sector DIB and facilitated the design discussions between USAID, Stone Family Foundation, and iDE.

Paul Gunstensen, Director of WASH at Stone Family Foundation, said: *"We are delighted to launch this initiative with USAID and iDE. This is the culmination of a six-year partnership to support iDE's successful sanitation marketing program, and we hope it will serve as an example of how long-term finance and support can address the critical challenge of universal sanitation. This DIB demonstrates it is possible to transition from grant funder to impact investor, enabling both high social impact and financial return."*

The Cambodia Rural Sanitation DIB is a significant step forward for iDE's already successful Sanitation Marketing Scale-up Program, which delivers affordable latrines to tens of thousands of households every year, contributing to increases in sanitation coverage from 29 percent to 67 percent between 2009

and 2018 in the six provinces. The impact bond mechanism incentivizes constant program improvement for delivery of results, allowing iDE to leverage its strengths in rigorous data analysis and adaptive management to achieve outcomes.

Lizz Ellis, CEO of iDE, said: *“The outcomes focus of an impact bond provides flexibility to evolve in a complex and constantly changing market ecosystem. This flexibility is important as iDE tests new strategies for increasing our ability to reach the poorest households with improved sanitation, ensuring that all people benefit from the drive towards total sanitation.”*

The principle of supporting local markets to deliver products and services that local communities value is key to the program. It is in line with USAID’s focus on achieving greater development outcomes by building local sustainability so that foreign assistance is no longer necessary.

Veena Reddy, Mission Director at USAID Cambodia, said: *“This new results-based financing approach to improving rural sanitation demonstrates our commitment to supporting Cambodia on its road to self-reliance. This DIB is USAID’s third and an example of our leadership in collaboration and co-design between partners and global innovative financing to achieve the best possible development results.”*

As well as being the first impact bond specifically focused on a Water, Sanitation, and Hygiene goal, the impact bond went from initial design to launch in a relatively short time period of nine months.

David Hutchison, CEO of Social Finance, said: *“The rapid development of this impact bond was enabled by the aligned priorities and commitment of the partners. It’s a great example of how focusing on outcomes allows different development partners to collaborate in a mutually beneficial way, playing to organizational strengths to deliver high impact programs with a clear end-goal.”*

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NOTES TO EDITORS:

Development Impact Bonds (DIBs) are an innovative way of financing international development that improves value for money while increasing the efficiency and effectiveness of programs. Impact bonds are performance-based, meaning that investors are only paid a return if a set of pre-agreed targets are met. This dramatically reduces the risks of funding non-performing programs for governments and development partners, who pay out only after a successful result is achieved. By going beyond inputs, the impact bond mechanism enables a shift in government and donor financing towards focusing on results, and incentivizes investors and implementers to consider the most effective ways to deliver outcomes, rather than meeting a set of pre-determined input metrics.

Partners:

- **The U.S. Agency for International Development (USAID)** leads the U.S. Government's international development and disaster assistance through partnerships and investments that save lives, reduce poverty, strengthen democratic governance, and help people emerge from humanitarian crises and progress beyond assistance. USAID is the outcomes funder for the Cambodia Rural Sanitation DIB, committing \$9,999,999 to repay the investor for outcomes achieved.
- **The Stone Family Foundation** supports innovative, sustainable, entrepreneurial solutions to major social problems in the UK and around the world. It provides high risk, flexible capital to achieve high social impact with a vision of market-based solutions delivering transformational impact on the lives of people living in Africa and Asia currently without access to improved water and sanitation. This is the first DIB the Foundation has been involved in and hopes this could become an example of how to provide the right type of finance at the right time to achieve specific goals and aims. The Foundation has been very active in the rural sanitation sector in Cambodia, providing over \$11M to various programmes and initiatives since 2011. The Foundation is the only investor in the Cambodia Rural Sanitation DIB, providing the up-front risk capital to the implementation partner.
- **iDE** is a global organization that advances market-based approaches in agriculture; access to finance; and water, sanitation, and hygiene (WASH) to create income and livelihood opportunities for low-income rural households. iDE is the implementation partner who will be responsible for running the Cambodia Rural Sanitation DIB in the country. iDE has increased the incomes and improved the livelihoods of more than 33 million people by developing inclusive market ecosystems that allow more people to participate in the economy, exercise choice through economic freedom, and achieve their aspirations. The organization has offices in 14 countries around the world which employ over 1,000 people — 96% of whom are local — to create real change that gives people the power to prosper on

their own terms. iDE guarantees an average social return on investment of a minimum of \$10 in annual income or livelihood savings for every dollar invested in iDE globally.

- **Social Finance** undertook the feasibility study, and facilitated the design of the Cambodia Rural Sanitation DIB, in collaboration with the partners. Since Social Finance launched impact bonds in 2010, the concept has captured widespread interest across the globe. There are currently more than 120 Social Impact Bonds across 24 countries, mobilizing more than £400m of investment into tackling complex social issues such as youth unemployment, homelessness and neonatal health.