

Sanitation Technology Funder Landscape

Exploring Potential Resources to Validate and Prepare Markets for Novel Sanitation Solutions

Did you know?

According to the Lemelson Foundation, in India “a new invention-based enterprise [may] require as much as US \$25 million in capital over seven to ten years before turning consistent profits at a substantial scale” (Lemelson Foundation, 2015).

The Pioneer Gap Challenge

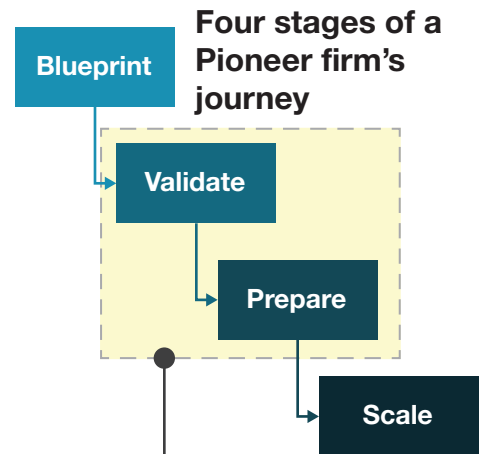
This brief synthesizes the STeP [Sanitation Funders Landscape Report](#) and serves as a starting point for sani-entrepreneurs and other stakeholders to understand the funding challenge called the “Pioneer Gap” and possible ways to overcome this challenge. It also provides guidance on specific actions to take while seeking funding.

Understanding the Pioneer Gap Challenge

- Investors require **evidence of market traction and scalable business models** when investing in commercialization of sanitation technologies.
- Funding for pilot testing technologies and validating business models in real-world environments is one of the **most challenging resources to find**. Pilot testing often occurs in a boot-strapped fashion for entrepreneurs by relying on personal savings and funds from friends and family. This leaves a **limited evidence base** and isolated **examples of success**.
- Consequently, investors are **reticent to invest, which perpetuates a wait-and-see mentality**.

Bridging the Pioneer Gap

Bridging the Pioneer Gap requires risk-tolerant capital aimed at addressing multiple needs over the long haul. Two financing opportunities hold promise for sanitation technology entrepreneurs.



The Pioneer Gap is the challenge faced by enterprises in securing funds for early-stage activities such as pilot testing, market research, and business model testing.

Enterprise Philanthropy <ul style="list-style-type: none"> • Existing resources available now • A great place to start 	Blended Finance <ul style="list-style-type: none"> • Promising future possibility • Not yet optimized to meet the needs of sani-entrepreneurs
Definition: Catalytic early-stage donor funding to establish inclusive enterprise models into which return-seeking capital can be invested to drive scale (Das et al., 2016). Funders involved: Philanthropic donors, bilateral aid organizations, and high-net-worth individuals. In focus: Bilateral aid agencies are a key source of enterprise philanthropy, provided timing and priorities align.	Definition: The strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets (World Bank, 2016). Funders involved: Philanthropic donors, bilateral aid organizations, impact investors, and other commercial investors. Potential blended finance tools of interest: Catalytic first-loss capital, venture debt, and quasi-equity.
Promising Organizations <ul style="list-style-type: none"> • Global Innovation Fund • Venturewell • Humanitarian Innovation Fund • Stone Family Foundation 	Promising Organizations <ul style="list-style-type: none"> • Asha Impact • Convergence • Developing World Markets • Water Equity

STeP interviewed dozens of funders, intermediaries, and impact investors.

This is some of what we heard:

Impact Investor – “There is a lot of scope for impact in the water and sanitation sector, but we haven’t come across strong business models that would achieve both social impact and financial return.”

Funding Organization – “[When it comes to funding a business with a new product] we want to see that product getting traction in the market...a certain amount of revenue generated. We want to see some evidence, but [what that evidence is] would vary from business and sector.”

Funding Organization – “[We need to see] proven demand and willingness to pay from consumers [before we invest].”

Das, C. Hedge, N. & Koh, H. (2016, April). Hardware pioneers: Harnessing the impact potential of technology entrepreneurs. FSG, 5. Retrieved from <https://www.fsg.org/publications/hardware-pioneers>.

Lemelson Foundation. (2015). Catalyzing capital for invention: Spotlight on India. The Lemelson Foundation, 8. Retrieved from <https://www.issuelab.org/resources/23114/23114.pdf>.

World Bank. (2016). Achieving universal access to water and sanitation by 2030: The role of blended finance. Retrieved from <http://documents.worldbank.org/curated/en/978521472029369304/Achieving-universal-access-to-water-and-sanitation-by-2030-the-role-of-blended-finance>.

